Management's Discussion and Analysis

Desjardins Group (hereinafter also referred to as Desjardins) comprises the Desjardins caisses in Québec and 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 February 25, 2025, presents the analysis of the results of and main changes to Desjardins Group's balance sheet for the year ended December 31, 2024, in comparison to prior fiscal years. Desjardins Group reports financial information in compliance with *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* (Regulation 52-109) prescribed by the Canadian Securities Administrators (CSA). Unlike the Federation, Desjardins Group is not a reporting issuer, on a combined basis, under this or any other applicable securities regulations. Pursuant to Decision No. 2021-FS-0091 of the *Autorité des marchés financiers* (AMF) dated April 23, 2021, the Combined Financial Statements and MD&As of Desjardins Group are to be filed by the Federation instead 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 is to 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 Section 5.0, "Additional information," of this MD&A.

The MD&A should be read in conjunction with Desjardins Group's Combined Financial Statements, including the Notes thereto, as at December 31, 2024.

Additional information about Desjardins Group is available on the SEDAR+ website at www.sedarplus.com (under the Desjardins Capital Inc. profile for the years ended prior to December 31, 2021, and since the first quarter of 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. More 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 Combined Financial Statements have been prepared by Desjardins Group's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the accounting requirements of the AMF in Québec, which do not differ from IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). For more information about the accounting policies used, see Note 2, "Accounting policies," to the Combined Financial Statements. Certain comparative figures have been reclassified to conform with the presentation of the Combined Financial Statements for the current year. During the year ended December 31, 2024, a presentation accounting policy relating to interest income and interest expense recognized on the financial instruments of Desjardins Securities Inc. was changed, and these items are now presented under "Net interest income" instead of "Other income." This new presentation was considered preferable to provide reliable and more relevant information. As a result, for the year ended December 31, 2023, a net amount of $414 million has been moved in two gross amounts from "Other income" to interest income and interest expense, under "Net interest income", changing these line items by $1,249 million and $1,663 million, respectively. This change had no impact on total net revenue and net surplus earnings for the comparative year.

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 Combined Financial Statements.

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CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Desjardins Group's public communications from time to time 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 found in this MD&A and may also be incorporated in other filings with Canadian regulators or in any other communications. In addition, Desjardins Group's representatives may make verbal forward-looking statements to investors, the media and others.

The forward-looking statements include, but are not limited to, comments on Desjardins Group's objectives regarding financial performance, priorities, vision, operations, targets and commitments, its strategies to achieve them, its results and its financial position, economic as well as financial market conditions, the outlook for the Québec, Canadian, United States and global economies, and the regulatory environment in which we operate. Such forward-looking statements are typically identified by words or phrases such as "target," "objective," "timing," "outlook," "believe," "predict," "foresee," "expect," "intend," "have as a goal," "estimate," "plan," "forecast," "anticipate," "aim," "propose," "should" and "may," words and expressions of similar import, and future and conditional verbs, in all grammatical variants.

By their very nature, such statements require us to make assumptions, and are subject to uncertainties and inherent risks, both general and specific. Desjardins Group cautions readers against placing undue reliance on forward-looking statements when making decisions 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, including those in this MD&A. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable and founded on valid bases, it cannot guarantee that these expectations will materialize or prove to be accurate. 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 future actual results, conditions, actions or events differ materially from targets, expectations, estimates or intentions that have been explicitly or implicitly put forward. 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 factors that may affect the accuracy of the forward-looking statements in this MD&A include those discussed in Section 4.0, "Risk management," of this MD&A and, in particular, credit, market, liquidity, operational, insurance, strategic and reputation risk, environmental, social and governance risk, and regulatory risk.

Such factors also include those related to security (including cybersecurity) breaches, fraud risk, the housing market and household and corporate indebtedness, technological 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, geopolitical uncertainty, a trade dispute with the United States, artificial intelligence and data risk. 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; changes in the credit ratings assigned to Desjardins Group; reliance on third parties; the ability to recruit and retain talent; and tax risk. Other factors include 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 event affecting the local, national or global economy, as well as Desjardins Group's ability to anticipate and properly manage the risks associated with these factors despite a disciplined risk management environment. Additional information about these factors is found in Section 4.0, "Risk management," of this MD&A.

It is important to note that the above list of factors that could influence future results is not exhaustive. Other factors could have an effect on Desjardins Group's results. Additional information on these and other factors is found in Section 4.0, "Risk management," of this MD&A.

The significant economic assumptions underlying the forward-looking statements in this document are described in Section 1.5, "Economic environment and outlook," of this MD&A and can be updated in the quarterly MD&As filed thereafter. Readers are cautioned to consider the foregoing factors when reading this section. To determine 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 with 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 for 2023 has been restated to conform with the calculation method used for the current quarter. These changes, adopted in the first quarter of 2024, are intended to exclude the impact of trading activities when calculating this ratio in order to improve comparability with information published by the industry and to help readers better understand how management assesses the performance of core interest-bearing assets.

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

Average interest-bearing assets and average interest-bearing liabilities are non-GAAP financial measures that reflect Desjardins Group's financial position and are used to exclude assets and liabilities not generating net interest income from average assets and average liabilities. Average interest-bearing assets include securities, including those borrowed or purchased under reverse repurchase agreements, cash and deposits with financial institutions, as well as loans. Average interest-bearing liabilities include deposits, subordinated notes and other interest-bearing liabilities. Average interest-bearing assets and liabilities exclude life and health insurance and property and casualty insurance assets and liabilities as well as all other assets and liabilities not generating net interest income.

Average core interest-bearing assets is a non-GAAP financial measure that is used to exclude assets related to trading activities from average interest-bearing assets, when calculating net interest margin.

Net interest income on core assets is a non-GAAP financial measure that is used to exclude net interest income generated by non-core assets from net interest income.

The table below presents the reconciliation of non-GAAP financial measures with financial measures presented in accordance with GAAP in the Combined Financial Statements and used to calculate net interest margin.

Table 1 – Net interest margin
For the years ended December 31

(in millions of dollars and as a percentage)	2024	2023[(1)]
Average assets – as presented	**$ 447,745**	$ 409,820
Less: Assets not generating net interest income	**88,867**	80,003
Average interest-bearing assets	**358,878**	329,817
Less: Assets related to trading activities	**32,601**	23,977
Average core interest-bearing assets	**$ 326,277**	$ 305,840
Net interest income – as presented	**$ 7,471**	$ 6,619
Less: Net interest income from non-core assets	**1**	(378)
Net interest income on core assets	**$ 7,470**	$ 6,997
Net interest margin	**2.29%**	2.29%
Average liabilities – as presented	**$ 411,117**	$ 376,594
Less: Liabilities not generating net interest income	**82,532**	74,213
Average interest-bearing liabilities	**328,585**	302,381

(1) Data have been restated to conform with the current year's presentation.

Net interest margin – Personal and Business Services

The Personal and Business Services segment's net interest margin, which is a non-GAAP ratio, is used to measure the profitability of core interest-bearing assets, net of financing cost. It is equal to net interest income on core assets expressed as a percentage of average core interest-bearing assets.

Average core interest-bearing assets is a non-GAAP financial measure that reflects the Personal and Business Services segment's financial position and is used to exclude assets not generating net interest income and certain other assets from average assets, when calculating net interest margin. The Personal and Business Services segment's average core interest-bearing assets include securities, cash and deposits with financial institutions, as well as loans, and excludes assets related to trading activities as well as assets related to capital market and liquidity management activities, and all other assets not generating net interest income.

Net interest income on core assets is a non-GAAP financial measure that is used to exclude net interest income generated by non-core assets from net interest income.

The table below presents the reconciliation of non-GAAP financial measures with financial measures presented in accordance with GAAP in the Combined Financial Statements and used to calculate net interest margin for the Personal and Business Services segment.

Table 2 – Net interest margin – Personal and Business Services
For the years ended December 31

(in millions of dollars and as a percentage)	**2024**	2023[1]
Average assets – as presented	**$ 342,529**	$ 322,104
Less: Assets not generating net interest income	**7,352**	3,956
Average interest-bearing assets	**335,177**	318,148
Less: Assets related to trading activities	**29,041**	23,860
Less: Other deductions[2]	**54,659**	54,503
Average core interest-bearing assets	**$ 251,477**	$ 239,785
Net interest income – as presented	**$ 7,134**	$ 6,375
Less: Net interest income from non-core assets	**440**	305
Net interest income on core assets	**$ 6,694**	$ 6,070
Net interest margin – Personal and Business Services	**2.66%**	2.53%

(1) Data have been restated to conform with the current year's presentation.
(2) From assets related to capital market and liquidity management activities.

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

The loss ratio of 2023 has been restated to conform with the current year's calculation method. An undiscounted combined ratio has also been added. These changes, adopted in the first quarter of 2024, are intended to exclude the effect of discounting net liabilities for incurred claims when calculating such ratios. The use of undiscounted ratios improves their comparability, in particular between periods, but also with industry information.

The following non-GAAP ratios, which are net of reinsurance, are used to analyze the performance of the Property and Casualty Insurance segment and more specifically:
- Loss ratio (undiscounted): Used as a measure of business quality.
- Expense ratio: Used as a measure of the effectiveness of non-interest expense management, excluding certain items such as 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 (discounted and undiscounted): 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 is a non-GAAP financial measure, which is used to exclude policy costs and acquisition costs, as well as the effect of the loss component on onerous contracts and the effect of discounting net liabilities for incurred claims, and to take into account incurred claims and costs for ceded claims.

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 those for 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 fees and certain 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 net 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 discounted combined ratio is equal to the combined ratio, including the effect of discounting net liabilities for incurred claims.

The following table presents the reconciliation between non-GAAP financial measures and the financial measures presented in accordance with 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 ratios for the Property and Casualty Insurance segment.

Table 3 – Loss ratio – Expense ratio – Ratio of losses on onerous contracts – Combined ratios
For the years ended December 31

(in millions of dollars and as a percentage)	**2024**	2023
Insurance revenue – as presented	**$ 7,425**	$ 6,642
Less: Premiums paid related to reinsurance activities[1]	**362**	306
Net insurance revenue	**$ 7,063**	$ 6,336
Insurance service expenses – as presented	**$ 6,502**	$ 5,775
Less: Policy costs and acquisition costs	**1,363**	1,302
Less: Effect of loss component on onerous contracts	**(28)**	(54)
Less: Effect of discounting net liabilities for incurred claims	**(301)**	(321)
Less: Incurred claims and costs of ceded claims[1]	**907**	237
Net claims expenses[2][3]	**$ 4,561**	$ 4,611
Gross non-interest expense – as presented	**$ 1,057**	$ 1,025
Less: Non-interest expense related to claims[4] and certain items[5]	**459**	433
Plus: Acquisition costs and certain policy costs included in insurance service expenses	**1,134**	1,066
Non-interest expense excluding non-interest expense related to claims and certain items	**$ 1,732**	$ 1,658
Effect of loss component on onerous contracts	**$ (28)**	$ (54)
Less: Effect of loss component on ceded onerous contracts[1]	**—**	2
Effect of loss component on net onerous contracts	**$ (28)**	$ (56)
Loss ratio[2][3]	**64.6%**	72.8%
Expense ratio	**24.5**	26.2
Ratio of losses on onerous contracts	**(0.4)**	(0.9)
Combined ratio[2][3]	**88.7**	98.1
Discounted combined ratio	**84.4**	93.0

(1) These items are included under "Net reinsurance service income (expenses)."
(2) Data or undiscounted ratio, therefore excluding the effect of discounting net liabilities for incurred claims.
(3) Data have been restated to conform with the current year's presentation.
(4) Represents non-interest expense directly related to claims settlement, which are presented under "Insurance service expenses."
(5) From investment management fees and certain other specific items.

Return to members and the community

As a cooperative financial group contributing to the development of communities, Desjardins Group gives its members and clients the support they need to be financially empowered. The amounts returned to members and the community, a non-GAAP financial measure, are used to present the overall amount returned to the community and are composed of member dividends, as well as sponsorships, donations and scholarships.

More detailed information about the amount returned to members and the community may be found in Table 4, "Financial highlights," in 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 disclosed in the financial statements. Desjardins Group uses certain supplementary financial measures, and their composition is presented in the Glossary on pages 106 to 113.

REGULATORY ENVIRONMENT

Regulatory environment

The Act respecting financial services cooperatives and other applicable legislation

Desjardins Group's operations are governed in particular by the *Act respecting financial services cooperatives* (AFSC) and the *Insurers Act*. The Minister of Finance of Québec is responsible for the application of the AFSC and the AMF is responsible for its administration. The AMF is the main government agency that oversees and monitors deposit-taking institutions (other than banks) and insurance companies that do business in Québec and are governed by Québec law, including the caisses and the Federation and some of its insurance subsidiaries. Other federal and provincial regulations, in addition to those of regulators, may also govern some operations of Desjardins Group's entities, such as the Office of the Superintendent of Financial Institutions (OSFI), related to property and casualty insurance, and custodial and trust services. The AFSC prescribes, among other things, the rules for organizing a network of financial services cooperatives and a financial group, and the rules for issuing capital shares and investment shares.

The AFSC includes a chapter concerning the *Groupe coopératif Desjardins* (the "Cooperative Group"), which comprises the Desjardins caisses in Québec, the Federation and the *Fonds de sécurité Desjardins* (FSD), and specifies the financial solidarity mechanisms within the Cooperative Group. Under the AFSC, the Federation's mission includes, in particular, to provide Desjardins Group's risk and capital management and see to the financial health of the Cooperative Group and its sustainability. To this end, the Federation and the FSD have special powers of supervision and intervention regarding the protection of creditors, including depositors. As well, the Federation may, in accordance with its mission and when it considers that the financial position of the Cooperative Group so warrants, give written instructions to any caisse or order it to adopt and apply a recovery plan. Apart from the annual assessments required from the caisses, set by resolution of the Federation's Board of Directors under the AFSC and its internal By-laws, the Federation may set, under the AFSC and by resolution of its Board of Directors, the assessments it considers necessary for the pursuit of its missions.

For its part, the FSD is required, in particular, to ensure the distribution of capital and other assets among the components of the Cooperative Group so that each one can fulfill its obligations to its depositors and other creditors in full, correctly and without delay. Under the AFSC, it is empowered, in particular, to set and collect assessments from the entities of the Cooperative Group. The FSD requests and collects assessments from the Québec caisses every year. It is also required to intervene with a component of the Cooperative Group each time it appears necessary to do so in order to protect the component's creditors. The FSD may, in such circumstances, order the sale of any part of the business of a caisse, order the amalgamation or dissolution of caisses or establish a legal entity to facilitate the liquidation of a caisse's bad assets. Furthermore, the FSD mutualizes the cost of its interventions among the components belonging to the Cooperative Group. In addition, if it considers that its financial resources are inadequate to carry out its mission, it may set a special assessment and require any component of the Cooperative Group to pay it.

The AFSC also provides that all the Québec caisses, the Federation and the FSD may be amalgamated into a single legal entity to be wound up, as these entities cannot be wound up in any other manner. As a result, in the event of liquidation, the Cooperative Group's capital and assets in their entirety (and, indirectly, of Desjardins Group) are available to satisfy all the Cooperative Group's debt.

Under the AFSC, the directors and officers of a financial services cooperative that is part of the Cooperative Group are duty-bound toward these cooperatives and the FSD, in the performance of their functions, to act with prudence and diligence, as well as with honesty and loyalty and in the interest of the Cooperative Group, and not only in the interest of the cooperative. When the cooperative's interest is not the same as that of the Cooperative Group, they must promote the interest of the latter. In determining whether something is in the Cooperative Group's interest, the Cooperative Group must be considered to be a single legal person comprising the cooperatives (including the Federation and the Québec caisses) and the FSD that is included in this group.

The assessment and intervention powers of the Federation and the FSD, combined with the primacy of the Cooperative Group's interest and the universal amalgamation/winding-up operation, as described earlier, are the fundamental principles of financial solidarity mechanisms, which constitute one of the key elements of Desjardins Group's and the Cooperative Group's financial structure.

The *Deposit Institutions and Deposit Protection Act* also provides for recovery and resolution mechanisms in the event of failure of deposit-taking institutions that are part of the Cooperative Group. For more details, see "Internal recapitalization (bail-in) regime and total loss absorbing capacity" below.

Regulatory governance requirements

As mentioned on page 1, Desjardins Group reports financial information in compliance with *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings*, as prescribed by the CSA. Desjardins Group's financial and corporate governance are discussed on pages 93 and 94 of this MD&A and in the "Corporate governance" section of the 2024 Desjardins Group Annual Report.

Domestic systemically important financial institution

In June 2013, the AMF determined that Desjardins Group met the criteria to be designated a domestic systemically important financial institution (D-SIFI), which subjects Desjardins Group to higher capital requirements and enhanced disclosure requirements, among other things, as instructed by the AMF. Desjardins Group globally incorporates the recommendations issued by the Enhanced Disclosure Task Force (EDTF) of the Financial Stability Board contained in the document "Enhancing the Risk Disclosures of Banks," into its risk management disclosure framework. Desjardins Group also continues to adapt its disclosure to comply with the principles of risk data aggregation and risk reporting (RDARR), which aim to strengthen governance as well as risk data aggregation and risk reporting capabilities. Furthermore, Desjardins Group has developed a living will, detailing the actions it would take to restore its financial position in the event of a severe crisis.

Internal recapitalization (bail-in) regime and total loss absorbing capacity

The *Deposit Institutions and Deposit Protection Act* and its regulations, as well as certain other laws, regulations and guidelines, collectively provide for a resolution process and an internal recapitalization (bail-in) regime for domestic systemically important financial institutions belonging to a cooperative group. The objective of resolution operations, including the bail-in regime, is to ensure the sustainability of the operations of deposit-taking institutions belonging to a cooperative group despite their failure, without resorting to public funds, and to have holders of contributed capital securities and creditors absorb losses, thereby minimizing taxpayer exposure to the losses.

Among other resolution operations, the AMF may, in particular, (i) amalgamate the Cooperative Group and have it continued as one Québec savings company, (ii) establish a bridge institution in order to have it assume the liabilities, in relation to deposits of money, of deposit-taking institutions belonging to the Cooperative Group, (iii) establish an asset management company with a view to transferring any part of the assets or liabilities of a legal entity belonging to the Cooperative Group to such asset management company, except liabilities in relation to deposits of money, and/or (iv) transfer the assets and liabilities of a legal entity belonging to the Cooperative Group to any acquirer.

In addition, in the event that any deposit-taking institution belonging to the Cooperative Group becomes non-viable, the AMF may convert any part of the capital shares issued by the deposit-taking institutions belonging to the Cooperative Group (such as Class F capital shares) and/or of certain other debt securities prescribed by regulation issued by the Federation into contributed capital securities of the Federation, of a deposit-taking institution belonging to the Cooperative Group, or of another legal entity constituted for such purpose or resulting from the resolution process of the Cooperative Group. Covered bonds, certain derivatives and structured notes, senior unsubordinated debt instruments that (i) have a maturity of less than 400 days (including explicit or embedded extension options) or (ii) are not assigned an international securities identification number (ISIN) or other similar designation for the purposes of trading and settlement, and subordinated notes that are non-viability contingent capital instruments are all excluded from the application of the bail-in regime. Holders of converted capital shares or debt instruments may be eligible for indemnification, as set forth under applicable regulations.

On March 21, 2019, the AMF released the *Notice relating to the bail-in power set out in the second paragraph of section 40.50 of the Deposit Insurance Act*, which specifies the AMF's current intention with respect to the application of the bail-in regime. In this context, the AMF plans to propose to the resolution board that it convert negotiable and transferable unsecured debt into capital shares of the Federation in accordance with the conversion measures set out in the regulations. The AMF would then propose to the resolution board that it carry out an amalgamation/continuance operation, the purpose of which would be to amalgamate the entities belonging to the Cooperative Group and have them continued as one Québec savings company. This operation would result in the capital shares issued by the amalgamating entities being converted into common shares of the savings company.

The bail-in regime applicable to Desjardins Group is essentially similar to the Canadian federal regime to which Canadian banks are subject. In addition, the bail-in regime is not retroactive in respect of debt instruments and does not apply to any debt instruments issued prior to March 31, 2019. The bail-in regime could adversely affect the Federation's cost of funding.

Furthermore, the *AMF's Total Loss Absorbing Capacity Guideline* (the TLAC Guideline) applies to and establishes standards for Desjardins Group in this regard. As a result, since April 1, 2022, Desjardins Group has been required to maintain at all times a minimum loss absorbing capacity composed of unsecured external long-term debt that meets the prescribed criteria or regulatory capital instruments to support its recapitalization in the event of a failure. Additional information can be found under "Regulatory framework" in Section 3.2, "Capital management."

U.S. regulations

Desjardins Bank, National Association, a wholly owned subsidiary of Desjardins FSB Holdings, Inc. (DFSBH), is authorized to carry on banking operations as a national banking organization under the charter issued to it by the Office of the Comptroller of the Currency of the United States (OCC), an independent office of the United States Department of the Treasury and the regulator that oversees it. The American operations of DFSBH, as a bank holding company and wholly owned subsidiary of the Federation, are subject to the supervisory and regulatory authority of the Federal Reserve Bank of Atlanta. The Federation also operates a branch in Florida, namely Desjardins Florida Branch (DFLB), that has been given the status of a Limited Federal Branch of a Foreign Banking Organization by the OCC. DFLB is subject to regulation by the International Banking Supervision division of the OCC's Large Bank Supervision Department. Desjardins Group is governed by the U.S. *Bank Holding Company Act*, as amended by the *Dodd-Frank Wall Street Reform and Consumer Protection Act* of 2010 (Dodd-Frank Act), and the U.S. Federal Reserve regulations. On October 22, 2015, the Board of Governors of the U.S. Federal Reserve System determined that Desjardins Group, the Federation and DFSBH may each be treated as a Financial Holding Company (FHC).

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, privacy protection, money laundering, terrorist financing, and domestic and international economic sanctions in order to mitigate any negative impact on its operations, and aims to comply with best practices in this regard. Further information about regulatory developments is provided in Section 3.2, "Capital management" and Section 4.2, "Risk management."

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

Amendments to the PCMLTFA and its regulations were announced on July 10, 2019. These amendments, which came into force between 2021 and 2024, mainly affected Desjardins Group's record-keeping and reporting requirements.

On June 7, 2023, the Department of Finance Canada launched a consultation on the parliamentary review of the PCMLTFA, which is to be carried out every five years. Reporting entities and stakeholders had until August 1, 2023 to comment, and Desjardins Group produced a brief as part of this consultation. New regulatory changes were also published in the *Canada Gazette* on October 11, 2023. Desjardins Group must therefore be subject to new reporting and correspondent banking relationship requirements, and must now also pay an assessment to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to cover examination fees. On November 21, 2023, the federal government released the 2023 Fall Economic Statement, in which it stated its intention to adopt legislative measures to further strengthen the PCMLTFA regime, in particular by combatting sanctions evasion, the risk of fraud and environmental crime. Therefore, since August 19, 2024, Desjardins Group's reporting entities have been required to submit Suspicious Transaction Reports where there are reasonable grounds to suspect that there has been an actual or attempted economic sanctions evasion.

In 2024, the Department of Finance Canada announced new amendments to the PCMLTFA, which included information sharing between reporting entities, and the new requirement to make a report to FINTRAC concerning property held belonging to sanctioned individuals. Desjardins Group is waiting for these new regulatory changes to come into force and how their terms and conditions are to be applied.

Protection of personal information and Information security

As a result of rapid changes in information technology, privacy protection 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* was phased in over a three-year period, which ended on September 22, 2024, with the coming into force of the right to data portability. Desjardins Group has completed the work to comply with these new requirements.

On May 15, 2024, the Québec government passed the *Regulation respecting the anonymization of personal information*, which governs the anonymization process in Québec. The new requirements introduced by this regulation confirm the criteria to be met by organizations when anonymizing personal information. These criteria will be met by Desjardins should it be necessary to use anonymized data.

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 had been tabled in June 2022, lapsed as a result of the prorogation of the parliamentary session pronounced on January 6, 2025. Desjardins Group will carefully monitor the federal government's intentions regarding the reform of privacy laws when Parliament resumes sitting.

Following the announcement of the federal government's intention to implement legislative measures and a governance framework for open banking as well as Canada's Consumer-Driven Banking Framework proposed in the 2024 federal budget, the Desjardins Group Privacy Office is contributing to the work underway to analyze the impact on Desjardins Group's operations and is taking part in the ongoing consultations.

Lastly, the provincial government enacted the *Regulation respecting the management and reporting of information security incidents by certain financial institutions and by credit assessment agents* on October 23, 2024. The financial institutions concerned by this regulation have new requirements for the management and reporting of information security incidents. Effective April 23, 2025, financial institutions will be required, in particular, to have implemented a detailed policy to manage information security incidents and will need to report to the AMF any information security incidents meeting the criteria of this regulation within 24 hours of its detection. Financial sanctions will be imposed in the event of non-compliance with the requirements. Impact analyses are underway to ensure Desjardins Group's compliance, although Desjardins is already well-positioned given its existing process for managing major incidents.

Artificial Intelligence (AI)

On February 12, 2024, the AMF released an *Issues and Discussion Paper – Best practices for the responsible use of AI in the financial sector*. This paper presents the AMF's reflections on what it considers to be best practice to adopt for AI in the financial sector. Desjardins is taking part in the discussions and submitted its comments regarding this paper on June 14, 2024. A guideline on the use of AI in the financial sector is also being prepared by the AMF. The draft guideline is expected to be filed in early 2025, following which organizations will be invited to submit their comments, with a view to its official adoption.

Pillar 3 financial disclosure requirements

Desjardins Group continues to monitor changes in financial disclosure requirements under global standards developed by the Basel Committee on Banking Supervision (BCBS). These Pillar 3 requirements aim to enhance comparability with other financial institutions, transparency and disclosure with regard to regulatory capital adequacy and risk exposure. Desjardins Group has been issuing a Pillar 3 Report since December 31, 2018 in order to comply with Pillar 3 requirements. In January 2022, the AMF issued an update to the *Pillar 3 Disclosure Requirements Guideline*, which clarifies the implementation of provisions and incorporates new requirements that address, in particular, risk-weighted asset modelling, encumbered assets and compensation. In December 2023, the AMF released a new update to this guideline, effective January 1, 2024, which provides clarifications on disclosures in certain templates and tables.

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

An *Act respecting French, the official and common language of Québec* came into force on June 1, 2022. This Act significantly enhances previous standards in the *Charter of the French Language*. The objectives are, in particular, to strengthen the presence and use of French in Québec, and to affirm that French is the only official language of Québec. Desjardins Group has made adjustments to its systems, processes and contracts in an effort to comply with the new requirements in force. The *Regulation respecting the language of commerce and business* was published on June 26, 2024 in the *Gazette Officielle du Québec*. In particular, it provides for rules applicable to public signs and posters of trade marks and enterprise names, rules concerning inscriptions on products, and provisions to facilitate the implementation of the *Charter of the French language*, particularly regarding contracts of adhesion. The final regulation will come into force on June 1, 2025, except for certain provisions, including those for contracts of adhesion, which came into force on the fifteenth day following the date of publication of the regulation in the *Gazette Officielle du Québec*, namely on July 11, 2024, and with which Desjardins is compliant. Desjardins Group continues to closely monitor developments in this file and responds, where relevant, to consultations on the subject directly or through industry associations.

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

Regulatory and standard-setting authorities continue to clarify their ESG expectations by developing frameworks and standards:

- In March 2024, OSFI released a new version of Guideline B-15, *Climate Risk Management*. Expectations will now align with those of the International Sustainability Standards Board's final IFRS S2, *Climate-related Disclosures*, in order to streamline disclosures and promote transparency of climate-related risks, in addition to the general governance and risk management expectations and climate-related financial disclosures issued in the initial version dated March 2023. The Guideline will be phased in between fiscal 2024 and subsequent years. Desjardins Group is continuing its work to comply with the new requirements.
- On July 4, 2024, the AMF issued its *Climate Risk Management Guideline*, which took effect as soon as it was published in the AMF's Bulletin. In addition to the general expectations set out in OSFI's Guideline B-15 and those aligned with *Sustainability-related Disclosure Requirements* (IFRS S1) and *Climate-related Disclosure Requirements* (IFRS S2), this guideline has the distinction of setting out expectations for sound commercial practices. Desjardins Group has completed its work to comply with these new requirements.
- The Financial Services Regulatory Authority of Ontario (FSRA) has included climate risk management in its *Operational Risk and Resilience Guidance* for credit unions and caisses populaires. FSRA also assesses their ESG initiatives (in particular regarding climate risk) as an integral part of their resilience rating.
- Following the publication internationally of IFRS S1 and IFRS S2 by the International Sustainability Standards Board (ISSB) in June 2023, the Canadian Sustainability Standards Board (CSSB) issued, on December 18, 2024, the *Canadian Sustainability Disclosure Standard* (CSDS) 1, *General Requirements for Disclosure of Sustainability-related Financial Information*, and CSDS 2, *Climate-related Disclosures*. Desjardins Group continues to monitor developments regarding these standards because their adoption and implementation date must be approved by the CSA. The CSA should soon be publishing a revised regulation for consultation and will invite interested and affected parties to submit their comments.

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 required, to consultations on the subject directly or through industry associations. Desjardins is also ensuring that it follows sound 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) and the Sustainability Accounting Standards Board (SASB). It is also included in the *Climate action at Desjardins* report, structured according to the AMF's and the OSFI's climate risk management disclosure guidelines. The key points of this disclosure, together with the recommendations in these guidelines, are summarized in Section 4.2.10 "Environmental, social and governance (ESG) risk."

Competition Act

On December 23, 2024, the Competition Bureau Canada issued a preliminary version of its guidelines on environmental claims, initiating a public consultation open until February 28, 2025. This initiative follows the legislative amendments dated June 20, 2024, which introduced new provisions concerning greenwashing in the *Competition Act*. From now on, businesses are required to ensure that their environmental claims are based on adequate and appropriate corroborative evidence obtained through internationally recognized methods where they are made to promote benefits for a business or its operations. The burden of proof lies with the business making these claims. The Competition Bureau Canada is seeking comments from stakeholders in order to finalize these guidelines, which are aimed at clarifying the requirements of businesses and protecting consumers against deceptive practices in environmental claims. Desjardins Group is closely monitoring developments in this file in order to ensure that it is fully adhered to and meets all compliance requirements.

Canadian tax measures

On June 20, 2024, Bill C-59, An *Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023 and certain provisions of the budget tabled in Parliament on March 28, 2023* received royal assent. The amendments made provide, in particular, for a new rule to deny financial institutions the dividend received deduction for certain dividends received after December 31, 2023, on Canadian shares that are mark-to-market property for tax purposes, except in the case of dividends received on certain preferred shares or those held in connection with issued insurance contracts. These proposals will have a limited impact on the amount of income tax payable by Desjardins Group as of 2024.

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

On February 29, 2024, the AMF issued the *Regulation amending 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 has increased from 5 to 7.5 basis points of the amount of the deposits held by Desjardins Group and guaranteed by the AMF. This regulation came into force on April 30, 2024, and the premium paid by Desjardins for fiscal 2024 reflects this change.

Integrity and Security Guideline

On January 31, 2024, OSFI released its final *Integrity and Security Guideline*. This final guideline reflects the feedback received through public consultations held from October 13 to November 24, 2023. It clarifies expectations for all federally regulated financial institutions concerning policies and procedures on integrity and security. Financial institutions should consider their susceptibility to undue influence, foreign interference and malicious activity when applying the expectations in the guideline. Following the publication of its guideline, OSFI sent the entities subject to this guideline at Desjardins Group an integrity and security self-assessment questionnaire, which was completed and returned to OSFI. Work is underway to identify the differences between the guideline's expectations and the existing controls. OSFI could proceed with additional work and possibly send supervisory letters.

Complaint processing

The *Regulation respecting complaint processing and dispute resolution in the financial sector* was approved on February 14, 2024 by the Québec Minister of Finance. The new requirements will come into force on July 1, 2025. Work is underway to modernize and ensure compliance of the process for managing dissatisfaction and complaints. The new requirements now include a processing period of 60 days and provide for administrative penalties.

Bill 30, An Act to amend various provisions mainly with respect to the financial sector

On June 7, 2023, the Québec Minister of Finance tabled Bill 30, An *Act to amend various provisions mainly with respect to the financial sector* (Bill 30) in the National Assembly. Bill 30 is an omnibus bill that amends, in particular, the *Insurers Act* (chapter A-32.1), the *Act respecting the distribution of financial products and services* (chapter D-9.2) and the *Act respecting financial services cooperatives* (chapter C-67.3) (AFSC). Among the many amendments to the above-mentioned legislation, the adoption of Bill 30 has replaced, in particular, the requirement for the review of an authorization granted by the AMF with the requirement for insurers and deposit-taking institutions to send a notice to the AMF regarding transactions leading to the acquisition of control of a group without having significant impact on the acquirer. Bill 30 came into force on May 9, 2024, except for certain provisions that will come into force by 2026. Desjardins Group is complying with the applicable provisions as and when they come into force.

Decision to make Desjardins Financial Corporation Inc. subject to requirements

On September 18, 2024, the AMF's Decision No. 2024-PDG-0045 came into force, authorizing that the articles of Desjardins Financial Corporation Inc., a wholly-owned indirect subsidiary of the Federation and a regulated holding company, be amended, and revising Decision No. 2015-PDG-0109 in order to make Desjardins Financial Corporation Inc. subject to certain provisions of the *Insurers Act* and the *Act respecting the regulation of the financial sector* in accordance with section 478 of the AFSC. This resulted, in particular, in no longer being considered an interested party under the *Insurers Act* and being required to set up an ethics committee. In addition, the decision allowed amendments to be passed regarding the articles of Desjardins Financial Corporation Inc., so that now it is an interested party under the AFSC. Accordingly, Desjardins Group's Board of Ethics and Professional Conduct has become the only ethics committee authorized with regard to the operations of Desjardins Financial Corporation Inc.

Act to protect consumers against abusive commercial practices and to offer better transparency with respect to prices and credit

An Act to protect consumers against abusive commercial practices and to offer better transparency with respect to prices and credit was assented to and became law on November 7, 2024. This Act amends the *Consumer Protection Act* and its regulations, including certain provisions concerning credit contracts, and it introduces a protection plan for demand deposit accounts, limiting consumer liability in the event of fraud or unauthorized use of consumers' deposit accounts. Although some provisions came into force on November 7, 2024, most of the requirements concerning credit contracts will become effective on August 7, 2025, and those relating to deposit accounts will come into force by order in council. A regulation governing the protection of deposit accounts is still to come. Desjardins Group is closely monitoring developments in this file and will be taking part in consultations on the matter. An impact analysis is in progress to determine the adjustments that need to be made to systems, processes and contracts in order to comply with these new requirements.

1.0 Desjardins Group

1.1 Profile and structure

WHO WE ARE

Desjardins Group is the largest financial cooperative group in North America, with assets of $470.9 billion. As at December 31, 2024, the organization included 203 caisses in Québec and 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 United States 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 close to 55,200 employees and the commitment of nearly 2,300 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 *Groupe coopératif Desjardins* (composed of the Desjardins caisse network in Québec, the Federation and the *Fonds de sécurité Desjardins*), pursuant to the AFSC. The Federation is, among other things, the treasurer and official representative of Desjardins Group with the Bank of Canada and the Canadian banking system. The Federation also has the right to participate in the Visa Inc. and MasterCard Inc. payment systems in Canada on behalf of Desjardins Group. In addition, it manages majority interests in joint-stock companies through holding companies.

The AFSC provides that the entities comprising the *Groupe coopératif Desjardins* 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 *Groupe coopératif Desjardins* or the subsidiaries of the entities that comprise it but that are included in Desjardins Group's financial statements may be found under Section 5.5, "Additional information required pursuant to the AMF's decision No. 2021-FS-0091."

WHAT MAKES US DIFFERENT

Desjardins Group takes pride in its cooperative nature because it provides the necessary leverage to always work in the interests of members and clients. The resulting mission and values are the driving force for its directors, managers and employees. They are echoed in its orientations, and help Desjardins Group achieve its vision of sustainable prosperity within the communities it serves. Since the first caisse was founded in 1900 in Lévis, Desjardins Group has always been a key player in financial literacy, and it believes that the cooperative business model is more relevant now than ever in a greatly changing world.

Desjardins Group continues to make progress in implementing its commitments and concrete measures to integrate environmental, social and governance (ESG) factors into its business model and in managing its operations, combat climate change and biodiversity loss and to adapt to these realities. It does this, in particular, through financial literacy and solidarity-based finance, as well as by offering products and services that meet all the financial needs of members and clients.

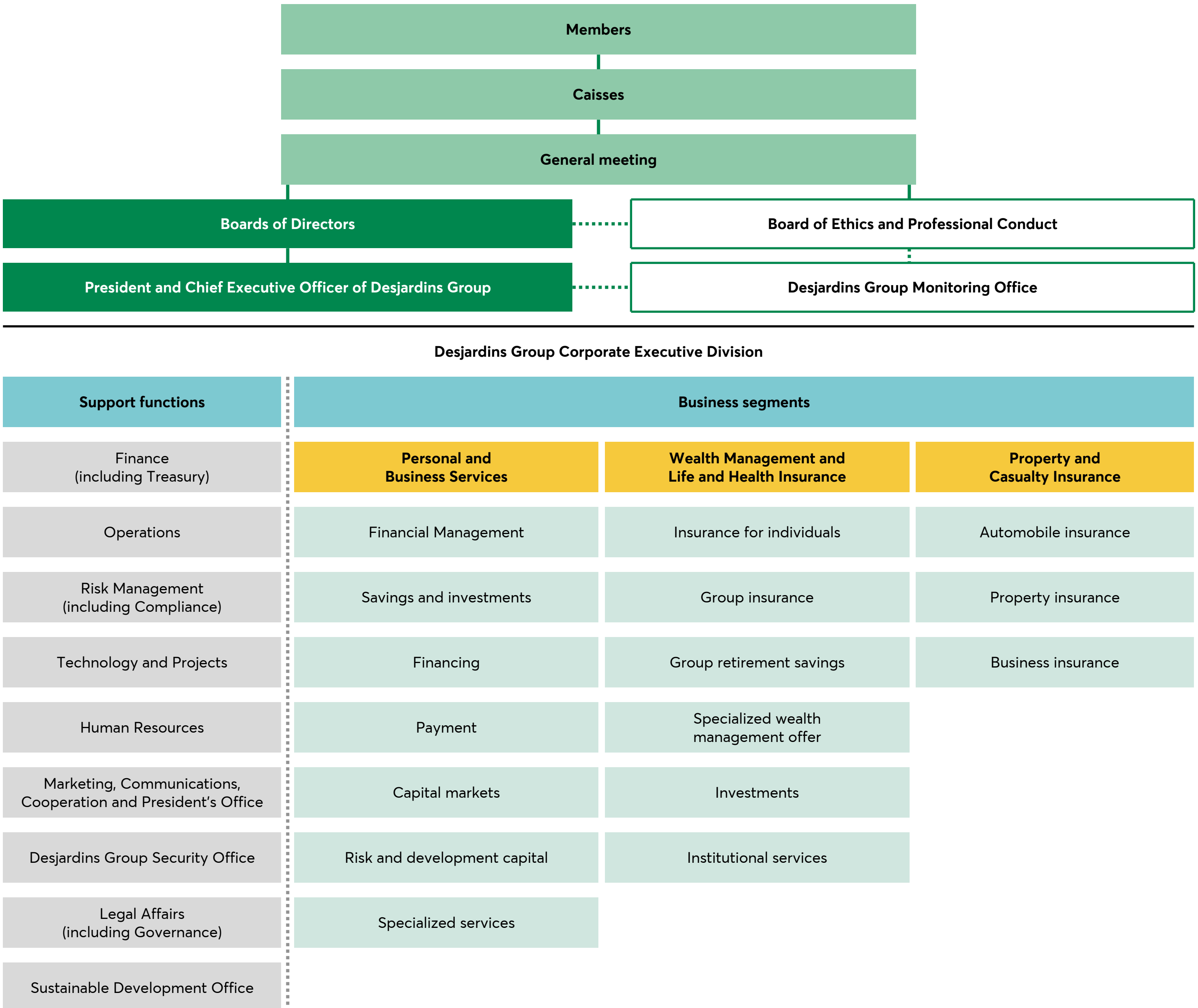
Desjardins Group's goal is to be everyone's #1 choice. Thanks to its varied distribution channels, numerous intermediary networks and personnel who strive to always work in the interests of members and clients, Desjardins Group stays close to its members and their communities. In order to best meet members' increasingly diverse needs, Desjardins Group pays special attention to the caisse network and its range of service delivery methods. This process is also part of Desjardins Group's continued commitment to the vitality of cooperation at the caisse level in terms of democratic life, representation, education and training, cooperation with other cooperatives and support for community development.

Another hallmark of Desjardins Group is its modern, grassroots-level democratic governance, based on the active participation of directors elected by caisse members. This participation is expressed in working together and in terms of governance. Community collaboration groups are active in various areas where the caisses are present, and the Desjardins Collaboration Forum serves a similar purpose at the caisse network level. In terms of governance, the caisses' elected officers participate at the annual general meeting, at orientation congresses and on the Board of Directors of the Federation and its subsidiaries and its various commissions.

STRUCTURE OF DESJARDINS GROUP

Desjardins Group's structure has been designed to take into account the needs of its members and clients, as well as the markets in which it operates. As a result, the Federation and its subsidiaries, the caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc. have the support of three main business segments (Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance), which enhances their ability to build on their products and services.

Additional information on the business segments, particularly their profile, operations, 2024 achievements, the industry in which they operate, and their strategies and priorities for 2025 may be found in Section 2.2, "Analysis of business segment results."



1.2 Financial highlights

Table 4 – Financial highlights
As at December 31 and for the years ended December 31

(in millions of dollars and as a percentage)	2024	2023[1]
Results		
Net interest income	**$ 7,471**	$ 6,619
Insurance service result	**2,087**	1,366
Net insurance finance result	**795**	691
Net insurance service income	**2,882**	2,057
Other income	**4,307**	3,901
Total net revenue	**14,660**	12,577
Provision for credit losses	**597**	529
Non-interest expense		
Gross non-interest expense	**10,645**	10,217
Non-interest expense included in insurance service expenses[2]	**(939)**	(985)
Net non-interest expense	**9,706**	9,232
Income taxes on surplus earnings	**1,001**	557
Surplus earnings before member dividends	**$ 3,356**	$ 2,259
Contribution to surplus earnings by business segment[3]		
Personal and Business Services	**$ 1,719**	$ 1,019
Wealth Management and Life and Health Insurance	**601**	601
Property and Casualty Insurance	**1,101**	494
Other	**(65)**	145
	$ 3,356	$ 2,259
Amount returned to members and the community[4]		
Member dividends	**$ 437**	$ 412
Sponsorships, donations and scholarships[5]	**120**	126
	$ 557	$ 538
Indicators		
Net interest margin[4]	**2.29%**	2.29%
Return on equity[6]	**9.0**	6.8
Credit loss provisioning rate[6]	**0.22**	0.20
Gross credit-impaired loans/gross loans[6]	**0.81**	0.74
Liquidity coverage ratio[7]	**165**	154
Net stable funding ratio[7]	**129**	124
Productivity index – Personal and Business Services[6]	**69.8**	78.4
Insurance and annuity premiums – Wealth Management and Life and Health Insurance[6]	**$ 6,220**	$ 6,313
Total contractual service margin (CSM) – Wealth Management and Life and Health Insurance[8]	**2,585**	2,595
Direct premiums written – Property and Casualty Insurance[6]	**7,565**	6,856
On-balance sheet and off-balance sheet		
Assets	**$ 470,942**	$ 422,940
Loans, net of allowance for credit losses	**289,597**	265,935
Deposits	**300,946**	279,329
Equity	**38,690**	34,390
Assets under administration[6]	**588,207**	535,264
Assets under management[6]	**104,220**	87,164
Average assets[6]	**447,745**	409,820
Capital measures		
Tier 1A capital ratio[9]	**22.2%**	20.4%
Tier 1 capital ratio[9]	**22.2**	20.4
Total capital ratio[9]	**24.2**	21.9
TLAC ratio[10]	**32.9**	29.4
Leverage ratio[9]	**7.6**	7.3
TLAC leverage ratio[10]	**11.2**	10.5
Risk-weighted assets[9]	**$ 149,621**	$ 140,481
Other information		
Number of employees	**55,290**	56,165

(1) Data have been restated to conform with the current year's presentation.
(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 30, "Segmented information," to the 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 3 to 5.
(5) Including $65 million in 2024 from the caisses' Community Development Fund ($57 million in 2023).
(6) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.
(7) In accordance with the Liquidity *Adequacy Guideline* issued by the AMF, see Section 4.0, "Risk management."
(8) Total CSM of $2,838 million ($2,813 million as at December 31, 2023) presented net of reinsurance in the amount of $253 million ($218 million as at December 31, 2023). Included in the line items "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" on the Combined Balance Sheets. For more information, see Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements.
(9) In accordance with the *Capital Adequacy Guideline* issued by the AMF for financial services cooperatives in particular, see Section 3.2, "Capital management."
(10) 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 Section 3.2, "Capital management."

