



Financial Report

Third quarter of 2023

Desjardins Group posts surplus earnings of \$614 million for the third quarter of 2023

MESSAGE FROM SENIOR MANAGEMENT

Lévis, November 9, 2023 – For the third quarter ended September 30, 2023, Desjardins Group, the largest financial cooperative group in North America, recorded surplus earnings before member dividends of \$614 million, up \$319 million from the same quarter of 2022 and restated following the adoption of IFRS 17, “Insurance Contracts”, on January 1, 2023⁽¹⁾. This increase was mainly due to growth in net insurance service income⁽²⁾ as well as higher net interest income.

This result reflects the contribution of \$376 million made by the Personal and Business Services segment. The Wealth Management and Life and Health Insurance segment contributed \$131 million to surplus earnings, and the Property and Casualty Insurance segment, \$103 million.

As mentioned earlier, Desjardins Group adopted IFRS 17, “Insurance Contracts”, on January 1, 2023, restating comparative data for fiscal 2022. This new standard was introduced to increase transparency and the comparability of insurance companies, and may lead to volatility in Desjardins Group’s results from one period to the next⁽²⁾. This does not, however, change the economic value created by insurance contracts. The standard only introduces changes to the presentation and timing of the recognition of results, so that it has no impact on the results and returns generated over the life of insurance contracts. It should be noted that certain financial statement headings have been modified to reflect the new naming convention required by IFRS 17. For more information on the changes to accounting policies, please refer to Note 2, “Significant accounting policies”, to the Interim Combined Financial Statements. For further information on certain concepts introduced by IFRS 17, please consult the Glossary in this Management’s Discussion and Analysis for the third quarter of 2023.

The provision for member dividends totalled \$106 million for the third quarter of 2023, namely the same amount as for the corresponding period of 2022. The amounts returned in the form of sponsorships, donations and scholarships rose to \$25 million, up from \$22 million for the same period in the previous year, of which \$12 million was from the caisses’ Community Development Fund. In addition to this, commitments of \$4 million were made for the third quarter of 2023 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 \$174 million to the GoodSpark Fund.

Desjardins Group complies with Basel III rules and maintains very good capitalization. As at September 30, 2023, Desjardins Group’s Tier 1A and total capital ratios were 20.8% and 22.3%, respectively, compared to 20.2% and 21.9%, respectively, as at December 31, 2022.

“Desjardins Group reported excellent financial results for the third quarter of 2023”, said Guy Cormier, President and Chief Executive Officer of Desjardins Group. “Combined with our robust capitalization levels, financial strength and rigorous risk management, these results allow us to support our members and clients in these more difficult times.”

⁽¹⁾ Surplus earnings before member dividends posted for the comparative period of 2022 totalled \$478 million under IFRS 4, “Insurance contracts”, the standard in effect before the adoption of IFRS 17.

⁽²⁾ As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative period for this item. This could therefore limit the comparability of the results with the prior period.

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 2022 Annual Report, the Interim Financial Report for the third quarter of 2023 and the documents "Supplemental Financial Information" and "Pillar 3 Report", which are available on Desjardins Group's website at www.desjardins.com/ca/about-us/investor-relations. The documents "Supplemental Financial Information" and "Pillar 3 Report" are not incorporated by reference in this Management's Discussion and Analysis (MD&A).

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

Type of risk	Recommendation	Disclosure	2022 Annual Report	Third quarter of 2023		
				Interim Financial Report	Supplemental Financial Information	Pillar 3 Report
General	1	Summary of risk information	XXXIX	Current page		
	2	Risk terminology, risk measures and key parameters	61-66, 113-120	54-61	11	87-89
	3	Top and emerging risks	50-52, 58-60, 66-92	10		
	4	New regulatory ratios	50-53, 85, 87-89, 207, 208	29-32, 41, 43-45		
Risk governance, risk management and business models	5	Organizational risk management structure	61-66			
	6	Risk management culture	62-66			
	7	Risks from business model and risk appetite	13, 29, 33, 37, 40, 50, 54-56, 61-67			
	8	Stress testing	50, 62, 66, 67, 81-83			
Capital adequacy and risk-weighted assets	9	Minimum regulatory capital requirements	50, 51	29		10-12, 81, 82
	10	Reconciliation of the accounting balance sheet and the regulatory balance sheet	52-54, 207, 208	30		14, 15, 25, 81
	11	Movements in regulatory capital	51, 53, 54	32		
	12	Capital management and planning	50-56	28-32		
	13	Risk-weighted assets by business segment	55, 67			5-8
	14	Breakdown of capital requirements by type of risk and by calculation method	54, 55, 68, 69, 72, 73, 81-83	30-32		5-7, 9
	15	Credit risk	54-56	31, 32		55-58, 61
	16	Movements in risk-weighted assets by type of risk	55, 56	31, 32		5-9, 55
	17	Back testing and validation of credit models	72			61
Liquidity	18	Management of liquidity needs and reserve	85-89	41-45		83
Funding	19	Encumbered and unencumbered assets	85-88, 90-92, 212-214	42-44		
	20	Residual contractual maturities of assets, liabilities and off-balance sheet commitments	89, 90, 214-218	46-51		
	21	Funding sources and strategies	49, 85, 90, 91	41, 46, 47		
Market risk	22	Reconciliation of market risk measures to balance sheet	80, 81	37, 38		
	23	Market risk factors	80-84, 190-194	36-41		
	24	Assumptions, limitations and validation procedures for market risk models	81-83	38, 39		
	25	Extreme loss measures	50, 62, 81-83	38-40		
Credit risk	26	Credit risk profile	48, 59, 60, 62, 72, 73, 75-79	27, 33-36	6-10	27-61
	27	Policy for identifying gross credit-impaired loans	74, 134-152			
	28	Reconciliation of gross credit-impaired loans and allowance for credit losses	48, 75-79, 134-152, 166-173	27, 34, 85-91		42-54
	29	Counterparty risk related to derivatives	79, 196-205			62-73
	30	Credit risk mitigation techniques	73, 79, 196-205			31-37
Other risks	31	Management of other risks	54-56, 58-60, 64-67, 92-98	32, 33		
	32	Publicly known risk events	92-94, 212-214			

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 November 9, 2023, presents the analysis of the results of and main changes to Desjardins Group's balance sheet for the period ended September 30, 2023, in comparison to prior 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 are to be filed by the Federation in place of the Consolidated Financial Statements and MD&As of the Federation, in order to meet its financial disclosure obligations 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 September 30, 2023, and Desjardins Group's 2022 Annual Report (the 2022 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.sedarplus.ca (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, which do not differ from IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). These Interim Combined Financial Statements of Desjardins 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, except for the changes resulting from the adoption of IFRS 17, "Insurance Contracts", on January 1, 2023, which are described in Note 2, "Significant accounting policies", to the Interim Combined Financial Statements. The adoption of this standard has led to major changes in Desjardins Group's Combined Financial Statements. Certain comparative figures for the year ended December 31, 2022 have been restated, and a restated opening Balance Sheet as at January 1, 2022 is presented in the Interim Combined Financial Statements to reflect this new standard.

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.

The 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 since a number of factors, many of which are beyond Desjardins Group's control and the effects of which can be difficult to predict, could influence, individually or collectively, the accuracy of the 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 significantly.

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 2022 annual MD&A and this MD&A for the third quarter of 2023, and include credit, market, liquidity, operational, insurance, strategic and reputational risk, environmental or social risk, and regulatory risk.

Such factors also include those related to security breaches, the housing market and household and corporate indebtedness, technological advancement and regulatory developments, including changes to liquidity and capital adequacy guidelines, and requirements relating to their presentation and interpretation, as well as interest rate fluctuations, inflation, climate change, biodiversity loss 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; reliance on third parties; the ability to recruit and retain talent; tax risk and the COVID-19 pandemic. Other factors include interest rate benchmark reform, unexpected changes in consumer spending and saving habits, 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 on these factors is available under the "Risk management" section of Desjardins Group's 2022 annual MD&A and of this MD&A for the third quarter of 2023.

It is important to note that the above list of factors that could influence future results is not exhaustive. Other factors could have an effect on Desjardins Group's results. Additional information on these and other factors is available under the "Risk management" section of Desjardins Group's 2022 annual MD&A and of this MD&A for the third quarter of 2023.

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 accurate. Desjardins Group cautions readers against placing undue reliance on these forward-looking statements when making decisions, given that actual results, conditions, actions or future events could differ significantly from the targets, expectations, estimates or intentions advanced in them, explicitly or implicitly. Readers who rely on these forward-looking statements must carefully consider these risk factors and other uncertainties and potential events, including the uncertainty inherent in forward-looking statements.

The significant economic assumptions underlying the forward-looking statements in this document are described in the "Economic environment and outlook" section of Desjardins Group's 2022 annual MD&A and of this MD&A for the third quarter of 2023. 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 determine our economic growth forecasts in general, and for the financial services sector in particular, Desjardins Group mainly uses 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.

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.

NON-GAAP AND OTHER FINANCIAL MEASURES

To measure its performance, Desjardins Group uses different GAAP (IFRS) financial measures and various other 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 and ratios

Non-GAAP financial measures and ratios 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. 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. These non-GAAP financial measures and ratios can be useful to investors, among others, in analyzing Desjardins Group's overall performance or financial position. They are defined as follows:

Net interest margin

Net interest margin, which is a non-GAAP ratio, 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 are a non-GAAP financial measure that reflects Desjardins Group's financial position and is used to exclude non-interest-bearing assets from average assets in calculating the net interest margin. They 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 assets exclude life and health insurance and property and casualty insurance assets as well as all other assets not generating any net interest income.

The table below presents the reconciliation between average assets presented in accordance to GAAP and average interest-bearing assets used to calculate the net interest margin.

Net interest margin

(in millions of dollars and as a percentage)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Average assets – as presented	\$ 411,807	\$ 404,081	\$ 402,354	\$ 406,541	\$ 398,906
Less: Assets not generating net interest income	101,981	98,691	104,200	99,996	104,076
Average interest-bearing assets	\$ 309,826	\$ 305,390	\$ 298,154	\$ 306,545	\$ 294,830
Net interest income	\$ 1,818	\$ 1,769	\$ 1,649	\$ 5,244	\$ 4,751
Net interest margin⁽¹⁾	2.33%	2.32%	2.19%	2.29%	2.15%

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

Loss ratio – Expense ratio – Ratio of losses on onerous contracts – Combined ratio

These non-GAAP ratios, which are net of reinsurance, 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, excluding certain items that include non-interest expense related to claims.
- Ratio of losses on onerous contracts: Used as a measure of the effect of onerous contracts on profitability.
- Combined ratio: Used as a measure of business profitability, excluding the effect of the net insurance finance result and certain other income.

The loss ratio is equal to the net claims expenses expressed as a percentage of net insurance revenue. Net claims expenses are a non-GAAP financial measure, which is used to exclude the effect of policy costs and acquisition costs, as well as the effect of the loss component on onerous contracts, and to include in the indicators the effect of reinsurance held.

Net insurance revenue is a non-GAAP financial measure. It is used to exclude premiums paid related to reinsurance activities and is the denominator in calculating the following ratios: loss ratio, expense ratio and ratio of losses on onerous contracts.

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 held.
- 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 related reinsurance held.
- Ratio of changes in prior year claims, which is the loss ratio including changes in prior year claims, net of related reinsurance held.

The expense ratio is equal to non-interest expense, excluding non-interest expense related to claims and certain items, expressed as a percentage of net insurance revenue. Non-interest expense excluding non-interest expense related to claims and certain items is a non-GAAP financial measure. It is used to consider all expenses excluding investment management expenses and some other specific items.

The ratio of losses on onerous contracts is equal to the effect of the loss component on net onerous contracts expressed as a percentage of net insurance revenue. The effect of the loss component on onerous contracts is a non-GAAP financial measure, which is used to include losses and reversals of losses on net onerous contracts, as well as decreases in the loss component related to past services, net of reinsurance.

The combined ratio is equal to the sum of the loss ratio, the expense ratio and the ratio of losses on onerous contracts.

The following table presents the reconciliation between non-GAAP financial measures and the financial measures presented in accordance to GAAP in the Combined Financial Statements and used to calculate the loss ratio, the expense ratio, the ratio of losses on onerous contracts, and the combined ratio for the Property and Casualty Insurance segment.

Loss ratio – Expense ratio – Ratio of losses on onerous contracts – Combined ratio

(in millions of dollars and as a percentage)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2023	June 30, 2023	September 30, 2022 Restated	September 30, 2023	September 30, 2022 Restated
Insurance revenue – as presented	\$ 1,700	\$ 1,634	\$ 1,578	\$ 4,903	\$ 4,639
Less: Premiums paid related to reinsurance activities ⁽¹⁾	79	72	49	218	136
Net insurance revenue	\$ 1,621	\$ 1,562	\$ 1,529	\$ 4,685	\$ 4,503
Insurance service expenses – as presented	\$ 1,473	\$ 1,459	\$ 1,437	\$ 4,525	\$ 4,314
Less: Policy costs and acquisition costs	324	315	317	951	960
Less: Effect of loss component on onerous contracts	(50)	19	24	75	132
Less: Claims incurred and costs of ceded claims ⁽¹⁾	66	49	34	162	135
Net claims expenses	\$ 1,133	\$ 1,076	\$ 1,062	\$ 3,337	\$ 3,087
Gross non-interest expense – as presented	\$ 236	\$ 268	\$ 249	\$ 761	\$ 732
Less: Non-interest expense related to claims ⁽²⁾ and certain items ⁽³⁾	100	118	106	325	319
Plus: Acquisition costs and certain policy costs included in insurance service expenses	265	256	257	776	776
Non-interest expense excluding non-interest expense related to claims and certain items	\$ 401	\$ 406	\$ 400	\$ 1,212	\$ 1,189
Effect of loss component on onerous contracts	\$ (50)	\$ 19	\$ 24	\$ 75	\$ 132
Less: Effect of loss component on ceded onerous contracts ⁽¹⁾	(3)	3	3	13	8
Effect of loss component on net onerous contracts	\$ (47)	\$ 16	\$ 21	\$ 62	\$ 124
Loss ratio	69.9%	68.9%	69.5%	71.2%	68.6%
Expense ratio	24.7	26.0	26.2	25.9	26.4
Ratio of losses on onerous contracts	(2.9)	1.0	1.4	1.3	2.8
Combined ratio	91.7	95.9	97.1	98.4	97.8

⁽¹⁾ These items are included under “Net reinsurance service income (expenses)”.

⁽²⁾ Represents non-interest expense directly related to claims adjustments, which are presented under “Insurance service expenses”.

⁽³⁾ From investment management fees and certain other specific items.

[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, which are used to present the overall amount returned to the community, are comprised of member dividends, as well as sponsorships, donations and scholarships. They constitute a non-GAAP financial measure.

More detailed information about the amounts returned to members and the community may be found in the “Financial highlights” table on page 9 of this MD&A.

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 presented in the financial statements. Desjardins Group uses certain supplementary financial measures, and their composition is presented in the Glossary on pages 54 to 61.

CHANGES IN THE REGULATORY ENVIRONMENT

Desjardins Group closely monitors regulations for financial products and services, as well as new developments, particularly 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 to comply with best practices in this regard. Additional information can be found in the “Regulatory environment” section of Desjardins Group’s 2022 annual MD&A. The “Capital management” section of this MD&A for the third quarter of 2023 presents further information on regulatory developments relating to capital. Since the release of Desjardins Group’s 2022 annual MD&A, the changes in the regulatory environment described below must also be considered:

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

Amendments were announced to the PCMLTFA and its regulations on July 10, 2019. Most of them came into force on July 10, 2019, June 1, 2020 and June 1, 2021, while those relating to reporting requirements, in part, became effective in October 2023. The latest amendments will come into force in June 2024. After the publication of these regulatory changes, a project was implemented within Desjardins Group so that its systems, processes and procedures would be amended accordingly. New regulatory changes to the PCMLTFA and its regulations were also published in the *Canada Gazette* on February 18, 2023. After analysis, the only change affecting Desjardins Group’s reporting entities is the assessment that the reporting entities will need to pay the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to cover their examination fees. Finally, on June 7, 2023, the Department of Finance Canada launched a consultation on the parliamentary review of the PCMLTFA, with a complete overhaul to be carried out every five years. Reporting entities had until August 1, 2023 to comment, and Desjardins Group produced a brief as part of this consultation.

Protection of personal information

As a result of rapid changes in information technology, the protection of privacy and data security are hot topics in the news. After being passed by the National Assembly and assented to in September 2021, an *Act to modernize legislative provisions as regards the protection of personal information* is being phased in over a three-year period. After complying with the requirements that came into force on September 22, 2022, Desjardins Group has continued working to meet the requirements effective on September 22, 2023 and 2024. These provisions include, in particular, obligations relating to governance, privacy impact assessments, consent, obligations of transparency such as confidentiality policies, confidentiality by default, automated decisions, and identification, tracking and profiling technology, rights of the individual, managing third parties, as well as the applicable penalties for failure to comply with the Act. Desjardins Group has completed most of the work needed to comply with these new requirements.

On May 16, 2023, the *Commission d'accès à l'information* published a notice of consultation regarding a draft of the *Lignes directrices sur les critères de validité du consentement* [guidelines on valid consent criteria] in order to obtain comments from the industry. These draft guidelines are in line with Desjardins Group’s approach to consent and the processing of personal information. On May 23, 2023, the *Commission d'accès à l'information* also published its general framework for the application of administrative monetary penalties, which describes the process for imposing penalties and the factors taken into account to establish the amount of the penalty. Desjardins Group also continues to be on the lookout for announced regulatory amendments to other Canadian privacy laws and, in particular, it has completed consideration of the provisions of federal Bill C-27, an *Act to enact the Consumer Privacy Protection Act, the Personal Information and Data Protection Tribunal Act and the Artificial Intelligence and Data Act and to make consequential and related amendments to other Acts*, which was tabled in June 2022.

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 stringent international standards. The gradual withdrawal of certain interest rate benchmarks began on May 17, 2021 with the discontinuation of the 6-month and 12-month Canadian Dollar Offered Rate (CDOR). In addition, on March 5, 2021, rate administrators announced that the publication of the London Interbank Offered Rate (LIBOR) would officially cease after December 31, 2021 for all currencies except certain USD LIBOR settings, which stopped being published on 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 concluded the final phase of the transition plan that was initiated to promote the use of the SOFR. On May 16, 2022, Refinitiv Benchmark Services (UK) Limited (RBSL), CDOR’s administrator, announced that it would cease publication of all tenors of CDOR after June 28, 2024. This announcement triggered the two-stage transition period recommended by the Canadian Alternative Reference Rate working group (CARR) in its White Paper in December 2021. By the end of the first stage of the transition plan, which was completed on June 30, 2023, the CARR working group expected CDOR to be replaced by the Canadian Overnight Repo Rate Average (CORRA) for new derivatives (except in some specific circumstances) and securities. By the end of the second stage of the transition plan, which is to be completed on June 28, 2024, CDOR loan agreements should have transitioned to CORRA or any other alternative benchmark rate in effect at the time of the cessation. On January 11, 2023, the CARR working group confirmed the creation of a term CORRA rate following the strong interest voiced by Canadian businesses in having a forward-looking term rate available. The use of the term CORRA rate for certain maturities, which was introduced on September 5, 2023, is however limited to loans and derivative financial instruments linked to ancillary hedging strategies. On July 27, 2023, the CARR working group announced that lenders would no longer be able to offer new CDOR loans after November 1, 2023. Desjardins Group has set up an internal task force on interest rate benchmark reform to ensure a seamless transition from benchmark interest rates, including CDOR, to risk-free rates. The discontinuation of CDOR, including the effect on hedging relationships, is also being managed by this task force.

Regulators' strong interest in Environmental, Social and Governance (ESG) factors

In 2023, regulatory and standard-setting authorities are continuing to clarify their ESG expectations by developing frameworks and standards:

- In March 2023, the Office of the Superintendent of Financial Institutions (OSFI) issued Guideline B-15, *Climate Risk Management*, which concerns governance and risk management expectations and climate-related financial disclosures. It will be phased in during fiscal years 2024 to 2026, depending on the organizations and data concerned. OSFI is also continuing its climate-related work. A consultation is under way regarding its climate risk returns (collecting climate-related emissions and exposure data). In addition, two publications are planned for the fall: a draft 2024 Climate Scenario Exercise Methodology, and the results of a flood impact study, in partnership with the Bank of Canada.
- Internationally, the International Sustainability Standards Board (ISSB), established by the IFRS Foundation, issued Sustainability-related Disclosure Requirements (IFRS S1), and Climate-related Disclosure Requirements (IFRS S2) in June 2023. Three consultations were also conducted during the second and third quarters of 2023 in order to revise the disclosure standards of the Sustainability Accounting Standards Board (SASB), to prioritize future topics of interest to ISSB, such as biodiversity, human rights and human capital, and to define a digital Sustainability Disclosure Taxonomy.
- The second reading in the Senate of the bill regarding climate-aligned finance (S-243) has been completed. The aim of the bill is to require banks to increase capital risk weights and capital reserve requirements for financing exposed to acute transition risks.

These points confirm that climate change consideration and disclosure requirements will be strengthened internationally, nationally and provincially in the future. Desjardins Group continues to closely monitor developments in this file and responds, where relevant, to consultations on this subject directly or via industry associations. 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 in particular with the standards of the Global Reporting Initiative (GRI), the 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", of the 2022 annual MD&A and detailed in the "Climate action at Desjardins – 2022 TCFD report on Climate change-related risks and opportunities".

Canadian tax measures

On March 28, 2023, the Government of Canada brought down its 2023 budget. In particular, the budget provides for a new rule to deny the "dividend received deduction" for dividends received by financial institutions after December 31, 2023 on Canadian shares that are mark-to-market property for tax purposes. These proposals, if enacted, will increase the amount of income tax payable by Desjardins Group as of 2024. The final impact of this proposed measure will depend on the final legislation that is enacted.

Regulation respecting the application of the Deposit Institutions and Deposit Protection Act

On August 10, 2023, the AMF issued a draft regulation proposing to amend the *Regulation respecting the application of the Deposit Institutions and Deposit Protection Act* to increase the premium payable by authorized deposit institutions. The premium rate would increase from 5 to 7.5 basis points of the amount of the deposits held by Desjardins Group and guaranteed by the AMF. The draft regulation is scheduled to come into force on April 30, 2024, subject to Ministerial approval. Interested persons had until October 9, 2023 to submit their comments, and Desjardins participated in this consultation. Desjardins Group continues to be on the look-out for changes to this draft regulation, and the impact on the premium paid by Desjardins will depend on the final regulation to be passed.

DESJARDINS GROUP PROFILE

Desjardins Group is the largest financial cooperative group in North America, with assets of \$414.1 billion. As at September 30, 2023, the organization included 208 caisses in Québec, as well as 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 57,700 employees and the commitment of close to 2,370 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). In particular, the Federation is 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 that 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".

FINANCIAL HIGHLIGHTS

	As at and for the three-month periods ended			As at and for the nine-month periods ended	
	September 30, 2023	June 30, 2023	September 30, 2022 ⁽¹⁾ Restated	September 30, 2023	September 30, 2022 ⁽¹⁾ Restated
(in millions of dollars and as a percentage)					
Results					
Net interest income	\$ 1,818	\$ 1,769	\$ 1,649	\$ 5,244	\$ 4,751
Insurance service result					
Insurance revenue	2,656	2,562	2,462	7,711	7,245
Insurance service expenses	(2,245)	(2,238)	(2,158)	(6,841)	(6,435)
Net reinsurance service income (expenses)	(20)	(36)	(27)	(82)	(15)
	391	288	277	788	795
Net insurance finance result					
Net insurance investment income (loss)	(1,363)	249	119	(34)	(4,657)
Net insurance finance income (expenses)	1,479	(83)	(214)	397	4,624
Net reinsurance finance income (expenses)	(65)	11	11	(12)	(198)
	51	177	(84)	351	(231)
Net insurance service income (loss)	442	465	193	1,139	564
Other income	873	1,005	700	2,656	2,153
Total net income	3,133	3,239	2,542	9,039	7,468
Provision for credit losses	127	66	125	298	197
Non-interest expense					
Gross non-interest expense	2,443	2,680	2,317	7,468	7,000
Non-interest expense included in insurance service expenses ⁽²⁾	(240)	(246)	(256)	(735)	(761)
Net non-interest expense	2,203	2,434	2,061	6,733	6,239
Income taxes on surplus earnings	189	186	61	499	248
Surplus earnings before member dividends	\$ 614	\$ 553	\$ 295	\$ 1,509	\$ 784
Contribution to surplus earnings by business segment⁽³⁾					
Personal and Business Services	\$ 376	\$ 341	\$ 289	\$ 940	\$ 741
Wealth Management and Life and Health Insurance	131	170	86	410	247
Property and Casualty Insurance	103	56	(25)	134	(139)
Other	4	(14)	(55)	25	(65)
	\$ 614	\$ 553	\$ 295	\$ 1,509	\$ 784
Return to members and the community⁽⁴⁾					
Member dividends	\$ 106	\$ 109	\$ 106	\$ 321	\$ 317
Sponsorships, donations and scholarships ⁽⁵⁾	25	37	22	88	74
	\$ 131	\$ 146	\$ 128	\$ 409	\$ 391
Indicators					
Net interest margin ⁽⁴⁾	2.33%	2.32%	2.19%	2.29%	2.15%
Return on equity ⁽⁶⁾	7.4	6.8	3.6	6.2	3.2
Credit loss provisioning rate ⁽⁶⁾	0.18	0.10	0.20	0.15	0.11
Gross credit-impaired loans/gross loans and acceptances ⁽⁶⁾	0.64	0.57	0.44	0.64	0.44
Liquidity Coverage Ratio ⁽⁷⁾	146	143	136	146	136
Net Stable Funding Ratio ⁽⁷⁾	124	125	126	124	126
Productivity index – Personal and Business Services ⁽⁶⁾⁽⁸⁾	73.5	77.9	76.5	77.6	80.8
Insurance and annuity premiums – Wealth Management and Life and Health Insurance ⁽⁶⁾	\$ 2,126	\$ 1,434	\$ 1,222	\$ 4,867	\$ 3,553
Total contractual service margin (CSM) – Wealth Management and Life and Health Insurance ⁽⁹⁾	2,680	2,643	2,780	2,680	2,780
Direct Written Premiums – Property and Casualty Insurance ⁽⁶⁾	1,861	1,910	1,679	5,211	4,714
On-balance sheet and off-balance sheet					
Assets	\$ 414,056	\$ 409,558	\$ 404,268	\$ 414,056	\$ 404,268
Net loans and acceptances	261,894	257,743	247,242	261,894	247,242
Deposits	273,433	265,539	255,452	273,433	255,452
Equity	33,178	32,943	32,400	33,178	32,400
Assets under administration ⁽⁶⁾	454,800	467,716	426,332	454,800	426,332
Assets under management ⁽⁶⁾	75,392	80,229	74,994	75,392	74,994
Average assets ⁽⁶⁾	411,807	404,081	402,354	406,541	398,906
Average interest-bearing assets ⁽⁴⁾	309,826	305,390	298,154	306,545	294,830
Capital measures					
Tier 1A capital ratio ⁽¹⁰⁾	20.8%	20.9%	18.7%	20.8%	18.7%
Tier 1 capital ratio ⁽¹⁰⁾	20.8	20.9	18.7	20.8	18.7
Total capital ratio ⁽¹⁰⁾	22.3	22.4	20.2	22.3	20.2
TLAC ratio ⁽¹¹⁾	29.9	29.7	26.2	29.9	26.2
Leverage ratio ⁽¹⁰⁾	7.5	7.6	7.5	7.5	7.5
TLAC leverage ratio ⁽¹¹⁾	10.7	10.6	10.4	10.7	10.4
Risk-weighted assets ⁽¹⁰⁾	\$ 137,135	\$ 135,499	\$ 150,038	\$ 137,135	\$ 150,038
Other information					
Number of employees	57,714	59,389	58,379	57,714	58,379

(1) The data have been adjusted to conform to the current period's presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.

(2) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result".

(3) The breakdown by line item is presented in Note 11, "Segmented information", to the Interim Combined Financial Statements.

(4) For more information about non-GAAP financial measures and non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 5 to 6.

(5) Including \$12 million from the caisses' Community Development Fund (\$15 million for the second quarter of 2023, \$9 million for the third quarter of 2022, \$35 million for the first nine months of 2023 and \$27 million for the first nine months of 2022).

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

(7) In accordance with the *Liquidity Adequacy Guideline* issued by the AMF, see the "Risk management" section.

(8) Following the transition to IFRS 17, Desjardins Group now presents the productivity index of the Personal and Business Services segment, which is a supplementary financial measure, replacing Desjardins Group's productivity index, which was a non-GAAP financial measure.

(9) Total CSM of \$2,930 million (\$3,092 million as at September 30, 2022) presented net of reinsurance for a total of \$250 million (\$312 million as at September 30, 2022). Included in the line items "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" on the Combined Balance Sheets. For more information, see Note 7, "Insurance and reinsurance contracts" to the Interim Combined Financial Statements.

(10) In accordance with the *Capital Adequacy Guideline* issued by the AMF for financial services cooperatives in particular, see the "Capital management" section.

(11) In accordance with the *Total Loss Absorbing Capacity Guideline* ("TLAC Guideline") issued by the AMF and based on risk-weighted assets and exposures for purposes of the leverage ratio at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc., see the "Capital management" section.

ECONOMIC ENVIRONMENT AND OUTLOOK

Global economy

The global economy continues to grow rather slowly, with some regional disparities. The interest rate hikes appear to be gradually having the desired effect. Total inflation has fallen in several countries due to lower energy prices and an easing up of the pressures on supply chains. In addition, the Purchasing Managers Index (PMI), which identifies whether economic activity is expanding or contracting, is now below 50 for most of the major economies. The performance of China's economy has been relatively disappointing. China's inflation rate is very low compared to the other major economies. The eurozone economy appears to be stagnating, and the situation appears to be particularly difficult in Germany. France has fared better so far, but it is still likely to be affected by interest rate hikes and by Germany's problems. Within the G7 only Japan recorded better economic growth than the United States in the first half of 2023.

Economic growth should slow further in most countries and, under the weight of interest rate hikes, real GDP rates are expected to decline in late 2023 and early 2024. Global economic growth should improve next year, when inflation will have slowed enough to support real incomes and allow the major central banks to begin cutting their key rates. Following growth of 2.9% in 2023 and 2.7% in 2024.

The world's main stock market indexes began 2023 on an upward trend, fuelled by falling inflation and a slower pace in rate hikes by central banks. The outlook for corporate earnings deteriorated slightly due to high interest rates and a more moderate pace of economic growth, but some sectors, such as technologies related to artificial intelligence, continue to generate optimism among investors. However, improved economic data and a change in tone at several central banks drove up government bond yields in the fall, which brought more volatility to markets. The economic slowdown could further drive down stock market returns by the end of 2023.

United States

The U.S. economy started 2023 on a positive, albeit modest note. Real GDP's growth accelerated in the third quarter, with an annualized quarterly gain of 4.9%. More than two million jobs were created in the first nine months of the year. The housing market showed signs of stabilizing in the wake of major declines in 2022, but ever higher mortgage rates are making the situation more fragile. The U.S. economy has nevertheless shown good resilience in the face of key interest rate hikes by the Federal Reserve, tighter credit conditions and other obstacles in its path (fears about the debt ceiling in the spring, the possibility of a budget impasse in the fall, the resumption of student loan repayments, labour disputes, etc.).

These factors, first and foremost monetary tightening, should sooner or later lead to a more marked slowdown in economic activity. Real GDP in the U.S. is expected to rise 2.4% in 2023, followed by 1.5% growth in 2024.

Canada

The Canadian economy is finally showing signs of a slowdown. Among other things, real GDP contracted slightly in the second quarter, and the third quarter is unlikely to show a substantial rebound. Rapid population growth has not been enough to keep the Canadian economy growing at a sustained pace. The housing market is also showing signs of a lull after last spring's rally. In the wake of two rate hikes in June and July, the Bank of Canada opted for another pause in September and October. However, the Bank is still concerned about inflation. Higher energy prices contributed to higher inflation figures in July and August. Other components also increased, such that inflation cannot be expected to return its 2% target anytime soon.

According to the Bank of Canada, the full effects of an interest rate hike are not felt for 18 to 24 months. In other words, the restrictive effects of rate hikes will gradually become stronger in the fourth quarter of 2023 and the first half of 2024. Under these conditions, the Canadian economy is expected to slip into a mild recession early in 2024. If inflation falls as expected, the Bank of Canada may begin reducing its key interest rates in spring 2024. After rising by 3.4% in 2022, Canadian real GDP should grow by only 1.1% in 2023 and stagnate in 2024.

Québec

The Québec economy is already showing several signs of weakness. The province has slower population growth than the rest of the country, and the demographic impacts seen in Canada are much less present in Québec. Residential construction plummeted in Québec, and the revival of the resale market is proving to be limited. Moreover, business investment in Québec is in decline, whereas it is holding up fairly well at the national level. Household spending fell by an annualized 2.0% in the second quarter, marking the first decline since the start of the pandemic. The environment will be less favourable over the next few quarters. Rising interest rates will further erode household borrowing capacity, and government financial support will be much more limited. The labour market should also begin deteriorating. Our scenario assumes a period of contraction in Québec's real GDP that will last until early 2024. In fact, real GDP fell sharply in the second quarter, to an annualized quarterly change of 1.9%. Although it is still early to say, this could be the start of a period of economic contraction.

REVIEW OF FINANCIAL RESULTS

IMPACT OF SIGNIFICANT TRANSACTION

Acquisition of independent insurance, mutual fund and securities distribution operations

On March 1, 2023, Desjardins Group, acting through Worldsource Group of Companies Inc. (previously named 9479-5176 Québec Inc.), a wholly-owned indirect subsidiary of the Federation, acquired, in particular, all the outstanding shares of IDC Worldsource Insurance Network Inc., Worldsource Financial Management Inc. and Worldsource Securities Inc. (collectively hereinafter referred to as "Worldsource"). Worldsource specializes in independent insurance, mutual fund and securities distribution operations. As a result of this acquisition, Desjardins Group has been able to consolidate its independent distribution position across Canada and to strengthen its growth strategy throughout the Canadian market.

The following table presents the impact of this acquisition on Desjardins Group's financial results, included in the Wealth Management and Life and Health Insurance segment.

Impact of the acquisition of Worldsource

(in millions of dollars)	For the three-month periods ended		For the nine-month period ended
	September 30, 2023	June 30, 2023	September 30, 2023
Other income	\$ 113	\$ 162	\$ 292
Total net income	113	162	292
Net non-interest expense	117	160	296
Income taxes on surplus earnings	(1)	(1)	(2)
Net surplus earnings (deficit) for the period	\$ (3)	\$ 3	\$ (2)

ANALYSIS OF RESULTS

Surplus earnings

Comparison of the third quarters of 2023 and 2022

For the third quarter ended September 30, 2023, Desjardins Group recorded surplus earnings before member dividends of \$614 million, up \$319 million from the same quarter of 2022 and restated following the adoption of IFRS 17, "Insurance Contracts", on January 1, 2023⁽¹⁾. This increase was mainly due to growth in net insurance service income⁽²⁾ as well as higher net interest income.

By its very nature as a cooperative financial group, Desjardins Group's mission is to improve the social and economic well-being of people and communities, which it continued to strive to achieve in the third quarter of 2023.

