



Financial Report

Second quarter of 2024

Desjardins Group posts surplus earnings of \$918 million for the second quarter of 2024

MESSAGE FROM SENIOR MANAGEMENT

Lévis, August 9, 2024 – For the second quarter ended June 30, 2024, Desjardins Group, North America's largest financial cooperative group, recorded surplus earnings before member dividends of \$918 million, up \$365 million from the same quarter of 2023. This increase was mainly due to the results of the Property and Casualty Insurance segment, owing to fewer claims combined with higher revenues from automobile and property insurance. In addition, we would like to highlight the very good performance by the Personal and Business Services segment stemming from higher net interest income, mainly tied to business growth, and lower non-interest expense. Overall, for Desjardins Group as a whole, non-interest expense was comparable to that of the second quarter of 2023 due to rigorous expenditure management.

This result reflects the contribution of \$459 million made by the Personal and Business Services segment. The Property and Casualty Insurance segment contributed \$300 million to surplus earnings, and the Wealth Management and Life and Health Insurance segment, \$231 million.

The provision for member dividends totalled \$110 million for the second quarter of 2024, an amount comparable to that of the corresponding quarter of 2023. The amounts returned in the form of sponsorships, donations and scholarships rose to \$33 million, compared to \$37 million for the same period in the previous year, of which \$16 million was from the caisses' Community Development Fund. In addition to this, commitments of \$11 million were made for the second quarter of 2024 in connection with the GoodSpark Fund, which seeks, in particular, to provide social and economic support to the regions. Since 2017, Desjardins Group has made commitments totalling \$198 million to the GoodSpark Fund.

Desjardins Group complies with Basel III rules and maintains very good capitalization. As at June 30, 2024, Desjardins Group's Tier 1A and total capital ratios were 21.2% and 23.2%, respectively, compared to 20.4% and 21.9%, respectively, as at December 31, 2023.

"I am proud of these results for the second quarter of 2024, with surplus earnings before member dividends of \$918 million, up \$365 million from the same period of 2023," said Guy Cormier, President and Chief Executive Officer of Desjardins Group. "These results reflect the same upward trend as in the first quarter. As a result, Desjardins can give back to the community, in particular through our involvement in a partnership with the Québec government to make available more than 1,750 affordable housing units."

ENHANCED DISCLOSURE TASK FORCE RECOMMENDATIONS INDEX

On October 29, 2012, the Enhanced Disclosure Task Force (EDTF) established by the Financial Stability Board released its report, "Enhancing the Risk Disclosures of Banks," in which it issued 32 recommendations aimed at improving risk disclosure and transparency.

Information regarding the EDTF recommendations is presented in the 2023 Annual Report, the Interim Financial Report for the second quarter of 2024 and the documents "Supplemental Financial Information" and "Pillar 3 Report," which are available on Desjardins Group's website at www.desjardins.com/ca/about-us/investor-relations. The documents "Supplemental Financial Information" and "Pillar 3 Report" are not incorporated by reference in this Management's Discussion and Analysis (MD&A).