2024 Desjardins Group highlights

Surplus earnings before member dividends	Total net income	Net interest income	Loans, net of allowance for credit losses outstanding	Direct premiums written[1] – Life and Health Insurance	Direct premiums written[1] – P&C Insurance	Tier 1A capital ratio	Member dividends
$3,356 million	$14,660 million	$7,471 million	$289.6 billion	$6,889 million	$7,565 million	22.2%	$437 million
+ 48.6%	+ 16.6%	+ 12.9%	+ 8.9%	- 1.8%	+ 10.3%	+ 1.8%	+ 6.1%

Comparison of 2024 to 2023

- Surplus earnings before member dividends of $3,356 million, up $1,097 million compared to fiscal 2023.
- Total net revenue of $14,660 million, up $2,083 million, or 16.6%:
  - Net interest income of $7,471 million, up $852 million, or 12.9%, mainly due to growth in the average outstanding loan portfolio.
  - Insurance service result of $2,087 million, up $721 million, mainly due to higher automobile and property insurance income in the Property and Casualty Insurance segment.
  - Net insurance finance result of $795 million, up $104 million mainly due to net gains on shares and interest income on fixed income securities, which were higher than in 2023.
  - Other income of $4,307 million, up $406 million, or 10.4%, notably due to growth in assets under management and under administration, business volumes in credit card payment activities, revenues resulting from the acquisition of Worldsource,[2] and capital market activities.
- Provision for credit losses of $597 million, up $68 million compared to 2023.
- Gross non-interest expense of $10,645 million, up $428 million, or 4.2% compared to 2023, of which $90 million was due to expenses related to operations acquired from Worldsource.[2] Measures taken to improve efficiency and effectiveness limited the increase in other items included under this heading to $338 million, or 3.4%, despite wage indexation.
- $557 million returned to members and the community,[3] including a provision for member dividends of $437 million and sponsorships, donations and scholarships of $120 million, up $19 million, or 3.5%.
- Commitments of $28 million made in 2024 under the GoodSpark Fund to support in particular regional social and economic activities. Since 2017, Desjardins Group has made total commitments of $210 million.

Other highlights

- Tier 1A capital ratio of 22.2%, compared to 20.4% as at December 31, 2023.
- Total capital ratio of 24.2%, compared to 21.9% as at December 31, 2023.
- Total assets grew 11.3% since December 31, 2023, to $470.9 billion as at December 31, 2024.
- In 2024, the Federation made various securities issues on Canadian, U.S. and International markets. For more information, see the "Sources of funding" section on pages 84 and 85.

ESG highlights

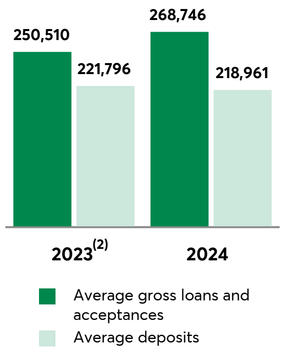
- In March 2024, Desjardins Group was awarded an AAA rating by the rating agency MSCI Inc. for its efforts to integrate environmental, social and governance issues into its operations. As a result, Desjardins was ranked in the top 9% of financial institutions worldwide by MSCI Inc. on December 31, 2024.
- Desjardins completed a third sustainable bond issue in 2024, this time on the European market, for 500 million euros. This issue will be used to finance projects in several of the eight environmental categories of the Desjardins Sustainable Bond Framework, such as renewable energy, energy efficiency and clean transport.
- Desjardins signed the Investor and Banking Statement on Vaping, initiated by the Tobacco-Free Finance Pledge, which is in line with our position on tobacco and vaping adopted in 2020. This statement calls on governments to take regulatory action and raise awareness to reduce the growing risks associated with vaping, particularly for young people.
- Desjardins is backing the Global Investor Statement to Governments on the Climate Crisis, a statement by major international investors, representing over US$29 trillion in assets under management, calling on governments to act and implement policies to encourage decisive action by investors to combat climate deregulation.

(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.
(2) The term "Worldsource" includes references to IDC Worldsource Insurance Network Inc., Worldsource Financial Management Inc. and Worldsource Securities Inc.
(3) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 3 to 5.

2024 Business segment highlights

PERSONAL AND BUSINESS SERVICES

Average gross loans and acceptances and average deposits[1]
(in millions of dollars)

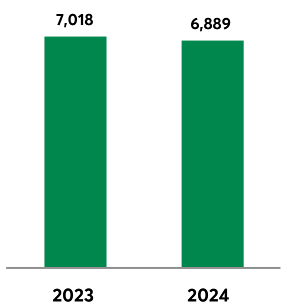


- Québec's leader in residential mortgages and a major player in consumer loans in Québec, with estimated market shares of 39%[3] and 26%,[3] respectively.
- 5th largest credit card issuer in Canada (based on 2023 outstandings).
- Leader in farm credit in Québec, with a market share of about 42%.[3]
- Major player in Québec in the commercial and industrial niche, with an estimated market share of 21%.[3]
- Leader in personal savings in Québec, especially in on-balance sheet personal savings products, with a market share in this industry estimated at approximately 36%.[3]

- Surplus earnings before member dividends totalled $1,719 million, up $700 million compared to 2023, due to growth in net interest income and other income as well as a decline in non-interest expense following the implementation of measures aimed at improving efficiency and effectiveness.
- Growth of $18.2 billion, or 7.3%, in the average outstandings for the entire gross loans and acceptances portfolio, compared to 2023.

WEALTH MANAGEMENT AND LIFE AND HEALTH INSURANCE

Direct premiums written[1]
(in millions of dollars)

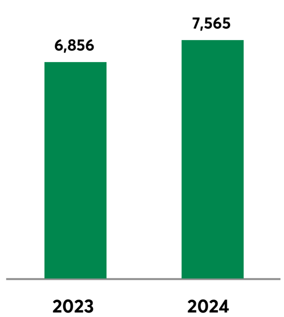


- No. 5 life and health insurer in Canada and No. 2 in Québec.[4]
- No. 1 in Canada and in Québec for market-linked guaranteed investments.[5]
- No. 1 independent distributor in Canada following the integration of Worldsource's operations.[6]
- Desjardins Online Brokerage ranked second in independent investor satisfaction by JD Power.

- Net surplus earnings of $601 million, stable compared to 2023. The increase in other income due especially to growth in assets under management and under administration was offset by the higher costs of such growth and administration fees, as well as by the lower net insurance finance result primarily due to the lower gain on the sale of real properties than in 2023.
- Decrease of $129 million, or 1.8%, in direct premiums written compared to 2023, mainly as a result of group retirement savings when a major group was added in 2023.

PROPERTY AND CASUALTY INSURANCE

Direct premiums written[1]
(in millions of dollars)



- No. 3 property and casualty insurer in Canada and Ontario, and No. 2 in Québec.[4]
- For the 32nd consecutive year, positive insurance service result.
- Acquisition of all the shares of The Insurance Company of Prince Edward Island (ICPEI), a Canadian insurer providing commercial and personal lines of insurance exclusively through a broker channel.
- Mobilization of the extended Desjardins group to respond, in just a few weeks, to the needs of members and clients following the two largest events in Desjardins's history of indemnification, with more than 40,000 claims.

- Net surplus earnings of $1,101 million, up $607 million compared to 2023, as a result of higher insurance revenue mainly in automobile and property insurance, the impact of the changes in prior year claims being more favourable than in 2023, as well as the increase in the net insurance finance result. This was partly offset by the higher claims expenses for catastrophes and major events.
- Direct premiums written grew by $709 million, or 10.3%, compared to 2023.

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(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.
(2) Data have been restated to conform with the current year's presentation.
(3) These market shares were compiled and estimated as at September 30, 2024 according to a methodology developed by Desjardins and based on several external sources, including: the Bank of Canada, Statistics Canada and Investor Economics.
(4) Based on direct premiums written in 2023, published by MSA Research in March 2024.
(5) Based on assets under management in 2023, published by Investor Economics in the spring of 2024.
(6) According to the June 2024 Insurance Report, published by Investors Economics, and based on the annualized new premiums issued in 2023.

1.3 Significant events

Changes to Desjardins Group's governance model

Following the Federation's last Annual General Meeting held on March 22 and 23, 2024, the new governance model based on the separation of the roles of chair of the board from the role of president and CEO of Desjardins Group came into effect. This change, which was voted for by the caisse delegates at the 2023 Annual General Meeting, marks a shift to best governance practices, while also meeting Desjardins Group's current and future needs for agility and stable governance in particular. On May 15, 2024, the Federation's Board of Directors elected Louis Babineau as Chair of the Board of Directors while Guy Cormier will continue to lead and develop Desjardins Group until no later than March 2026, with the full powers granted to him as President and CEO.

Acquisition of The Insurance Company of Prince Edward Island (ICPEI)

On May 31, 2024, Desjardins Group, through Desjardins General Insurance Group Inc., a subsidiary of the Federation, acquired all of the issued and outstanding shares of ICPEI. Desjardins Group had held a minority interest in ICPEI since February 2023. ICPEI is a Canadian insurer providing commercial and personal lines of insurance exclusively through a broker channel. With this acquisition, Desjardins Group intends to strengthen its position across Canada and expand the footprint of its property and casualty insurance activities, and more specifically its offer for businesses.

Capital restructuring of Desjardins General Insurance Group inc.

On January 1, 2025, Desjardins General Insurance Group inc. redeemed the non-voting preferred shares series 1 held by Desjardins Financial Corporation Inc., *Groupe des Assurances du Crédit Mutuel SA* and State Farm Mutual Automobile Insurance Company (State Farm) and issued new non-voting preferred shares series 2 to Desjardins Financial Corporation Inc. and *Groupe des Assurances du Crédit Mutuel SA*. Following this transaction, State Farm no longer holds any shares in Desjardins General Insurance Group Inc., even though State Farm acquired a stake in 2015, after Desjardins Group had acquired State Farm's Canadian operations.

1.4 Strategic orientations and financial objectives

STRATEGIC ORIENTATIONS

Fiscal 2024 was the first year of the 2024-2027 updated Strategic Plan. To achieve Desjardins's goal of being everyone's #1 choice, the organization has been working on implementing the following ten strategic orientations:

- Continue our cultural evolution.
- Make a member-client shift a reality, by developing our distribution network.
- Achieve our full growth potential in target areas.
- Achieve adequate profitability to ensure Desjardins Group's competitiveness and sustainability.
- Optimize our end-to-end operations.
- Modernize our systems and make them resilient.
- Anchor our business practices in data and analytics.
- Affirm our commitment to security.
- Fast track support to our people in work transformation.
- Make our ESG ambitions a reality.

These strategic orientations contribute to depicting Desjardins Group as a simple, human, modern and efficient cooperative for its members and clients, as well as its directors, managers and employees.

Desjardins Group's mission, as a cooperative financial group contributing to the development of communities, is to give its members and clients the support they need to be financially empowered.

Further information about the business segments' 2025 strategies and priorities, which are part of Desjardins Group's strategic orientations, is found in Section 2.2, "Analysis of business segment results."

FINANCIAL OBJECTIVES

Desjardins Group sets financial objectives that provide it with the means of realizing its goals and its mission by ensuring a profitability level that allows it to achieve its objectives of giving back to the community, ensuring its sustainability and supporting its growth. Owing, in particular, to its outstanding financial strength and high level of capitalization, it continues to actively support its members and clients, and the community.

The organization's performance is measured using key indicators aligned with Desjardins's goals and mission, in accordance with the orientations of the Strategic Plan. It is therefore essential to focus on achieving the medium-term financial performance objectives as this helps make available the leverage needed to achieve our mission.

In recent years, Desjardins Group has invested significantly in initiatives to support its growth, the development of innovative technology platforms, privacy protection, security and the improvement of business processes. These decisions were aligned with the Strategic Plan and backed by excellent capitalization. Against this backdrop, Desjardins-wide measures were taken in fiscal 2023 and 2024 to improve efficiency and productivity. As a result, it was possible to boost the achievement of key financial performance indicators as of 2023, and even more in 2024, owing to the continuation of the measures and the addition of further initiatives, without impacting the level of service provided to members and clients.

The following table presents financial objectives for the medium term, which is the period covered by the Strategic Plan, as well as the results achieved in 2024 for each of the indicators. It is important to keep in mind that the medium-term key indicators presented below do not factor in the repercussions that extraordinary events could have on Desjardins Group's ability to achieve them.

Key indicators	Medium-term objectives	2024 results
Operating leverage[(1)]	> 0%	11.5%
Tier 1A capital ratio[(2)]	High level	22.2%
Return on equity[(1)]	> 8%	9.0%

Overall performance in 2024

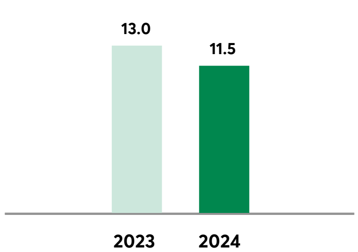
This section provides the results achieved in relation to the objectives set for 2024 and presented in the 2023 annual MD&A. Surplus earnings before member dividends for 2024 totalled $3,356 million, up compared to the prior year, despite two catastrophes and a major event in property and casualty insurance in 2024. The reduced frequency of claims and more favourable changes in prior year claims, as well as the growing net insurance finance result for property and casualty insurance operations made it possible to significantly exceed the surplus earnings for 2023. Lastly, the positive effect of measures taken to control the increase in non-interest expense across the organization and the higher-than-expected growth in total net revenue, notably in the Personal and Business Services segment's net interest income, also positively contributed to surplus earnings before member dividends for the year.

2024 key indicators

Operating leverage:[(1)(3)]
A measure of sustainability and profitability.

Results achieved in 2024:
The operating leverage was 11.5%, which meets the objective of achieving a positive ratio.

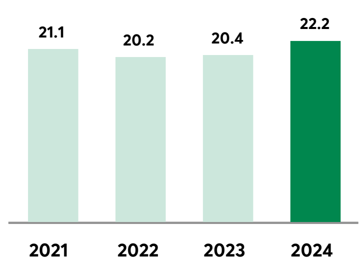
(as a percentage)



Tier 1A capital ratio:[(2)]
A measure of Desjardins Group's financial strength.

Results achieved in 2024:
As at December 31, 2024, this ratio was 22.2%, a high level compared with regulatory requirements.

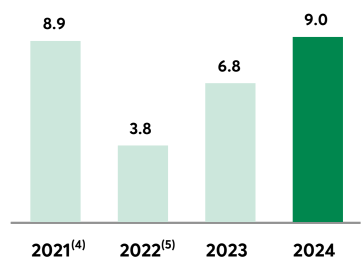
(as a percentage)



Return on equity:[(1)]
A measure of profitability resulting in value creation for members and clients.

Results achieved in 2024:
This indicator was 9.0%, which is better than the objective of achieving over 8%.

(as a percentage)



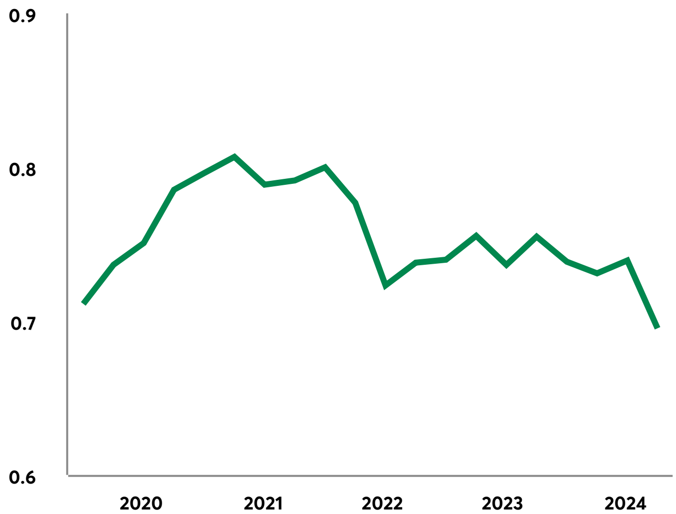
(1) For more information about supplementary financial measures, see the Glossary on pages 106 to 113.
(2) In accordance with the *Capital Adequacy Guideline* issued by the AMF. See Section 3.2, "Capital management."
(3) Given the changes in certain financial statement headings in order to reflect the new naming convention required following the adoption of IFRS 17, "Insurance Contracts," on January 1, 2023, with restatement of the comparative data for fiscal 2022 only, the data for calculating the operating leverage using the new naming convention are not available for the fiscal years prior to 2023.
(4) The information presented for fiscal 2021 has been prepared according to the standards that were in force before Desjardins Group retrospectively adopted IFRS 17 on January 1, 2023, with restatement of fiscal 2022.
(5) 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 fiscal 2022 for this item. This could therefore limit the comparability of the results.

FINANCIAL OUTLOOK

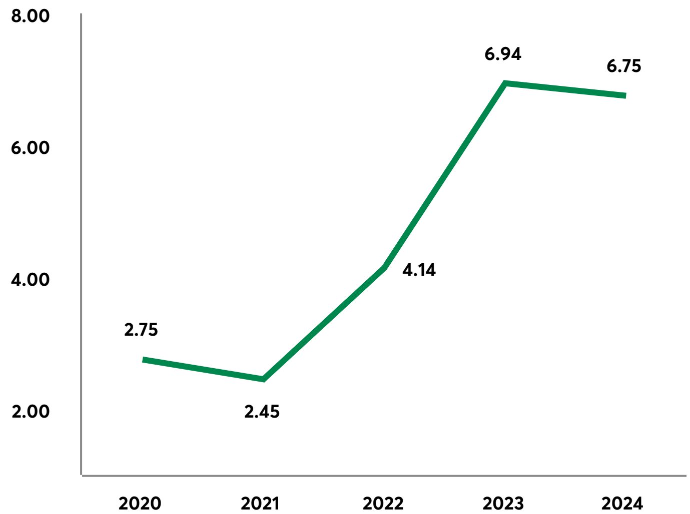
Desjardins Group's performance over the past few years has been positive overall, enabling it, in particular, to maintain its Tier 1A capital ratio above the industry average. In 2025, despite inflation returning to its 2% target and the Bank of Canada being expected to continue cutting its key interest rate, higher prices will continue to put pressure on economic growth. This increase in costs is further tightening household budgets, especially given the need to save for mortgage renewals at higher rates. As a result, a growing number of borrowers could experience payment problems, resulting in a larger number of properties being put up for sale. In addition, some geopolitical events, including the aftermath of the U.S. presidential election and the uncertainty caused by potential new tariffs, could affect Desjardins Group's financial performance. Despite all this, strict cost control, including the continued implementation of initiatives to promote efficiency and effectiveness as well as optimal capital management, will allow Desjardins Group to maintain a significant level of investments and to capitalize on the profits generated for the benefit of members and the community.

1.5 Economic environment and outlook

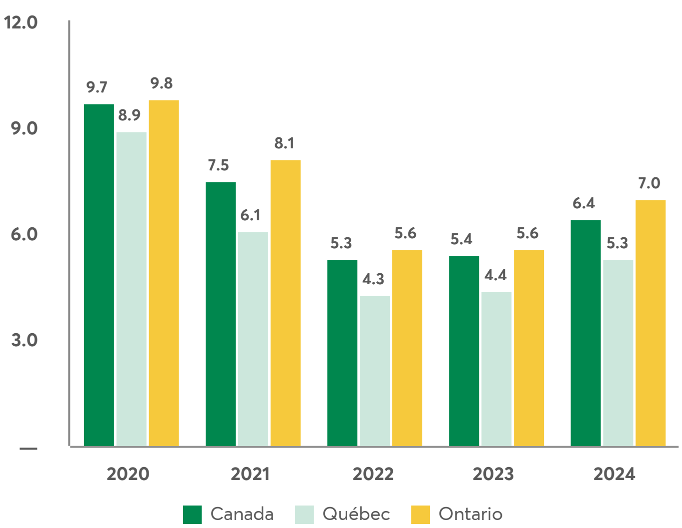
Changes in the Canadian dollar vs. the U.S. dollar (at quarter end)
(in U.S. dollars / Canadian dollars)



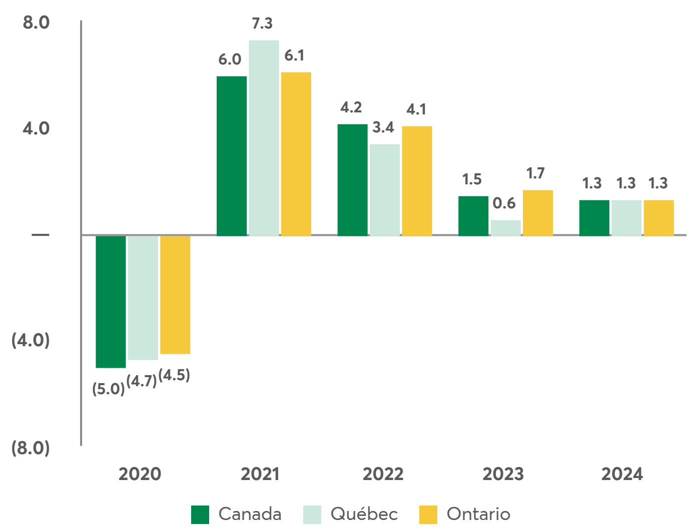
Changes in the prime rate (annual average)
(as a percentage)



Changes in the unemployment rate (annual average)
(as a percentage)



Annual growth in GDP
(as a percentage)



Global economy

Once again in 2024, growth in the global economy was relatively modest. The economy nevertheless overcame a number of obstacles, including a deterioration in the geopolitical situation in the Middle East, a further rise in maritime shipping costs and generally high interest rates, particularly at the start of the year. In the advanced economies, there was even an improvement in GDP growth compared to 2023, while the eurozone, despite the problems faced by industry in Germany, and the United Kingdom managed to emerge from a period of stagnation. Inflation rates also continued to decline, and price changes trended back close to the targets of central banks, which were able to begin a gradual easing of their monetary policies over the course of the year. In China, the economy proved rather fragile as difficulties in the property market continued and spread to other sectors, affecting confidence and domestic demand in particular. Inflation was very low in China throughout the year, even approaching deflationary conditions. The Chinese government announced a number of assistance measures that were not entirely successful, although real GDP growth had accelerated enough by the end of the year to reach the government's official target.

Global economic growth is expected to accelerate moderately in 2025. The major economies will benefit from lower interest rates as central banks continue to trim their key interest rates. Real incomes will also benefit from lower inflation. Over the next few years, international economic conditions, and those in China in particular, could be affected by higher tariffs in the United States, and possibly by retaliatory policies. However, the positive effects of increased trade with the United States could appear in early 2025, while the negative effects of a new US tariff policy may mostly be felt later in 2025 or in 2026. Global real GDP is expected to grow by 2.9% in 2025.

The world's main stock market indices posted very good gains in 2024, buoyed first by moderating inflation and then by cuts to key interest rates. The election of Donald Trump to the White House lifted US equities, but the effects elsewhere were more modest. Although some of the policies proposed by the new president-elect could have inflationary and negative effects on the global economy, the prospect of tax cuts for businesses and individuals means that investors can expect better returns in the short term. Later in 2025, however, US and global equity market returns could suffer from the detrimental effects of measures such as import tariffs and reduced immigration to the US.

United States

The US economy remained relatively strong in 2024, although hurricanes, labour disputes and tough elections disrupted the economic news. Following a 1.6% annualized gain in real GDP in the first quarter, increases of 3.0% and 3.1% were recorded in the second and third quarters. Consumption performed particularly well, and residential investment veered toward growth due to lower interest rates. The labour market slowed, from being overheated to a more balanced environment. Even so, over two million jobs were created in 2024. The inflation rate also fell, allowing the US Federal Reserve to begin cutting its key interest rates in September.

Donald Trump's new administration will undoubtedly want to press ahead with its program of new tax cuts. Tariff hikes, immigration cuts and deregulation measures have already been announced. Some positive effects on growth could become apparent in early 2025. GDP growth will continue to be good in the first quarter of 2025, and US real GDP growth should reach 2.3% for the year as a whole. The more negative effects, due in particular to higher tariffs, should lead to more adverse consequences that could begin in the second quarter of 2025. But they should be felt mainly in 2026, in addition to leading to higher inflation.

Canada

After rising considerably in 2022 and 2023, the Bank of Canada's key interest rates began to fall in June 2024. This easing of conditions was made possible by a normalization of inflation, which approached the median target of 2% in the summer of 2024. Despite the start of rate cuts, Canadian demand in 2024 continued to show the restrictive effects of the hikes made in 2022 and 2023. Real GDP growth thus remained relatively moderate, with an estimated average gain of 1.3% for 2024 as a whole, compared with 1.5% for 2023. The benefits of interest rate cuts should become more apparent beginning in 2025. This being said, the Canadian economy will still need to overcome a number of problems over the next few years. These include the slowdown in immigration announced by the federal government and the many mortgages being renewed at higher rates, even if rates have fallen since June 2024. In addition, the re-election of Donald Trump to the White House brings new limits on trade between Canada and the United States, which will significantly curb Canadian exports and, as a result, economic growth in Canada. Canadian real GDP may grow by 1.4% in 2025 and just 1.3% in 2026.

Québec

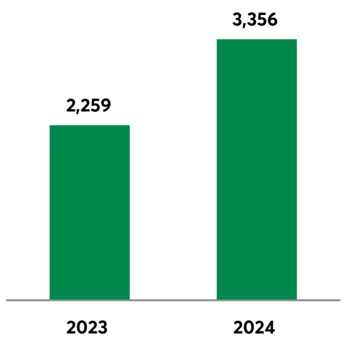
The Québec economy staged a strong comeback at the start of 2024, following a period of decline the previous year due to forest fires and strikes in the health and education sectors. By the spring, real GDP had even fully recovered the ground lost. However, the province's economy grew more modestly in the second half of 2024. The labour market therefore deteriorated slightly during the year, with the unemployment rate rising. Despite the cumulative beneficial effect of interest rate cuts, the Québec economy, like that of the rest of Canada, will need to contend with a number of obstacles. This will undoubtedly slow the recovery in 2025 and 2026. Such obstacles include the Trump administration imposing tariffs as well as new restrictions on immigration, which will slow population growth. As a result, following an estimated gain of 1.3% in 2024, Québec's real GDP could grow 1.2% in 2025.

The evolution of the markets in which Desjardins Group operates is described in the corresponding analyses in Section 2.2 "Analysis of business segment results."

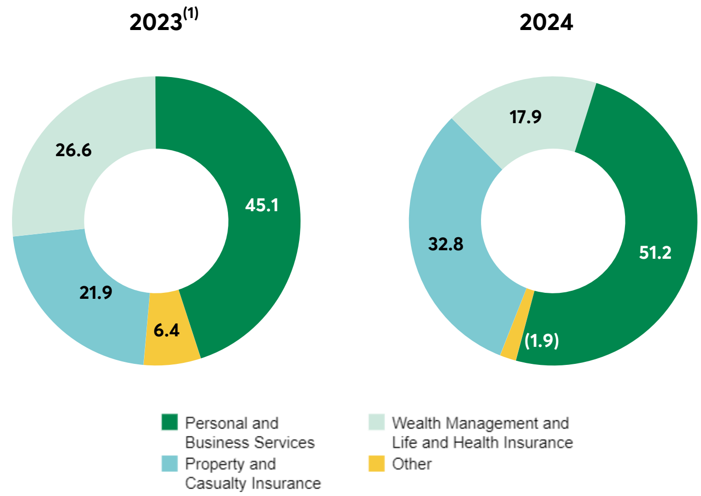
2.0 Review of Financial results

2.1 Analysis of 2024 results

Surplus earnings before member dividends
(in millions of dollars)



Segment contributions to surplus earnings before member dividends
(as a percentage)



2024 SURPLUS EARNINGS

For fiscal 2024, Desjardins Group reported surplus earnings before member dividends of $3,356 million, up $1,097 million, compared to fiscal 2023. This increase was due, on one hand, to solid results in the Personal and Business Services segment, which benefited from growth in net interest income, mainly due to business growth, and in other income. On the other hand, a significant increase was recorded in the insurance service result in the Property and Casualty Insurance segment. The Wealth Management and Life and Health Insurance segment also performed well in 2024. We should also note that the increase in non-interest expense was limited through rigorous expenditure management.

By its very nature as a cooperative financial group contributing to the development of communities, Desjardins Group's gives its members and clients the support they need to be financially empowered, which it continued to do during fiscal 2024.

- A total of $557 million was returned to members and the community,[2] compared to $538 million for fiscal 2023.
  - Provision for member dividends of $437 million, up $25 million, compared to 2023.
  - An amount of $120 million was given back in the form of sponsorships, donations and scholarships, compared to $126 million for the previous year, with $65 million in 2024 and $57 million in 2023 from the caisses' Community Development Fund.
- Commitments of $28 million made in 2024 under the GoodSpark Fund to support, in particular, regional social and economic activities. Since 2017, Desjardins Group has made total commitments of $210 million.

- **Contribution of business segments to surplus earnings:**
  - Personal and Business Services: **Surplus earnings of $1,719 million,** up $700 million, compared to 2023, mainly due to the following:
    - Increase in net interest income and other income.
    - Decrease in non-interest expense following measures taken to improve efficiency and effectiveness.
    - Offset by an increase in the provision for credit losses.
  - Wealth Management and Life and Health Insurance: **Surplus earnings of $601 million,** stable, compared to 2023. The increase in other income, due in particular to an increase in assets under management and under administration, was offset by the following:
    - Higher costs due to the increase in assets under management and under administration and administrative expenses, including spending on personnel.
    - Decrease in the net insurance finance result due to a lower gain on disposal of buildings than in 2023 and the decrease in the fair value of certain infrastructure investments, partly offset by the favourable impact of hedging the interest rate risk.
  - Property and Casualty Insurance: **Surplus earnings of $1,101 million,** up $607 million, compared to 2023. The change was due to the following:
    - Increase in income from insurance activities.
    - More favourable impact of changes in prior year claims than in 2023.
    - Increase in the net insurance finance result.
    - Offset by higher claims expenses due to catastrophes and major events.

- **Return on equity was 9.0%,** compared to 6.8% for 2023, primarily due to the increase in surplus earnings, as previously explained.

(1) Data have been restated to conform with the current year's presentation.
(2) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 3 to 5.

The following table shows the return on equity.

Table 6 – Return on equity
For the years ended December 31

(in millions of dollars and as a percentage)	2024	2023
Surplus earnings before member dividends	**$ 3,356**	$ 2,259
Non-controlling interests' share	**(133)**	(71)
Group's share before member dividends	**$ 3,223**	$ 2,188
Average equity – Group's share	**$ 35,712**	$ 32,335
Return on equity[(1)]	**9.0%**	6.8%

(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

NET INTEREST INCOME

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 and volume fluctuations, funding and matching strategies, as well as the composition of interest-bearing or non-interest-bearing financial instruments.

For analysis purposes, Table 7 shows the changes in net interest income for the main interest-bearing asset and liability classes, while Table 8 details how net interest income was affected by changes in volume and interest rates for the different interest-bearing assets and liabilities.

Net interest income totalled $7,471 million, up $852 million, or 12.9%. This increase resulted from the following:
- Growth in average loans outstanding, mainly business loans and residential mortgages, partly offset by an increase in average outstanding deposits.
- Wider margins in the loan and portfolio and deposits.

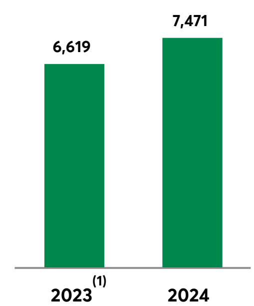
- Net interest income from the Personal and Business Services segment increased by $759 million, while that from the Wealth Management and Life and Health Insurance segment grew by $26 million. The Other heading posted a $67 million increase.

- **Net interest margin of 2.29%[(1)]** in 2024, the same ratio as in 2023.

- **Interest income of $17,765 million,** up $2,549 million, or 16.8%, essentially due to:
  - Growth in the average volume of total interest-bearing assets, mainly from loans, leading to an increase in interest income of $1,363 million.
  - Increase in interest income of $1,186 million, related to higher interest rates in the loan portfolio.

- **Interest expense of $10,294 million,** up $1,697 million, or 19.7%, mainly due to the following:
  - $889 million increase in interest expense, related to higher interest rates on deposits.
  - Growth in the average volume of total interest-bearing liabilities, mainly from deposits, having led to an increase in interest expense of $808 million.

Net interest income
(in millions of dollars)



(1) Data have been restated to conform to the current years' presentation.

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

Table 7 – Net interest income on average interest-bearing assets and liabilities
For the years ended December 31

(in millions of dollars and as a percentage)	2024			2023[1]		
	Average volume	**Interest**	**Average rate**	Average volume	Interest	Average rate
Interest-bearing assets[2]						
Securities, cash and deposits with financial institutions	**$ 64,146**	**$ 2,477**	**3.86%**	$ 61,524	$ 2,433	3.95%
Loans	**294,732**	**15,288**	**5.19**	268,293	12,783	4.76
Total interest-bearing assets	**358,878**	**17,765**	**4.95**	329,817	15,216	4.61
Other assets	**88,867**			80,003		
Total assets	**$ 447,745**	**$ 17,765**	**3.97%**	$ 409,820	$ 15,216	3.71%
Interest-bearing liabilities[2]						
Deposits	**$ 289,585**	**$ 8,056**	**2.78%**	$ 268,099	$ 6,459	2.41%
Subordinated notes	**3,540**	**165**	**4.66**	2,921	139	4.76
Other liabilities	**35,460**	**2,073**	**5.85**	31,361	1,999	6.37
Total interest-bearing liabilities	**328,585**	**10,294**	**3.13**	302,381	8,597	2.84
Other liabilities	**82,532**			74,213		
Equity	**36,628**			33,226		
Total liabilities and equity	**$ 447,745**	**$ 10,294**	**2.30%**	$ 409,820	$ 8,597	2.10%
Net interest income		**$ 7,471**			$ 6,619	

(1) Data have been restated to conform with the current year's presentation.
(2) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 3 to 5.

Table 8 – Impact of changes in volumes and rates on net interest income
For the years ended December 31

(in millions of dollars and as a percentage)	2024/2023			Increase (decrease)	
	Change in average volume	**Change in average rate**	**Interest**	**Average volume**	**Average rate**
Interest-bearing assets[1]					
Securities, cash and deposits with financial institutions	**$ 2,622**	**(0.09)%**	**$ 44**	**$ 104**	**$ (60)**
Loans	**26,439**	**0.43**	**2,505**	**1,260**	**1,245**
Change in interest income			**2,549**	**1,363**	**1,186**
Interest-bearing liabilities[1]					
Deposits	**$ 21,486**	**0.37%**	**$ 1,597**	**$ 518**	**$ 1,079**
Subordinated notes	**619**	**(0.10)**	**26**	**29**	**(3)**
Other liabilities	**4,099**	**(0.52)**	**74**	**261**	**(187)**
Change in interest expense			**1,697**	**808**	**889**
Change in net interest income			**$ 852**	**$ 555**	**$ 297**

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

NET INSURANCE SERVICE INCOME

Net insurance service income stood at $2,882 million[(1)], up $825 million, compared to 2023. 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:

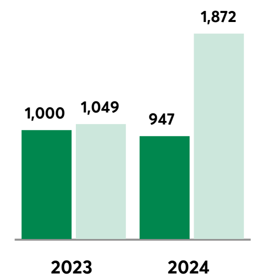
Wealth Management and Life and Health Insurance

- Insurance service result of $590 million, up $4 million, or 0.7%, mainly due to the following:
  - Adjustment to the indexation assumption in individual insurance and group retirement savings.
  - Business growth in group insurance.
  - More favourable experience in credit and direct insurance, particularly in disability loan and life insurance.
  - Less unfavourable impact of new onerous contracts in group insurance and group retirement savings.

  This increase was offset in part by the following:
  - Overall unfavourable impact of updating actuarial assumptions.
  - Less favourable experience in group insurance, mainly for long-term disability and life coverage, partly offset by less unfavourable accident and health insurance coverage.

- Net insurance finance result of $357 million, down $57 million, or 13.8% mainly due to the following:
  - Lower gain on disposal of buildings than in 2023.
  - Decrease in the fair value of certain infrastructure investments.
  - Offset by the favourable impact of hedging the interest rate risk.

Net insurance service income
(in millions of dollars)



Property and Casualty insurance

- Insurance service result of $1,468 million, up $668 million.
  - Insurance revenue of $7,425 million, up $783 million, or 11.8%. By including ceded insurance revenue of $362 million presented under "Net reinsurance service income (expenses)," the increase was $727 million, or 11.5%, mainly due to premium growth in automobile and property insurance as well as business arising from the acquisition of ICPEI.
  - Insurance service expenses of $6,502 million, up $727 million, or 12.6%. By including ceded insurance service expenses of $907 million presented under "Net reinsurance service income (expenses)," there was an increase of $59 million, or 1.1%, mainly due to the following:
    - Higher amortization of acquisition costs compared to 2023.
    - Less favourable effect of the loss component on onerous contracts than in 2023, mainly due to business insurance and automobile insurance.
    - Change in investment funds that benefited groups having signed agreements under the The Personal banner. It should be recalled that this change was offset by the results of these groups.
    - Offset by lower claims expenses compared to 2023 due to the following:
      - Impact arising from more favourable changes in prior year claims than in 2023, due to automobile and property insurance.
      - Claims expenses for the current year that were lower than those recorded in 2023 due to automobile, property and business insurance, and due in particular to a reduced frequency of claims, mitigated by additional business arising from the acquisition of ICPEI.
      - Partly offset by higher claims expenses for catastrophes and major events than in 2023. Fiscal 2024 was marked by two catastrophes and one major event, whereas fiscal 2023 was marked by eleven major events of smaller scope.

- Net insurance finance result of $404 million, up $155 million.
  - Net insurance investment income of $777 million, up $216 million. This increase was essentially due to the following:
    - Higher net gains on shares than in 2023.
    - Higher interest income on fixed income securities compared to 2023.
  - Net insurance finance expense of $415 million, up $72 million. By including net reinsurance finance income of $42 million ($31 million in 2023), the net insurance and reinsurance finance expenses totalled $373 million, compared to $312 million in 2023. The change was mainly due to the impact of a decrease in the discount rates used to value net liabilities for incurred claims, which were more unfavourable than in 2023.

OTHER INCOME

Table 9 – Other income
For the years ended December 31

(in millions of dollars)	2024	2023[(1)]
Deposit and payment service charges	**$ 527**	$ 483
Lending fees and card service revenues	**1,038**	951
Brokerage and investment fund services	**1,480**	1,339
Management and custodial service fees	**901**	751
Net other investment income (loss)	**(205)**	(72)
Foreign exchange income (loss)	**241**	192
Other	**325**	257
Total other income	**$ 4,307**	$ 3,901

(1) Data have been restated to conform with the current year's presentation.

(1) The difference between this result and the sum of business segment results is due to intersegment transactions, which are eliminated in the Other category.

Other income stood at $4,307 million, up $406 million, or 10.4%, compared to fiscal 2023, due to the following:

- **Deposit and payment service charges of $527 million,** up $44 million, or 9.1%, mainly from the caisse network.
- **Lending fees and card service revenues of $1,038 million,** up $87 million, or 9.1%, mainly due to business growth in credit card payment activities.
- **Income from brokerage and investment fund services of $1,480 million,** up $141 million, or 10.5%, mainly due to the following:
  - Increase in income related to operations acquired from Worldsource on March 1, 2023.
  - Higher income as a result of growth in assets under management.
  - Higher revenues driven by strong performance in the capital markets.
- **Management and custodial service fees of $901 million,** up $150 million, or 20.0%, essentially due to the following:
  - Higher income as a result of growth in assets under management and under administration.
  - Increase in income related to operations acquired from Worldsource on March 1, 2023.
- **Net investment loss of $205 million,** compared to $72 million in 2023, mainly due to losses on disposal of securities that were higher than in 2023.
- **Foreign exchange income (loss) of $241 million,** up $49 million, or 25.5%, due to fluctuating exchange rates.
- **Other income of $325 million,** up $68 million, or 26.5%, mainly due to the following:
  - Decrease in the contingent consideration payable related to the acquisition in 2015 of the Canadian operations of State Farm, arising from unfavourable developments in claims taken over, whereas an increase arising from favourable developments in claims taken over was recognized in 2023.
  - Gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.

TOTAL NET REVENUE

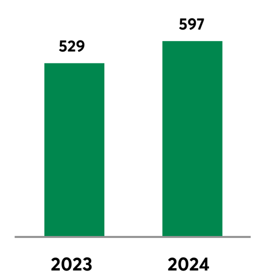
Total net revenue amounted to $14,660 million, up $2,083 million, or 16.6%, compared to 2023.

PROVISION FOR CREDIT LOSSES

The provision for credit losses totalled $597 million, compared to $529 million for 2023. The 2024 provision reflects a migration of credit quality as well as the impact of unfavourable changes in the economic outlook on the business loan portfolios. In the credit card portfolios, the favourable impact of updated forward-looking information was partly offset by the unfavourable effect of changes made to methodology. The provision for 2024 also reflects higher net write-offs, which are gradually returning to pre-pandemic levels.

Desjardins Group continued to present a high-quality loan portfolio in 2024.
- The credit loss provisioning rate was 0.22% in 2024, compared to 0.20% for fiscal 2023.
- The ratio of gross credit-impaired loans, as a percentage of the total gross loans portfolio, was 0.81%, compared to 0.74% as at December 31, 2023. This increase was due to a greater volume of gross impaired loans, mainly business loans.

Provision for credit losses
(in millions of dollars)



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

Table 10 – Credit loss provisioning rate
For the years ended December 31

(in millions of dollars and as a percentage)	2024	2023
Total provision for credit losses	$ 597	$ 529
(Recovery of) provision for credit losses on securities	(2)	8
Provision for credit losses on loans and off-balance sheet items	$ 599	$ 521
Average gross loans	$ 278,048	$ 258,598
Average gross acceptances	—	9
Average gross loans and acceptances(1)	$ 278,048	$ 258,607
Credit loss provisioning rate(1)	0.22%	0.20%

(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

GROSS NON-INTEREST EXPENSE

Table 11 – Gross non-interest expense
For the years ended December 31

(in millions of dollars and as a percentage)	2024	2023
Salaries and employee benefits		
Salaries	$ 4,275	$ 4,363
Employee benefits	1,208	1,065
	5,483	5,428
Professional fees	821	817
Technology	1,217	1,131
Commissions	790	705
Occupancy costs	397	408
Communications	375	358
Business and capital taxes	148	123
Other	1,414	1,247
Total non-interest expense	**$ 10,645**	$ 10,217

Non-interest expense totalled $10,645 million, up $428 million, or 4.2%, compared to 2023, largely due to:
- Increase in expenses of $90 million related to operations acquired from Worldsource on March 1, 2023.
- Measures taken to improve efficiency and effectiveness limited the increase in other items included in gross non-interest expense to $338 million, or 3.4%, despite wage indexation.

- **Salaries and employee benefits of $5,483 million,** up $55 million, or 1.0%, compared to 2023, due to the following:
  - Increase in employee benefits, including pension expense.
  - Offset by measures taken to improve efficiency and effectiveness that led to a reduction in payroll costs, despite wage indexation.

- **Professional fees of $821 million,** an amount comparable to 2023.

- **Technology expenses of $1,217 million,** up $86 million, or 7.6%, compared to 2023, to support growth in operations and enhance the services offered to members and clients.

- **Commissions of $790 million,** up $85 million, or 12.1%, compared to 2023, mainly due to the following:
  - Higher costs as a result of growth in assets under management and under administration.
  - Increase in expenses related to operations acquired from Worldsource on March 1, 2023.

- **Occupancy costs of $397 million,** down $11 million, or 2.7%, from 2023.

- **Communication expenses of $375 million,** up $17 million, or 4.7%, compared to 2023.

- **Business and capital taxes of $148 million,** up $25 million, or 20.3%, compared to 2023 attributable to the increase in the premium payable to the AMF following the issuance of the *Regulation amending the Regulation respecting the application of the Deposit Institutions and Deposit Protection Act*.

- **Other expenses of $1,414 million,** up $167 million, or 13.4%, compared to 2023, attributable to the change in provisions for contingencies relating to our activities in 2023.

INCOME TAXES ON SURPLUS EARNINGS AND INDIRECT TAXES

Desjardins Group is a cooperative financial group, and each of its entities that operates as a financial services cooperative—namely the caisses and the Federation—is considered a private and independent company for tax purposes, unlike the vast majority of other Canadian financial institutions, which are large public corporations. Desjardins entities that are not financial services cooperatives are subject to the large corporation tax regime.

- **Income taxes on surplus earnings after member dividends of $892 million,** up $443 million, compared to fiscal 2023.
  - Effective tax rate on surplus earnings after member dividends[1] of 22.8% for the year ended December 31, 2024, up from 18.7% for fiscal 2023, mainly due to the following:
    - Increase in surplus earnings after member dividends for which the applicable tax rate is 26.5%.
    - Decrease in non-taxable investment income compared to fiscal 2023.

Note 27, "Income taxes on surplus earnings," to the Combined Financial Statements presents, among other things, a reconciliation of the statutory tax rate and the effective tax rate, expressed in dollars and as a percentage.

Indirect taxes consist of property and business taxes, payroll and social security taxes, the goods and services tax, and sales taxes. Indirect taxes are included in non-interest expense. For fiscal 2024, Desjardins entities paid $1,991 million in indirect taxes, compared to $1,988 million in 2023.

(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

2.2 Analysis of business segment results

Desjardins Group's financial reporting is organized by business segments, which are defined based on the needs of members and clients and 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.

Various estimation and allocation methods are used in preparing the financial information of the business segments. Intersegment transactions are generally recognized based on the agreements in effect between the segments. During the year, Desjardins Group updated its calculation method for the internal funding rate. This new internal funding rate, which is market-based, takes into account Desjardins Group's risk management objectives and costs related to capital. For non-interest expense not directly allocatable to one of the business segments, a financial performance framework including assumptions and methods for allocating overhead costs to the various business segments was established.

In 2024, some changes were made to business segments to reflect management's decisions on how each segment is managed. This presentation reflects the revision of the method used to allocate non-interest expense to segments. As a result, some non-interest expense items were moved from the Other category to the Personal and Business Services segment. In addition, certain wealth management activities of the caisse network previously reported in the Personal and Business Services segment are now reported in the Wealth Management and Life and Health Insurance segment. Furthermore, some trading activities involving interest rate and currency financial instruments were transferred from the Other category to the Personal and Business Services segment. Comparative figures have been restated to conform with the presentation for the current year.

2.2.1 Personal and Business Services

PROFILE

The Personal and Business Services segment is central to Desjardins Group's operations. With its comprehensive, integrated line of products and services designed to meet the needs of individual and business members, institutions, non-profit organizations and cooperatives, Desjardins Group is a leader in financial services in Québec and is present on the financial services scene outside Québec.