- A total of \$131 million was returned to members and the community⁽³⁾, compared to \$128 million for the third quarter of 2022.
 - The provision for member dividends totalled \$106 million for the quarter ended September 30, 2023, the same amount as for the corresponding quarter of 2022.
 - An amount of \$25 million was returned in the form of sponsorships, donations and scholarships, compared to \$22 million for the same period last year, including \$12 million in the third quarter of 2023 and \$9 million in the third quarter of 2022 from the caisses' Community Development Fund.
- Commitments of \$4 million were made for the third quarter of 2023 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 \$174 million.

Business segment contributions to surplus earnings

- Personal and Business Services: **Surplus earnings totalled \$376 million**, up \$87 million, or 30.1%, compared to the same period in 2022, due to growth in net interest income. This increase was partially offset by the following:
 - Higher expenses related to providers of credit card payment activities, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.
 - Rise in spending on personnel and technology.

⁽¹⁾ Surplus earnings before member dividends posted for the comparative period of 2022 totalled \$478 million under IFRS 4, "Insurance contracts", the standard in effect before the adoption of IFRS 17.

⁽²⁾ As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative period for this item. This could therefore limit the comparability of the results with the prior period.

⁽³⁾ For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 5 to 6.

- Wealth Management and Life and Health Insurance: **Surplus earnings amounted to \$131 million**, up \$45 million, or 52.3%, compared to the third quarter of 2022. The change was due to the following:
 - Increase in net insurance finance result⁽¹⁾, particularly as a result of fluctuating interest rates.
 - Higher insurance service result due to the updating of actuarial assumptions for group retirement savings and the favourable experience in group insurance.
 - Offset by higher administrative expenses, including those related to technology, in order to enhance member and client services.
- Property and Casualty Insurance: **Surplus earnings totalled \$103 million**, compared to a deficit of \$25 million for the third quarter of 2022. The change was due to the following:
 - Higher insurance revenue in automobile and property insurance.
 - Increase in the net insurance finance result.
 - Favourable effect of loss component on onerous contracts compared to an unfavourable effect in the corresponding quarter of 2022.
 - Decrease in gross non-interest expense.
 - Offset by an increase in claims expenses.
- **Return on equity was 7.4%**, compared to 3.6% for the quarter ended September 30, 2022, mainly owing to the increase in surplus earnings, as previously explained.

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

Return on equity

	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2023	June 30, 2023	September 30, 2022 Restated	September 30, 2023	September 30, 2022 Restated
(in millions of dollars and as a percentage)					
Surplus earnings before member dividends	\$ 614	\$ 553	\$ 295	\$ 1,509	\$ 784
Non-controlling interests' share	(16)	(11)	(3)	(30)	(3)
Group's share before member dividends	\$ 598	\$ 542	\$ 292	\$ 1,479	\$ 781
Average equity before non-controlling interests' share	\$ 32,180	\$ 32,195	\$ 31,740	\$ 32,050	\$ 32,140
Return on equity⁽¹⁾⁽²⁾	7.4%	6.8%	3.6%	6.2%	3.2%

⁽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.

Comparison of the first nine months of 2023 and 2022

For the first nine months ended September 30, 2023, Desjardins Group recorded surplus earnings before member dividends of \$1,509 million, up \$725 million from the same period of 2022, as restated following the adoption of IFRS 17, "Insurance Contracts", on January 1, 2023⁽²⁾. This increase in surplus earnings was mainly due to a \$582 million rise in the net insurance finance result, which had been adversely affected by the significant jump in interest rates in the comparative period of 2022. Growth was also recorded in other income and in net interest income. This increase in surplus earnings was partly offset by greater spending on personnel and technology compared to the first nine months of 2022, and by a higher loss experience in the Property and Casualty Insurance segment that was mainly driven by the higher average cost of claims in automobile insurance due to the impact of inflation and an uptick in car thefts. Furthermore, the provision for credit losses went up.

- A total of \$409 million was returned to members and the community⁽³⁾, compared to \$391 million for the first nine months of 2022.
 - The provision for member dividends totalled \$321 million, up \$4 million compared to the corresponding period in 2022.
 - An amount of \$88 million was returned in the form of sponsorships, donations and scholarships, compared to \$74 million for the same period in 2022, including \$35 million for the first nine months of 2023 and \$27 million for the first nine months of 2022 from the caisses' Community Development Fund.
- Commitments of \$13 million were made for the first nine months of 2023 with regard to the GoodSpark Fund.

Business segment contributions to surplus earnings

- Personal and Business Services: **Surplus earnings totalled \$940 million**, up \$199 million, or 26.9%, compared to the first nine months of 2022, mainly due to the increase in net interest income and in other income. This increase was partially offset by the following:
 - Rise in spending on personnel and technology.
 - Higher provision for credit losses compared to the corresponding period of 2022, particularly as a result of changes in provisions for personal residential mortgage portfolios and business loan portfolios. Moreover, the provision reflects rising net write-offs, which are gradually returning to their pre-pandemic levels.
 - Higher expenses related to providers of credit card payment activities, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.

⁽¹⁾ As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative period for this item. This could therefore limit the comparability of the results with the prior period.

⁽²⁾ Surplus earnings before member dividends posted for the comparative period of 2022 totalled \$1,474 million under IFRS 4, "Insurance contracts", the standard in effect before the adoption of IFRS 17.

⁽³⁾ For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 5 to 6.

- Wealth Management and Life and Health Insurance: **Surplus earnings were \$410 million**, up \$163 million, or 66.0%, compared to the corresponding period of 2022, mainly due to the following:
 - Increase in the net insurance finance result⁽¹⁾, related, in particular, to fluctuating interest rates, including a favourable adjustment to the liability discount curve parameters in the second quarter of 2023.
 - Higher insurance service result due to the updating of actuarial assumptions for group retirement savings and the favourable experience in group insurance, partly offset by the less favourable experience in credit and direct insurance as well as in individual insurance.
 - Offset by higher administrative expenses, including those related to personnel and technology, in order to enhance member and client services.
- Property and Casualty Insurance: **Surplus earnings totalled \$134 million**, compared to a deficit of \$139 million for the first nine months of 2022. The change was essentially due to the following:
 - Increase in the net insurance finance result.
 - Higher insurance revenue in property and automobile insurance.
 - More favourable impact of changes in prior year claims than in the comparative period of 2022 as a result of automobile insurance.
 - Offset by higher claim expenses for the current year, mainly as a result of automobile insurance.
- **Return on equity was 6.2%**, compared to 3.2% for the nine-month period ended September 30, 2022, mainly as a result of higher surplus earnings, as explained earlier.

Net interest income

Comparison of the third quarters of 2023 and 2022

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

Net interest income totalled \$1,818 million, up \$169 million, or 10.2%, due to the following:

- Increase in the average return on loans due to the higher interest rate environment.
- Growth in average residential mortgages outstanding and in average business loans outstanding.
- Rise in interest income from liquidities, also resulting from the higher interest rate environment.
- Increase in average interest-bearing assets and liabilities outstanding in credit card payment activities.

This increase was offset in part by:

- Higher interest expense on deposits mainly as a result of rising interest rates and the migration of depositors to term products with higher rates.
- Growth in financing cost for credit card payment activities.

- **Net interest margin of 2.33%** for the quarter ended September 30, 2023, up 14 basis points compared to the corresponding period of 2022, mainly as a result of higher interest rates coupled with growth in average loan volume.

Comparison of the first nine months of 2023 and 2022

Net interest income was \$5,244 million, up \$493 million, or 10.4%, due to the following:

- Increase in the average return on loans due to the higher interest rate environment.
- Growth in average residential mortgages outstanding and average business loans outstanding.
- Rise in interest income from liquidities, also resulting from the higher interest rate environment.
- Increase in average interest-bearing assets and liabilities outstanding in credit card payment activities.

This increase was offset in part by:

- Increase in interest expense on deposits mainly as a result of rising interest rates and the migration of depositors to term products with higher rates.
- Growth in financing cost for credit card payment activities.

- **Net interest margin of 2.29%** for the first nine months ended September 30, 2023, up 14 basis points compared to the same period in 2022, primarily on account of growth in the average volume of loans coupled with higher interest rates.

Net insurance service income

Comparison of the third quarters of 2023 and 2022

Net insurance service income stood at \$442 million⁽²⁾, up \$249 million, compared to the third quarter of 2022. The change in this heading, which consists of the insurance service result and the net insurance finance result, can be explained by the items from the following segments:

Wealth Management and Life and Health Insurance segment

- Insurance service result of \$182 million, up \$26 million, or 16.7%.
 - Increase in income, mainly from insurance contracts measured using the premium allocation approach, particularly in group insurance for long-term disability and accident and health insurance coverage.
 - Offset by higher insurance and reinsurance service expenses, largely due to the higher expenses for insurance contracts measured using the premium allocation approach, mainly in group insurance, as a result of business growth. This increase was partially offset by the following:
 - Favourable effect of the updating of actuarial assumptions in group retirement savings for annuities paid.
 - Favourable group insurance experience, particularly in long-term disability and life insurance coverage, partially offset by the unfavourable experience in accident and health insurance.

⁽¹⁾ As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative period for this item. This could therefore limit the comparability of the results with the prior period.

⁽²⁾ The difference between this result and the sum total of the segment results relates to intersegment transactions.

- Net insurance finance result⁽¹⁾ of \$46 million, up \$67 million, primarily from:
 - Net insurance finance income, compared to net insurance finance expenses in the same quarter of 2022, largely due to the favourable effect of interest rate fluctuations.
 - Offset by the negative impact of interest rates on net insurance investment income supporting insurance contract liabilities, while this income had been positively affected in 2022 as a result of the slight decrease in long-term interest rates.

Property and Casualty Insurance segment

- Insurance service result of \$212 million, up \$83 million.
 - Insurance revenue of \$1,700 million, up \$122 million, or 7.7%. By including ceded insurance service income of \$78 million presented under “Net reinsurance service income (expenses)”, there was an increase of \$93 million, or 6.1%, mainly due to business growth in property insurance and automobile insurance.
 - Insurance service expenses of \$1,473 million, up \$36 million, or 2.5%. By including ceded insurance service expenses of \$63 million presented under “Net reinsurance service income (expenses)”, there was an increase of \$10 million, or 0.7%, primarily due to the following:
 - Claims expenses were up compared to the corresponding quarter in 2022 due to:
 - Higher claims expenses for the current year compared to those for the corresponding quarter of 2022, mainly on account of property insurance. The current year loss ratio was 67.8% for the third quarter of 2023, versus 67.2% for the corresponding quarter of 2022.
 - Higher claims expenses related to catastrophes and major events than for the comparative quarter of 2022. The third quarter of 2023 was marked by seven major events, primarily damage caused by wind and water in Ontario and Québec, while the corresponding quarter of 2022 had been marked by two major events, namely heavy rainfalls in Québec and Hurricane Fiona in the Atlantic provinces and Québec. The loss ratio related to catastrophes and major events was 7.1% for the third quarter of 2023, versus 4.6% for the comparative quarter of 2022.
 - Offset by a more favourable impact of changes in prior year claims than in the comparative quarter of 2022 on account of automobile insurance. The ratio of changes in prior year claims was (5.0)% for the third quarter of 2023, versus (2.3)% for the corresponding quarter of 2022.
 - Amortization of rising acquisition costs compared to the corresponding quarter in 2022, mainly on account of business growth.
 - Offset by the favourable effect of the loss component on onerous contracts, compared to an unfavourable effect in the corresponding quarter of 2022, largely due to automobile insurance. The ratio of losses on onerous contracts was (2.9)% for the third quarter of 2023, versus 1.4% for the comparative quarter of 2022.
- Net insurance finance result of \$7 million, up \$87 million.
 - Net insurance investment loss of \$10 million, compared to losses of \$40 million for the comparative quarter. The change was primarily due to the following:
 - Net gains on preferred shares, while net losses were recorded in the third quarter of 2022.
 - Higher interest income on fixed income securities compared to the corresponding quarter of 2022.
 - Favourable results on futures, whereas unfavourable results were recorded in the third quarter of 2022.
 - Offset by a greater decrease in the fair value of matched bonds than in the corresponding quarter of 2022, mainly on account of the more unfavourable effect of the higher market interest rates compared to the corresponding quarter of 2022.
 - Net insurance finance income of \$19 million, compared to expenses of \$42 million for the comparative quarter. By including net reinsurance finance expenses of \$2 million (income of \$2 million for the third quarter of 2022), the net insurance and reinsurance finance income was \$17 million, compared to expenses of \$40 million for the corresponding quarter. The change is due to the more favourable impact of the increase in the discount rates used to measure net liabilities for incurred claims compared to the corresponding quarter of 2022.

Comparison of the first nine months of 2023 and 2022

Net insurance service income totalled \$1,139 million⁽²⁾, up \$575 million compared to the first nine months⁽²⁾ of 2022. The change in this heading, which consists of the insurance service result and the net insurance finance result, was due to items from the following segments:

Wealth Management and Life and Health Insurance segment

- Insurance service result of \$471 million, up \$13 million, or 2.8%.
 - Increase in income, primarily from insurance contracts measured using the premium allocation approach, mainly in group insurance for long-term disability and accident and health insurance coverage.
 - Offset by higher insurance and reinsurance service expenses, mainly due to the following:
 - Higher expenses for insurance contracts measured using the premium allocation approach, essentially in group insurance, as a result of business growth.
 - Less favourable experience in credit and direct insurance, chiefly for disability and life loan insurance.
 - Less favourable experience in individual insurance in mortality.
- This increase was partially offset by the following:
- Favourable effect of the updating of actuarial assumptions in group retirement savings for annuities paid.
 - Favourable experience in group insurance, particularly for long-term disability and life insurance coverage, offset in part by the unfavourable experience in accident and health insurance.

⁽¹⁾ As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative period for this item. This could therefore limit the comparability of the results with the prior period.

⁽²⁾ The difference between this result and the sum total of the segment results relates to intersegment transactions.

- Net insurance finance result⁽¹⁾ of \$221 million, up \$185 million, largely due to the following:
 - Less unfavourable impact of interest rates on net insurance investment income supporting insurance contract liabilities as a result of a less significant change in interest rates in the first nine months of 2023 compared to the same period in 2022.
 - Offset by a decrease in net insurance finance income, mainly due to the unfavourable effect of interest rate fluctuations, including the positive adjustment to rate curve parameters carried out in the second quarter of 2023.

Property and Casualty Insurance segment

- Insurance service result of \$335 million, up \$3 million, or 0.9%.
 - Insurance revenue of \$4,903 million, up \$264 million, or 5.7%. By including ceded insurance revenue of \$218 million presented under “Net reinsurance service income (expenses)”, there was an increase of \$182 million, or 4.0%, mainly due to business growth in property and automobile insurance.
 - Insurance service expenses of \$4,525 million, up \$211 million, or 4.9%. By including ceded insurance service expenses of \$175 million presented under “Net reinsurance service income (expenses)”, there was an increase of \$179 million, or 4.3%, due to the following:
 - Expenses related to claims were up compared to the first nine months of 2022, resulting from the following:
 - Higher current year claims expenses than in the comparative period of 2022, mainly on account of automobile insurance, due in particular to the higher average cost of claims as a result of the impact of inflation and the increase in car thefts. Current year loss ratio of 73.3% for the first nine months of 2023, compared to 67.7% for the comparative period of 2022.
 - Offset by a more favourable impact of changes in prior year claims than in the comparative period of 2022 due to automobile insurance. Ratio of changes in prior year claims of (6.2)% for the first nine months of 2023, compared to (3.9)% for the comparative period of 2022.
 - Offset by the less unfavourable effect of the loss component on onerous contracts compared to the corresponding period of 2022, primarily due to automobile insurance. The ratio of losses on onerous contracts was 1.3% for the first nine months of 2023, whereas it was 2.8% for the comparative period of 2022.
- Net insurance finance result of \$134 million, up \$417 million.
 - Net insurance investment income of \$214 million, compared to losses of \$474 million for the comparative period. The change was due to the following:
 - Net gains on shares, while net losses were recorded for the first nine months of 2022.
 - Lower decrease in the fair value of matched bonds than in the comparative period of 2022, mainly owing to the less unfavourable effect of the higher market interest rates compared to the corresponding period in 2022.
 - Higher interest income on fixed income securities compared to the first nine months of 2022.
 - Net insurance finance expenses of \$89 million, compared to income of \$216 million for the comparative period. By including net reinsurance finance income of \$9 million (expenses of \$25 million for the comparative period of 2022), the net insurance and reinsurance finance expenses were \$80 million, compared to income of \$191 million for the corresponding period. The change was due to the following:
 - Less favourable impact of higher discount rates used to measure net liability for incurred claims than for the comparative period of 2022.
 - More unfavourable effect of the unwinding of the discount on the net liability for incurred claims due to the higher discount rates used, when compared to the first nine months of 2022.

Other income

Comparison of the third quarters of 2023 and 2022

Other income rose to \$873 million, up \$173 million, or 24.7%, compared to the third quarter of 2022, due to the following:

- Income of \$113 million related to operations acquired from Worldsource.
- Higher net investment income from non-insurance activities than in the comparative period for investment contracts not transferring insurance risk to the holders, primarily in individual annuities. This income was offset by a similar change in gross non-interest expense.
- Higher income from securities brokerage activities.

Comparison of the first nine months of 2023 and 2022

Other income increased to \$2,656 million, up \$503 million, or 23.4%, compared to the corresponding period of 2022, due to the following:

- Income of \$292 million related to operations acquired from Worldsource.
- Growth in business volumes from credit card payment activities.
- Higher net investment income from non-insurance activities than in the comparative period for investment contracts not transferring insurance risk to the holders, mainly in individual annuities. This income was offset by a similar change in gross non-interest expense.

Total net income

For the third quarter of 2023, **total net income amounted to \$3,133 million**, up \$591 million, or 23.2%, compared to the same period in 2022.

For the first nine months of 2023, **total net income amounted to \$9,039 million**, up \$1,571 million, or 21.0%, compared to the corresponding period in 2022.

⁽¹⁾ As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative period for this item. This could therefore limit the comparability of the results with the prior period.

Provision for credit losses

Comparison of the third quarters of 2023 and 2022

The provision for credit losses was \$127 million, up \$2 million, or 1.6%, compared to the same period in 2022. This change reflects a decrease in the provision for credit losses on credit card portfolios compared to the same period in 2022, mainly due to favourable changes in forward-looking information, as well as the rise in net write-offs, which are gradually returning to their pre-pandemic levels.

- Credit loss provisioning rate of 0.18% for the third quarter of 2023 was comparable to the ratio for the corresponding period in 2022.
- Ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.64%, compared to 0.44% as at September 30, 2022.

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			For the nine-month periods ended	
	September 30, 2023	June 30, 2023	September 30, 2022 Restated	September 30, 2023	September 30, 2022 Restated
Total provision for credit losses	\$ 127	\$ 66	\$ 125	\$ 298	\$ 197
Provision for credit losses on securities	7	—	1	3	2
Provision for credit losses on loans and off-balance sheet items	\$ 120	\$ 66	\$ 124	\$ 295	\$ 195
Average gross loans	260,871	256,104	245,449	256,469	239,171
Average gross acceptances	7	7	136	12	157
Average gross loans and acceptances⁽¹⁾	\$ 260,878	\$ 256,111	\$ 245,585	\$ 256,481	\$ 239,328
Credit loss provisioning rate⁽¹⁾⁽²⁾	0.18 %	0.10%	0.20%	0.15%	0.11%

⁽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.

Comparison of the first nine months of 2023 and 2022

The provision for credit losses totalled \$298 million, up \$101 million, compared to the same period in 2022. This change is due in particular to the reduction in reversals of the provision for credit losses in the personal residential mortgage portfolio as a result of developments in the macroeconomic outlook that had a less favourable effect compared to the corresponding period of 2022. It is also due to an increase in the provision for credit losses on business loan portfolios owing to a decrease in credit quality. The provision for credit losses for the first nine months of 2023 also reflected higher net write-offs, which are gradually returning to their pre-pandemic levels.

Desjardins Group has continued to present a quality loan portfolio in 2023.

- The credit loss provisioning rate was 0.15% for the first nine months of 2023, which was up compared to 0.11% for the corresponding period of 2022, as a result of the higher provision for credit losses explained earlier.
- The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.64% compared to 0.44% as at September 30, 2022.

Gross non-interest expense

Comparison of the third quarters of 2023 and 2022

Gross non-interest expense totalled \$2,443 million, up \$126 million, or 5.4%, compared to the third quarter of 2022, chiefly on account of the following:

- Expense of \$117 million related to operations acquired from Worldsource.
- Other items included in gross non-interest expense increased \$9 million or 0.4%, due to:
 - Rise in spending on personnel and technology.
 - Higher expenses related to providers of credit card payment activities, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.
 - Offset by the lower investments made by Desjardins Group in strategic projects compared to the more significant ones in 2022.

Comparison of the first nine months of 2023 and 2022

Gross non-interest expense totalled \$7,468 million, up \$468 million, or 6.7%, compared to the first nine months of 2022, mainly as a result of:

- Expense of \$296 million related to operations acquired from Worldsource.
- Other items included in gross non-interest expense increased \$172 million or 2.5%, due to:
 - Rise in spending on personnel and technology.
 - Higher expenses related to providers of credit card payment activities, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.
 - Higher expenses related to the rewards program on account of growth in volume of credit card payment activities.
 - Offset by the lower investments made by Desjardins Group in strategic projects compared to the more significant ones in 2022.

Income taxes on surplus earnings

[Comparison of the third quarters of 2023 and 2022](#)

Income taxes on surplus earnings before member dividends of \$189 million, up \$128 million, compared to the third quarter of 2022.

- Effective tax rate⁽¹⁾ of 23.5% for the quarter ended September 30, 2023, which was up from 17.1% for the corresponding period in 2022. The lower favourable effect of tax savings on the effective tax rate in the third quarter of 2023, compared to the corresponding period of 2022, was due to higher surplus earnings.

[Comparison of the first nine months of 2023 and 2022](#)

Income taxes on surplus earnings before member dividends of \$499 million, up \$251 million, compared to the first nine months of 2022.

- Effective tax rate⁽¹⁾ of 24.9% for the first nine months of 2023, which was up from 24.0% for the same period in 2022. The lower favourable effect of tax savings on the effective tax rate in the first nine months of 2023, compared to the corresponding period of 2022, was due to higher surplus earnings.

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 the 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, 2022 achievements and industry, can be found on pages 28 to 40 of Desjardins Group's 2022 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 individual and business members and clients, 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 of 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, either in person, by phone, online, via applications for mobile devices, or 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			For the nine-month periods ended	
	September 30, 2023	June 30, 2023	September 30, 2022 ⁽¹⁾	September 30, 2023	September 30, 2022 ⁽¹⁾
Net interest income	\$ 1,708	\$ 1,638	\$ 1,484	\$ 4,878	\$ 4,167
Other income	680	720	702	2,100	2,077
Total net income	2,388	2,358	2,186	6,978	6,244
Provision for credit losses	120	66	124	295	195
Gross non-interest expense	1,755	1,836	1,672	5,414	5,047
Income taxes on surplus earnings	137	115	101	329	261
Surplus earnings before member dividends	376	341	289	940	741
Member dividends, net of income tax recovery	78	80	78	236	233
Net surplus earnings for the period after member dividends	\$ 298	\$ 261	\$ 211	\$ 704	\$ 508
Indicators					
Average gross loans and acceptances ⁽²⁾	\$ 258,993	\$ 254,304	\$ 243,216	\$ 254,511	\$ 236,654
Average deposits ⁽²⁾	233,181	231,274	216,880	227,688	211,812
Productivity index ⁽²⁾	73.5%	77.9%	76.5%	77.6%	80.8%
Credit loss provisioning rate ⁽²⁾	0.18	0.10	0.20	0.15	0.11
Gross credit-impaired loans/gross loans and acceptances ⁽²⁾	0.64	0.57	0.44	0.64	0.44

⁽¹⁾ The data have been adjusted to conform to the current period's presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.

⁽²⁾ For further information about supplementary financial measures, see the Glossary on pages 54 to 61.

Comparison of the third quarters of 2023 and 2022

- **Surplus earnings before member dividends of \$376 million**, up \$87 million, or 30.1%, compared to the same period in 2022, due to growth in net interest income. This increase was partially offset by the following:
 - Higher expenses related to providers of credit card payment activities, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.
 - Rise in spending on personnel and technology.
- **Net interest income of \$1,708 million**, up \$224 million, or 15.1%, as a result of the following:
 - Increase in the average return on loans due to the higher interest rate environment.
 - Growth in average residential mortgages outstanding and in average business loans outstanding.
 - Rise in interest income from liquidities, also resulting from the higher interest rate environment.
 - Increase in average interest-bearing assets and liabilities outstanding in credit card payment activities.
 This increase was offset in part by:
 - Higher interest expense on deposits mainly as a result of rising interest rates and the migration of depositors to term products with higher rates.
 - Growth in financing cost for credit card payment activities.
- **Other income totalling \$680 million**, down \$22 million, or 3.1%, mainly due to the following:
 - Decline in derivative financial instrument activities, which was offset by growth in net interest income.
 - Offset by higher income from securities brokerage activities.
- **Total net income of \$2,388 million**, up \$202 million, or 9.2%.
- **Provision for credit losses of \$120 million**, down \$4 million compared to the same period in 2022. This change reflects a decrease in the provision for credit losses on credit card portfolios compared to the same period in 2022, mainly due to favourable changes in forward-looking information, as well as the rise in net write-offs, which are gradually returning to their pre-pandemic levels.
- **Gross non-interest expense of \$1,755 million**, up \$83 million, or 5.0%, owing primarily to the following:
 - Higher expenses related to providers of credit card payment activities, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.
 - Rise in spending on personnel and technology.
- **Productivity index at 73.5%**, compared to 76.5% for the corresponding period of 2022, due in particular to growth in income.

Comparison of the first nine months of 2023 and 2022

- **Surplus earnings before member dividends of \$940 million**, up \$199 million, or 26.9%, compared to the first nine months of 2022, mainly due to the increase in net interest income and in other income. This increase was partially offset by the following:
 - Rise in spending on personnel and technology.
 - Higher provision for credit losses compared to the corresponding period of 2022, particularly as a result of changes in provisions for personal residential mortgage portfolios and business loan portfolios. Moreover, the provision reflects rising net write-offs, which are gradually returning to their pre-pandemic levels.
 - Higher expenses related to providers of credit card payment activities, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.
- **Net interest income of \$4,878 million**, up \$711 million, or 17.1%, as a result of the following:
 - Increase in the average return on loans due to the higher interest rate environment.
 - Growth in average residential mortgages outstanding and average business loans outstanding.
 - Rise in interest income from liquidities, also resulting from the higher interest rate environment.
 - Increase in average interest-bearing assets and liabilities outstanding in credit card payment activities.
 This increase was offset in part by:
 - Increase in interest expense on deposits mainly as a result of rising interest rates and the migration of depositors to term products with higher rates.
 - Growth in financing cost for credit card payment activities.
- **Other income totalling \$2,100 million**, up \$23 million, or 1.1%, mainly due to the following:
 - Growth in business volumes from credit card payment activities.
 - Conversely, there was a decline in derivative financial instrument activities, which was offset by growth in net interest income.
- **Total net income of \$6,978 million**, up \$734 million, or 11.8%.
- **Provision for credit losses of \$295 million**, up \$100 million, compared to the first nine months of 2022. This change is due in particular to the reduction in reversals of the provision for credit losses in the personal residential mortgage portfolio as a result of developments in the macroeconomic outlook that had a less favourable effect compared to the corresponding period of 2022. It is also due to an increase in the provision for credit losses on business loan portfolios owing to a decrease in credit quality. The provision for credit losses for the first nine months of 2023 also reflected higher net write-offs, which are gradually returning to their pre-pandemic levels.
- **Gross non-interest expense of \$5,414 million**, up \$367 million, or 7.3%, essentially due to:
 - Growth in spending on personnel and technology.
 - Higher expenses related to providers of credit card payment activities, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.
 - Higher expenses related to the rewards program on account of growth in volume of credit card payment activities.
- **Productivity index at 77.6%**, compared to 80.8% for the first nine months of 2022, due in particular to growth in income.

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 for businesses and their employees.

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 and responsible insurance.

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 Relations Centres, online or through applications for mobile devices. Online services are constantly being fine-tuned so that they meet clients' changing requirements.

Since March 1, 2023, the Wealth Management and Life and Health Insurance segment also includes operations resulting from the acquisition of Worldsource, which specializes in independent insurance, mutual funds and securities distribution operations. As a result of this acquisition, Desjardins Group has been able to consolidate its independent distribution position across Canada and to strengthen its growth strategy throughout the Canadian market.

Wealth Management and Life and Health Insurance – Segment results

(in millions of dollars)	As at and for the three-month periods ended			As at and for the nine-month periods ended	
	September 30, 2023	June 30, 2023	September 30, 2022 Restated	September 30, 2023	September 30, 2022 Restated
Net interest income	\$ 5	\$ 6	\$ 2	\$ 15	\$ 4
Insurance service result					
Insurance revenue	1,002	974	911	2,921	2,677
Insurance service expenses	(815)	(821)	(740)	(2,411)	(2,197)
Net reinsurance service income (expenses)	(5)	(16)	(15)	(39)	(22)
	182	137	156	471	458
Net insurance finance result					
Net insurance investment income (loss)	(1,354)	196	146	(241)	(4,211)
Net insurance finance income (expenses)	1,463	(94)	(176)	483	4,420
Net reinsurance finance income (expenses)	(63)	12	9	(21)	(173)
	46	114	(21)	221	36
Net insurance service income	228	251	135	692	494
Other income	461	519	324	1,342	971
Total net income	694	776	461	2,049	1,469
Provision for (recovery of) credit losses	4	—	1	3	1
Non-interest expense					
Gross non-interest expense	623	640	465	1,784	1,419
Non-interest expense included in insurance service expenses ⁽¹⁾	(90)	(88)	(97)	(271)	(293)
Net non-interest expense	533	552	368	1,513	1,126
Income taxes on surplus earnings	26	54	6	123	95
Net surplus earnings for the period	\$ 131	\$ 170	\$ 86	\$ 410	\$ 247
Indicators					
Contractual service margin (CSM) ⁽²⁾					
Total CSM ⁽²⁾⁽³⁾	\$ 2,680	\$ 2,643	\$ 2,780	\$ 2,680	\$ 2,780
CSM on new sales ⁽²⁾⁽⁴⁾	37	25	29	37	29
Net sales of savings products ⁽⁵⁾	481	(685)	(26)	388	2,341
Insurance sales ⁽⁵⁾	95	119	109	370	346
Group insurance premiums ⁽⁵⁾	975	955	906	2,861	2,660
Individual insurance premiums ⁽⁵⁾	255	246	241	751	714
Annuity premiums ⁽⁵⁾	896	233	75	1,255	179
Segregated fund receipts ⁽⁵⁾	1,000	751	730	3,011	2,834

⁽¹⁾ Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result".

⁽²⁾ Included under "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" in the Combined Balance Sheets. For further information, see Note 7, "Insurance and reinsurance contracts" of the Interim Combined Financial Statements.

⁽³⁾ Total CSM of \$2,930 million (\$3,092 million as at September 30, 2022) presented net of reinsurance for a total of \$250 million (\$312 million as at September 30, 2022).

⁽⁴⁾ CSM on new insurance business totalling \$39 million (\$33 million as at September 30, 2022) presented net of reinsurance for a total of \$2 million (\$4 million as at September 30, 2022).

⁽⁵⁾ For further information about supplementary financial measures, see the Glossary on pages 54 to 61.

Comparison of the third quarters of 2023 and 2022

- **Net surplus earnings of \$131 million**, up \$45 million, or 52.3%, compared to the third quarter of 2022. The change was due to the following:
 - Increase in net insurance finance result⁽¹⁾, particularly as a result of fluctuating interest rates.
 - Higher insurance service result due to the updating of actuarial assumptions for group retirement savings and the favourable experience in group insurance.
 - Offset by higher administrative expenses, including those related to technology, in order to enhance member and client services.
- **Insurance service result of \$182 million**, up \$26 million, or 16.7%.
 - Increase in income, mainly from insurance contracts measured using the premium allocation approach, particularly in group insurance for long-term disability and accident and health insurance coverage.
 - Offset by higher insurance and reinsurance service expenses, largely due to the higher expenses for insurance contracts measured using the premium allocation approach, mainly in group insurance, as a result of business growth. This increase was partially offset by the following:
 - Favourable effect of the updating of actuarial assumptions in group retirement savings for annuities paid.
 - Favourable group insurance experience, particularly in long-term disability and life insurance coverage, partially offset by the unfavourable experience in accident and health insurance.

⁽¹⁾ As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative period for this item. This could therefore limit the comparability of the results with the prior period.

- **Net insurance finance result⁽¹⁾ of \$46 million**, up \$67 million, primarily from:
 - Net insurance finance income, compared to net insurance finance expenses in the same quarter of 2022, largely due to the favourable effect of interest rate fluctuations.
 - Offset by the negative impact of interest rates on net insurance investment income supporting insurance contract liabilities, while this income had been positively affected in 2022 as a result of the slight decrease in long-term interest rates.
- **Other income of \$461 million**, up \$137 million, or 42.3%, mainly due to following:
 - Income of \$113 million related to operations acquired from Worldsource.
 - Higher net investment income from non-insurance activities than in the comparative period for investment contracts not transferring insurance risk to the holders, primarily in individual annuities. This income was offset by a similar change in gross non-interest expense.
- **Total net income of \$694 million**, up \$233 million.
- **Gross non-interest expense of \$623 million**, up \$158 million, or 34.0%, primarily due to the following:
 - Expense of \$117 million related to operations acquired from Worldsource.
 - Higher administrative expenses, including technology expenses, to enhance services to members and clients.
 Note that gross non-interest expense of \$90 million was included under insurance service expenses, compared to \$97 million in the third quarter of 2022.

Additional information for certain indicators:

- **Contractual service margin (CSM)**
 - Total CSM of \$2,680 million as at September 30, 2023 compared to \$2,643 million as at June 30, 2023. The slight growth in total CSM resulted in particular from updated group retirement savings actuarial assumptions for annuities paid and the effect of new business, partially offset by services provided, stemming primarily from the creation of the CSM at the transition.
- **Business growth**
 - Growth in net sales of savings products, mainly from annuities paid in group retirement savings, in connection with the addition of a large group, as well as from group capital accumulation plans, partially offset by the decrease in Desjardins Funds and Market-Linked Guaranteed Investments (MLGIs).
 - Decline in insurance sales, mainly in group insurance.
 - Growth in insurance premiums, primarily in group insurance.
 - Growth in annuity premiums, largely from group retirement savings, related to the addition of a large group.

Comparison of the first nine months of 2023 and 2022

- **Net surplus earnings of \$410 million**, up \$163 million, or 66.0%, compared to the corresponding period of 2022, mainly due to the following:
 - Increase in the net insurance finance result⁽¹⁾, related, in particular, to fluctuating interest rates, including a favourable adjustment to the liability discount curve parameters in the second quarter of 2023.
 - Higher insurance service result due to the updating of actuarial assumptions for group retirement savings and the favourable experience in group insurance, partly offset by the less favourable experience in credit and direct insurance as well as in individual insurance.
 - Offset by higher administrative expenses, including those related to personnel and technology, in order to enhance member and client services.
- **Insurance service result of \$471 million**, up \$13 million, or 2.8%.
 - Increase in income, primarily from insurance contracts measured using the premium allocation approach, mainly in group insurance for long-term disability and accident and health insurance coverage.
 - Offset by higher insurance and reinsurance service expenses, mainly due to the following:
 - Higher expenses for insurance contracts measured using the premium allocation approach, essentially in group insurance, as a result of business growth.
 - Less favourable experience in credit and direct insurance, chiefly for disability and life loan insurance.
 - Less favourable experience in individual insurance in mortality.
 This increase was partially offset by the following:
 - Favourable effect of the updating of actuarial assumptions in group retirement savings for annuities paid.
 - Favourable experience in group insurance, particularly for long-term disability and life insurance coverage, offset in part by the unfavourable experience in accident and health insurance.
- **Net insurance finance result⁽¹⁾ of \$221 million**, up \$185 million, largely due to the following:
 - Less unfavourable impact of interest rates on net insurance investment income supporting insurance contract liabilities as a result of a less significant change in interest rates in the first nine months of 2023 compared to the same period in 2022.
 - Offset by a decrease in net insurance finance income, mainly due to the unfavourable effect of interest rate fluctuations, including the positive adjustment to rate curve parameters carried out in the second quarter of 2023.
- **Other income of \$1,342 million**, up \$371 million, or 38.2%, mainly due to the following:
 - Income of \$292 million related to operations acquired from Worldsource.
 - Higher net investment income from non-insurance activities than in the comparative period for investment contracts not transferring insurance risk to the holders, mainly in individual annuities. This income was offset by a similar change in gross non-interest expense.