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

Type of risk	Recom- mendation	Disclosure	2023 Annual Report	Second quarter of 2024		
				Interim Financial Report	Supplemental Financial Information	Pillar 3 Report
General	1	Summary of risk information	XXXI	Current page		
	2	Risk terminology, risk measures and key parameters	55-60, 106-113	51-58	11	92-95
	3	Top and emerging risks	44, 45, 52-54, 60-86	11, 12		
	4	New regulatory ratios	44, 45, 47, 79, 81-83, 225, 226	29-32, 40, 42-44		
Risk governance, risk management and business models	5	Organizational risk management structure	55-60			
	6	Risk management culture	56-60			
	7	Risks from business model and risk appetite	10, 25, 30, 34, 37, 43, 44, 48, 49, 55-61			
	8	Stress testing	43, 44, 56, 60, 61, 75-77			
Capital adequacy and risk-weighted assets	9	Minimum regulatory capital requirements	44, 45	29		14-16, 86, 87
	10	Reconciliation of the accounting balance sheet and the regulatory balance sheet	46-48, 225, 226	30		18, 19, 30, 31, 86
	11	Movements in regulatory capital	45, 47, 48	32		
	12	Capital management and planning	43-50	28-32		
	13	Risk-weighted assets by business segment	49, 61			6-9
	14	Breakdown of capital requirements by type of risk and by calculation method	48, 49, 62, 63, 66, 67, 75-77	30-32		6-8, 10
	15	Credit risk	48-50	30-32		60-63, 66
	16	Movements in risk-weighted assets by type of risk	49, 50	31, 32		6-10, 60
	17	Back testing and validation of credit models	66			66
Liquidity	18	Management of liquidity needs and reserve	79-83	40-44		4
Funding	19	Encumbered and unencumbered assets	80-86, 230, 231	41-43		
	20	Residual contractual maturities of assets, liabilities and off-balance sheet commitments	82-84, 232-236	45-48		
	21	Funding sources and strategies	42, 43, 79, 83-85	40, 45, 46		
Market risk	22	Reconciliation of market risk measures to balance sheet	74, 75	37, 38		
	23	Market risk factors	74-78, 207-211	36-40		
	24	Assumptions, limitations and validation procedures for market risk models	75-77	38, 39		
	25	Extreme loss measures	43, 44, 56, 75-77	39		
Credit risk	26	Credit risk profile	42, 53, 54, 56, 66, 67, 69-74	27, 33, 34, 36	6-10	33-66
	27	Policy for identifying gross credit-impaired loans	68, 127-149			
	28	Reconciliation of gross credit-impaired loans and allowance for credit losses	42, 68-74, 127-149, 163-170	27, 34, 74-80		45-59
	29	Counterparty risk related to derivatives	73, 74, 213-222			67-79
	30	Credit risk mitigation techniques	67, 68, 73, 74, 213-222			35-39
Other risks	31	Management of other risks	48-50, 52-54, 58-61, 86-93	32, 33		
	32	Publicly known risk events	86-88, 230, 231			

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 August 9, 2024, presents the analysis of the results of and main changes to Desjardins Group's balance sheet for the period ended June 30, 2024, in comparison with prior periods. Desjardins Group reports financial information in compliance with *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* (Regulation 52-109) prescribed by the Canadian Securities Administrators (CSA). Unlike the Federation, Desjardins Group is not a reporting issuer, on a combined basis, under this or any other applicable securities regulation. Pursuant to Decision No. 2021-FS-0091 of the *Autorité des marchés financiers* (AMF) dated April 23, 2021, the Combined Financial Statements and MD&As of Desjardins Group are to be filed by the Federation in place of the Consolidated Financial Statements and MD&As of the Federation, in order to meet its financial disclosure obligations as a reporting issuer under *Regulation 51-102 respecting Continuous Disclosure Obligations* of the CSA, and the Federation will maintain controls and procedures with respect to the Combined Financial Statements and MD&As of Desjardins Group in compliance with Regulation 52-109. Since April 23, 2021, and pursuant to the AMF and CSA decision, the Federation has used the financial statements and MD&As of Desjardins Group for all relevant purposes under the applicable securities regulations. Information on the controls and procedures with respect to the Combined Financial Statements and MD&As of Desjardins Group may be found in the "Additional information" section of this MD&A.

This MD&A should be read in conjunction with the unaudited Condensed Interim Combined Financial Statements (the Interim Combined Financial Statements), including the notes thereto, as at June 30, 2024, and Desjardins Group's 2023 Annual Report (the 2023 Annual Report), which contains the MD&A and the audited Annual Combined Financial Statements (the Annual Combined Financial Statements).

Additional information about Desjardins Group is available on the SEDAR+ website at www.sedarplus.com (under the Desjardins Capital Inc. profile for the years ended prior to December 31, 2021, and since first quarter 2021, under the *Fédération des caisses Desjardins du Québec* profile). The Annual Information Form of the Federation (under the *Fédération des caisses Desjardins du Québec* profile) can be found on SEDAR+ as well. Further information is available on the Desjardins website at www.desjardins.com/ca/about-us/investor-relations. None of the information presented on these sites is incorporated by reference into this MD&A.

The Annual and Interim Combined Financial Statements have been prepared by Desjardins Group's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the accounting requirements of the AMF, which do not differ from IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). These Interim Combined Financial Statements of Desjardins have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting." All the accounting policies have been applied as described in Note 2, "Accounting policies," to the Annual Combined Financial Statements, except for certain comparative figures that have been restated to conform with the presentation of the Interim Combined Financial Statements for the current period. During the first quarter of 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 six-month period ended June 30, 2023, a net amount of \$219 million has been moved in two gross amounts from "Other income" to interest income and interest expense, under "Net interest income" (\$103 million for the three-month period ended June 30, 2023), changing these line items by \$552 million and \$771 million, respectively, for the six-month period ended June 30, 2023, and by \$282 million and \$385 million, respectively, for the three-month period ended June 30, 2023. This change had no impact on total net revenue and net surplus earnings for the comparative period.