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

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

To meet the constantly changing needs of its members and clients, Desjardins Group offers its services through the caisse network and the Desjardins Business centres, in person, by phone, online, via applications for mobile devices, and at ATMs.

SERVICES

- **Financial management:**
  - In addition to our cashier and ATM services, the AccèsD and *AccèsD Affaires* online platforms, available online and through our app for mobile devices, provide access to a variety of transactions such as payments and transfers, making it easy for individuals and businesses to manage their finances.
- **Savings and investments:**
  - Products distributed by the caisses and the Desjardins Business centres, such as mutual investment funds (Desjardins Funds), market-linked guaranteed investments (MLGI), the guaranteed savings offer, and annuity products.
- **Financing:**
  - **Residential mortgages,** for the purchase of land, new or existing homes and for renovations.
  - **Consumer loans,** such as loans for the purchase of automobiles and durable goods, personal loans and lines of credit, student loans and Accord D financing solutions.
  - **Commercial credit,** which makes it possible to offer financing in the commercial and industrial, agricultural and agri-food, and public and institutional sectors, as well as for commercial and multi-residential real estate.
- **Payment:**
  - Debit and credit card payment services for individuals and businesses, electronic payment services, and both domestic and international funds transfers.
- **Capital markets:**
  - Meeting the financing needs of Canadian corporations, institutions and cooperatives, and providing advisory services for mergers and acquisitions, an offer of derivative products, as well as intermediation and execution services on the stock and fixed income securities markets.
  - Carried out by teams of experienced professionals who are supported by a research team that is renowned in the industry for its excellence.
- **Risk and development capital (Desjardins Capital):**
  - Specializes in direct and indirect investment in small and medium-sized enterprises (SMEs) and cooperatives in every region of Québec.
  - Promotes, supports and encourages the sustainability of SMEs in Québec.
  - As manager of *Capital régional et coopératif Desjardins* (CRCD), Desjardins Capital encourages Quebecers to save.
  - Accompanies and provides customized solutions, strategic advice and value-added services for companies in various stages of start-up, growth or transfer.

- **Specialized services:**
  - International services, banking and cash management services, Desjardins employer solutions (payroll and human resources management, as well as group retirement savings), factoring, specialized financing for institutional clients, the franchise sector, health care and professional firms.
  - In addition, the program aimed at facilitating the construction of affordable housing and the non-financial services of the EspaceProprio housing ecosystem (property purchases, sales, construction, renovation and maintenance).

2024 ACHIEVEMENTS

- **Support for members and clients remains a priority in the current economy.** Proactive support strategies continue to be employed for personal and business members who are at greater risk of financial difficulty (price increases, high bankruptcy rate, agricultural sector under pressure, etc.):
  - A support plan has been developed and implemented specifically for the agricultural, commercial fishing and real estate sectors, aimed at adjusting, among other things, our offers and financing conditions in order to better support entrepreneurs in these challenging sectors.
  - A refinancing solution has been put in place to help business members who were unable to repay their loan from the Canada Emergency Business Account program and benefit from the financial incentive, which has enabled more than 5,000 members to repay their loans.
- **Enhanced and simplified digital experience:**
  - Continued redesign of desjardins.com and enhancement of certain functionalities on *AccèsD* to provide a simple, integrated, consistent and personalized digital information experience to members and clients of Desjardins Group.
  - Modernization of *AccèsD Affaires* with continuous improvements to the features on offer in order to enhance the digital experience for businesses and simplify the day-to-day management of their banking transactions.
  - Gradual roll out of the Alvie virtual assistant, which will eventually provide financial tips to personal and business members when they use Desjardins mobile services and direct them to Customer Relations Centres.
  - Roll out of the new mobile application for the School Caisse, enabling young members and non-members to consult fun and dynamic financial education content on a platform tailored to young users.
  - Gradual roll-out of the interactive voice response, which allows members and clients to enjoy a more fluid experience thanks to the virtual assistant's referral of calls to credit card client services.
- **Recognition:**
  - The *Regroupement des aveugles et amblyopes du Montréal métropolitain* named Desjardins winner of the 2024 *Coup de cœur* award for its online services. Desjardins's commitment to accessibility is reflected in its culture, which promotes the removal of barriers for all its members and clients.
- **Improvement of offers in retail sectors:**
  - Personalized support for cooperatives in setting up their financial project and by offering advantageous discounts on lines of credit, payroll services, transaction plans and payment solutions.
  - Enhancement of our support for businesses in the manufacturing sector through the launch of the manufacturing offer.
  - Development of the offer for startups in partnership with several institutions and organizations, including the *École des entrepreneurs du Québec*.
  - Development of the business transfer offer, enabling Desjardins to stand out through the support it provides to entrepreneurs with a unified approach, as well as in the financing conditions offered to members and clients. In 2024, Desjardins supported 1,582 members in their transfer process, for a financing volume of $2.8 billion.
  - Delivery of the new range of credit cards for micro and small businesses. The improved offer includes a freebie in the first year, a low interest rate, rewards on purchases and a new look.
- **Reinforcing our role as a socioeconomic leader:**
  - Continuation of the "Together for Our Youth" program, in which Desjardins invests more than $50 million each year to help young people achieve their full potential in a more inclusive and sustainable world. Designed for 5- to 30-year-olds, the program supports thousands of initiatives and partners rooted in four areas of the daily lives of young people: education; employment and entrepreneurship; health and healthy lifestyles; and social commitment.
  - $5 million awarded to entrepreneurs in Québec and Ontario under the Momentum Fund program. Non-repayable financial assistance in amounts of up to $20,000 were granted to 708 businesses in 2024 to foster innovation, accelerate the digital transformation and invest in energy-efficient equipment. Since 2020, Desjardins Group has made commitments under this program totalling $24 million.
  - Continuation of the Desjardins GoodSpark Grants program for a 5th year. The program is intended to support 150 small businesses as they carry out a project focused on innovation, employment, community impact or sustainable development. A total of $3 million, in the form of $20,000 grants, was awarded to stimulate economic growth in Ontario and the Atlantic and Western regions.
  - As part of a partnership with the Québec government, Desjardins is committed to supporting the construction of more than 1,750 affordable housing units by the end of 2025. As of December 31, 2024, 7 projects totalling 1,182 units are in operation, and 12 projects totalling 780 units were under construction. Desjardins has also been chosen as a financial partner by the *Société de développement Angus* to foster the construction of 1,001 new affordable housing units.
- The sector continues to gradually roll out its **ESG approach** throughout its operations, in particular by enhancing the support provided to members and clients in their sustainable transitions through personalized support, strategic advice and tailored solutions to integrate sustainable practices, while strengthening their competitiveness:
  - Launch of the guaranteed loan product, aimed at helping underserved business clients (women, Indigenous people, visible minorities, LGBTQ+, newcomers) with less than $10 million in revenue to obtain financing for working capital. This new product positions Desjardins with regard to diversity, which represents a large portion of new entrepreneurs.
  - Deployment of the last training module on sustainable finance in partnership with Finance Montréal. The program targets approximately 5,000 Desjardins Business employees per year, with the aim of facilitating dialogue with entrepreneurs on ESG issues.
  - Enhancement of the supplier diversification policy in order to expand the pool of businesses that can bid for Desjardins contracts. Collaborative work is carried out with certification organizations to validate that a company does indeed meet the diversity criteria.

- **Safety and fraud prevention tips:**
  - Continuation of the "Sharpen your cyber reflexes" program to provide support to members and clients with relevant information and tools. The initiative invites members and clients to sharpen their cyber reflexes through various tips as a way to address various security issues identified and prioritized by Desjardins Group: phishing, easy money scams, romance scams, investment fraud and transactional best practices.
  - Against a backdrop of growing concern among members and clients about cyber attacks, Desjardins has implemented financing solutions for businesses interested in investing in cybersecurity, and Desjardins Insurance offers coverage to mitigate the impact of a cyber attack.
  - Deployment of text message notifications to advise members and clients of any potential fraudulent transactions on their debit cards.
  - Continued roll out of the anti-fraud program to protect members and clients from various fraud schemes.

INDUSTRY

- **Canadian market:**
  - In 2024, the Canadian financial industry comprised some 79 domestic and foreign banking institutions, as well as 389 savings and loan cooperatives, over half of which belonged to Desjardins Group.
  - In the banking services industry, on-balance sheet and off-balance sheet personal savings outstanding was estimated at $7,600 billion as at December 31, 2024, for a year-over-year increase of 13.9%, compared to an increase of 9.3% recorded at the end of 2023. The increase in 2024 was due to the improved returns offered by the financial markets: the S&P/TSX stock market index rose 18.0% while the S&P 500 increased by 23.3% in the twelve-month period. Fiscal 2024 was also marked by a good growth in sales of on-balance sheet savings products, fuelled by the demand for term savings.
  - Outstanding volume of loans to individuals was estimated at $2,901 billion as at December 31, 2024, a year-over-year increase of 4.8%, a slight increase compared the increase to 3.3% to the previous year-end. This recovery was mainly due to the effect of cuts to interest rates on demand for housing credit.
  - Business financing outstanding as at December 31, 2024, was estimated at $1,207 billion, a year-over-year increase of 4.1%, down from 6.9% growth recorded at the end of 2023.
- **Québec market:**
  - On-balance sheet and off-balance sheet personal savings outstanding was estimated at $1,461 billion as at December 31, 2024, a year-over-year increase of 14.0%, versus an increase of 11.4% at year-end 2023. The stronger growth in savings in 2024 was due to a higher savings rate for Québec households compared with the Canadian average.
  - Outstanding volume of retail financing was estimated at $510 billion as at December 31, 2024, for a year-over-year increase of 6.1%, compared to 3.0% growth recorded a year earlier.
  - Business financing outstanding was estimated at $274 billion as at December 31, 2024, for a year-over-year increase of 11.3%, compared to 9.9% growth at year-end 2023.
    - Agricultural loans, included in business financing, were estimated at $29 billion as at December 31, 2024, a year-over-year increase of 9.1%, accelerating from the 7.3% growth recorded on the same date one year earlier.
- **Competition in Québec for financial services to individuals and businesses:**
  - Desjardins Group is a leader in many of the fields in which it operates.
  - It is a leader in residential mortgages, with a market share estimated at approximately 39%[(1)] as at December 31, 2024, and it is a major player in consumer credit, with a market share of approximately 26%[(1)] on the same date.
  - Desjardins Group is a leader in personal savings in Québec, especially in on-balance sheet personal savings products, with a market share in this industry estimated at approximately 36%[(1)] as at December 31, 2024.
  - In commercial and industrial loans, Desjardins Group is also a major player in Québec, with an estimated market share of approximately 21%[(1)] as at December 31, 2024.
  - Desjardins Group is a leader in agricultural financing, with a loan portfolio of $11.8 billion and an estimated market share of 42%[(1)] as at December 31, 2024.
  - The major industry players are focusing primarily on client experience, access to services and proactive advice.
  - The fight for market share is therefore very fierce, since all the players are adopting strategies aimed at intensifying business relations with their clients and at getting to know them better.

Additional information about the economic environment can be found in Section 1.5, "Economic environment and outlook," of this MD&A.

2025 STRATEGIES AND PRIORITIES

The 2025 strategies and priorities of the Personal and Business Services segment are incorporated into Desjardins Group's strategic orientations and are aimed at helping Desjardins to achieve its goal of being everyone's #1 choice, by always working in the best interests of members and clients. The strategic directions of Desjardins Group, as presented in Section 1.4, "Strategic orientations and financial objectives," of this MD&A, are also the strategic directions of the Personal and Business Services segment.

The segment's priorities for 2025 to 2027 will be to:

- Encourage digital adoption and improve distribution efficiency by developing channels;
- Improve the performance of its key processes;
- Strengthen the loyalty of its members and clients and the closeness of its relationships, in particular through digital technologies;
- Increase the competitiveness of its business lines;
- Be the financial partner of choice for businesses and entrepreneurs;
- Develop its business posture by anchoring it more firmly in data and analytics.

(1) These market shares were compiled and estimated as at September 30, 2024 according to a methodology developed by Desjardins and based on several external sources, including: the Bank of Canada, Statistics Canada and Investor Economics.

Between now and 2027, the segment will continue to focus more on supporting and retaining its existing members and clients rather than winning new ones, and on making efficiency gains to improve competitiveness.

The segment will continue to consolidate its leadership position in financing, everyday financial management, savings and, through its distribution network, life and health and P&C insurance products. The segment will continue to work always in the best interests of its members and clients, in particular, by giving members and clients a simple, omnichannel experience by leveraging mobile platforms, speeding up the segment's digital initiatives, transforming and optimizing its physical and remote distribution models and enhancing service delivery. The segment will also continue to strive to enhance the employee experience.

For this segment, reaching objectives requires the commitment of every director, manager and employee, as well as a high-calibre, comprehensive and integrated offer that is easy to access, all in the best interests of members and clients.

ANALYSIS OF FINANCIAL RESULTS

Table 12 – Personal and Business Services – Segment results
For the years ended December 31

(in millions of dollars and as a percentage)	2024	2023[1]
Net interest income	**$ 7,134**	$ 6,375
Other income	**2,543**	2,359
Total net revenue	**9,677**	8,734
Provision for credit losses	**599**	520
Gross non-interest expense	**6,757**	6,846
Income taxes on surplus earnings	**602**	349
Surplus earnings before member dividends	**1,719**	1,019
Member dividends, net of tax recovery	**328**	304
Net surplus earnings for the year after member dividends	**$ 1,391**	$ 715
Indicators		
Average assets[2]	**$ 342,529**	$ 322,104
Average core interest-bearing assets[3]	**251,477**	239,785
Average gross loans and acceptances[2]	**268,746**	250,510
Average deposits[2][4]	**218,961**	221,796
Net interest margin[3]	**2.66%**	2.53%
Productivity index[2]	**69.8**	78.4
Credit loss provisioning rate[2]	**0.22**	0.21
Gross credit-impaired loans/gross loans and acceptances[2]	**0.84**	0.76

(1) Data have been restated to conform with the current year's presentation.
(2) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.
(3) For more information about non-GAAP financial measures and non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 3 to 5.
(4) The year ended December 31, 2023 included larger intersegment transactions related to cash management activities, which are eliminated in the Other category.

COMPARISON OF 2024 AND 2023

- **Surplus earnings before member dividends of $1,719 million,** up $700 million, compared to 2023, mainly due to the following:
  - Increase in net interest income and other income.
  - Decrease in non-interest expense following measures taken to improve efficiency and effectiveness.
  - Offset by an increase in the provision for credit losses.

- **Net interest income of $7,134 million,** up $759 million, or 11.9%. This increase resulted from the following:
  - Growth in average residential mortgages outstanding and average business loans outstanding.
  - Wider net interest margins.

- **Other income of $2,543 million,** up $184 million, or 7.8%, mainly as a result of:
  - Growth in business volumes from credit card payment activities.
  - Increase in income related to deposit and payment service charges.
  - Growth in sales by the caisse network of various products, such as Desjardins Funds.
  - Higher income related to the good performance of capital markets.
  - Offset by losses on disposal of securities that were higher than in the comparative period of 2023.

- **Total net revenue of $9,677 million,** up $943 million, or 10.8%.

- **Provision for credit losses of $599 million,** compared to $520 million for fiscal 2023. The 2024 provision reflects a migration of credit quality as well as the impact of unfavourable changes in the economic outlook on the business loan portfolios. In the credit card portfolios, the favourable impact of updated forward-looking information was partly offset by the unfavourable effect of changes made to methodology. The provision for 2024 also reflects higher net write-offs, which are gradually returning to pre-pandemic levels.

- **Gross non-interest expense of $6,757 million,** down $89 million, or 1.3%, due to the implementation of measures taken to improve efficiency and effectiveness.

- **Net interest margin of 2.66%,** up 13 basis points from 2023, due in particular to more marked growth in the average loan volume compared with that of other products, combined with the impact on the loan portfolio of higher interest rates.

- **Productivity index at 69.8%,** compared to 78.4% in 2023, due to the growth in revenues combined with the decline in expenses other than gross interest.

2.2.2 Wealth Management and Life and Health Insurance

PROFILE

The Wealth Management and Life and Health Insurance segment plays a leading role in developing the financial independence of Desjardins Group members and clients by helping them develop healthy financial habits.

The segment supports members and clients, individuals and businesses, through various distribution networks and designs several lines of individual insurance (life and health) coverage as well as investment solutions. The segment also includes asset management and trust services. The Wealth Management and Life and Health Insurance 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 specialized networks (Signature Service, Private Wealth Management, Securities and Online Brokerage);
- Desjardins agent network;
- Desjardins Financial Security Life Assurance Company partner networks;
- Worldsource subsidiaries;
- External insurance and investment solution networks;
- Actuarial consulting firms and brokers;
- Client Relations Centres and digital channels.

SERVICES

Life and Health Insurance
- Includes a wide range of products offered to individuals, and a group retirement savings and insurance service offer for businesses and their employees.
- These products and services offer them peace of mind by reducing the financial effects that could occur due to illness, accident or death, and these investment solutions help them achieve their savings and investment objectives.
  - **Insurance for individuals**
    - Includes life insurance, health and disability insurance, credit insurance, travel insurance and assistance services.
  - **Group insurance**
    - Includes life, death and accidental mutilation, critical illness, disability, prescription drug, health care and dental insurance, health and wellness expense accounts, as well as prevention and wellness services.
  - **Group retirement savings**
    - Includes accumulation and disbursement plan solutions, group annuities, as well as support to achieve and maintain financial independence (videos, simulators, webinars and virtual guide).

Wealth Management
- Offers a wide range of products and advisory services to meet the needs of members and clients at every stage of their lives, helping them to build, grow, protect and pass on personal and business assets with complete peace of mind.
  - **Specialized wealth management offer (Signature Service, Private Wealth Management, Securities and Online Brokerage):**
    - Each Desjardins network offers support based on a consulting approach to provide responses tailored to the personal, family and business situations of members and clients.
    - These networks differ from one another in their approach and in the range of proprietary advisory services and products they offer.
  - **Investments:**
    - Wide range of investment solutions for individuals.
    - Mutual funds, guaranteed market-linked investments, guaranteed investment funds and exchange-traded funds (ETFs), including responsible investment and annuity solutions, enabling members and clients to find the investments best suited to their needs.
  - **Institutional services:**
    - Services for institutional clients, mainly pension funds, foundations, investment funds and insurers.
    - Asset management and trust services, such as custody of securities on North American and international markets and fiduciary services for businesses.

2024 ACHIEVEMENTS

Life and Health insurance

- **Changes to the range of products and services:**
  - A full range of life and health insurance products is now available to partnering general agents (including advisors in the IDC Worldsource network) in Québec, providing more choice and security to their clients.
  - Introduction of a new individual insurance advisory service enabling policyholders diagnosed with a serious illness to speak to a Desjardins employee even before a claim is initiated.
  - Launch of the group First Home Savings Account (FHSA) for tax-free savings toward the purchase of a first property, a unique product for saving toward the purchase of a first home.
- **Enhanced and simplified digital experience:**
  - Improved digital mortgage renewal process, providing eligible members with access to an insurance offer when they renew online.
  - Deployment of new digital features for group insurance members and clients, such as online plan enrolment and enhanced online claims services for all healthcare.
  - In group retirement savings, an enhanced digital pathway enabling online transfers to be made independently from another institution to Desjardins.
- **Improved group insurance offer:**
  - Focus on women's health: helping employers create a more inclusive and caring workplace by offering women products and services tailored to their specific health issues or to those that are more likely to affect them.
  - Focus on mental health: enabling support for policyholders suffering from mood and anxiety disorders, addictions and eating disorders.
  - Launch of the first Healthy Weight program in the market to help employees adopt a healthy approach to weight management.
- **Awards won and recognition gained:**
  - Desjardins stood out at the Insurance Business Canada Awards by being nominated for the Excellence award for Life & Health Insurer of the Year, which recognizes Desjardins's commitment to its products and services and to financial literacy, as well as its exemplary customer service approach.
  - In the latest NMG Consulting survey, Desjardins once again ranked in the top third of insurers in terms of partner satisfaction with group insurance.

Wealth Management

- **Changes to the range of products and services offered:**
  - Launch of the new Desjardins Investment Savings Account as part of the specialized wealth management offer, with net sales attaining $3 billion.
  - Enhanced range of ETFs with the launch of new index funds that provide geographical exposure and diversified asset classes. Assets under management totalled $2.2 billion as at December 31, 2024.
  - Members conducting business in the caisses were given access to all investment products for their FHSA investments.
  - Launch of the new DGAM Canadian Private Real Estate Fund, enabling investors to participate in the dynamic Canadian commercial property market, which is popular with major institutional investors.
  - Roll out of private financial services offering an exclusive range of high-end personalized banking solutions and financing strategies.
  - Enhanced support and expertise from advisors on investment solutions.
- **Digital experience enhanced** by making it easier to purchase mutual funds online.
- The segment continues to gradually roll out its **ESG approach** across all its activities, including:
  - Publication on desjardins.com of Desjardins's first report on responsible annuities, which provides information on the responsible investment approach.
  - Publication of a white paper on fossil fuel investments, summarizing Desjardins's investment strategy to support the energy transition while managing risk and return.
- **Awards won and recognition gained,** all attesting to our commitment to developing high-return investing solutions for members and clients:
  - Desjardins Online Brokerage ranked second in independent investor satisfaction by JD Power.
  - Garnered 9 FundGrade A+® 2024 awards from Fundata, which recognizes the best investment solutions available in Canada each year, 2 of which were received for responsible investing solutions.
  - Received 4 awards at the 2024 LSEG Lipper Fund Awards, in particular with the Desjardins RI Emerging Markets Multifactor - Net Zero Pathway ETF, which won an award in the emerging markets equity ETF category (for the third consecutive year), and the Desjardins RI Canada Multifactor - Net Zero Trajectory ETF, which won an award in the Canadian equity ETF category.
  - Desjardins was ahead of the pack with its line of structured products:
    - Most awarded financial institution at the *2024 SRP Americas* gala, taking 7 awards, including the prestigious "Best House, Canada" award (fifth consecutive year) from Structured Retail Products.
    - Award for Canada's "Best Principal Protected Issuer" at the third annual SPi Canada *2024* Awards for Excellence.

INDUSTRY

- **Canadian market:**
  - Wealth Management: At the end of 2023, financial assets of close to $6,712 billion were held by Canadian households, for annual growth of 8.3% (compared with a decrease of 4.3% in 2022). Following a peak reached in the Bank of Canada's key interest rate, several rate cuts have been implemented since June 2024 as the inflation rate slowed (inflation reached the Bank's 2% target in August) and due to weak economic growth. North American equity markets reached new historic highs in 2024, driven by lower interest rates and good performance in several sectors.
  - Life and Health Insurance: Premium income totalled $157 billion in life and health insurance and in annuities in 2023, up $12 billion, compared to 2022 and growing at an average pace of 6.1% per year over the last five years. More than 30 million Canadians are protected financially, representing a record number of policyholders, and $128 billion was paid in benefits in 2023, up 13% compared to 2022. This includes a record amount of $36.6 billion in health, prescription drug and dental benefits. Claims for mental health counselling continued to rise, more than doubling from 2019.
- **Competition in Canada:**
  - Wealth Management: The key industry players are the major banking groups, life and health insurance companies and investment fund manufacturers and their distribution networks, which are trying to outdo one another in order to win over clients and build their loyalty. For over 30 years, Desjardins has been one of the most committed players when it comes to promoting and advancing responsible investing in Canada by:
    - Offering an extensive line of responsible investing solutions on the market;
    - Ranking 2nd among mutual fund issuers and 4th among ETF issuers in responsible investing as at June 30, 2024.
  - Life and Health Insurance: Based on 2023 statistics, there are more than 150 insurers conducting business in Canada, with five insurers accounting for 75.5% of the market. Desjardins Financial Security Life Assurance Company ranks fifth in Canada, with direct premiums written of $7.0 billion in 2023.

2025 STRATEGIES AND PRIORITIES

The 2025 strategies and priorities of the Wealth Management and Life and Health Insurance segment form part of Desjardins Group's strategic orientations and aim to help Desjardins achieve its goal of being everyone's #1 choice, by always working in the best interests of members and clients. The strategic orientations of Desjardins Group, as presented in Section 1.4, "Strategic orientations and financial objectives," of this MD&A, are also the strategic orientations of the Wealth Management and Life and Health Insurance segment.

The segment's priorities for 2025 to 2027 regarding wealth management activities will seek to:
- Align the organization for optimal execution;
- Increase business development;
- Tighten execution to meet the current and future needs of members and clients;
- Accelerate modernization, digitization initiatives, and our use of data and analytics.

While the priorities for life and health insurance activities will seek to:
- Significantly enhance member and client experience;
- Stay the course on profitable growth;
- Accelerate use of data and analytics;
- Position Desjardins as a responsible insurer;
- Implement organizational transformation.

In order to strengthen its leadership in member and client experience, this segment can rely on the commitment of its managers, employees and distribution partners, who always strive to better meet the needs of members and clients by providing exemplary and distinctive quality service.

ANALYSIS OF FINANCIAL RESULTS

Table 13 – Wealth Management and Life and Health Insurance – Segment results
As at December 31 and for the years ended December 31

(in millions of dollars)	2024	2023[1]
Net interest income	**$ 231**	$ 205
Insurance service result		
Insurance revenue	**4,261**	3,944
Insurance service expenses	**(3,663)**	(3,296)
Net reinsurance service income (expenses)	**(8)**	(62)
	590	586
Net insurance finance result		
Net insurance investment income (loss)	**1,564**	2,397
Net insurance finance income (expenses)	**(1,238)**	(2,055)
Net reinsurance finance income (expenses)	**31**	72
	357	414
Net insurance service income	**947**	1,000
Other income	**2,616**	2,274
Total net revenue	**3,794**	3,479
Provision for credit losses	**4**	6
Non-interest expense		
Gross non-interest expense	**3,376**	3,114
Non-interest expense included in insurance service expenses[2]	**(327)**	(366)
Net non-interest expense	**3,049**	2,748
Income taxes on surplus earnings	**140**	124
Net surplus earnings for the year	**$ 601**	$ 601
Indicators		
Contractual service margin (CSM)[3]		
Total CSM[3][4]	**$ 2,585**	$ 2,595
CSM on new sales[3][5]	**70**	54
Net sales of savings products[6]	**5,422**	2,124
Insurance sales[6]	**558**	479
Group insurance premiums[6]	**4,067**	3,840
Individual insurance premiums[6]	**1,068**	1,015
Annuity premiums[6]	**1,085**	1,458
Segregated fund receipts[6]	**4,809**	3,900

(1) Data have been restated to conform with the current year's presentation.
(2) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result."
(3) Included under "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" in the Combined Balance Sheets. For further information, see Note 16, "Insurance and reinsurance contracts" to the Combined Financial Statements.
(4) Total CSM of $2,838 million ($2,813 million as at December 31, 2023) presented net of reinsurance for a total amount of $253 million ($218 million as at December 31, 2023).
(5) CSM on new insurance business totalling $68 million ($56 million as at December 31, 2023) presented net of reinsurance for a total amount of $(2) million ($2 million as at December 31, 2023).
(6) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

COMPARISON OF 2024 AND 2023

- **Net surplus earnings of $601 million,** stable compared to 2023. The increase in other income, due in particular to an increase in assets under management and under administration, was offset by the following:
  - Higher costs due to the increase in assets under management and under administration and administrative expenses, including spending on personnel.
  - Decrease in the net insurance finance result due to a lower gain on disposal of buildings than in 2023 and the decrease in the fair value of certain infrastructure investments, partly offset by the favourable impact of hedging the interest rate risk.

- **Net interest income of $231 million,** up $26 million, or 12.7%. This increase was mainly due to the following:
  - Increase in the interest margin on securities.
  - Volume growth due to the new Desjardins Investment Savings Account.
  - Offset by lower net interest income from Worldsource.

- **Insurance service result of $590 million,** up $4 million, or 0.7%, mainly due to the following:
  - Adjustment to the indexation assumption in individual insurance and group retirement savings.
  - Business growth in group insurance.
  - More favourable experience in credit and direct insurance, particularly in disability loan and life insurance.
  - Less unfavourable impact of new onerous contracts in group insurance and group retirement savings.

  This increase was offset in part by the following:
  - Overall unfavourable impact of updating actuarial assumptions.
  - Less favourable experience in group insurance, mainly for long-term disability and life coverage, partly offset by less unfavourable accident and health insurance coverage.

- **Net insurance finance result of $357 million,** down $57 million, or 13.8%, mainly due to the following:
  - Lower gain on disposal of buildings than in 2023.
  - Decrease in the fair value of certain infrastructure investments.
  - Offset by the favourable impact of hedging the interest rate risk.

- **Other income of $2,616 million,** up $342 million, or 15.0%, mainly due to the following:
  - Higher income from specialized networks due to increased assets under administration.
  - Higher income from increased assets under management compared to 2023.
  - Increase in income of $77 million related to operations acquired from Worldsource on March 1, 2023.
  - Gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.

- **Total net revenue of $3,794 million,** up $315 million, or 9.1%.

- **Gross non-interest expense of $3,376 million,** up $262 million, or 8.4%, owing primarily to the following:
  - Higher costs as a result of growth in assets under management and under administration.
  - $90 million increase in costs related to operations acquired from Worldsource on March 1, 2023.
  - Increase in spending on personnel.

  Note that a gross non-interest expense of $327 million was included under insurance service expenses, compared to $366 million in 2023.

Additional information for certain indicators:

- **Contractual service margin (CSM)**
  - Total CSM of $2,585 million as at December 31, 2024 compared to $2,595 million as at December 31, 2023. The slight decrease in total CSM was due to the following:
    - Effect of services rendered, which were mainly due to the creation of the CSM upon the transition to IFRS 17, "Insurance Contracts."
    - Adjustment to the indexation assumption in individual insurance and group retirement savings.

    This decline was partially offset by the following:
    - Favourable impact of new sales in individual insurance and group retirement savings.
    - Gains on guaranteed investment fund liabilities due to favourable economic conditions.
    - Overall favourable updating of actuarial assumptions.
    - Impact of accretion expenses.

- **Business growth**
  - Increase in net sales of savings products generated mainly by specialized networks and Worldsource subsidiaries, partly offset by lower net sales from group capital accumulation plans.
  - Increase in insurance sales, essentially from group insurance.
  - Growth in insurance premiums, mainly in group insurance.
  - Decrease in annuity premiums, mainly in group retirement savings, related to the addition of a large group in 2023.

2.2.3 Property and Casualty Insurance

PROFILE

The Property and Casualty (P&C) 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 offered in the Desjardins caisse network in Québec and at Caisse Desjardins Ontario Credit Union Inc. and the Desjardins Business centres, and are distributed through P&C insurance agents in a number of client care centres, as well as through an exclusive agent network, including over 450 agencies in Ontario, Alberta and New Brunswick. This exclusive agent network distributes P&C insurance and several other financial products. In addition, the insurance products offered by the newly acquired ICPEI are distributed by a network of independent brokers, mainly in Québec, Ontario, New Brunswick and Nova Scotia. The segment also offers advice and loss prevention services to members and clients to help them protect their assets and guard against the impact of weather and climate events. 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 The Personal banner.

SERVICES

- **Automobile insurance,** including motorcycle and recreational vehicle insurance:
  - Offers insurance coverage tailored to clients' specific needs and their vehicles' features;
  - Also includes the necessary coverage to obtain financial compensation for bodily injury in provinces where such coverage is not provided by a public plan.
- **Property insurance:**
  - Offers owners, co-owners and tenants insurance coverage to protect their physical property, with all-risk insurance coverage and optional coverages for primary and secondary residences.
- **Business insurance:**
  - Covers the insurance requirements for commercial vehicles, commercial property and public liability for businesses;
  - Service is provided to the following sectors, among others: service firms, retailers and wholesalers, garages, general or specialized contractors, offices, health care professionals, commercial buildings, condominiums and apartment buildings.

2024 ACHIEVEMENTS

- **Continued enhancement of the member and client experience as well as digital transformation,** in particular by:
  - Launch of the online "Add vehicle" transaction, performed 100% independently, for automobile insurance policyholders in Québec with a concrete improvement aimed at simplifying the member and client experience and promoting their empowerment.
  - Deployment of a new Ajusto dashboard in the insurance application. Policyholders can now more easily learn how to improve their driving habits and know the impact on their insurance premiums.
  - Improvement to online after-sales service and contribution to an enhanced financial empowerment of members and clients through new features such as:
    - The ability to see by insurance product (automobile or home) the type of payment as well as the display of an alert when a payment is late.
    - The option to make changes to insurance policies, even at the time of renewal.
  - Mobilization of the extended Desjardins group to respond, in just a few weeks, to the needs of members and clients following the two largest events in Desjardins's history of indemnification, with more than 40,000 claims.
- The segment continues to gradually deploy its **ESG approach** in all of its operations, in particular by:
  - Committing $3.2 million for the 2022-2024 period to support various organizations that encourage road safety in Québec and the rest of Canada [Parachute, Traffic Injury Research Foundation (TIRF), Arrive Alive, Operation Red Nose].
  - Continuing work to achieve the investment portfolio's carbon neutrality objectives for 2040 in the following three sectors: energy, transportation and real estate, as well as for 2050 for the entire portfolio (commitment to the global Business Ambition for 1.5°C initiative).
  - An ESG plan has been defined in support of the Group's plan, with six priorities:
    - Support members and clients during catastrophes and major events, raise their awareness of climate change and provide them with prevention advice so that they will be well protected.
    - Strengthen climate and catastrophe modelling to anticipate the impacts.
    - Manage the impacts on our results.
    - Take a leadership role in climate and catastrophe resilience.
    - Integrate ESG considerations into all our extended operations and investments.
    - Ensure regulatory compliance.
  - Collaboration with the Insurance Bureau of Canada and the federal government on the proposed development of a national flood insurance program, aimed at providing affordable flood insurance coverage for Canadian households located in high-risk areas and not currently covered by private insurers.
- **Acquisition of all the shares in ICPEI.** ICPEI is a Canadian insurer that offers personal and commercial insurance products exclusively through a network of brokers. The goals of this acquisition are to:
  - Meet the needs of business clients with more complex insurance requirements.
  - Consolidate the presence of Desjardins Group in P&C insurance, particularly in the area of business insurance, in order to strengthen its position across Canada.

INDUSTRY

- **Canadian market:**
  - The P&C insurance industry offers insurance coverage for motor vehicles, personal and commercial property, and public liability.
  - A mature market, with an average annual premium growth rate of 8.0% in the period from 2019 to 2023.
  - The segment has grown at a sustained rate of 8.2%, reaching $80.4 billion in direct premiums written in 2023. Profitability remains an important issue for the industry in general, and rates continue to increase in all the business lines.
  - Individual insurance accounts for 57.6% of the market, and business insurance, for 42.4%.
- **State of the industry in 2024:**
  - In automobile insurance, driving habits continued to normalize in 2024 and the frequency of claims fell slightly. Furthermore, the measures taken in 2024 to address vehicle theft were successful, leading to a notable decrease in the costs related to vehicle theft in Ontario and Québec compared to 2023. However, theft levels were still much higher than the historical averages.
  - Alberta has announced significant reforms to the automobile insurance system, including a transition to a no-fault claims model. These future changes are intended to reduce legal costs and improve care for accident victims.
  - The industry is being affected by weather events across Canada. In 2024, according to Catastrophe Indices and Quantification Inc. (CatIQ), catastrophic events caused insurable losses of $8.5 billion for the Canadian P&C insurance industry, such that 2024 was ranked 1st in terms of the size of extreme weather losses in Canada.

- **Industry trends:**
  - Operational excellence remains fundamental to the P&C insurance sector, especially when costs are under pressure.
  - Digitalization and systems modernization remain important for insurers, as the key players seek to derive a competitive advantage from their digital capabilities and mobile-focused functionalities.
  - Insurers are increasingly exploiting advanced analytics across the value chain to generate efficiencies, secure segmentation gains and improve the client experience.
  - Consolidation continues in the brokerage sector, led by insurers and investment funds.

2025 STRATEGY AND PRIORITIES

The Property and Casualty Insurance segment's strategies and priorities for 2025 fall within the scope of Desjardins Group's strategic orientations and aim to help the Group attain its goal of being everyone's #1 choice by constantly working in the best interests of members and clients. The strategic orientations of Desjardins Group, as presented in Section 1.4, "Strategic orientations and financial objectives," of this MD&A are also the strategic orientations of the Property and Casualty Insurance segment.

The segment's priorities from 2025 to 2027 will be to:
- Modernize its business systems to support its member- and client-centered developments;
- Carry out the omnichannel transformation to ensure the accessibility of online services and make members and clients more independent;
- Reduce operating risks and enhance the organization's agility;
- Accelerate growth in the various business lines in business insurance;
- Pursue our objective of becoming a Canadian leader in the field of advanced analytics by rolling out several models between 2025 and 2027, including in the area of claims and pricing;
- Implement ESG actions by supporting members and clients during catastrophes and major events, raising their awareness of climate change and providing prevention advice.

Achieving these objectives is based on the commitment of all directors, managers and employees, as well as on a comprehensive and integrated offer of high quality and accessible services, always in the interests of members and clients.

ANALYSIS OF FINANCIAL RESULTS

Table 14 – Property and Casualty Insurance – Segment results
For the years ended December 31

(in millions of dollars and as a percentage)	2024	2023
Insurance service result		
Insurance revenue	$ 7,425	$ 6,642
Insurance service expenses	(6,502)	(5,775)
Net reinsurance service income (expenses)	545	(67)
	1,468	800
Net insurance finance result		
Net insurance investment income (loss)	777	561
Net insurance finance income (expenses)	(415)	(343)
Net reinsurance finance income (expenses)	42	31
	404	249
Net insurance service income	1,872	1,049
Other income (loss)	16	(26)
Total net revenue	1,888	1,023
(Recovery of) provision for credit losses	(6)	5
Non-interest expense		
Gross non-interest expense	1,057	1,025
Non-interest expense included in insurance service expenses[(1)]	(644)	(651)
Net non-interest expense	413	374
Income taxes on surplus earnings	380	150
Net surplus earnings for the year	$ 1,101	$ 494
Of which:		
Group's share	$ 968	$ 423
Non-controlling interests' share	133	71
Indicators		
Direct premiums written[(2)]	$ 7,565	$ 6,856
Loss ratio[(3)(4)(5)]	64.6%	72.8%
Current year loss ratio[(3)(4)(5)]	66.1	75.1
Loss ratio related to catastrophes and major events[(3)(4)(5)]	7.8	3.6
Ratio of changes in prior year claims[(3)(4)(5)]	(9.3)	(5.9)
Expense ratio[(3)]	24.5	26.2
Ratio of losses on onerous contracts[(3)]	(0.4)	(0.9)
Combined ratio[(3)(4)(5)]	88.7	98.1
Discounted combined ratio[(3)]	84.4	93.0

(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 106 to 113.
(3) For further information about non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 3 to 5.
(4) Undiscounted ratio, therefore excluding the effect of discounting net liabilities for claims incurred.
(5) Data have been restated to conform with the current year's presentation.

COMPARISON OF 2024 AND 2023

- **Net surplus earnings of $1,101 million,** up $607 million, compared to 2023. The change was due to the following:
  - Increase in income from insurance activities.
  - More favourable impact of changes in prior year claims than in 2023.
  - Increase in the net insurance finance result.
  - Offset by higher claims expenses due to catastrophes and major events.

- **Insurance service result of $1,468 million,** up $668 million.
  - **Insurance revenue** of $7,425 million, up $783 million, or 11.8%. By including ceded insurance revenue of $362 million presented under "Net reinsurance service income (expenses)," the increase was $727 million, or 11.5%, mainly due to premium growth in automobile and property insurance as well as business arising from the acquisition of ICPEI.
  - **Insurance service expenses** of $6,502 million, up $727 million, or 12.6%. By including ceded insurance service expenses of $907 million presented under "Net reinsurance service income (expenses)," there was an increase of $59 million, or 1.1%, mainly due to the following:
    - Higher amortization of acquisition costs compared to 2023.
    - Less favourable effect of the loss component on onerous contracts than in 2023, mainly due to business insurance and automobile insurance.
    - Change in investment funds that benefited groups having signed agreements under the The Personal banner. It should be recalled that this change was offset by the results of these groups.

  - Offset by lower claims expenses compared to 2023 due to the following:
    - Impact arising from more favourable changes in prior year claims than in 2023, due to automobile and property insurance.
    - Claims expenses for the current year that were lower than those recorded in 2023 due to automobile, property and business insurance, and due in particular to a reduced frequency of claims, mitigated by additional business arising from the acquisition of ICPEI.
    - Partly offset by higher claims expenses for catastrophes and major events than in 2023. Fiscal 2024 was marked by two catastrophes and one major event, whereas fiscal 2023 was marked by eleven major events of smaller scope.

- **Net insurance finance result of $404 million**, up $155 million.
  - **Net insurance investment income** of $777 million, up $216 million. This increase was essentially due to the following:
    - Higher net gains on shares than in 2023.
    - Higher interest income on fixed income securities compared to 2023.
  - **Net insurance finance expense of $415 million,** up $72 million. By including net reinsurance finance income of $42 million ($31 million in 2023), the net insurance and reinsurance finance expenses totalled $373 million, compared to $312 million in 2023. The change was mainly due to the impact of a decrease in the discount rates used to value net liabilities for incurred claims, which were more unfavourable than in 2023.

- **Other revenue of $16 million,** compared to a loss of $26 million in 2023. The change was due to a decrease in the contingent consideration payable as part of the acquisition in 2015 of the Canadian operations of State Farm arising from unfavourable developments in claims taken over, compared with an increase recorded in 2023 as a result of the favourable developments in claims taken over.

- **Total net revenue of $1,888 million,** up $865 million.

- **Gross non-interest expense of $1,057 million,** up $32 million, or 3.1%. This increase was mainly due to the following:
  - Higher salary expenses due to salary indexation.
  - Gross non-interest expense incurred by ICPEI.

  Note that a gross non-interest expense of $644 million was included in insurance service expenses, compared to $651 million in 2023.

2.2.4 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 liquidity surpluses and the needs of the caisses. This category also includes the results for the support functions provided by the Federation to Desjardins Group, including: finance, including treasury; operations; risk management, including compliance; human resources; marketing, communications, cooperation and the President's Office; Desjardins Group Security Office; legal affairs, including governance; and the Office of Sustainable Development. It also includes all of Desjardins Group's IT operations. In addition to various adjustments required to prepare the Combined Financial Statements, intersegment balance eliminations are classified in this category.

Table 15 – Other category
For the years ended December 31

(in millions of dollars)	2024	2023[(1)]
Net interest income	**$ 106**	$ 39
Net insurance service income	**63**	8
Other income (loss)	**(868)**	(706)
Total net revenue (loss)	**(699)**	(659)
Provision for (recovery of) credit losses	**—**	(2)
Net non-interest expense	**(513)**	(736)
Income taxes on surplus earnings	**(121)**	(66)
Net surplus earnings (deficit) for the year	**$ (65)**	$ 145

(1) Data have been restated to conform with the current year's presentation.

COMPARISON OF 2024 AND 2023

- **Net deficit of $65 million,** compared to net surplus earnings of $145 million in 2023.
  - Concerning treasury activities, market rate fluctuations and changes in hedging positions had an overall favourable effect on net interest income and on net other investment income (loss) included under other income.
  - Non-interest expense included amounts invested for the continued implementation of Desjardins-wide strategic projects, which are aimed at creating innovative technological platforms, protecting privacy and improving business processes. 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.
  - Due to the activities and intersegment balance eliminations in the Other category, we believe that the comparability of the two years' results is limited.

2.3 Analysis of fourth quarter results and quarterly trends

Table 16 – Results for the previous eight quarters

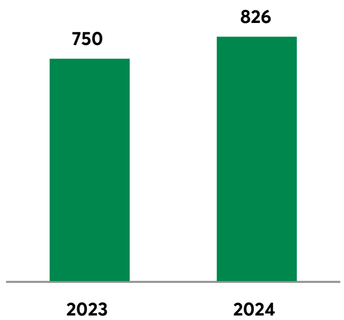
	2024				2023			
(unaudited, in millions of dollars and as a percentage)	**Q4**	Q3	Q2	Q1	Q4(1)	Q3(1)	Q2(1)	Q1(1)
Net interest income	**$ 1,962**	$ 1,915	$ 1,861	$ 1,733	$ 1,696	$ 1,716	$ 1,666	$ 1,541
Insurance service result								
Insurance revenue	**2,998**	2,945	2,829	2,752	2,718	2,656	2,562	2,493
Insurance service expenses	**(2,268)**	(3,168)	(2,182)	(2,351)	(2,093)	(2,245)	(2,238)	(2,358)
Net reinsurance service income (expenses)	**58**	493	(27)	8	(47)	(20)	(36)	(26)
	788	270	620	409	578	391	288	109
Net insurance finance result								
Net insurance investment income (loss)	**375**	1,560	467	(39)	3,005	(1,363)	249	1,080
Net insurance finance income (expenses)	**(309)**	(1,463)	(244)	375	(2,780)	1,479	(83)	(999)
Net reinsurance finance income (expenses)	**28**	57	14	(26)	115	(65)	11	42
	94	154	237	310	340	51	177	123
Net insurance service income	**882**	424	857	719	918	442	465	232
Other income								
Deposit and payment service charges	**138**	134	129	126	134	119	117	113
Lending fees and card service revenues	**278**	260	238	262	185	258	242	266
Brokerage and investment fund services	**367**	374	363	376	347	339	400	253
Management and custodial service fees	**261**	219	222	199	207	192	189	163
Other net investment income (loss)	**(101)**	(60)	(61)	17	(65)	(30)	41	(18)
Foreign exchange income	**80**	66	47	48	59	47	47	39
Other	**91**	53	97	84	57	50	72	78
	1,114	1,046	1,035	1,112	924	975	1,108	894
Total net revenue	**3,958**	3,385	3,753	3,564	3,538	3,133	3,239	2,667
Provision for credit losses	**272**	105	87	133	231	127	66	105
Non-interest expense								
Gross non-interest expense	**2,868**	2,524	2,697	2,556	2,749	2,443	2,680	2,345
Non-interest expense included in insurance service expenses(2)	**(209)**	(235)	(250)	(245)	(250)	(240)	(246)	(249)
Net non-interest expense	**2,659**	2,289	2,447	2,311	2,499	2,203	2,434	2,096
Income taxes on surplus earnings	**201**	234	301	265	58	189	186	124
Surplus earnings before member dividends	**826**	757	918	855	750	614	553	342
Member dividends, net of tax recovery	**84**	82	81	81	68	78	80	78
Net surplus earnings for the period after member dividends	**$ 742**	$ 675	$ 837	$ 774	$ 682	$ 536	$ 473	$ 264
Of which:								
Group's share	**689**	664	802	740	641	520	462	261
Non-controlling interests' share	**53**	11	35	34	41	16	11	3
Total assets	**$ 470,942**	$ 464,677	$ 444,348	$ 435,819	$ 422,940	$ 414,056	$ 409,558	$ 398,604
Indicators								
Return on equity(3)	**8.2%**	8.1%	10.2%	9.8%	8.6%	7.4%	6.8%	4.3%
Tier 1A capital ratio(4)	**22.2**	21.9	21.2	21.0	20.4	20.8	20.9	19.9
Total capital ratio(4)	**24.2**	24.0	23.2	22.0	21.9	22.3	22.4	21.4

(1) Data have been restated to conform with the current year's presentation.
(2) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result."
(3) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.
(4) In accordance with the *Capital Adequacy Guideline* issued by the AMF, see Section 3.2 "Capital management."