⁽¹⁾ As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative period for this item. This could therefore limit the comparability of the results with the prior period.

- **Net total income of \$2,049 million**, up \$580 million, or 39.5%.
- **Gross non-interest expense of \$1,784 million**, up \$365 million, or 25.7%, owing primarily to the following:
 - Expense of \$296 million related to operations acquired from Worldsource.
 - Higher administrative expenses, including spending on personnel and technology, to enhance services to members and clients.Note that gross non-interest expense of \$271 million is included under insurance service expenses, compared to \$293 million for the first nine months of 2022.

Additional information for certain indicators:

- **Contractual service margin (CSM)**
 - Total CSM of \$2,680 million as at September 30, 2023 compared to \$2,627 million as at December 31, 2022. The slight growth in total CSM resulted in particular from updated group retirement savings actuarial assumptions for annuities paid and the effect of new business, partially offset by services provided, stemming primarily from the creation of the CSM at the transition.
- **Business growth**
 - Decline in net sales of savings products, mainly from Desjardins Funds and MLGIs, partially offset by annuities paid in group retirement savings, in connection with the addition of a large group, as well as group capital accumulation plans.
 - Growth in insurance sales, mainly in group insurance.
 - Growth in insurance premiums, primarily in group insurance.
 - Growth in annuity premiums, largely from group retirement savings, related to the addition of a large group.

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, at Caisse Desjardins Ontario Credit Union Inc. 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 agent 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 3.7 million clients, markets its products to the Canada-wide individual and business market under the Desjardins Insurance banner, and to the group market—including members of professional associations and unions, and employers' staff—under The Personal banner.

Property and Casualty Insurance – Segment results

(in millions of dollars and as a percentage)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2023	June 30, 2023	September 30, 2022 Restated	September 30, 2023	September 30, 2022 Restated
Insurance service result					
Insurance revenue	\$ 1,700	\$ 1,634	\$ 1,578	\$ 4,903	\$ 4,639
Insurance service expenses	(1,473)	(1,459)	(1,437)	(4,525)	(4,314)
Net reinsurance service income (expenses)	(15)	(21)	(12)	(43)	7
	212	154	129	335	332
Net insurance finance result					
Net insurance investment income (loss)	(10)	24	(40)	214	(474)
Net insurance finance income (expenses)	19	11	(42)	(89)	216
Net reinsurance finance income (expenses)	(2)	(1)	2	9	(25)
	7	34	(80)	134	(283)
Net insurance service income (loss)	219	188	49	469	49
Other income (loss)	(12)	(7)	(1)	(27)	(14)
Total net income	207	181	48	442	35
Provision for credit losses	4	—	—	2	—
Non-interest expense					
Gross non-interest expense	236	268	249	761	732
Non-interest expense included in insurance service expenses ⁽¹⁾	(157)	(167)	(161)	(488)	(490)
Net non-interest expense	79	101	88	273	242
Income taxes on surplus earnings	21	24	(15)	33	(68)
Net surplus earnings (deficit) for the period	\$ 103	\$ 56	\$ (25)	\$ 134	\$ (139)
Of which:					
Group's share	\$ 87	\$ 45	\$ (28)	\$ 104	\$ (142)
Non-controlling interests' share	16	11	3	30	3
Indicators					
Direct Written Premiums ⁽²⁾	\$ 1,861	\$ 1,910	\$ 1,679	\$ 5,211	\$ 4,714
Loss ratio ⁽³⁾	69.9%	68.9%	69.5%	71.2%	68.6%
Current year loss ratio ⁽³⁾	67.8	74.9	67.2	73.3	67.7
Loss ratio related to catastrophes and major events ⁽³⁾	7.1	5.1	4.6	4.1	4.8
Ratio of favourable changes in prior year claims ⁽³⁾	(5.0)	(11.1)	(2.3)	(6.2)	(3.9)
Expense ratio ⁽³⁾	24.7	26.0	26.2	25.9	26.4
Ratio of losses on onerous contracts ⁽³⁾	(2.9)	1.0	1.4	1.3	2.8
Combined ratio ⁽³⁾	91.7	95.9	97.1	98.4	97.8

⁽¹⁾ Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result".

⁽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 5 to 6.

Comparison of the third quarters of 2023 and 2022

- **Net surplus earnings of \$103 million**, compared to a net deficit of \$25 million for the third quarter of 2022. The change was due to the following:
 - Higher insurance revenue in automobile and property insurance.
 - Increase in the net insurance finance result.
 - Favourable effect of loss component on onerous contracts compared to an unfavourable effect in the corresponding quarter of 2022.
 - Decrease in gross non-interest expense.
 - Offset by an increase in claims expenses.
- **Insurance service result of \$212 million**, up \$83 million.
 - **Insurance revenue** of \$1,700 million, up \$122 million, or 7.7%. By including ceded insurance service income of \$78 million presented under "Net reinsurance service income (expenses)", there was an increase of \$93 million, or 6.1%, mainly due to business growth in property insurance and automobile insurance.
 - **Insurance service expenses** of \$1,473 million, up \$36 million, or 2.5%. By including ceded insurance service expenses of \$63 million presented under "Net reinsurance service income (expenses)", there was an increase of \$10 million, or 0.7%, primarily due to the following:
 - Claims expenses were up compared to the corresponding quarter in 2022 due to:
 - Higher claims expenses for the current year compared to those for the corresponding quarter of 2022, mainly on account of property insurance. The current year loss ratio was 67.8% for the third quarter of 2023, versus 67.2% for the corresponding quarter of 2022.
 - Higher claims expenses related to catastrophes and major events than for the comparative quarter of 2022. The third quarter of 2023 was marked by seven major events, primarily damage caused by wind and water in Ontario and Québec, while the corresponding quarter of 2022 had been marked by two major events, namely heavy rainfalls in Québec and Hurricane Fiona in the Atlantic provinces and Québec. The loss ratio related to catastrophes and major events was 7.1% for the third quarter of 2023, versus 4.6% for the comparative quarter of 2022.
 - Offset by a more favourable impact of changes in prior year claims than in the comparative quarter of 2022 on account of automobile insurance. The ratio of changes in prior year claims was (5.0)% for the third quarter of 2023, versus (2.3)% for the corresponding quarter of 2022.

- Amortization of rising acquisition costs compared to the corresponding quarter in 2022, mainly on account of business growth.
- Offset by the favourable effect of the loss component on onerous contracts, compared to an unfavourable effect in the corresponding quarter of 2022, largely due to automobile insurance. The ratio of losses on onerous contracts was (2.9)% for the third quarter of 2023, versus 1.4% for the comparative quarter of 2022.
- **Net insurance finance result of \$7 million**, up \$87 million.
 - **Net insurance investment loss** of \$10 million, compared to losses of \$40 million for the comparative quarter. The change was primarily due to the following:
 - Net gains on preferred shares, while net losses were recorded in the third quarter of 2022.
 - Higher interest income on fixed income securities compared to the corresponding quarter of 2022.
 - Favourable results on futures, whereas unfavourable results were recorded in the third quarter of 2022.
 - Offset by a greater decrease in the fair value of matched bonds than in the corresponding quarter of 2022, mainly on account of the more unfavourable effect of the higher market interest rates compared to the corresponding quarter of 2022.
 - **Net insurance finance income** of \$19 million, compared to expenses of \$42 million for the comparative quarter. By including net reinsurance finance expenses of \$2 million (income of \$2 million for the third quarter of 2022), the net insurance and reinsurance finance income was \$17 million, compared to expenses of \$40 million for the corresponding quarter. The change is due to the more favourable impact of the increase in the discount rates used to measure net liabilities for incurred claims compared to the corresponding quarter of 2022.
- **Other losses of \$12 million**, up \$11 million, primarily on account of the larger increase than in the corresponding quarter in the contingent consideration payable as part of the acquisition of the Canadian operations of the State Farm Mutual Automobile Insurance Company (State Farm), arising from favourable developments in claims taken over.
- **Total net income of \$207 million**, up \$159 million.
- **Gross non-interest expense of \$236 million**, down \$13 million, or 5.2%. This decrease resulted from the following:
 - Decline in spending on technology.
 - Downward remeasurement of the provision for the deferred compensation program and the post-retirement benefit plan for Desjardins agents, compared to an upward remeasurement in the corresponding quarter of 2022.
 Note that gross non-interest expense of \$157 million was included in insurance service expenses, which is comparable to the amount recognized for the third quarter of 2022.

Comparison of the first nine months of 2023 and 2022

- **Net surplus earnings of \$134 million**, compared to a net deficit of \$139 million for the first nine months of 2022. The change was essentially due to the following:
 - Increase in the net insurance finance result.
 - Higher insurance revenue in property and automobile insurance.
 - More favourable impact of changes in prior year claims than in the comparative period of 2022 as a result of automobile insurance.
 - Offset by higher claim expenses for the current year, mainly as a result of automobile insurance.
- **Insurance service result of \$335 million**, up \$3 million, or 0.9%.
 - **Insurance revenue** of \$4,903 million, up \$264 million, or 5.7%. By including ceded insurance revenue of \$218 million presented under “Net reinsurance service income (expenses)”, there was an increase of \$182 million, or 4.0%, mainly due to business growth in property and automobile insurance.
 - **Insurance service expenses** of \$4,525 million, up \$211 million, or 4.9%. By including ceded insurance service expenses of \$175 million presented under “Net reinsurance service income (expenses)”, there was an increase of \$179 million, or 4.3%, due to the following:
 - Expenses related to claims were up compared to the first nine months of 2022, resulting from the following:
 - Higher current year claims expenses than in the comparative period of 2022, mainly on account of automobile insurance, due in particular to the higher average cost of claims as a result of the impact of inflation and the increase in car thefts. Current year loss ratio of 73.3% for the first nine months of 2023, compared to 67.7% for the comparative period of 2022.
 - Offset by a more favourable impact of changes in prior year claims than in the comparative period of 2022 due to automobile insurance. Ratio of changes in prior year claims of (6.2)% for the first nine months of 2023, compared to (3.9)% for the comparative period of 2022.
 - Offset by the less unfavourable effect of the loss component on onerous contracts compared to the corresponding period of 2022, primarily due to automobile insurance. The ratio of losses on onerous contracts was 1.3% for the first nine months of 2023, whereas it was 2.8% for the comparative period of 2022.
- **Net insurance finance result of \$134 million**, up \$417 million.
 - **Net insurance investment income** of \$214 million, compared to losses of \$474 million for the comparative period. The change was due to the following:
 - Net gains on shares, while net losses were recorded for the first nine months of 2022.
 - Lower decrease in the fair value of matched bonds than in the comparative period of 2022, mainly owing to the less unfavourable effect of the higher market interest rates compared to the corresponding period in 2022.
 - Higher interest income on fixed income securities compared to the first nine months of 2022.
 - **Net insurance finance expenses** of \$89 million, compared to income of \$216 million for the comparative period. By including net reinsurance finance income of \$9 million (expenses of \$25 million for the comparative period of 2022), the net insurance and reinsurance finance expenses were \$80 million, compared to income of \$191 million for the corresponding period. The change was due to the following:
 - Less favourable impact of higher discount rates used to measure net liability for incurred claims than for the comparative period of 2022.
 - More unfavourable effect of the unwinding of the discount on the net liability for incurred claims due to the higher discount rates used, when compared to the first nine months of 2022.

- **Other losses of \$27 million**, up \$13 million, primarily on account of the larger increase than in the first nine months of 2022 in the contingent consideration payable as part of the acquisition of the Canadian operations of State Farm, arising from favourable developments in claims taken over.
- **Total net income of \$442 million**, up \$407 million.
- **Gross non-interest expense of \$761 million**, up \$29 million, or 4.0%. This increase resulted from the following:
 - Lower downward remeasurement of the provision for the deferred compensation program and the post-retirement benefit plan for Desjardins agents than in the corresponding period of 2022.
 - Higher salary expenses than in the corresponding period of 2022, particularly on account of wage indexation.
 Note that gross non-interest expense of \$488 million was included in insurance service expenses, which is comparable to the amount recognized for the first nine months of 2022.

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			For the nine-month periods ended	
	September 30, 2023	June 30, 2023	September 30, 2022 ⁽¹⁾ Restated	September 30, 2023	September 30, 2022 ⁽¹⁾ Restated
Net interest income	\$ 105	\$ 125	\$ 163	\$ 351	\$ 580
Net insurance service income (loss)	(5)	26	9	(22)	21
Other income (loss)	(256)	(227)	(325)	(759)	(881)
Total net income (loss)	(156)	(76)	(153)	(430)	(280)
Provision for (recovery of) credit losses	(1)	—	—	(2)	1
Net non-interest expense	(164)	(55)	(67)	(467)	(176)
Income taxes on surplus earnings	5	(7)	(31)	14	(40)
Net surplus earnings (deficit) for the period	\$ 4	\$ (14)	\$ (55)	\$ 25	\$ (65)

⁽¹⁾ The data have been adjusted to conform to the current period's presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.

Comparison of the third quarters of 2023 and 2022

- **Net surplus earnings of \$4 million**, compared to a net deficit of \$55 million for the third quarter of 2022.
 - In relation to treasury activities, market rate fluctuations as well as changes in hedging positions had an unfavourable effect on net interest income, partially offset by a favourable effect on net other investment income (loss) included under other income.
 - Net non-interest expense included investments related to the continued implementation of Desjardins-wide strategic projects, particularly in the areas of digital transformation and security. These initiatives enhance the member and client experience, improve productivity and ensure safety best practices are implemented. It also included commitments made to the GoodSpark Fund, with the aim, in particular, of providing social and economic support to the regions.

Comparison of the first nine months of 2023 and 2022

- **Net surplus earnings of \$25 million**, compared to a net deficit of \$65 million for the first nine months of 2022.
 - In relation to treasury activities, market rate fluctuations as well as changes in hedging positions had an unfavourable effect on net interest income, partially offset by a favourable effect on net other investment income (loss) included under other income.
 - Net non-interest expense included investments related to the continued implementation of Desjardins-wide strategic projects, particularly in the areas of digital transformation and security. These initiatives enhance the member and client experience, improve productivity and ensure safety best practices are implemented. It also included changes in contingency provisions for our operations, supplier agreements and the investment portfolio, as well as commitments made to the GoodSpark Fund, with the aim, in particular, of providing social and economic support to the regions.

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)	2023			2022 Restated				2021 ⁽¹⁾
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net interest income	\$ 1,818	\$ 1,769	\$ 1,657	\$ 1,579	\$ 1,649	\$ 1,596	\$ 1,506	\$ 1,455
Net premiums	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,201
Insurance service result								
Insurance revenue	2,656	2,562	2,493	2,480	2,462	2,406	2,377	N/A
Insurance service expenses	(2,245)	(2,238)	(2,358)	(2,177)	(2,158)	(2,221)	(2,056)	N/A
Net reinsurance service income (expenses)	(20)	(36)	(26)	(40)	(27)	25	(13)	N/A
	391	288	109	263	277	210	308	N/A
Net insurance finance result								
Net insurance investment income (loss)	(1,363)	249	1,080	286	119	(2,404)	(2,372)	N/A
Net insurance finance income (expenses)	1,479	(83)	(999)	(30)	(214)	2,250	2,588	N/A
Net reinsurance finance income (expenses)	(65)	11	42	(17)	11	(93)	(116)	N/A
	51	177	123	239	(84)	(247)	100	N/A
Net insurance service income (loss)	442	465	232	502	193	(37)	408	N/A
Other income								
Deposit and payment service charges	119	117	113	115	115	114	104	111
Lending fees and credit card service revenues	258	242	266	256	269	218	222	168
Brokerage and investment fund services	339	400	253	235	235	251	268	267
Management and custodial service fees	192	189	163	182	151	170	159	201
Net other investment income (loss)	(132)	(86)	(110)	(60)	(159)	(120)	(161)	956
Overlay approach adjustment for insurance operations financial assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(88)
Foreign exchange income	47	47	39	42	19	27	31	29
Other	50	96	54	21	70	91	79	71
	873	1,005	778	791	700	751	702	1,715
Total net income	3,133	3,239	2,667	2,872	2,542	2,310	2,616	6,371
Provision for credit losses	127	66	105	80	125	66	6	16
Claims, benefits, annuities and changes in insurance contract liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,185
Non-interest expense								
Gross non-interest expense	2,443	2,680	2,345	2,525	2,317	2,427	2,256	2,736
Non-interest expense included in insurance service expenses ⁽²⁾	(240)	(246)	(249)	(262)	(256)	(253)	(252)	N/A
Net non-interest expense	2,203	2,434	2,096	2,263	2,061	2,174	2,004	N/A
Income taxes on surplus earnings	189	186	124	71	61	32	155	41
Surplus earnings before member dividends	614	553	342	458	295	38	451	393
Member dividends, net of income tax recovery	78	80	78	64	78	80	75	86
Net surplus earnings (deficit) for the period after member dividends	\$ 536	\$ 473	\$ 264	\$ 394	\$ 217	\$ (42)	\$ 376	\$ 307
Of which:								
Group's share	\$ 520	\$ 462	\$ 261	\$ 379	\$ 214	\$ (31)	\$ 365	\$ 267
Non-controlling interests' share	16	11	3	15	3	(11)	11	40

⁽¹⁾ According to the standards that were in force before Desjardins Group retrospectively adopted IFRS 17, "Insurance Contracts", on January 1, 2023, with restatement of the comparative periods for fiscal 2022.

⁽²⁾ Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result".

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. Following the transition to IFRS 17, "Insurance Contracts", on January 1, 2023, insurers' net surplus earnings are more sensitive mainly to financial market changes, but also to interest rates, which made the quarterly results more volatile compared to past quarterly results. In addition, the provisions of IFRS 17 allow for the review of the designation or classification of financial assets recognized under IFRS 9, "Financial Instruments", held in respect of insurance operations as at the date IFRS 17 was first applied. Desjardins Group elected not to restate the comparative figures of its Combined Financial Statements to reflect the changes in designation or classification for these financial assets made as at January 1, 2023. As a result, comparability between results for the 2023 and 2022 periods may be reduced. For more information about quarterly trends before the adoption of IFRS 17, see pages 44 and 45 of the 2022 annual MD&A.

BALANCE SHEET REVIEW

BALANCE SHEET MANAGEMENT

Combined Balance Sheets

(in millions of dollars and as a percentage)	As at September 30, 2023		As at December 31, 2022 Restated	
Assets				
Cash and deposits with financial institutions	\$ 7,602	1.8%	\$ 8,913	2.2%
Securities	84,637	20.4	85,295	21.1
Securities borrowed or purchased under reverse repurchase agreements	12,993	3.1	17,024	4.2
Net loans and acceptances	261,894	63.4	249,695	61.9
Segregated fund net assets	22,963	5.5	21,356	5.3
Derivative financial instruments	5,376	1.3	5,723	1.4
Other assets	18,591	4.5	15,938	3.9
Total assets	\$ 414,056	100.0%	\$ 403,944	100.0%
Liabilities and equity				
Deposits	\$ 273,433	66.1%	\$ 259,836	64.3%
Insurance contract liabilities	30,507	7.4	30,202	7.5
Commitments related to securities sold short	12,925	3.1	9,859	2.4
Commitments related to securities lent or sold under repurchase agreements	13,864	3.3	24,565	6.1
Derivative financial instruments	6,509	1.6	6,691	1.7
Segregated fund net liabilities for investment contracts	19,600	4.7	17,826	4.4
Other liabilities	21,162	5.1	19,630	4.9
Subordinated notes	2,878	0.7	2,928	0.7
Equity	33,178	8.0	32,407	8.0
Total liabilities and equity	\$ 414,056	100.0%	\$ 403,944	100.0%

Assets

As at September 30, 2023, Desjardins Group's total assets stood at \$414.1 billion, up \$10.1 billion, or 2.5%, since December 31, 2022.

Desjardins Group's cash and deposits with financial institutions were down \$1.3 billion, or 14.7%, and securities, including securities borrowed or purchased under reverse repurchase agreements, decreased by \$4.7 billion, or 4.6%, reflecting cash management activities.

Desjardins Group's outstanding loan portfolio, including acceptances, net of the allowance for credit losses, increased by \$12.2 billion, or 4.9%, primarily as a result of growth in business and government loans.

Loans and acceptances

(in millions of dollars and as a percentage)	As at September 30, 2023		As at December 31, 2022 Restated	
Residential mortgages	\$ 164,285	62.5%	\$ 159,682	63.6%
Consumer, credit card and other personal loans	24,304	9.2	24,211	9.7
Business and government	74,383	28.3	66,837	26.7
	262,972	100.0%	250,730	100.0%
Allowance for credit losses	(1,078)		(1,035)	
Total loans and acceptances	\$ 261,894		\$ 249,695	

Outstanding business and government loans, including acceptances, were up \$7.5 billion, or 11.3%. Residential mortgages have increased by \$4.6 billion, or 2.9%, since December 31, 2022. Consumer, credit card and other personal loans outstanding were up \$93 million, or 0.4%, since the end of 2022.

Information on the quality of Desjardins Group's credit portfolio can be found in the "Risk management" section, on pages 34 to 36 of this MD&A.

Segregated fund net assets grew \$1.6 billion, or 7.5%, on account of the slight growth in contract holders coupled with the increase in the fair value of the portfolio as a result of developments in financial markets.

Derivative financial instrument assets were down \$0.3 billion, or 6.1%, as a result of the change in interest rate swaps, higher interest rates and fluctuating exchange rates.

Other assets increased by \$2.7 billion, or 16.6%, mainly as a result of the increase in amounts receivable from clients, brokers and financial institutions as well as the increase in intangible assets and goodwill after acquiring Worldsource.

Liabilities

Desjardins Group's total liabilities amounted to \$380.9 billion as at September 30, 2023, up \$9.3 billion, or 2.5%, since December 31, 2022.

Deposits

(in millions of dollars and as a percentage)	As at September 30, 2023		As at December 31, 2022	
Individuals	\$ 147,918	54.1%	\$ 145,377	56.0%
Business and government	124,936	45.7	114,172	43.9
Deposit-taking institutions	579	0.2	287	0.1
Total deposits	\$ 273,433	100.0%	\$ 259,836	100.0%

Outstanding deposits grew by \$13.6 billion, or 5.2%. The increase in business and government deposits, which comprised 45.7% of Desjardins Group's total deposit portfolio partly accounted for this growth. In fact, these outstanding deposits were up \$10.8 billion, or 9.4%, primarily due to the various securities issued on Canadian, U.S. and international markets that made it possible to support Desjardins Group's funding requirements. Personal deposits outstanding, which represented 54.1% of the total deposit portfolio, were up \$2.5 billion, or 1.7%, due to growth in member deposits in the caisse network. Deposits from deposit-taking institutions were up by \$292 million.

Desjardins Group's insurance contract liabilities were up \$0.3 billion, or 1.0%, primarily on account of the change in liabilities as a result of property and casualty insurance operations.

Commitments related to securities sold short and lent or sold under repurchase agreements were down by \$7.6 billion, or 22.2%, to reach a volume of \$26.8 billion.

Derivative financial instrument liabilities were down \$0.2 billion, or 2.7%, as a result of the change in interest rate swaps, the rise in interest rates and the fluctuating exchange rates.

Segregated fund net liabilities for investment contracts were up by \$1.8 billion, or 10.0%, due a slight growth in contract holders combined with the increase in the fair value of the portfolio caused by developments in the financial markets.

Other liabilities rose by \$1.5 billion, or 7.8%, due primarily to the higher amounts payable to clients, brokers and financial institutions.

As at September 30, 2023, subordinated notes stood at \$2.9 billion, comparable to the December 31, 2022 amount.

Equity

Equity has increased by \$0.8 billion, or 2.4%, since December 31, 2022 due to the net surplus earnings after member dividends totalling \$1.3 billion for the first nine months of 2023, offset in part by the \$0.4 billion decline in other comprehensive income.

Note 23, "Capital stock", and Note 24, "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 2022 annual MD&A.

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.

Regulatory framework and internal policies

Desjardins Group's regulatory capital ratios are calculated according to the *Capital Adequacy Guideline* issued by the AMF and applicable, in particular, to financial services cooperatives. In February 2023, the AMF issued an update of the *Capital Adequacy Guideline* based on the Basel III regulatory reforms approved by the Basel Committee on Banking Supervision (BCBS) in 2017.

These reforms focus essentially on reducing the excessive variability of risk-weighted assets and improving the comparability and transparency of financial institutions' capital ratios by:

- Enhancing the robustness and sensitivity of standardized approaches for credit risk and operational risk.
- Restricting the use of Internal Ratings-Based (IRB) approaches by limiting the use of certain variables in calculating capital requirements and by revoking the use of advanced methods for certain portfolios.
- Adjusting the exposure measure for leverage ratio purposes.
- Replacing the existing threshold with a more robust and risk-sensitive floor based on the revised Basel III standardized approaches.

This update to the *Capital Adequacy Guideline* came into force in the first quarter of 2023.

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, among other things. Desjardins Group oversees and manages the capital requirements of these entities to ensure efficient use of capital and continuous compliance with the applicable regulations.

In this regard, it should be mentioned that the life and health insurance subsidiary under provincial jurisdiction is 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. These guidelines were updated in July 2022 to reflect IFRS 17, and the resulting changes came into force on January 1, 2023.

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

In addition, since April 1, 2022, Desjardins Group has been required to maintain a minimum loss absorbing capacity at all times in order to support its internal recapitalization (bail-in) in the event of failure. Such capacity is composed of regulatory capital instruments and unsecured external long-term debt that meets the criteria under the *Total Loss Absorbing Capacity Guideline* (TLAC Guideline) issued by the AMF.

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

(as a percentage)	Minimum ratio	Capital conservation buffer	Minimum ratio including capital conservation buffer	Supplement applying to D-SIFIs ⁽¹⁾⁽²⁾	Minimum ratio including capital conservation buffer and supplement applying to D-SIFIs	Capital and leverage ratios as at September 30, 2023
Tier 1A capital ratio ⁽³⁾	> 4.5%	2.5%	> 7.0%	1.0%	> 8.0%	20.8%
Tier 1 capital ratio ⁽³⁾	> 6.0	2.5	> 8.5	1.0	> 9.5	20.8
Total capital ratio ⁽³⁾	> 8.0	2.5	> 10.5	1.0	> 11.5	22.3
TLAC ratio ⁽⁴⁾	> 21.5	N/A	> 21.5	N/A	> 21.5	29.9
Leverage ratio ⁽⁵⁾	> 3.5	N/A	> 3.5	N/A	> 3.5	7.5
TLAC leverage ratio ⁽⁶⁾	> 6.75	N/A	> 6.75	N/A	> 6.75	10.7

⁽¹⁾ Supplement of 1% applicable to Desjardins Group as a domestic systemically important financial institution (D-SIFI).

⁽²⁾ 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.

⁽³⁾ The capital ratios are expressed as a percentage of regulatory capital to risk-weighted assets.

⁽⁴⁾ The TLAC ratio is expressed as a percentage of regulatory capital and TLAC-eligible instruments (as set out in the TLAC Guideline) compared to risk-weighted assets at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.

⁽⁵⁾ 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) off-balance sheet items.

⁽⁶⁾ The TLAC leverage ratio is calculated by dividing the sum total of regulatory capital and TLAC-eligible instruments (as set out in the TLAC Guideline) by the exposure measure at the level of the resolution group.

Regulatory developments

Desjardins Group continues to monitor changes in capital requirements under the global standards developed by the 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 2022 annual MD&A on page 51. The "Changes in the regulatory environment" section of this MD&A also presents additional details on regulation as it affects all Desjardins Group operations.

In February 2023, the AMF issued an update to the *Capital Adequacy Guideline*, resulting from the Basel III regulatory reforms approved by the BCBS on December 7, 2017. The provisions relating to the market risk framework and the enhanced robustness and risk sensitivity of the standardized approaches for credit valuation adjustment (CVA) risk will become effective on January 1, 2024.

Compliance with requirements

As at September 30, 2023, the Tier 1A, Tier 1 and total capital ratios of Desjardins Group, calculated in accordance with Basel III requirements, were 20.8%, 20.8% and 22.3%, respectively. The leverage ratio was 7.5%. Desjardins Group therefore has very good capitalization, with a Tier 1A capital ratio above the 15% target.

As at September 30, 2023, the Tier 1A capital ratio was up 62 basis points compared to December 31, 2022, mainly due to the revision of some of the methodological aspects of risk-weighted assets.

In addition, the TLAC ratio and the TLAC leverage ratio were respectively 29.9% and 10.7% as at September 30, 2023.

Desjardins Group and all its components that are subject to minimum regulatory requirements with respect to capitalization were in compliance with said requirements as at September 30, 2023.

Regulatory capital and other TLAC instruments

The following tables present Desjardins Group's main capital components, regulatory capital balances and other TLAC instruments, as well as risk-weighted assets, regulatory ratios, and changes in regulatory capital and other TLAC instruments during the period.

Main capital components and other TLAC instruments

Regulatory capital and other TLAC instruments				
Total capital				
Tier 1 capital				Other TLAC instruments
Tier 1A ⁽¹⁾	Tier 1B ⁽¹⁾		Tier 2 capital	
Eligible items	<ul style="list-style-type: none"> Reserves and undistributed surplus earnings Eligible accumulated other comprehensive income F capital shares 	<ul style="list-style-type: none"> Non-controlling interests⁽²⁾ 	<ul style="list-style-type: none"> General allowance NVCC subordinated notes⁽³⁾ Eligible qualifying shares 	<ul style="list-style-type: none"> TLAC senior notes
Regulatory adjustments	<ul style="list-style-type: none"> Goodwill Software Other intangible assets Net defined benefit plan assets Deferred tax assets essentially resulting from loss carryforwards Provision deficit Gains and losses from fluctuations in the fair value of financial liabilities due to changes in the entity's credit risk Equity investments in investment funds subject to the fallback approach⁽⁴⁾ 			
Deductions	<ul style="list-style-type: none"> Mainly significant investments in financial entities⁽⁵⁾ 	<ul style="list-style-type: none"> Investment in preferred shares of a component deconsolidated for regulatory capital purposes 	<ul style="list-style-type: none"> 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 *Capital Adequacy 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⁾ New requirement in force in the first quarter of 2023, resulting from the update of the *Capital Adequacy Guideline*.

⁽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 and other TLAC instruments⁽¹⁾

(in millions of dollars and as a percentage)	As at September 30, 2023	As at December 31, 2022
Capital		
Tier 1A capital	\$ 28,566	\$ 28,156
Tier 1 capital	28,566	28,156
Total capital	30,577	30,445
Total loss absorbing capacity (TLAC) available ⁽²⁾	39,823	38,722
Risk-weighted assets		
Credit risk	\$ 112,635	\$ 118,783
Market risk	2,836	3,959
Operational risk	21,664	15,114
Total risk-weighted assets before the capital floor	137,135	137,856
Transitional capital floor adjustment	—	1,455
Total risk-weighted assets	\$ 137,135	\$ 139,311
Total risk-weighted assets for TLAC ratio purposes⁽²⁾	133,060	134,880
Leverage ratio exposure	378,858	371,598
TLAC leverage ratio exposure⁽²⁾	372,059	364,519
Ratios		
Tier 1A capital ratio	20.8%	20.2%
Tier 1 capital ratio	20.8	20.2
Total capital ratio	22.3	21.9
TLAC ⁽²⁾	29.9	28.7
Leverage ratio ⁽³⁾	7.5	7.6
TLAC leverage ratio ⁽²⁾⁽³⁾	10.7	10.6

⁽¹⁾ The comparative data comply with the requirements of the capital adequacy guideline in effect as of December 31, 2022.

⁽²⁾ Data calculated at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.

⁽³⁾ Under the temporary relief measures issued by the AMF on March 31, 2020, reserves with central banks are excluded from the total exposure used in the leverage ratio calculation until further notice.

The Federation is able to issue Non-Viability Contingent Capital-eligible instruments on Canadian, U.S. and European markets. Since the program was implemented, the Federation has in fact issued a total amount of \$3.0 billion in such securities as at September 30, 2023. Therefore, should there be a trigger event as defined in the *Capital Adequacy Guideline*, these notes would automatically and immediately be converted into Tier 1A capital of the Federation.

In addition, Desjardins Group has been issuing TLAC-eligible debt since October 1, 2019 in order to meet minimum requirements, for a total of \$10.2 billion as at September 30, 2023, including \$500 million in the third quarter of 2023.

Change in regulatory capital and other TLAC instruments

For the nine-month period ended

(in millions of dollars)	September 30, 2023
Tier 1A capital	
Balance at beginning of period	\$ 28,156
Increase in reserves and undistributed surplus earnings ⁽¹⁾	670
Eligible accumulated other comprehensive income	12
Deductions	(272)
Balance at end of period	28,566
Total Tier 1 capital⁽²⁾	28,566
Tier 2 capital	
Balance at beginning of period	2,289
Eligible instruments	(50)
General allowance	(78)
Deductions	(150)
Balance at end of period	2,011
Total capital	\$ 30,577
Total capital for TLAC purposes⁽³⁾	\$ 29,678
Other TLAC instruments	
Balance at beginning of period	9,179
TLAC senior notes	966
Balance at end of period	10,145
Total loss absorbing capacity (TLAC) available⁽³⁾	\$ 39,823

⁽¹⁾ Amount including the change in defined benefit pension plans.⁽²⁾ No Tier 1B capital instrument has been issued to date.⁽³⁾ Data calculated at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.**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 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 AMF's *Capital Adequacy Guideline*.

RWA totalled \$137.1 billion as at September 30, 2023, up \$1.6 billion compared to the previous quarter.

For credit risk, changes in RWA for the third quarter of 2023 are divided into two segments: credit risk other than counterparty risk, and counterparty risk.

- In credit risk other than counterparty risk, the net increase of \$2.0 billion in RWA was mainly the result of the following:
 - Growth in portfolio size resulting in a \$1.1 billion increase in RWA.
 - Changes in portfolio quality causing a \$0.8 billion increase in RWA.
 - Changes in exchange rates resulting in a \$0.3 billion increase in RWA.
- In counterparty risk, a \$0.5 billion decrease in RWA was primarily due to changes in portfolio quality.

In market risk, a \$0.4 billion decrease in RWA resulted from a change in risk levels.

An increase of \$0.5 billion in RWA was noted in operational risk as a result of fluctuations in the income generated.

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 2022 annual MD&A.

Note 14, "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 9, "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 September 30, 2023, Desjardins Group administered, for the account of its members and clients, assets worth \$454.8 billion, for an increase of \$7.5 billion, or 1.7%, since December 31, 2022. The financial assets entrusted to Desjardins Group as wealth manager totalled \$75.4 billion as at September 30, 2023, a decrease of \$0.8 billion, or 1.0%, since December 31, 2022.