This MD&A was prepared in accordance with the regulations in force on continuous disclosure obligations issued by the CSA. Unless otherwise indicated, all amounts are presented in Canadian dollars (\$) and are primarily from Desjardins Group's Annual and Interim Combined Financial Statements.

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CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Desjardins Group's public communications often include oral or written forward-looking statements, within the meaning of applicable securities legislation, particularly in Québec, Canada and the United States. Forward-looking statements are contained in this MD&A and may be incorporated in other filings with Canadian regulators or in any other communications. 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, the review of economic conditions and financial markets, the outlook for the Québec, Canadian, U.S. and global economies, its results and its financial position, as well as on economic conditions and financial markets. Such forward-looking statements are typically identified by words or phrases such as "target," "objective," "believe," "expect," "count on," "anticipate," "intend," "estimate," "plan," "forecast," "aim," "propose," "should" and "may," words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements 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 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 the "Risk management" section of Desjardins Group's 2023 annual MD&A and this MD&A for the second quarter of 2024, and include 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 advancement and regulatory developments, including changes to liquidity and capital adequacy guidelines, and requirements relating to their presentation and interpretation, as well as interest rate fluctuations, inflation, climate change and geopolitical uncertainty. Furthermore, there are factors related to general economic and business conditions in the regions in which Desjardins Group operates; monetary policies; the critical accounting estimates and accounting standards applied by Desjardins Group; new products and services to maintain or increase Desjardins Group's market share; geographic concentration; acquisitions, joint arrangements and the ability to achieve the anticipated benefits; 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 interest rate benchmark reform, unexpected changes in consumer spending and saving habits, the potential impact of international conflicts on operations, public health crises such as pandemics and epidemics, including the COVID-19 pandemic, or any other similar disease affecting the local, national or global economy, as well as Desjardins Group's ability to anticipate and properly manage the risks associated with these factors despite a disciplined risk management environment. Additional information on these factors is available under the "Risk management" section of Desjardins Group's 2023 annual MD&A and of this MD&A for the second quarter of 2024.

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 the "Risk management" section of Desjardins Group's 2023 annual MD&A and of this MD&A for the second quarter of 2024, and can be updated in subsequent quarterly MD&As.

The significant economic assumptions underlying the forward-looking statements in this document are described in the "Economic environment and outlook" section of Desjardins Group's 2023 annual MD&A and of this MD&A for the second quarter of 2024, and can be updated in quarterly MD&As filed thereafter. Readers are cautioned to consider the foregoing factors when reading this section. To determine our economic growth forecasts in general, and for the financial services sector in particular, Desjardins Group mainly uses historical economic data provided by recognized and reliable organizations, empirical and theoretical relationships between economic and financial variables, expert judgment and identified upside and downside risks for the domestic and global economies.

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

- Non-GAAP financial measures;
- Non-GAAP ratios;
- Supplementary financial measures.

Non-GAAP financial measures and ratios

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

Net interest margin

Net interest margin for the quarters of 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 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 core interest-bearing assets is a non-GAAP financial measure that reflects Desjardins Group'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. This measure represents the average of month-end balances for the period. Average core interest-bearing assets exclude life and health insurance and property and casualty insurance assets, assets related to trading activities as well as 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.

Net interest margin

(in millions of dollars and as a percentage)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2024	March 31, 2024	June 30, 2023 ⁽¹⁾	June 30, 2024	June 30, 2023 ⁽¹⁾
Average assets – as presented	\$ 440,084	\$ 429,380	\$ 404,081	\$ 434,369	\$ 404,035
Less: Assets not generating net interest income	87,819	86,155	79,897	86,436	78,331
Average interest-bearing assets	352,265	343,225	324,184	347,933	325,704
Less: Assets related to trading activities	30,199	27,671	21,367	28,659	23,302
Average core interest-bearing assets	\$ 322,066	\$ 315,554	\$ 302,817	\$ 319,274	\$ 302,402
Net interest income – as presented	\$ 1,861	\$ 1,733	\$ 1,666	\$ 3,594	\$ 3,207
Less: Net interest income from non-core assets	(9)	(28)	(108)	(37)	(212)
Net interest income on core assets	\$ 1,870	\$ 1,761	\$ 1,774	\$ 3,631	\$ 3,419
Net interest margin⁽²⁾	2.34%	2.24%	2.35%	2.29%	2.28%

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

⁽²⁾ Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

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. This financial measure represents the average of month-end balances for the period. Average core interest-bearing assets exclude 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.