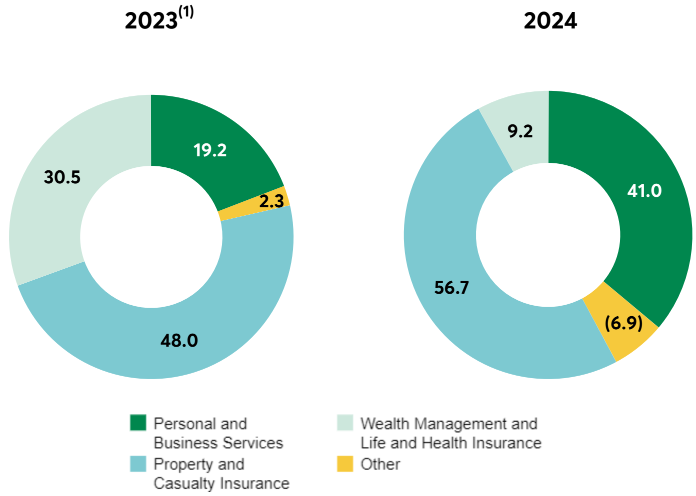
FOURTH QUARTER RESULTS

For the fourth quarter of 2024, Desjardins Group posted surplus earnings before member dividends of $826 million, up $76 million, or 10.1%, compared to the same period in 2023.

Surplus earnings before member dividends
(in millions of dollars)



Segment contributions to surplus earnings before member dividends
(as a percentage)



- **Contribution of business segments to surplus earnings:**
  - Personal and Business Services: **Surplus earnings of $339 million,** up $195 million, compared to the same period in 2023, primarily due to the following:
    - Increase in net interest income.
    - Increase in other income from credit card payment activities.
  - Wealth Management and Life and Health Insurance: **Surplus earnings of $76 million,** down $153 million, compared to the fourth quarter of 2023. The change was due to the following:
    - Decrease in the net insurance finance result due to a gain on disposal of buildings realized in the fourth quarter of 2023.
    - Higher costs due to growth in assets under management and under administration.

    This decrease was partially offset by the following:
    - Increase in other income, due in particular to the increase in assets under management and under administration.
    - Increase in the insurance service result, mainly due to the less unfavourable impact of new onerous contracts compared to the fourth quarter of 2023.
  - Property and Casualty Insurance: **Surplus earnings of $468 million,** up $108 million, compared to the fourth quarter of 2023, due to the increase in insurance revenue. This increase was partially offset by the following:
    - Less favourable effect of the loss component on onerous contracts than that observed in the comparative period of 2023.
    - Decrease in the net insurance finance result.

- **Return on equity of 8.2%,** compared to 8.6% for the fourth quarter of 2023.

- **Net interest income of $1,962 million,** up $266 million, or 15.7%, compared to the same quarter in 2023. This increase was primarily due to the following:
  - Growth in average business loans outstanding and residential mortgages, partly offset by the increase in outstanding deposits.
  - Widening of net interest margins.

- **Net insurance service income of $882 million**[2]**,** down $36 million, or 3.9%, compared to the fourth quarter of 2023. 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 $142 million, up $19 million, or 15.4%, mainly due to the following:
      - Less unfavourable effect of new onerous contracts in group insurance.
      - Overall favourable effect of the updating of actuarial assumptions.
      - Partly offset by a less favourable experience in individual insurance.

    - Net insurance finance result of $25 million, down $168 million, mainly due to the gain on disposal of buildings in the fourth quarter of 2023.

(1) Data have been restated to conform with the current period's presentation.
(2) The difference between this result and the sum of business segment results is due to intersegment transactions, which are eliminated in the Other category.

- Property and Casualty Insurance segment:
  - Insurance service result of $633 million, up $168 million, or 36.1%.
    - Insurance revenue of $1,967 million, up $228 million, or 13.1%. Including ceded insurance service income of $98 million, presented under "Net reinsurance service income (expenses)," resulted in an increase of $218 million, or 13.2%, mainly due to premium growth in automobile and property insurance to business resulting from the acquisition of ICPEI.
    - Insurance service expenses of $1,399 million, up $149 million, or 11.9%. Including ceded insurance service expenses of $163 million, presented under "Net reinsurance service income (expenses)," resulted in an increase of $50 million, or 4.2%, primarily due to the less favourable effect of the loss component on onerous contracts compared to that recorded in 2023.
  - Net insurance finance result of $79 million, down $36 million, or 31.3%.
    - Net insurance investment income of $144 million, down $203 million, compared to the corresponding quarter. This change is largely the result of the following:
      - Negative change in the fair value of matched bonds compared to a positive change in the corresponding quarter of 2023, due in particular to the effect of higher market interest rates in the fourth quarter of 2024, compared with a decrease in the corresponding quarter of 2023.
      - Lower net gains on common shares compared to the corresponding quarter of 2023.
    - Net insurance finance expenses of $79 million, compared with $254 million in the corresponding quarter of 2023. Including net reinsurance finance income of $14 million ($22 million in the corresponding quarter), net insurance and reinsurance finance expenses were $65 million, compared with $232 million in the corresponding quarter. This change was due to the favourable impact of higher discount rates used to measure net liabilities for incurred claims, whereas rates declined in the corresponding quarter of 2023.

- **Other income rose to $1,114 million,** up $190 million, or 20.6%, compared to the fourth quarter of 2023, due to the following:
  - Higher income from credit card payment activities.
  - Growth in income related to increased assets under management and under administration.

- **Total net revenue of $3,958 million,** up $420 million, or 11.9%, compared to that which had been recorded for the same period in 2023.

- **Provision for credit losses of $272 million,** compared to $231 million for the same period in 2023. The provision for the fourth quarter of 2024 reflects a migration in credit quality and the impact of the updating of unfavourable forward-looking information, particularly in business loans due to uncertainties related to trade policies. The provision for the three-month period ended December 31, 2024 also reflects stable net write-offs compared to the corresponding quarter of 2023, and which have returned to pre-pandemic levels.

  Desjardins Group continued to have a high-quality loan portfolio in 2024.
  - Ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.81%, compared to 0.74% as at December 31, 2023. This increase was due to a rise in the volume of gross impaired loans, mainly in the business loan portfolios.

- **Gross non-interest expense of $2,868 million,** up $119 million, or 4.3%, compared to the fourth quarter of 2023, mainly due to wage indexation and higher fees and commissions.

- **Income taxes on surplus earnings after member dividends of $178 million,** up $143 million compared to the corresponding period in 2023.
  - Effective tax rate on surplus earnings after member dividends(1) of 19.3% for the quarter ended of December 31, 2024, up from 4.9% for the same period of 2023, mainly due to the following:
    - Lower non-taxable investment income compared to the fourth quarter of 2023.
    - Increase in surplus earnings after member dividends for which the applicable tax rate is 26.5%.

QUARTERLY TRENDS

Quarterly income, expenses and surplus earnings before member dividends are affected by certain trends, including seasonal variations, and by changes in general economic conditions and the financial markets. In addition, 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 makes the quarterly results more volatile compared to past quarterly results.

The results for Desjardins Group's most recent eight quarters were affected by developments in the global, U.S., Canadian and Québec economies as well as by inflation, with an expected rise in Canadian and Québec real GDP of 1.3% in 2024, compared to increases of 1.5% and 0.6%, respectively, recorded for 2023. Canada's key interest rate was subject to successive hikes until July 2023 when it peaked at 5.0%. It began to subside in June 2024 and ended the year at 3.25%. Lastly, changes in actuarial assumptions as well as loss experience and weather conditions may also cause significant variations between quarters. Two catastrophes and one major event were recorded in fiscal 2024, compared to no catastrophes and eleven major events in 2023.

- **Net interest income – 2024 quarters up when compared to 2023 quarters.**
  - Growth in average loans outstanding, mainly business loans and residential mortgages, partly offset by an increase in average outstanding deposits.
  - Higher interest rates on the loan portfolio, mitigated by the increase in the interest expense on deposits.

(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

- **Net insurance service income – Quarterly fluctuations.**
  - **Wealth Management and Life and Health Insurance:**
    - Favourable insurance service results over the last eight quarters:
      - Business growth in group insurance and in credit and direct insurance.
      - Favourable experience in credit and direct insurance and a less favourable experience in group insurance.
      - Favourable adjustment to the indexation assumption in individual insurance and group retirement savings in the second quarter of 2024.
      - Overall unfavourable effect of the updating of actuarial assumptions in 2024, mainly due to group retirement savings, partly offset by credit and direct insurance.
      - Less unfavourable impact of new onerous contracts in group insurance.
    - Favourable net insurance finance result over the last eight quarters:
      - Overall favourable impact of hedging the interest rate risk compared to 2023.
      - Negative change in the fair value of certain infrastructure investments in the third quarter of 2024.
      - Higher gain on disposal of buildings in the fourth quarter of 2023 than in the second quarter of 2024.
      - Favourable adjustment made to liability discount curve parameters in the second quarter of 2023.

  - **Property and Casualty Insurance:**
    - Upward trend in insurance revenue over the last eight quarters.
    - Higher current year claims expenses for the first three quarters of 2024, while a decrease was recorded for the third and fourth quarters of 2023.
    - Favourable trend in prior-year automobile insurance claims over the last eight quarters that was considerably stronger in the third quarter of 2024 and the second quarters of 2024 and 2023.
    - Impacts of catastrophes and major events over the last eight quarters:
      - Torrential rainfall in Québec, hail in Alberta and water and wind damage in Ontario in the third quarter of 2024;
      - Wind and water damage in Québec and Ontario in the third quarter of 2023;
      - An ice storm in Québec and Ontario in the second quarter of 2023.
    - Favourable effect of the loss component on onerous contracts in automobile insurance for most quarters, but more significantly favourable in the fourth quarters of 2024 and 2023, while the effect was unfavourable for the first quarter of 2024 and for the first and second quarters of 2023.
    - Favourable net insurance finance result for the last eight quarters, but more significantly favourable in the first quarter of 2024, mainly due to net gains on shares.

- **Other income – 2024 quarters up when compared to 2023 quarters, with the exception of the second quarter of 2024.**
  - Increase in income related to operations acquired from Worldsource on March 1, 2023.
  - Higher income related to growth in assets under management and under administration.
  - Increase in income related to the good performance of capital markets.
  - Gain on disposal of the investment in Fiera Holdings Inc. and Fiera Capital LP in the second quarter of 2024.
  - Increase in income from credit card payment activities.
  - Unfavourable effect of changes in market rates and changes in hedging positions on net other investment income (loss) in the second quarter of 2024.

- **Provision for credit losses – 2024 quarters up when compared to 2023 quarters, except for third quarter 2024.**
  - Unfavourable effect of the updating of forward-looking information for the business loan portfolios in the fourth quarter of 2024 and favourable effect in the first quarter of 2024 and in the first and second quarters of 2023.
  - Favourable effect of the updating of forward-looking information for the credit card portfolios in the third quarter of 2024 and in the first quarters of 2024 and 2023.
  - Unfavourable effect of changes made to methodology in the first quarter of 2024 for the credit card portfolios and in the first quarter of 2023 for the business loan portfolios.
  - Unfavourable migration of the credit quality of business loan portfolios in the fourth and third quarters of 2024 and in the fourth quarter of 2023 and favourable migration in the second quarter of 2024.
  - Increased net write-offs for the first three quarters of 2024 compared to the corresponding quarters of 2023, which are now back to pre-pandemic levels.
  - Ratio of gross credit-impaired loans, as a percentage of the total portfolio of gross loans and acceptances, up for the 2024 quarters compared to the 2023 quarters. Desjardins Group has nevertheless continued to have a high-quality loan portfolio.

- **Gross non-interest expense – Limited growth when 2024 and 2023 quarters are compared, due to the measures taken to improve efficiency and effectiveness.**
  - Increase in expenses related to operations acquired from Worldsource on March 1, 2023.
  - Wage indexation and increased spending on technology.
  - Higher costs related to the growth of assets under management and under administration.

3.0 Balance sheet review

3.1 Balance sheet management

Table 17 – Combined Balance Sheets
As at December 31

(in millions of dollars and as a percentage)	2024		2023	
Assets				
Cash and deposits with financial institutions	**$ 5,977**	**1.3%**	$ 8,987	2.1%
Securities	**99,308**	**21.1**	88,365	20.9
Securities borrowed or purchased under reverse repurchase agreements	**23,666**	**5.0**	13,678	3.2
Loans, net of allowance for credit losses	**289,597**	**61.5**	265,935	62.9
Segregated fund net assets	**28,959**	**6.1**	24,754	5.9
Derivative financial instruments	**7,579**	**1.6**	5,861	1.4
Other assets	**15,856**	**3.4**	15,360	3.6
Total assets	**$ 470,942**	**100.0%**	$ 422,940	100.0%
Liabilities and equity				
Deposits	**$ 300,946**	**64.0%**	$ 279,329	66.1%
Insurance contract liabilities	**34,538**	**7.3**	32,961	7.8
Commitments related to securities sold short	**13,249**	**2.8**	11,686	2.8
Commitments related to securities lent or sold under repurchase agreements	**20,633**	**4.4**	12,032	2.8
Derivative financial instruments	**6,112**	**1.3**	6,626	1.6
Segregated fund net liabilities – Investment contracts	**25,329**	**5.4**	21,233	5.0
Other liabilities	**27,483**	**5.8**	21,729	5.1
Subordinated notes	**3,962**	**0.8**	2,954	0.7
Equity	**38,690**	**8.2**	34,390	8.1
Total liabilities and equity	**$ 470,942**	**100.0%**	$ 422,940	100.0%

ASSETS

As at December 31, 2024, Desjardins Group's total assets stood at $470.9 billion, up $48.0 billion, or 11.3%, since December 31, 2023.

Cash and deposits with financial institutions decreased by $3.0 billion, or 33.5% and securities, including those borrowed or purchased under reverse repurchase agreements, increased by $20.9 billion, or 20.5%, reflecting cash management activities.

Desjardins Group's outstanding loan portfolio, net of the allowance for credit losses, grew by $23.7 billion, or 8.9%, mainly due to residential mortgages which increased by $14.1 billion, or 8.5%. Business and government loans have risen by $9.3 billion, or 12.1% since December 31, 2023. Outstanding consumer, credit card and other personal loans are up $0.4 billion, or 1.8%, since the end of 2023.

Information on the quality of Desjardins Group's loan portfolio is presented in Section 4.2, "Risk management," on pages 70 to 73 of this MD&A.

Segregated fund net assets were up $4.2 billion, or 17.0%, on account of the increase in the fair value of the portfolio as a result of financial market developments.

Derivative financial instrument assets rose by $1.7 billion, or 29.3%, owing primarily to the effect of exchange rate fluctuations and financial market developments.

Other assets increased by $0.5 billion, or 3.2%, driven mainly by higher net assets under defined benefit plans.

LIABILITIES

Desjardins Group's total liabilities amounted to $432.3 billion as at December 31, 2024, up $43.7 billion, or 11.2%, since December 31, 2023.

Outstanding deposits grew by $21.6 billion, or 7.7%. The increase in business and government deposits, which accounted for 46.3% of the total deposit portfolio, was largely responsible for this growth. These outstanding deposits were up $12.0 billion, or 9.4%, owing in particular to various securities issued in Canadian, U.S. and international markets, and growth in business member deposits in the caisse network. Outstanding personal deposits, which accounted for 53.7% of the total deposit portfolio, were up $10.0 billion, or 6.6%, mainly as a result of growth in member deposits at the caisses. Deposits from deposit institutions are down $0.3 billion since the end of 2023.

Desjardins Group's insurance contract liabilities rose by $1.6 billion, or 4.8%, primarily on account of the change in liabilities as a result of life and health insurance operations.

Commitments related to securities sold short and lent or sold under repurchase agreements rose by $10.2 billion, or 42.9%, to a volume of $33.9 billion.

Derivative financial instrument liabilities were down by $0.5 billion, or 7.8%, owing primarily to the effect of exchange rate fluctuations.

Segregated fund net liabilities were up by $4.1 billion, or 19.3%, on account of the increase in the fair value of the portfolio due to financial market developments.

Other liabilities grew by $5.8 billion, or 26.5%, owing primarily to higher amounts payable to clients, brokers and financial institutions.

Subordinated notes increased by $1.0 billion, or 34.1%, following an issue of $1.0 billion in Non-Viability Contingent Capital (NVCC)-eligible notes under the Canadian NVCC Subordinated Notes Program on May 15, 2024.

EQUITY

Equity has increased by $4.3 billion, or 12.5%, since December 31, 2023, due to net surplus earnings for the year after member dividends of $3.0 billion and a $1.7 billion rise in other comprehensive income.

Information about income taxes on member dividends, remuneration and dividends is presented in the table below.

Table 18 – Information about member dividends, remuneration and dividends
For the years ended December 31

(in millions of dollars)	**2024**	2023	2022
Member dividends	**$ 437**	$ 412	$ 403
Remuneration on F capital shares	**266**	293	262
Dividends	**157**	56	80
	$ 860	$ 761	$ 745

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

3.2 Capital management

Capital management is crucial to the financial management of Desjardins Group with an objective to ensure the financial soundness and sustainability of the Desjardins Cooperative Group. To help safeguard a capital level and structure that maintains the confidence of members and clients and optimizes financial capital costs, the organization has a target capital structure that takes into account the banking industry regulatory requirements, Desjardins Group's objectives for maintaining its credit ratings and the risk profiles of the organization and its components. The target structure is subject to change and updated annually by the Federation's Board of Directors based on changes in the above factors.

Desjardins Group's Integrated Capital Management Framework

Broadly speaking, Desjardins Group's Integrated Capital Management Framework includes the policies and processes required to set capitalization targets, to establish strategies to ensure that targets are met, to quickly raise capital, to ensure that the components contribute appropriately to capitalization, and to optimize internal capital flow and utilization procedures. The key principles and components of the target capital structure are set out in Desjardins Group's capital management policy.

Desjardins Group's capital management is the responsibility of the Federation's Board of Directors. To support it with this task, it has mandated the Management Committee, through the Desjardins Group Finance and Risk Management Committee, to ensure that Desjardins Group maintains an adequate level of capital. The Finance Executive Division is responsible for preparing a capitalization plan on an annual basis to forecast capital trends, devise strategies and recommend action plans for achieving the target capital structure.

Desjardins Group has developed a stress-testing program aimed at establishing and measuring the effect of various integrated scenarios, i.e. to simulate various economic scenarios and to assess their financial and regulatory repercussions, as well as any impacts on regulatory ratios. This process makes it possible to determine if the level of capital is adequate in view of the risks to which Desjardins Group is exposed. In addition, each year, Desjardins Group carries out a comprehensive assessment of the significant risks to which it is exposed. This assessment, combined with the stress-testing program, feeds into the organization's risk profile assessment.

Each year, through the Internal Capital Adequacy Assessment Program (ICAAP), Desjardins Group ensures that the level of capital is appropriate to meet regulatory requirements, absorb shocks caused by a stress event, cover all significant risks and maintain high credit ratings with credit rating agencies. Additional information on the ICAAP and the stress-testing program is presented in Section 4.2, "Risk management."

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 and meet its targets.

Regulatory framework

Desjardins Group's regulatory capital ratios are calculated in accordance with the *Capital Adequacy Guideline* issued by the AMF and applicable, in particular, to financial services cooperatives. The Guideline takes into account the global regulatory framework for more resilient banks and banking systems (Basel III) issued by the Bank for International Settlements.

In accordance with the applicable regulatory 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 – Life and Health Insurance* issued by the AMF. The property and casualty insurance subsidiaries under provincial jurisdiction must comply with the *Guideline on Capital Adequacy Requirements – Property and Casual Insurance* issued by the AMF. The property and casualty insurance subsidiaries under federal jurisdiction must comply with the *OSFI's Minimum Capital Test – Guideline* for property and casualty insurance companies.

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 Desjardins Group 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 *Capital Adequacy Requirements Guideline – Life and Health Insurance.*

In addition, 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* issued by the AMF.

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

Table 19 – 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 ratio as at December 31, 2024
Tier 1A capital ratio[(3)]	> 4.5%	2.5%	> 7.0%	1.0%	> 8.0%	**22.2%**
Tier 1 capital ratio[(3)]	> 6.0	2.5	> 8.5	1.0	> 9.5	**22.2**
Total capital ratio[(3)]	> 8.0	2.5	> 10.5	1.0	> 11.5	**24.2**
TLAC ratio[(4)]	> 21.5	N/A	> 21.5	N/A	> 21.5	**32.9**
Leverage ratio[(5)]	> 3.0	N/A	> 3.0	0.5	> 3.5	**7.6**
TLAC leverage ratio[(6)]	> 6.75	N/A	> 6.75	N/A	> 6.75	**11.2**

(1) Supplement 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, 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 Basel Committee on Banking Supervision (BCBS) and to assess their impact on the capital ratios and the leverage ratio.

In February 2025, the AMF issued a new revision of the *Capital Adequacy Guideline* proposing, in particular, changes to the principles for Non-Viability Contingent Capital-eligible instruments as well as concordance and clarification changes. These changes are effective retroactively to January 1, 2025. No significant impact on Desjardins Group's regulatory capital ratios is anticipated.

The "Regulatory environment" section presents additional details on regulation as it affects all Desjardins Group operations. In addition, this section contains information on the internal recapitalization (bail-in) regime applicable to Desjardins.

Compliance with requirements

As at December 31, 2024, the Tier 1A, Tier 1 and total capital ratios of Desjardins Group, calculated in accordance with Basel III requirements, were 22.2%, 22.2% and 24.2%, respectively. The leverage ratio was 7.6%.

As at December 31, 2024, the Tier 1A capital ratio was up 175 basis points, compared to December 31, 2023, owing primarily to increases in reserves and surplus earnings for the year.

The TLAC ratio and the TLAC leverage ratio were 32.9% and 11.2%, respectively, as at December 31, 2024.

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 December 31, 2024.

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 year.

Table 20 – Main capital components and other TLAC instruments

	Regulatory capital and other TLAC instruments			
	Total capital			Other TLAC instruments
	Tier 1 capital		Tier 2 capital	
	Tier 1A[1]	Tier 1B[1]		
Eligible items	• Reserves and undistributed surplus earnings • Eligible accumulated other comprehensive income • F capital shares	• Non-controlling interests[2]	• Eligible portion of allowance for credit losses • NVCC subordinated notes[3] • Eligible qualifying shares	• TLAC senior notes
Regulatory adjustments	• 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			
Deductions	• Mainly significant investments in financial entities[4]	• Investment in preferred shares of a component deconsolidated for regulatory capital purposes	• Investment in preferred shares of a component deconsolidated for regulatory capital purposes • Subordinated financial instrument	

(1) The Tier 1A and Tier 1B ratios are the equivalent of the financial institutions' CET1 and AT1 ratios for financial services cooperatives regulated by the AMF.
(2) The amount of non-controlling interests is determined, in particular, based on the nature of the operations and the capitalization level of the investee.
(3) These notes meet the Non-Viability Contingent Capital (NVCC) requirements of the *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) 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%.

Table 21 – Regulatory capital and other TLAC instruments
As at December 31

(in millions of dollars and as a percentage)	2024	2023
Tier 1A capital		
F capital shares[(1)]	**$ 4,789**	$ 4,889
Reserves and undistributed surplus earnings	**32,783**	29,362
Eligible accumulated other comprehensive income	**256**	(708)
Deductions[(2)]	**(4,671)**	(4,865)
Total Tier 1A capital	**33,157**	28,678
Total Tier 1 capital[(3)]	**33,157**	28,678
Tier 2 capital		
Eligible instruments[(4)]	**3,989**	2,981
Eligible portion of allowance for credit losses	**99**	62
Deductions	**(976)**	(976)
Total Tier 2 capital	**3,112**	2,067
Total regulatory capital (Tiers 1 and 2)	**$ 36,269**	$ 30,745
Total regulatory capital for TLAC purposes[(5)]	**$ 35,328**	$ 29,845
TLAC senior notes	**12,469**	10,292
Total loss absorbing capacity (TLAC) available	**47,797**	40,137
Risk-weighted assets and leverage ratio exposures		
Risk-weighted assets	**149,621**	140,481
Risk-weighted assets for TLAC purposes[(5)]	**145,372**	136,311
Leverage ratio exposure	**434,089**	390,563
TLAC leverage ratio exposure[(5)]	**427,337**	383,474
Ratios		
Tier 1A capital ratio	**22.2%**	20.4%
Tier 1 capital ratio	**22.2**	20.4
Total capital ratio	**24.2**	21.9
TLAC ratio[(5)]	**32.9**	29.4
Leverage ratio	**7.6**	7.3
TLAC leverage ratio[(5)]	**11.2**	10.5

(1) Including capital shares held in the Trust Fund of the Federation.
(2) Deductions from Tier 1A consist of regulatory adjustments ($567 million, $2,371 million in 2023), significant investments ($3,958 million, $2,379 million in 2023) and items that could not be deducted from Tiers 1B and 2 because of insufficient capital in these tiers ($146 million, $115 million in 2023). The latter include contractual service margins reported as a liability in the financial statements of Desjardins Group's insurance subsidiaries. This is a new requirement of the *Capital Adequacy Guideline* as of January 1, 2024.
(3) No Tier 1B capital instrument has been issued to date.
(4) Corresponds to eligible qualifying shares and NVCC subordinated notes. For further information, see Note 19, "Subordinated notes," of the Combined Financial Statements and "Template CCA – Main features of regulatory capital instruments and other TLAC-eligible instruments" in the Pillar 3 Report.
(5) Data calculated at the resolution group level, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.

The Federation is able to issue eligible instruments as NVCC on Canadian, U.S. and international markets. Since this program was implemented, it has carried out issues of such securities for a total of $4.0 billion as at December 31, 2024. As a result, 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, to meet the minimum requirements for a total of $12.5 billion as at December 31, 2024.

On December 12, 2024, the Board of Directors approved an interest payment of $266 million to holders of F capital shares.

Table 22 – Change in regulatory capital and other TLAC instruments
For the years ended December 31

(in millions of dollars)	2024	2023
Tier 1A capital		
Balance at beginning of year	**$ 28,678**	$ 28,156
Increase in reserves and undistributed surplus earnings[1]	**3,421**	456
Eligible accumulated other comprehensive income	**964**	1,446
F capital shares[2]	**(100)**	—
Deductions[3]	**194**	(1,380)
Balance at end of year	**33,157**	28,678
Total Tier 1 capital[4]	**33,157**	28,678
Tier 2 capital		
Balance at beginning of year	**2,067**	2,289
Eligible instruments	**1,008**	27
Eligible portion of allowance for credit losses	**37**	(99)
Deductions	**—**	(150)
Balance at end of year	**3,112**	2,067
Total capital	**$ 36,269**	$ 30,745
Total regulatory capital for TLAC purposes[5]	**$ 35,328**	$ 29,845
Other TLAC instruments		
Balance at beginning of the year	**10,292**	9,179
TLAC senior notes	**2,177**	1,113
Balance at end of year	**12,469**	10,292
Total loss absorbing capacity (TLAC) available[5]	**$ 47,797**	$ 40,137

(1) Amount including the change in defined benefit pension plans.
(2) On April 29, 2024, the Federation redeemed for cancellation 10 million F capital shares held in the Trust Fund.
(3) Include contractual service margins reported as a liability in the financial statements of Desjardins Group's insurance subsidiaries. This is a new requirement of the *Capital Adequacy Guideline* as of January 1, 2024.
(4) No Tier 1B capital instrument has been issued to date.
(5) Data calculated at the resolution group level, 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

- On January 1, 2024, Desjardins Group adopted a revised standardized approach framework for the calculation of market risk RWA in accordance with the requirements of the updated *Capital Adequacy Guideline* in connection with the Basel III regulatory reforms. The internal models approach is no longer used.

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 ratio, as specified in the AMF's *Capital Adequacy Guideline*.

As indicated in the following table, risk-weighted assets totalled $149.6 billion as at December 31, 2024. Of this amount, $121.8 billion was for credit risk, $4.9 billion for market risk and $22.9 billion for operational risk. As at December 31, 2023, risk-weighted assets stood at $140.5 billion.

Table 23 – Risk-weighted assets

(in millions of dollars and as a percentage)	Internal Ratings-Based Approach		Standardized Approach		Total as at December 31, 2024				Total as at December 31, 2023
	Exposures (1)	Risk-weighted assets	Exposures (1)	Risk-weighted assets	Exposures (1)	Risk-weighted assets	Capital requirements (2)	Average risk weighting rate	Risk-weighted assets
Credit risk other than counterparty risk									
Sovereign borrowers	$ 99,909	$ 7,154	$ 6,119	$ —	$106,028	$ 7,154	$ 573	6.7%	$ 6,934
Non-central government public sector entities	—	—	8,989	1,798	8,989	1,798	144	20.0	1,715
Financial institutions	5,731	1,340	2,491	1,016	8,222	2,356	188	28.6	3,050
Businesses	38,203	20,864	15,938	14,449	54,141	35,313	2,826	65.2	32,702
Securitizations	—	—	48	284	48	284	23	596.4	326
Equities	—	—	831	1,854	831	1,854	148	223.2	843
SMEs similar to other retail client exposures	10,294	5,969	304	232	10,598	6,201	496	58.5	5,420
Real estate	178,077	28,276	5,551	3,932	183,628	32,208	2,577	17.5	31,042
Other retail client exposures (excluding SMEs)	21,714	6,122	877	208	22,591	6,330	506	28.0	7,655
Qualifying revolving retail client exposures	15,236	4,263	1,495	1,126	16,731	5,389	431	32.2	4,379
Subtotal – Credit risk other than counterparty risk	369,164	73,988	42,643	24,899	411,807	98,887	7,912	24.0	94,066
Counterparty risk									
Sovereign borrowers	2	—	—	—	2	—	—	—	—
Financial institutions	5,345	1,701	28	6	5,373	1,707	137	31.8	1,251
Businesses	1	1	314	296	315	297	24	94.5	535
Trading portfolio	1,462	1,103	1,096	1,074	2,558	2,177	174	85.1	1,473
Credit valuation adjustment (CVA) charge(3)	—	—	—	2,715	—	2,715	217	—	3,233
Additional requirements for banking and trading portfolio	—	—	495	19	495	19	1	3.8	16
Subtotal – Counterparty risk	6,810	2,805	1,933	4,110	8,743	6,915	553	79.1	6,508
Other assets(4)	—	—	—	—	26,397	16,043	1,283	60.8	14,739
Total credit risk	375,974	76,793	44,576	29,009	446,947	121,845	9,748	27.3	115,313
Market risk(3)	—	—	—	4,901	—	4,901	392	—	2,881
Operational risk	—	—	—	22,875	—	22,875	1,830	—	22,287
Total risk-weighted assets	$ 375,974	$ 76,793	$ 44,576	$ 56,785	$446,947	$149,621	$ 11,970	33.5%	$ 140,481

(1) Net exposures after credit risk mitigation (net of loss allowance for expected credit losses on credit-impaired loans other than retail clients, except for credit card loans, using the Standardized Approach, excluding those using the Internal Ratings-Based Approach, according to the *Capital Adequacy Guideline*).
(2) The capital requirement is 8% of risk-weighted assets.
(3) Data as at December 31, 2024, reflect the provisions relating to the revised market risk and credit valuation adjustment (CVA) risk frameworks arising from the Basel III regulatory reforms. These provisions became effective on January 1, 2024. Comparative data have not been restated.
(4) This item includes, in particular, the portion of investments below a certain threshold in components deconsolidated for regulatory capital purposes (mainly Desjardins General Insurance Group Inc. and Desjardins Financial Security Life Insurance Company), which is weighted at 250%. In addition, this category excludes the CVA charge and additional requirements related to the banking and trading portfolio, which are disclosed in the counterparty credit risk section.

Movements in risk-weighted assets

In credit risk, fluctuations in RWA for 2024 were segmented into two items, namely credit risk other than counterparty risk and counterparty risk.

- In credit risk other than counterparty risk, the $6.1 billion net increase in RWA was chiefly due to:
  - Growth in portfolio size, which resulted in a $9.0 billion increase in RWA.
  - Changes in exchange rates, resulting in a $1.3 billion increase in RWA.
  - Update of models resulting in a $0.3 billion increase in RWA.
  - Changes in portfolio quality, generating a $2.6 billion decrease in RWA.
  - Changes in policies and procedures resulting in an $1.9 billion decrease in RWA.
- For counterparty risk, a $0.4 billion increase in RWA resulted primarily from changes in portfolio quality and size, partially offset by changes in policies and procedures.

In market risk, a $2.0 billion increase in RWA was observed, mainly due to a fluctuation in risk levels.

In operational risk, a $0.6 billion increase in RWA resulted from fluctuations in revenue generated, partially offset by changes in methods and policies.

Table 24 – Change in risk-weighted assets[1]
As at December 31

(in millions of dollars)	2024 Credit risk other than counterparty risk	2024 Counterparty risk	2024 Total	2023 Credit risk other than counterparty risk	2023 Counterparty risk	2023 Total
Credit risk						
Risk-weighted assets at beginning of year	**$ 108,805**	**$ 6,508**	**$ 115,313**	$ 113,092	$ 5,691	$ 118,783
Size of portfolio[2]	**9,034**	**419**	**9,453**	8,591	1,965	10,556
Quality of portfolio[3]	**(2,651)**	**848**	**(1,803)**	2,565	(85)	2,480
Updating of models[4]	**323**	**—**	**323**	615	2	617
Policies and procedures[5]	**(1,855)**	**(984)**	**(2,839)**	(15,797)	(1,050)	(16,847)
Acquisitions and transfers	**—**	**—**	**—**	—	—	—
Change in exchange rates	**1,274**	**124**	**1,398**	(261)	(15)	(276)
Total changes in risk-weighted assets	**6,125**	**407**	**6,532**	(4,287)	817	(3,470)
Risk-weighted assets at end of year	**$ 114,930**	**$ 6,915**	**$ 121,845**	$ 108,805	$ 6,508	$ 115,313

(in millions of dollars)	2024	2023
Market risk		
Risk-weighted assets at beginning of year	**$ 2,881**	$ 3,959
Change in risk levels[6]	**2,743**	(1,078)
Policies and procedures[5]	**(723)**	—
Total changes in risk-weighted assets	**2,020**	(1,078)
Risk-weighted assets at end of year	**$ 4,901**	$ 2,881
Operational risk		
Risk-weighted assets at beginning of year	**$ 22,287**	$ 15,114
Revenue generated	**1,562**	2,091
Policies and procedures[5]	**(974)**	5,082
Total changes in risk-weighted assets	**588**	7,173
Risk-weighted assets at end of year	**$ 22,875**	$ 22,287

(1) Data as at December 31, 2024, reflect the provisions relating to the revised market risk and credit valuation adjustment (CVA) risk frameworks arising from the Basel III regulatory reforms. These provisions became effective on January 1, 2024. Comparative data have not been restated.
(2) Increase or decrease in underlying risk exposures.
(3) Change in risk mitigation factors and portfolio quality.
(4) Change in risk models and parameters.
(5) Regulatory changes and evolution development in the regulatory capital calculation methods.
(6) Relates to the change due to changes in positions and market volatility.

3.3 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.

ASSETS UNDER MANAGEMENT AND UNDER ADMINISTRATION

As at December 31, 2024, Desjardins Group administered, on behalf of its members and clients, assets totalling $588.2 billion, for an increase of $52.9 billion, or 9.9% since December 31, 2023. Financial assets entrusted to Desjardins Group as wealth manager amounted to $104.2 billion as at December 31, 2024, representing an increase of $17.1 billion, or 19.6% since December 31, 2023. The increase in assets under management and under administration resulted primarily from a rise in assets as a result of financial markets developments and growth in the volume of assets managed and administered.

Assets under management and under administration by Desjardins Group are composed 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.

Table 25 – Assets under management and under administration
As at December 31

(in millions of dollars)	2024	2023[1]
Assets under management[2]		
Institutions and individuals	**$ 28,116**	$ 21,021
Investment funds	**76,104**	66,143
Total assets under management	**$ 104,220**	$ 87,164
Assets under administration[2]		
Individual and institutional trust and custodial services	**$ 401,605**	$ 373,821
Investment funds	**186,602**	161,443
Total assets under administration	**$ 588,207**	$ 535,264

(1) Data have been restated to conform with the current year's presentation.
(2) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

CREDIT INSTRUMENTS

In order to meet its members' and clients' financing needs, Desjardins Group enters into various agreements with them for such instruments as credit commitments, indemnification commitments related to securities lending and documentary letters of credit. These products are generally off-balance sheet instruments and may expose Desjardins Group to credit and liquidity risks. These instruments are subject to Desjardins Group's usual risk management rules.

Note 28, "Commitments, guarantees and contingent liabilities," to the Combined Financial Statements provides more detailed information about these credit instruments.

GUARANTEES

Desjardins Group also enters into various guarantee and indemnification agreements with its members and clients in the normal course of operations. These agreements remain off-balance sheet arrangements and include guarantees and standby letters of credit. Note 28, "Commitments, guarantees and contingent liabilities," to the Combined Financial Statements provides information about these off-balance sheet arrangements.

STRUCTURED ENTITIES

Desjardins Group enters into various financial transactions with structured entities in the normal course of operations to diversify its sources of funding and manage its capital. Structured entities are usually created for a unique and distinct purpose, and they frequently have limited activities. These entities may be included in Desjardins Group's Combined Balance Sheets if it has control over them. Detailed information concerning significant exposure to structured entities not included in Desjardins Group's Combined Balance Sheets is provided below. Note 13, "Interests in other entities," to the Combined Financial Statements provides more information about structured entities.

Securitization of Desjardins Group's financial assets

Desjardins Group participates in the *National Housing Act* (NHA) Mortgage-Backed Securities Program to manage its liquidities and capital. Transactions carried out under this program sometimes require the use of a structured entity, the Canada Housing Trust (CHT), set up by Canada Mortgage and Housing Corporation (CMHC) under the Canada Mortgage Bonds (CMB) Program. Note 8, "Derecognition of financial assets," to the Combined Financial Statements provides more information about the securitization of Desjardins Group's loans.

4.0 Risk management

The shaded areas and tables marked with an asterisk (*) in this section contain information about credit, market and liquidity risks in accordance with IFRS 7, "*Financial Instruments: Disclosures*." They also contain an analysis of how Desjardins Group assesses its risks as well as a description of its risk management objectives, policies and methods. IFRS 7 provides that risk disclosures may be included in the MD&A. Consequently, the shaded areas and tables marked with an asterisk (*) contain audited information and are an integral part of the Combined Financial Statements, as explained in Note 29, "Financial instrument risk management," to the Combined Financial Statements.

4.1 Risk factors that could impact future results

In addition to the risks presented in Section 4.2 of this MD&A, other systemic or macroeconomic risk factors, which are outside of Desjardins Group's control, may impact its future results. Furthermore, as indicated in the caution concerning forward-looking statements, general or specific risks and uncertainties may cause the actual results of Desjardins Group to differ from those in the forward-looking statements. Some of these risk factors are presented below.

4.1.1 Main risks and emerging risks

Principal risks and emerging risks are risks or risk factors that could have a significant impact on Desjardins Group's financial autonomy and would likely affect its reputation, the volatility of its results, the adequacy of its capitalization or liquidities, in the event they fully materialize. Among these risks, certain so-called emerging risks are sharply growing risk factors, or ones that are developing unexpectedly, with unanticipated results. Desjardins Group continues to be proactive in identifying and tracking these risks so that it can take the appropriate management measures when required. For example, the external environment is continuously monitored to identify the risk factors and economic and regulatory events that could impact its operations. In addition, regular exchanges between the Risk Management Executive Division, risk officers and the business segments further define the risk factors of greatest concern.

	Description
Security breaches (including cybersecurity)	Risks related to cyber threats have been on the rise for a number of years and more specifically in the global socio-economic and geopolitical environment, but also in connection with wider use of artificial intelligence. Indeed, both the aggregation of new services for members and clients and the exposure of online services are becoming increasingly complex and gradually extending to more and more areas and products. Increased monitoring of Desjardins Group's employees and infrastructures is in place, including that of applications involving confidential data, has been set up in order to better meet the performance needs of teleworking and to mitigate the risks associated with service interruptions, information security and reputation. In addition, the perpetrators of cyber threats are using increasingly sophisticated methods and strategies for criminal purposes. Consequently, Desjardins Group has been investing in enhancing its internal processes and in technology for many years. This enhancement consists, first, in optimizing its processes to respond efficiently to incidents and, second, in attracting and training new talent to continue to develop our defence methods. A malicious act targeting the computer network may result in financial costs, damage to the organization's image, a breach of confidentiality rules or other applicable legislation, as well as operational difficulties. The Desjardins Group Security Office ensures the protection of members' and clients' assets.
Fraud risk	Although this is a well-known risk in the financial services industry, we note that fraud cases fluctuate significantly in number from year to year. Rapidly evolving technology, significant advances in artificial intelligence, and the growing complexity of fraud schemes make prevention and detection increasingly challenging for financial institutions. Desjardins Group continues its efforts to combat fraud, in particular by investing in its systems and processes, training employees and raising member and client awareness.
Household and corporate indebtedness	With the high level of interest rates, debt service has considerably increased for many households and businesses. Despite recent key interest rate cuts, many households will have to renew their mortgage with a higher interest rate by 2026. In such conditions, an increasing number of households and businesses could experience difficulties in assuming their financial obligations. As a result, their solvency could significantly deteriorate. Desjardins Group has sound practices in granting and managing mortgage financing, including a stress test involving interest rates for mortgage financing, which should allow it to circumvent this risk.
Technological developments	Innovative technologies are being increasingly taken into consideration and adopted by financial institutions. These innovative technologies, such as artificial intelligence, represent a crucial vector for transforming business processes and models. Use of these technologies exposes financial institutions to other risks relating to cyber threats, system stability, the modernizing of infrastructure, complex environments, systems interdependence, and digital transformation. The members' and clients' growing needs to access banking transactions remotely and at any time require pursuing the shift that is well underway at Desjardins. Regulatory authorities' expectations will be increasingly demanding, and financial sector requirements will continue to grow in terms of managing technology risk. The growing presence of FinTech and InsurTech, which offer simple, innovative technology solutions that meet the expectations of members and clients, puts more pressure on traditional financial institutions to adapt. To meet the needs of its members and clients, Desjardins Group is in line with this trend and remains active in managing this operational and strategic risk, among others, by strengthening and rationalizing the technology ecosystem through investments and by reviewing and diversifying its products, services and distribution channels.