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, including risks related to external factors such as climate change.

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, environmental or social risk, and regulatory risk.

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 nine months of fiscal 2023, 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, environmental or social risk, and regulatory risk) did not change significantly from those described on pages 61 to 98 of Desjardins Group's 2022 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 58 to 60 of Desjardins Group's 2022 annual MD&A, except for the economic situation as specified in the "Economic environment and outlook" section of this 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.

The current macroeconomic environment, characterized mainly by increased inflationary pressures, interest rate hikes, labour shortages and growing geopolitical tensions, continues to cause uncertainty.

In the current inflationary environment with the Bank of Canada's restrictive monetary policy, Desjardins Group supports its vulnerable members and clients who are more greatly affected by the higher interest rates.

This situation also requires management to continue to make particularly complex judgments to estimate the loss allowance for expected credit losses. In order to take into account the relevant risk factors of this unprecedented macroeconomic environment that are not reflected in the models, management continues to apply expert credit judgments in measuring the loss allowance for expected credit losses. Expert adjustments are thus applied to certain credit risk measures and to some forward-looking information that should not be as representative of an improvement in portfolio credit quality as the historical data used in the models would otherwise suggest.

The credit portfolio remains in good shape despite the economic uncertainty.

Quality of loan portfolio

As at September 30, 2023, in accordance with Note 5, "Loans and allowance for credit losses", to the Interim Combined Financial Statements, the loss allowance for expected credit losses on loans totalled \$1,078 million, and that for off-balance-sheet items was \$91 million, for a total of \$1,169 million, up \$81 million compared to December 31, 2022. This increase was mainly due to the higher risk of the business loan portfolio, due to the rise in outstandings, as well as to certain changes made to methodology. The effects of this were, however, partially offset by the effects of updating forward-looking information. 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 0.64% for the third quarter of 2023, compared to 0.47% as at December 31, 2022. The allowance for credit losses on credit-impaired loans totalled \$402 million as at September 30, 2023, resulting in a provisioning rate of 24.1% 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⁽¹⁾

(in millions of dollars)	As at September 30, 2023			As at December 31, 2022		
	31 to 90 days	91 days or more	Total	31 to 90 days	91 days or more	Total
Residential mortgages	\$ 186	\$ 96	\$ 282	\$ 139	\$ 20	\$ 159
Consumer, credit card and other personal loans	175	27	202	134	38	172
Business and government	83	89	172	32	64	96
	\$ 444	\$ 212	\$ 656	\$ 305	\$ 122	\$ 427

⁽¹⁾ Loans less than 31 days past due are not presented because, in general, they are not an indication that borrowers will not meet their payment obligations.

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

(in millions of dollars and as a percentage)	As at September 30, 2023					As at December 31, 2022	
	Gross carrying amount		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
Gross loans and acceptances							
Residential mortgages	\$ 164,285	\$ 361	0.22%	\$ 25	\$ 336	\$ 245	\$ 229
Consumer, credit card and other personal loans	24,304	201	0.83	123	78	170	79
Business and government	74,383	1,109	1.49	254	855	776	572
Total	\$ 262,972	\$ 1,671	0.64%	\$ 402	\$ 1,269	\$ 1,191	\$ 880

⁽¹⁾ For more information on the gross credit-impaired loans/gross loans and acceptances ratio, which is a supplementary 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			For the nine-month periods ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Gross credit-impaired loans at the beginning of the period	\$ 1,476	\$ 1,270	\$ 1,058	\$ 1,191	\$ 1,088
Gross loans that became credit-impaired since the last period	823	834	545	2,327	1,736
Loans returned to unimpaired status	(550)	(550)	(463)	(1,628)	(1,583)
Write-offs and recoveries	(76)	(77)	(54)	(214)	(155)
Other changes	(2)	(1)	1	(5)	1
Gross credit-impaired loans at the end of the period	\$ 1,671	\$ 1,476	\$ 1,087	\$ 1,671	\$ 1,087

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 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 September 30, 2023							
	Guaranteed or insured loans ⁽³⁾		Uninsured loans ⁽⁴⁾		Home equity lines of credit ⁽⁵⁾		Total	
Québec	\$ 29,009	97.8%	\$ 91,095	95.1%	\$ 5,608	94.9%	\$ 125,712	95.8%
Ontario	623	2.1	4,650	4.9	302	5.1	5,575	4.2
Other ⁽⁶⁾	19	0.1	42	—	1	—	62	—
All geographic areas	\$ 29,651	100.0%	\$ 95,787	100.0%	\$ 5,911	100.0%	\$ 131,349	100.0%

(in millions of dollars and as a percentage)	As at June 30, 2023							
	Guaranteed or insured loans ⁽³⁾		Uninsured loans ⁽⁴⁾		Home equity lines of credit ⁽⁵⁾		Total	
Québec	\$ 29,002	97.8%	\$ 89,966	95.2%	\$ 5,619	94.9%	\$ 124,587	95.8%
Ontario	634	2.1	4,578	4.8	300	5.1	5,512	4.2
Other ⁽⁶⁾	20	0.1	44	—	—	—	64	—
All geographic areas	\$ 29,656	100.0%	\$ 94,588	100.0%	\$ 5,919	100.0%	\$ 130,163	100.0%

(in millions of dollars and as a percentage)	As at September 30, 2022							
	Guaranteed or insured loans ⁽³⁾		Uninsured loans ⁽⁴⁾		Home equity lines of credit ⁽⁵⁾		Total	
Québec	\$ 28,765	97.6%	\$ 87,754	95.2%	\$ 5,791	94.8%	\$ 122,310	95.8%
Ontario	673	2.3	4,435	4.8	318	5.2	5,426	4.2
Other ⁽⁶⁾	19	0.1	41	—	—	—	60	—
All geographic areas	\$ 29,457	100.0%	\$ 92,230	100.0%	\$ 6,109	100.0%	\$ 127,796	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 \$219 million as at September 30, 2023 (\$209 million as at June 30, 2023 and \$203 million as at September 30, 2022).

⁽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 the 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 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 September 30, 2023			As at June 30, 2023			As at September 30, 2022		
	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	62.0%	63.8%	63.3%	61.6%	65.2%	64.4%	64.6%	66.1%	65.7%
Ontario	60.0	62.5	61.4	61.1	61.9	61.6	63.3	63.5	63.4
Other ⁽⁴⁾	79.1	76.4	77.4	79.7	69.6	72.4	57.1	78.7	68.4
All geographic areas	61.9%	63.7%	63.3%	61.5%	65.1%	64.3%	64.4%	66.0%	65.6%

⁽¹⁾ Caisse Desjardins Ontario Credit Union Inc. is not legally subject to the AMF rules but rather 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⁽¹⁾⁽²⁾

Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.⁽³⁾

(in millions of dollars in gross loans and as a percentage of the total by remaining amortization category)	Total amortized loans					
	As at September 30, 2023		As at June 30, 2023 ⁽⁴⁾		As at September 30, 2022 ⁽⁴⁾	
0 to 10 years	\$ 3,612	2.9%	\$ 3,598	2.9%	\$ 3,650	3.0%
10 to 20 years	23,101	18.4	23,165	18.6	23,271	19.1
20 to 25 years	79,832	63.6	79,651	64.1	83,104	68.3
25 to 30 years	10,045	8.0	9,762	7.9	9,814	8.1
30 to 35 years	1,130	0.9	1,095	0.9	893	0.7
35 years or more ⁽⁵⁾	7,718	6.2	6,973	5.6	955	0.8
All amortization periods	\$ 125,438	100.0%	\$ 124,244	100.0%	\$ 121,687	100.0%

⁽¹⁾ The caisse network's variable-rate mortgages represented 24.2% as at September 30, 2023 (25.9% as at June 30, 2023 and 29.3% as at September 30, 2022).

⁽²⁾ In accordance with Desjardins Group's internal practices, the remaining amortization period for residential mortgages is limited to 30 years. However, exceeding this 30-year maximum amortization is permitted in certain exceptional situations.

⁽³⁾ Caisse Desjardins Ontario Credit Union Inc. is not legally subject to the AMF rules but rather to the FSRA rules.

⁽⁴⁾ Comparative data have been adjusted to conform to the current period's presentation due to a refinement in methodology.

⁽⁵⁾ Negative amortization loans are included in the over 35 years category, which reflects the impact of interest rate hikes on the variable-rate mortgage portfolio.

International exposures

As at September 30, 2023, Desjardins Group credit risk exposures outside of Canada and the U.S. represented 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.

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 loss arising from changes in the fair value of financial instruments as a result of 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 in the pages that follow.

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 September 30, 2023

(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	\$ 7,602	\$ —	\$ 7,602	\$ —	Interest rate
Securities					
Securities at fair value through profit or loss	34,029	11,365	22,664	—	Interest rate
Securities at fair value through other comprehensive income	50,560	—	50,560	—	Interest rate, FX, price
Securities at amortized cost	48	—	48	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	12,993	11,366	1,627	—	Interest rate
Net loans and acceptances	261,894	—	261,894	—	Interest rate
Segregated fund net assets	22,963	—	22,963	—	Interest rate, price
Derivative financial instruments	5,376	616	4,760	—	Interest rate, FX, price
Other assets	18,591	—	—	18,591	
Total assets	\$ 414,056	\$ 23,347	\$ 372,118	\$ 18,591	
Liabilities and equity					
Deposits	\$ 273,433	\$ —	\$ 273,433	\$ —	Interest rate
Insurance contract liabilities	30,507	—	30,507	—	Interest rate
Commitments related to securities sold short	12,925	12,333	592	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	13,864	12,512	1,352	—	Interest rate
Derivative financial instruments	6,509	901	5,608	—	Interest rate, FX, price
Segregated fund net liabilities from investment contracts	19,600	—	19,600	—	Interest rate, price
Other liabilities	21,162	—	636	20,526	Interest rate
Subordinated notes	2,878	—	2,878	—	Interest rate
Equity	33,178	—	—	33,178	
Total liabilities and equity	\$ 414,056	\$ 25,746	\$ 334,606	\$ 53,704	

Footnotes to this table are presented on the next page.

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

As at December 31, 2022 Restated

(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	\$ 8,913	\$ —	\$ 8,913	\$ —	Interest rate
Securities					
Securities at fair value through profit or loss	33,987	9,801	24,186	—	Interest rate
Securities at fair value through other comprehensive income	51,258	—	51,258	—	Interest rate, FX, price
Securities at amortized cost	50	—	50	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	17,024	14,677	2,347	—	Interest rate
Net loans and acceptances	249,695	—	249,695	—	Interest rate
Segregated fund net assets	21,356	—	21,356	—	Interest rate, price
Derivative financial instruments	5,723	635	5,088	—	Interest rate, FX, price
Other assets	15,938	—	—	15,938	
Total assets	\$ 403,944	\$ 25,113	\$ 362,893	\$ 15,938	
Liabilities and equity					
Deposits	\$ 259,836	\$ —	\$ 259,836	\$ —	Interest rate
Insurance contract liabilities	30,202	—	30,202	—	Interest rate
Commitments related to securities sold short	9,859	9,611	248	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	24,565	23,893	672	—	Interest rate
Derivative financial instruments	6,691	689	6,002	—	Interest rate, FX, price
Segregated fund net liabilities from investment contracts	17,826	—	17,826	—	Interest rate, price
Other liabilities	19,630	—	654	18,976	Interest rate
Subordinated notes	2,928	—	2,928	—	Interest rate
Equity	32,407	—	—	32,407	
Total liabilities and equity	\$ 403,944	\$ 34,193	\$ 318,368	\$ 51,383	

⁽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 – Value at Risk**

The market risk of trading portfolios is managed on a day-to-day basis under specific frameworks, which set out the risk factors that must be measured and the limit for each of these factors as well as the total. Tolerance limits are also provided for various stress testing. Compliance with these limits is monitored daily and a market risk dashboard is produced on a daily basis and 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 Value at Risk (VaR). VaR is an estimate of the potential loss over a certain period of time at a given confidence level. A Monte Carlo VaR is calculated daily on the trading portfolios, using a 99% confidence level and a holding horizon of one day (holding horizon extended up to 10 days for regulatory capital calculations). It is therefore reasonable to expect a loss exceeding the VaR figure once every 100 days. The calculation of VaR is based on historical data for a one-year interval.

In addition to aggregate VaR, Desjardins Group calculates an aggregate stressed VaR (SVaR). It is calculated in the same way as aggregate VaR, except for the use of historical data. Therefore, instead of using the interval of the past year, aggregate SVaR takes into account the historical data for a crisis period of one year, 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.

Capital requirements related to 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 following table 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 *Capital Adequacy Guideline* (in French only) issued by the AMF.

Market risk measures for the trading portfolio

(in millions of dollars)	For the quarter ended September 30, 2023				For the quarters ended			
	As at September 30, 2023	September 30, 2023			June 30, 2023		September 30, 2022	
		Average	High	Low	As at June 30, 2023	Average	As at September 30, 2022	Average
Equities	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.3	\$ 0.4	\$ 0.3	\$ 0.6	\$ 0.7
Foreign exchange	0.3	0.3	1.0	0.1	0.4	0.4	2.98	0.7
Interest rate	6.2	5.5	7.5	3.6	4.4	4.8	5.7	4.5
Specific interest rate risk ⁽¹⁾	1.8	2.7	5.2	1.3	5.6	3.8	4.1	2.4
Diversification effect ⁽²⁾	(2.4)	(3.5)	N/A ⁽³⁾	N/A ⁽³⁾	(6.4)	(4.5)	(6.6)	(3.7)
Aggregate VaR	\$ 6.2	\$ 5.3	\$ 7.4	\$ 3.5	\$ 4.4	\$ 4.8	\$ 6.8	\$ 4.6
Aggregate SVaR	\$ 8.0	\$ 8.6	\$ 14.1	\$ 5.1	\$ 7.8	\$ 11.5	\$ 23.6	\$ 10.5
Incremental risk charge (IRC)	\$ 83.1	\$ 74.2	\$ 83.6	\$ 68.3	\$ 79.1	\$ 78.1	\$ 67.6	\$ 67.5

⁽¹⁾ Specific risk is the risk directly related to the issuer of a financial security, independent of market events. A portfolio approach is used to distinguish specific risk from general market risk. This approach consists of creating a sub-portfolio that contains the positions involving the specific risk of an issuer, such as provinces, municipalities and companies, and a sub-portfolio that contains the positions considered to be without issuer risk, such as governments in the local currency.

⁽²⁾ Represents the risk reduction related to diversification, namely the difference between the sum of the VaR of the various market risks and the aggregate VaR.

⁽³⁾ The highs and lows of the various market risk categories can refer to different dates. It is not relevant to calculate a diversification effect.

The average of the trading portfolio's aggregate VaR was \$5.3 million for the quarter ended September 30, 2023, up \$0.5 million compared to the quarter ended June 30, 2023. The average of the aggregate SVaR was \$8.6 million for the quarter ended September 30, 2023, down \$2.9 million compared to the quarter ended June 30, 2023. The average of the incremental risk charge totalled \$74.2 million, down \$3.9 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

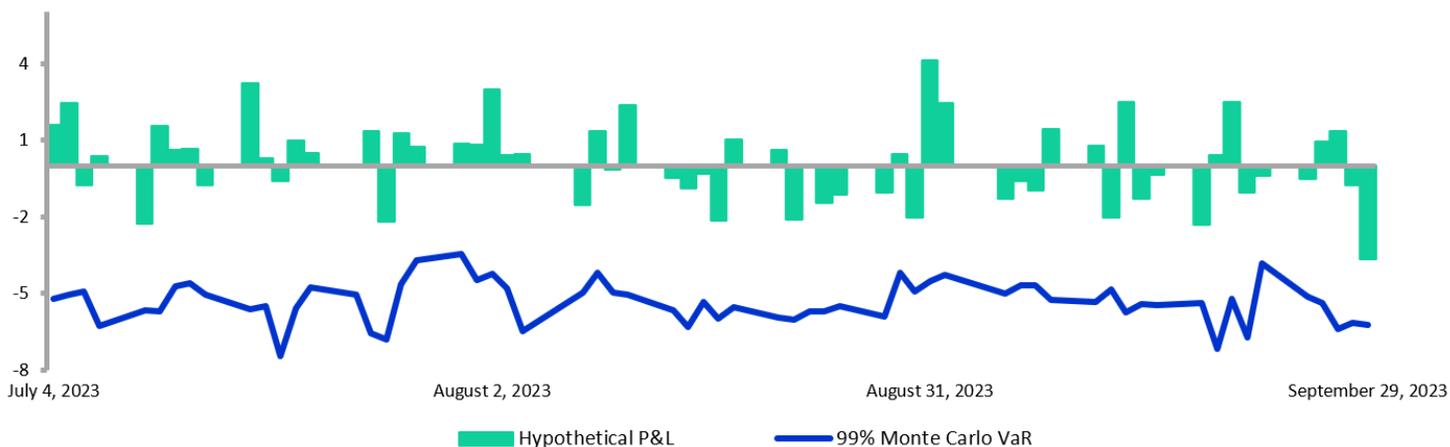
Back testing, which is a daily comparison of the VaR with the profits and losses (P&L) on portfolios, is conducted to validate the VaR model used by ensuring that results correspond statistically to those of the VaR model. In addition, an independent modelling validation unit works on the model every 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 third quarter of 2023, no overage of actual or hypothetical 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 the 2020 COVID-19 pandemic or the 2008 credit crisis. In using such stress testing, changes can be monitored in the fair value of positions held depending on these 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-basis-point increase or decrease in interest rates on net interest income and the economic value of equity for Desjardins Group, assuming the balance sheet is stable and management takes no measures to mitigate risk.

Interest rate sensitivity (before income taxes)⁽¹⁾

	As at September 30, 2023		As at June 30, 2023		As at September 30, 2022	
	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⁾
(in millions of dollars)						
Impact of a 100-basis-point increase in interest rates	\$ 23	\$ (20)	\$ 69	\$ (80)	\$ 111	\$ (52)
Impact of a 100-basis-point decrease in interest rates	(23)	(16)	(67)	12	(104)	42

⁽¹⁾ Interest rate sensitivity related to insurance activities is not reflected in the amounts above. For information on interest rate sensitivity related to insurance activities, refer to Note 7, "Insurance and reinsurance contracts", to the Interim Combined Financial Statements.

⁽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.

Foreign exchange risk management

Foreign exchange risk refers to the potential loss resulting from a change 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, as a result of 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 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 financial markets.

Furthermore, Desjardins Group issues covered bonds and securitizes loans insured by Canada Mortgage and Housing Corporation (CMHC) in the course of its day-to-day operations. Desjardins Group is also eligible for the Bank of Canada's various intervention programs and loan facilities for Emergency Lending Assistance advances.

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

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 financial markets, or events that would restrict its access to funding or result in a serious run on deposits.

The minimum liquid asset levels to be maintained by Desjardins Group 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 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 following tables 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 covering 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 due to regulatory, legal, operational or other restrictions.

Liquid assets

As at September 30, 2023

(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	\$ 5,649	\$ —	\$ 5,649	\$ 570	\$ 5,079
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	48,176	13,249	61,425	25,948	35,477
Other securities in Canada	6,049	598	6,647	964	5,683
Issued or guaranteed by foreign issuers	552	—	552	—	552
Loans					
Insured residential mortgage-backed securities	12,687	—	12,687	2,592	10,095
Total	\$ 73,113	\$ 13,847	\$ 86,960	\$ 30,074	\$ 56,886

As at December 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	\$ 7,751	\$ —	\$ 7,751	\$ 589	\$ 7,162
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	50,469	16,651	67,120	34,407	32,713
Other securities in Canada	5,813	557	6,370	798	5,572
Issued or guaranteed by foreign issuers	567	3	570	6	564
Loans					
Insured residential mortgage-backed securities	9,564	—	9,564	3,065	6,499
Total	\$ 74,164	\$ 17,211	\$ 91,375	\$ 38,865	\$ 52,510

Unencumbered liquid assets by entity⁽¹⁾

(in millions of dollars)	As at September 30, 2023	As at December 31, 2022
Federation	\$ 28,316	\$ 27,381
Caisse network	24,633	20,858
Other entities	3,937	4,271
Total	\$ 56,886	\$ 52,510

⁽¹⁾ Substantially all unencumbered liquid assets presented in this table are issued in Canadian dollars.

Encumbered assets

In the course of its day-to-day 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 insurance contract liabilities.

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 funding or other transactions.

Encumbered assets

As at September 30, 2023

(in millions of dollars)	Breakdown of total assets						
	Combined Balance Sheet assets	Securities held as collateral	Total assets	Encumbered assets		Unencumbered assets	
				Pledged as collateral	Other ⁽¹⁾	Available as collateral	Other ⁽²⁾
Cash and deposits with financial institutions	\$ 7,602	\$ —	\$ 7,602	\$ 178	\$ 570	\$ 4,901	\$ 1,953
Securities	84,637	24,240	108,877	37,831	931	40,256	29,859
Securities borrowed or purchased under reverse repurchase agreements	12,993	—	12,993	—	—	—	12,993
Net loans and acceptances	261,894	—	261,894	30,650	—	58,829	172,415
Segregated fund net assets	22,963	—	22,963	—	—	—	22,963
Other assets	23,967	—	23,967	—	—	—	23,967
Total	\$ 414,056	\$ 24,240	\$ 438,296	\$ 68,659	\$ 1,501	\$ 103,986	\$ 264,150

As at December 31, 2022 Restated

(in millions of dollars)	Breakdown of total assets						
	Combined Balance Sheet assets	Securities held as collateral	Total assets	Encumbered assets		Unencumbered assets	
				Pledged as collateral	Other ⁽¹⁾	Available as collateral	Other ⁽²⁾
Cash and deposits with financial institutions	\$ 8,913	\$ —	\$ 8,913	\$ —	\$ 589	\$ 7,162	\$ 1,162
Securities	85,295	23,686	108,981	41,121	545	38,869	28,446
Securities borrowed or purchased under reverse repurchase agreements	17,024	—	17,024	—	—	—	17,024
Net loans and acceptances	249,695	—	249,695	28,097	—	65,501	156,097
Segregated fund net assets	21,356	—	21,356	—	—	—	21,356
Other assets	21,661	—	21,661	—	—	—	21,661
Total	\$ 403,944	\$ 23,686	\$ 427,630	\$ 69,218	\$ 1,134	\$ 111,532	\$ 245,746

⁽¹⁾ Assets that cannot be used for legal or other reasons.

⁽²⁾ "Other" unencumbered assets include those of the insurance companies as well as other assets that in management's opinion would not be immediately available for collateral or funding 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 primarily of cash and highly rated securities issued or guaranteed by various levels of government. This guideline also prescribes weightings for cash inflows and outflows.

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 member and client deposits 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⁾

	For the quarter ended September 30, 2023		For the quarter ended June 30, 2023
	Total non-weighted value ⁽²⁾ (average ⁽⁴⁾)	Total weighted value ⁽³⁾ (average ⁽⁴⁾)	Total weighted value ⁽³⁾ (average ⁽⁴⁾)
(in millions of dollars and as a percentage)			
High-quality liquid assets			
Total high-quality liquid assets	N/A	\$ 47,184	\$ 45,914
Cash outflows			
Retail deposits and small business deposits, including:	\$ 98,057	7,467	7,564
Stable deposits	51,384	1,542	1,560
Less stable deposits	46,673	5,925	6,004
Unsecured wholesale funding, including:	38,985	18,320	17,520
Operational deposits (all counterparties) and deposits in cooperative bank networks	14,781	3,555	3,578
Non-operational deposits (all counterparties)	15,921	6,482	6,164
Unsecured debt	8,283	8,283	7,778
Secured wholesale funding	N/A	62	81
Additional requirements, including:	22,728	4,413	4,374
Outflows related to exposures on derivatives and other collateral required	1,402	1,284	1,161
Outflows related to funding loss on debt products	534	534	561
Credit and liquidity facilities	20,792	2,595	2,652
Other contractual funding liabilities	3,317	1,580	2,286
Other contingent funding liabilities	92,764	2,583	2,456
Total cash outflows	N/A	\$ 34,425	\$ 34,281
Cash inflows			
Secured loans (e.g. reverse repurchase agreements)	\$ 13,650	\$ 301	\$ 351
Inflows related to completely effective exposures	3,473	1,737	1,672
Other cash inflows	17	17	23
Total cash inflows	\$ 17,140	\$ 2,055	\$ 2,046
		Total adjusted value⁽⁵⁾	Total adjusted value ⁽⁵⁾
Total high-quality liquid assets		\$ 47,184	\$ 45,914
Total net cash outflows		32,370	32,235
Liquidity coverage ratio		146%	143%

(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.

Desjardins Group's average LCR was 146% for the quarter ended September 30, 2023, a level slightly higher than the previous quarter. The LCR remains substantially higher than regulatory requirements. For the quarter ended September 30, 2023, the high quality liquid asset average was approximately \$47.2 billion (\$45.9 billion as at June 30, 2023), of which 94% (93% as at June 30, 2023) was comprised of Level 1 assets according to Basel III criteria. These include, in particular, coin and banknotes, deposits with central banks, and securities issued or secured by sovereign issuers.

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 was 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. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk for all on- and off-balance sheet items, and promotes funding stability.

This ratio 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 ASF is composed mainly of capital, retail and business deposits, as well as wholesale funding liabilities. The amount of RSF is measured based on the broad characteristics of the liquidity risk profile of assets and off-balance sheet exposures. The RSF is composed mainly of mortgages, other institutional loans and, to a lesser extent, other assets and off-balance-sheet items. 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 September 30, 2023					As at
	Unweighted value by residual maturity				Weighted value	June 30, 2023
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year		Weighted value
Available Stable Funding (ASF) item						
Capital	\$ 32,210	\$ —	\$ —	\$ 3,000	\$ 35,210	\$ 34,980
Regulatory capital	32,210	—	—	3,000	35,210	34,980
Other capital instruments	—	—	—	—	—	—
Retail deposits and deposits from small business customers	78,521	40,486	26,068	34,561	166,817	166,216
Stable deposits	45,669	7,057	6,728	10,685	67,166	68,646
Less stable deposits	32,852	33,429	19,340	23,876	99,651	97,570
Wholesale funding	24,283	41,301	3,698	21,680	37,241	37,061
Operational deposits	13,430	—	—	—	6,715	6,613
Other wholesale funding	10,853	41,301	3,698	21,680	30,526	30,448
Liabilities with matching interdependent assets	—	894	1,007	11,347	—	—
Other liabilities	25,569			13,174	—	—
NSFR derivative liabilities ⁽²⁾	N/A			3,614	N/A	N/A
All other liabilities and equity not included in the above categories	25,569	9,560	—	—	—	—
Total ASF	N/A	N/A	N/A	N/A	\$ 239,268	\$ 238,257
Required Stable Funding (RSF) item						
Total NSFR high-quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	\$ 750	\$ 765
Deposits held by other financial institutions for operational purposes	\$ —	\$ —	\$ —	\$ —	—	—
Performing loans and securities	19,852	49,811	18,951	175,182	172,902	169,591
Performing loans to financial institutions secured by Level 1 HQLA	—	13,095	—	—	655	641
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	—	1,124	370	435	732	788
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:	14,034	25,473	9,322	66,382	82,984	81,315
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	—	7,445	5,172	13,836	8,993	8,846
Performing residential mortgages, of which:	5,816	8,417	9,001	105,894	85,449	83,636
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	5,816	8,417	9,001	105,894	85,449	83,636
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2	1,702	258	2,471	3,082	3,211
Assets with matching interdependent liabilities	—	894	1,007	11,347	—	—
Other assets ⁽²⁾	—			27,991	16,785	17,154
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			287	244	296
NSFR derivative assets ⁽²⁾	N/A			5,309	308	337
NSFR derivative liabilities before deduction of variation margin posted ⁽²⁾	N/A			6,162	—	—
All other assets not included in the above categories	—	—	—	16,233	16,233	16,521
Off-balance sheet items ⁽²⁾	N/A			113,305	2,903	2,880
Total RSF	N/A	N/A	N/A	N/A	\$ 193,340	\$ 190,390
Net Stable Funding Ratio	N/A	N/A	N/A	N/A	124%	125%

⁽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.

The NSFR was 124% for the quarter ended September 30, 2023, compared to 125% as at June 30, 2023. The decrease in NSFR was due to the increase in Required Stable Funding on account of growth in loans, which exceeded the increase in Available Stable Funding, which was itself connected mainly with growth in deposits.

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 \$273.4 billion as at September 30, 2023, up \$13.6 billion since December 31, 2022. Additional information on deposits is presented in the "Balance sheet management" section of this MD&A.

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 nine months of 2023, the Federation maintained 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 international markets, as required.

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

Main funding programs

As at September 30, 2023

	Maximum authorized amount
Medium-term notes (Canadian) ⁽¹⁾	\$10 billion
Covered bonds (multi-currency) ⁽¹⁾	\$26 billion
Short-term notes (European)	€5 billion
Short-term notes (U.S.)	US\$20 billion
Medium-term and subordinated notes (multi-currency) ⁽¹⁾	€10 billion
NVCC subordinated notes (Canadian) ⁽¹⁾	\$5 billion
Medium-term notes (Australian) ⁽¹⁾	AU\$3 billion

⁽¹⁾ Sustainable bonds may be issued under these funding programs in compliance with the Desjardins Sustainable Bond Framework.

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

Remaining contractual term to maturity of wholesale funding

(in millions of dollars)	As at September 30, 2023								As at
	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	December 31, 2022
Bearer discount notes	\$ 3,043	\$ 765	\$ 31	\$ 20	\$ 3,859	\$ —	\$ —	\$ 3,859	\$ 3,005
Commercial paper	7,205	5,164	6,306	—	18,675	—	—	18,675	15,042
Medium-term notes	—	—	—	2,414	2,414	4,181	5,964	12,559	9,979
Mortgage loan securitization	—	531	361	1,009	1,901	1,670	9,590	13,161	13,075
Covered bonds	1,019	—	1,077	—	2,096	1,798	8,337	12,231	10,984
Subordinated notes	—	—	—	—	—	—	2,878	2,878	2,928
Total	\$ 11,267	\$ 6,460	\$ 7,775	\$ 3,443	\$ 28,945	\$ 7,649	\$ 26,769	\$ 63,363	\$ 55,013
Including:									
Secured	\$ 1,019	\$ 531	\$ 1,438	\$ 1,009	\$ 3,997	\$ 3,468	\$ 20,805	\$ 28,270	\$ 26,988
Unsecured	10,248	5,929	6,337	2,434	24,948	4,181	5,964	35,093	28,025

Desjardins Group's total wholesale funding presented in the table above was carried out by the Federation. Total wholesale funding increased by \$8.4 billion, or 15.2%, compared to December 31, 2022. This increase was primarily due to the increase in commercial paper, medium-term notes and 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 September 30, 2023		As at December 31, 2022	
Canadian dollars	\$ 23,869	37.7%	\$ 23,785	43.2%
U.S. dollars	27,304	43.1	21,651	39.4
Other	12,190	19.2	9,577	17.4
Total	\$ 63,363	100.0%	\$ 55,013	100.0%

Moreover, the Federation participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of \$1.9 billion in the first nine months of 2023. The Federation also made the following issues:

- On January 23, 2023, an issue totalling US\$600 million, subject to the bail-in regime, under its multi-currency medium-term note program.
- On January 31, 2023, an issue totalling 325 million Swiss francs under its legislative covered bond program.
- On March 14, 2023, an issue totalling US\$750 million, subject to the bail-in regime, under its multi-currency medium-term note program.
- On April 18, 2023, an issue totalling €750 million under its legislative covered bond program.
- On April 24, 2023, an issue totalling 34.3 billion Japanese yen, subject to the bail-in regime, under its multi-currency medium-term note program.
- On August 16, 2023, an issue totalling \$500 million, subject to the bail-in regime, under its Canadian medium-term note program and in compliance with the Desjardins Sustainable Bond Framework.
- On August 30, 2023, an issue totalling 500 million GBP under its legislative covered bond program.
- On September 27, 2023, an issue totalling €500 million under its multi-currency medium-term note program.
- On October 11, 2023, an issue totalling 2.0 billion NOK under its legislative covered bond program.

Outstanding notes issued under the Federation's medium-term funding programs amounted to \$38.0 billion as at September 30, 2023, compared to \$34.0 billion as at December 31, 2022. 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.

Highlights of decisions by the rating agencies concerning Desjardins Group's instruments:

- On June 20, 2023, Fitch affirmed the ratings of the instruments issued by the Federation while maintaining the outlook as stable.
- On July 13, 2023, DBRS affirmed the ratings of the instruments issued by the Federation while maintaining the outlook as stable. This assessment reflects the strength of Desjardins Group in Québec, where it has leading market shares.
- On October 16, 2023, Standard & Poor's affirmed the ratings of the instruments issued by the Federation while maintaining the outlook as stable. This assessment reflects the strength of Desjardins Group's balance sheet.

The following table shows the different credit ratings assigned to the *Fédération des caisses Desjardins du Québec's* financial instruments.

Credit ratings of securities issued and outstanding

	DBRS	FITCH	MOODY'S	STANDARD & POOR'S
<i>Fédération des caisses Desjardins du Québec</i>				
Counterparty/Deposits ⁽¹⁾	AA	AA	Aa1	A+
Short-term debt	R-1 (high)	F1+	P-1	A-1
Medium- and long-term debt, senior ⁽²⁾	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 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.

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

As at September 30, 2023

(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	\$ 6,773	\$ 801	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 28	\$ 7,602
Securities										
Securities at fair value through profit or loss ⁽¹⁾	105	836	753	1,680	1,343	2,093	6,091	16,598	4,530	34,029
Securities at fair value through other comprehensive income ⁽¹⁾	1,021	1,648	1,531	2,344	1,594	7,989	21,703	11,321	1,409	50,560
Securities at amortized cost	—	—	1	—	—	1	6	40	—	48
Securities borrowed or purchased under reverse repurchase agreements	10,737	1,682	574	—	—	—	—	—	—	12,993
Loans										
Residential mortgages ⁽²⁾	3,192	4,980	7,317	7,747	5,166	28,642	96,777	3,541	6,923	164,285
Consumer, credit card and other personal loans ⁽²⁾	56	76	151	201	208	1,084	4,713	8,374	9,441	24,304
Business and government ⁽²⁾	21,955	6,650	4,985	5,613	4,632	8,117	12,352	2,202	7,870	74,376
Allowance for credit losses	—	—	—	—	—	—	—	—	(1,078)	(1,078)
Segregated fund net assets	—	—	—	—	—	—	—	—	22,963	22,963
Client's liability under acceptances	7	—	—	—	—	—	—	—	—	7
Derivative financial instruments	436	420	370	505	259	1,265	1,903	218	—	5,376
Amounts receivable from clients, brokers and financial institutions	4,132	11	—	—	—	—	—	—	682	4,825
Reinsurance contract assets	18	78	59	56	47	156	318	706	173	1,611
Right-of-use assets	—	—	—	—	—	—	—	—	502	502
Investment property	—	—	—	—	—	—	—	—	970	970
Property, plant and equipment	—	—	—	—	—	—	—	—	1,560	1,560
Goodwill	—	—	—	—	—	—	—	—	565	565
Intangible assets	—	—	—	—	—	—	—	—	1,157	1,157
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,551	1,551
Net defined benefits plan assets	—	—	—	—	—	—	—	—	610	610
Deferred tax assets	—	—	—	—	—	—	—	—	1,392	1,392
Other assets – Other	1,444	685	183	83	20	21	35	1	1,376	3,848
Total assets	\$ 49,876	\$ 17,867	\$ 15,924	\$ 18,229	\$ 13,269	\$ 49,368	\$ 143,898	\$ 43,001	\$ 62,624	\$ 414,056

See page 51 for footnotes.