Net interest margin – Personal and Business Services

(in millions of dollars and as a percentage)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2024	March 31, 2024 ⁽¹⁾	June 30, 2023 ⁽¹⁾	June 30, 2024	June 30, 2023 ⁽¹⁾
Average assets – as presented	\$ 338,303	\$ 330,980	\$ 319,997	\$ 334,635	\$ 317,725
Less: Assets not generating net interest income	6,380	4,263	2,420	4,969	2,359
Average interest-bearing assets	331,923	326,717	317,577	329,666	315,366
Less: Assets related to trading activities	38,095	35,471	34,581	36,400	34,916
Less: Other deductions ⁽²⁾	43,317	41,293	42,321	44,658	41,900
Average core interest-bearing assets	\$ 250,511	\$ 249,953	\$ 240,675	\$ 248,608	\$ 238,550
Net interest income – as presented	\$ 1,778	\$ 1,680	\$ 1,586	\$ 3,458	\$ 3,074
Less: Net interest income from non-core assets	124	84	67	208	145
Net interest income on core assets	\$ 1,654	\$ 1,596	\$ 1,519	\$ 3,250	\$ 2,929
Net interest margin – Personal and Business Services⁽³⁾	2.66%	2.57%	2.53%	2.63%	2.48%

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

⁽²⁾ From assets related to capital market and liquidity management activities.

⁽³⁾ Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

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

The loss ratio for quarters of 2023 has been restated to conform with the calculation method for the current quarter. 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 of net liabilities for incurred claims when calculating such ratios. The use of undiscounted ratios improves their comparability, in particular between periods, but also with information published by the industry.

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 of net liabilities for incurred claims, and to take into account incurred claims and costs of 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 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 some other specific items.

The ratio of losses on onerous contracts is equal to the effect of the loss component on net onerous contracts expressed as a percentage of net insurance revenue. The effect of the loss component on 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 of 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.

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

(in millions of dollars and as a percentage)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Insurance revenue – as presented	\$ 1,790	\$ 1,749	\$ 1,634	\$ 3,539	\$ 3,203
Less: Premiums paid related to reinsurance activities ⁽¹⁾	84	85	72	169	139
Net insurance revenue	\$ 1,706	\$ 1,664	\$ 1,562	\$ 3,370	\$ 3,064
Insurance service expenses – as presented	\$ 1,296	\$ 1,492	\$ 1,459	\$ 2,788	\$ 3,052
Less: Policy costs and acquisition costs	342	339	315	681	627
Less: Effect of loss component on onerous contracts	(22)	92	19	70	125
Less: Effect of discounting of net liabilities for incurred claims	(83)	(78)	(82)	(161)	(167)
Less: Incurred claims and costs of ceded claims ⁽¹⁾	56	94	49	150	96
Net claims expenses⁽²⁾⁽³⁾	\$ 1,003	\$ 1,045	\$ 1,158	\$ 2,048	\$ 2,371
Gross non-interest expense – as presented	\$ 260	\$ 248	\$ 268	\$ 508	\$ 525
Less: Non-interest expense related to claims ⁽⁴⁾ and certain items ⁽⁵⁾	109	107	118	216	225
Plus: Acquisition costs and certain policy costs included in insurance service expenses	286	283	256	569	511
Non-interest expense excluding non-interest expense related to claims and certain items	\$ 437	\$ 424	\$ 406	\$ 861	\$ 811
Effect of loss component on onerous contracts	\$ (22)	\$ 92	\$ 19	\$ 70	\$ 125
Less: Effect of loss component on ceded onerous contracts ⁽¹⁾	(5)	3	3	(2)	16
Effect of loss component on net onerous contracts	\$ (17)	\$ 89	\$ 16	\$ 72	\$ 109
Loss ratio⁽²⁾⁽³⁾	58.8%	62.8%	74.1%	60.8%	77.4%
Expense ratio	25.6	25.5	26.0	25.5	26.5
Ratio of losses on onerous contracts	(1.0)	5.3	1.0	2.1	3.6
Combined ratio⁽²⁾⁽³⁾	83.4	93.6	101.1	88.4	107.5
Discounted combined ratio	78.5	88.9	95.9	83.6	102.0

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

⁽²⁾ Data or undiscounted ratio, therefore excluding the effect of discounting of net liabilities for incurred claims.