	Description
Regulatory developments	The financial services industry is one of the most tightly monitored and regulated, and industry regulation has been rapidly expanding for many years now. This trend is in response to a number of socio-economic phenomena: the development of new, increasingly complex financial products, ongoing volatility in the securities market, increasingly complex financial fraud, the fight against money laundering and terrorist financing, the fight against tax evasion, compliance with economic sanctions and the protection of personal information, environmental, social and governance issues, etc. Although Desjardins Group actively monitors and manages regulatory risk, changes in regulation, its complexity and its uncertainty could have an impact on the performance of its operations, its reputation, its strategies and its financial objectives. As an independent supervisory function, the Vice-President and Chief Compliance and Privacy Officer, Desjardins Group promotes a proactive approach to compliance by fully integrating it into the organization's regular operations. Maintaining an effective compliance management framework mobilizes significant amounts of technical, human and financial resources.
Interest rate developments	The Bank of Canada significantly increased its key interest rates from March 2022 to July 2023. Even though the target overnight rate has started to gradually decline since June 2024, the restrictive effects of higher rates on demand will continue accumulating in the coming quarters. The Bank of Canada is expected to continue reducing its key interest rates in the coming quarters, and the target overnight rate could fall to 2.25% by the end of 2025. Note that the Bank of Canada estimates the target overnight rate's neutral range to be from 2.25% to 3.25%.
Climate change	In a context where the impact of climate change risks is widely recognized, Desjardins Group understands the importance of better identifying the various aspects of those risks and measuring their current and future impact. The goal is twofold: to ensure the organization's long-term resilience and to support members and clients in the transition. The close interrelations between these risks and the political and regulatory environment, the macroeconomic situation, certain industry innovations, the global geopolitical situation or the more pressing social expectations, to name only a few, impose continuous monitoring in this area. Desjardins Group continues its efforts in that regard with various initiatives underway or completed in relation with its governance framework and aimed at integrating these risks into strategies and climate change risk management.
Geopolitical uncertainties	Owing to heightened geopolitical tensions, a greater number of conflicts may affect the global economy and markets. In addition, the war continues in Ukraine and the conflict in Israel could spread further, particularly with Lebanon and Iran. Middle East tensions could put significant upside pressure on oil prices and, in turn, revive global inflation. Following his re-election in the United States, President Trump's return to the White House has generated more uncertainty about international trade relations. There is a high risk of a trade war. In addition, tensions between China and the United States remained throughout 2024. The United States is pursuing a trade policy aimed at diminishing China's significance in U.S. supply chains. Lastly, political polarization and some radicalization could also create uncertainty.
Trade conflict with the United States	While it is unclear whether the United States will ultimately impose 25% tariffs on Canadian goods (and even higher tariffs on steel and aluminum), an unprecedented Canada/U.S. trade conflict threatens to take on proportions with abounding consequences. Given the apparent uncertainty surrounding the new U.S. administration, this trade conflict could just as easily end swiftly as it could worsen severely and, in turn, push Canada into a recession. Against this backdrop, a forward-looking analysis was carried out on the potential impacts on the Canadian and Québec economies, as well as on Desjardins Group, and its members and clients. However, it is difficult to quantify the potential impact on Desjardins Group's future financial results because of the great uncertainty. Monitoring and benchmarking mechanisms are being used to closely follow this evolving situation. Lastly, despite this climate of uncertainty, we continue provide members and clients with proactive support that is rapidly evolving to reflect the socio-economic and geopolitical environment.
Artificial intelligence	Artificial intelligence (AI) is booming and opening up new business opportunities while introducing new risks. For example, AI can result in biased decision-making or unintended outcomes requiring increased vigilance. Due to the large datasets it requires, AI also creates confidentiality, data security and personal information protection challenges. As with other technologies, AI could be prone to cyber attacks. These risks include potential algorithm bias, which can result in unfair or discriminatory decision-making. Unintended outcomes of AI systems can also pose liability and trust issues. In addition, collecting and processing large datasets raises the risk of privacy and information security breaches. To prepare for these contingencies and remain aligned with best practices, Desjardins Group has adopted an active approach. For instance, Desjardins Group took part in the AMF's discussions and drafted a responsible management framework for artificial intelligence that includes measures to ensure compliance with applicable regulations while anticipating future changes. Desjardins Group is also implementing measures to identify and mitigate algorithm bias while conducting robustness tests to ensure AI system reliability.
Data risk	Data represent a vital tool for Desjardins Group. They can be available in alphanumeric, text, sound or image format. At Desjardins Group, multiple initiatives have been launched to transform our data into strategic assets. The goal is to leverage data and analytics to improve the member and client experience, drive growth, manage risk and enhance organizational efficiency. Data management risks include the possibility of information confidentiality and security violations, which may result in financial losses, reputational harm and regulatory sanctions. Collecting and processing large datasets also raises the risk of cyber attacks and sensitive data breaches. To prepare for these contingencies and remain aligned with best practices, Desjardins Group has implemented the necessary frameworks to protect its sensitive information, comply with applicable regulations, maintain its reputation and safeguard the trust of its members and customers. These frameworks are strengthened as necessary, continuously operationalized and integrated into Desjardins Group's operational processes.

4.1.2 Other risk factors that could impact future results

	Description
General economic and business conditions in regions in which Desjardins Group operates	General economic and business conditions in the regions where Desjardins Group operates may significantly affect its income and surplus earnings. These conditions include short- and long-term interest rates, inflation, debt securities market fluctuations, foreign exchange rates, financial market volatility, tighter liquidity conditions in certain markets, the level of indebtedness, the strength of the economy, consumer spending and saving habits, and the volume of business conducted by Desjardins Group in a given region.
Monetary policies	The monetary policies of the Bank of Canada and the U.S. Federal Reserve, as well as interventions in capital markets, have an impact on Desjardins Group's income. The general level of interest rates may impact Desjardins Group's profitability because fluctuations affect the spread between interest paid on deposits and interest earned on loans, thereby affecting Desjardins Group's net interest income. Desjardins Group has no control over changes in monetary policies or capital market conditions, and it therefore cannot forecast or anticipate them systematically.
Critical accounting estimates and accounting standards	The Combined Financial Statements are prepared in accordance with the IFRS. The accounting policies used by Desjardins Group determine how it reports its financial position and results of operations, and management may be required to make estimates or rely on assumptions about matters that are inherently uncertain. Any change in these estimates and assumptions, as well as in accounting standards and policies, may have a significant impact on Desjardins Group's financial position and results of operations. Accounting policies and future accounting changes are described in Note 2, "Accounting policies," to the Combined Financial Statements.
New products and services to maintain or increase market share	Competitive pressures from Canadian financial institutions and the emergence of new competitors have led Desjardins Group to develop new products and services at a faster pace to meet the expectations of its members and clients. Developing these new products and services may involve some risks. In that context, Desjardins remains active to manage these risks, in particular by making investments and by reviewing and diversifying its products, services and distribution channels. At Desjardins Group, there is a risk management governance that involves identifying, analyzing, disclosing and monitoring all financial and non-financial risks created by new products and services.
Geographic concentration	Although Desjardins Group is diversified through its insurance operations, its banking operations are heavily concentrated in Québec. As at December 31, 2024, its loans to Québec members and clients therefore accounted for 88.3% of its aggregate loan portfolio. As a result of this significant geographic concentration, its results largely depend on economic conditions in Québec. Any deterioration in these conditions could adversely impact: • past due loans; • problem assets and foreclosed property; • claims and lawsuits; • the demand for products and services; • the value of collateral available for loans, especially mortgages, and by extension, clients' and members' borrowing capacity, the value of assets associated with impaired loans and collateral coverage.
Credit ratings	The credit ratings assigned to Desjardins Group by rating agencies are instrumental to its access to sources of wholesale funding and the cost of such funding. These ratings may be revised or withdrawn at any time by the agencies. In addition, a significant downgrade to various ratings could push up Desjardins Group's cost of funding, reduce its access to financial markets, and increase additional obligations required by its counterparties.
Dependency on third parties	We need to rely on third parties in order to provide top-quality, secure services. These third parties and the suppliers of these third parties, such as IT, office automation, telecommunications, cloud and other providers and suppliers, play a major role in supporting Desjardins Group's operations as well as in implementing technological innovations that allow Desjardins to improve the services it offers to members and clients. Using third parties can, however, generate certain risks. Desjardins recognizes the importance of these risks and is putting in place all the necessary measures to mitigate them. Inadequate management of third-party risk could affect Desjardins Group's ability to provide the services that members and clients need. This type of risk could have an impact on information security, business continuity, as well as on other types of risks, such as reputational risk. The oversight process used for outsourcing, together with the incident management process, allow Desjardins to adequately prevent and handle third-party risk.
Ability to recruit and retain talents	Desjardins Group's future performance is based in part on its ability to recruit key people, develop them and retain them. With the Canadian economy outperforming expectations and continued labour market tightness, we face stiff competition in attracting and retaining skilled people across the organization. In addition, multiple changes have gathered pace in workplaces over the past year, including the gradual introduction of AI, psychological wellness challenges and flexible working arrangements. Consequently, this risk aspect is periodically monitored through the governance mechanisms of the Management Committee of the Human Resources function, quarterly to the Desjardins Group Management Committee and annually with filing a report with Desjardins Group's Human Resources Commission. These mechanisms serve to deploy the appropriate strategies to put in place the success factors that enhance Desjardins Group's competitiveness as an employer.
Taxation risk	Government tax policies, such as the Canadian, provincial and foreign tax laws, and their interpretations by tax authorities and courts, are constantly evolving. These numerous changes and the complexity in interpreting and applying legislation may have a significant impact on the tax expense amounts, the deferred tax balances and the effective tax rate during the year when they occur and, consequently, on the calculation of Desjardins Group's surplus earnings.

	Description
Other factors	Other factors that may have a potential impact on Desjardins Group's future. These factors include unforeseen changes in consumer spending and saving habits, the possible impact on operations of international conflicts, public health crises, such as pandemics and epidemics or any other similar event affecting the local, national or global economy, as well as Desjardins Group's ability to anticipate and manage the risks associated with these factors properly despite a disciplined risk management environment. Desjardins Group cautions the reader that factors other than the foregoing could affect future results. Investors and other stakeholders relying on forward-looking statements to make decisions with respect to Desjardins Group should carefully consider these factors as well as other uncertainties, potential events, and industry factors or other items specific to Desjardins Group that could adversely impact its future results.

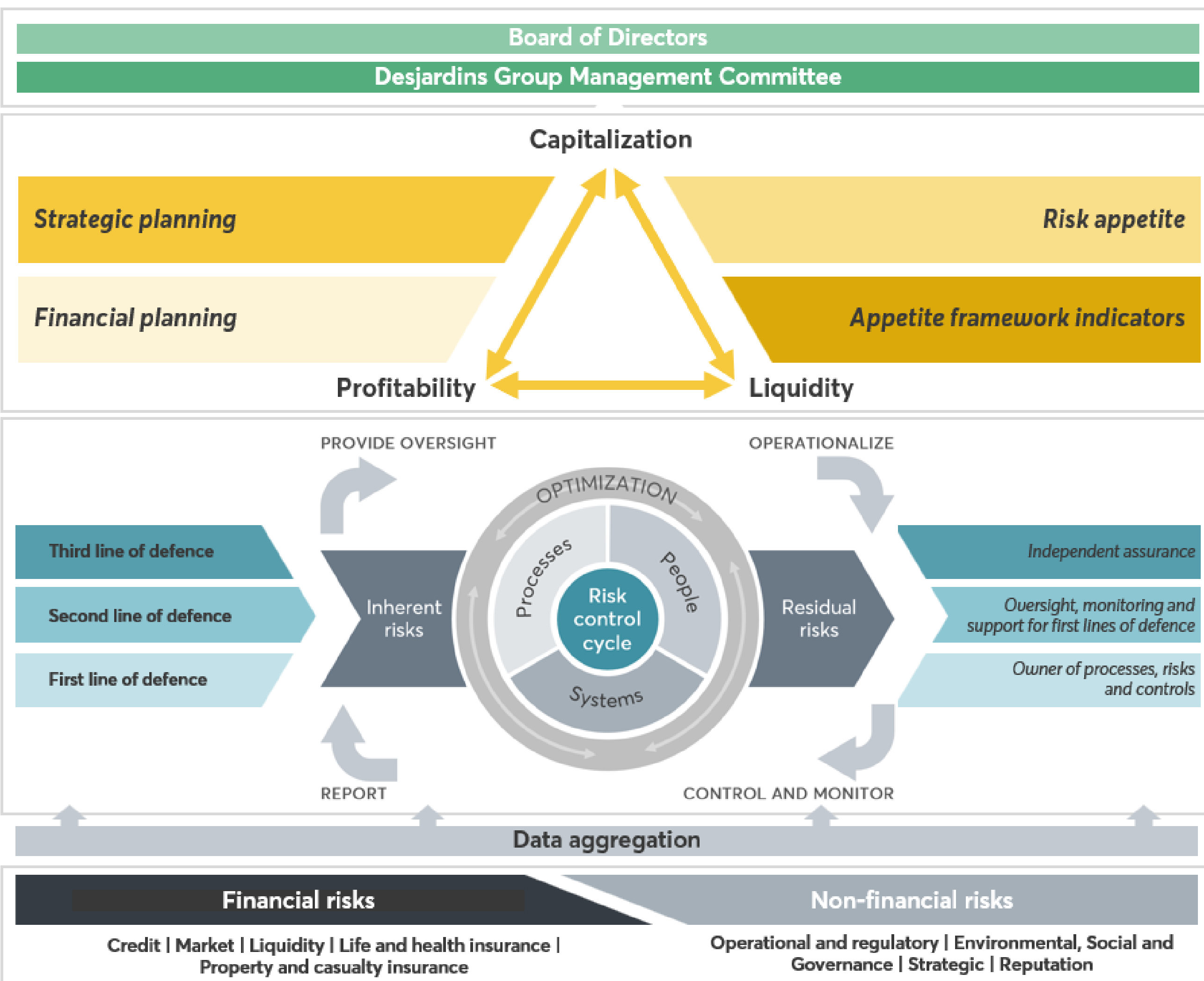
4.2 Risk management

4.2.1 Integrated Risk Management Framework

The objective of the Integrated Risk Management Framework is to enable Desjardins Group to appropriately manage all of its risks in accordance with its risk appetite and established organizational strategy.

The Integrated Risk Management Framework aims to be dynamic, efficient and able to evolve, having been tailored to the nature, size and complexity of Desjardins Group's operations. It provides sound and prudent risk management and ultimately optimizes capital use and supports decision-making, while governing the Group's various risks exposures.

In addition, Desjardins Group's internal and external operating environments are continuously assessed to monitor developments in best practices and trends, and detect emerging risks.



Risk identification

Desjardins Group is exposed to various risks in the normal course of business. Strict 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. Desjardins Group has a risk log that sets out the main categories and subcategories of risks which could affect it. The log is updated periodically and is used as a basis to make a quantitative and qualitative assessment of risk materiality, to determine Desjardins Group's risk profile and to implement appropriate strategies to mitigate risk.

In the normal course of business, Desjardins Group is exposed to the principal risks shown below, which are covered in specific subsections of this MD&A.

Credit	Market	Liquidity	Operational	Insurance	Strategic	Reputation	Environmental, social and governance	Regulatory

Risk measurement

Desjardins Group uses both quantitative and qualitative techniques to determine its risk exposure. It ensures that an appropriate selection of measurement tools and mitigation techniques are designed and maintained in order to support its business development.

Models, which are involved in various aspects of risk management, play a central role in assessing risk at Desjardins Group and support decision-making in many situations. They are applied to various aspects of risk management. Quantitative models are used for modelling credit risk measurement parameters. Other quantitative models are also used in market risk measurement, economic capital calculations, asset valuation, pricing, technological obsolescence and cybercrime. Risks are quantified based on both the current economic context as well as on hypothetical stress-testing situations, which are measured for specific risks on a Desjardins-wide integrated basis.

Desjardins-wide integrated stress testing

Desjardins-wide sensitivity tests and crisis scenarios are used as additional risk analysis tools to measure the potential impact of exceptional but plausible events on, in particular, profitability, liquidity and capital levels. Organization-wide crisis scenarios are developed based on the anticipated economic outlook under unfavourable conditions.

Desjardins-wide integrated stress testing is conducted annually. It begins with an analysis of multi-factor scenarios developed by the Desjardins Group's Economic Studies team. These scenarios consider the current economic conditions, the principal risk factors to which the organization is exposed and emerging risk factors. Several scenarios are developed, and those that will be quantified are selected by Desjardins Group's senior management. The main factors projected for each scenario include housing prices, stock indices, inflation, unemployment rate and several interest rate curves.

This integrated stress testing exercise is performed with the input from various business units and business segments. The measured impacts deal mainly with the credit portfolio of the Desjardins caisse network and the Federation, the two insurance groups, namely Desjardins Financial Security Life Insurance Company and Desjardins General Insurance Group Inc., as well as the Desjardins Group Pension Plan. As the exercise incorporates a cross-sector perspective of Desjardins Group's operations, it is an essential risk management tool to identify diversification sources and potential vulnerability areas.

The results of the exercise are presented to various internal committees consisting of Desjardins Group's Board members and senior management, i.e. the Asset/Liability Committee (ALCO), the Desjardins Group Finance and Risk Management Committee, the Desjardins Group Management Committee, the Risk Management Commission and the Federation's Board of Directors.

During Desjardins-wide stress testing in 2024, the scenarios developed separately considered the possibility a long period of economic weakness and a rebound in inflation and interest rates. A reverse stress testing scenario was also analyzed, representing a major financial crisis. The results obtained from the assessment of these scenarios show that Desjardins Group's current capitalization levels would be enough to withstand the economic deterioration considered and that its capital ratios would still exceed regulatory limits and its own risk appetite limits.

The exercise is tied in with Desjardins Group's integrated financial planning and is an essential component of the Internal Capital Adequacy Assessment Program (ICAAP). The results of the stress testing exercise are used as a complement to the results of the economic capital quantification in determining capitalization targets. They are also used in updating risk appetite indicators.

The scenarios quantified in the integrated stress testing exercise are part of a range of scenarios used by Desjardins Group to identify, assess and manage risks. They include the stress testing scenarios on which is based the living will exercise as well as the regulatory scenario developed using the assumptions prescribed by the AMF. This latter exercise is performed according to the frequency set by the AMF, generally every two years. The last regulatory scenario, *Global Stress Test* designed by the *Financial Stability Board*, was carried out in 2023.

Ad hoc scenarios can also be quickly quantified to respond to specific situations, and senior management's or regulatory authorities' requests.

Risk disclosure

A risk disclosure report is prepared quarterly and presented to the Desjardins Group Finance and Risk Management Committee, the Desjardins Group Management Committee, the Risk Management Commission and the Federation's Board of Directors. This strategic and forward-looking report provides relevant information on changes in the principal risks identified as well as on the capital position, particularly capital adequacy in relation to Desjardins Group's risk profile. These reports are regularly updated to include the latest risk management developments and provide a holistic view of the risks to which Desjardins Group is exposed.

Risk appetite

As a significant component of the Integrated Risk Management Framework, risk appetite makes it possible to determine the risk type and level that Desjardins is prepared to assume in pursuing its business and strategic objectives. Risk appetite forms an integral part of strategic planning, which makes it possible to guide risk-taking in order to ensure Desjardins Group's stability and sustainability in the case of unfavourable future events that could affect reputation, the volatility of profitability, capital adequacy or liquidities. As a result, risk appetite provides a basis for integrated risk management by promoting a better understanding of the effect of principal risks and emerging risk factors on Desjardins Group's results.

The risk appetite framework reflects Desjardins Group's risk-taking philosophy, mission and values and is based on the following:

- Ensuring Desjardins Group's sustainability by safeguarding against unfavourable events that may affect the volatility of profitability, capital adequacy or liquidity, while preserving its reputation and supporting its goal of being everyone's #1 choice.
- Conscientiously managing risks for Desjardins Group in accordance with the risk appetite framework, as well as for members and clients.
- Understanding the risks arising from Desjardins Group's operations and engaging in only new activities for which the risks are defined, assessed and understood.
- Ensuring Desjardins Group's financial sustainability by preserving a capitalization level that meets credit rating goals, limits financing costs and complies with regulatory requirements.
- Managing liquidities and refinancing activities in order to guard against liquidity risk.
- Thanks to adequate profitability in light of risk exposure, ensuring Desjardins Group's sustainability to be able to give back to members and communities and to meet its financial commitments.
- Managing Desjardins Group's exposure to interest rate risk arising from banking, insurance, pension plan and trading strategies to limit the impact of interest rate changes.
- Generating a return sufficient to support Desjardins Group's insurance and short-term trading contract obligations while remaining prudent in managing any associated risks.
- Managing exposure to insurance risk by pursuing the objective of diversifying Desjardins Group's risk profile when expected medium- or long-term profitability meets or exceeds the set targets for adjusted returns.
- Protecting Desjardins Group's reputation with its members, clients, communities, regulatory authorities and other stakeholders, while respecting its cooperative values.
- Asserting Desjardins Group's cooperative nature and always doing what's best for members and clients while contributing to community development.
- Acting as Desjardins Group's socio-economic leader in the development of a low greenhouse gas emission economy and supporting members, clients and other stakeholders in the transition.
- Ensuring credit risk and long-term returns remain suitable for Desjardins Group's members and clients to support them and communities throughout the relationship.
- Avoiding excessively large risk concentrations.
- Maintaining an effective control environment and promoting sound management of operational and regulatory risks including technological, information security and personal information protection risks.

The Board of Directors approves the Risk Appetite Framework and ensures that Desjardins Group's financial and strategic objectives are in line with its risk appetite. The Risk Appetite Framework is reviewed regularly and submitted to the Federation's Board of Directors for approval. The Risk Management Executive Division relays the main guidelines for risk appetite to the business segments and components, and supports them in implementing these concepts by ensuring consistency in all the indicators, their targets, their levels and their limits with the Desjardins Group Risk Appetite Framework.

The risk management function ensures that Desjardins Group's risk profile is in line with its risk appetite. Each quarter, it reports to senior management and the Board of Directors on the compliance with the risk appetite statements and indicators. In the event a threshold or limit for a risk appetite indicator is exceeded, the investigation into the situation and the corrective measures, as applicable, are brought to the attention of the appropriate bodies.

Integrated risk management approach

An integrated risk management approach is one of the cornerstones of Desjardins Group's Integrated Risk Management Framework. It represents all the practices and behaviours of individuals and groups within the organization that condition the collective ability to identify, understand and openly discuss risks and handle present and future risks. Stakeholders, including the Board of Directors, senior management and the Risk Management Executive Division, guide risk-taking behaviour to be in line with Desjardins Group's risk management frameworks. An integrated risk management approach promotes open and transparent communication between Desjardins Group's risk management function and its other support functions, business segments and components, while promoting an appropriate risk-return trade-off.

Ethical conduct and integrity are firmly entrenched in Desjardins Group's integrated risk management approach, which relies on the *Desjardins Code of Professional Conduct*. The code sets out the values, principles and rules that Desjardins Group has espoused in order to maintain a high level of integrity.

Other methods used to support the integrated risk management approach and to promote accountability for risk include:
- A holistic approach to integrated risk management throughout the organization, taking into account the interrelationships and interdependencies between the various risk areas.
- An integrated risk management approach rather than an approach that considers risks separately. Accordingly, all risks considered less significant but which could become material when combined are also considered.
- Risk management based on the significance of risks, i.e. the scope and frequency of the effects they are likely to have on the organization if they materialize.
- Standardized processes and reliable information systems that allow them to identify connections between risks and to obtain reports that contain relevant, clear and adapted information in a timely manner so that the Management Committee and the Board of Directors can monitor the achievement of Desjardins Group's strategic objectives.
- The dissemination of risk management frameworks such as strategies, policies and procedures to identify, assess, quantify, control, mitigate and appropriately monitor the significant risks to which Desjardins Group is exposed and identify events likely to affect it beyond the limits of its risk appetite.
- Determining and maintaining of its risk appetite, from which statements and indicators emerge clearly defining the risk tolerance thresholds and risk appetite limits for the most significant risks. It ensures that these benchmarks are integrated into its operations through frameworks resulting from the Risk Appetite Policy.
- A dynamic and evolving Integrated Risk Management Framework to adequately manage all of its risks based on its risk appetite. This framework is supported by a governance structure that clearly defines the roles and responsibilities of the various stakeholders involved in risk management.
- The organizing of risk management training and awareness sessions, bearing in mind the type of risk discussed and the role of the various parties involved.

Risk management and the Integrated Risk Management Framework are based on the following guidelines that provide in particular for:
- The accountability of Desjardins Group's business segments and other functions with regard to the risks inherent to their operations.
- The independence of the risk management function in relation to business segments.
- Implementation at every level of the organization in order to obtain a comprehensive vision of risk exposure.
- A procedure aimed at ensuring that risk matters are disclosed and flagged accurately and transparently to senior management in a timely manner.
- The existence and presence of a complete and rigorous process to determine the appropriate capital level based on the risks assumed.
- Consideration of risk management in the formulation of strategic plans and business strategies and in the resulting decisions.
- Thorough risk assessment prior to launching new products or initiating transactions with a strong financial impact.

Compensation in relation to risk management

Desjardins Group has established strict governance with regard to total compensation. The Board of Directors, supported by the Human Resource Commission, is responsible for the annual changes in the total compensation of all employees and managers. In this regard, it establishes an annual salary review, sets the objectives and measures the results of the general incentive plan. It has developed, through adding environmental, social and governance (ESG) criteria, including climate-related risks, an additional mechanism to factor in not only financial risks, but also extra-financial risks in determining the overall incentive plan for all hierarchical levels. It also establishes a framework for all individual incentive plans that apply to Desjardins Group's sales force and investment teams. Lastly, it ensures that all total compensation offered by Desjardins Group is based on risk management principles.

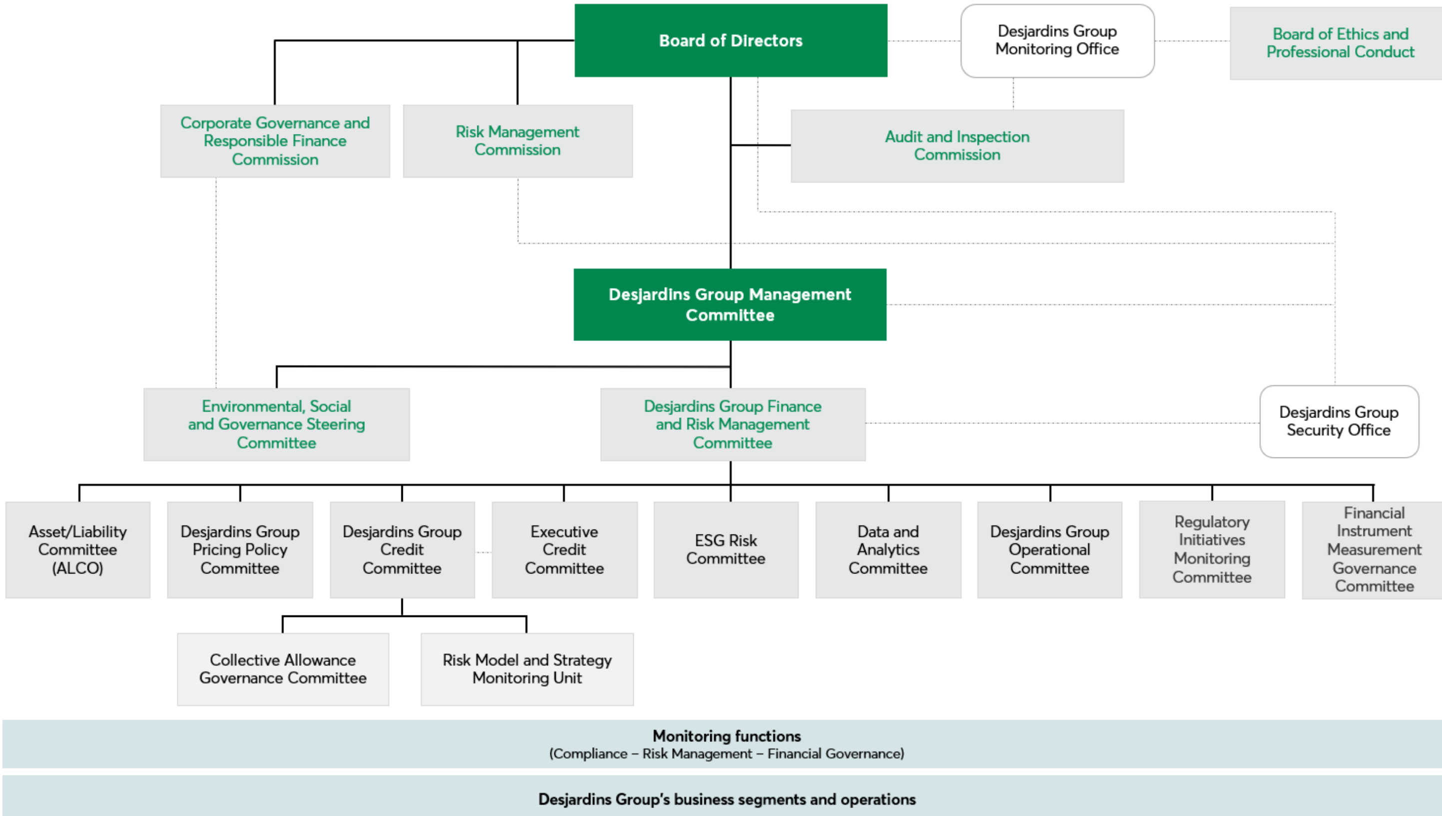
Acting as a subcommittee of the Board of Directors, the Human Resources Commission is responsible for making recommendations to the Board of Directors with respect to all aspects of total compensation for all Desjardins Group employees, managers and senior executives.

The annual incentive plan for senior executives, other than the President and Chief Executive Officer, which are consistent with the aim to promote sound risk management over a time horizon of more than one year, provide for the long-term deferral of a significant portion of members' annual bonus. The amounts thus deferred can vary annually depending on Desjardins Group's overall performance. This formula encourages key stakeholders to have a long-term vision of Desjardins Group's development, always in the best interests of members and clients, for whom the organization's sustainability is an important and reassuring factor.

The new long-term incentive plan that was introduced in 2024 for Desjardins Group Management Committee members, except for the President and Chief Executive Officer, ensures that it is well aligned with achieving Desjardins Group's development goals and development, without encouraging excessive risk-taking. The long-term scope of this plan allows for the creation of economic value and sustainable development for members and clients.

Risk management governance

The Integrated Risk Management Framework is based on a solid risk governance structure and reflects Desjardins Group's organizational structure as shown below.



The Federation's Board of Directors is responsible for guiding, planning, coordinating and monitoring all of Desjardins Group's operations, and in such capacity, it participates actively in overseeing the major risks to which Desjardins Group is exposed. It is in particular responsible for adopting the overall directions and strategies proposed by senior management as well as risk management policies aimed at ensuring sound and prudent management of operations.

The Board is supported in this regard by the Risk Management Commission, the Audit and Inspection Commission, the Board of Ethics and Professional Conduct and the Desjardins Group Management Committee. Further information about these bodies is found in the Corporate Governance section of the 2024 Desjardins Group Annual Report.

The Desjardins Group Management Committee makes recommendations to the Board of Directors concerning risk management guidelines and strategies and ensures that they are implemented effectively and efficiently. The Committee relies on the Desjardins Group Finance and Risk Management Committee and the Environmental, Social and Governance Steering Committee in performing its duties.

The Environmental, Social and Governance Steering Committee is responsible for reviewing environmental, social and governance position statements, assessing their inherent risks and ensuring that they are in line with Desjardins Group's strategic priorities. It reports to the Desjardins Group Management Committee and the Corporate Governance and Responsible Finance Commission.

The Desjardins Group Finance and Risk Management Committee is responsible for ensuring that the on- or off-balance sheet principal risks to which Desjardins Group is or will be exposed directly or through one or more of its subsidiaries, have been identified and measured, and for assessing the potential impact of identified risks on business strategies. This committee is supported by the Desjardins Group Credit Committee, the Data and Analytics Committee, the Desjardins Group Operational Risk Committee, the Executive Credit Committee, the Environmental, Social and Governance (ESG) Risk Committee, the Asset/Liability Committee (ALCO) and the Desjardins Group Pricing Policy Committee.

- The Executive Credit Committee recommends significant commitments requiring the approval of the Federation's Board of Directors and approves significant commitments up to the limits delegated by the Desjardins Group Finance and Risk Management Committee.
- The Desjardins Group Credit Committee approves large credit commitments, which are within its own delegated limits taking into account ESG analysis, and monitors activities related to assessing and quantifying credit risk. In its monitoring role, the committee is supported by the risk model and strategy monitoring unit and by the Collective Allowance Governance Committee.
- The Data and Analytics Committee monitors data quality and compliance with regulatory requirements related to data within the scope of Desjardins Group data governance.
- The Desjardins Group Operational Risk Committee has a cross-sector view and monitors the different categories of operational and regulatory risks to which Desjardins Group is exposed.
- The ESG Risk Committee has a cross-sector view and monitors the ESG factors to which Desjardins Group is exposed.
- The Asset/Liability Committee (ALCO) supports the Desjardins Group Finance and Risk Management Committee in providing interest rate and liquidity risk management oversight and monitoring.

- The Desjardins Group Pricing Policy Committee supports the Desjardins Group Finance and Risk Management Committee in ensuring compliance with the framework governing pricing and pricing consistency with Desjardins Group's strategic objectives and financial targets.
- The Regulatory Initiatives Monitoring Committee supports the Desjardins Group Finance and Risk Management Committee by monitoring significant regulatory initiatives and making recommendations as required. In addition, it monitors regulatory initiatives aimed at mitigating a significant regulatory risk for the organization and discusses any material element related to regulatory risk, including regulatory developments and trends observed in the industry.
- In December 2024, the Desjardins Group Finance and Risk Management Committee approved the creation of the Financial Instrument Measurement Governance Committee. The Committee, whose first meeting will be held during the first quarter of 2025, has the general role and responsibilities of supporting the Desjardins Group Finance and Risk Management Committee in reviewing and recommending complex or specific financial instrument measurement cases.

The Desjardins Security Office coordinates organizational initiatives and institutes cross-sector security strategies in order to continue to reinforce its practices aimed at protecting Desjardins members and clients, their assets and their personal information. It reports to the Desjardins Group Finance and Risk Management Committee, the Desjardins Group Management Committee, the Risk Management Commission and the Board of Directors.

Operations management approach based on the three lines of defence model

Desjardins Group has implemented a risk management structure consistent with the three lines of defence model on which the Desjardins Group's Integrated Risk Management Framework is based. This reliable control structure sets out a clear and orderly allocation of the roles and responsibilities of the various Desjardins Group risk management stakeholders. The roles and responsibilities relating to each line of defence are detailed in the following matrix:

	1 – PROVIDE OVERSIGHT	2 – OPERATIONALIZE (IDENTIFY, ASSESS AND MITIGATE)	3 – CONTROL AND MONITOR	4 – REPORT
First line of defence	▪ Is responsible for the performance of its activities ▪ Knows and adheres to established risk management frameworks, including the Risk Appetite Framework ▪ Completes required training and participates in awareness activities	▪ Manages its activities while adhering to the organization's risk appetite ▪ Identifies and assesses its operational risks, manages gaps between its processes, practices and controls, and escalates them as needed ▪ Develops, deploys and validates risk mitigation processes, controls and approaches to close gaps ▪ Coaches and trains employees on how to apply risk mitigation processes, controls and methods and makes them accountable ▪ Establishes practices to ensure compliance with frameworks is maintained over time	▪ Ensures that employees adopt and apply the processes and controls ▪ Measures and monitors the performance of the processes and controls deployed ▪ Adjusts processes and controls as required ▪ Demonstrates compliance with risk management frameworks on request ▪ Triggers the escalation process set out in the frameworks if one of the triggers is activated ▪ Participates in the drafting of action plans and their follow-up ▪ Performs required risk analyses	▪ Provides reporting on its operations and associated risks ▪ Produces and reports on its risk profile ▪ Transmits the information required for Desjardins Group analyses and reports on its operational risks to the second line of defence
Second line of defence	▪ Establishes risk management frameworks (including the Risk Appetite Framework) and ensures their application ▪ Establishes the expectations of the first line of defence, the escalation processes and the triggers for their activation ▪ Trains and raises awareness of the first line of defence in relation to organizational expectations, including the second line of defence frameworks ▪ Has the risk management frameworks approved by the appropriate organizational authority	▪ Advises and equips the first line of defence with respect to operationalizing the frameworks and implementing risk mitigation processes, controls and methods such that it fulfils its responsibilities ▪ Provides complementary expertise, a cross-functional vision, monitoring and constructive criticism regarding risk management ▪ Monitors emerging risks for Desjardins Group	▪ Conducts monitoring, including objective reviews, issues the resulting findings to stakeholders and monitors the implementation of action plans ▪ Performs monitoring and critical reviews, and tests the effectiveness of the controls deployed by the first line of defence ▪ Monitors for proper enforcement of risk management frameworks and escalation processes	▪ Monitors the risk levels of the processes and controls deployed ▪ Reports to the various stakeholders (senior management, authorities and regulators) as set out in the framework
Third line of defence	▪ Gives an independent and objective opinion on the effectiveness of governance, risk management and internal controls and issues findings and advice to improve effectiveness ▪ Provides objective assurance to the Management Committee and the Board regarding the overall effectiveness of governance, risk management and internal controls			

First line of defence

The first line of defence assumed by process owners provides products and services to members and clients. It identifies, assesses and manages the risks generated by its operations and ensures the effectiveness of the controls associated with the processes it owns. It is responsible for detecting risk exposures and application gaps, and for implementing risk mitigation measures in the event that the risk appetite is exceeded. It handles escalations where necessary and reporting in accordance with Desjardins Group's requirements in these areas.

Second line of defence

The second line of defence primarily consists of the Risk Management Executive Division, whose main purpose is to partner with the business segments and Desjardins as a whole in their development by identifying, measuring and managing risks. It is a supervisory function that is independent of the business sectors. It monitors emerging risks, sets out risk management frameworks and monitors compliance with and enforces application of the frameworks by Desjardins Group business segments and functions. More broadly, it carries out monitoring activities on risk activities, carrying out objective reviews and ensuring the design and effectiveness of existing controls. In these circumstances, it issues observations and monitors the resulting action plans. It handles escalations where necessary and reporting in accordance with Desjardins Group's requirements in these areas.

The Risk Management Executive Division also relies on work performed by the Desjardins Group Security Office and financial governance which, based on their separate mandates, help to regulate and manage certain issues inherent to Desjardins Group's operations.

Third line of defence

The third line of defence is the Desjardins Group Monitoring Office. It provides assurance, and independent and objective advice to the Management Committee and the Board of Directors regarding the overall effectiveness of governance, risk management and controls, as well as the extent to which they are aligned with Desjardins Group's operations.

In addition, it helps improve Desjardins Group's overall performance and maintain the confidence of its members, the public and regulatory bodies. The Desjardins Group Monitoring Office includes the internal audit services of Desjardins Group components.

4.2.2 Basel capital accord

Basel III is an international capital adequacy tool designed to align regulatory capital requirements more closely with risk exposure and to further the continuous development of the risk assessment capabilities of financial institutions.

The Basel III framework is essentially based on three pillars:
- the first pillar sets out the requirements for risk-weighted regulatory capital;
- the second pillar deals with the supervisory review process;
- the third pillar stipulates financial disclosure requirements.

Credit risk

- Desjardins uses the Internal Ratings-Based Approach for credit risk.
- This approach is used for retail loan portfolios – Personal and 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

- On January 1, 2024, Desjardins Group adopted a revised standardized approach framework for the calculation of market risk RWA in accordance with the requirements of the updated *Capital Adequacy Guideline* in connection with the Basel III regulatory reforms. The internal models approach is no longer used.

Operational risk

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

These provisions are used to calculate Desjardins's capital ratios, among other things.

Desjardins Group has also set up an internal capital adequacy assessment program (ICAAP). This program is a sound management practice recognized in the industry and is the key element of the second pillar of the Basel Accord. It allows a financial institution to provide for an appropriate level of capital to cover all major risks to which it is exposed, and to implement capital management strategies that follow the changes in its risk profile.

This program is under the responsibility of the Risk Management Executive Division. Capital adequacy is assessed by verifying whether available capital is sufficient to cover the capital required. The units responsible oversee the overall adequacy of Desjardins Group's available capital based on both internal measures of economic capital and the regulatory capital requirements under the first pillar. The results of stress testing exercises are also considered in the capital adequacy assessment.

The internal measure of capital used by Desjardins Group is economic capital, namely the amount of capital that an institution must maintain, in addition to expected losses, to remain solvent over a certain horizon and at a high confidence level. For Desjardins Group, economic capital is assessed over a one-year horizon. A confidence level is selected to meet the objective of maintaining attractive credit ratings. In order to assess Desjardins Group's overall capital adequacy in relation to its risk profile, all significant risks identified through the risk logging process are assessed using internal methodologies to measure economic capital. It should be pointed out that each of the economic capital methodologies are validated independently to ensure that input and assumptions of modelling used allow the assessed risk to be measured appropriately.

In the course of its operations, Desjardins Group is exposed to various risks. The table below provides its risk profile by business segment. Economic capital is broken down to illustrate the relative size of the risks associated with the various business segments. The distribution of risk-weighted assets shows Desjardins Group's exposure to credit risk, market risk and operational risk for the purposes of regulatory capital measurement.

Table 26 – Economic capital and risk-weighted assets by business segment and by risk type
As at December 31, 2024
(in millions of dollars and as a percentage)

Desjardins Group

Economic capital	
Banking activities	
Credit risk	47.9%
Market risk	2.3
Operational risk	5.3
Other risks(1)	1.7
Total banking activities	57.2
Insurance activities	36.2
Risk related to goodwill and other intangible assets(2)	6.6

Risk-weighted assets	
Credit risk	$ 121,845
Market risk	4,901
Operational risk	22,875
RWA floor adjustment	—

	Personal and Business Services	Wealth Management and Life and Health Insurance	Property and Casualty Insurance	Other
Balance sheet(3)				
Assets	$ 356,416	$ 75,365	$ 13,803	$ 25,358
Economic capital				
Proportion of total for Desjardins Group	42.0%	15.4%	16.9%	25.7%
Banking activities				
Credit risk	71.1	2.8	—	35.4
Market risk	4.0	—	—	1.3
Operational risk	11.2	—	—	—
Other risks(4)	13.7	—	—	63.3
Total banking activities	100.0	2.8	—	100.0
Insurance activities(5)	—	97.2	100.0	—
Risk related to goodwill and other intangible assets(2)	—	—	—	—
Risk-weighted assets				
Credit risk	$ 98,974	$ 5,545	$ 4,345	$ 12,981
Market risk	4,077	113	—	711
Operational risk	18,617	442	—	3,816

Risk profile
Desjardins Group is exposed to credit risk, market risk, operational risk and other risks, including in particular liquidity risk, interest rate risk, strategic risk, reputation risk and insurance risk.

(1) Includes defined benefit plan risk, liquidity risk, interest rate risk, strategic risk, reputation risk and the diversification effect.
(2) The economic capital amount for the risk related to goodwill and other intangible assets is the carrying amount of these assets. This amount has not been broken down by business segment.
(3) The different adjustments required to prepare the Combined Financial Statements as well as intersegment balance eliminations are classified in the asset amount of the Other category.
(4) Includes liquidity risk, interest rate risk, strategic risk and reputation risk. The risk related to other credit assets and deferred tax assets, defined benefit plan risk and the diversification effect are not allocated to business segments.
(5) For insurance operations, economic capital is the total amount of economic capital calculated for life and health and P&C insurance activities. This economic capital covers all risks.

Again this year, numerous efforts were made throughout Desjardins Group to reinforce the implementation of sound risk management practices and to align regulatory capital requirements more closely with risk exposure. Desjardins Group is continuing to invest in improving its tools and systems and aligning them with sound practices in the industry for the principal types of risk. In recent years, the Bank for International Settlements has issued new requirements (Basel III) for the global regulation of capital standards. These rules, in effect since January 1, 2013, have increased not only capital requirements but also risk management requirements. In addition to the changes made to the level and definition of eligible capital and the measurement of risk-weighted assets, Basel III has, under the second pillar, introduced new liquidity requirements and raised expectations for a number of management practices. Disclosure standards, which fall under the third pillar, have also been enhanced. Desjardins Group will continue its development by integrating these new regulatory requirements into its Integrated Risk Management Framework.

Additional information about capital management is presented in Section 3.2, "Capital management."

4.2.3 Credit risk

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

Desjardins Group is exposed to credit risk first through its personal, business and government loans, which represented 61.5% of combined balance sheet assets as at December 31, 2024, compared to 62.9% at the end of 2023. It is also exposed through various other commitments, including letters of credit and transactions involving derivative financial instruments as well as securities transactions.

The macroeconomic environment remains uncertain, in particular with respect to the evolution of trade relations with the United States, interest rates and geopolitical tensions. Therefore, management has to continue making particularly complex judgments to estimate the allowance for credit losses in such a situation. Expert adjustments are applied in measuring the allowance for expected credit losses to take into account relevant risk factors related to the macroeconomic environment that are not reflected in the models.

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

Credit risk management

Desjardins Group upholds its goal of effectively serving all its members and clients. To this end, it has developed robust distribution channels specialized by product and client. The units and components that make up these channels are considered centres of expertise and are accountable for their performance in their respective markets, including the management of credit risk. In this regard, they have latitude regarding the framework they use and the approval given and are also equipped with the corresponding management and monitoring tools and structures. To assist these units and components, Desjardins Group has set up centralized structures and procedures to ensure that its Integrated Risk Management Framework permits effective management that is also sound and prudent.

The Risk Management Executive Division has been structured so that it can effectively manage credit risk and provide credit approval, support, quantification and monitoring, and report on credit matters.

Framework

The Desjardins Group Credit Risk Management Framework consists of policies, standards and various other documents, which define the responsibilities and powers of the parties involved, the limits imposed by risk appetite, the rules governing the assignment and administration of files, and the disclosure rules for Desjardins Group's exposure to credit risks.

All these frameworks govern Desjardins's credit risk management and control activities.

Assessment of regulatory capital

Desjardins Group uses the Internal Ratings-Based (IRB) Approach to assess credit risk. However, some exposures are exempt from IRB Approach requirements because of units or components of lesser importance, and asset classes that are not significant in terms of amount and risk profile. In order to apply the IRB Approach, Desjardins Group had to make internal estimates to calculate the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The calculation of risk-weighted assets (RWA) is used to measure Desjardins Group's credit risk, market risk and operational risk.

PD is the likelihood of a borrower defaulting on its obligations within a one-year time horizon. Internal rating models, estimated using logistic regressions, produce risk levels monthly for retail personal and business clients as well as for some non-retail client portfolios. For retail clientele, behavioural scoring models are used, with predictive features related, in particular, to borrower and account-specific features such as account age, loan size and delinquency. These models allow proactive management of the portfolio credit risk. However, for regulatory purposes, the PD from rating models is:
- adjusted slightly upward (prudential margin) to compensate for the historical volatility of PD;
- calibrated by groups of products, for behavioural scoring models applicable to retail clientele, according to the following drivers: residential mortgages, loans and lines of credit, point-of-sale financing and credit cards.

LGD measures the size of the possible economic loss in the event of the borrower's default. It is expressed as a percentage of EAD. LGD estimates reflect average economic losses by collateral or guarantee type input into an internal history. Economic losses include direct and indirect management costs as well as any recoveries adjusted for the delay between the time of default and the time of the transaction. LGD is adjusted upward to take into account the possible effects of an economic slowdown.

EAD is an estimate of the amount outstanding for a given exposure at the time of default. For on-balance sheet exposures, EAD is equal to the balance at the time of observation. For off-balance sheet exposures, EAD includes an estimate of the additional drawdowns that may occur between the time of observation and the default. Estimates of such possible additional drawdowns reflect the internal history of the average drawdown on revolving credit products between the observation date and the time of default. Finally, as in the case of LGD, EAD of off-balance sheet exposures is adjusted upward to take into account the possible effects of an economic slowdown.