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

As at September 30, 2023

(in millions of dollars)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
Liabilities and equity										
Deposits										
Individuals ⁽³⁾	\$ 6,046	\$ 5,423	\$ 8,238	\$ 17,248	\$ 6,730	\$ 18,418	\$ 15,017	\$ 80	\$ 70,718	\$ 147,918
Business and government ⁽³⁾	14,331	7,844	9,866	3,728	2,562	9,390	20,785	4,667	51,763	124,936
Deposit-taking institutions ⁽³⁾	62	1	251	5	7	7	1	—	245	579
Insurance contract liabilities	937	872	967	866	743	2,258	4,871	15,331	3,662	30,507
Acceptances	7	—	—	—	—	—	—	—	—	7
Commitments related to securities sold short ⁽⁴⁾	512	465	753	997	73	1,906	3,247	4,951	21	12,925
Commitments related to securities lent or sold under repurchase agreements	13,808	56	—	—	—	—	—	—	—	13,864
Derivative financial instruments	419	411	416	537	324	1,433	2,415	554	—	6,509
Amounts payable to clients, brokers and financial institutions	5,932	6	—	—	—	—	—	—	3,926	9,864
Lease liabilities	6	12	18	20	18	68	178	258	—	578
Reinsurance contract liabilities	—	1	1	1	1	2	5	26	—	37
Net liabilities of investment contract segregated funds	—	—	—	—	—	—	—	—	19,600	19,600
Net defined benefit plan assets	—	—	—	—	—	—	—	—	635	635
Deferred tax liabilities	—	—	—	—	—	—	—	—	271	271
Other liabilities – Other	3,383	734	976	905	275	456	777	166	2,098	9,770
Subordinated notes	—	—	—	—	—	—	—	2,878	—	2,878
Total equity	—	—	—	—	—	—	—	—	33,178	33,178
Total liabilities and equity	\$ 45,443	\$ 15,825	\$ 21,486	\$ 24,307	\$ 10,733	\$ 33,938	\$ 47,296	\$ 28,911	\$ 186,117	\$ 414,056
Off-balance sheet commitments										
Credit commitments ⁽⁵⁾	\$ 1,330	\$ 413	\$ 1,019	\$ 1,961	\$ 2,095	\$ 4,287	\$ 12,464	\$ 882	\$ 104,852	\$ 129,303
Indemnification commitments related to securities lending	—	—	—	—	—	—	—	—	3,188	3,188
Documentary letters of credit	2	3	11	2	1	—	—	—	—	19
Guarantees and standby letters of credit	155	409	197	427	727	41	45	40	4	2,045

See page 51 for footnotes.

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

As at December 31, 2022 Restated

(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	\$ 7,900	\$ 974	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 39	\$ 8,913
Securities										
Securities at fair value through profit or loss ⁽¹⁾	108	866	1,064	902	788	2,252	5,931	16,563	5,513	33,987
Securities at fair value through other comprehensive income ⁽¹⁾	554	1,646	1,613	1,640	869	5,792	24,093	14,986	65	51,258
Securities at amortized cost	—	—	—	—	1	1	6	42	—	50
Securities borrowed or purchased under reverse repurchase agreements	13,766	970	2,288	—	—	—	—	—	—	17,024
Loans										
Residential mortgages ⁽²⁾	2,438	3,102	6,683	6,622	8,303	18,951	99,544	7,015	7,024	159,682
Consumer, credit card and other personal loans ⁽²⁾	55	84	168	199	241	1,156	4,841	8,222	9,245	24,211
Business and government ⁽²⁾	17,166	5,922	5,697	5,028	5,668	6,042	11,878	2,335	7,076	66,812
Allowance for credit losses	—	—	—	—	—	—	—	—	(1,035)	(1,035)
Segregated fund net assets	—	—	—	—	—	—	—	—	21,356	21,356
Clients' liability under acceptances	25	—	—	—	—	—	—	—	—	25
Derivative financial instruments	274	539	758	300	493	1,259	1,894	206	—	5,723
Amounts receivable from clients, brokers and financial institutions	2,771	5	—	—	—	—	—	—	710	3,486
Reinsurance contract assets	19	65	71	61	60	167	346	751	82	1,622
Right-of-use assets	—	—	—	—	—	—	—	—	543	543
Investment property	—	—	—	—	—	—	—	—	929	929
Property, plant and equipment	—	—	—	—	—	—	—	—	1,587	1,587
Goodwill	—	—	—	—	—	—	—	—	157	157
Intangible assets	—	—	—	—	—	—	—	—	663	663
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,465	1,465
Net defined benefits plan assets	—	—	—	—	—	—	—	—	679	679
Deferred tax assets	—	—	—	—	—	—	—	—	1,267	1,267
Other assets	836	772	239	14	16	12	31	—	1,620	3,540
Total assets	\$ 45,912	\$ 14,945	\$ 18,581	\$ 14,766	\$ 16,439	\$ 35,632	\$ 148,564	\$ 50,120	\$ 58,985	\$ 403,944

See page 51 for footnotes.

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

As at December 31, 2022 Restated

(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⁾	\$ 3,627	\$ 3,817	\$ 8,936	\$ 6,750	\$ 9,148	\$ 19,852	\$ 15,422	\$ 260	\$ 77,565	\$ 145,377
Business and government ⁽³⁾	11,216	8,919	4,938	2,447	2,845	8,220	19,852	3,963	51,772	114,172
Deposit-taking institutions ⁽³⁾	61	12	7	4	3	6	2	—	192	287
Insurance contract liabilities	830	831	910	827	814	2,111	4,634	15,498	3,747	30,202
Acceptances	25	—	—	—	—	—	—	—	—	25
Commitments related to securities sold short ⁽⁴⁾	146	1,009	331	54	45	1,114	2,944	4,208	8	9,859
Commitments related to securities lent or sold under repurchase agreements	23,994	571	—	—	—	—	—	—	—	24,565
Derivative financial instruments	131	387	753	311	579	1,672	2,428	430	—	6,691
Amounts payable to clients, brokers and financial institutions	4,846	4	—	—	—	—	—	—	4,128	8,978
Lease liabilities	6	12	18	21	19	69	189	288	—	622
Reinsurance contract liabilities	—	1	1	1	1	2	4	26	—	36
Net liabilities of investment contract segregated funds	—	—	—	—	—	—	—	—	17,826	17,826
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	654	654
Deferred tax liabilities	—	—	—	—	—	—	—	—	223	223
Other liabilities – Other	3,074	947	857	324	268	393	674	333	2,222	9,092
Subordinated notes	—	—	—	—	—	—	—	2,928	—	2,928
Total equity	—	—	—	—	—	—	—	—	32,407	32,407
Total liabilities and equity	\$ 47,956	\$ 16,510	\$ 16,751	\$ 10,739	\$ 13,722	\$ 33,439	\$ 46,149	\$ 27,934	\$ 190,744	\$ 403,944
Off-balance sheet commitments										
Credit commitments ⁽⁵⁾	\$ 1,223	\$ 93	\$ 574	\$ 866	\$ 885	\$ 6,053	\$ 10,994	\$ 773	\$ 103,072	\$ 124,533
Indemnification commitments related to securities lending	—	—	—	—	—	—	—	—	3,385	3,385
Documentary letters of credit	5	1	3	4	5	—	—	—	—	18
Guarantees and standby letters of credit	267	263	393	217	235	43	42	1	49	1,510

(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. These are classified under "No stated maturity".

ADDITIONAL INFORMATION

CONTROLS AND PROCEDURES

Change in internal control over financial reporting

On January 1, 2023, the adoption of IFRS 17, "Insurance Contracts", materially affected Desjardins Group's internal control over financial reporting. Additions and changes have been made to controls related to actuarial and financial processes to comply with the requirements of this new standard. These processes also use new applications and technological tools.

For the opening balances as at January 1, 2022, we performed the following procedures to obtain the necessary assurance on the reliability of the financial reporting:

- Validate the completeness of internal controls to cover the significant risks of errors in the financial statements and the MD&A,
- Assess the implementation of the technological tools necessary to process IFRS 17 requirements,
- Analyze the supplier's report (SOC 1) to obtain assurance on the proper functioning of the controls operated by the supplier,
- Reconcile the opening balances as at January 1, 2022 before and after the adoption of IFRS 17.

We also reviewed the design and implementation of the financial and technological controls in place in 2022 used to validate the activities producing the 2022 comparative data in the 2023 documents.

In 2023, Desjardins Group designed new controls over financial reporting and modified some of them. It also provides:

- Monitor the progress on certain controls that must be modified or implemented since January 1, 2023 to validate their design,
- Perform effectiveness testing on all controls used for financial reporting in 2023, including those implemented in 2022 and 2023.

With the exception of the changes described above, Desjardins Group did not make any other significant changes to processes that had materially affected, or may materially affect, its internal control over financial reporting.

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, 2022.

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 134 to 152 of the 2022 Annual Report, except for the changes resulting from the adoption of IFRS 17, "Insurance Contracts", on January 1, 2023, which are described in Note 2, "Significant accounting policies" to these Interim Combined Financial Statements.

Some of these policies are of particular importance in presenting Desjardins Group's financial position and operating results because they require management to make judgments as well as estimates and assumptions that affect the reported amounts of some assets, liabilities, income and expenses, as well as related information. Explanations of the significant accounting policies that have required management to make difficult, subjective or complex judgments, often about matters that are inherently uncertain, are provided on pages 100 to 106 of the 2022 annual MD&A. The economic environment continues to generate sources of uncertainty that have an impact on judgments as well as significant estimates and assumptions made by management in applying accounting policies. For more information about the significant judgments made to estimate the allowance for expected credit losses and assess insurance contract liabilities, please refer to Note 5, "Loans and allowance for credit losses" and Note 7, "Insurance and reinsurance contracts", respectively, of the Interim Combined Financial Statements. Note 2, "Significant accounting policies" to the Interim Combined Financial Statements presents the significant judgments made on adoption of IFRS 17, "Insurance Contracts".

FUTURE ACCOUNTING CHANGES

Accounting standards issued by the IASB but not yet effective as at December 31, 2022 are described in Note 2, "Significant accounting policies", to Desjardins Group's Annual Combined Financial Statements, on page 152 of the 2022 Annual Report. The IASB did not issue any new accounting standards or any new amendments to any existing standards during the nine-month period ended September 30, 2023 that would have a significant impact on Desjardins Group's financial statements.

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

In addition to the entities comprising the Desjardins Cooperative Group (as defined under "Desjardins Group profile") and the subsidiaries of such entities, Desjardins Group's Combined Financial Statements include 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

(in millions of dollars and as a percentage)	As at September 30, 2023			As at December 31, 2022 Restated		
	CDO	Desjardins Group Combined Balance Sheets	% proportion	CDO	Desjardins Group Combined Balance Sheets	% proportion
Total assets	\$ 11,436	\$ 414,056	2.8%	\$ 10,756	\$ 403,944	2.7%
Total liabilities	10,615	380,878	2.8	9,936	371,537	2.7
Total equity	821	33,178	2.5	820	32,407	2.5

(in millions of dollars and as a percentage)	For the three-month periods ended						For the nine-month periods ended								
	September 30, 2023			June 30, 2023			September 30, 2022 Restated			September 30, 2023			September 30, 2022 Restated		
	CDO	Desjardins Group Combined Statements of Income	% proportion	CDO	Desjardins Group Combined Statements of Income	% proportion	CDO	Desjardins Group Combined Statements of Income	% proportion	CDO	Desjardins Group Combined Statements of Income	% proportion	CDO	Desjardins Group Combined Statements of Income	% proportion
Total net income	\$ 52	\$ 3,133	1.7%	\$ 51	\$ 3,239	1.6%	\$ 56	\$ 2,542	2.2%	\$ 147	\$ 9,039	1.6%	\$ 227	\$ 7,468	3.0%
Surplus earnings (deficit) before member dividends	7	614	1.1	7	553	1.3	(51)	295	(17.3)	12	1,509	0.8	19	784	2.4
Net surplus earnings (deficit) for the period after member dividends	4	536	0.7	5	473	1.1	(53)	217	(24.4)	5	1,273	0.4	12	551	2.2

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.

Advanced 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.

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 interest-bearing assets

Include securities, cash and deposits with financial institutions, as well as loans, and exclude life and health insurance and property and casualty insurance assets as well as all other assets not generating any net interest income.

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

Ratios determined by dividing regulatory capital by risk-weighted assets. These measures are defined in the *Capital Adequacy Guideline* 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 an 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.

Contractual service margin (CSM)

Unearned profit that will be recognized under "Insurance revenue", in the Combined Statements of Income, as insurance contract services are provided.

Countercyclical buffer

The countercyclical buffer aims to ensure that capital requirements take account of the macro-financial environment in which Desjardins Group operates. The AMF could deploy this buffer when it judges that excessive credit growth is associated with a build-up of system-wide risks and, as such, would provide a buffer of capital to absorb potential losses.

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 on loans and off-balance sheet items 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.

Direct Written Premiums

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.

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, which could result in financial losses or harm its reputation. This risk may also materialize indirectly through business relations with other entities whose operations could involve Environmental, Social or Governance (ESG) issues.

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.

Exposures related to residential mortgage loans

In accordance with the regulatory capital framework, risk category that includes mortgage loans and credit margins secured by real property granted to individuals.

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.

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.

Foundation 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, applicable maturity and exposure at default. The regulator prescribes the loss given default parameters.

Fraud and financial crime risk

Risk associated with acts conducted illegally by internal or external parties with the intent to cause harm, benefit from them or misappropriate assets belonging to Desjardins Group, members or clients, or risk associated with non-compliance by Desjardins Group with obligations arising from the anticipation, interpretation or application of a legislative or regulatory provision regarding financial crimes.

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 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, or 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.

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

Contract that transfers a significant insurance risk to an insurer upon their issuance. An insurance risk is transferred when the insurance subsidiaries agree to compensate a contract holder if a specified uncertain future event adversely affects the contract holder. In certain situations, an insurance contract may also transfer a financial risk.

Insurance contract liabilities

Obligation representing the amount of an insurance company's commitments toward all insureds and beneficiaries, including an amount to cover 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

- Life and health insurance risk is the risk that the amount and timing of benefits and expenses payable on life insurance, health insurance or annuity contract products differ from those expected.
- Property and casualty insurance risk is the risk that benefits payable on property and casualty insurance products differ from the amounts estimated when designing, pricing or measuring actuarial reserves.

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 Models 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).

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 anticipation, 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 calculated as the capital measure, which is Tier 1 capital, divided 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.

Loss on onerous contracts

When a group of insurance contracts is onerous on initial recognition or subsequently becomes onerous, a loss on onerous contracts is recognized as insurance service expenses and a loss component is added to the liability for remaining coverage. Subsequent changes in the loss component related to future service are recognized as losses and reversals of losses on onerous contracts under "Insurance service expenses" in the Combined Statements of Income.

Market risk

Risk of loss arising from changes in the fair value of financial instruments as a result of 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 interest margin

Net interest income expressed as a percentage of average interest-bearing assets.

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 (NSFR)

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 *Capital Adequacy Guideline* 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 be 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.

Privacy risk

Risk associated with inadequate handling of personal information (theft or breach, loss, collection, consent management, use, disclosure, retention, destruction or infringement of the rights of individuals related to their personal information) through intentional or unintentional actions (internal threat, error, negligence or omission). The key consequences of privacy risk deal with Desjardins Group's reputation, compliance and potential financial losses.

Probability of default (PD)

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

Productivity index – Personal and Business Services

Gross non-interest expense for the Personal and Business Services segment expressed as a percentage of total net income for the Personal and Business Services segment.

Provision for credit losses

Amount recognized in profit or loss to bring the allowance for credit losses to a level determined appropriate by management. It includes provisions for credit losses on unimpaired and impaired financial assets.

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 employee benefits to total base compensation

Employee benefits expressed as a percentage of salaries.

Regulatory capital

In accordance with the definition set out in the *Capital Adequacy Guideline* 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.

Reinsurance contract

Contract whereby one insurer assumes all or part of a risk undertaken by another insurer. Despite the contract, 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 adjustment for non-financial risk

Compensation that the insurance subsidiaries require for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks when they fulfil insurance contracts.

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 guidelines issued by the AMF. For more details, see the "Capital management" section of the Management's Discussion and Analysis.

Scaling factor

Adjustment representing 6.0% of risk assets measured using the Internal Ratings-Based Approach, applied to credit exposures in compliance with section 1.3 of the *Capital Adequacy Guideline* issued by the AMF.

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 of 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 of 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 entity 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
Standardized Approach for operational risk based on two main components: a Business Indicator Component (BIC), which is based on financial statements, and a Loss Component (LC), from which an Internal Loss Multiplier (ILM) is calculated using average historical losses. The operational risk capital requirement is calculated by multiplying the BIC and the ILM, and risk-weighted assets for operational risk are equal to this capital requirement multiplied by 12.5.

Strategic risk

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

Stressed Value at Risk

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 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 (TLAC) by risk-weighted assets.

Total loss absorbing capacity – TLAC

Regulatory capital and instruments that meet the eligibility criteria set out in the Total Loss Absorbing Capacity Guideline issued by the AMF.

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 September 30, 2023	As at December 31, 2022 Restated (Note 2)	As at January 1, 2022 Restated (Note 2)
ASSETS				
Cash and deposits with financial institutions		\$ 7,602	\$ 8,913	\$ 16,328
Securities				
Securities at fair value through profit or loss		34,029	33,987	39,730
Securities at fair value through other comprehensive income		50,560	51,258	53,286
Securities at amortized cost		48	50	41
		84,637	85,295	93,057
Securities borrowed or purchased under reverse repurchase agreements		12,993	17,024	12,019
Loans				
Residential mortgages	5	164,285	159,682	149,695
Consumer, credit card and other personal loans		24,304	24,211	24,214
Business and government		74,376	66,812	57,400
		262,965	250,705	231,309
Allowance for credit losses	5	(1,078)	(1,035)	(970)
		261,887	249,670	230,339
Segregated fund net assets		22,963	21,356	22,846
Other assets				
Clients' liability under acceptances		7	25	268
Derivative financial instruments		5,376	5,723	5,828
Amounts receivable from clients, brokers and financial institutions		4,825	3,486	2,557
Reinsurance contract assets	7	1,611	1,622	1,848
Right-of-use assets		502	543	530
Investment property		970	929	926
Property, plant and equipment		1,560	1,587	1,531
Goodwill		565	157	157
Intangible assets		1,157	663	466
Investments in companies accounted for using the equity method		1,551	1,465	1,380
Net defined benefits plan assets		610	679	62
Deferred tax assets		1,392	1,267	593
Other		3,848	3,540	2,934
		23,974	21,686	19,080
TOTAL ASSETS		\$ 414,056	\$ 403,944	\$ 393,669
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits				
Individuals	6	\$ 147,918	\$ 145,377	\$ 136,332
Business and government		124,936	114,172	101,644
Deposit-taking institutions		579	287	379
		273,433	259,836	238,355
Insurance contract liabilities	7	30,507	30,202	33,847
Other liabilities				
Acceptances		7	25	268
Commitments related to securities sold short		12,925	9,859	11,342
Commitments related to securities lent or sold under repurchase agreements		13,864	24,565	31,177
Derivative financial instruments		6,509	6,691	5,680
Amounts payable to clients, brokers and financial institutions		9,864	8,978	7,938
Lease liabilities		578	622	596
Reinsurance contract liabilities	7	37	36	45
Segregated fund net liabilities for investment contracts		19,600	17,826	18,628
Net defined benefit plan liabilities		635	654	1,048
Deferred tax liabilities		271	223	163
Other		9,770	9,092	8,924
		74,060	78,571	85,809
Subordinated notes		2,878	2,928	1,960
TOTAL LIABILITIES		380,878	371,537	359,971
EQUITY				
Capital stock		4,776	4,786	4,982
Undistributed surplus earnings		3,760	8,982	1,559
Accumulated other comprehensive income	8	(2,142)	(2,058)	317
Reserves		25,904	19,802	25,870
Equity – Group's share		32,298	31,512	32,728
Non-controlling interests		880	895	970
TOTAL EQUITY		33,178	32,407	33,698
TOTAL LIABILITIES AND EQUITY		\$ 414,056	\$ 403,944	\$ 393,669

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 September 30		For the nine-month periods ended September 30	
		2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)
INTEREST INCOME					
Loans		\$ 3,122	\$ 2,184	\$ 8,641	\$ 5,792
Securities		533	320	1,529	668
		3,655	2,504	10,170	6,460
INTEREST EXPENSE					
Deposits		1,699	792	4,543	1,585
Subordinated notes		36	18	103	43
Other		102	45	280	81
		1,837	855	4,926	1,709
NET INTEREST INCOME	10	1,818	1,649	5,244	4,751
INSURANCE SERVICE RESULT					
Insurance revenue		2,656	2,462	7,711	7,245
Insurance service expenses		(2,245)	(2,158)	(6,841)	(6,435)
Net reinsurance service income (expenses)		(20)	(27)	(82)	(15)
		391	277	788	795
NET INSURANCE FINANCE RESULT					
Net insurance investment income (loss)	7	(1,363)	119	(34)	(4,657)
Net insurance finance income (expenses)		1,479	(214)	397	4,624
Net reinsurance finance income (expenses)		(65)	11	(12)	(198)
		51	(84)	351	(231)
NET INSURANCE SERVICE INCOME (LOSS)	7	442	193	1,139	564
OTHER INCOME					
Deposit and payment service charges		119	115	349	333
Lending fees and card service revenues		258	269	766	709
Brokerage and investment fund services		339	235	992	754
Management and custodial service fees		192	151	544	480
Net other investment income (loss)	10	(132)	(159)	(328)	(440)
Foreign exchange income		47	19	133	77
Other		50	70	200	240
		873	700	2,656	2,153
TOTAL NET INCOME		3,133	2,542	9,039	7,468
PROVISION FOR CREDIT LOSSES	5	127	125	298	197
NON-INTEREST EXPENSE					
Salaries and employee benefits		1,272	1,224	4,004	3,769
Professional fees		170	270	620	850
Technology		279	234	799	672
Commissions		181	80	510	229
Occupancy costs		96	97	298	294
Communications		75	81	258	251
Business and capital taxes		29	25	96	97
Other		341	306	883	838
Gross non-interest expense		2,443	2,317	7,468	7,000
Non-interest expense included in insurance service expenses		(240)	(256)	(735)	(761)
NET NON-INTEREST EXPENSE		2,203	2,061	6,733	6,239
OPERATING SURPLUS EARNINGS		803	356	2,008	1,032
Income taxes on surplus earnings		189	61	499	248
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS		614	295	1,509	784
Member dividends		106	106	321	317
Tax recovery on member dividends		(28)	(28)	(85)	(84)
NET SURPLUS EARNINGS FOR THE PERIOD AFTER MEMBER DIVIDENDS		\$ 536	\$ 217	\$ 1,273	\$ 551
of which:					
Group's share		\$ 520	\$ 214	\$ 1,243	\$ 548
Non-controlling interests' share		16	3	30	3

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

Combined Statements of Comprehensive Income

(unaudited)

(in millions of Canadian dollars)	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)
Net surplus earnings for the period after member dividends	\$ 536	\$ 217	\$ 1,273	\$ 551
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 assets and liabilities	44	(255)	(176)	731
Net change in gains and losses on equity securities designated as at fair value through other comprehensive income	(21)	(1)	19	1
Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	—	4	(5)	10
	23	(252)	(162)	742
Items that will be reclassified subsequently to the Combined Statements of Income				
Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income				
Net unrealized gains (losses)	(209)	(85)	(133)	(1,649)
Reclassification of net (gains) losses to the Combined Statements of Income	100	69	232	136
	(109)	(16)	99	(1,513)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	(231)	(316)	(398)	(850)
Reclassification to the Combined Statements of Income of net (gains) losses on derivative financial instruments designated as cash flow hedges	49	2	94	(17)
	(182)	(314)	(304)	(867)
Share of associates and joint ventures accounted for using the equity method	1	(5)	2	(5)
	(290)	(335)	(203)	(2,385)
Total other comprehensive income, net of income taxes	(267)	(587)	(365)	(1,643)
COMPREHENSIVE INCOME FOR THE PERIOD	\$ 269	\$ (370)	\$ 908	\$ (1,092)
of which:				
Group's share	\$ 256	\$ (371)	\$ 882	\$ (1,086)
Non-controlling interests' share	13	1	26	(6)

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

Income taxes on other comprehensive income

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

(in millions of Canadian dollars)	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)
Items that will not be reclassified subsequently to the Combined Statements of Income				
Remeasurement of net defined benefit plan assets and liabilities	\$ 16	\$ (93)	\$ (64)	\$ 262
Net change in gains and losses on equity securities designated as at fair value through other comprehensive income	(8)	—	(7)	1
Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	—	—	(2)	3
	8	(93)	(73)	266
Items that will be reclassified subsequently to the Combined Statements of Income				
Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income				
Net unrealized gains (losses)	(76)	(32)	(50)	(583)
Reclassification of net (gains) losses to the Combined Statements of Income	36	26	81	50
	(40)	(6)	31	(533)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	(83)	(114)	(143)	(307)
Reclassification to the Combined Statements of Income of net (gains) losses on derivative financial instruments designated as cash flow hedges	18	1	34	(6)
	(65)	(113)	(109)	(313)
	(105)	(119)	(78)	(846)
Total income tax expense (recovery)	\$ (97)	\$ (212)	\$ (151)	\$ (580)

Combined Statements of Changes in Equity

(unaudited)

For the nine-month periods ended September 30

	Capital stock	Undistributed surplus earnings	Accumulated other comprehensive income (Note 8)	Reserves			Equity – Group's share	Non-controlling interests	Total equity	
				Stabilization reserve	Reserve for future member dividends	General and other reserves	Total reserves			
(in millions of Canadian dollars)										
RESTATED BALANCE AS AT DECEMBER 31, 2022	\$ 4,786	\$ 8,982	\$ (2,058)	\$ 343	\$ 1,704	\$ 17,755	\$ 19,802	\$ 31,512	\$ 895	\$ 32,407
New financial asset designation (Note 2)	—	(199)	119	—	—	—	—	(80)	—	(80)
RESTATED BALANCE AS AT JANUARY 1, 2023	\$ 4,786	\$ 8,783	\$ (1,939)	\$ 343	\$ 1,704	\$ 17,755	\$ 19,802	\$ 31,432	\$ 895	\$ 32,327
Net surplus earnings for the period after member dividends	—	1,243	—	—	—	—	—	1,243	30	1,273
Other comprehensive income for the period	—	(158)	(203)	—	—	—	—	(361)	(4)	(365)
Comprehensive income for the period	—	1,085	(203)	—	—	—	—	882	26	908
Other changes to capital stock	(10)	—	—	—	—	—	—	(10)	—	(10)
Dividends	—	—	—	—	—	—	—	—	(41)	(41)
Transfer from undistributed surplus earnings (to reserves)	—	(6,102)	—	273	1,824	4,005	6,102	—	—	—
Other	—	(6)	—	—	—	—	—	(6)	—	(6)
BALANCE AS AT SEPTEMBER 30, 2023	\$ 4,776	\$ 3,760	\$ (2,142)	\$ 616	\$ 3,528	\$ 21,760	\$ 25,904	\$ 32,298	\$ 880	\$ 33,178
BALANCE AS AT DECEMBER 31, 2021, as reported	\$ 4,982	\$ 1,546	\$ 765	\$ 795	\$ 1,212	\$ 23,314	\$ 25,321	\$ 32,614	\$ 912	\$ 33,526
Adoption of IFRS 17 (Note 2)	—	13	(448)	—	—	549	549	114	58	172
RESTATED BALANCE AS AT JANUARY 1, 2022	\$ 4,982	\$ 1,559	\$ 317	\$ 795	\$ 1,212	\$ 23,863	\$ 25,870	\$ 32,728	\$ 970	\$ 33,698
Net surplus earnings for the period after member dividends (restated)	—	548	—	—	—	—	—	548	3	551
Other comprehensive income for the period (restated)	—	736	(2,370)	—	—	—	—	(1,634)	(9)	(1,643)
Comprehensive income for the period (restated)	—	1,284	(2,370)	—	—	—	—	(1,086)	(6)	(1,092)
Other changes to capital stock	(138)	—	—	—	—	—	—	(138)	—	(138)
Transactions related to non-controlling interests	—	—	—	—	—	—	—	—	(9)	(9)
Dividends	—	—	—	—	—	—	—	—	(59)	(59)
Transfer from undistributed surplus earnings (to reserves) (restated)	—	(1,924)	—	77	493	1,354	1,924	—	—	—
Equity transactions (restated) ⁽¹⁾	—	7,896	—	—	—	(7,896)	(7,896)	—	—	—
RESTATED BALANCE AS AT SEPTEMBER 30, 2022	\$ 4,844	\$ 8,815	\$ (2,053)	\$ 872	\$ 1,705	\$ 17,321	\$ 19,898	\$ 31,504	\$ 896	\$ 32,400

⁽¹⁾ The increase in undistributed surplus earnings as at September 30, 2022 results from equity transactions between Desjardins Group entities. Undistributed surplus earnings arising from such transactions were included in the surplus earnings distribution plans for 2023. These transactions had no impact on Desjardins Group's equity.

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 nine-month periods ended September 30	
	2023	2022 Restated (Note 2)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Operating surplus earnings	\$ 2,008	\$ 1,032
Non-cash adjustments:		
Depreciation of right-of-use assets, property, plant and equipment and investment property, and amortization of intangible assets	343	292
Amortization of premiums and discounts	130	266
Provision for credit losses	298	197
Net realized (gains) losses on securities classified as at fair value through other comprehensive income	107	98
Net (gains) losses on disposal of property, plant and equipment, intangible assets and investment property	(2)	(4)
Other	(72)	(120)
Change in operating assets and liabilities:		
Securities at fair value through profit or loss	(42)	4,370
Securities borrowed or purchased under reverse repurchase agreements	4,031	(5,169)
Loans	(12,515)	(16,963)
Insurance and reinsurance contract assets and liabilities	317	(4,391)
Derivative financial instruments, net amount	97	1,406
Net amounts receivable from and payable to clients, brokers and financial institutions	(453)	(405)
Deposits	13,597	17,097
Commitments related to securities sold short	3,066	2,540
Commitments related to securities lent or sold under repurchase agreements	(10,701)	(5,463)
Other	(552)	1,511
Payment of the contingent consideration	(60)	(87)
Income taxes paid on surplus earnings	(98)	(699)
Payment of member dividends	(398)	(386)
	(899)	(4,878)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of subordinated notes	—	997
Sale (purchase) of debt securities and subordinated notes from third parties on the market	(24)	11
Repayment of lease liabilities	(62)	(73)
Other changes to capital stock	(10)	(80)
Remuneration on capital stock	(262)	(208)
Dividends paid	(41)	(59)
Transactions related to non-controlling interests	—	(9)
	(399)	579
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of securities at fair value through other comprehensive income and at amortized cost	(27,632)	(27,426)
Proceeds from disposals of securities at fair value through other comprehensive income and at amortized cost	15,648	16,322
Proceeds from maturities of securities at fair value through other comprehensive income and at amortized cost	13,178	8,630
Business acquisition, net of cash and cash equivalents acquired	(743)	—
Acquisitions of property, plant and equipment, intangible assets and investment property	(377)	(308)
Proceeds from disposal of property, plant and equipment, intangible assets and investment property	8	21
Acquisitions of joint ventures and associates accounted for using the equity method	(95)	(79)
	(13)	(2,840)
Net increase (decrease) in cash and cash equivalents	(1,311)	(7,139)
Cash and cash equivalents at beginning of period	8,913	16,328
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 7,602	\$ 9,189
Supplemental information on cash flows from (used in) operating activities		
Interest paid	\$ 4,223	\$ 1,640
Interest received	10,467	6,835
Dividends received	204	189

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, Caisse Desjardins Ontario Credit Union Inc. (CDO), the *Fédération des caisses Desjardins du Québec* (the Federation) and its subsidiaries, 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. The impact of adopting IFRS 17, "Insurance Contracts", on Desjardins Group's Combined Financial Statements is presented in Note 2, "Significant accounting policies". Certain comparative figures for the three-month and nine-month periods ended September 30, 2022 and the year ended December 31, 2022 have been restated, and a restated opening Balance Sheet as at January 1, 2022 is presented to reflect this new standard. In addition, 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, 2022, 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 November 9, 2023.

Significant judgments, estimates and assumptions

The economic environment 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 and measure insurance contract liabilities, see Note 5, "Loans and allowance for credit losses", and Note 7, "Insurance and reinsurance contracts", respectively, to the Interim Combined Financial Statements. Note 2, "Significant accounting policies", to the Interim Combined Financial Statements presents the significant judgments made in adopting IFRS 17, "Insurance Contracts".

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, except for the changes described in the “Changes in accounting policies” section of this note.

CHANGES IN ACCOUNTING POLICIES

Adoption of IFRS 17, “Insurance Contracts”

On January 1, 2023, Desjardins Group adopted IFRS 17, “Insurance Contracts”, which replaced IFRS 4, “Insurance Contracts”. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of all insurance and reinsurance contracts.

The adoption of this standard resulted in major changes to Desjardins Group’s Combined Financial Statements. Certain comparative figures for the three-month and nine-month periods ended September 30, 2022 and for the year ended December 31, 2022 have been restated, and a restated opening Balance Sheet as at January 1, 2022 is presented to reflect these changes. The significant accounting policies applied subsequent to adopting IFRS 17 are described below.

Insurance and reinsurance contracts

Classification

Insurance contracts are contracts that transfer a significant insurance risk to an insurer upon their issuance. An insurance risk is transferred when the insurance subsidiaries agree to compensate a contract holder if a specified uncertain future event adversely affects the contract holder. In certain situations, an insurance contract may also transfer a financial risk.

Certain contracts issued by the insurance subsidiaries do not transfer a significant insurance risk. These contracts are classified as investment contracts in accordance with IFRS 9, “Financial Instruments”, or as service contracts in accordance with IFRS 15, “Revenues from Contracts with Customers”.

Insurance contracts issued are classified as insurance contracts without direct participation features or as insurance contracts with direct participation features.

The life and health insurance subsidiary classifies individual segregated fund contracts and life insurance contracts with participation features as insurance contracts with direct participation features. All other insurance contracts are insurance contracts without direct participation features.

Insurance contracts with direct participation features are contracts that are essentially contracts for investment-related services under which a return on clearly defined underlying items is promised. The underlying items include specific investment portfolios that determine the amounts that are payable to the insured persons. The policy of the life and health insurance subsidiary is to hold such specific investments.

Significant judgments are made by management when analyzing the conditions that have to be met to classify insurance contracts as insurance contracts with direct participation features. These contracts must be measured using the variable fee approach, of which the specific features compared to the general measurement model are described in subsequent sections.

The insurance subsidiaries use reinsurance contracts to mitigate their exposure to insurance risk. These reinsurance contracts transfer significant insurance risks in the underlying insurance contracts and are classified as reinsurance contracts held in accordance with IFRS 17.

Investment component

Certain insurance contracts include an investment component that does not have to be presented separately as the component and the insurance contract are highly interrelated. These components are therefore recognized with insurance contract liabilities. An investment component is an amount that the insurance subsidiaries are required to repay to the insurance contract holder in all circumstances, regardless of whether the insured event occurs.

Aggregation of insurance contracts and reinsurance contracts held

Insurance contracts are aggregated by portfolios, which comprise contracts that, based on management’s judgment, are subject to similar risks and are managed together.

The portfolios of insurance contracts are then divided into three groups based on the expected profitability of the contracts, if any:

- contracts that are onerous at initial recognition;
- contracts that, at initial recognition, have no significant possibility of becoming onerous;
- other contracts in the portfolio.