⁽³⁾ Data have been restated to conform with the current period's presentation.

⁽⁴⁾ Represents non-interest expense directly related to claims adjustments, 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 amounts returned to members and the community may be found in the "Financial highlights" table on page 10 of this MD&A.

Supplementary financial measures

In accordance with Regulation 52-112, supplementary financial measures are used to show historical or expected future financial performance, financial position or cash flows. 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 51 to 58.

CHANGES IN THE REGULATORY ENVIRONMENT

Desjardins Group closely monitors regulations for financial products and services, as well as new developments, particularly in fraud, corruption, tax evasion, protection of personal information, money laundering, terrorist financing, and domestic and international economic sanctions in order to mitigate any negative impact on its operations, and to comply with best practices in this regard. Additional information can be found in the "Regulatory environment" section of Desjardins Group's 2023 annual MD&A. The "Capital management" section of this MD&A for the second quarter of 2024 presents further information on regulatory developments relating to capital.

Since the release of Desjardins Group's 2023 annual MD&A, the changes in the regulatory environment described below must also be considered:

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

Amendments were announced to the PCMLTFA and its regulations on July 10, 2019. Most of them came into force between 2021 and 2023, except for requirements concerning Suspicious Transaction Reports, which came into force in April 2024, and those regarding Electronic Funds Transfer Reports, which came into force in June 2024. Work is being continued in order to comply with the new requirements by the transition deadlines prescribed by the regulator. 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. After analysis, the only change affecting Desjardins Group's reporting entities concerns the assessment that the reporting entities will need to pay the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to cover their examination fees, statements, registration applications and banking correspondent relations. 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. Under the new regulatory amendments coming into force on July 1, 2024, third party reporting entities may exchange information in order to combat money laundering and terrorist financing.

Protection of personal information

As a result of rapid changes in information technology, the protection of privacy and data security are hot topics in the news. After being passed by the National Assembly and assented to in September 2021, an *Act to modernize legislative provisions as regards the protection of personal information* is being phased in over a three-year period. Desjardins Group completed the work needed to comply with the new requirements that came into force on September 22, 2022 and September 22, 2023.

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. Now that Desjardins Group knows the requirements for anonymizing personal information within the meaning of *An Act to modernize legislative provisions as regards the protection of personal information*, it will be able to complete its work to set up this process.

Desjardins Group also continues to be on the look-out for announced regulatory amendments to other Canadian privacy laws and, in particular, it has completed consideration of the provisions of federal Bill C-27, an *Act to enact the Consumer Privacy Protection Act, the Personal Information and Data Protection Tribunal Act and the Artificial Intelligence and Data Act and to make consequential and related amendments to other Acts*, which was tabled in June 2022. On October 11, 2023, the Office of the Privacy Commissioner of Canada launched a public consultation regarding its *Draft Guidance for processing biometrics*, on which the Desjardins Group Privacy Office has commented.

In the area of artificial intelligence (AI), on September 27, 2023, the federal government issued its *Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems*. This code provides an overview of the types of obligations that companies developing or using AI systems will have to comply with should the *Artificial Intelligence and Data Act (AIDA)* be passed. On February 12, 2024, the AMF in turn 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. Given the growing popularity of AI, Desjardins has also set up an AI governance framework to mitigate risk, including protection of personal information, security and intellectual property issues.

Lastly, 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 will contribute to the work underway to analyze the impact on Desjardins Group's operations.

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, the Office of the Superintendent of Financial Institutions (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 years 2024 and 2026.
- 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.
- 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 issued, in March 2024, consultation documents with the modification criteria that it proposes to apply to the IFRS Sustainability Disclosure Standards for their adoption in Canada, namely, Canadian Sustainability Disclosure Standard (CSDS) 1, *General Requirements for Disclosure of Sustainability-related Financial Information*, and CSDS 2, *Climate-related Disclosures*. Desjardins took part in the consultation, for which comments were to be submitted by June 10, 2024.

These points confirm that climate change consideration and disclosure requirements will be strengthened internationally, nationally and provincially in the future. Desjardins Group continues to closely monitor developments in this file and responds, where relevant, to consultations on 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), SASB and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The key elements of the disclosure related to the TCFD recommendations are summarized in 4.2.10 "Environmental, social and governance (ESG) risk" in the 2023 annual MD&A and detailed in "Climate action at Desjardins – 2023 TCFD report on Climate change-related risks and opportunities."