Differences between the parameters used for accounting and regulatory capital purposes

Loss allowances for expected credit losses for accounting purposes according to IFRS 9, "*Financial Instruments*," are based primarily on the parameters used to calculate regulatory capital under the Internal-Ratings Based Approach, namely PD, LGD and EAD. However, there are certain differences, and the main ones are presented in the table below:

	Regulatory capital	IFRS 9
PD	• Estimated using a long-term average for a full economic cycle. • Projected over the next 12 months. • Definition of default associated with an instrument for which payments have been past due for over 90 days, or certain other criteria.	• Estimated at a point in time for the next 12 months or for the lifetime of the instrument. • Based on past experience, current conditions and relevant forward-looking information. • Corresponds to the definition of default used for regulatory capital purposes.
LGD	• Based on losses that would be expected during an economic downturn. • Subject to certain regulatory floors. • Takes into account all direct and indirect recovery costs. • Discounted to account for the recovery period until default using the discount rate required for regulatory capital purposes.	• Based on past experience, current conditions and relevant forward-looking information. • Excessive conservatism and floors are excluded. • Takes into account only direct recovery costs. • Discounted to account for the recovery period until default using the initial effective interest rate.
EAD	• Equal to drawn amounts plus expected use of undrawn amounts before default.	• Equal to drawn amounts plus expected use of undrawn amounts before default and taking into account forward-looking expectations.
Discounting	• No discounting between the date of default and the reporting date.	• Discounting from the date of default to the reporting date using the initial effective interest rate.

More specifically, credit and counterparty risk exposure includes the following categories:
- Used exposure is the amount of funds invested or advanced to a member or client.
- Unused exposure is the unused amount of credit limits relating to loans or margins after credit conversion factors (CCF) have been applied.
- Repo-style transactions are contractual transactions between two parties, including a retrocession commitment at a pre-set price. Repo-style transactions include repurchase agreement transactions, reverse repurchase agreement transactions, and lending and borrowing of securities that are not outstanding with a central counterparty as well as these same transactions carried out with a non-qualifying central counterparty.
- Over-the-counter (OTC) derivative instruments refer to all OTC derivative financial instruments with different underlying instruments.
- Off-balance sheet exposures include guarantees, commitments, derivatives and other contractual agreements of which the total notional principal amount may not be recognized on the balance sheet.
- The net exposure is calculated after using credit risk mitigation (CRM) techniques, including collateral, guarantees and credit derivatives.

As at December 31, 2024, the EAD was $460.5 billion before using CRM techniques and $420.1 billion after using CRM techniques. The complete results of the credit risk assessment by type of exposure, asset class and the calculation methods of the Standardized Approach and the Basel III Internal Ratings-Based Approach as required by the AMF are found in Table 27, "Risk Exposure by Asset Class (Exposure at default [EAD])."

Desjardins Group uses the Internal Ratings-Based Approach on 84.8% of exposure at default. Consequently, 15.2% of exposure at default is, for now, assessed using the Standardized Approach. Desjardins Group periodically reviews portfolios subject to the Standardized Approach to determine whether the Advanced Internal Ratings-Based Approach should be applied.

Table 27 – Risk exposure by asset class (Exposure at default [EAD])[(1)]*
As at December 31

	2024							
(in millions of dollars and as a percentage)	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure[(2)]	EAD as a % of total
Standardized Approach								
Sovereign borrowers	$ 4,458	$ —	$ —	$ —	$ —	$ 4,458	$ 6,119	1.0%
Non-central government public sector entities	7,225	1,635	—	—	42	8,902	8,989	1.9
Financial institutions	1,751	53	—	28	21	1,853	2,520	0.4
Businesses	10,381	3,842	4,799	22	2,057	21,101	16,253	4.6
SMEs similar to other retail client exposures	224	89	—	—	7	320	304	0.1
Real estate	7,036	441	—	—	—	7,477	5,551	1.6
Revolving retail client exposures	1,064	431	—	—	—	1,495	1,495	0.3
Other retail client exposures (excluding SMEs)	442	557	—	—	5	1,004	877	0.2
Securitization	48	—	—	—	—	48	48	—
Equities	689	142	—	—	—	831	831	0.2
Trading portfolio	—	—	22,072	581	—	22,653	1,096	4.9
Subtotal – Standardized Approach	33,318	7,190	26,871	631	2,132	70,142	44,083	15.2
Internal Ratings-Based Approach								
Sovereign borrowers	39,513	1,434	5	—	76	41,028	99,911	8.9
Non-central government public sector entities	—	—	—	—	—	—	—	—
Financial institutions	4,372	1,212	65	5,315	147	11,111	11,075	2.4
Businesses	34,216	8,160	—	—	631	43,007	38,203	9.3
SMEs similar to other retail client exposures	7,524	4,028	—	1	89	11,642	10,294	2.5
Real estate	201,350	28,565	—	—	—	229,915	178,077	49.9
Revolving retail client exposures	7,181	8,055	—	—	—	15,236	15,236	3.3
Other retail client exposures (excluding SMEs)	14,992	8,084	—	—	6	23,082	21,714	5.2
Trading portfolio	—	—	14,279	1,084	—	15,363	1,462	3.3
Subtotal – Internal Ratings-Based Approach	309,148	59,538	14,349	6,400	949	390,384	375,972	84.8
Total	**$ 342,466**	**$ 66,728**	**$ 41,220**	**$ 7,031**	**$ 3,081**	**$ 460,526**	**$ 420,055**	**100.0%**

	2023							
(in millions of dollars and as a percentage)	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure[(2)]	EAD as a % of total
Standardized Approach								
Sovereign borrowers	$ 5,262	$ —	$ —	$ —	$ —	$ 5,262	$ 6,014	1.3%
Non-central government public sector entities	6,846	1,632	—	—	47	8,525	8,578	2.1
Financial institutions	2,190	69	46	6	23	2,334	2,809	0.6
Businesses	9,006	2,995	2,352	22	2,210	16,585	14,420	4.0
SMEs similar to other retail client exposures	167	78	—	—	7	252	238	0.1
Real estate	5,889	114	—	—	—	6,003	4,993	1.5
Revolving retail client exposures	75	16	—	—	—	91	91	—
Other retail client exposures (excluding SMEs)	1,232	760	—	—	6	1,998	1,836	0.5
Securitization	26	—	—	—	—	26	26	—
Equities	608	139	—	—	—	747	746	0.2
Trading portfolio	—	—	15,269	380	—	15,649	681	3.8
Subtotal – Standardized Approach	31,301	5,803	17,667	408	2,293	57,472	40,432	14.1
Internal Ratings-Based Approach								
Sovereign borrowers	34,628	1,166	—	—	75	35,869	83,581	8.7
Non-central government public sector entities	—	—	—	—	—	—	—	—
Financial institutions	4,955	1,085	783	4,716	133	11,672	10,964	2.8
Businesses	30,977	6,481	—	—	1,630	39,088	34,994	9.5
SMEs similar to other retail client exposures	7,161	3,722	—	2	119	11,004	9,635	2.7
Real estate	184,913	25,409	—	—	—	210,322	168,710	51.2
Revolving retail client exposures	7,225	8,101	—	—	—	15,326	15,326	3.7
Other retail client exposures (excluding SMEs)	14,659	8,125	—	—	5	22,789	21,856	5.6
Trading portfolio	—	—	5,944	932	—	6,876	1,076	1.7
Subtotal – Internal Ratings-Based Approach	284,518	54,089	6,727	5,650	1,962	352,946	346,142	85.9
Total	$ 315,819	$ 59,892	$ 24,394	$ 6,058	$ 4,255	$ 410,418	$ 386,574	100.0%

(1) The definition of exposure classes related to regulatory capital requirements differs from the accounting classification.
(2) After using credit risk mitigation (CRM) techniques, including collateral, guarantees and credit derivatives.

The following table presents exposure at default for businesses, sovereign borrowers and financial institutions. The sectors are determined according to the North American Industry Classification System.

Table 28 – Exposure at default – Businesses, sovereign borrowers and financial institutions by industry*
As at December 31

	2024						
(in millions of dollars)	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure(1)
Agriculture	$ 10,402	$ 573	$ —	$ —	$ 18	$ 10,993	$ 12,336
Mining	427	342	—	—	26	795	797
Oil and gas	229	433	—	—	17	679	679
Utilities	2,994	1,419	—	—	135	4,548	4,549
Construction	4,133	1,267	—	—	206	5,606	5,745
Manufacturing	4,615	1,464	—	—	132	6,211	6,317
Wholesale trade	2,139	460	—	—	70	2,669	2,706
Retail trade	3,287	1,012	—	—	16	4,315	4,360
Transportation	1,511	418	—	—	61	1,990	2,003
Information industry	391	705	—	—	2	1,098	1,116
Finance and insurance	12,060	2,564	1,494	5,365	979	22,462	21,084
Real estate	5,017	1,386	—	—	70	6,473	27,728
Professional services	1,466	494	—	—	225	2,185	2,030
Management of companies	1,321	284	—	—	31	1,636	1,641
Administrative services	783	152	—	—	24	959	972
Education	144	52	—	—	2	198	201
Health care	750	126	—	—	3	879	2,508
Arts and entertainment	233	61	—	—	1	295	316
Accommodation	524	48	—	—	2	574	623
Other services	1,042	145	—	—	6	1,193	1,214
Public agencies	39,750	1,138	5	—	124	41,017	71,897
Other businesses	1,473	158	3,370	—	782	5,783	3,259
Total	**$ 94,691**	**$ 14,701**	**$ 4,869**	**$ 5,365**	**$ 2,932**	**$ 122,558**	**$ 174,081**

	2023						
(in millions of dollars)	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure(1)
Agriculture	$ 9,497	$ 509	$ —	$ —	$ 44	$ 10,050	$ 11,378
Mining(2)	747	124	—	—	17	888	892
Oil and gas(2)	376	432	—	—	106	914	913
Utilities	2,021	1,088	—	—	210	3,319	3,318
Construction	3,176	1,127	—	—	302	4,605	4,654
Manufacturing	4,180	1,228	—	—	314	5,722	5,835
Wholesale trade	1,972	475	—	—	135	2,582	2,618
Retail trade	3,852	731	—	—	29	4,612	4,669
Transportation	1,162	432	—	1	75	1,670	1,686
Information industry	433	292	—	—	440	1,165	1,177
Finance and insurance	11,220	1,960	2,066	4,743	1,115	21,104	19,342
Real estate	4,638	1,162	—	—	106	5,906	18,641
Professional services	1,211	327	—	—	212	1,750	1,664
Management of companies	1,010	195	—	—	41	1,246	1,226
Administrative services	609	166	—	—	33	808	817
Education	143	25	—	—	2	170	174
Health care	601	120	—	—	18	739	2,148
Arts and entertainment	264	64	—	—	2	330	352
Accommodation	385	30	—	—	8	423	516
Other services	789	126	—	—	15	930	968
Public agencies	37,001	908	—	—	91	38,000	66,326
Other businesses	1,731	275	1,115	—	756	3,877	3,468
Total	$ 87,018	$ 11,796	$ 3,181	$ 4,744	$ 4,071	$ 110,810	$ 152,782

(1) After using credit risk mitigation (CRM) techniques, including collateral, guarantees and credit derivatives.
(2) Data have been restated to conform with the current year's presentation.

Credit granting

The Risk Management Executive Division assigns approval limits to the various units and components, including the caisse network. The units and components are primarily responsible for approving the files originating from them. However, the Risk Management Executive Division approves any commitments exceeding the approval limits assigned to them. Its approval responsibilities and the depth of the analyses required depend on product features as well as the complexity and extent of transaction risk.

The Risk Management Executive Division also sets commitment limits, namely the maximum commitment that can be granted to a borrower and the related entities. Risk-sharing arrangements can also be made with other financial institutions through banking syndicates.

Retail loans

Retail loan portfolios consist of residential mortgages, personal loans and lines of credit, point-of-sale financing and credit card loans. The Internal Ratings-Based Approach for credit risk is currently used for most of these portfolios.

In general, credit decisions are based on risk ratings generated using predictive credit scoring models. Credit adjudication and portfolio management methodologies are designed to ensure consistent granting of credit and early identification of problem loans. Desjardins Group's automated risk rating system measures the creditworthiness of each member and client on a monthly basis. This process ensures the quick, valid identification and management of problem loans.

The table below presents PD tranches in relation to risk levels.

Table 29 – Probabilities of default of retail clients by risk level*

Risk levels	PD tranches
Excellent	**0.00% to 0.14%**
Very low	**0.15% to 0.49%**
Low	**0.50% to 2.49%**
Moderate	**2.50% to 9.99%**
High	**10.00% to 99.99%**
Default	**100.00%**

Monitoring performance of credit risk assessment models using the Internal Ratings-Based Approach

For portfolios assessed using the Internal Ratings-Based Approach, the Risk Management Executive Division is responsible for the design, development and performance monitoring of models, in accordance with various guidelines on the subject.

Credit risk assessment models are developed and tested by specialized teams supported by the business units and related credit risk management units concerned by the model.

The performance of credit risk parameters is analyzed on an ongoing basis through back testing. This testing is performed on out-of-time and out-of-sample inputs and aims to assess parameter robustness and adequacy. Where a statistically significant overage is observed, prudential upward adjustments are made to reflect an unexpected trend in a segment in particular. These adjustments, allowing a more adequate risk assessment related to the transactions and borrowers, are validated and approved by the units responsible.

More specifically for PD, such back testing takes the form of various statistical tests to assess the following criteria:
- the model's discriminating power;
- the calibration of the model;
- the stability of model results.

Independent validations are also performed on credit risk assessment models. The most critical aspects to be validated are factors allowing appropriate risk classification by level, the adequate quantification of exposures and the use of assessment techniques taking external factors into consideration, such as economic conditions and the credit situation and, lastly, alignment with internal policies and regulatory provisions.

The model approval procedure and reporting are regulated by different bodies depending on the type and size of the approval in question. As a result, new models and significant changes to existing models are approved by the next higher committee than the one that is informed of the annual model performance monitoring results and authorizes any resulting recommendations.

Loans to businesses, sovereign borrowers and financial institutions

These loans include retail loans, loans to sovereign borrowers and public administrations, loans to the housing sector and loans to other businesses.

PD tranches are updated annually and adjusted as necessary to appropriately reflect Desjardins Group's risk ratings.

The following table presents the internal rating scale, as well as, in general, a correspondence with ratings of external agencies.

Table 30 – Probabilities of default of businesses, financial institutions and sovereign borrowers by risk level*

	Business		Financial institutions		Sovereign borrowers			
Risk level	**Desjardins ratings**	**PD tranches**	**Desjardins ratings**	**PD tranches**	**Desjardins ratings**	**PD tranches**	**S&P ratings**	**Moody's ratings**
Acceptable risk								
Investment grade	[1 – 4]	**0.00% to 0.49%**	[1 – 5.5]	**0.00% to 0.51%**	[1 – 5.5]	**0.00% to 0.53%**	AAA – BBB-	Aaa – Baa3
Other than investment grade	[4.5 – 7]	**0.50% to 6.18%**	[6 – 8]	**0.52% to 3.71%**	[6 – 8]	**0.54% to 5.11%**	BB+ – B-	Ba1 – B3
Under watch	[7.5 – 9]	**6.19% to 99.99%**	[9 – 9.5]	**3.72% to 99.99%**	[9 – 9.75]	**5.12% to 99.99%**	CCC+ – CC	Caa1 – Ca
Default	10	**100.00%**	10	**100.00%**	10	**100.00%**	D	C

Retail clients, small residential rental properties and small commercial rental properties

Credit scoring systems based on proven statistics are used to assess the risk of credit activities involving these client bases.

These systems were designed using the behavioural history of borrowers with a profile or characteristics similar to those of the applicant in order to estimate the transaction risk.

Such systems are used for initial approval as well as for the monthly reassessment of borrowers' risk levels. Ongoing updates allow for proactive management of the credit risk of portfolios.

The performance of these systems is periodically analyzed, and adjustments are made regularly to measure transaction and borrower risk as adequately as possible. The units responsible for developing scoring systems and the underlying models ensure that adequate controls are set up to monitor their stability and performance.

Other segments

The granting of credit is based on the detailed analysis of a file. Each borrower's financial, market and management characteristics are analyzed using a credit risk assessment model designed from internal and external historical data, taking into account the size of the business, the special characteristics of the main industry in which the borrower operates, and the performance of comparable businesses.

In order to determine the model to be used, a segment is assigned to each borrower based on the borrower's main industry and some other features. A quantitative analysis based on financial data is supplemented by an assessment of qualitative factors by the person in charge of the file. Once this analysis is finished, each borrower is assigned a credit risk rating representing the borrower's risk level.

The use of scoring results has been expanded to other risk management and governance activities such as establishing analysis requirements and the required decision-making level, determining the different types of follow-up activities, as well as assessing and disclosing portfolio risk quality.

Credit risk mitigation

When a loan is granted to a member or client, Desjardins Group may obtain collateral to mitigate the borrower's credit risk. Such collateral is normally in the form of assets such as capital assets, receivables, inventory, equipment, securities (government securities, equities, etc.) or liquidity.

For some loans, programs offered by various organizations, in particular Canada Mortgage and Housing Corporation (CMHC) and *La Financière agricole du Québec*, are used in addition to customary collateral. As at December 31, 2024, guaranteed or insured loans represented 20.4% of Desjardins Group's total gross loans, compared to 20.1% at the end of 2023. As a result of these additional measures, the residual credit risk is minimal for loans with such collateral. In order for enhanced credit offered by a guarantor to be considered a credit risk mitigation technique, the guarantor must meet certain specific criteria to allow this.

Frameworks adapted to each type of collateral contain the requirements for appraising collateral, its legal validity and follow-up. The type of collateral as well as the value of the assets encumbered by such collateral are established on the basis of a credit risk assessment of the transaction and the borrower, depending in particular on the borrower's PD. Such an assessment is required whenever any new loan is granted in accordance with Desjardins Group's frameworks. When an outside professional, such as a chartered appraiser or an environmental assessment firm, is required to determine the value of the collateral, the selection of the professional and the mandate must comply with the necessary requirements in the frameworks. Considering that the collateral is used to recover all or part of the unpaid balance of a loan in the event of the borrower's default to make payment, the quality, the legal validity and the ease with which the collateral can be realized are determining factors in obtaining a loan.

In order to ensure that the value of the collateral remains adequate, it must be periodically updated. The frequency of reappraisals depends in particular on the risk level, the type of collateral or certain triggering events such as a deterioration in the borrower's financial position or the sale of an asset held as collateral. The decision-making level is responsible for approving the updated value of the collateral, if applicable.

During the year ended December 31, 2024, no significant changes were made to the credit risk mitigation policies and no significant changes occurred in the quality of assets held as collateral.

Loan debt relief

In managing loan portfolios, Desjardins Group may, for economic or legal reasons, change the original terms and conditions of a loan granted to a borrower experiencing financial difficulty and therefore prevented from discharging his obligations. Such changes may include an interest rate adjustment, the deferral or extension of principal and interest payments, or the waiver of a tranche of the principal or interest.

Loans receiving relief amounted to $1,878 million as at December 31, 2024, compared to $1,819 million at the end of 2023. Of these loans, $216 million was classified as gross impaired loans as at December 31, 2024, compared to $168 million as at December 31, 2023.

File monitoring and management of higher risk files

Credit practices govern the monitoring of loans. Files are reassessed on a regular basis. Requirements regarding review frequency and depth increase with a higher PD or the size of potential losses on receivables. The officer in charge of the file monitors high risk loans using various intervention methods. A positioning, which must be authorized by the appropriate decision-making level, is required to be performed for files with irregularities or increased risk as well as for files in default.

The unit in charge of the financing is primarily responsible for monitoring files and for managing higher risks. However, certain tasks or files may be outsourced to the Federation's intervention units specializing in turnarounds or recovery. Supervision reports produced and submitted periodically to the appropriate bodies make it possible to monitor the position of high-risk borrowers as well as changes in the corrective measures put in place. In addition, a report accounting for credit activities, covering changes in credit quality and financial issues, is submitted quarterly to the management of the component concerned.

Default situations

Identification of default

In accordance with the AMF's *Capital Adequacy Guideline*, the following two criteria are used to identify a default situation:
- Quantitative criterion: A borrower's payments are past due by more than 90 days.
- Qualitative criterion: Desjardins Group believes that a borrower is unlikely to repay his debt in full unless the appropriate action is taken, such as realization on collateral or a guarantee, where it exists.

These criteria are applicable to all clients.

Impact of default

The impact of a default consists of associating the identified default on exposure with all the same borrower's commitments as well as with other entities in its borrower group. Such impacts vary according to the type of client base.

For individuals, barring exceptions, Desjardins Group does not pass on the default.

For retail businesses, small residential rental properties and small commercial rental properties, the default is passed on only to the borrower's exposures to commitments with the same entity within the scope of Desjardins Group. For the application of this criterion, the caisse network is considered one and the same entity.

For non-retail businesses, public administrations, financial institutions and sovereign borrowers, the default is entirely passed on through all the borrower's commitments in the scope of Desjardins Group. The default may also be passed on to other entities forming part of its borrower group according to a case-by-case analysis.

Removing default

When default is recognized in terms of the quantitative criterion, it may be removed immediately for clients that are retail businesses, small residential rental properties, small commercial rental properties and individuals, subject to certain conditions stipulated in the credit risk guidelines. If not, it is generally removed within a minimum of 3 to 6 months if certain conditions set out in the credit risk guidelines are met.

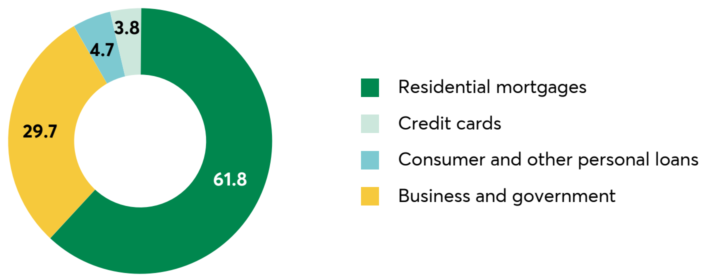
Monitoring of portfolio and reporting

The Risk Management Executive Division oversees the management of all risks to which the organization is exposed, including credit risks. The operating methods require ongoing monitoring of the credit risks to which Desjardins Group is exposed, as well as periodic reporting on portfolio quality to the appropriate bodies.

Breakdown and quality of loan portfolio

The following chart presents the distribution of loans by borrower category. Over half of the portfolio consists of residential mortgages, for which, statistically, the loss rate is lower.

Breakdown of loans
As at December 31, 2024
(as a percentage)



Loans by borrower category and by industry are presented in the table below. As at December 31, 2024, the main sectors of the business loan portfolio were real estate, agriculture and construction. They accounted for 51.5% of the business loan portfolio, which amounted to $82.9 billion. The main industries were the same as at December 31, 2023.

Table 31 – Loans by borrower category and by industry
As at December 31

	2024		2023	
(in millions of dollars)	Gross loans	Gross credit-impaired loans	Gross loans	Gross credit-impaired loans
Residential mortgages	$ 179,920	$ 454	$ 165,858	$ 375
Consumer, credit card and other personal loans	24,683	249	24,239	224
Public agencies[1]	3,391	—	3,388	—
Business				
Agriculture	12,871	385	11,991	352
Mining[2]	591	47	807	1
Oil and gas[2]	146	—	285	—
Utilities	3,105	3	2,090	—
Construction	9,711	204	8,062	182
Manufacturing	6,452	297	5,883	231
Wholesale trade	2,919	115	2,712	75
Retail trade	5,506	87	5,933	96
Transportation	2,034	18	1,620	14
Information industry	515	21	550	17
Finance and insurance	2,306	1	2,105	—
Real estate	20,161	211	17,474	164
Professional services	2,298	23	1,934	10
Management of companies	1,756	32	1,389	10
Administrative services	432	8	373	6
Education	275	7	265	4
Health care	5,060	108	4,411	145
Arts and entertainment	813	22	769	11
Accommodation	2,251	53	2,073	39
Other services	1,848	11	1,588	8
Other businesses	1,873	—	1,316	—
Total business loans	$ 82,923	$ 1,653	$ 73,630	$ 1,365
Total loans	$ 290,917	$ 2,356	$ 267,115	$ 1,964

(1) Including loans to governments.
(2) Data of 2023 have been restated to conform with the current year's presentation.

Loans by geographic distribution are presented in the following table. Desjardins Group's operations are highly concentrated in Québec. Therefore, as at December 31, 2024, the loans granted by Desjardins to members and clients in Québec accounted for 88.3% of the total loan portfolio, compared to 88.8% as at December 31, 2023.

Table 32 – Loans by geographic distribution
As at December 31

(in millions of dollars)	2024 Gross loans	2024 Gross credit-impaired loans	2023 Gross loans	2023 Gross credit-impaired loans
Canada				
Québec	**$ 256,972**	**$ 1,997**	$ 237,072	$ 1,710
Other Canadian provinces	**33,485**	**359**	29,718	254
Total – Canada	**$ 290,457**	**$ 2,356**	$ 266,790	$ 1,964
Other countries	**460**	**—**	325	—
Total	**$ 290,917**	**$ 2,356**	$ 267,115	$ 1,964

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

Table 33 – Gross loans past due but not credit-impaired(1)
As at December 31

(in millions of dollars)	2024 31 to 90 days	2024 91 days or more	2024 Total	2023 31 to 90 days	2023 91 days or more	2023 Total
Residential mortgages	**$ 165**	**$ 113**	**$ 278**	$ 245	$ 95	$ 340
Consumer, credit card and other personal loans	**195**	**36**	**231**	196	38	234
Business and government	**84**	**110**	**194**	41	128	169
	$ 444	**$ 259**	**$ 703**	$ 482	$ 261	$ 743

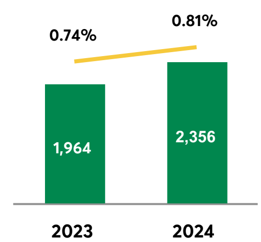
(1) Loans less than 31 days past due are not presented because, in general, they are not an indication that a borrower will not meet payment obligations.

As at December 31, 2024, according to Note 7, "Loans and allowance for credit losses," to the Combined Financial Statements, the allowance for expected credit losses on loans stood at $1,320 million and the allowance for expected credit losses on off-balance sheet items was $100 million, for a total of $1,420 million, up $147 million compared to December 31, 2023.

This change reflects a migration in credit quality and changes in the unfavourable economic outlook for business loan portfolios. In the credit card portfolios, the favourable impact of updating forward-looking information was partially offset by the unfavourable impact of methodological changes. For more information on the methodology and assumptions used to estimate the loss allowance for expected credit losses, refer to Note 2, "Accounting policies," and Note 7, "Loans and allowance for credit losses," to the Combined Financial Statements.

Gross credit-impaired loans outstanding are the loans included in Stage 3 of the impairment model. The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.81% as at December 31, 2024, compared to 0.74% as at December 31, 2023. The allowance for credit losses on credit-impaired loans totalled $615 million as at December 31, 2024, for a provisioning rate on credit-impaired loans of 26.1%.

Gross credit-impaired loans and gross credit-impaired loan ratios
(in millions of dollars and as a percentage)



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

Table 34 – Gross credit-impaired loans by borrower category
As at December 31

(in millions of dollars and as a percentage)	2024 Gross carrying amount: Gross loans and acceptances	2024 Gross carrying amount: Gross credit-impaired loans(1)		2024 Allowance for credit losses on credit-impaired loans	2024 Net credit-impaired loans	2023 Gross credit-impaired loans	2023 Net credit-impaired loans
Residential mortgages	**$ 179,920**	**$ 454**	**0.25%**	**$ 30**	**$ 424**	$ 375	$ 351
Consumer, credit and other personal loans	**24,683**	**249**	**1.01**	**165**	**84**	224	84
Business and government	**86,314**	**1,653**	**1.92**	**420**	**1,233**	1,365	1,034
Total	**$ 290,917**	**$ 2,356**	**0.81%**	**$ 615**	**$ 1,741**	$ 1,964	$ 1,469

(1) For more information on the gross credit-impaired loans/gross loans and acceptances ratio, which is a supplemental financial measure, see the Glossary on pages 106 to 113.

Table 35 – Change in gross credit-impaired loans
For the years ended December 31

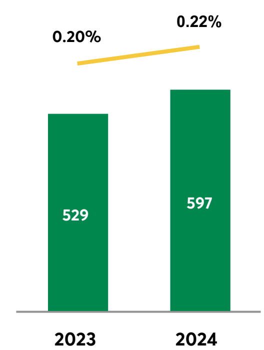
(in millions of dollars)	2024	2023
Gross credit-impaired loans at beginning of year	**$ 1,964**	$ 1,191
Gross loans that became credit-impaired during the year	**3,535**	3,396
Loans returned to unimpaired status	**(2,691)**	(2,282)
Write-offs and recoveries	**(452)**	(336)
Other changes	**—**	(5)
Gross credit-impaired loans at end of year	**$ 2,356**	$ 1,964

Desjardins Group's provision for credit losses totalled $597 million for 2024, compared to $529 million in 2023. The 2024 provision reflects a migration of credit quality as well as the impact of unfavourable changes in the economic outlook on the business loan portfolios. In the credit card portfolios, the favourable impact of updated forward-looking information was partly offset by the unfavourable effect of changes made to methodology. The provision for 2024 also reflects higher net write-offs, which are gradually returning to pre-pandemic levels.

The credit loss provisioning rate was 0.22% at the end of fiscal 2024, compared to 0.20% recorded as at December 31, 2023.

Additional information about the credit risk related to the recognition and measurement of the allowance for credit losses is presented in Note 2, "Accounting policies," and Note 7, "Loans and allowance for credit losses," to the Combined Financial Statements.

Provision for credit losses and credit loss provisioning rate
(in millions of dollars and as a percentage)



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.

Table 36 – Residential mortgage portfolio(1)
Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.(2)
As at December 31

	2024							
(in millions of dollars and as a percentage)	Guaranteed or insured loans(3)		Uninsured loans(4)		Home equity lines of credit(5)		Total	
Québec	**$ 30,514**	**97.7%**	**$ 96,125**	**95.2%**	**$ 6,109**	**95.1%**	**$ 132,748**	**95.8%**
Ontario	**696**	**2.2**	**4,874**	**4.8**	**318**	**4.9**	**5,888**	**4.2**
Other(6)	**19**	**0.1**	**48**	**—**	**—**	**—**	**67**	**—**
All geographic areas	**$ 31,229**	**100.0%**	**$ 101,047**	**100.0%**	**$ 6,427**	**100.0%**	**$ 138,703**	**100.0%**

	2023							
(in millions of dollars and as a percentage)	Guaranteed or insured loans(3)		Uninsured loans(4)		Home equity lines of credit(5)		Total	
Québec	$ 28,778	97.8%	$ 91,395	95.1%	$ 5,691	94.9%	$ 125,864	95.7%
Ontario	610	2.1	4,673	4.9	309	5.1	5,592	4.3
Other(6)	19	0.1	40	—	—	—	59	—
All geographic areas	$ 29,407	100.0%	$ 96,108	100.0%	$ 6,000	100.0%	$ 131,515	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 $235 million as at December 31, 2024 and $216 million as at December 31, 2023.
(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.

Table 37 – Average loan-to-value (LTV) ratio for uninsured residential mortgages granted during the year
Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.[1]
For the years ended December 31

	2024			2023		
(average loan to value ratio, by geographic area)	**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	**63.5%**	**62.8%**	**63.0%**	62.1%	64.3%	63.8%
Ontario	**64.5**	**62.1**	**63.2**	61.8	62.0	61.9
Other[4]	**60.6**	**75.1**	**69.0**	74.0	69.0	70.8
All geographic areas	**63.6%**	**62.8%**	**63.1%**	62.1%	64.2%	63.7%

(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.

Table 38 – Remaining amortization period for residential mortgages[1][2]
Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.[3]
As at December 31

	Total amortized loans			
(in millions of dollars in gross loans and as a percentage of the total by remaining amortization category)	**2024**		2023	
0 to 10 years	**$ 9,390**	**7.1%**	$ 9,100	7.3%
10 to 20 years	**43,556**	**32.9**	41,132	32.8
20 to 25 years	**68,338**	**51.7**	63,076	50.2
25 to 30 years	**7,150**	**5.4**	5,785	4.6
30 to 35 years	**170**	**0.1**	172	0.1
35 years or more[4]	**3,672**	**2.8**	6,250	5.0
All amortization periods	**$ 132,276**	**100.0%**	$ 125,515	100.0%

(1) The caisse network's variable-rate mortgages represented 23.2% as at December 31, 2024 (24.1% as at December 31, 2023).
(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) 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 December 31, 2024, Desjardins Group credit risk exposures outside of Canada and the U.S. represented 1.2% 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.

Desjardins Group is exposed to counterparty and issuer risk due matching transactions of its traditional banking activities, its trading activities and the investment portfolios of its insurance companies. According to its classification, each counterparty or issuer is assigned a risk rating based on internal models or the ratings issued by rating agencies (DBRS, Fitch, Moody's and Standard & Poor's) recognized by the AMF and the OSFI. The Risk Management Executive Division establishes an exposure limit for a counterparty or issuer after measuring its risk rating. Desjardins Group's exposure limits are established on the basis of its risk appetite framework and its Tier 1A capital. These amounts are then allocated to various components based on their needs. Limits may also apply to certain financial instruments, if considered relevant.

A large proportion of Desjardins Group's risk 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 its U.S. sovereign debt holdings and its commitments to major international banks, Desjardins Group's exposure to foreign entities is low.

In its derivative financial instrument and securities lending transactions, which include repurchase agreements, reverse repurchase agreements and securities borrowing and lending, Desjardins Group is exposed to counterparty credit risk.

Desjardins Group uses derivative financial instruments primarily for asset and liability management purposes. Derivative financial instruments are contracts whose value is based on an underlying asset, such as interest rates, exchange rates or financial indices. The vast majority of Desjardins Group's derivative financial instruments are traded over the counter with a counterparty and include, in particular, forward exchange contracts, currency swaps, interest rate swaps, credit default swaps, total return swaps, forward rate agreements, and currency, interest rate and stock index options. Other instruments are exchange-traded contracts, consisting mainly of futures and swaps traded through a clearing house. They are standard contracts executed on established stock exchanges or well-capitalized clearing houses for which the counterparty risk is very low.

The credit risk associated with derivative financial instruments traded over the counter refers to the risk that a counterparty will fail to honour its contractual obligations toward Desjardins Group at a time when the fair value of the instrument is positive for Desjardins. This risk normally represents a small fraction of the notional amount. It is quantified using two measurements, namely replacement cost and the credit risk equivalent. Replacement cost refers to the current replacement cost of all contracts with a positive fair value. Credit risk equivalent is equal to the sum of this replacement cost and the potential credit exposure. In addition, Desjardins Group applies a credit valuation adjustment (CVA) when pricing derivative financial instruments to take into account the risk that a counterparty will fail to honour its contractual obligations. This adjustment takes into account observable credit spreads in the market, future exposures estimated from advanced quantitative models that include the effects of master netting agreements, collateral and guarantees swapped. A dedicated Desjardins Group team measures the CVA and develops strategies for hedging associated risks. A committee aims to oversee CVA risks, particularly the market risk limits of the derivative financial instruments portfolio as well as hedging strategies (the optimization of collateral and guarantees and the targeted use of derivatives). An ongoing monitoring process ensures hedging effectiveness is regularly measured, strategies are adjusted, and models and processes are periodically reviewed to adapt to market developments. Desjardins Group limits counterparty risk exposure by entering into master agreements called International Swaps and Derivatives Association (ISDA) agreements, which define the terms and conditions for the transactions. These agreements provide for netting to determine the net exposure in the event of default. In addition, a Credit Support Annex can be added to the master agreement in order to request the counterparties to pay or secure the current market value of the positions when such value exceeds a certain threshold. The value of these different measures and the impact of the master netting agreements is presented in Note 20, "Derivative financial instruments and hedging activities," to the Combined Financial Statements.

Desjardins Group also limits its risk by doing business with counterparties that have a high credit rating. Note 20, "Derivative financial instruments and hedging activities," to the Combined Financial Statements presents derivative financial instruments by credit risk rating and type of counterparty. Based on replacement cost, this note indicates that substantially all of Desjardins Group's counterparties have credit ratings ranging from AAA to A-.

Securities lending transactions are governed by standard industry agreements. To mitigate its credit risk exposure, Desjardins Group also requires a percentage of collateralization (a pledge) on these transactions. Furthermore, some of these transactions are settled through a clearing house.

Desjardins Group accepts from its counterparties only financial collateral that complies with the eligibility criteria set out in its policies. These criteria allow for the timely realization of collateral, if necessary, in the event of default. The types of collateral received and pledged by Desjardins Group are mainly cash and government securities.

Additional information about credit risk is presented in Note 5, "Offsetting financial assets and liabilities," Note 20, "Derivative financial instruments and hedging activities," and Note 28, "Commitments, guarantees and contingent liabilities," to the Combined Financial Statements.

4.2.4 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, equity prices 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 in 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 added to 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 following pages.

Desjardins Group also has frameworks and processes including guidelines for allocating transactions in trading or banking portfolios. Accordingly, controls exist to ensure that the classification is appropriate and in accordance with the regulations in effect.

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 its trading activities and non-trading activities. The principal market risks associated with non-trading activities are also indicated in the table.

Table 39 – Link between market risk and the Combined Balance Sheets
As at December 31, 2024

(in millions of dollars)	Combined Balance Sheets	Exposed to market risk – Trading activities[1][2]	Exposed to market risk – Non-trading activities[3]	Not exposed to market risk	Principal risks associated with non-trading activities
Assets					
Cash and deposits with financial institutions	$ 5,977	$ —	$ 5,977	$ —	Interest rate
Securities					
Securities at fair value through profit or loss	41,961	13,210	28,751	—	Interest rate
Securities at fair value through other comprehensive income	57,302	—	57,302	—	Interest rate, FX, price
Securities at amortized cost	45	—	45	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	23,666	20,159	3,507	—	Interest rate
Loans, net of allowance for credit losses	289,597	—	289,597	—	Interest rate
Segregated fund net assets	28,959	—	28,959	—	Interest rate, price
Derivative financial instruments	7,579	983	6,596	—	Interest rate, FX, price
Other assets	15,856	—	—	15,856	
Total assets	$ 470,942	$ 34,352	$ 420,734	$ 15,856	
Liabilities and equity					
Deposits	$ 300,946	$ —	$ 300,946	$ —	Interest rate
Insurance contract liabilities	34,538	—	34,538	—	Interest rate
Commitments related to securities sold short	13,249	12,589	660	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	20,633	20,459	174	—	Interest rate
Derivative financial instruments	6,112	685	5,427	—	Interest rate, FX, price
Segregated fund net liabilities – Investment contracts	25,329	—	25,329	—	Interest rate, price
Other liabilities	27,483	—	713	26,770	Interest rate
Subordinated notes	3,962	—	3,962	—	Interest rate
Equity	38,690	—	—	38,690	
Total liabilities and equity	$ 470,942	$ 33,733	$ 371,749	$ 65,460	

See next page for footnotes.

Table 39 – Link between market risk and the Combined Balance Sheets (continued)
As at December 31, 2023

(in millions of dollars)	Combined Balance Sheets	Exposed to market risk: Trading activities[1][2]	Exposed to market risk: Non-trading activities[3]	Not exposed to market risk	Principal risks associated with non-trading activities
Assets					
Cash and deposits with financial institutions	$ 8,987	$ —	$ 8,987	$ —	Interest rate
Securities					
Securities at fair value through profit or loss	36,627	11,945	24,682	—	Interest rate
Securities at fair value through other comprehensive income	51,692	—	51,692	—	Interest rate, FX, price
Securities at amortized cost	46	—	46	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	13,678	11,277	2,401	—	Interest rate
Loans, net of allowance for credit losses	265,935	—	265,935	—	Interest rate
Segregated fund net assets	24,754	—	24,754	—	Interest rate, price
Derivative financial instruments	5,861	726	5,135	—	Interest rate, FX, price
Other assets	15,360	—	—	15,360	
Total assets	$ 422,940	$ 23,948	$ 383,632	$ 15,360	
Liabilities and equity					
Deposits	$ 279,329	$ —	$ 279,329	$ —	Interest rate
Insurance contract liabilities	32,961	—	32,961	—	Interest rate
Commitments related to securities sold short	11,686	11,361	325	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	12,032	10,726	1,306	—	Interest rate
Derivative financial instruments	6,626	971	5,655	—	Interest rate, FX, price
Segregated fund net liabilities – Investment contracts	21,233	—	21,233	—	Interest rate, price
Other liabilities	21,729	—	867	20,862	Interest rate
Subordinated notes	2,954	—	2,954	—	Interest rate
Equity	34,390	—	—	34,390	
Total liabilities and equity	$ 422,940	$ 23,058	$ 344,630	$ 55,252	

(1) Trading activity positions for which the risk measure is VaR.
(2) The amounts presented under trading activities take intra-group 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 daily basis under specific frameworks, which specify the risk factors to be measured and the limit for each of these factors as well as the total. Tolerance limits are also provided for various stress tests. Compliance with these limits is monitored daily, and a market risk dashboard is produced on a daily basis and sent to senior management. Any limit that is exceeded is immediately analyzed and appropriate action is taken.

The main tool used to measure this risk is "Value at Risk" (VaR). VaR is an estimate of the potential loss over a certain time interval at a given confidence level. A Monte Carlo VaR is calculated daily on the trading portfolios, using a 99% confidence level and a holding horizon of one day. It is therefore reasonable to expect a loss exceeding the VaR figure once every 100 days. The calculation of VaR is based on historical data for a one-year interval.

The aggregate VaR for Desjardins Group's trading activities by risk category are presented in the table below. Equity price risk, foreign exchange risk and interest rate risk are the three 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* issued by the AMF.

Table 40 – Market risk measures for the trading portfolio*

(in millions of dollars)	As at December 31, 2024	For the year ended December 31, 2024			As at December 31, 2023	For the year ended December 31, 2023		
		Average	High	Low		Average	High	Low
Equities	**$ 0.3**	**$ 0.3**	**$ 0.4**	**$ 0.1**	$ 0.2	$ 0.4	$ 2.1	$ 0.2
Foreign exchange	**0.4**	**0.6**	**2.4**	**0.1**	0.7	0.5	2.1	0.10
Interest rate	**4.0**	**4.8**	**7.9**	**2.5**	3.2	5.0	8.2	2.8
Diversification effect[(1)(2)]	**(0.6)**	**(0.9)**	**N/A[(3)]**	**N/A[(3)]**	(0.9)	(0.9)	N/A[(3)]	N/A[(3)]
Aggregate VaR	**$ 4.1**	**$ 4.8**	**$ 7.8**	**$ 2.5**	$ 3.2	$ 5.0	$ 8.9	$ 2.7

(1) Refers to the risk reduction related to diversification, namely the difference between the sum of the VaR of the various market risks and the aggregate VaR.
(2) The diversification effect has been recalculated for the year ended December 31, 2023.
(3) The highs and lows of the various market risk categories can relate to different dates. It is not relevant to calculate a diversification effect.

The average of the trading portfolio's aggregate VaR was $4.8 million for 2024, relatively stable compared to 2023.

Aggregate VaR is an appropriate measure for a trading portfolio but must be interpreted by taking into account certain limits, in particular the following ones:

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

Given these limits, 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 comparison of the VaR with the hypothetical and actual profits and losses (P&L) on portfolios, is performed daily to ensure the quality and accuracy of the VaR model.

Stress-testing

Certain events that are considered highly unlikely and that could have a significant impact on trading portfolios may occur from time to time. These events are at the tail-end of the distribution and are the result of extreme situations. 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 COVID-19 pandemic of 2020 or the 2008 financial crisis. Using such stress testing, changes can be monitored in the fair value of positions held depending on various scenarios. Most stress-testing is predictive. For a given stress test, shocks are applied to certain risk factors (such as interest rates, exchange rates or 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 banking activities other than trading, such as accepting deposits and granting loans, as well as for its securities portfolios used for long-term investment purposes and as liquidity reserves.

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

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

In addition to the total sensitivity gap, the main structural interest rate risk factors are:

- The trend in interest rate level and volatility.
- The changes in the shape of the interest rate curve.
- Member and client behaviour in their choice of products.
- The financial intermediation margin.
- The optionality of the various financial products offered.

In order to mitigate 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. Simulations are used to measure the effect of different variables on changes in net interest income and the economic value of equity. These policies specify the structural interest rate risk factors, the risk measures selected, the risk tolerance levels and the management limits as well as the procedures in the event that limits are exceeded. Structural interest rate risk is assessed at the required frequency according to portfolio volatility (daily, monthly or quarterly).

The assumptions used in the simulations are based on an analysis of historical data and on the effects of various interest rate environments on changes in such data. These assumptions concern changes in the structure of assets and liabilities, including modelling for non-maturity deposits, 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 and 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.

Table 41 – Interest rate sensitivity (before income taxes)[(1)]*
As at December 31

	2024		2023	
(in millions of dollars)	**Net interest income[(2)]**	**Economic value of equity[(3)(4)]**	Net interest income[(2)]	Economic value of equity[(3)(4)]
Impact of a 100-basis-point increase in interest rates	**$ 54**	**$ (1,213)**	$ 73	$ (930)
Impact of a 100-basis-point decrease in interest rates	**(20)**	**1,104**	(77)	862

(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 16, "Insurance and reinsurance contracts," to the 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.
(4) The sensitivity of the economic value of equity was revised in line with the update of the AMF's *Interest Rate Risk Management Guideline*. The revised measure no longer includes an equity maturity assumption. The data as at December 31, 2023 have been restated for comparison purposes.

Foreign exchange risk management

Foreign exchange risk corresponds to the potential loss arising from a change in 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.