If contracts within a portfolio would fall into different groups only because law or regulation specifically constrains the practical ability to set a different price for policyholders with different characteristics, the property and casualty insurance subsidiaries elected to include those contracts in the same group.

The portfolios of reinsurance contracts held are determined separately from the portfolios of insurance contracts. The reinsurance contracts held are divided into the following groups, if any:

- contracts on which there is a net gain at initial recognition;
- contracts that, at initial recognition, have no significant possibility of becoming profitable;
- other contracts in the portfolio.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The groups of insurance contracts and reinsurance contracts held are determined at initial recognition, and the composition of such groups is not reassessed subsequently. Management exercised its judgment to determine the insurance contracts that could be aggregated to assess the expected profitability of the contracts for purposes of identifying onerous contracts at initial recognition.

Each of the groups only include contracts issued one year or less apart and are determined based on the calendar year.

Desjardins Group presents separately in the Combined Balance Sheets the carrying amount of portfolios of insurance contracts that are assets, portfolios of insurance contracts that are liabilities, portfolios of reinsurance contracts that are assets and portfolios of reinsurance contracts that are liabilities.

Recognition and derecognition

Groups of insurance contracts must be recognized at the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from an insurance contract holder of the group becomes due, or when the first payment is received if there is no contractual due date;
- for a group of onerous contracts, when the facts and circumstances indicate that the group of contracts is onerous.

Groups of reinsurance contracts must be recognized at the earliest of the following:

- the beginning of the coverage period;
- the date an onerous group of underlying insurance contracts is recognized, to the extent that a reinsurance contract applying to these contracts is entered into at that date.

Insurance contract liabilities are derecognized when the obligation specified in the contract expires or is discharged or cancelled.

Contracts to which the general measurement model is applied

Initial measurement

On initial recognition, the liability for a group of insurance contracts corresponds to the liability for remaining coverage, which is the total of the fulfilment cash flows and the contractual service margin (CSM).

Fulfilment cash flows

Fulfilment cash flows comprise the following items:

- Estimates of future cash flows

Estimates of future cash flows are based on a probability-weighted mean of the full range of possible outcomes and reflect the perspective of the insurance subsidiaries, to the extent that they are consistent with observable market variables.

The measurement of a group of contracts includes all the future cash flows within the boundary of each contract of the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the insurance subsidiaries can compel the contract holder to pay the premiums or in which they have a substantive obligation to provide the contract holder with insurance contract services. A substantive obligation to provide insurance contract services ends when the insurance subsidiaries have the practical ability to reassess the risks of the particular insurance contract holder or the risks of the portfolio of insurance contracts that contains the contract.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, such as premiums, commissions, benefits and other obligations to contract holders. Costs directly attributable to portfolios of insurance contracts include claim handling costs, contract administration costs and insurance acquisition cash flows.

- Adjustment to reflect the time value of money

Estimates of future cash flows are adjusted, using discount rates that are current at measurement date, to reflect the time value of money and the financial risks related to those cash flows.

- Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is determined separately from estimates of future cash flows and the adjustment to reflect the time value of money. The risk adjustment for non-financial risk reflects the compensation required for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

Certain fulfilment cash flows are measured at the level of the portfolios of insurance contracts and then allocated to each of the groups using systematic and rational methods, applied in a consistent manner in each reporting period.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Contractual service margin

The CSM represents the unearned profit that will be recognized under “Insurance revenue”, in the Combined Statements of Income, as insurance contract services are provided. On initial recognition, no amounts are recognized in profit or loss as the CSM is measured at an amount corresponding to the net expected inflow of fulfilment cash flows.

If the sum of fulfilment cash flows is a net outflow, the group of insurance contracts is onerous, and the CSM amounts to nil. A loss on onerous contracts is immediately recognized under “Insurance service expenses”, in the Combined Statements of Income, and a loss component is added to the liability for remaining coverage.

Subsequent measurement

At each reporting date, the carrying amount of a group of insurance contracts corresponds to the sum of the following two amounts:

- the liability for remaining coverage, comprising the fulfilment cash flows related to services to be provided in future periods, and the CSM;
- the liability for incurred claims, comprising the fulfilment cash flows related to past service, such as incurred claims and other incurred insurance service expenses.

Fulfilment cash flows

At each reporting date, the fulfilment cash flows of groups of insurance contracts are revised to reflect any changes in underlying assumptions and current market conditions.

Contractual service margin

The carrying amount of the CSM of a group is obtained by adjusting the opening balance to reflect new contracts, the interest accreted for insurance contracts without direct participation features, the amount recognized as revenue, the changes in fulfilment cash flows relating to future service and the change in the insurer’s share of the fair value of the underlying items for contracts with direct participation features.

Changes in fulfilment cash flows relating to future service adjust the CSM, while those relating to current or past service are directly recognized in the Combined Statements of Income. The effect of the time value of money and its changes as well as the effect of the financial risk and its changes on estimates of future cash flows are recognized in the Combined Statements of Income when they relate to insurance contracts without direct participation features, while they adjust the CSM for insurance contracts with direct participation features.

For insurance contracts with direct participation features, changes in the amount corresponding to the life and health insurance subsidiary’s share of the fair value of the underlying items are related to future service and adjust the CSM, while the changes in the fair value of the underlying items, which represent the adjustment of the obligations to policyholders, are not related to future service and do not adjust the CSM. These changes are instead recognized under “Net insurance finance income (expenses)” in the Combined Statements of Income.

For its segregated funds, the life and health insurance subsidiary applies a financial risk mitigation strategy using derivatives and other financial instruments measured at fair value through profit or loss, which allows for an economic offset between the insurance contracts and these instruments that mitigates the effect of financial risks. Consistent with what IFRS 17 allows, the subsidiary chose not to adjust the CSM for changes reflecting some or all of the changes in the effect of the time value of money and financial risk for its segregated fund contracts. These changes are instead recognized under “Net insurance finance income (expenses)” in the Combined Statements of Income, which permits a natural offset of gains and losses resulting from changes in the fair value of financial instruments recognized under IFRS 9.

Reinsurance contracts held

The reinsurance contracts held are all contracts without direct participation features. They are measured in the same way as insurance contracts, except for certain items explained in the following paragraphs.

Fulfilment cash flows

The fulfilment cash flows of reinsurance contracts held comprise the same items as those of insurance contracts without direct participation features, except that:

- the future cash flows of a group of reinsurance contracts held must include an adjustment to reflect the risk of non-performance, which is the risk that the reinsurer fails to perform its obligation;
- the risk adjustment for non-financial risk represents the risk transferred to the reinsurer.

Contractual service margin

The groups of reinsurance contracts held cannot be onerous and do not have unearned profit; the CSM corresponds instead to the net cost or net gain related to using reinsurance.

On initial measurement, the CSM of a group of reinsurance contracts held is adjusted, if needed, to reflect any revenue recognized in the Combined Statements of Income related to the recognition of a loss on onerous contracts associated with the underlying insurance contracts. A loss-recovery component is thus added to the asset for remaining coverage of the reinsurance contracts held.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

On subsequent measurements, the carrying amount of the CSM of a group is obtained by adjusting the opening balance to reflect new reinsurance contracts, the interest accreted, the amount recognized as expenses for services received, the changes in fulfilment cash flows relating to future service and the change in the loss-recovery component.

An onerous group of insurance contracts may include both contracts that are eligible for a recovery under a reinsurance contract held and contracts that are not eligible for such recovery. To calculate the loss-recovery component, the life and health insurance subsidiary uses a systematic and rational basis of allocation to determine the portion of the losses recognized for the group of insurance contracts that relates to insurance contracts eligible for a recovery under a reinsurance contract held.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the life and health insurance subsidiary expects to recover from the group of reinsurance contracts held.

Contracts to which the premium allocation approach is applied

The life and health insurance subsidiary uses the premium allocation approach to measure its groups of group insurance, the vast majority of which having a duration of one year or less, as well as for some groups of short-term insurance contracts. The property and casualty insurance subsidiaries use this method to measure all of their contracts, substantially all of which having a duration of one year or less.

Using this simplified measurement method is allowed if the coverage period of each contract in a group is one year or less, or if it is determined that the measurement using the premium allocation approach would not differ materially from the measurement produced applying the general model described above.

Initial measurement

On initial recognition, the carrying amount of the liability for remaining coverage of a group of insurance contracts is equal to the premiums received, minus the insurance acquisition cash flows allocated to that group on such date and adjusted, as the case may be, by the amount arising from the derecognition of an asset for insurance acquisition cash flows and any other asset or liability previously recognized and related to this group.

The insurance acquisition cash flows of insurance contracts are deferred and included in the liability for remaining coverage when they are incurred. Subsequently, they are expensed over the coverage period of the contracts comprising the group.

Subsequent measurement

The liability for remaining coverage of a group on insurance contracts is equal to its carrying amount at the beginning of the year, plus the premiums received and amounts relating to the amortization of insurance acquisition cash flows, less the amount of insurance acquisition cash flows allocated and the amount recognized as revenue.

The carrying amount of the liability for remaining coverage of the contracts of one year or less is not adjusted to reflect the time value of money and the effect of financial risk.

If, at any time, facts and circumstances indicate that a group of insurance contracts is onerous, the insurance subsidiaries must determine whether the value of the fulfilment cash flows related to the remaining coverage of the group measured in the same way as the groups of contracts to which the general model is applied exceeds the carrying amount of the liability for remaining coverage measured using the premium allocation approach. The excess is recognized as a loss on onerous contracts and presented under "Insurance service expenses" in the Combined Statements of Income, and a loss component is added to the liability for remaining coverage. This loss item is remeasured at each reporting date.

Reinsurance contracts held

The premium allocation approach is used to measure the groups of reinsurance contracts held when that method is used to measure the underlying groups of insurance contracts.

When a loss on onerous contracts is recognized for a group of insurance contracts in which there are one or more contracts underlying a reinsurance contract held, the insurance subsidiaries calculate a loss-recovery component and adjust the amount of the asset for remaining coverage of the group of reinsurance contracts held.

An onerous group of insurance contracts may include both contracts that are eligible for a recovery under a reinsurance contract held and contracts that are not eligible for such recovery. To calculate the loss-recovery component, the insurance subsidiaries use a systematic and rational basis of allocation to determine the portion of the losses recognized for the group of insurance contracts that relates to insurance contracts eligible for a recovery under a reinsurance contract held.

Liability for incurred claims

The liability for incurred claims comprises the fulfilment cash flows related to past service such as incurred claims and other expenses related to claims settlement. The liability for incurred claims is measured using all reasonable and supportable information available without undue cost or effort to determine the amount, timing and uncertainty of future cash flows.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Assets for insurance acquisition cash flows

Insurance acquisition cash flows are incurred to sell, underwrite and start a group of insurance contracts. They include cash flows that are directly attributable to a group of insurance contracts or a portfolio, as well as cash flows that are not directly attributable, which are allocated to the various groups using a systematic and rational method.

When these cash flows are incurred before the recognition of the related groups of insurance contracts, an asset for insurance acquisition cash flows is recognized and presented against the insurance contract liabilities in the Combined Balance Sheets. Subsequently, the insurance subsidiaries derecognize the portion of this asset that is related to the insurance contracts recognized in the group during the year.

In some cases, insurance acquisition cash flows are partly attributable to the expected renewal of the insurance contracts in these groups. A systematic and rational method is used to allocate these cash flows to the group and the various groups for which renewals are expected.

At each reporting date, management determines whether there are facts and circumstances indicating that the asset for insurance acquisition cash flows might be impaired. An impairment loss is recognized when the carrying amount of that asset exceeds the expected net cash inflows from the related group of insurance contracts. In addition, when the asset for insurance acquisition cash flows is relating to expected renewals for a group of contracts, the carrying amount of the asset must not exceed the expected net cash inflows arising specifically from renewals.

Impairment losses of an asset for insurance acquisition cash flows are recognized under “Insurance service expenses” in the Combined Statements of Income in the year when they occur. These impairment losses may be subsequently reversed, in whole or in part, to the extent that the impairment conditions no longer exist or have improved. In such case, the insurance subsidiaries recognize an impairment loss reversal under “Insurance service expenses”.

Insurance revenue

For contracts other than those to which the premium allocation approach is applied, insurance revenue represents changes in the liability for remaining coverage that relate to services for which the insurance subsidiaries expect to receive consideration.

These changes are:

- incurred claims and other insurance service expenses expected every quarter, measured at the amounts expected at the beginning of each quarter;
- the change in the risk adjustment for non-financial risk relating to expired risks;
- the amount of CSM for services provided.

Insurance revenue also includes an amount relating to insurance acquisition cash flows. This amount represents a portion of the premiums that relate to recovering the insurance acquisition cash flows, allocated to each reporting period in a systematic way on the basis of the passage of time.

The amount of CSM recognized under “Insurance revenue” in the Combined Statements of Income is based on coverage units allocated to services provided. Management makes significant judgments to determine the coverage units in groups of insurance contracts. Additional information on judgments made are presented in Note 7, “Insurance and reinsurance contracts”.

For insurance contracts to which the premium allocation approach is applied, insurance revenue is the amount of expected premium receipts, which is allocated to each period of insurance contract services on the basis of the passage of time.

Insurance service expenses

Insurance service expenses comprise:

- incurred claims and other incurred insurance service expenses;
- amortization of insurance acquisition cash flows;
- changes related to incurred claims;
- losses and reversals of losses on onerous contracts.

For groups of contracts other than those to which the premium allocation approach is applied, the amount of amortization of insurance acquisition cash flows is identical to the amount of recovery of the insurance acquisition cash flows presented in insurance revenue.

For groups of contracts to which the premium allocation approach is applied, the amount of amortization of insurance acquisition cash flows is allocated to each period on the basis of the passage of time.

Loss on onerous contracts

When a group of insurance contracts is onerous on initial recognition or subsequently becomes onerous, a loss on onerous contracts is recognized as insurance service expenses and a loss component is added to the liability for remaining coverage. Subsequent changes in the loss component related to future service are recognized as losses and reversals of losses on onerous contracts under “Insurance service expenses” in the Combined Statements of Income.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

After a loss on an onerous group of insurance contracts is recognized, certain changes in fulfilment cash flows for insurance contracts other than those to which the premium allocation approach is applied are allocated on a systematic basis between the loss component and the liability for remaining coverage, excluding the loss component. The changes allocated to the loss component are recognized as a reduction in expected revenue and corresponding expenses for the year. These fulfilment cash flows are systematically allocated based on the loss component balance, and this balance is therefore reduced to zero at the end of the coverage period. If the changes in fulfilment cash flows reduce the loss component to zero before the end of the coverage period, the excess is recognized in the CSM.

For insurance contracts to which the premium allocation approach is applied, the decreases in the loss component related to past service are recognized against the insurance expenses incurred during the year.

Net reinsurance service income (expenses)

Income and expenses from reinsurance contracts held are presented separately from revenues and expenses from insurance contracts. Income and expenses from reinsurance contracts held, excluding reinsurance finance income (expenses), are presented on a net basis as net reinsurance service income (expenses) in the Combined Statements of Income.

Income comprises the amounts recoverable from reinsurers for incurred claims and other incurred insurance service expenses and changes in the loss-recovery component.

For contracts other than those to which the premium allocation approach is applied, expenses comprise the following amounts related to changes in the asset for remaining coverage:

- expected recoveries of incurred claims and other incurred insurance service expenses, measured at the amounts expected at the beginning of each quarter;
- changes in the risk adjustment for non-financial risk for expired risks;
- the amount of CSM for services received.

For contracts to which the premium allocation approach is applied, expenses correspond to the amount of expected ceded premiums allocated to the year. The amount of expected ceded premiums is allocated to the periods of reinsurance contract services on the basis of the passage of time.

Insurance and reinsurance finance income (expenses)

Insurance finance income and expenses for groups of insurance contracts without direct participation features and reinsurance contracts held comprise the change in the carrying amount of the group arising from the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk.

Insurance finance income and expenses for groups of insurance contracts with direct participation features comprise the change in the carrying amount of the group arising from the change in the fair value of the underlying items as well as the effect of financial risk mitigation.

The risk adjustment for non-financial risk is disaggregated between the insurance service result and the insurance and reinsurance finance income and expenses.

Net insurance investment income (loss)

Net insurance investment income (loss) comprises investment income and loss from assets held in respect of Desjardins Group's insurance activities that are within the scope of IFRS 17.

IMPACT OF CHANGES IN ACCOUNTING POLICIES

Adoption of IFRS 17, “Insurance Contracts”

On January 1, 2022, the transition date, the insurance subsidiaries applied IFRS 17 retrospectively unless it was impracticable to do so, in which case the modified retrospective approach or the fair value approach was applied. In all cases, the net difference related to the transition was recognized in equity.

The insurance subsidiaries applied the retrospective approach to all insurance contracts and reinsurance contracts held to which the premium allocation approach has been applied as if IFRS 17 had always been applied.

Impracticable retrospective approach

Management exercised its judgment and considered that the retrospective approach was impracticable, without undue cost or effort, for the groups of long-term insurance contracts and long-term reinsurance contracts held as well as claims assumed in acquisitions, notably for the following reasons:

- since the initial recognition of the contracts, the judgments and assumptions required to measure insurance contracts in accordance with IFRS 17 were not available in the actuarial valuation systems with reasonable effort;
- the effort required to aggregate the information at the level of the groups that should have been established under IFRS 17 was too significant;
- the information available to allocate acquisition costs and other attributable costs for each of the groups under IFRS 17 was limited or inexistent, as this level of detail was not required and did not exist.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Modified retrospective approach

IFRS 17 requires that insurance contracts acquired in a business combination be recognized as if the entity issued these contracts at the acquisition date. However, the property and casualty insurance companies have chosen to apply the modified retrospective approach to claims assumed in the acquisition of the Canadian property and casualty insurance operations of State Farm as applying retrospectively the standard was impracticable. Under the modified retrospective approach, assumed claims incurred before the acquisition of the contracts in a business combination have to be recognized and measured as a liability for incurred claims. In applying the modified retrospective approach, the property and casualty insurance subsidiaries used reasonable and supportable information that was available at the transition date.

Fair value approach

At the transition date, the life and health insurance subsidiary applied the fair value approach to all its groups of insurance contracts and reinsurance contracts held other than those to which the premium allocation approach has been applied.

In accordance with the fair value approach, the life and health insurance subsidiary determined the contractual service margin of the liability for remaining coverage at the transition date as the difference between the fair value of the groups of insurance contracts and the fulfilment cash flows measured at that date. To determine fair value, the requirements in IFRS 13, "Fair Value Measurement", were applied. In the absence of an observable market, a valuation technique based on the present value of expected cash flows was used to measure the fair value of insurance contracts and reinsurance contracts held.

As permitted when the fair value approach is used, the life and health insurance subsidiary did not limit the composition of groups to contracts issued one year or less apart. Upon transition, each portfolio comprises only one group.

In applying the fair value approach, the life and health insurance subsidiary:

- used only reasonable and supportable information that was available at the transition date;
- adjusted the assumptions relating to expected future cash flows and the risk adjustment for non-financial risk from the perspective of market participants;
- included profit margins beyond the risk adjustment for non-financial risk to reflect what a market participant would require to assume insurance contract obligations;
- excluded future renewals and new business that would be outside the contractual boundary of contracts under IFRS 17.

Judgments made in applying the fair value approach

Applying the fair value approach also required management to make certain judgments. The following judgments are key items in establishing the fair value of insurance contracts and reinsurance contracts held at the transition date:

- the adjustments required to reflect the perspective of market participants are not different from the vision of the life and health insurance subsidiary;
- the weighted average cost of capital of the life and health insurance subsidiary was used as discount rate;
- the capital to remunerate was determined based on the internal target regulatory capital ratio defined by the life and health insurance subsidiary;
- the required rate of return on capital is based on the required rate of return required by management on the various products of the life and health insurance subsidiary.

Impact

As at January 1, 2022 – Transition date

Overall, adopting IFRS 17 increased equity by \$172 million as at January 1, 2022. Undistributed surplus earnings and reserves increased by an aggregate amount of \$562 million, while accumulated other comprehensive income decreased by \$448 million as a result of discontinuing the overlay approach. The non-controlling interests' share increased by \$58 million.

In addition, adopting IFRS 17 led to the reclassification of assets and liabilities resulting from changes in the aggregation of certain assets and liabilities, the reclassification of certain insurance contract liabilities amounting to \$1,444 million as investment contracts recognized under "Other liabilities" and the separate presentation of an amount of \$18,628 million in segregated fund net liabilities for investment contracts.

As at January 1, 2023

The requirements in IFRS 17 permit revising the designation or classification of financial assets recognized in accordance with IFRS 9 held in respect of insurance activities at the date of initial application of IFRS 17. Desjardins Group chose to not restate the comparative figures in its Combined Financial Statements to reflect the changes in designations or classifications for these financial assets that were made as at January 1, 2023. These changes had a net unfavourable impact of \$80 million on equity. These changes are detailed below.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

New financial asset designations

The insurance subsidiaries chose to revise, on an instrument-by-instrument basis at the date of adoption of IFRS 17 as at January 1, 2023, the classification of certain financial assets recognized under IFRS 9, including certain financial assets that were not held in respect of insurance activities. However, only financial assets held in respect of insurance activities as at such date were eligible for a reassessment of their business model. The following table presents the changes in measurement categories that were made.

	Measurement categories under IFRS 9		Carrying amount	
	Before adopting IFRS 17	After adopting IFRS 17	Before adopting IFRS 17	After adopting IFRS 17
Financial assets				
Cash and deposit with financial institutions	Designated as at fair value through profit or loss ⁽¹⁾	Classified as at fair value through profit or loss ⁽²⁾	\$ 420	\$ 420
	Designated as at fair value through profit or loss ⁽¹⁾	Classified as at fair value through other comprehensive income	868	868
Securities	Designated as at fair value through profit or loss ⁽¹⁾	Classified as at fair value through profit or loss ⁽²⁾	\$ 54	\$ 54
	Designated as at fair value through profit or loss ⁽¹⁾	Classified as at fair value through other comprehensive income	1,119	1,119
	Classified as at fair value through other comprehensive income	Designated as at fair value through profit or loss ⁽³⁾	953	953
	Classified as at fair value through profit or loss	Designated as at fair value through other comprehensive income ⁽⁴⁾	979	979
Loans	Amortized cost	Designated as at fair value through profit or loss ⁽³⁾	\$ 1,782	\$ 1,671

⁽¹⁾ The designation of certain financial assets as at fair value through profit or loss was cancelled as the condition for such designation was no longer met.

⁽²⁾ The assessment of the business model of certain financial assets held in respect of insurance activities was revised, as collecting contractual cash flows was no longer integral to achieving the objective of the business model.

⁽³⁾ Certain financial assets held in respect of insurance activities were designated as at fair value through profit or loss to eliminate or significantly reduce an accounting inconsistency with insurance contract liabilities.

⁽⁴⁾ Certain equity instruments were designated as at fair value through other comprehensive income to mitigate volatility in the Combined Statements of Income.

FUTURE ACCOUNTING CHANGES

Accounting standards issued by the IASB, but not effective as at December 31, 2022, are described in Note 2, "Significant accounting policies", to the Annual Combined Financial Statements. During the nine-month period ended September 30, 2023, the IASB has not issued new accounting standards or new amendments to existing standards having a significant impact on Desjardins Group's financial statements.

NOTE 3 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

CLASSIFICATION AND CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

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

	At fair value through profit or loss		At fair value through other comprehensive income			Total
	Classified as at fair value through profit or loss	Designated as at fair value through profit or loss	Classified as at fair value through other comprehensive income ⁽¹⁾	Designated as at fair value through other comprehensive income	Amortized cost ⁽¹⁾	
As at September 30, 2023						
Financial assets						
Cash and deposits with financial institutions	\$ 417	\$ —	\$ 1,513	\$ —	\$ 5,672	\$ 7,602
Securities	16,820	17,209	49,151	1,409	48	84,637
Securities borrowed or purchased under reverse repurchase agreements	—	—	—	—	12,993	12,993
Loans	—	1,630	—	—	260,257	261,887
Segregated fund net assets	23,085	—	—	—	(122)	22,963
Other financial assets						
Clients' liability under acceptances	—	—	—	—	7	7
Derivative financial instruments ⁽²⁾	5,376	—	—	—	—	5,376
Amounts receivable from clients, brokers and financial institutions	—	—	—	—	4,825	4,825
Other	—	—	—	—	2,507	2,507
Total financial assets	\$ 45,698	\$ 18,839	\$ 50,664	\$ 1,409	\$ 286,187	\$ 402,797
Financial liabilities						
Deposits	\$ —	\$ 1,127	\$ —	\$ —	\$ 272,306	\$ 273,433
Other financial liabilities						
Acceptances	—	—	—	—	7	7
Commitments related to securities sold short	12,925	—	—	—	—	12,925
Commitments related to securities lent or sold under repurchase agreements	—	—	—	—	13,864	13,864
Derivative financial instruments ⁽²⁾	6,509	—	—	—	—	6,509
Amounts payable to clients, brokers and financial institutions	—	—	—	—	9,864	9,864
Segregated fund net liabilities for investment contracts	—	—	—	—	19,600	19,600
Other	64	—	—	—	6,538	6,602
Subordinated notes	—	—	—	—	2,878	2,878
Total financial liabilities	\$ 19,498	\$ 1,127	\$ —	\$ —	\$ 325,057	\$ 345,682

⁽¹⁾ As at September 30, 2023, 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 \$13 million. Detailed information on the allowance for credit losses on loans is presented in Note 5, "Loans and allowance for credit losses".

⁽²⁾ Include derivative financial instruments designated as hedging instruments amounting to \$194 million in assets and \$844 million in liabilities.

NOTE 3 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS (continued)

CLASSIFICATION AND CARRYING AMOUNT OF FINANCIAL INSTRUMENTS (continued)

As at December 31, 2022 Restated (Note 2)	At fair value through profit or loss		At fair value through other comprehensive income		Amortized cost ⁽¹⁾	Total
	Classified as at fair value through profit or loss	Designated as at fair value through profit or loss	Classified as at fair value through other comprehensive income ⁽¹⁾	Designated as at fair value through other comprehensive income		
Financial assets						
Cash and deposits with financial institutions	\$ —	\$ 949	\$ 258	\$ —	\$ 7,706	\$ 8,913
Securities	16,025	17,962	51,193	65	50	85,295
Securities borrowed or purchased under reverse repurchase agreements	—	—	—	—	17,024	17,024
Loans	—	—	—	—	249,670	249,670
Segregated fund net assets	21,374	—	—	—	(18)	21,356
Other financial assets						
Clients' liability under acceptances	—	—	—	—	25	25
Derivative financial instruments ⁽²⁾	5,723	—	—	—	—	5,723
Amounts receivable from clients, brokers and financial institutions	—	—	—	—	3,486	3,486
Other	—	—	—	—	1,894	1,894
Total financial assets	\$ 43,122	\$ 18,911	\$ 51,451	\$ 65	\$ 279,837	\$ 393,386
Financial liabilities						
Deposits	\$ —	\$ 745	\$ —	\$ —	\$ 259,091	\$ 259,836
Other financial liabilities						
Acceptances	—	—	—	—	25	25
Commitments related to securities sold short	9,859	—	—	—	—	9,859
Commitments related to securities lent or sold under repurchase agreements	—	—	—	—	24,565	24,565
Derivative financial instruments ⁽²⁾	6,691	—	—	—	—	6,691
Amounts payable to clients, brokers and financial institutions	—	—	—	—	8,978	8,978
Segregated fund net liabilities for investment contracts	—	—	—	—	17,826	17,826
Other	95	—	—	—	5,472	5,567
Subordinated notes	—	—	—	—	2,928	2,928
Total financial liabilities	\$ 16,645	\$ 745	\$ —	\$ —	\$ 318,885	\$ 336,275

⁽¹⁾ As at December 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 \$10 million. Detailed information on the allowance for credit losses on loans is presented in Note 5 "Loans and allowance for credit losses".

⁽²⁾ Include derivative financial instruments designated as hedging instruments amounting to \$198 million in assets and \$967 million in liabilities.

The insurance subsidiaries chose to revise the accounting classification under IFRS 9 of certain financial assets as at January 1, 2023, the date of adoption of IFRS 17. For more information, refer to Note 2, "Significant accounting policies". During the nine-month period ended September 30, 2023 and the year ended December 31, 2022, there were no other material reclassifications of financial instruments.

NOTE 3 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS (continued)

DESIGNATION

Desjardins Group designated certain equity instruments, as at fair value through comprehensive income. Equity securities held in respect of insurance activities were designated in that category to mitigate volatility in the Combined Statements of Income. The following table presents the fair value of these instruments held as at September 30, 2023 and dividend income related to these instruments recognized for the three-month and nine-month periods then ended.

	Fair value		Dividends recognized	
	As at September 30, 2023		For the three-month period ended September 30, 2023	For the nine-month period ended September 30, 2023
Securities held in respect of insurance activities				
Equity securities				
Common shares	\$	783	\$	1
Preferred shares		543		9
		1,326		10
Other securities				
Equity securities		83		—
Total securities designated as at fair value through other comprehensive income	\$	1,409	\$	10
				\$ 39

During the three-month and nine-month periods ended September 30, 2023, Desjardins Group disposed of, as part of the normal application of its investment strategy, certain securities designated as at fair value through other comprehensive income having a fair value of \$464 million and \$653 million, respectively. At the time of disposal, for the three-month and nine-month periods ended September 30, 2023, the cumulative loss and dividend income related to these securities recognized in the Combined Statements of Income were insignificant.

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 September 30, 2023		As at December 31, 2022 Restated (Note 2)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Securities	\$ 48	\$ 41	\$ 50	\$ 44
Loans	260,257	253,245	249,670	241,159
Financial liabilities				
Deposits	272,306	270,083	259,091	255,831
Subordinated notes	2,878	2,712	2,928	2,859
Other liabilities – Other	1,718	1,630	1,564	1,499

FAIR VALUE HIERARCHY

Fair value measurement is determined using a three-level fair value hierarchy. Refer to Note 5, "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 September 30, 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	\$ 78	\$ 339	\$ —	\$ 417
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	7,870	—	—	7,870
Provincial governmental entities and municipal corporations in Canada	13,079	583	—	13,662
School or public corporations in Canada	11	63	—	74
Foreign public administrations	325	—	—	325
Other debt securities	—	7,095	429	7,524
Equity securities	2,184	244	2,146	4,574
	23,469	7,985	2,575	34,029
Loans				
Residential mortgages	—	—	1,051	1,051
Business and government	—	—	579	579
	—	—	1,630	1,630
Segregated fund net assets	7,427	15,005	653	23,085
Derivative financial instruments				
Interest rate contracts	—	590	—	590
Foreign exchange contracts	—	665	—	665
Other contracts	—	4,121	—	4,121
	—	5,376	—	5,376
Total financial assets at fair value through profit or loss	30,974	28,705	4,858	64,537
Financial assets at fair value through other comprehensive income				
Cash and deposits with financial institutions	98	1,415	—	1,513
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	6,531	6,311	—	12,842
Provincial governmental entities and municipal corporations in Canada	23,523	3,643	—	27,166
Foreign public administrations	27	—	—	27
Other debt securities	—	9,116	—	9,116
Equity securities	1,326	—	83	1,409
	31,407	19,070	83	50,560
Total financial assets at fair value through other comprehensive income	31,505	20,485	83	52,073
Total financial assets	\$ 62,479	\$ 49,190	\$ 4,941	\$ 116,610
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Deposits	\$ —	\$ 1,127	\$ —	\$ 1,127
Other liabilities				
Commitments related to securities sold short	12,270	655	—	12,925
Other	—	—	64	64
	12,270	1,782	64	14,116
Derivative financial instruments				
Interest rate contracts	—	1,468	—	1,468
Foreign exchange contracts	—	1,097	—	1,097
Other contracts	—	3,944	—	3,944
	—	6,509	—	6,509
Total financial liabilities	\$ 12,270	\$ 8,291	\$ 64	\$ 20,625

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (continued)

As at December 31, 2022 Restated (Note 2)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	\$ 71	\$ 878	\$ —	\$ 949
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	7,426	—	—	7,426
Provincial governmental entities and municipal corporations in Canada	12,389	595	—	12,984
School or public corporations in Canada	11	69	—	80
Foreign public administrations	629	—	—	629
Other debt securities	1	6,810	504	7,315
Equity securities	3,551	99	1,903	5,553
	24,007	7,573	2,407	33,987
Segregated fund net assets	7,211	13,565	598	21,374
Derivative financial instruments				
Interest rate contracts	—	662	—	662
Foreign exchange contracts	—	924	—	924
Other contracts	—	4,137	—	4,137
	—	5,723	—	5,723
Total financial assets at fair value through profit or loss	31,289	27,739	3,005	62,033
Financial assets at fair value through other comprehensive income				
Cash and deposits with financial institutions	9	249	—	258
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	7,074	6,076	—	13,150
Provincial governmental entities and municipal corporations in Canada	26,753	3,550	—	30,303
Foreign public administrations	25	—	—	25
Other debt securities	—	7,664	51	7,715
Equity securities	—	—	65	65
	33,852	17,290	116	51,258
Total financial assets at fair value through other comprehensive income	33,861	17,539	116	51,516
Total financial assets	\$ 65,150	\$ 45,278	\$ 3,121	\$ 113,549
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Deposits	\$ —	\$ 745	\$ —	\$ 745
Other liabilities				
Commitments related to securities sold short	8,836	1,023	—	9,859
Other	—	—	95	95
	8,836	1,768	95	10,699
Derivative financial instruments				
Interest rate contracts	—	1,460	—	1,460
Foreign exchange contracts	—	1,192	—	1,192
Other contracts	—	4,039	—	4,039
	—	6,691	—	6,691
Total financial liabilities	\$ 8,836	\$ 8,459	\$ 95	\$ 17,390

During the nine-month period ended September 30, 2023 and the year ended December 31, 2022, 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 nine-month period ended September 30, 2023, except for the new designation of certain loans related to adopting IFRS 17 described in Note 2, "Significant accounting policies", 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 5, "Fair value of financial instruments", to the Annual Combined Financial Statements.

The following table presents the main valuation technique, the unobservable inputs and the sensitivity of the fair value of loans designated as at fair value through profit or loss as a result of adopting IFRS 17.

As at September 30, 2023	Fair value	Main valuation technique	Unobservable inputs	Input value ranges	Sensitivity ^(C)
Financial assets					
Loans	\$ 1,630	Discounted cash flows	Comparable inputs ^(A,B)	10 bp to 121 bp	\$ 9

^(A) An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.

^(B) There is no predictable relationship between this input and other material unobservable inputs.

^(C) Represents the increase or decrease in fair value resulting from a reasonably possible change in the unobservable input.

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.

	Balance as at December 31, 2022 as reported	Impact of changes in accounting policies (Note 2)	Balance as at January 1, 2023 (restated)	Realized gains / losses recognized in profit or loss ⁽¹⁾	Unrealized gains / losses recognized in profit or loss ⁽²⁾	Unrealized gains / losses recognized in other comprehensive income ⁽³⁾	Purchases / Issuances / Other	Sales / Settlements / Other	Balance at end of period
For the nine-month period ended September 30, 2023									
Financial assets									
Financial assets at fair value through profit or loss									
Securities									
Other debt securities									
Mortgage bonds	\$ 397	\$ 51	\$ 448	\$ —	\$ (7)	\$ —	\$ —	\$ (153)	\$ 288
Other	107	—	107	—	(2)	—	43	(7)	141
Equity securities	1,903	—	1,903	23	68	—	196	(44)	2,146
	2,407	51	2,458	23	59	—	239	(204)	2,575
Loans									
Residential mortgages	—	1,062	1,062	—	(45)	—	82	(48)	1,051
Business and government	—	609	609	—	(13)	—	—	(17)	579
	—	1,671	1,671	—	(58)	—	82	(65)	1,630
Segregated fund net assets	598	—	598	—	(2)	—	195	(138)	653
Total financial assets at fair value through profit or loss	3,005	1,722	4,727	23	(1)	—	516	(407)	4,858
Financial assets at fair value through other comprehensive income									
Securities									
Other debt securities									
Mortgage bonds	51	(51)	—	—	—	—	—	—	—
Equity securities	65	—	65	—	—	18	—	—	83
Total financial assets at fair value through other comprehensive income	116	(51)	65	—	—	18	—	—	83
Total financial assets	\$ 3,121	\$ 1,671	\$ 4,792	\$ 23	\$ (1)	\$ 18	\$ 516	\$ (407)	\$ 4,941
Financial liabilities									
Financial liabilities at fair value through profit or loss									
Other liabilities – Other									
Financial liability related to the contingent consideration	\$ 95	\$ —	\$ 95	\$ —	\$ 29	\$ —	\$ —	\$ (60)	\$ 64
Total financial liabilities	\$ 95	\$ —	\$ 95	\$ —	\$ 29	\$ —	\$ —	\$ (60)	\$ 64

⁽¹⁾ Realized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net insurance investment income (loss)" and "Net other investment income (loss)" in the Combined Statements of Income.

⁽²⁾ Unrealized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net insurance investment income (loss)" and "Net other investment income (loss)", while unrealized gains or losses on financial liabilities "Classified as at fair value through profit or loss" are recognized under "Other income – Other" in the Combined Statements of Income.

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

NOTE 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)

	Balance at beginning of period	Realized gains / losses recognized in profit or loss ⁽¹⁾	Unrealized gains / losses recognized in profit or loss ⁽²⁾	Unrealized gains / losses recognized in other comprehensive income ⁽³⁾	Purchases / Issuances / Other	Sales / Settlements / Other	Balance at end of period
For the nine-month period ended September 30, 2022 Restated (Note 2)							
Financial assets							
Financial assets at fair value through profit or loss							
Securities							
Other debt securities							
Mortgage bonds	\$ 508	\$ —	\$ (35)	\$ —	\$ —	\$ (51)	\$ 422
Other	92	—	2	—	21	(12)	103
Equity securities	1,428	9	109	—	388	(110)	1,824
	2,028	9	76	—	409	(173)	2,349
Segregated fund net assets	360	1	7	—	234	(31)	571
Total financial assets at fair value through profit or loss	2,388	10	83	—	643	(204)	2,920
Financial assets at fair value through other comprehensive income							
Securities							
Other debt securities							
Mortgage bonds	64	—	—	(2)	—	(11)	51
Equity securities	69	—	—	(1)	—	—	68
Total financial assets at fair value through other comprehensive income	133	—	—	(3)	—	(11)	119
Total financial assets	\$ 2,521	\$ 10	\$ 83	\$ (3)	\$ 643	\$ (215)	\$ 3,039
Financial liabilities							
Financial liabilities at fair value through profit or loss							
Other liabilities – Other							
Financial liability related to the contingent consideration	\$ 147	\$ —	\$ 17	\$ —	\$ —	\$ (87)	\$ 77
Total financial liabilities	\$ 147	\$ —	\$ 17	\$ —	\$ —	\$ (87)	\$ 77

⁽¹⁾ Realized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net insurance investment income (loss)" and "Net other investment income (loss)" in the Combined Statements of Income.

⁽²⁾ Unrealized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net insurance investment income (loss)" and "Net other investment income (loss)", while unrealized gains or losses on financial liabilities "Classified at fair value through profit or loss" are recognized under "Other income – Other" in the Combined Statements of Income.

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

NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

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

The following tables present the gross carrying amount of loans and the exposure amount for off-balance sheet items for which Desjardins Group estimates 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 33, "Probabilities of default of retail clients by risk level", and Table 34, "Probabilities of default businesses, financial institutions and sovereign borrowers by risk level", in section 4.0, "Risk Management", of the 2022 Annual Management's Discussion and Analysis.

Loans

As at September 30, 2023	Non-credit impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Residential mortgages				
Excellent	\$ 50,098	\$ 10	\$ —	\$ 50,108
Very low	70,371	176	—	70,547
Low	34,232	2,040	—	36,272
Moderate	2,014	2,731	—	4,745
High	3	950	—	953
Default	—	248	361	609
Total residential mortgages subject to expected credit losses	\$ 156,718	\$ 6,155	\$ 361	\$ 163,234
Residential mortgages at fair value through profit or loss ⁽¹⁾				1,051
Total gross residential mortgages	\$ 156,718	\$ 6,155	\$ 361	\$ 164,285
Allowance for credit losses	(45)	(36)	(25)	(106)
Total net residential mortgages	\$ 156,673	\$ 6,119	\$ 336	\$ 164,179
Consumer, credit card and other personal loans				
Excellent	\$ 5,127	\$ —	\$ —	\$ 5,127
Very low	6,460	4	—	6,464
Low	7,600	1,511	—	9,111
Moderate	1,189	845	—	2,034
High	10	1,324	—	1,334
Default	—	33	201	234
Total gross consumer, credit card and other personal loans	\$ 20,386	\$ 3,717	\$ 201	\$ 24,304
Allowance for credit losses	(129)	(290)	(123)	(542)
Total net consumer, credit card and other personal loans	\$ 20,257	\$ 3,427	\$ 78	\$ 23,762
Business and government loans⁽²⁾				
Acceptable risk				
Investment grade	\$ 23,881	\$ 69	\$ —	\$ 23,950
Other than investment grade	41,381	3,948	—	45,329
Under watch	1,445	1,812	—	3,257
Default	—	159	1,109	1,268
Total business and government loans subject to expected credit losses	\$ 66,707	\$ 5,988	\$ 1,109	\$ 73,804
Business and government loans at fair value through profit or loss ⁽¹⁾				579
Total gross business and government loans	\$ 66,707	\$ 5,988	\$ 1,109	\$ 74,383
Allowance for credit losses	(108)	(68)	(254)	(430)
Total net business and government loans	\$ 66,599	\$ 5,920	\$ 855	\$ 73,953
Total gross loans and acceptations	\$ 243,811	\$ 15,860	\$ 1,671	\$ 262,972
Allowance for credit losses	(282)	(394)	(402)	(1,078)
Total net loans and acceptances	\$ 243,529	\$ 15,466	\$ 1,269	\$ 261,894

⁽¹⁾ Loans at fair value through profit or loss are not subject to expected credit losses.

⁽²⁾ Includes 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)

As at December 31, 2022 Restated (Note 2)	Non-credit impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Residential mortgages				
Excellent	\$ 53,229	\$ 11	\$ —	\$ 53,240
Very low	67,594	783	—	68,377
Low	29,688	2,997	—	32,685
Moderate	1,741	2,460	—	4,201
High	1	809	—	810
Default	—	124	245	369
Total gross residential mortgages	\$ 152,253	\$ 7,184	\$ 245	\$ 159,682
Allowance for credit losses	(58)	(43)	(16)	(117)
Total net residential mortgages	\$ 152,195	\$ 7,141	\$ 229	\$ 159,565
Consumer, credit card and other personal loans				
Excellent	\$ 5,547	\$ 1	\$ —	\$ 5,548
Very low	6,576	9	—	6,585
Low	7,544	1,243	—	8,787
Moderate	975	852	—	1,827
High	8	1,218	—	1,226
Default	—	68	170	238
Total gross consumer, credit card and other personal loans	\$ 20,650	\$ 3,391	\$ 170	\$ 24,211
Allowance for credit losses	(140)	(302)	(91)	(533)
Total net consumer, credit card and other personal loans	\$ 20,510	\$ 3,089	\$ 79	\$ 23,678
Business and government loans⁽¹⁾				
Acceptable risk				
Investment grade	\$ 22,624	\$ 189	\$ —	\$ 22,813
Other than investment grade	35,686	4,286	—	39,972
Under watch	1,475	1,700	—	3,175
Default	—	101	776	877
Total gross business and government loans	\$ 59,785	\$ 6,276	\$ 776	\$ 66,837
Allowance for credit losses	(114)	(67)	(204)	(385)
Total net business and government loans	\$ 59,671	\$ 6,209	\$ 572	\$ 66,452
Total gross loans and acceptances	\$ 232,688	\$ 16,851	\$ 1,191	\$ 250,730
Allowance for credit losses	(312)	(412)	(311)	(1,035)
Total net loans and acceptances	\$ 232,376	\$ 16,439	\$ 880	\$ 249,695

⁽¹⁾ Includes 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⁾

As at September 30, 2023	Non-credit impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Residential mortgages, consumer, credit card and other personal loans				
Excellent	\$ 47,539	\$ 5	\$ —	\$ 47,544
Very low	23,717	9	—	23,726
Low	7,092	852	—	7,944
Moderate	362	492	—	854
High	5	303	—	308
Default	—	7	49	56
Total	\$ 78,715	\$ 1,668	\$ 49	\$ 80,432
Allowance for credit losses	(40)	(22)	—	(62)
Total, net of allowance for credit losses	\$ 78,675	\$ 1,646	\$ 49	\$ 80,370
Business and government				
Acceptable risk				
Investment grade	\$ 35,135	\$ 50	\$ —	\$ 35,185
Other than investment grade	14,110	875	—	14,985
Under watch	286	292	—	578
Default	—	6	181	187
Total	\$ 49,531	\$ 1,223	\$ 181	\$ 50,935
Allowance for credit losses	(23)	(6)	—	(29)
Total, net of allowance for credit losses	\$ 49,508	\$ 1,217	\$ 181	\$ 50,906
Total off-balance sheet items	\$ 128,246	\$ 2,891	\$ 230	\$ 131,367
Allowance for credit losses	(63)	(28)	—	(91)
Total off-balance sheet items, net of allowance for credit losses	\$ 128,183	\$ 2,863	\$ 230	\$ 131,276

As at December 31, 2022	Non-credit impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Residential mortgages, consumer, credit card and other personal loans				
Excellent	\$ 49,665	\$ 5	\$ —	\$ 49,670
Very low	21,946	40	—	21,986
Low	6,511	931	—	7,442
Moderate	315	576	—	891
High	5	262	—	267
Default	—	—	44	44
Total	\$ 78,442	\$ 1,814	\$ 44	\$ 80,300
Allowance for credit losses	(31)	(9)	—	(40)
Total, net of allowance for credit losses	\$ 78,411	\$ 1,805	\$ 44	\$ 80,260
Business and government				
Acceptable risk				
Investment grade	\$ 30,908	\$ 150	\$ —	\$ 31,058
Other than investment grade	12,894	1,134	—	14,028
Under watch	300	248	—	548
Default	—	9	118	127
Total	\$ 44,102	\$ 1,541	\$ 118	\$ 45,761
Allowance for credit losses	(11)	(2)	—	(13)
Total, net of allowance for credit losses	\$ 44,091	\$ 1,539	\$ 118	\$ 45,748
Total off-balance sheet items	\$ 122,544	\$ 3,355	\$ 162	\$ 126,061
Allowance for credit losses	(42)	(11)	—	(53)
Total off-balance sheet items, net of allowance for credit losses	\$ 122,502	\$ 3,344	\$ 162	\$ 126,008

⁽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.

For the nine-month period ended September 30, 2023	Non-credit impaired		Credit-impaired	Allowance for credit losses
	Stage 1	Stage 2	Stage 3	
Residential mortgages				
Balance at beginning of period⁽¹⁾	\$ 59	\$ 44	\$ 16	\$ 119
<i>Provision for credit losses</i>				
Transfers to ⁽²⁾ :				
Stage 1	31	(29)	(2)	—
Stage 2	(8)	11	(3)	—
Stage 3	—	(3)	3	—
Net remeasurement due to transfers ⁽³⁾	(12)	11	13	12
Changes in risks, parameters and models ⁽⁴⁾	(33)	9	3	(21)
New originations or acquisitions ⁽⁵⁾	16	—	—	16
Derecognitions and maturities ⁽⁶⁾	(5)	(6)	(6)	(17)
Net drawdowns (repayments) ⁽⁷⁾	1	(1)	—	—
	(10)	(8)	8	(10)
Write-offs and recoveries	—	—	1	1
Balance at end of period	\$ 49	\$ 36	\$ 25	\$ 110
Consumer, credit card and other personal loans				
Balance at beginning of period	\$ 170	\$ 310	\$ 91	\$ 571
<i>Provision for credit losses</i>				
Transfers to ⁽²⁾ :				
Stage 1	191	(184)	(7)	—
Stage 2	(79)	111	(32)	—
Stage 3	(1)	(38)	39	—
Net remeasurement due to transfers ⁽³⁾	(31)	47	139	155
Changes in risks, parameters and models ⁽⁴⁾	(133)	108	190	165
New originations or acquisitions ⁽⁵⁾	72	—	—	72
Derecognitions and maturities ⁽⁶⁾	(24)	(38)	(91)	(153)
Net drawdowns (repayments) ⁽⁷⁾	—	(4)	—	(4)
	(5)	2	238	235
Write-offs and recoveries	—	—	(206)	(206)
Balance at end of period	\$ 165	\$ 312	\$ 123	\$ 600
Business and government				
Balance at beginning of period⁽¹⁾	\$ 125	\$ 69	\$ 204	\$ 398
<i>Provision for credit losses</i>				
Transfers to ⁽²⁾ :				
Stage 1	45	(43)	(2)	—
Stage 2	(24)	35	(11)	—
Stage 3	(1)	(5)	6	—
Net remeasurement due to transfers ⁽³⁾	(13)	12	63	62
Changes in risks, parameters and models ⁽⁴⁾	(58)	10	30	(18)
New originations or acquisitions ⁽⁵⁾	70	—	—	70
Derecognitions and maturities ⁽⁶⁾	(19)	(9)	(20)	(48)
Net drawdowns (repayments) ⁽⁷⁾	6	5	(7)	4
	6	5	59	70
Write-offs and recoveries	—	—	(9)	(9)
Balance at end of period	\$ 131	\$ 74	\$ 254	\$ 459
Total balances at end of period	\$ 345	\$ 422	\$ 402	\$ 1,169
Composed of:				
Loans	\$ 282	\$ 394	\$ 402	\$ 1,078
Off-balance sheet items ⁽⁸⁾	63	28	—	91

⁽¹⁾ The new designation of certain residential mortgages and business and government loans described in Note 2, "Significant accounting policies" had an insignificant impact on the balance at beginning of period.

⁽²⁾ Represent transfers between stages before the remeasurement of expected credit losses.

⁽³⁾ Represents the remeasurement of the allowance for expected credit losses resulting from transfers between stages.

⁽⁴⁾ 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.

⁽⁵⁾ 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.

⁽⁶⁾ 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.

⁽⁷⁾ Represent changes in the allowance attributable to drawdowns and repayments on outstanding loans.

⁽⁸⁾ The allowance for credit losses on off-balance sheet items is presented under "Other liabilities – Other" in the Combined Balance Sheets.

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

ALLOWANCE FOR CREDIT LOSSES (continued)

For the nine-month period ended September 30, 2022	Non-credit impaired		Credit-impaired	Allowance for credit losses
	Stage 1	Stage 2	Stage 3	
Residential mortgages				
Balance at beginning of period	\$ 73	\$ 73	\$ 20	\$ 166
<i>Provision for credit losses</i>				
Transfers to ⁽¹⁾ :				
Stage 1	56	(54)	(2)	—
Stage 2	(9)	13	(4)	—
Stage 3	—	(2)	2	—
Net remeasurement due to transfers ⁽²⁾	(25)	16	6	(3)
Changes in risks, parameters and models ⁽³⁾	(56)	7	—	(49)
New originations or acquisitions ⁽⁴⁾	29	—	—	29
Derecognitions and maturities ⁽⁵⁾	(9)	(11)	(5)	(25)
Net drawdowns (repayments) ⁽⁶⁾	1	—	(1)	—
Other	—	—	4	4
	(13)	(31)	—	(44)
Write-offs and recoveries	—	—	3	3
Balance at end of period	\$ 60	\$ 42	\$ 23	\$ 125
Consumer, credit card and other personal loans				
Balance at beginning of period	\$ 158	\$ 265	\$ 80	\$ 503
<i>Provision for credit losses</i>				
Transfers to ⁽¹⁾ :				
Stage 1	194	(187)	(7)	—
Stage 2	(79)	105	(26)	—
Stage 3	(1)	(27)	28	—
Net remeasurement due to transfers ⁽²⁾	(25)	38	106	119
Changes in risks, parameters and models ⁽³⁾	(106)	147	104	145
New originations or acquisitions ⁽⁴⁾	84	—	—	84
Derecognitions and maturities ⁽⁵⁾	(30)	(40)	(52)	(122)
Net drawdowns (repayments) ⁽⁶⁾	(7)	(6)	(1)	(14)
	30	30	152	212
Write-offs and recoveries	—	—	(152)	(152)
Balance at end of period	\$ 188	\$ 295	\$ 80	\$ 563
Business and government				
Balance at beginning of period	\$ 112	\$ 82	\$ 179	\$ 373
<i>Provision for credit losses</i>				
Transfers to ⁽¹⁾ :				
Stage 1	41	(39)	(2)	—
Stage 2	(32)	40	(8)	—
Stage 3	(1)	(3)	4	—
Net remeasurement due to transfers ⁽²⁾	(6)	22	44	60
Changes in risks, parameters and models ⁽³⁾	(69)	(2)	14	(57)
New originations or acquisitions ⁽⁴⁾	91	—	—	91
Derecognitions and maturities ⁽⁵⁾	(27)	(17)	(41)	(85)
Net drawdowns (repayments) ⁽⁶⁾	14	6	(2)	18
	11	7	9	27
Write-offs and recoveries	—	—	(6)	(6)
Balance at end of period	\$ 123	\$ 89	\$ 182	\$ 394
Total balances at end of period	\$ 371	\$ 426	\$ 285	\$ 1,082
Composed of:				
Loans	\$ 326	\$ 414	\$ 285	\$ 1,025
Off-balance sheet items ⁽⁷⁾	45	12	—	57

(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 8, "Loans and allowance for credit losses", to the Annual Combined Financial Statements.

The macroeconomic environment, which is characterized by persistent inflation, quick interest rate increases, labour shortages, supply chain disruptions and geopolitical tensions, still gives rise to uncertainty. Therefore, management has to continue making particularly complex judgments to estimate the allowance for credit losses in such situation.

To take into account relevant risk factors related to the 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:

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
As at September 30, 2023						
Macroeconomic variables⁽¹⁾						
Gross domestic product (annualized change)	0.4 %	1.6 %	1.6 %	2.1 %	(2.5) %	1.0 %
Unemployment rate (average)	5.9 %	4.7 %	3.8 %	3.0 %	7.6 %	6.7 %
Consumer Price Index (annualized change)	2.0 %	1.8 %	3.0 %	2.2 %	1.5 %	1.6 %
Housing prices (annualized change)	(3.7) %	2.7 %	4.2 %	3.4 %	(23.6) %	4.3 %
Corporate credit spread ⁽²⁾ (average)	176 bp	146 bp	131 bp	112 bp	268 bp	185 bp
S&P/TSX stock index ⁽²⁾ (annualized change)	1.3 %	6.0 %	22.1 %	6.8 %	(19.5) %	9.8 %

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
As at December 31, 2022						
Macroeconomic variables⁽¹⁾						
Gross domestic product (annualized change)	(0.5) %	1.8 %	1.6 %	2.1 %	(3.0) %	1.4 %
Unemployment rate (average)	5.1 %	4.5 %	4.0 %	3.2 %	7.3 %	7.3 %
Consumer Price Index (annualized change)	2.4 %	2.0 %	4.0 %	2.1 %	2.0 %	1.9 %
Housing prices (annualized change)	(8.6) %	2.1 %	(2.3) %	2.9 %	(27.6) %	4.1 %
Corporate credit spread ⁽²⁾ (average)	171 bp	123 bp	121 bp	95 bp	260 bp	161 bp
S&P/TSX stock index ⁽²⁾ (annualized change)	2.4 %	5.1 %	29.0 %	7.0 %	(16.2) %	6.7 %

⁽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)

The base scenario forecasts a slight recession beginning in fall 2023. Due to inflation, central banks considerably increased interest rates, which should result in quarterly decreases in real GDP in several economies, including Canada and Québec. Under this scenario, the economic difficulties will push the unemployment rate up, and the housing sector could once again be affected. In Québec, economic activity has already begun to contract and other real GDP decreases are expected in the fourth quarter of 2023 and the first quarter of 2024. The Québec unemployment rate should increase to up to 6% in early 2024 and housing prices should fall approximately 8% compared to the spring 2022 high. This scenario forecasts that, if inflation comes back down to close to 2% next year, the Bank of Canada will gradually lower its policy interest rates and will continue to do so until early 2025. This would help accelerating economic growth in the second half of 2024. The unemployment rate should gradually converge to below 4%, in the mid-term, in Québec.

In the downside scenario, the economy would be more hardly affected, with four consecutive quarters of real GDP decrease. The unemployment rate would increase more significantly, possibly to over 8% in Québec. The downside scenario also assumes a more significant correction in average house prices of slightly over 25% compared to the spring 2022 peak. Stronger interest rate decreases would be announced in 2024 due to the more severe economic difficulties than in the base scenario and weaker inflation.

The upside scenario essentially assumes that the economic recovery will be stronger than in the base scenario, helped by a faster and more sustainable reduction in supply constraints. To achieve this, the war in Ukraine would have to end more quickly. More significant productivity gains could also be experienced, which would help economic growth while limiting inflationary pressures. In this scenario, the unemployment rate could decrease to 3% by 2025. Inflation would still be more persistent than under the base scenario. The return to the 2% inflation target would take more time and incite the Bank of Canada to maintain its policy interest rates at the current level over a slightly longer period. There would then be fewer decreases than under the base scenario. The discount rate would not be reduced below 3.25%, which corresponds to the high end of the neutral rate range estimated by the Bank of Canada. Slightly higher interest rates under this scenario would contribute to limiting the rise in house prices, which would still be a little stronger than under the base scenario.

The development of the economic outlook after September 30, 2023 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 September 30, 2023	As at December 31, 2022
Under IFRS 9	\$ 767	\$ 777
Weighting of 100% assigned to the scenario:		
Base	\$ 666	\$ 653
Upside	470	523
Downside	1,067	1,122

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 September 30, 2023	As at December 31, 2022
Under IFRS 9	\$ 767	\$ 777
If all non-credit impaired loans and off-balance sheet items had been included in Stage 1	\$ 673	\$ 714

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 September 30, 2023				As at December 31, 2022			
	Payable on demand	Payable upon notice	Payable on a fixed date	Total	Payable on demand	Payable upon notice	Payable on a fixed date	Total
Individuals	\$ 65,866	\$ 4,852	\$ 77,200	\$ 147,918	\$ 72,071	\$ 5,495	\$ 67,811	\$ 145,377
Business and government	51,539	447	72,950	124,936	51,422	327	62,423	114,172
Deposit-taking institutions	244	—	335	579	193	—	94	287
	\$ 117,649	\$ 5,299	\$ 150,485	\$ 273,433	\$ 123,686	\$ 5,822	\$ 130,328	\$ 259,836

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS

COMPOSITION OF BALANCE SHEET BALANCES

Balance sheet summary

The following table presents the composition of insurance contract assets and liabilities as well as reinsurance contract assets and liabilities.

	As at September 30, 2023			As at December 31, 2022		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
Insurance contract liabilities						
Insurance contract liabilities, excluding the asset for insurance acquisition cash flows ⁽¹⁾	\$ 23,291	\$ 7,254	\$ 30,545	\$ 23,233	\$ 7,015	\$ 30,248
Asset for insurance acquisition cash flows	(38)	—	(38)	(46)	—	(46)
	\$ 23,253	\$ 7,254	\$ 30,507	\$ 23,187	\$ 7,015	\$ 30,202
Reinsurance contract liabilities	\$ 37	\$ —	\$ 37	\$ 36	\$ —	\$ 36
Reinsurance contract assets	\$ 839	\$ 772	\$ 1,611	\$ 859	\$ 763	\$ 1,622

⁽¹⁾ The balance for life and health insurance includes an amount of \$3,320 million (\$3,458 million as at December 31, 2022) corresponding to the obligation to segregated fund holders and an amount of \$522 million (\$631 million as at December 31, 2022) related to segregated fund guaranties.

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Contracts initially recognized in the period – Life and health insurance activities

The following table presents the effect on issued insurance contract liabilities of the contracts other than those to which the premium allocation approach has been applied that were initially recognized in the nine-month periods ended September 30.

	2023			2022		
	Profitable	Onerous	Total	Profitable	Onerous	Total
Estimates of the present value of future cash outflows						
Insurance acquisition cash flows	\$ 109	\$ 63	\$ 172	\$ 61	\$ 71	\$ 132
Claims, other insurance expenses and investment components	361	1,250	1,611	289	183	472
	\$ 470	\$ 1,313	\$ 1,783	\$ 350	\$ 254	\$ 604
Estimates of the present value of future cash inflows	(525)	(1,320)	(1,845)	(394)	(256)	(650)
Risk adjustment for non-financial risk	16	31	47	11	17	28
Contractual service margin	39	—	39	33	—	33
Increase in insurance contract liabilities resulting from onerous contracts	\$ —	\$ 24	\$ 24	\$ —	\$ 15	\$ 15

INSURANCE AND REINSURANCE SERVICE RESULT

Insurance revenue

The following tables present the composition of insurance revenue.

	2023			2022		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
For the three-month periods ended September 30						
Contracts other than those to which the premium allocation approach has been applied						
Amounts relating to the changes in the liability for remaining coverage						
Incurred claims and other expected insurance expenses	\$ 240	\$ —	\$ 240	\$ 212	\$ —	\$ 212
Change in the risk adjustment for non-financial risk for expired risks	11	—	11	9	—	9
Contractual service margin for services provided in the period	57	—	57	59	—	59
Recovery of insurance acquisition cash flows	5	—	5	3	—	3
	\$ 313	\$ —	\$ 313	\$ 283	\$ —	\$ 283
Contracts to which the premium allocation approach has been applied	\$ 654	\$ 1,689	\$ 2,343	\$ 613	\$ 1,566	\$ 2,179
Insurance revenue	\$ 967	\$ 1,689	\$ 2,656	\$ 896	\$ 1,566	\$ 2,462

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

Insurance revenue (continued)

	2023			2022		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
For the nine-month periods ended September 30						
Contracts other than those to which the premium allocation approach has been applied						
Amounts relating to the changes in the liability for remaining coverage						
Incurred claims and other expected insurance expenses	\$ 682	\$ —	\$ 682	\$ 628	\$ —	\$ 628
Change in the risk adjustment for non-financial risk for expired risks	32	—	32	29	—	29
Contractual service margin for services provided in the period	168	—	168	178	—	178
Recovery of insurance acquisition cash flows	13	—	13	5	—	5
	\$ 895	\$ —	\$ 895	\$ 840	\$ —	\$ 840
Contracts to which the premium allocation approach has been applied	\$ 1,947	\$ 4,869	\$ 6,816	\$ 1,799	\$ 4,606	\$ 6,405
Insurance revenue	\$ 2,842	\$ 4,869	\$ 7,711	\$ 2,639	\$ 4,606	\$ 7,245

Recognition in surplus earnings of the contractual service margin

The following tables present when the life and health insurance subsidiary expects to recognize in the Combined Statements of Income the remaining contractual service margin (CSM).

As at September 30, 2023	Timing							Total
	Under 1 year	1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 to 10 years	Over 10 years	
Contractual service margin								
Insurance contracts	\$ 215	\$ 201	\$ 187	\$ 174	\$ 162	\$ 646	\$ 1,345	\$ 2,930
Reinsurance contracts	(20)	(18)	(17)	(16)	(15)	(60)	(104)	(250)

As at December 31, 2022	Timing							Total
	Under 1 year	1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 to 10 years	Over 10 years	
Contractual service margin								
Insurance contracts	\$ 213	\$ 198	\$ 185	\$ 172	\$ 159	\$ 635	\$ 1,322	\$ 2,884
Reinsurance contracts	(20)	(19)	(18)	(16)	(15)	(61)	(108)	(257)

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

INSURANCE FINANCE RESULT

Finance expenses and investment income

The following tables present insurance finance income (finance expenses) and the return on assets held in respect of insurance activities.

	2023			2022		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
For the three-month periods ended September 30						
Return on assets held in respect of insurance activities						
Net insurance investment income (loss)						
Insurance contracts	\$ (1,272)	\$ (10)	\$ (1,282)	\$ 159	\$ (37)	\$ 122
Segregated fund contracts	(81)	—	(81)	(3)	—	(3)
	(1,353)	(10)	(1,363)	156	(37)	119
Net change in insurance investment gains and losses recognized in the Combined Statements of Comprehensive Income	(38)	(45)	(83)	3	7	10
	(1,391)	(55)	(1,446)	159	(30)	129
Net insurance and reinsurance finance income (expenses)						
Net insurance finance income (expenses)						
Capitalized interest	(223)	(71)	(294)	(105)	(54)	(159)
Effect related to changes in discount rates and other financial assumptions	1,517	91	1,608	(60)	11	(49)
Change in the fair value of underlying assets of insurance contracts with direct participation features:						
Insurance contracts	49	—	49	3	—	3
Segregated fund contracts	81	—	81	3	—	3
Effect of financial risk mitigation	72	—	72	(8)	—	(8)
Other	(37)	—	(37)	(4)	—	(4)
	1,459	20	1,479	(171)	(43)	(214)
Net reinsurance finance income (expenses)						
Capitalized interest	1	6	7	4	4	8
Effect related to changes in discount rates and other financial assumptions	(65)	(8)	(73)	6	(2)	4
Other	1	—	1	(1)	—	(1)
	(63)	(2)	(65)	9	2	11
	1,396	18	1,414	(162)	(41)	(203)
Total	\$ 5	\$ (37)	\$ (32)	\$ (3)	\$ (71)	\$ (74)
Composed of:						
Net insurance finance result in the Combined Statements of Income	\$ 43	\$ 8	\$ 51	\$ (6)	\$ (78)	\$ (84)
Net insurance finance result in the Combined Statements of Comprehensive Income	(38)	(45)	(83)	3	7	10

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

Finance expenses and investment income (continued)

	2023			2022		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
For the nine-month periods ended September 30						
Return on assets held in respect of insurance activities						
Net insurance investment income (loss)						
Insurance contracts	\$ (383)	\$ 214	\$ (169)	\$ (3,639)	\$ (472)	\$ (4,111)
Segregated fund contracts	135	—	135	(546)	—	(546)
	(248)	214	(34)	(4,185)	(472)	(4,657)
Net change in insurance investment gains and losses recognized in the Combined Statements of Comprehensive Income	17	(17)	—	(307)	(220)	(527)
	(231)	197	(34)	(4,492)	(692)	(5,184)
Net insurance and reinsurance finance income (expenses)						
Net insurance finance income (expenses)						
Capitalized interest	(604)	(221)	(825)	(228)	(83)	(311)
Effect related to changes in discount rates and other financial assumptions	1,194	133	1,327	3,667	299	3,966
Change in the fair value of underlying assets of insurance contracts with direct participation features:						
Insurance contracts	(19)	—	(19)	256	—	256
Segregated fund contracts	(135)	—	(135)	546	—	546
Effect of financial risk mitigation	119	—	119	175	—	175
Other	(70)	—	(70)	(8)	—	(8)
	485	(88)	397	4,408	216	4,624
Net reinsurance finance income (expenses)						
Capitalized interest	14	21	35	9	8	17
Effect related to changes in discount rates and other financial assumptions	(41)	(12)	(53)	(181)	(33)	(214)
Other	6	—	6	(1)	—	(1)
	(21)	9	(12)	(173)	(25)	(198)
	464	(79)	385	4,235	191	4,426
Total	\$ 233	\$ 118	\$ 351	\$ (257)	\$ (501)	\$ (758)
Composed of:						
Net insurance finance result in the Combined Statements of Income	\$ 216	\$ 135	\$ 351	\$ 50	\$ (281)	\$ (231)
Net insurance finance result in the Combined Statements of Comprehensive Income	17	(17)	—	(307)	(220)	(527)

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS *(continued)***Net insurance investment income (loss)**

The following tables present the breakdown of insurance investment income (loss), excluding those for segregated fund holders, in accordance with the classification of financial assets and liabilities.

For the three-month periods ended September 30	2023			2022 Restated (Note 2)		
	Net interest and dividend income	Change in fair value and other	Total	Net interest and dividend income	Change in fair value and other	Total
Net insurance investment income (loss) on financial assets and liabilities						
Classified as at fair value through profit or loss	\$ 43	\$ (199)	\$ (156)	\$ 56	\$ (189)	\$ (133)
Designated as at fair value through profit or loss	201	(1,433)	(1,232)	153	19	172
Classified as at fair value through other comprehensive income	62	(5)	57	40	6	46
Designated as at fair value through other comprehensive income	15	—	15	—	—	—
At amortized cost and other	11	23	34	21	16	37
	\$ 332	\$ (1,614)	\$ (1,282)	\$ 270	\$ (148)	\$ 122

For the nine-month periods ended September 30	2023			2022 Restated (Note 2)		
	Net interest and dividend income	Change in fair value and other	Total	Net interest and dividend income	Change in fair value and other	Total
Net insurance investment income (loss) on financial assets and liabilities						
Classified as at fair value through profit or loss	\$ 126	\$ (95)	\$ 31	\$ 187	\$ (926)	\$ (739)
Designated as at fair value through profit or loss	573	(1,013)	(440)	423	(3,994)	(3,571)
Classified as at fair value through other comprehensive income	172	(60)	112	107	(22)	85
Designated as at fair value through other comprehensive income	44	—	44	—	—	—
At amortized cost and other	23	61	84	68	46	114
	\$ 938	\$ (1,107)	\$ (169)	\$ 785	\$ (4,896)	\$ (4,111)

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

RECONCILIATIONS OF INSURANCE CONTRACT ASSETS AND LIABILITIES

Reconciliations of insurance contract liabilities

The following tables present the reconciliation from the opening balance to the closing balance for the liability for remaining coverage and the liability for incurred claims.