Price risk management

In its non-trading activities, Desjardins Group is exposed to price risk, related mainly to components that operate in insurance and their investment portfolios. *Price risk is the risk of potential loss resulting from a change in the fair value of assets, such as shares, commodities or real estate properties, but not resulting from a change in interest rates or foreign exchange rates, or in the credit quality of a counterparty.*

Management of price risk related to real estate activities

The insurance components may be exposed to changes in the real estate market through the properties they own, whose fair value may fluctuate. They manage this risk using policies that set out diversification limits such as geographic limits and limits for real estate property categories. Annually, each real estate investment is subject to an independent professional appraisal to determine its fair value in accordance with the standards prescribed by regulatory authorities.

Management of price risk related to stock markets

The insurance components may also be exposed to price risk related to stock markets, particularly through the equity securities and derivative financial instruments they hold as well as the minimum guarantees provided under segregated fund contracts, whose value is affected by market fluctuations. They manage this risk using the different limits set in policies and a hedging program to mitigate the effect of market volatility. For additional information, see Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements.

4.2.5 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 ratios, 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 Desjardins Group Finance and Risk Management Committee. Securities eligible for liquidity reserves must meet high security and negotiability criteria and provide assurance of their adequacy in the event of a severe liquidity crisis. The securities held are largely Canadian government securities.

In addition to complying with regulatory ratios, a Desjardins-wide stress testing program has been set up. This program incorporates the concepts put forward by the Basel Committee on Banking Supervision (BCBS) in *Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring*. The scenarios make it possible to:

- measure the magnitude 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.

Liquidity risk indicators

The purpose of monitoring liquidity indicators daily is to quickly identify a lack of liquidity, whether potential or real, within Desjardins Group and on financial markets. Warning levels subject to an escalation process are established for each of these indicators. If one or more indicators trigger a warning level, the relevant senior executives are alerted, depending on the nature of the incident. The senior executives would act as plan owners should the contingency plan be put into action.

This plan lists the sources of liquidity available in exceptional situations. In addition, it lays down the decision-making and information process. The aim of the plan is to allow quick and effective intervention in order to minimize disruptions caused by sudden changes in member and client behaviour and potential disruptions in capital markets or economic conditions. Furthermore, in the event of a crisis extensive enough to question Desjardins Group's creditworthiness, a living will has been prepared to enable those responsible to draw on a broader range of liquidity sources to deal with the situation.

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.

Table 42 – Liquid assets[(1)]
As at December 31, 2024

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral – Securities financing and derivative trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	$ 4,996	$ —	$ 4,996	$ 469	$ 4,527
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	56,336	24,296	80,632	32,487	48,145
Other securities in Canada	6,034	1,468	7,502	2,024	5,478
Issued or guaranteed by foreign issuers	321	7	328	9	319
Loans					
Insured residential mortgage-backed securities	17,334	—	17,334	1,691	15,643
Total	$ 85,021	$ 25,771	$ 110,792	$ 36,680	$ 74,112

As at December 31, 2023

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral – Securities financing and derivative trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	$ 6,285	$ —	$ 6,285	$ 458	$ 5,827
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	50,143	14,216	64,359	22,883	41,476
Other securities in Canada	5,748	790	6,538	1,106	5,432
Issued or guaranteed by foreign issuers	233	1	234	1	233
Loans					
Insured residential mortgage-backed securities	13,022	—	13,022	2,221	10,801
Total	$ 75,431	$ 15,007	$ 90,438	$ 26,669	$ 63,769

(1) Excluding assets held by insurance subsidiaries.

Table 43 – Unencumbered liquid assets by entity[(1)]
As at December 31

(in millions of dollars)	2024	2023
Federation	$ 49,022	$ 35,264
Caisse network	22,303	24,739
Other entities	2,787	3,766
Total	$ 74,112	$ 63,769

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

Encumbered assets

In the 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.

Table 44 – Encumbered assets
As at December 31, 2024

				Breakdown of total assets			
				Encumbered assets		Unencumbered assets	
(in millions of dollars)	Combined Balance Sheet assets	Securities held as collateral	Total assets	Pledged as collateral	Other[1]	Available as collateral	Other[2]
Cash and deposits with financial institutions	$ 5,977	$ —	$ 5,977	$ 189	$ 469	$ 4,338	$ 981
Securities	99,308	30,024	129,332	41,438	314	50,964	36,616
Securities borrowed or purchased under reverse repurchase agreements	23,666	—	23,666	—	—	—	23,666
Loans, net of allowance for credit losses	289,597	—	289,597	39,159	—	70,727	179,711
Segregated fund net assets	28,959	—	28,959	—	—	—	28,959
Other assets	23,435	—	23,435	—	—	—	23,435
Total	**$ 470,942**	**$ 30,024**	**$ 500,966**	**$ 80,786**	**$ 783**	**$ 126,029**	**$ 293,368**

As at December 31, 2023

				Breakdown of total assets			
				Encumbered assets		Unencumbered assets	
(in millions of dollars)	Combined Balance Sheet assets	Securities held as collateral	Total assets	Pledged as collateral	Other[1]	Available as collateral	Other[2]
Cash and deposits with financial institutions	$ 8,987	$ —	$ 8,987	$ 186	$ 458	$ 5,641	$ 2,702
Securities	88,365	23,176	111,541	33,188	850	45,262	32,241
Securities borrowed or purchased under reverse repurchase agreements	13,678	—	13,678	—	—	—	13,678
Loans, net of allowance for credit losses	265,935	—	265,935	30,697	—	66,639	168,599
Segregated fund net assets	24,754	—	24,754	—	—	—	24,754
Other assets	21,221	—	21,221	—	—	—	21,221
Total	$ 422,940	$ 23,176	$ 446,116	$ 64,071	$ 1,308	$ 117,542	$ 263,195

(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.

Table 45 – Liquidity coverage ratio[1]

(in millions of dollars and as a percentage)	For the quarter ended December 31, 2024 Total non-weighted value[2] (average[3])	For the quarter ended December 31, 2024 Total weighted value[4] (average[3])	For the quarter ended September 30, 2024 Total weighted value[4] (average[3])
High-quality liquid assets			
Total high-quality liquid assets	**N/A**	**$ 58,052**	$ 57,802
Cash outflows			
Retail deposits and small business deposits, including:	**$ 100,781**	**7,870**	7,699
Stable deposits	**49,258**	**1,478**	1,462
Less stable deposits	**51,523**	**6,392**	6,237
Unsecured wholesale funding, including:	**43,249**	**19,999**	20,805
Operational deposits (all counterparties) and deposits in cooperative bank networks	**15,990**	**3,869**	3,999
Non-operational deposits (all counterparties)	**18,648**	**7,519**	7,394
Unsecured debt	**8,611**	**8,611**	9,412
Secured wholesale funding	**N/A**	**182**	211
Additional requirements, including:	**28,545**	**5,142**	4,707
Outflows related to exposures on derivatives and other collateral required	**1,280**	**1,275**	1,285
Outflows related to funding loss on debt products	**526**	**526**	129
Credit and liquidity facilities	**26,739**	**3,341**	3,293
Other contractual funding liabilities	**3,075**	**1,602**	1,239
Other contingent funding liabilities	**94,826**	**2,670**	2,661
Total cash outflows	**N/A**	**$ 37,465**	$ 37,322
Cash inflows			
Secured loans (e.g. reverse repurchase agreements)	**$ 17,542**	**$ 810**	$ 777
Inflows related to completely effective exposures	**2,946**	**1,473**	1,769
Other cash inflows	**20**	**20**	16
Total cash inflows	**$ 20,508**	**$ 2,303**	$ 2,562
		Total adjusted value[5]	Total adjusted value[5]
Total high-quality liquid assets		**$ 58,052**	$ 57,802
Total net cash outflows		**35,162**	34,760
Liquidity coverage ratio		**165%**	166%

(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) The ratio is presented based on the average daily data for the quarter.
(4) Weighted values are calculated after the "haircuts" prescribed for high quality liquid assets and the rates prescribed for cash inflows and outflows have been applied.
(5) The total adjusted value takes into account, if applicable, the caps prescribed by the AMF for high-quality liquid assets and cash inflows.

Desjardins Group disclosed an average LCR of 165% for the quarter ended December 31, 2024, down slightly from the previous quarter. The LCR remained substantially above regulatory requirements. For the quarter ended December 31, 2024, high-quality liquid assets averaged approximately $58.1 billion ($57.8 billion as at September 30, 2024) of which 95% (95% as at September 30, 2024) was composed of Level 1 assets under Basel III criteria. These include, in particular, coins 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.

Table 46 – Net Stable Funding Ratio[(1)]

	As at December 31, 2024					As at September 30, 2024
	Unweighted value by residual maturity					
(in millions of dollars and as a percentage)	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value	Weighted value
Available Stable Funding (ASF) item						
Capital	$ 37,589	$ —	$ —	$ 3,000	$ 40,589	$ 40,426
Regulatory capital	37,589	—	—	3,000	40,589	40,426
Other capital instruments	—	—	—	—	—	—
Retail deposits and deposits from small business customers	81,764	46,547	28,054	37,337	179,815	176,045
Stable deposits	46,586	7,390	6,145	11,353	68,469	66,833
Less stable deposits	35,178	39,157	21,909	25,984	111,346	109,212
Wholesale funding	26,605	51,060	5,262	26,187	46,078	46,614
Operational deposits	13,841	—	—	—	6,920	7,566
Other wholesale funding	12,764	51,060	5,262	26,187	39,158	39,048
Liabilities with matching interdependent assets	—	896	859	15,070	—	—
Other liabilities[(2)]	29,748			18,251	—	—
NSFR derivative liabilities[(2)]	N/A			4,395	N/A	N/A
All other liabilities and equity not included in the above categories	29,748	13,856	—	—	—	—
Total ASF	N/A	N/A	N/A	N/A	$ 266,482	$ 263,085
Required Stable Funding (RSF) item						
Total NSFR high-quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	$ 709	$ 612
Deposits held by other financial institutions for operational purposes	$ —	$ —	$ —	$ —	—	—
Performing loans and securities	20,701	68,645	30,977	179,599	187,584	184,566
Performing loans to financial institutions secured by Level 1 HQLA	—	23,459	—	—	1,173	1,263
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	—	2,819	—	1,120	1,402	1,424
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:	14,353	29,567	11,570	75,393	94,242	91,672
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	—	8,306	6,762	13,058	8,488	8,426
Performing residential mortgages, of which:	6,340	12,011	17,834	100,708	87,558	86,727
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	6,340	12,011	17,834	100,708	87,558	86,727
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	8	789	1,573	2,378	3,209	3,480
Assets with matching interdependent liabilities	—	896	859	15,070	—	—
Other assets[(2)]	—			28,030	14,899	16,772
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			455	387	344
NSFR derivative assets[(2)]	N/A			7,509	292	293
NSFR derivative liabilities before deduction of variation margin posted[(2)]	N/A			5,846	—	—
All other assets not included in the above categories	—	—	—	14,220	14,220	16,135
Off-balance sheet items[(2)]	N/A			122,028	3,277	3,173
Total RSF	N/A	N/A	N/A	N/A	$ 206,469	$ 205,123
Net Stable Funding Ratio	N/A	N/A	N/A	N/A	129%	128%

(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.

For the quarter ended December 31, 2024, the NSFR was 129%, compared to 128% as at September 30, 2024. This increase resulted from a more favourable quarterly change in ratio for deposits than for loans.

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. For more information on contractual maturities, see the table "Contractual maturities of on-balance sheet items and off-balance sheet commitments" in Note 29, "Financial instrument risk management," to the Combined Financial Statements. Total deposits, including wholesale funding, presented on the Combined Balance Sheets amounted to $300.9 billion as at December 31, 2024, up $21.6 billion since December 31, 2023. Additional information on deposits is presented in Section 3.1, "Balance sheet management," 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 2024, the Federation maintained a liquidity level sufficient to meet Desjardins Group's needs through its strict treasury policy, solid institutional funding and sustained growth in member and client savings during the year. 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:

Table 47 – Main funding programs
As at December 31, 2024

	Maximum authorized amount
Medium-term notes (Canadian)[1]	**$13 billion**
Covered bonds (multi-currency)[1][2]	**$26 billion**
Short-term notes (multi-currency)	**€5 billion**
Short-term notes (U.S.)	**US$20 billion**
Medium-term and subordinated notes (multi-currency)[1]	**€13 billion**
NVCC subordinated notes (Canadian)[1]	**$7 billion**
Medium-term notes (Australian)[1]	**A$3 billion**

(1) Sustainable bonds may be issued under these funding programs in compliance with the Desjardins Sustainable Bond Framework.
(2) The maximum authorized amount remains subject to the prudential limit set by the AMF.

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

Table 48 – Remaining contractual term to maturity of wholesale funding
As at December 31

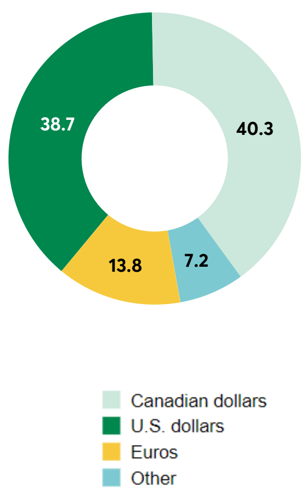
	2024								2023[1]
(in millions of dollars)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Total – Less than 1 year	1 to 2 years	Over 2 years	Total	Total
Bearer discount notes	**$ 1,945**	**$ 731**	**$ 1**	**$ 1**	**$ 2,678**	**$ —**	**$ —**	**$ 2,678**	$ 2,994
Commercial paper	**11,705**	**2,585**	**1,512**	**140**	**15,942**	**—**	**—**	**15,942**	17,038
Medium-term notes	**863**	**1,438**	**—**	**2,062**	**4,363**	**2,974**	**8,633**	**15,970**	13,662
Mortgage loan securitization	**—**	**452**	**443**	**859**	**1,754**	**1,527**	**13,441**	**16,722**	13,872
Covered bonds	**—**	**—**	**—**	**2,183**	**2,183**	**3,838**	**9,409**	**15,430**	12,922
Subordinated notes	**—**	**—**	**—**	**—**	**—**	**—**	**3,962**	**3,962**	2,954
Total	**$ 14,513**	**$ 5,206**	**$ 1,956**	**$ 5,245**	**$ 26,920**	**$ 8,339**	**$ 35,445**	**$ 70,704**	$ 63,442
Including:									
Secured	**$ —**	**$ 452**	**$ 443**	**$ 3,042**	**$ 3,937**	**$ 5,365**	**$ 22,850**	**$ 32,152**	$ 26,794
Unsecured	**14,513**	**4,754**	**1,513**	**2,203**	**22,983**	**2,974**	**12,595**	**38,552**	36,648

(1) Data have been restated to conform with the current year's presentation.

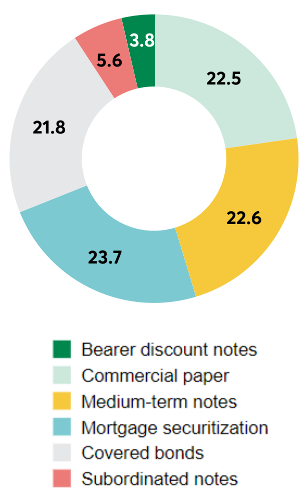
Desjardins Group's total wholesale funding presented in the table above was carried out by the Federation. Total wholesale funding rose by $7.3 billion compared to December 31, 2023, resulting primarily from increases in mortgage loan securitization and the issuance of covered bonds and medium-term notes. Desjardins Group does not foresee any event, commitment or requirement that could have a major impact on its ability to raise funds through wholesale funding or its members' deposits.

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

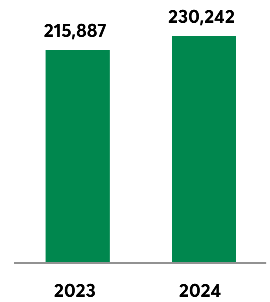
Wholesale funding by currency
As at December 31, 2024
(as a percentage)



Wholesale funding by category
As at December 31, 2024
(as a percentage)



Member deposits
As at December 31, 2024
(in millions of dollars)



Moreover, the Federation participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of $4.9 billion in 2024. During the same period and at the beginning of 2025, the Federation also made the following issues:

- On January 17, 2024, an issue totalling €1.0 billion, subject to the bail-in regime, under its multi-currency medium-term note program.
- On January 26, 2024, an issue totalling US$1.0 billion, subject to the bail-in regime, under its multi-currency medium-term note program.
- On April 12, 2024, an issue totalling £750 million under its legislative covered bond program.
- On April 18, 2024, an issue totalling 440 million Swiss francs under its legislative covered bond program.
- On May 15, 2024, an issue totalling C$1.0 billion in notes eligible as Non-Viability Contingent Capital under its Canadian NVCC subordinated notes program.
- On May 30, 2024, an issue totalling €1.0 billion under its legislative covered bond program.
- On September 5, 2024, an issue totalling €500 million, subject to the bail-in regime, under its multi-currency medium-term note program and in compliance with the Desjardins Sustainable Bond Framework.
- On September 11, 2024, an issue totalling 230 million Swiss francs, subject to the bail-in regime, under its multi-currency medium-term note program.
- On September 24, 2024, an issue totalling C$1,250 million, subject to the bail-in regime, under its Canadian medium-term note program.
- On December 2, 2024, an issue totalling 800 million Australian dollars under its legislative covered bond program.
- On January 14, 2025, an issue totalling €750 million, subject to the bail-in regime, under its multi-currency medium-term note program.
- On January 15, 2025, an issue totalling £600 million under its legislative covered bond program.
- On January 24, 2025, an issue totalling C$1,250 million in notes eligible as NVCC under its Canadian NVCC subordinated notes program.
- On January 27, 2025, an issue totalling US$600 million subject to the bail-in regime, under its multi-currency medium-term note program.
- On January 29, 2025, an issue totalling 175 million Swiss francs under its legislative covered bond program.

Outstanding notes issued under the Federation's medium-term funding programs amounted to $48.1 billion as at December 31, 2024, compared to $40.5 billion as at December 31, 2023. 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.

Highlighted decisions by rating agencies concerning Desjardins Group's instruments:

- On March 28, 2024, Moody's maintained the ratings of the instruments issued by the Federation and their outlook as "stable."
- On June 14, 2024, Fitch maintained the ratings of the instruments issued by the Federation and their outlook as "stable."
- On July 12, 2024, DBRS maintained the ratings of the instruments issued by the Federation and their outlook as "stable."
- On November 28, 2024, Standard & Poor's maintained the ratings of the instruments issued by the Federation and their outlook as "stable."

These rating decisions reflect Desjardins Group's strength in Québec, where it has leading market shares in multiple industries.

The following table shows the different credit ratings assigned to the Federation's financial instruments.

Table 49 – Credit ratings of securities issued and outstanding

	DBRS	FITCH	MOODY'S	STANDARD & POOR'S
Fédération des caisses Desjardins du Québec				
Counterparty/Deposits[1]	**AA**	**AA**	**Aa1**	**A+**
Short-term debt	**R-1 (high)**	**F1+**	**P-1**	**A-1**
Medium- and long-term debt, senior excluded from bail-in regime[2]	**AA**	**AA**	**Aa2**	**A+**
Medium- and long-term debt, senior[3]	**AA (low)**	**AA-**	**A1**	**A-**
NVCC subordinated notes	**A (low)**	**A**	**A2**	**BBB+**
Covered bonds	**—**	**AAA**	**Aaa**	**—**
Outlook	**Stable**	**Stable**	**Stable**	**Stable**

(1) Represents Moody's long-term deposit rating and counterparty risk rating, S&P's issuer credit rating, DBRS's long-term deposit rating, and Fitch's long-term issuer default rating, long-term deposit rating and derivative counterparty rating.
(2) Includes issuable senior medium- and long-term debt that would be excluded from the bail-in regime applicable to Desjardins Group.
(3) Includes issued senior medium- and long-term debt that qualifies for the bail-in regime applicable to Desjardins Group.

Desjardins Group regularly monitors the additional level of obligations that its counterparties would require in the event of a credit rating downgrade for the Federation. 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.

4.2.6 Operational risk

Operational risk is the 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 consideration the impact of failures to achieve the strategic objectives of the component concerned or Desjardins Group, if applicable.

Operational risk is inherent to all of Desjardins Group's activities, including management and control practices in other risk areas (credit, market, liquidity, etc.) as well as activities carried out by a third party. This risk may, in particular, lead to losses or the non-achievement of objectives, mainly resulting from theft, fraud, damage to tangible assets, non-compliance with legislation or regulations, systems failures, unauthorized access to computer systems, cyber threats, or problems or errors in process management. To maintain this risk at an acceptable level, an operational risk management framework has been developed and deployed throughout the organization. The framework includes the usual practices for sound management of operations and is based on the three lines of defence model, clearly defining the roles and responsibilities in risk and operations management.

On May 1, 2024, the revised Guideline B-10, *Third-Party Risk Management*, became effective. This prudential guideline applies to federally regulated financial institutions governed by OSFI, including certain Desjardins Group entities. This guideline implements mechanisms to effectively manage the risks associated with any agreement with a third party throughout the business relationship life cycle. The Desjardins Group third-party risk management frameworks meet the principles and expectations reflected in the new version of the guideline.

On August 22, 2024, OSFI issued the final version of Guideline E-21, *Operational Risk Management and Resilience*, which describes OSFI's expectations regarding the effective governance of operational risk and resilience management. The Guideline applies to federally-regulated financial institutions as well as to certain Desjardins Group entities. The Guideline's expectations will be gradually phased in at Desjardins Group, which should result in full adherence by September 1, 2026, the deadline by which OSFI expects entities to be fully compliant.

Operational Risk Management Framework

The purpose of the Operational Risk Management Framework is to identify, measure, mitigate and monitor operational risk as well as make interventions and disclosures for operational risk in accordance with operational risk appetite and the frameworks adopted by the Board of Directors. It is supported by guidelines setting out operational risk management foundations. At the same time, the Operational Risk Management Framework connects with the other areas of risk.

The Framework is constantly reviewed to ensure its adequacy and relevance based on development in industry practices or new regulations.

Governance

Operational risk management governance emphasizes accountability and effective risk oversight. Operational risk is governed by frameworks, which are reviewed periodically to ensure consistency with the Integrated Risk Management Framework approved by the Board of Directors.

Reporting is done on a regular basis to the committees that provide risk management oversight so that their members can assess Desjardins Group's operational risk exposure.

In addition, the primary mandate of the Desjardins Group Operational Risk Committee is to monitor the various categories of operational and regulatory risks to which Desjardins Group is exposed. It is composed of the owners of the operational and regulatory risk categories. Its governance is described in the Risk Management Governance Framework, addressed in Section 4.2.1, "Integrated Risk Management Framework," of this report.

Information technology and security risk

An information technology (IT) risk refers to the risk related to the inability to maintain in a management/perform or to modernize infrastructure, applications or technology data bases. A security risk is the risk of theft, loss, leak or disclosure of confidential information/data, such as loss of confidentiality, through an intentional or unintentional act, such as an insider threat, error, negligence or omission, including cyber-attacks.

Technology is a crucial element in the development, maintenance and resilience of Desjardins Group's operations. A failure or disruption of IT systems may have a serious impact on its members and clients, as well as on its operations. These two risks are at the very core of risk management activities. Modernization programs to ensure that disruptions to its critical assets and environments are prevented or contained and that preventive and reactive security controls are added to address internal and external threats make up our core and ongoing activities. In order to effectively monitor these risks, scenario analysis, analysis of major changes and monitoring of operational events are examples of activities allowing the identification of these risks and their management within the organization. Governance that follows industry sound practices is implemented to monitor and contain these risks at set acceptable tolerance levels. The Desjardins Group Security Office protects members and clients, their assets and their personal information.

Third party risk

A third party risk refers to the risk of loss and/or incidents as a result of the business relationship with a third party, the terms of governance and monitoring of the business relationship, as well as the performance of the service entrusted to an (external or internal) third party. A third party is an entity with which one or more Desjardins Group entities collaborate in the performance of a duty, activity or process. This includes suppliers of goods and services of all kinds and their subcontractors, business and strategic partners, and internal (intra-group) service providers.

Through its operational risk management program, Desjardins Group monitors its third parties with proactive mechanisms to ensure efficient management of third party risks and to comply with changing regulatory requirements. In addition, each major acquisition is subject to enhanced governance to continuously ensure that its performance is aligned with the needs of the organization.

Business continuity risk

Business continuity risk refers to the risk of business disruption caused by the unavailability of operational resources and means including information and communication systems and technologies, buildings, human resources and suppliers.

Business impact assessments can identify the organization's priority activities, based on an assessment of interruption events, considering operational, reputation, regulatory and financial aspects. Owing to the changing nature of any organization and the implied impact on its level of preparation, updates are required annually, or whenever there is a significant change, by adding change management and continuous improvement principles. The business continuity approach ensures that continuity solutions are identified, implemented and approved by business sector vice-presidents to maintain acceptable service levels for members and clients. Exercises are planned at regular intervals to check, on the one hand, the appropriateness and performance of the identified solutions, on the other hand, that optimal personnel are prepared.

Model risk

Model risk is a potential negative consequence of making a business decision based on the outputs of a poorly designed, used or managed model. This risk may arise, among others, from incorrect assumptions or inappropriate methodological choices, improper data, inappropriate deployment, incorrect use or insufficient maintenance.

A model is a method used to produce, based on assumptions and using inputs, a forecast, a classification or a proxy for unavailable information with an inherent uncertainty.

In order to ensure sound model risk management, Desjardins Group has a model risk management framework that covers all the models used in its operations. This framework includes model risk management practices required to meet the requirements of *Guideline E-23, Enterprise-Wide Model Risk Management for Deposit-Taking Institutions*. This framework also sets out the roles and responsibilities of model life cycle activity stakeholders such as design, performance monitoring and validation.

The validation group, which is independent from the units responsible for developing models and the units that use them, is in charge of carrying out validation work. This work consists of a series of points to be validated for evaluating the model on design methodology, including assumptions, reliability and data quality. This work also includes reviewing model implementation as well as assessing compliance with applicable regulatory requirements.

Data risk

Data risk is related to the quality and knowledge of the data used at Desjardins Group that affects strategic and business decision-making, the data life cycle and compliance with regulatory requirements.

As part of its program to improve operational control, Desjardins Group has adopted a data governance structure, supported by frameworks to ensure proper management and supervision. It is gradually integrating the necessary data risk management tools into the structure in both current processes and new activities. A monitoring framework is also being deployed as a second line of defence to objectively review front-line data risk assessments. The organization's growing data risk management maturity is accompanied by implementing controls to help strengthen data risk mitigation.

Approaches to identifying, measuring and monitoring operational risk

With respect to the operational risk management framework, the following table illustrates the tools and methods used to identify, measure and monitor operational risk.

	Description
Risk and control identification and measurement	A standard inventory of operational risks to which Desjardins Group is exposed has been prepared and is used as the basis for determining the most significant operational risks and evaluating the effectiveness of the mitigation measures in place to reduce them. The risk and control assessments, carried out on a periodic basis, can be related to projects, products, systems, processes and activities, as well as to strategic initiatives and important new products. Consideration of various internal and external factors (losses, audit findings, etc.) is an integral part of these assessments. When the results indicate operational risk exposures that exceed the established appetite level, action plans are prepared to reduce exposure to the risk appetite limit.
Collection and analysis of internal events	Operational risk event data and loss data is collected to list and quantify events in accordance with predetermined thresholds. Operational risk events are indexed in a database. Through analysis, causes are better understood, trends are determined, and corrective measures are taken when necessary. Contingent liabilities, including the impact of litigation, are presented in Note 28, "Commitments, guarantees and contingent liabilities," to the Combined Financial Statements.
Risk indicators	To monitor their risk profile and track developments in it, business sectors monitor the risk indicators in the risk appetite framework allowing them to act proactively to changes in exposure levels to the most significant risks.
Risk disclosure	The nature and levels of operational risk are frequently disclosed to senior management as well as the various committees overseeing risk management. This promotes an effective management of operational risk that enables taking action quickly when required and establish the various priorities based on the significance of the risks involved.
Mitigation measures	Desjardins Group has a structure to ensure sound management of operational risks by overseeing the design and applying robust controls that contribute to risk mitigation. Once risks have been identified and assessed, Desjardins Group ensures they are maintained at an acceptable level, based on risk appetite, to promote achieving its goals and must continuously ensure the effectiveness of the various existing internal control mechanisms. Accordingly, in the event that established tolerance thresholds are exceeded, action plans are put in place to ensure that risk-taking is always consistent with Desjardins Group's risk appetite framework and goals.
Scenario analysis	Scenario analysis consists of assessing events that could lead to a major operational risk, but have little likelihood of occurring, such as an earthquake. The analysis makes it possible to identify vulnerabilities to such risks within the organization in order to apply the required mitigation measures.
Risk-sharing and insurance programs	Desjardins Group has developed insurance programs to give itself additional protection against material operational losses. These programs offer protection based on the business segment's needs, the institution's risk tolerance, as well as emerging risks on the market.
Calculation of capital exposed to operational risk	Since April 1, 2023, regulatory capital has been calculated under the new simplified Standardized Approach. In response to these changes, capital requirement calculations have been updated in accordance with the AMF's *Capital Adequacy Guideline*. The new approach involves an adjusted gross income component, derived from Desjardins Group's financial statements. Lastly, this component is combined with a multiplier to obtain capital requirements for operational risk purposes.

4.2.7 Insurance risk

Desjardins Group is exposed to insurance risk in the course of its life and health and property and casualty insurance operations.

Life and health insurance risk refers to 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.

Life and health insurance risk is composed of the following elements:
- Mortality risk: Financial consequence resulting from amounts payable on life insurance products that differ from the projections, due to mortality.
- Longevity risk: Financial consequence resulting from amounts payable on annuity contracts that differ from the projections, due to the survival of annuitants.
- Morbidity/disability risk: Financial consequence resulting from amounts payable on health insurance products that differ from the projections, due to the state of health of insureds.
- Policyholder behaviour risk: Financial consequence resulting from life or health policyholder or annuitant behaviour in keeping a policy or contract in force or exercising any clauses specified in policies or contracts.
- Expense risk: Financial consequence resulting from the administrative expenses incurred to service life or health insurance products or annuity contracts that differ from the projections.

Property and casualty insurance risk is the risk that benefits and related expenses will differ from the amounts estimated when designing, pricing or measuring actuarial reserves of property and casualty insurance products for individuals and businesses.

Property and casualty insurance risk is composed of the following elements:

- Underwriting risk: Potential loss resulting from frequency, severity or related expenses (excluding catastrophes) greater than estimated during the design and pricing of insurance policies as well as the mismatch between the underwriting, contractual conditions and designed pricing. For example: fire, theft, water damage, vandalism, covered by the insurance products offered, excluding catastrophes, which mainly cover physical damage to property, bodily injury as well as liability of insureds, such as civil and legal liability, etc.
- Catastrophe risk: Potential loss resulting from the frequency or severity of catastrophes and related expenses being higher than estimated during the design and pricing of insurance policies.
- Reserve risk: Potential loss resulting from inadequate insurance claim provisions and in the estimation of the actuarial reserves of property and casualty insurance products.
- Reinsurance risk: Potential loss resulting from reinsurance undercoverage resulting in an unexpected increase in claims payable by the company.

Identifying, assessing and mitigating the risks associated with new insurance products and changes made to existing ones are part of a thorough product approval process. All risks at the insurance subsidiaries, including insurance risk, are managed in accordance with their Integrated Risk Management Policy, in line with Desjardins Group's Integrated Risk Management Framework. The process of logging risks under this policy makes it possible to identify all risks likely to affect the subsidiary concerned that should be the subject of governance and a framework, as well as to maintain a register of all such risks and assess them using the appropriate method.

The subsidiaries are responsible for the risk they generate, including insurance risk. Each one has its own specific governance structure. Insurance risk is governed by several policies that clearly set out the roles and responsibilities of the different parties concerned so that they can comply with the various regulatory guidelines. The subsidiaries also have a robust infrastructure that includes the appropriate tools for ensuring the availability, integrity, completeness and aggregation of all the data necessary for sound insurance risk management.

Insurance risk arises from potential errors in projections concerning the many factors used to set premiums, including future returns on investments, underwriting experience in terms of loss experience, mortality and morbidity, and administrative expenses. These projections are essentially based on actuarial assumptions that must be consistent with the standards of practice in effect in Canada. The insurance subsidiaries also adopt strict pricing standards and policies and perform spot checks to compare their projections with actual results. Insurance product design and pricing are reviewed on a regular basis. Some product pricing may be adjusted depending on the accuracy of projections.

In addition, the subsidiaries limit their losses through reinsurance treaties that vary based on the nature of the operations. The property and casualty insurance subsidiaries also have additional protection with respect to large-scale catastrophic events.

To reduce reinsurance risk, the insurance subsidiaries do business with many reinsurers that meet financial strength criteria, most of which are governed by the same regulatory authorities as the subsidiaries. Such reinsurance treaties do not release the subsidiaries from their obligations toward their policyholders but do mitigate the risks to which they are exposed.

The subsidiaries comply with the standards for sound management practices established by the regulatory bodies that govern them and test their financial soundness using unfavourable scenarios and measure the effect of such scenarios on their capitalization ratio. These tests include stress testing, including the standardized acute stress scenarios required from time to time by regulators, as well as an examination of financial soundness. Test results showed that capital was adequate in each case.

Each insurance sector subsidiary provides independent reports and assessments of its exposure to different risks to its Board of Directors as well as to the appropriate levels at Desjardins Group. They report in particular on changes in material risks and the effectiveness of the procedures in place to mitigate them, the results of risk analyses, and the main assumptions and findings from the stress testing.

The activities specific to the insurance subsidiaries expose them, in addition to insurance risk, to other types of risk, notably the risks identified in Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements, as well as other risk factors identified in Section 4.1, "Risk factors that could impact future results."

4.2.8 Strategic risk

Strategic risk refers to the risk of loss attributable to the occurrence of external and internal events or the implementation of inappropriate strategies or actions that may prevent Desjardins Group from achieving its strategic priorities including the interests of its members and clients.

This risk forms an integral part of Desjardins Group's Integrated Risk Management Framework and is the subject of the Strategic Risk Management Policy. It is first up to senior management and the Board of Directors to address, define and monitor developments in the strategic policy directions of Desjardins Group according to its risk appetite and the consultation processes specific to Desjardins. Events that could compromise the achievement of Desjardins Group's strategic objectives are systematically and periodically monitored. To this end, Desjardins Group has implemented a rigorous process to update its strategic plan each year to factor in market developments, in particular major industry trends, as well as the geopolitical landscape.

Business segments and support functions identify and periodically assess events and risks that could prevent the achievement of strategic objectives, and report thereon to the appropriate bodies. In addition, strategic positions, business acquisitions, new products and services, projects financed by the investment plan, major initiatives and transactions are subject to a risk analysis, including an objective review by the second lines of defence, before being implemented.

4.2.9 Reputation risk

Reputation risk refers to the risk that a negative perception by the stakeholders, whether or not justified, of Desjardins Group's practices, actions or lack of action could have a material unfavourable impact on revenues and equity or may significantly affect the confidence of its members and clients or, more broadly, public opinion.

A reputation is of critical importance, and reputation risk cannot be managed separately from other risks. Therefore, managing reputation risk in all its business segments is a constant concern for Desjardins Group. In this regard, Desjardins Group seeks to ensure that all employees are constantly aware of the potential repercussions of their actions on Desjardins's reputation and image. Desjardins Group considers it essential to foster a proactive approach to risk management in which integrity and ethical conduct are fundamental values.

Desjardins Group has defined a management framework, and roles and responsibilities with regard to reputation risk. This framework is in addition to various processes already in place to identify, measure and govern this risk, such as the previously mentioned operational risk management initiatives, the regulatory compliance program, ethical requirements, and reputation risk assessment as part of new initiatives and the introduction of new products. All these aspects aim to promote sound reputation risk management. In addition, the President and Chief Executive Officer of Desjardins Group is the main person responsible for the culture change process. The aim of this process is to effect a profound change in behaviour in order to always work in the best interests of members and clients. This process also helps manage reputation risks.

4.2.10 Environmental, social and governance (ESG) risk

ESG risks are linked to an environmental, social or governance event or issue, which materializes as part of Desjardins Group's operations, financing, investing, insurance activities, or its commitments, the consequences of which could generate financial losses or reputational harm.

Environmental risk includes, in particular, climate change risks and biodiversity loss risk, in addition to greenwashing aspects. These risks include:
- The adverse impacts that climate change and biodiversity loss can have on the organization through the vulnerabilities of Desjardins Group and its members and clients.
- The adverse impact of misrepresentations on the trust and ability to make informed decisions of members, clients and investors.

Social risk, on the other hand, takes into account how Desjardins Group and the companies that it finances and invests in, work and act with employees, members, clients, partners, suppliers and communities. The International Financial Reporting Standards (IFRS) Foundation, through the International Sustainability Standards Board (ISSB), defines two main social dimensions, with business issues, which can also be social risks:
- Social Capital includes human rights and community relations, privacy of client information, data security and consumer welfare.
- Human Capital includes employment, recruiting, and employee diversity and inclusion practices.

Governance risk includes Desjardins Group's internal governance risk covering the Federation, subsidiaries, caisses with regard to management and the various decision-making and democratic bodies, as well as external governance, in connection with the practices of the organizations with which Desjardins Group has relationships.

ESG risk governance

ESG risks are overseen by the Board of Directors, assisted by the Desjardins Group Management Committee (DGMC) and the Risk Management Commission (RMC), which present recommendations regarding ESG risk management strategies and frameworks. In addition, the Audit and Inspection Commission oversees internal processes and controls relating to climate disclosure.

In fulfilling its responsibilities, the Desjardins Group Management Committee relies on the Desjardins Group Finance and Risk Management Committee (DGFRMC) and the Environmental, Social and Governance Steering Committee (ESGSC). The latter recommends ESG policy directions, including climate change, and monitors them. It is also responsible for ensuring that the organization is cohesive and that ESG risks are better taken into account in business decision-making processes.

The ESG Risk Committee (ESGRC) is a subcommittee of the Desjardins Group Finance and Risk Management Committee (DGFRMC) charged with:
- Gradually integrating ESG risk into cross-sector risk management practices and compliance with regulatory and disclosure expectations.
- Maintaining a harmonized approach throughout the various Desjardins Group components and legal entities, in particular by implementing policies and guidelines, clarifying the principles on which climate change risk management is based throughout the organization as well as the roles and responsibilities.
- Implementing the proposed initiatives and reporting all situations that may jeopardize meeting the related objectives.

Desjardins Group continues to implement its ESG risk policy directions. It also works to build a better understanding of these cross-sector risks within its various bodies and the organization while monitoring the best practices regarding these topics.

Strategy ESG

Sustainable development is a priority for Desjardins Group. It has developed a sustainable development policy for all its operations, incorporating orientations for the development of a sustainable and responsible economy as part of its risk appetite framework. It is also a signatory to several international United Nations frameworks for integrating ESG criteria into its business model, particularly the Principles for Responsible Insurance (2019) and the Responsible Banking Principles (2019).

In 2021, Desjardins Group stated its net zero 2040 ambition for its extended operations and its financing and investment activities in three key sectors: energy, transportation and real estate. This ambition was formalized when Desjardins joined *Business Ambition for 1.5°C*, a global coalition organized by the *Science-Based Targets initiative* (SBTi). Desjardins Global Asset Management has made a commitment to the *Net Zero Asset Managers Initiative*.

In line with its ambitions, Desjardins Group was the first North American financial institution to join the Powering Past Coal Alliance to exit the thermal coal industry. In 2024, in line with the *Climate Risk Management Guideline*, Desjardins continued to work to meet its climate commitments, particularly regarding carbon neutrality. The climate scenario development work underway will allow us to better quantify the climate change impacts of the Desjardins Group's business operations. This quantification will be accompanied by action plans to bolster the resilience of Desjardins Group.

ESG risk management

Desjardins understands the importance of appropriately managing its risks and gauging their current and future impact. The growing expectations regarding Desjardins Group's social impact management, the acceleration of environmental degradation (including climate change and biodiversity loss) and the increasingly visible impacts associated with it are prompting Desjardins to continue to improve its risk management practices, particularly by continuously integrating these risks into its business model, adhering to the three lines of defence model and raising employee awareness of ESG risks.

As a result, ESG risks now form an integral part of Desjardins Group's Integrated Risk Management Framework and are the subject of the Desjardins Group Policy on Environmental, Social and Governance Risk Management. The Policy is accompanied by a statement of appetite, and Desjardins Group's Environmental Risk Management Directive and Social Risk Management Directive, all aligned with Desjardins Group's risk register. These governance documents, which constitute the organization's ESG risk management framework, help business segments and support functions integrate ESG risks into their business operations and periodically identify the main risks affecting them and their impacts, together with Risk Management, and Sustainable Development Office professionals.

The operationalization of these frameworks continued in 2024. Accordingly, a climate risk appetite indicator is disclosed semi-annually, and work has focused on quantifying risks, particularly climate scenario analyses including the Standardized Climate Scenario Exercise (SCSE). ESG risk monitoring, formalized through the Climate Risk Monitoring Program, has been enhanced by implementing and operationalizing a monitoring plan. Reporting to the various bodies and governance have been improved in order to align with best practices. The ESG risk awareness campaign underway will continue in 2025. Furthermore, Desjardins Group, in addition to the Social and Cooperative Responsibility Report prepared in accordance with Global Reporting Initiative (GRI) standards, continues to integrate the requirements of IFRS S1 and S2 of the International Sustainability Standards Board (ISSB), OSFI's Guideline B-15, *Climate Risk Management*, and the AMF's *Climate Risk Management Guideline*. Desjardins Group also responds to the Climate Change Questionnaire provided by the Carbon Disclosure Project (CDP) and produces a report entitled, "Climate Action at Desjardins." These two public disclosures address the risks and opportunities associated with climate change and are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Metrics and targets

Desjardins Group maintains its leadership in sustainable development through varied initiatives that are integrated into its Strategic Plan and performance management. In particular, this is achieved by monitoring the carbon footprint of its operational and financial activities, as well as the exposures of its financings and investments in carbon-intensive sectors, namely energy, transportation and real estate, and its business volume in renewable energies, as well as by implementing targets related to reductions in its greenhouse gas emissions. When considered relevant, these indicators and targets are gradually integrated into performance objectives.

To achieve its net zero 2040 goal, Desjardins has set intermediate and sector science-based targets, which it has approved by the Science-Based Targets initiative (SBTi). Work is in progress to specify the transition plans for our key carbon-intensive sectors and operationalize the methodologies used to monitor our exposures. In connection with Desjardins Group's statement of appetite for climate change risks, an appetite indicator is used to assess the achievement of our strategies. Others risk metrics are currently being developed.

We issued the fourth public disclosure of our financed emissions, including investing and lending, as per the methodology of the *Partnership for Carbon Accounting Financials* (PCAF).

4.2.11 Regulatory risks

The financial services industry is one of the most strictly regulated and monitored sectors. For several years, the regulations governing the industry have been expanding significantly, notably in terms of the extent and the complexity of applicable regulations. The pressure exerted by regulatory authorities is mounting and their oversight powers are increasing, and this exposes Desjardins Group to monetary sanctions and greater reputation risk.

Regulatory authorities and bodies

This evolution is in response to numerous socio-economic phenomena such as the development of new, increasingly complex financial products, the continuing volatility in the securities industry, increasingly complex financial fraud, the fight against money laundering and terrorist financing, and the fight against tax evasion, to mention but a few. In addition to federal (Canada and the U.S.) and provincial government requirements, due consideration must be given to the requirements of the *Autorité des marchés financiers* (AMF), the Canadian Securities Administrators (CSA), the Office of the Superintendent of Financial Institutions (OSFI), the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), and the Canadian Investment Regulatory Organization (CIRO). Complying with important legislative and regulatory provisions, such as those on the protection of personal information, laws and regulations governing insurance, the *Foreign Account Tax Compliance Act*, the Standard for Automatic Exchange of Financial Account Information in Tax Matters, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and the Basel accords, requires considerable technical, human and financial resources and also affects the way Desjardins Group manages its current operations and implements its business strategies.

Compliance management framework

Fulfilling an independent supervisory function, the Vice-President and Chief Compliance and Privacy Officer of Desjardins Group fosters a proactive approach to compliance by fully integrating compliance into the organization's current operations.

The management framework applies to legal and regulatory risks, including the fight against financial crimes and corruption as well as fraud and privacy risks. It is based on identifying and monitoring of regulatory obligations and overseeing the functional units subject to them. The compliance management framework provides for the following:
- developing frameworks and documentation to comply with the regulatory requirements in effect;
- implementing training programs and coaching initiatives (advisory role);
- deploying operations oversight and inspection programs;
- reporting on the compliance status to the Company's Board of Directors and senior management.

To maintain its reputation for integrity as well as the confidence of its members and clients, the market and the general public, Desjardins Group has also adopted a code of professional conduct applicable to the officers and employees of all its components.

This compliance management framework provides reasonable assurance that Desjardins Group's operations are carried out in compliance with applicable regulations. Despite all these efforts, Desjardins Group may not be able to predict the exact impact of regulatory developments and appropriately implement strategies to respond. It could then sustain an adverse impact on its financial performance, its operations and its reputation. For further information, refer to the "Regulatory environment" section of this MD&A.

Compliance organizational structure

The Vice-President and Chief Compliance and Privacy Officer of Desjardins Group reports to the Executive Vice-President, Risk Management of Desjardins Group. The Chief Compliance Officers of the components report to the Vice-President and Chief Compliance and Privacy Officer, Desjardins Group.

Legal and regulatory

Legal and regulatory risk is the 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.