Life and health insurance activities

For the nine-month period ended September 30, 2023	Remaining coverage		Incurred claims Contracts				Total
	Excluding the loss component	Loss component	Other than those to which the premium allocation approach has been applied	To which the premium allocation approach has been applied			
				Estimates of the present value of future cash flows	Risk adjustment for non- financial risk		
Liability balance at beginning of period	\$ 18,655	\$ 94	\$ 344	\$ 4,032	\$ 108	\$ 23,233	
Insurance revenue							
Contracts to which the fair value approach has been applied	(820)	—	—	—	—	(820)	
Other contracts	(2,022)	—	—	—	—	(2,022)	
	(2,842)	—	—	—	—	(2,842)	
Insurance service expenses							
Incurred claims and other incurred insurance service expenses	—	(33)	675	1,429	(1)	2,070	
Amortization of insurance acquisition cash flows	249	—	—	—	—	249	
Losses and reversals of losses on onerous contracts	—	31	—	—	—	31	
	249	(2)	675	1,429	(1)	2,350	
Insurance service result	(2,593)	(2)	675	1,429	(1)	(492)	
Net insurance finance expenses (income)	(506)	3	8	11	(1)	(485)	
Total items recognized in the Combined Statements of Income	\$ (3,099)	\$ 1	\$ 683	\$ 1,440	\$ (2)	\$ (977)	
Investment components	\$ (1,308)	\$ —	\$ 498	\$ 810	\$ —	\$ —	
Cash flows							
Premiums and other amounts received	4,861	—	—	—	—	4,861	
Insurance acquisition cash outflows	(387)	—	—	—	—	(387)	
Claims and other insurance service expenses paid (including investment components)	—	—	(1,182)	(2,249)	—	(3,431)	
Total cash flows	\$ 4,474	\$ —	\$ (1,182)	\$ (2,249)	\$ —	\$ 1,043	
Other changes	(18)	—	—	10	—	(8)	
Liability balance at end of period	\$ 18,704	\$ 95	\$ 343	\$ 4,043	\$ 106	\$ 23,291	

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

Life and health insurance activities (continued)

For the nine-month period ended September 30, 2022	Remaining coverage		Incurred claims Contracts				Total
	Excluding the loss component	Loss component	Other than those to which the premium allocation approach has been applied	To which the premium allocation approach has been applied			
				Estimates of the present value of future cash flows	Risk adjustment for non- financial risk		
Liability balance at beginning of period	\$ 22,162	\$ 66	\$ 342	\$ 4,375	\$ 161	\$	27,106
Insurance revenue							
Contracts to which the fair value approach has been applied	(828)	—	—	—	—	—	(828)
Other contracts	(1,811)	—	—	—	—	—	(1,811)
	(2,639)	—	—	—	—	—	(2,639)
Insurance service expenses							
Incurred claims and other incurred insurance service expenses	—	(48)	622	1,304	(4)		1,874
Amortization of insurance acquisition cash flows	228	—	—	—	—		228
Losses and reversal of losses on onerous contracts	—	56	—	—	—		56
	228	8	622	1,304	(4)		2,158
Insurance service result	(2,411)	8	622	1,304	(4)		(481)
Net insurance finance expenses (income)	(4,046)	—	4	(346)	(20)		(4,408)
Total items recognized in the Combined Statements of Income	\$ (6,457)	\$ 8	\$ 626	\$ 958	\$ (24)	\$	(4,889)
Investment components	\$ (1,218)	\$ —	\$ 449	\$ 769	\$ —	\$	—
Cash flows							
Premiums and other amounts received	3,550	—	—	—	—		3,550
Insurance acquisition cash outflows	(393)	—	—	—	—		(393)
Claims and other insurance service expenses paid (including investment components)	—	—	(1,086)	(2,074)	—		(3,160)
Total cash flows	\$ 3,157	\$ —	\$ (1,086)	\$ (2,074)	\$ —	\$	(3)
Other changes	(13)	—	—	—	—		(13)
Liability balance at end of period	\$ 17,631	\$ 74	\$ 331	\$ 4,028	\$ 137	\$	22,201

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

Property and casualty insurance activities

For the nine-month period ended September 30, 2023	Remaining coverage		Incurred claims ⁽¹⁾		Total
	Excluding the loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non- financial risk	
Liability balance at beginning of period	\$ 66	\$ 277	\$ 6,192	\$ 480	\$ 7,015
Insurance revenue	\$ (4,869)	\$ —	\$ —	\$ —	\$ (4,869)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	—	(389)	3,811	127	3,549
Amortization of insurance acquisition cash flows	799	—	—	—	799
Changes related to incurred claims ⁽²⁾	—	—	(198)	(123)	(321)
Losses and reversals of losses on onerous contracts	—	464	—	—	464
	799	75	3,613	4	4,491
Insurance service result	(4,070)	75	3,613	4	(378)
Net insurance finance expenses (income)	—	—	82	6	88
Total items recognized in the Combined Statements of Income	\$ (4,070)	\$ 75	\$ 3,695	\$ 10	\$ (290)
Cash flows					
Premiums and other amounts received	4,908	—	—	—	4,908
Insurance acquisition cash outflows	(798)	—	—	—	(798)
Claims and other insurance service expenses paid (including investment components)	—	—	(3,581)	—	(3,581)
Total cash flows	\$ 4,110	\$ —	\$ (3,581)	\$ —	\$ 529
Liability balance at end of period	\$ 106	\$ 352	\$ 6,306	\$ 490	\$ 7,254

For the nine-month period ended September 30, 2022	Remaining coverage		Incurred claims ⁽¹⁾		Total
	Excluding the loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non- financial risk	
Liability balance at beginning of period	\$ 89	\$ 62	\$ 6,167	\$ 465	\$ 6,783
Insurance revenue	\$ (4,606)	\$ —	\$ —	\$ —	\$ (4,606)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	—	(113)	3,446	122	3,455
Amortization of insurance acquisition cash flows	763	—	—	—	763
Changes related to incurred claims ⁽²⁾	—	—	(105)	(81)	(186)
Losses and reversals of losses on onerous contracts	—	245	—	—	245
	763	132	3,341	41	4,277
Insurance service result	(3,843)	132	3,341	41	(329)
Net insurance finance expenses (income)	—	—	(200)	(16)	(216)
Total items recognized in the Combined Statements of Income	\$ (3,843)	\$ 132	\$ 3,141	\$ 25	\$ (545)
Cash flows					
Premiums and other amounts received	4,610	—	—	—	4,610
Insurance acquisition cash outflows	(809)	—	—	—	(809)
Claims and other insurance service expenses paid (including investment components)	—	—	(2,941)	—	(2,941)
Total cash flows	\$ 3,801	\$ —	\$ (2,941)	\$ —	\$ 860
Other changes	(2)	—	—	—	(2)
Liability balance at end of period	\$ 45	\$ 194	\$ 6,367	\$ 490	\$ 7,096

⁽¹⁾ Contracts assumed in the acquisition of the Canadian property and casualty insurance operations of State Farm are recognized and measured as liability for incurred claims.

⁽²⁾ Represents changes related to claims incurred in prior years.

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

The following tables present the reconciliation from the opening balance to the closing balance for the measurement components of the insurance contract liabilities for contracts to which the premium allocation approach has not been applied.

Life and health insurance activities

For the nine-month period ended September 30, 2023	Estimates of the present value of future cash flows		Risk adjustment for non- financial risk	Contractual service margin		Total
				Contracts to which the fair value approach has been applied	Other contracts	
Liability balance at beginning of period	\$ 15,658	\$ 720	\$ 2,847	\$ 37	\$ 19,262	
Changes that relate to current service						
Amount of the contractual service margin	\$ —	\$ —	\$ (166)	\$ (2)	\$ (168)	
Change in the risk adjustment for non-financial risk for expired risks	—	(32)	—	—	(32)	
Experience adjustments	(15)	—	—	—	(15)	
	(15)	(32)	(166)	(2)	(215)	
Changes that relate to future service						
Changes in estimates that adjust the contractual service margin	(121)	(17)	138	—	—	
Changes in estimates that result in losses or reversal of losses on onerous contracts	(24)	(1)	—	—	(25)	
Contracts initially recognized in the period	(62)	47	—	39	24	
	(207)	29	138	39	(1)	
Insurance service result	(222)	(3)	(28)	37	(216)	
Net insurance finance expenses (income)	(509)	(24)	35	2	(496)	
Total items recognized in the Combined Statements of Income	\$ (731)	\$ (27)	\$ 7	\$ 39	\$ (712)	
Cash flows						
Premiums and other amounts received	2,137	—	—	—	2,137	
Insurance acquisition cash outflows	(142)	—	—	—	(142)	
Claims and other insurance service expenses paid (including investment components)	(1,182)	—	—	—	(1,182)	
Total cash flows	\$ 813	\$ —	\$ —	\$ —	\$ 813	
Other changes	(8)	—	—	—	(8)	
Liability balance at end of period	\$ 15,732	\$ 693	\$ 2,854	\$ 76	\$ 19,355	

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*Life and health insurance activities *(continued)*

For the nine-month period ended September 30, 2022	Estimates of the present value of future cash flows		Risk adjustment for non- financial risk	Contractual service margin		Total
				Contracts to which the fair value approach has been applied	Other contracts	
Liability balance at beginning of period	\$ 19,002	\$ 855	\$ 2,895	\$ —	\$ —	\$ 22,752
Changes that relate to current service						
Amount of the contractual service margin	\$ —	\$ —	\$ (178)	\$ —	\$ —	\$ (178)
Change in the risk adjustment for non-financial risk for expired risks	—	(29)	—	—	—	(29)
Experience adjustments	(17)	—	—	—	—	(17)
	(17)	(29)	(178)	—	—	(224)
Changes that relate to future service						
Changes in estimates that adjust the contractual service margin	(322)	(14)	344	(8)	—	—
Changes in estimates that result in losses or reversal of losses on onerous contracts	7	1	—	—	—	8
Contracts initially recognized in the period	(46)	28	—	33	15	15
	(361)	15	344	25	23	23
Insurance service result	(378)	(14)	166	25	(201)	(201)
Net insurance finance expenses (income)	(3,896)	(165)	19	—	(4,042)	(4,042)
Total items recognized in the Combined Statements of Income	\$ (4,274)	\$ (179)	\$ 185	\$ 25	\$ (4,243)	\$ (4,243)
Cash flows						
Premiums and other amounts received	1,018	—	—	—	1,018	1,018
Insurance acquisition cash outflows	(1,086)	—	—	—	(1,086)	(1,086)
Claims and other insurance service expenses paid (including investment components)	(158)	—	—	—	(158)	(158)
Total cash flows	\$ (226)	\$ —	\$ —	\$ —	\$ (226)	\$ (226)
Other changes	—	—	(13)	—	(13)	(13)
Liability balance at end of period	\$ 14,502	\$ 676	\$ 3,067	\$ 25	\$ 18,270	\$ 18,270

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES

The measurement of insurance contract liabilities is based on estimates and assumptions. The main assumptions used are described in the following paragraphs.

Estimates of future cash flows – Life and health insurance activities

The assumptions used to determine the estimates of future cash flows are those that are the most likely in management's judgment. The model used considers that best estimate future cash flows give the same result as the probability-weighted mean of the full range of possible outcomes. Assumptions are determined from the perspective of the life and health insurance subsidiary based on situations existing at the reporting date.

The risks associated with the accuracy of the assumptions used to determine the estimates of future cash flows arise from the non-materialization of expected assumptions. The appointed actuary periodically carries out studies on the underwriting experience related to each assumption and modifies it, if appropriate, to take into account the current and future expected situation.

Mortality

The mortality assumptions are determined based on the result of annual studies and recent underwriting experience. When the results cannot serve as the sole source of reference due to their insufficient credibility, the mortality assumptions also take into account industry studies. For annuities, the life and health insurance subsidiary also carries out an annual study of its underwriting experience, which is sufficiently credible to be the main basis for establishing assumptions. Mortality assumptions vary based on gender, risk category and type of contract. A future mortality improvement assumption is taken into account in accordance with the standards of the Canadian Institute of Actuaries (CIA).

Morbidity

For morbidity assumptions, which relate to the occurrence of accidents and illnesses, the life and health insurance subsidiary uses industry-developed morbidity tables modified based on current data provided by its studies of its underwriting experience and those of the industry. These assumptions are mainly used for disability, critical illness and long-term care insurance products.

Contract cancellation rates

The life and health insurance subsidiary carries out an annual study of its underwriting experience with respect to individual insurance contract cancellation, as holders can cancel their contract before the expiry of their contractual coverage period by discontinuing premium payment without using the non-forfeiture options, if any. The contract cancellation rate assumptions are based on the recent underwriting experience of the life and health insurance subsidiary. These assumptions are adjusted on the basis of the industry's underwriting experience when the assumptions of the life and health insurance subsidiary are not sufficiently credible. For some types of products, such as term-to-100 life insurance or universal life insurance with level mortality costs, lower than expected cancellation rates could have an adverse impact on the underwriting experience of the life and health insurance subsidiary. The cancellation rate assumptions may vary based on the type of product, the duration of the contract, the age upon issuance and the premium payment method.

Expenses and taxes

The expense assumptions reflect the projected costs for managing and processing contracts in force, including indirect overhead expenses. The life and health insurance subsidiary carries out an annual study of expenses by major product family, and these expenses are projected using the expected rate of inflation and the expected development of blocks of business, when relevant.

Taxes reflect the assumptions relating to future premium taxes and taxes other than taxes on surplus earnings. The estimates of future cash flows do not take into account taxes on surplus earnings.

Contract holder dividends

The estimates of future cash flows for life insurance contracts with participation features includes estimated amounts representing future contract holder dividends. These estimated amounts are determined using the expected insurance results for this block of business, the expected returns on the underlying assets and the reasonable expectations of contract holders. Changes to the most likely assumptions would result in corresponding changes to contract holder dividends and an immaterial net change in the estimates for future cash flows related to individual life insurance contracts with participation features.

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Estimates of future cash flows – Property and casualty insurance activities

Facts and circumstances indicating a group is onerous

For each portfolio and each geographic area, the facts and circumstances indicating that a group of insurance contracts is or becomes onerous are determined quantitatively and qualitatively. The quantitative analysis is based on estimated combined ratios, which represent the sum of the loss ratio and the other insurance service expense ratio. When these ratios exceed a predetermined threshold, this signals that there are facts and circumstances indicating that a group of insurance contracts might be onerous. Loss experience monitoring reports are also used to identify facts and circumstances when there are significant variances from budget. The qualitative analysis is based on the judgments made by the members of a committee coming from various sectors (pricing, actuarial services, finances) who meet quarterly to discuss observed trends.

Liability for remaining coverage

Expected claims are based on historical ratios by portfolio and geographic area, adjusted to reflect expected future conditions. Selecting adjustment factors for historical ratios is based on the items mentioned in the “Liability for incurred claims” below as well as other items also requiring judgment, such as considering catastrophes and seasonality. Some insurance service expenses that the property and casualty insurance subsidiaries will have to incur to settle claims are not included in expected claims. These costs are allocated between groups of insurance contracts based on the efforts required to settle claims.

Future premium receipts and expected other insurance service expenses, including acquisition cash flows, if any, are also calculated by group of insurance contracts.

Liability for incurred claims

The liability for incurred claims includes the individual estimates of loss for each reported claim as well as a provision for claims incurred but not reported by the insured persons, for other insurance service expenses that will have to be incurred to settle those claims and for shortfalls in the estimates of losses for claims reported. The liability for incurred claims is estimated using appropriate actuarial techniques for loss prospective valuation in accordance with the CIA standards.

The main assumption underlying these methods is that past claims development can be used to project future claims development. An additional qualitative judgment is made to assess the extent by which past trends may not apply in the future and make the necessary adjustments or changes to adequately determine the liability for incurred claims that represents the probability-weighted mean of the possible outcomes for future claim payments. The assumptions used to develop this estimate are selected by risk category and geographic area. In addition, the estimates take into consideration various quantitative and qualitative factors, including the average settlement cost per claim, the average number of claims and claims severity and frequency trends, and other factors like inflation and changes in market factors, such as public behaviour towards claims and economic conditions, as well as internal factors, such as the composition of the portfolio of insurance contracts, the terms of those contracts and the claim handling procedures. A degree of judgment is also involved in assessing the extent to which external factors, such as court decisions and government legislation, can influence this estimate.

Adjustments to reflect the time value of money

The estimates of future cash flows have to be adjusted to reflect the time value of money and financial risks. The discount rates used to adjust future cash flows should be consistent with observable current market prices in active markets and reflect the characteristics of the cash flows of the insurance contract liabilities, in particular in terms of duration and liquidity. The discount rates used by the insurance subsidiaries for all their insurance contracts and reinsurance contracts held are determined using a top-down approach. Under that approach, the appropriate discount rates are determined based on a yield curve that reflects the expected returns of a reference portfolio of assets, adjusted to eliminate the factors that are not relevant to the insurance contract liabilities.

The insurance subsidiaries use various reference portfolios of assets for their various families of products. The reference portfolios of assets comprise a combination of government and corporate bonds consistent with the proportions held by the insurance subsidiaries. These assets have been selected to appropriately reflect the characteristics of the insurance contract liabilities. The yield curves have been adjusted to eliminate the factors that are not relevant to insurance contracts, such as credit risk. Adjustments are also made to reflect the differences between the liquidity characteristics of the insurance contract liabilities and those of the reference portfolio of assets.

Judgment is required in determining the yield curves to be used, as a result of the determination of the assets held in the reference portfolios, the risk-free rates, the adjustments for credit risk and the adjustments for liquidity. The insurance subsidiaries have determined that information observable on the market to establish yield curves are available for up to 30 years. Beyond that point, yield curves are established using a linear interpolation technique between the final observable point and the ultimate rate, which was set at 70 years.

For its insurance contracts with direct participation features, the life and health insurance subsidiary uses the same yield curves to discount all the cash flows of these contracts and uses stochastic modelling to take into account the variability of the cash flows that fluctuate based on the return of the underlying items.

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the insurance subsidiaries require for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks when they fulfil insurance contracts. The risks to which the risk adjustment for non-financial risk relate are insurance risk and other non-financial risks, such as forfeiture risk and expense risk, which is the risk of an unexpected increase in administration expenses related to managing the contract. This adjustment also reflects the degree of risk aversion of the insurance subsidiaries and a benefit to reflect the degree of diversification the insurance subsidiaries consider when determining this compensation.

The risk adjustment for non-financial risk is determined at the consolidated level for each insurance subsidiary, net of reinsurance, and then allocated to each group of insurance contracts and each group of reinsurance contracts held based of their risk profile.

The risk adjustment for non-financial risk is discounted using the discount rates described in the “Adjustments to reflect the time value of money” section.

Life and health insurance activities

The risk adjustment for non-financial risk for life and health insurance contracts is determined using the quantile technique. This technique determines the risk adjustment for non-financial risk in such a way that the probability that the fulfilment cash flows are sufficient to meet the obligations relating to the fulfilment of insurance contracts is in an acceptable confidence interval for bearing the uncertainty. This approach requires the use of a model to generate a distribution of cash flow risks. The model used assumes that the uncertainty about future cash flows arising from insurance risks has a normal probability distribution and that the mean of the distribution represents to best estimate future cash flows. The overall solvency buffer calculated in accordance with regulatory capital requirements is used in the model as a point of reference for benchmarking the confidence level corresponding to the risk adjustment for non-financial risk. The intra-risk diversification and inter-risk diversification based on the risk characteristics associated with products are considered in applying the model. The life and health insurance subsidiary uses a confidence level of 81% (80% as at December 31, 2022).

Property and casualty insurance activities

The risk adjustment for non-financial risk is determined using the cost of capital method. Under this method, the development of the liability, the allocated capital and the cost of capital are individually projected by line of business. The capital allocated to lines of business to bear the risk corresponds to the aggregate of the operational target level of capital and the capital excluded from available capital by regulatory authorities. For a line of business, the risk adjustment for non-financial risk is calculated as the present value of the cost of capital of such line. The inter-line of business diversification and inter-insurance risk diversification for the property and casualty insurance subsidiaries is considered in applying the cost of capital method. It is estimated that the result of the cost of capital method is equivalent to a confidence level of 90% (90% as at December 31, 2022) for all insurance contracts and reinsurance contracts held.

Contractual service margin

At the end of the period, the CSM at the reporting date is allocated equally to each remaining coverage unit remaining before the allocation to services provided. The life and health insurance subsidiary recognizes in the Combined Statements of Income an amount of the CSM based on coverage units allocated to services provided.

Management has to make judgments to determine the appropriate coverage units that adequately reflect the quantity of insurance contract services provided over the insurance contract coverage period. The quantity of insurance contract services should consider the services arising from the insurance coverage as well as any investment-return services for insurance contracts without direct participation features and any investment-related services for insurance contracts with direct participation features. To determine the quantity of insurance contract services for the insurance coverage, the life and health insurance subsidiary uses the amount it expects the contract holder could claim if an insured event occurs.

The quantity of insurance contract services is determined based on:

- insured capital for individual insurance contracts;
- annuity payments for annuity contracts;
- guaranteed amounts for segregated fund contracts.

For investment-return services and investment-related services, the value of the holders' funds is used to determine the quantity of services provided.

The coverage period of an insurance contract is defined as the period in which services are provided to the insurance contract holder. The life and health insurance subsidiary considers the likelihood of occurrence of events only to the extent that they affect the expected coverage duration for the contracts. The coverage period is determined based on the expiration date of the contract adjusted for the likelihood of survival of a contract.

The life and health insurance subsidiary recognizes the CSM of reinsurance contracts held related to its individual insurance contracts in the Combined Statements of Income as services are received from the reinsurer. The quantity of services received is determined based on the insured capital of the insurance contracts ceded to the reinsurer and the duration of the reinsurance contract. The coverage units for proportional reinsurance contracts are based on the insurance coverage provided by the reinsurer. The life and health insurance subsidiary determines the quantity of services received using the nominal value of the insurance contracts ceded. The coverage period of these contracts is determined based on the coverage period of the underlying insurance contracts whose cash flows are within the boundary of the reinsurance contracts held.

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

RISK MANAGEMENT

Interest rate risk

The insurance subsidiaries are exposed to interest rate risk, which represents the potential impact of interest rate fluctuations on the Combined Statements of Income and equity. This risk arises from the net insurance and reinsurance contract liabilities of these subsidiaries and the portfolios of fixed-income assets they hold. The interest rate risk to which the insurance subsidiaries are exposed is mainly explained by fluctuations in the risk-free rate and gaps in asset-liability matching. Sound and prudent management is applied to minimize the negative impact of interest rate movements.

The interest rate risk management policy describes the techniques used to measure interest rate risk, the tolerated limits and the monitoring procedures to use in managing this risk. The policy sets out, in particular, the limit of the impact on surplus earnings of a change in interest rates. Management is responsible for applying the policy and ensures that there are practices in place to administer and monitor interest rate risk. If needed, it may apply rebalancing techniques to correct or improve the matching status.

In addition, a hedging program was implemented by the life and health insurance subsidiary to minimize the impact of interest rate fluctuations on guarantees under segregated fund contracts and minimum interest rate guarantees offered for some universal life insurance contracts.

The following tables present the impact of a change in interest rates on net insurance and reinsurance contract liabilities and financial assets held in respect of the insurance activities of the life and health subsidiary.

As at September 30, 2023	CSM	Net surplus earnings after member dividends	Equity
Impact of a 1% increase in interest rates			
Net insurance and reinsurance contract liabilities	\$ 3	\$ 1,232	\$ 1,232
Financial assets held in respect of insurance activities	—	(1,238)	(1,271)
Impact of a 1% decrease in interest rates			
Net insurance and reinsurance contract liabilities	(26)	(1,517)	(1,517)
Financial assets held in respect of insurance activities	—	1,511	1,546

As at December 31, 2022	CSM	Net surplus earnings after member dividends	Equity
Impact of a 1% increase in interest rates			
Net insurance and reinsurance contract liabilities	\$ 7	\$ 1,319	\$ 1,319
Financial assets held in respect of insurance activities	—	(1,196)	(1,308)
Impact of a 1% decrease in interest rates			
Net insurance and reinsurance contract liabilities	(28)	(1,641)	(1,641)
Financial assets held in respect of insurance activities	—	1,484	1,615

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

RISK MANAGEMENT *(continued)*

Interest rate risk *(continued)*

The following tables present the impact of a change in interest rates on net insurance and reinsurance contract liabilities and financial assets held in respect of the insurance activities of the property and casualty insurance subsidiaries.

As at September 30, 2023	Net surplus earnings after member dividends		Equity	
Impact of a 1% increase in interest rates				
Net insurance and reinsurance contract liabilities	\$	135	\$	135
Financial assets held in respect of insurance activities		(110)		(184)
Impact of a 1% decrease in interest rates				
Net insurance and reinsurance contract liabilities		(143)		(143)
Financial assets held in respect of insurance activities		118		196

As at December 31, 2022	Net surplus earnings after member dividends		Equity	
Impact of a 1% increase in interest rates				
Net insurance and reinsurance contract liabilities	\$	132	\$	132
Financial assets held in respect of insurance activities		(127)		(196)
Impact of a 1% decrease in interest rates				
Net insurance and reinsurance contract liabilities		(141)		(141)
Financial assets held in respect of insurance activities		135		210

NOTE 8 – ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	As at September 30, 2023		As at December 31, 2022 Restated (Note 2)	
	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⁾	\$ (1,019)	\$ (13)	\$ (1,237)	\$ (13)
Net gains (losses) on derivative financial instruments designated as cash flow hedges	(1,119)	—	(815)	—
Share of associates and joint ventures accounted for using the equity method	(4)	—	(6)	—
Accumulated other comprehensive income	\$ (2,142)	\$ (13)	\$ (2,058)	\$ (13)

⁽¹⁾ Take into account an allowance for credit losses of \$13 million as at September 30, 2023 (\$10 million as at December 31, 2022) on securities classified as at fair value through other comprehensive income.

NOTE 9 – 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 Capital Adequacy Guideline applicable to financial services cooperatives. In February 2023, the AMF issued an updated version of this guideline to reflect the Basel III regulatory reforms approved by the Basel Committee on Banking Supervision in 2017. The objectives of these reforms were essentially to reduce excessive variability of risk-weighted assets and improve the comparability and transparency of capital ratios reported by financial institutions. The updated version became effective in the first quarter of 2023.

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%. 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%.

Since April 1, 2022, Desjardins Group has to meet the requirements of the Total Loss Absorbing Capacity (TLAC) Guideline issued by the AMF. The TLAC ratio and TLAC leverage ratio are calculated in accordance with this guideline. The guideline applies to a resolution group deemed to be Desjardins Group excluding CDO. Desjardins Group is required to maintain a TLAC ratio of at least 21.5% and a TLAC leverage ratio of at least 6.75%.

As at September 30, 2023, Desjardins Group was in compliance with the AMF's capital ratio and leverage ratio regulatory requirements.

The following table presents the regulatory capital and available total loss absorbing capital (TLAC) balances, risk-weighted assets and regulatory ratios.

(in millions of dollars and as a percentage)	As at September 30, 2023	As at December 31, 2022
Capital and other TLAC instruments		
Tier 1A capital ⁽¹⁾	\$ 28,566	\$ 28,156
Tier 1 capital ⁽¹⁾	28,566	28,156
Total capital ⁽¹⁾	30,577	30,445
Available total loss absorbing capacity (TLAC) ⁽²⁾	39,823	38,722
Risk-weighted assets⁽¹⁾		
Credit risk	112,635	118,783
Market risk	2,836	3,959
Operational risk	21,664	15,114
Total risk-weighted assets before the capital floor	137,135	137,856
Transitional capital floor adjustment	—	1,455
Total risk-weighted assets	\$ 137,135	\$ 139,311
Total risk-weighted assets for TLAC ratio purposes⁽²⁾	133,060	134,880
Leverage ratio exposure⁽¹⁾	378,858	371,598
TLAC leverage ratio exposure⁽²⁾	372,059	364,519
Ratios		
Tier 1A capital ⁽¹⁾	20.8 %	20.2 %
Tier 1 capital ⁽¹⁾	20.8	20.2
Total capital ⁽¹⁾	22.3	21.9
TLAC ⁽²⁾	29.9	28.7
Leverage ⁽¹⁾⁽³⁾	7.5	7.6
TLAC leverage ⁽²⁾⁽³⁾	10.7	10.6

⁽¹⁾ Comparative data are in accordance with the requirements of the Capital Adequacy Guideline in effect as at December 31, 2022.

⁽²⁾ Data calculated at the resolution group level that is deemed to be Desjardins Group excluding CDO.

⁽³⁾ As part of the temporary relief measures issued by the AMF since March 31, 2020, reserves with central banks are excluded from the leverage ratio exposure measure until further notice.

NOTE 10 – NET INTEREST INCOME AND NET OTHER 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 September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Interest income on financial assets				
At amortized cost	\$ 3,197	\$ 2,223	\$ 8,852	\$ 5,862
At fair value through other comprehensive income	451	278	1,303	590
At fair value through profit or loss	7	3	15	8
	3,655	2,504	10,170	6,460
Interest expense on financial liabilities				
At amortized cost	1,821	851	4,897	1,696
At fair value through profit or loss	16	4	29	13
	1,837	855	4,926	1,709
	\$ 1,818	\$ 1,649	\$ 5,244	\$ 4,751

NET OTHER INVESTMENT INCOME (LOSS)

The following tables present the breakdown of investment income and loss excluding those for segregated funds – Investment contracts according to the classification of financial assets and liabilities.

For the three-month periods ended September 30	2023			2022 Restated (Note 2)		
	Net interest and dividend income	Change in fair value and other	Total	Net interest and dividend income	Change in fair value and other	Total
Net other investment income (loss) on financial assets and liabilities						
Classified as at fair value through profit or loss	\$ (66)	\$ 42	\$ (24)	\$ (50)	\$ (87)	\$ (137)
Designated as at fair value through profit or loss	—	28	28	5	14	19
Classified as at fair value through other comprehensive income	7	(14)	(7)	—	(31)	(31)
At amortized cost and other	(129)	—	(129)	(9)	(1)	(10)
	\$ (188)	\$ 56	\$ (132)	\$ (54)	\$ (105)	\$ (159)

For the nine-month periods ended September 30	2023			2022 Restated (Note 2)		
	Net interest and dividend income	Change in fair value and other	Total	Net interest and dividend income	Change in fair value and other	Total
Net other investment income (loss) on financial assets and liabilities						
Classified as at fair value through profit or loss	\$ (104)	\$ 170	\$ 66	\$ (2)	\$ (377)	\$ (379)
Designated as at fair value through profit or loss	—	27	27	12	29	41
Classified as at fair value through other comprehensive income	24	(47)	(23)	—	(76)	(76)
At amortized cost and other	(400)	2	(398)	(26)	—	(26)
	\$ (480)	\$ 152	\$ (328)	\$ (16)	\$ (424)	\$ (440)

The following table presents net other investment income (loss) for segregated funds – Investment contracts.

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Net other investment income (loss) for segregated fund net assets	\$ (428)	\$ (111)	\$ 702	\$ (2,803)
Net other investment income (loss) for segregated fund net liabilities	428	111	(702)	2,803
	\$ —	\$ —	\$ —	\$ —

NOTE 11 – SEGMENTED INFORMATION

RESULTS BY BUSINESS SEGMENT

The following tables provide 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	
	2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)
For the three-month periods ended September 30										
Net interest income	\$ 1,708	\$ 1,484	\$ 5	\$ 2	\$ —	\$ —	\$ 105	\$ 163	\$ 1,818	\$ 1,649
Net insurance service income (loss)	—	—	228	135	219	49	(5)	9	442	193
Other income	680	702	461	324	(12)	(1)	(256)	(325)	873	700
Total net income	2,388	2,186	694	461	207	48	(156)	(153)	3,133	2,542
Provision for credit losses	120	124	4	1	4	—	(1)	—	127	125
Net non-interest expense	1,755	1,672	533	368	79	88	(164)	(67)	2,203	2,061
Operating surplus earnings	513	390	157	92	124	(40)	9	(86)	803	356
Income taxes on surplus earnings	137	101	26	6	21	(15)	5	(31)	189	61
Surplus earnings before member dividends	376	289	131	86	103	(25)	4	(55)	614	295
Member dividends, net of income tax recovery	78	78	—	—	—	—	—	—	78	78
Net surplus earnings for the period after member dividends	\$ 298	\$ 211	\$ 131	\$ 86	\$ 103	\$ (25)	\$ 4	\$ (55)	\$ 536	\$ 217
of which:										
Group's share	\$ 298	\$ 211	\$ 131	\$ 86	\$ 87	\$ (28)	\$ 4	\$ (55)	\$ 520	\$ 214
Non-controlling interests' share	—	—	—	—	16	3	—	—	16	3

NOTE 11 – SEGMENTED INFORMATION (continued)

RESULTS BY BUSINESS SEGMENT (continued)

	Personal and Business Services		Wealth Management and Life and Health Insurance		Property and Casualty Insurance		Other		Combined	
	2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)	2023	2022 Restated (Note 2)
For the nine-month periods ended September 30										
Net interest income	\$ 4,878	\$ 4,167	\$ 15	\$ 4	\$ —	\$ —	\$ 351	\$ 580	\$ 5,244	\$ 4,751
Net insurance service income (loss)	—	—	692	494	469	49	(22)	21	1,139	564
Other income	2,100	2,077	1,342	971	(27)	(14)	(759)	(881)	2,656	2,153
Total net income	6,978	6,244	2,049	1,469	442	35	(430)	(280)	9,039	7,468
Provision for credit losses	295	195	3	1	2	—	(2)	1	298	197
Net non-interest expense	5,414	5,047	1,513	1,126	273	242	(467)	(176)	6,733	6,239
Operating surplus earnings	1,269	1,002	533	342	167	(207)	39	(105)	2,008	1,032
Income taxes on surplus earnings	329	261	123	95	33	(68)	14	(40)	499	248
Surplus earnings before member dividends	940	741	410	247	134	(139)	25	(65)	1,509	784
Member dividends, net of income tax recovery	236	233	—	—	—	—	—	—	236	233
Net surplus earnings for the period after member dividends	\$ 704	\$ 508	\$ 410	\$ 247	\$ 134	\$ (139)	\$ 25	\$ (65)	\$ 1,273	\$ 551
of which:										
Group's share	\$ 704	\$ 508	\$ 410	\$ 247	\$ 104	\$ (142)	\$ 25	\$ (65)	\$ 1,243	\$ 548
Non-controlling interests' share	—	—	—	—	30	3	—	—	30	3

SEGMENT ASSETS

	Personal and Business Services	Wealth Management and Life and Health Insurance	Property and Casualty Insurance	Other	Combined
As at September 30, 2023	\$ 338,761	\$ 55,860	\$ 13,193	\$ 6,242	\$ 414,056
As at December 31, 2022 Restated (Note 2)	\$ 321,357	\$ 51,180	\$ 12,846	\$ 18,561	\$ 403,944

NOTE 12 – SIGNIFICANT ACQUISITION

On March 1, 2023, through Worldsource Group of Companies Inc. (previously 9479-5176 Québec Inc.), a wholly-owned indirect subsidiary of the Federation, Desjardins Group acquired, among others, all the outstanding shares of Worldsource Insurance Network Inc., Worldsource Financial Management Inc. and Worldsource Securities Inc. (collectively designated as "Worldsource" hereinafter). Worldsource specializes in independent insurance, mutual fund and securities distribution operations. This acquisition enabled Desjardins Group to consolidate its independent distribution position across Canada and strengthen its growth strategy in the entire Canadian market.

The determination of the fair value of identifiable assets acquired and liabilities assumed as well as the transferred consideration was substantially completed during the period ended September 30, 2023. Should new information on facts and circumstances prevailing at the acquisition date become available by December 31, 2023, these fair values could however be revised.

The fair value of identifiable assets acquired and liabilities assumed at the acquisition date is presented below.

	As at March 1, 2023
Identifiable net assets acquired	
Cash and deposits with financial institutions	\$ 6
Amounts receivable from clients, brokers and financial institutions	254
Right-of-use assets	4
Property, plant and equipment	1
Intangible assets	442
Investments in companies accounted for using the equity method	2
Other assets – Other	30
Amounts payable to clients, brokers and financial institutions	(254)
Lease liabilities	(5)
Deferred tax liabilities	(104)
Other liabilities – Other	(34)
	342
Consideration	
Cash and cash equivalents acquired	6
Net cash used for the acquisition	743
Total consideration	749
Goodwill resulting from the acquisition	\$ 407

Goodwill is attributable to the synergies that should result from the acquisition of Worldsource by Desjardins Group. Goodwill is not tax deductible.

Since the acquisition, the contribution of the Worldsource operations to Desjardins Group's "Total net income" has been \$292 million. If the acquisition had occurred at the beginning of the year, the contribution of Worldsource would have increased "Total net income" by \$353 million for the nine-month period ended September 30, 2023.

During the nine-month period ended September 30, 2023, closing fees of \$2 million (\$3 million during fiscal 2022) directly attributable to the acquisition have been recognized under "Non-interest expense – Other" in the Combined Statements of Income.

GENERAL INFORMATION

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