Legal and regulatory risk entails, inter alia, effectively preventing and handling possible disputes and claims that may lead in particular to judgments or decisions by a court of law or regulatory body that could result in orders to pay damages, financial penalties or sanctions. Moreover, the legal and regulatory environment is evolving quickly and could increase Desjardins Group's exposure to new types of litigation. In addition, some lawsuits against Desjardins Group may be very complex and be based on legal theories that are new or have never been verified. The outcome of such lawsuits may be difficult to predict or estimate until the proceedings have reached an advanced stage, which may take several years. Class action lawsuits or multi-party litigation may feature an additional risk of judgments with substantial monetary, non-monetary or punitive damages. Plaintiffs who bring a class action or other lawsuit sometimes claim very large amounts, and it is impossible to determine Desjardins Group's liability, if any, for some time. Legal liability or an important regulatory measure could have an adverse effect on the current activities of Desjardins Group, its results of operations and its financial position, in addition to damaging its reputation. Even if Desjardins Group won its court case or was no longer the subject of measures imposed by regulatory bodies, these situations could harm its reputation and have an adverse impact on its financial position, due in particular to the costs associated with such proceedings, and its brand image.

Protection of personal information

Privacy risk is the 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.

An *Act to modernize legislative provisions as regards the protection of personal information* came into force gradually as of September 2022 and provides for increased powers for the Commission on Access to Information (CAI) and the use of more significant sanctions against businesses since September 2023. September 22, 2024 marked the last date the new provisions of the Act came into effect. Desjardins Group has completed the work associated with these new requirements, including obligations related to privacy impact assessments, consent, the confidentiality policy, automated decisions, rights of individuals and managing third parties and portability.

On February 12, 2024, the AMF released its *Issues and Discussion Paper – Best practices for the responsible use of AI in the financial sector*. This paper presents the AMF's reflections on what it considers to be the best practices to be adopted. Desjardins Group is taking part in the discussions and submitted its comments regarding this paper on June 14, 2024. The AMF is also developing its guideline on the use of AI in the financial sector. The draft guideline will be issued at the beginning of 2025, after which organizations will be invited to submit their comments, with a view to official adoption.

On May 15, 2024, the Québec government passed the *Regulation respecting the anonymization of personal information*, which governs the anonymization process in Québec. The new requirements confirm the criteria to be met by organizations when anonymizing personal information. These criteria will be met by Desjardins in the event that the use of anonymized data is required.

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,* tabled in June 2022, died on the order paper upon prorogation of the parliamentary session pronounced on January 6, 2025. Desjardins Group will closely monitor the federal government's intentions regarding privacy legislation reform when Parliament resumes.

Fraud and financial crimes

Fraud and financial crime risk is the 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 the 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.

To protect members and clients as well as the organization, Desjardins Group continually improves its processes and solutions to adequately prevent, detect and deal with fraud. To do so, fraud risks are identified on an ongoing basis and effective and robust mitigation measures are constantly evolving. With respect to the fight against money laundering and terrorist activities financing, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) imposing monetary sanctions to three Canadian financial institutions confirms that this regulator is willing to impose more severe sanctions for non-compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

Desjardins Group also has a Financial Crime Governance Framework, which it is continuously improving. In the second quarter of 2024, the federal Department of Finance adopted regulatory changes to expand the obligations of reporting entities, including Desjardins Group, and require them to file Suspicious Transaction Reports where there are reasonable grounds to suspect that there has been an actual or attempted economic sanctions evasion. Desjardins Group has carried out the necessary work to meet is compliance obligations.

5.0 Additional information

5.1 Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with the CSA guidance in National Instrument 52-109, the President and CEO as well as the Executive Vice-President Finance and Chief Financial Officer (CFO) caused to be designed disclosure controls and procedures (DCPs). These controls and procedures are designed to provide reasonable assurance that the information presented in annual, interim or other reports filed or transmitted under securities legislation is recorded, processed, summarized and reported within the time periods prescribed by such legislation. These controls and procedures are also designed to warrant that such information is assembled and disclosed to the management of Desjardins Group, including its signing officers, in accordance with what is appropriate to make timely decisions regarding disclosure.

As at December 31, 2024, Desjardins Group management, in collaboration with the President and CEO, and the CFO, assessed the design and effectiveness of its DCPs. Based on the results of this assessment, the President and CEO, and the CFO concluded that the DCPs were adequately designed and effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Desjardins Group management caused an adequate internal control over financial reporting process to be designed and has maintained it. This process is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Combined Financial Statements for external purposes in accordance with IFRS issued by the IASB. Internal control over financial reporting (ICFR) includes, in particular, those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Combined Financial Statements in accordance with IFRS, and that cash receipts and payments are being made only in accordance with authorizations of management and directors;
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets that could have a significant impact on the Annual Combined Financial Statements or Interim Financial Reports.

Because of its inherent limitations, ICFR may not prevent or detect all misstatements on a timely basis. Management's assessment of the controls provides only reasonable, not absolute, assurance that all the problems related to control which could give rise to material misstatements have been detected.

Desjardins Group management, in collaboration with the President and CEO, and the CFO, have assessed the design and effectiveness of ICFR. This assessment was performed in accordance with the 2013 Internal *Control – Integrated Framework* published by the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO) for financial controls and in accordance with the *Control Objectives for Information and Related Technologies* (COBIT) framework for IT general controls.

Based on the results of the assessment, the President and CEO, and the CFO, concluded that as at December 31, 2024, ICFR was adequately designed and effective.

The DCPs and ICFR set forth in Regulation 52-109 are applied in the Federation's Annual Information Form prepared in accordance with Regulation 51-102, and for the purposes of certifying Desjardins Group under Regulation 52-109, the Federation's information form is considered to be Desjardins Group's Annual Information Form.

CHANGE IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2024, Desjardins Group did not make any significant changes to processes that materially affected, or may materially affect, its internal control over financial reporting.

Various other aspects of corporate governance are examined in more detail in the "Corporate governance" section of the 2024 Desjardins Group Annual Report.

5.2 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, on terms similar to those offered to unrelated parties.

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 on terms similar to those offered to unrelated parties.

Desjardins Group's key management personnel are the members of its Board of Directors and its Management Committee. They are responsible for the planning, management and control of Desjardins Group's operations, and have the authority to perform their duties.

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 on terms similar to those offered to unrelated parties and in compliance with the legislative framework for its various components.

Additional information about related party transactions is presented in Note 31, "Related party disclosures," to the Combined Financial Statements.

5.3 Critical accounting policies and estimates

A description of the accounting policies used by Desjardins Group is essential to understanding the Combined Financial Statements as at December 31, 2024. The accounting policies are described in Note 2, "Accounting policies," to the 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 may affect the reported amounts of some assets, liabilities, income and expenses, as well as related information. The accounting policies that required management to make difficult, subjective or complex judgments, often involving uncertainties, are discussed below.

The economic conditions, strongly affected by the uncertainty surrounding the evolution of trade relations with the United States, continue to have a significant impact on the judgments, estimates and assumptions made by management in preparing the Combined Financial Statements for the year ended December 31, 2024. The judgments, estimates and assumptions that will be made for future periods will be reassessed in light of the development of these highly uncertain conditions and could therefore differ from those made in preparing the Combined Financial Statements for the year ended December 31, 2024. Desjardins Group is closely monitoring developments and their impact on its surplus earnings and financial position.

STRUCTURED ENTITIES

A structured entity is consolidated when it is controlled by a Desjardins Group entity. Management must make significant judgments when it assesses the various elements and all related facts and circumstances as a whole to determine whether control exists, especially in the case of structured entities.

Additional information about structured entities is presented in Note 13, "Interests in other entities," to the Combined Financial Statements.

DETERMINATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement of financial instruments is determined using a three-level hierarchy, reflecting the importance of the inputs used for the measurements. Level 1 denotes measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities, while level 2 designates valuation techniques based primarily on observable market data. Level 3 concerns valuation techniques are not based primarily on observable market data.

There is little subjectivity in the determination of the fair value of financial instruments, especially securities and commitments related to securities sold short, obtained from quoted prices on active markets. This fair value is based on the quoted price within the bid-ask spread that is most representative of fair value in the circumstances.

If there are no quoted prices on active markets, fair value is determined using models that maximize the use of observable inputs and minimize the use of unobservable inputs. In such cases, fair value estimates are established using valuation techniques such as cash flow discounting, comparisons with similar financial instruments, option pricing models and other valuation techniques commonly used by market participants, if these techniques have been demonstrated to provide reliable estimates. Valuation techniques rely on assumptions concerning the amount and timing of estimated future cash flows and discount rates that are mainly based on observable data, such as interest rate yield curves, exchange rates, credit curves and volatility factors. When one or several material inputs are not observable on the market, fair value is determined mainly based on internal inputs and estimates that take into account the characteristics specific to the financial instrument and any factor relevant to the measurement. For complex financial instruments, significant judgment is made in determining the valuation technique to be used and in selecting inputs and adjustments associated with this technique. Due to the need to use estimates and make judgments when applying many valuation techniques, fair value estimates for identical or similar assets may differ between entities. Fair value reflects market conditions on a given date and may not be representative of future fair values. It should not be considered as being realizable in the event of immediate settlement of these instruments.

Loans

The fair value of non-credit impaired loans classified as at "Amortized cost" and loans classified as "At fair value through profit or loss" is determined by discounting expected contractual cash flows using market interest rates charged for similar new loans at the reporting date and reflects estimated prepayments, adjusted to take into account credit losses on the loan portfolio. Changes in interest rates and in the creditworthiness of borrowers are the main causes of changes in the fair value of loans held by Desjardins Group.

Deposits

The fair value of fixed-rate deposits is determined by discounting expected cash flows using market interest rates currently being offered for deposits with substantially the same term and reflects estimated prepayments. The fair value of deposits with floating-rate features or with no stated maturity is assumed to be equal to their carrying amount. The fair value of certain liabilities presented under "Deposits – Business and government" is based on the market price for similar instruments or on expected cash flow discounting. For financial liabilities designated as at fair value through profit or loss, the fair value takes option pricing models into account, and the valuation techniques are similar to those used for derivative financial instruments.

Subordinated notes

The fair value of subordinated notes is based on market prices.

Derivative financial instruments

The fair value of derivative financial instruments is determined using pricing models that incorporate the current market prices and the contractual prices of the underlying instruments, the time value of money, interest rate yield curves, credit curves and volatility factors. This fair value is presented without taking into account the impact of legally enforceable master netting agreements. However, Desjardins Group adjusts the measurement of these instruments based on credit risk, and such adjustments reflect the financial ability of the counterparties to the contracts and the creditworthiness of Desjardins Group, as well as credit risk mitigation measures such as legally enforceable master netting agreements. Note 20, "Derivative financial instruments and hedging activities," to the Combined Financial Statements specifies the nature of derivative financial instruments held by Desjardins Group.

Financial instruments whose fair value equals their carrying amount

The carrying amount of certain financial instruments is a reasonable approximation of their fair value given their short-term maturity or their features. These financial instruments include the following items: "Cash and deposits with financial institutions;" "Securities borrowed or purchased under reverse repurchase agreements;" "Amounts receivable from clients, brokers and financial institutions;" some items included in "Other assets – Other;" "Commitments related to securities lent or sold under repurchase agreements;" "Amounts payable to clients, brokers and financial institutions;" and some items included in "Other liabilities – Other."

Additional information on the fair value of financial instruments is presented in Note 4, "Fair value of financial instruments," to the Combined Financial Statements. Note 2, "Accounting policies," to the Combined Financial Statements provides information on the classification and measurement of financial assets and financial liabilities.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset is derecognized from the Combined Balance Sheets when the contractual rights to the cash flows from the asset expire, when the contractual rights to receive these cash flows are retained but Desjardins Group has the obligation to pay them to a third party under certain conditions, or when Desjardins Group transfers the contractual rights to receive the cash flows and substantially all the risks and rewards of ownership of the asset have been transferred.

When substantially all the risks and rewards of ownership of the transferred financial asset are retained by Desjardins Group, such asset is not derecognized from the Combined Balance Sheets and a financial liability is recognized, when appropriate.

When a financial asset is derecognized in its entirety, a gain or a loss is recognized in the Combined Statements of Income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received.

Management must use its judgment to determine whether the contractual rights to the cash flows have expired, have been transferred or have been retained with an obligation to pay them to a third party. With respect to the transfer of substantially all the risks and rewards of ownership of the assets, management evaluates Desjardins Group's exposure before and after the transfer as well as the changes in the amount and timing of the net cash flows of the transferred asset.

Additional information about the derecognition of financial assets is presented in Note 8, "Derecognition of financial assets," to the Combined Financial Statements.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

At each reporting date, Desjardins Group recognizes an allowance for expected credit losses for debt instruments classified as at "Amortized cost" or as "At fair value through other comprehensive income," as well as certain off-balance sheet items, namely loan commitments and financial guarantees, which are not measured at fair value through profit or loss. This allowance is estimated based on an impairment model that comprises three stages:

- Stage 1: For financial instruments that have not had a significant increase in credit risk since initial recognition and are not considered as credit-impaired financial assets, an allowance for credit losses amounting to 12-month expected credit losses is recognized.
- Stage 2: For financial instruments that have had a significant increase in credit risk since initial recognition but are not considered as credit-impaired financial assets, an allowance for credit losses amounting to the lifetime expected credit losses is recognized.
- Stage 3: For financial instruments considered as credit impaired, an allowance for credit losses amounting to the lifetime expected credit losses continues to be recognized.

Financial instruments may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and the level of expected credit losses. Instruments are always classified in the various stages of the impairment model based on the change in credit risk between the reporting date and the initial recognition date of the financial instrument and an analysis of evidence of impairment.

Determination of significant increases in credit risk

To determine whether, at the reporting date, credit risk has significantly increased since initial recognition, Desjardins Group bases its assessment on the change in default risk over the expected life of the financial instrument, which requires significant judgment.

To this end, Desjardins Group compares the PD of the financial instrument at the reporting date with its PD at the date of initial recognition. In addition, it considers reasonable and supportable information indicating a significant increase in credit risk since initial recognition, including qualitative information and information about future economic conditions to the extent that it affects the assessment of the instrument's PD. The criteria used to determine a significant increase in credit risk vary depending on the groups of financial instruments with shared credit risk characteristics and are mainly based on a relative change combined with an absolute change in the PD. They also include absolute risk thresholds and certain other criteria. All instruments that are more than 30 days past due are transferred to Stage 2 of the impairment model.

Definition of default and credit-impaired financial asset

The definition of default used in the impairment model corresponds to the definition used for internal credit risk management purposes and for regulatory purposes. It considers relevant quantitative and qualitative factors. In particular, a loan is in default when contractual payments are over 90 days past due. A financial asset is considered credit-impaired when it is in default, unless the detrimental impact on the estimated future cash flows is considered insignificant.

Measurement of the allowance for expected credit losses

The 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. Generally, the allowance for expected credit losses represents the present value of the difference between cash flows that are due, or the amount of the commitment that may be used under the terms and conditions of the contract, and total cash flows that Desjardins Group expects to receive. For credit-impaired financial assets, expected credit losses are calculated based on the difference between the gross carrying amount of the asset and estimated cash flows.

The measurement of the allowance for expected credit losses is estimated for each exposure at the reporting date and is based on the result of multiplying the three credit risk parameters, namely PD, LGD and EAD. The result of this multiplication is then discounted using the effective interest rate. The parameters are estimated using an appropriate segmentation that considers common credit risk characteristics. For financial instruments in Stage 1 of the impairment model, credit risk parameters are projected over a maximum horizon of 12 months, while for those in Stage 2 or Stage 3, they are projected over the remaining life of the instrument.

To determine the credit risk parameters, financial instruments are aggregated based on their common credit risk characteristics.

The allowance for expected credit losses also considers information about future economic conditions. To incorporate forward-looking information relevant to the determination of significant increases in credit risk and the measurement of the allowance for expected credit losses, Desjardins Group uses the econometric models for credit risk projection. These models estimate the impact of macroeconomic variables on the various credit risk parameters. Desjardins Group uses three scenarios to determine the allowance for expected credit losses and assigns to each scenario a probability of occurrence. Desjardins Group may also make adjustments to take into account the relevant information that affects the measurement of the allowance for credit losses and that has not been incorporated into the credit risk parameters.

For credit-impaired financial assets that are individually material, measuring the allowance for expected credit losses is based on an extensive review of the borrower's situation and the realization of collateral held. The measurement represents a probability-weighted present value, calculated using the effective interest rate, of cash flow shortfalls that takes into consideration the impact of various scenarios that may materialize and information about future economic conditions.

Key data and assumptions

Estimating the allowance for expected credit losses is based on a set of assumptions and methodologies specific to credit risk and changes in economic conditions and therefore requires significant judgment to be exercised. The main items requiring significant judgment that affected its measurement are the following:

- Changes in the borrowers' credit risk rating (or PD);
- Determination of significant increases in credit risk;
- Incorporation of forward-looking information.

The macroeconomic environment remains uncertain, in particular with respect to the evolution of trade relations with the United States, interest rates and geopolitical tensions. Therefore, management has to continue making particularly complex judgments to estimate the allowance for credit losses in such a situation. Expert adjustments are applied in measuring the allowance for expected credit losses to take into account relevant risk factors related to the macroeconomic environment that are not reflected in the models.

Changes in the borrowers' credit risk rating or probability of default

The borrowers' credit risk rating is the foundation of the credit risk assessment model. The rating of a borrower is directly related to its estimated PD. Many variables are taken into consideration in credit risk assessment models. Changes in the borrowers' credit risk rating have an impact on determining significant increases in credit risk, as this is mainly based on the change in the borrower's PD, and measuring the allowance for expected credit losses.

Changes in the borrowers' credit risk rating may increase or decrease the allowance for expected credit losses. Generally, a deterioration in a borrower's credit risk rating gives rise to an increase in the allowance, while an improvement results in a decrease in the allowance.

Determination of significant increases in credit risk

To determine whether, at the reporting date, credit risk has significantly increased since initial recognition, Desjardins Group bases its assessment on the change in default risk over the expected life of the financial instrument. As this assessment takes into account forward-looking information at time of granting and at the reporting date, a significant increase in credit risk may be caused by a deterioration in economic forecasts integrated into the prospective evaluation, a deterioration in the borrower's situation or a combination of both of these factors.

The determination of significant increases in credit risk since initial recognition may have a significant upward or downward impact on the allowance for expected credit losses as the amount of the allowance for expected credit losses for loans in Stage 1 is equal to 12-month expected credit losses, while the amount of the allowance for expected credit losses for loans in Stage 2 is equal to the lifetime expected credit losses.

Incorporation of forward-looking information

Desjardins Group uses three different scenarios to determine the allowance for expected credit losses, namely a base scenario, an upside scenario and a downside scenario. Projections for each scenario are provided for a four-year horizon. The macroeconomic variables projected under each scenario and the related probability of occurrence have a significant impact on determining significant increases in credit risk and measuring the allowance for credit losses for expected credit losses. The models vary depending on the portfolios and include one or several of the main variables: gross domestic product, unemployment rate, the Consumer Price Index, housing prices, the corporate credit spread and the S&P/TSX index. The macroeconomic variable projection and the determination of the probabilities of occurrence are reviewed quarterly.

The incorporation of forward-looking information may increase or decrease the allowance for expected credit losses. Generally, an improvement in the outlook will give rise to a decrease in the allowance, while a deterioration will result in an increase in the allowance.

Additional information about loans and the allowance for credit losses, in particular a sensitivity analysis of the allowance for credit losses, is presented in Note 7, "Loans and allowance for credit losses" to the Combined Financial Statements.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Desjardins Group assesses at the reporting date whether there is evidence that an asset may be impaired. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Estimating the recoverable amount of a non-financial asset to determine whether it is impaired requires management to make estimates and assumptions. The main estimates and assumptions used in calculating the recoverable amount are future cash flows estimated based on internal financial forecasts, expected future earnings, the growth rate and the discount rate.

INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities are measured mainly using two approaches, namely the general model and the premium allocation approach.

Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements provides information about accounting for the various life and health and property and casualty insurance contract liabilities, the main assumptions used and the impact on profit or loss of changes to assumptions.

Contracts to which the general measurement model is applied

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, namely the estimate of the future cash flows, the adjustment for the time value of money and the risk adjustment for non-financial risk, as well as the contractual service margin (CSM) which represents unearned profit. At each reporting date, the carrying amount of a group of insurance contracts corresponds to the sum of the liability for remaining coverage, comprising the fulfilment cash flows related to services to be provided in future periods, and the CSM, and the liability for incurred claims, comprising the fulfilment cash flows related to past service, such as incurred claims and other incurred insurance service expenses.

Contracts to which the premium allocation approach is applied

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. At each reporting date, 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.

Key estimates and assumptions

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. Assumptions relating to mortality and longevity, morbidity, contract termination rate, expenses, taxes and policyholder dividends are prepared. In addition, the facts and circumstances indicating that a group of insurance contracts is or is becoming onerous are determined using judgment and data analysis.

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 insurance 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 Canadian Institute of Actuaries 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.

Other estimates and assumptions

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. 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.

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 fulfill insurance contracts. The risks to which the risk adjustment for non-financial risk relate are insurance risk and other non-financial risks, such as lapse risk and expenditure 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.

Contractual service margin (CSM)

At the end of each period, 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. To determine this amount, the CSM at the reporting date is allocated equally to each remaining coverage unit. 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.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are liabilities of uncertain timing or amount. A provision is recognized when Desjardins Group has an obligation (legal or constructive) as a result of a past event, the settlement of which should result in an outflow of resources embodying economic benefits, and when a reliable estimate can be made of the amount of the obligation. The amount of the obligation is discounted where the effect of the time value of money is material.

Provisions are based on management's best estimate of the amounts required to settle the obligations on the reporting date, taking into account the relevant uncertainties and risks. Management must make significant judgments in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflow of resources. Desjardins Group regularly examines the measurement of provisions and makes, on a quarterly basis, the adjustments required based on new available information. Actual results may differ materially from these forecasts.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Desjardins Group or an obligation that arises from a past event and for which an outflow of resources embodying economic benefits is not probable or cannot be estimated reliably. In the normal course of its business, Desjardins Group is involved in various litigation and legal proceedings.

Additional information is presented in Note 28, "Commitments, guarantees and contingent liabilities," to the Combined Financial Statements.

INCOME TAXES ON SURPLUS EARNINGS

The income tax expense on surplus earnings recognized in the Combined Statements of Income comprises the current and deferred tax expense on operating surplus earnings as well as the income tax consequences of remuneration on capital stock and dividends when certain conditions are met. The total income tax expense includes the income tax expense on surplus earnings recognized in the Combined Statements of Income as well as current and deferred taxes on items recognized outside profit or loss directly in the Combined Statements of Comprehensive Income or the Combined Statements of Changes in Equity.

The total income tax expense is based on the expected tax treatment of the transactions. To determine the current and deferred portions of income taxes on surplus earnings, management must make judgments to establish the assumptions concerning the dates on which deferred income tax assets and liabilities will be reversed. Significant judgment must be used to interpret the relevant tax legislation in order to determine the income tax expense. If Desjardins Group's interpretation differs from that of taxation authorities or if the reversal dates do not correspond with the forecasted dates, the provision for income taxes on surplus earnings may increase or decrease in subsequent years.

Note 27, "Income taxes on surplus earnings," to the Combined Financial Statements provides additional information on income taxes on surplus earnings.

EMPLOYEE BENEFITS

Desjardins Group offers to a majority of its employees a defined benefit pension plan and a defined benefit supplemental pension plan. For employees meeting certain criteria based on age and the number of years of participation in the plan, it also offers a post-retirement benefit plan that provides medical, dental and life insurance to retiring employees and their dependents.

Group pension plans are plans whose risks are shared by entities under common control. The main group pension plan offered, the Desjardins Group Pension Plan (DGPP), is a funded defined benefit group plan. Participants and employers share the risks and costs related to the DGPP, including any deficit, on a prorata basis of 35% and 65%, respectively.

For the DGPP, benefits are determined on the basis of the number of years of membership and take into consideration the average salary of the employee's five most highly paid years, for years of service accumulated before 2013, and the eight most highly paid years, for years of service accumulated subsequently. Benefits are indexed annually using the consumer price index, up to a maximum of 3% for years of service accumulated before 2013 and 1% for a period of 10 years starting at age 65 for years of service accumulated subsequently.

Defined benefit pension plans are plans for which Desjardins Group has formally committed to a level of benefits and therefore assumes actuarial and, when the plans are funded, investment risks. Since the terms of the pension plans are such that changes in salary levels will have an impact on the amount of future benefits, the cost of the benefits and the value of the defined benefit plan obligation are generally actuarially determined using various assumptions. Although management believes that the assumptions used in the actuarial valuation process are reasonable, there remains a degree of risk and uncertainty that may cause future actual results to materially differ from these assumptions, which could give rise to actuarial gains or losses.

Actuarial calculations are made based on management's best estimate assumptions primarily concerning the plan obligation discount rate, and also, but to a lesser extent, salary increases, the retirement age of employees, the mortality rate, the rate of increase in pension benefits and the members' future contributions that will be used to make up the deficit. The participants' estimated discounted contributions required to make up the deficit decrease the defined benefit plan obligation. A complete actuarial valuation is performed each year by a qualified actuary. The discount rates used have been determined by reference to the rates of high quality corporate bonds whose terms are consistent with those of the plans' cash flows.

The terms of the post-retirement benefit plans are such that changes in salary levels or healthcare costs will have an impact on the amount of future benefits. The cost of these benefits is accrued over a portion of the service lives of employees using accounting policies comparable to those used for defined benefit pension plans.

Note 17, "Employee benefits – Pension and post-retirement benefit plans," to the Combined Financial Statements provides further information on accounting for defined benefit plans and on the sensitivity of the key assumptions.

5.4 Future accounting changes

Accounting standards and amendments issued by the IASB, but not effective as at December 31, 2024, are presented below. Regulatory authorities have stated that early adoption of these standards and amendments will not be permitted, unless they indicate otherwise.

IFRS 7, *"Financial Instruments: Disclosures,"* and IFRS 9, *"Financial Instruments"*

In May 2024, the IASB issued amendments to IFRS 7, "*Financial Instruments: Disclosures*," and IFRS 9, "*Financial Instruments*," following the post-implementation review of the requirements in IFRS 9 and the related requirements in IFRS 7.

The IASB has amended IFRS 9 to clarify the recognition and derecognition date for certain financial assets and liabilities, with a new exception for certain financial liabilities settled in cash through an electronic payment system, as well as to clarify and include additional guidance for assessing whether the cash flows of a financial asset are solely payments of principal and interest on the principal amount outstanding.

The IASB has amended IFRS 7 to add new disclosures for certain instruments whose contractual terms could change cash flows as well as to improve the disclosures about equity instruments designated as at fair value through other comprehensive income.

Desjardins Group is currently assessing the impact of adopting the amendments to IFRS 7 and IFRS 9, which will be effective for years beginning on or after January 1, 2026.

IFRS 18, *"Presentation and Disclosure in Financial Statements"*

In April 2024, the IASB issued IFRS 18, "*Presentation and Disclosure in Financial Statements*," which will replace the current IAS 1, "*Presentation of Financial Statements*."

IFRS 18 introduces three new items to improve the presentation of information disclosed in financial statements. It introduces three new categories of revenue and expenses (operating, investing and financing) to improve the comparability of the income statement between companies. In addition, IFRS 18 intends to enhance the transparency of management-defined performance measures. Lastly, IFRS 18 provides guidance on how to present information in financial statements.

Desjardins Group is currently assessing the impact of adopting IFRS 18, which will be effective for years beginning on or after January 1, 2027.

5.5 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 in Section 1.1, "Profile and structure") 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 is compared to that of Desjardins Group in the table below.

Table 50 – CDO's financial information
As at December 31 or for the years ended December 31

	2024			2023		
(in millions of dollars and as a percentage)	**CDO**	**Desjardins Group Combined Balance Sheets**	**% proportion**	CDO	Desjardins Group Combined Balance Sheets	% proportion
Total assets	**$ 14,051**	**$ 470,942**	**3.0%**	$ 11,922	$ 422,940	2.8%
Total liabilities	**13,193**	**432,252**	**3.1**	11,107	388,550	2.9
Total equity	**858**	**38,690**	**2.2**	815	34,390	2.4

	2024			2023		
(in millions of dollars and as a percentage)	**CDO**	**Desjardins Group Combined Statements of Income**	**% proportion**	CDO	Desjardins Group Combined Statements of Income	% proportion
Total net revenue	**$ 222**	**$ 14,660**	**1.5%**	$ 183	$ 12,577	1.5%
Surplus earnings before member dividends	**37**	**3,356**	**1.1**	5	2,259	0.2
Net surplus earnings (deficit) for the year after member dividends	**26**	**3,028**	**0.9**	(4)	1,955	(0.2)

5.6 Five-year statistical review

Table 51 – Combined Balance Sheets

As at December 31

(in millions of dollars)	2024	2023	2022	2021[1]	2020[1]
ASSETS					
Cash and deposits with financial institutions	**$ 5,977**	$ 8,987	$ 8,913	$ 16,328	$ 12,126
Securities					
Securities at fair value through profit of loss	**41,961**	36,627	33,987	39,772	34,960
Securities at fair value through other comprehensive income	**57,302**	51,692	51,258	53,286	52,679
Securities at amortized cost	**45**	46	50	41	29
	99,308	88,365	85,295	93,099	87,668
Securities borrowed or purchased under reverse repurchase agreements	**23,666**	13,678	17,024	12,019	9,658
Loans					
Residential mortgage	**179,920**	165,858	159,682	149,695	136,208
Consumer, credit card and other personal loans	**24,683**	24,239	24,211	24,386	25,310
Business and government	**86,314**	77,018	66,812	57,400	51,015
	290,917	267,115	250,705	231,481	212,533
Allowance for credit losses	**(1,320)**	(1,180)	(1,035)	(970)	(1,112)
	289,597	265,935	249,670	230,511	211,421
Segregated fund net assets	**28,959**	24,754	21,356	22,804	19,093
Other assets					
Clients' liability under acceptances	**—**	—	25	268	328
Premiums receivable	**N/A**	N/A	N/A	2,839	2,803
Derivative financial instruments	**7,579**	5,861	5,723	5,828	5,820
Amounts receivable from clients, brokers and financial institutions	**3,096**	2,801	3,486	2,557	2,499
Reinsurance contract assets	**1,905**	1,676	1,622	1,582	1,962
Right-of-use assets	**454**	476	543	530	565
Investment property	**817**	974	929	926	924
Property, plant and equipment	**1,486**	1,549	1,587	1,531	1,541
Goodwill	**596**	563	157	157	156
Intangible assets	**1,255**	1,186	663	497	424
Investments in companies accounted for using the equity method	**1,241**	1,477	1,465	1,380	1,189
Net defined benefits plan assets	**724**	46	679	62	—
Deferred tax assets	**986**	1,244	1,267	789	1,154
Other	**3,296**	3,368	3,540	3,378	2,704
	23,435	21,221	21,686	22,324	22,069
TOTAL ASSETS	**$ 470,942**	$ 422,940	$ 403,944	$ 397,085	$ 362,035
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits					
Individuals	**$ 161,479**	$ 151,519	$ 145,377	$ 136,332	$ 127,928
Business and government	**139,223**	127,219	114,172	101,644	96,853
Deposit institutions	**244**	591	287	379	455
	300,946	279,329	259,836	238,355	225,236
Insurance contract liabilities	**34,538**	32,961	30,202	34,762	34,827
Other liabilities					
Acceptances	**—**	—	25	268	328
Commitments related to securities sold short	**13,249**	11,686	9,859	11,342	9,353
Commitments related to securities lent or sold under repurchase agreements	**20,633**	12,032	24,565	31,177	19,152
Derivative financial instruments	**6,112**	6,626	6,691	5,500	4,884
Amounts payable to clients, brokers and financial institutions	**14,195**	9,350	8,978	7,938	6,810
Lease liabilities	**534**	553	622	596	633
Reinsurance contract liabilities	**37**	38	36	N/A	N/A
Segregated fund net liabilities – Investment contracts	**25,329**	21,233	17,826	22,796	19,089
Net defined benefit plan liabilities	**713**	867	654	1,048	3,107
Deferred tax liabilities	**454**	252	223	301	372
Other	**11,550**	10,669	9,092	7,516	6,488
	92,806	73,306	78,571	88,482	70,216
Subordinated notes	**3,962**	2,954	2,928	1,960	1,493
TOTAL LIABILITIES	**432,252**	388,550	371,537	363,559	331,772
EQUITY					
Capital stock	**4,731**	4,731	4,786	4,982	5,021
Undistributed surplus earnings	**3,319**	2,668	8,982	1,546	1,874
Accumulated other comprehensive income	**256**	(708)	(2,058)	765	1,302
Reserves	**29,481**	26,784	19,802	25,321	21,316
Equity – Group's share	**37,787**	33,475	31,512	32,614	29,513
Non-controlling interest	**903**	915	895	912	750
TOTAL EQUITY	**38,690**	34,390	32,407	33,526	30,263
TOTAL LIABILITIES AND EQUITY	**$ 470,942**	$ 422,940	$ 403,944	$ 397,085	$ 362,035

(1) In accordance with 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.

Table 52 – Combined Statements of Income
For the years ended December 31

(in millions of dollars)	2024	2023[1]	2022[1]	2021[2]	2020[2]
INTEREST INCOME					
Loans	**$ 15,288**	$ 12,783	$ 8,111	$ 6,928	$ 7,278
Securities	**2,477**	2,433	1,107	473	488
	17,765	15,216	9,218	7,401	7,766
INTEREST EXPENSE					
Deposits	**8,056**	6,459	2,829	1,508	2,010
Subordinated notes	**165**	139	78	65	57
Other	**2,073**	1,999	148	42	59
	10,294	8,597	3,055	1,615	2,126
NET INTEREST INCOME	**7,471**	6,619	6,163	5,786	5,640
NET PREMIUMS	**N/A**	N/A	N/A	11,278	9,920
INSURANCE SERVICE RESULT					
Insurance revenue	**11,524**	10,429	9,725	N/A	N/A
Insurance service expenses	**(9,969)**	(8,934)	(8,612)	N/A	N/A
Net reinsurance service income (expenses)	**532**	(129)	(55)	N/A	N/A
	2,087	1,366	1,058	N/A	N/A
NET INSURANCE FINANCE RESULT					
Net insurance investment income (loss)	**2,363**	2,971	(4,371)	N/A	N/A
Net insurance finance income (expenses)	**(1,641)**	(2,383)	4,594	N/A	N/A
Net reinsurance finance income (expenses)	**73**	103	(215)	N/A	N/A
	795	691	8	N/A	N/A
NET INSURANCE SERVICE INCOME	**2,882**	2,057	1,066	N/A	N/A
OTHER INCOME					
Deposit and payment service charges	**527**	483	448	424	388
Lending fees and card service revenues	**1,038**	951	965	735	628
Brokerage and investment fund services	**1,480**	1,339	989	1,108	954
Management and custodial service fees	**901**	751	662	732	617
Net other investment income (loss)	**(205)**	(72)	(343)	319	3,116
Overlay approach adjustment for insurance operations financial assets	**N/A**	N/A	N/A	(404)	(42)
Foreign exchange income (loss)	**241**	192	119	121	103
Other	**325**	257	271	221	149
	4,307	3,901	3,111	3,256	5,913
TOTAL NET REVENUE	**14,660**	12,577	10,340	20,320	21,473
PROVISION FOR CREDIT LOSSES	**597**	529	277	69	863
CLAIMS, BENEFITS, ANNUITIES AND CHANGES IN INSURANCE CONTRACT LIABILITIES	**N/A**	N/A	N/A	6,883	9,233
NON-INTEREST EXPENSE					
Salaries and employee benefits	**5,483**	5,428	5,120	4,437	3,902
Professional fees	**821**	817	1,084	1,013	664
Technology	**1,217**	1,131	924	893	791
Commissions	**790**	705	306	881	788
Occupancy costs	**397**	408	391	406	419
Communications	**375**	358	379	329	290
Business and capital taxes	**148**	123	118	459	418
Other	**1,414**	1,247	1,203	1,148	1,025
Gross non-interest expense	**10,645**	10,217	9,525	9,566	8,297
Non-interest expense included in insurance service expenses[3]	**(939)**	(985)	(1,023)	N/A	N/A
NET NON-INTEREST EXPENSE	**9,706**	9,232	8,502	N/A	N/A
OPERATING SURPLUS EARNINGS	**4,357**	2,816	1,561	3,802	3,080
Income taxes on surplus earnings	**1,001**	557	319	860	661
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	**3,356**	2,259	1,242	2,942	2,419
Member dividends	**437**	412	403	387	330
Tax recovery on member dividends	**(109)**	(108)	(106)	(103)	(85)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	**$ 3,028**	$ 1,955	$ 945	$ 2,658	$ 2,174
Of which:					
Group's share	**$ 2,895**	$ 1,884	$ 927	$ 2,515	$ 2,090
Non-controlling interests' share	**133**	71	18	143	84

(1) Data have been restated to conform with the current year's presentation.
(2) In accordance with 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.
(3) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result."

Table 53 – Selected financial measures
As at December 31 or for the years ended December 31

(in millions of dollars and as a percentage)	2024	2023[1]	2022[1]	2021[2]	2020[2]
Tier 1A capital ratio[3]	**22.2%**	20.4%	20.2%	21.1%	21.9%
Tier 1 capital ratio[3]	**22.2**	20.4	20.2	21.1	21.9
Total capital ratio[3]	**24.2**	21.9	21.9	22.1	22.6
TLAC ratio[4]	**32.9**	29.4	28.7	26.5	24.7
Leverage ratio[3]	**7.6**	7.3	7.6	8.5	8.5
TLAC leverage ratio[4]	**11.2**	10.5	10.6	10.4	9.5
Liquidity coverage ratio[5]	**165**	154	140	140	157
Net Stable Funding Ratio[5]	**129**	124	126	129	N/A
Net interest margin[6]	**2.29**	2.29	2.13	2.06	2.38
Return on equity[7]	**9.0**	6.8	3.8	8.9	8.3
Credit loss provisioning rate[7]	**0.22**	0.20	0.11	0.03	0.41
Gross credit-impaired loans/gross loans and acceptances[7]	**0.81**	0.74	0.48	0.47	0.62
Productivity index – Personal and Business Services[7]	**69.8**	78.4	79.2	73.7	65.5
Insurance and annuity premiums – Wealth Management and Life and Health Insurance[7]	**$ 6,220**	$ 6,313	$ 5,806	$ 5,667	$ 4,711
Total contractual service margin (CSM) – Wealth Management and Life and Health Insurance[8]	**2,585**	2,595	2,627	N/A	N/A
Direct premiums written – Property and Casualty Insurance[7]	**7,565**	6,856	6,205	6,053	5,726
Assets under administration[7]	**588,207**	535,264	447,312	482,911	458,177
Assets under management[1][7]	**104,220**	87,164	79,865	93,893	78,582
Average assets[7]	**447,745**	409,820	399,913	383,204	342,354
Net interest income	**7,471**	6,619	6,163	5,786	5,640
Average net loans and acceptances[7]	**276,838**	257,533	240,621	221,317	207,727
Average deposits[7]	**289,585**	268,099	249,801	234,571	214,148
Risk-weighted assets[3]	**149,621**	140,481	139,311	134,518	120,101

(1) Comparative data have been restated to conform with the current year's presentation.

(2) In accordance with 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.

(3) In accordance with the *Capital Adequacy Guideline* issued by the AMF for financial services cooperatives in particular. See Section 3.2, "Capital management."

(4) 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 Section 3.2, "Capital management."

(5) In accordance with the *Liquidity Adequacy Guideline* issued by the AMF. See Section 4.0, "Risk management."

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

(7) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

(8) Total CSM of $2,838 million ($2,813 million as at December 31, 2023) presented net of reinsurance in the amount of $253 million ($218 million as at December 31, 2023). Included in the line items "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" on the Combined Balance Sheets. For more information, see Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements.

5.7 Supplementary information

The tables below meet the financial disclosure requirements stipulated in the *Act Respecting Financial Services Cooperatives*.

Table 54 – Summary of the FCDQ's combined investments and loans
As at December 31

	Contractual maturities									Total		Average return[1]	
(unaudited, in millions of dollars and as a percentage)	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	More than 5 years	No stated maturity	2024	2023	2024	2023[2]
Securities	$ 78	$ 386	$ 1,368	$ 2,243	$ 1,057	$ 8,755	$ 16,726	$ 10,111	$ 82	$ 40,806	$ 26,784	4.23%	4.24%
Securities borrowed or purchased under reverse repurchase agreements	16,242	—	—	—	—	—	—	—	—	16,242	11,461	4.25	4.24
Loans	21,473	4,264	1,142	1,169	1,369	4,223	4,587	1,018	2,966	42,211	34,886	6.67	6.79
Loans to member caisses	15,864	11,078	10,284	12,095	8,390	36,202	39,073	2,210	152	135,348	24,160	5.14	5.61
Consumer, credit card and other personal loans	20	42	120	139	188	920	4,295	6,122	6,292	18,138	17,650	8.21	7.52
Allowance for credit losses	—	—	—	—	—	—	—	—	(745)	(745)	(688)	—	—
Total investments and loans	$ 53,677	$ 15,770	$ 12,914	$ 15,646	$ 11,004	$ 50,100	$ 64,681	$ 19,461	$ 8,747	$252,000	$ 114,253	5.49%	5.96%

(1) Excluding the impact of derivative financial instruments.
(2) Data have been restated to conform with the current year's presentation.

Table 55 – Summary of combined deposits by member caisses
As at December 31

	Contractual maturities									Total		Average return	
(unaudited, in millions of dollars and as a percentage)	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	More than 5 years	No stated maturity	2024	2023	2024	2023
Demand deposits	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 13,121	$ 13,121	$ 4,482	4.43%	4.88%
Term deposits	12,176	7,707	4,503	6,980	6,968	15,151	54,712	7,642	—	115,839	12,274	5.06	3.80
Total deposits by member caisses	$ 12,176	$ 7,707	$ 4,503	$ 6,980	$ 6,968	$ 15,151	$ 54,712	$ 7,642	$ 13,121	$128,960	$ 16,756	4.97%	4.12%

Table 56 – General and other reserves
For the years ended December 31

(in millions of dollars)	General reserve	Capital gains reserve	Community Development Funds	Total
Balance as at December 31, 2022	$ 18,036	$ (493)	$ 212	$ 17,755
Transfer	5,014	(149)	20	4,885
Balance as at December 31, 2023	$ 23,050	$ (642)	$ 232	$ 22,640
Transfer	892	1,782	21	2,695
Balance as at December 31, 2024	$ 23,942	$ 1,140	$ 253	$ 25,335

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 also included in assets under administration.

***Autorité des marchés financiers* (AMF)**
Organization whose mission is to enforce the laws governing the financial industry, 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 last five quarters calculated as of December 31.

Average deposits
Average of deposits presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average equity – Group's share
Average equity – Group's share presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average gross loans
Average of loans, presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average gross loans and acceptances
Average of loans, including clients' liability under acceptances, presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average interest-bearing assets
Consist of securities, including those borrowed or purchased under reverse repurchase agreements, 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 net interest income. Average of balances at the end of the last five quarters calculated as of December 31.

Average interest-bearing liabilities
Include deposits, subordinated notes and other interest-bearing liabilities, and exclude life and health insurance and property and casualty insurance liabilities as well as all other liabilities not generating any net interest income.

Average liabilities
Average of liabilities presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average net loans
Average of loans, net of the allowance for credit losses presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

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 last five quarters calculated as of December 31.

Average core 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 and assets related to trading activities, and other assets not generating net interest income. Average of balances at the end of the last five quarters calculated as of December 31.

Average core interest-bearing assets – Personal and Business Services

Include securities, cash and deposits with financial institutions, as well as loans, and excludes assets related to trading activities as well as assets related to capital market and liquidity management activities, and all other assets not generating net interest income – Personal and Business Services. Average of balances at the end of the last five quarters calculated as of December 31.

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 shares

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)

For insurance contracts that are not measured using the premium allocation approach, represents the 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 or counterparty's failure to honour its contractual obligations, whether or not such obligations appear on the Combined Balance Sheets.

Credit valuation adjustment (CVA)
Adjustment applied to the value of derivatives traded over the counter to reflect the possibility that the counterparty will fail to honour its contractual commitments and that Desjardins Group will not be able to receive all the values payable.

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
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 premiums written
In property and casualty insurance, the premiums stipulated in insurance policies issued and in force 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 surplus earnings after member dividends
Income tax expense on surplus earnings after member dividends expressed as a percentage of surplus earnings after member dividends.

Environmental, social and governance (ESG) risk factors
ESG risks are linked to an environmental, social or governance event or issue, which materializes as part of Desjardins Group's operations, financing, investing, insurance activities, or its commitments, the consequences of which could generate financial losses or reputational harm.

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

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.

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
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.

Insurance contract liabilities
Obligation representing the amount of an insurance company's commitments toward all insureds and beneficiaries, including in particular an amount to cover the payment of benefits and claims.

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 refers to 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 and related expenses will differ from the amounts estimated when designing, pricing or measuring actuarial reserves of property and casualty insurance products for individuals and businesses.

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.

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, equity prices 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 notes.

Net interest income on core assets
Net interest income excluding net interest income generated by non-core assets.

Net interest income on core assets – Personal and Business Services
Net interest income – Personal and Business Services excluding net interest income generated by non-core assets – Personal and Business Services.

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

Net interest margin – Personal and Business Services
Net interest income on core assets – Personal and Business Services expressed as a percentage of average core interest-bearing assets – Personal and Business Services.

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 consideration the impact of failures to achieve the strategic objectives of the component concerned or Desjardins Group, if applicable.

Operating leverage
Represents the difference between the growth rate for total net revenue and the growth rate for net non-interest expense.

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 revenue 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.

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 Section 3.2 "Capital management" 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 such a 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 a material unfavourable impact on revenues and equity or may significantly affect the confidence of its members and clients or, more broadly, public opinion.

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 – Group's share.

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
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 fulfill 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 Section 3.2 "Capital management" of the Management's Discussion and Analysis.

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

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

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

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

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

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

Standardized Approach

- Credit risk
  Default approach used to calculate risk-weighted assets. Under this method, the 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 market risk classes: interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodity risk and default risk.
- 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 attributable to the occurrence of external and internal events or the implementation of inappropriate strategies or actions that may prevent Desjardins Group from achieving its strategic priorities including the interests of its members and clients.

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).