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. In the federal budget of April 16, 2024, the Government of Canada proposed to increase the capital gains inclusion rate from 50% to 66.67% for dispositions on or after June 25, 2024. To date, this change has still not been included in any bill. The *Ministère des Finances du Québec* has confirmed that it intends to align with these two measures that will be applicable on the same dates.

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 increases 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 will reflect 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 purpose of this new regulation is to harmonize and strengthen the fair processing of dissatisfaction and complaints. The main changes concern the definition of a complaint, the complaint processing time and the mechanism for escalating dissatisfaction to a complaint. 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. This work will make it possible to comply with new requirements by the prescribed deadlines.

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). 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.

DESJARDINS GROUP PROFILE

Desjardins Group is the largest financial cooperative group in North America, with assets of \$444.3 billion. As at June 30, 2024, the organization included 203 caisses in Québec, as well as Caisse Desjardins Ontario Credit Union Inc., the *Fédération des caisses Desjardins du Québec* and its subsidiaries, and the *Fonds de sécurité Desjardins*. A number of its subsidiaries and components are active across Canada, and Desjardins Group maintains a presence in the U.S. through Desjardins Bank, National Association, and Desjardins Florida Branch.

Through its Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance business segments, Desjardins Group offers a full range of financial services to members and clients designed to meet their needs. As one of the largest employers in the country, Desjardins Group capitalizes on the skills of more than 55,000 employees and the commitment of more than 2,200 directors in the caisse network.

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

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

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

FINANCIAL HIGHLIGHTS

(in millions of dollars and as a percentage)	As at and for the three-month periods ended			As at and for the six-month periods ended	
	June 30, 2024	March 31, 2024	June 30, 2023 ⁽¹⁾	June 30, 2024	June 30, 2023 ⁽¹⁾
Results					
Net interest income	\$ 1,861	\$ 1,733	\$ 1,666	\$ 3,594	\$ 3,207
Insurance service result	620	409	288	1,029	397
Net insurance finance result	237	310	177	547	300
Net insurance service income	857	719	465	1,576	697
Other income	1,035	1,112	1,108	2,147	2,002
Total net revenue	3,753	3,564	3,239	7,317	5,906
Provision for credit losses	87	133	66	220	171
Non-interest expense					
Gross non-interest expense	2,697	2,556	2,680	5,253	5,025
Non-interest expense included in insurance service expenses ⁽²⁾	(250)	(245)	(246)	(495)	(495)
Net non-interest expense	2,447	2,311	2,434	4,758	4,530
Income taxes on surplus earnings	301	265	186	566	310
Surplus earnings before member dividends	\$ 918	\$ 855	\$ 553	\$ 1,773	\$ 895
Contribution to surplus earnings by business segment⁽³⁾					
Personal and Business Services	\$ 459	\$ 401	\$ 302	\$ 860	\$ 496
Wealth Management and Life and Health Insurance	231	169	155	400	247
Property and Casualty Insurance	300	280	56	580	31
Other	(72)	5	40	(67)	121
	\$ 918	\$ 855	\$ 553	\$ 1,773	\$ 895
Return to members and the community⁽⁴⁾					
Member dividends	\$ 110	\$ 110	\$ 109	\$ 220	\$ 215
Sponsorships, donations and scholarships ⁽⁵⁾	33	27	37	60	63
	\$ 143	\$ 137	\$ 146	\$ 280	\$ 278
Indicators					
Net interest margin ⁽⁴⁾	2.34%	2.24%	2.35%	2.29%	2.28%
Return on equity ⁽⁶⁾	10.2	9.8	6.8	10.0	5.6
Credit loss provisioning rate ⁽⁶⁾	0.13	0.21	0.10	0.17	0.14
Gross credit-impaired loans/gross loans and acceptances ⁽⁶⁾	0.77	0.80	0.57	0.77	0.57
Liquidity Coverage Ratio ⁽⁷⁾	160	152	143	160	143
Net Stable Funding Ratio ⁽⁷⁾	129	125	125	129	125
Productivity index – Personal and Business Services ⁽⁶⁾	70.8	70.3	78.9	70.6	80.5
Insurance and annuity premiums – Wealth Management and Life and Health Insurance ⁽⁶⁾	\$ 1,783	\$ 1,607	\$ 1,434	\$ 3,390	\$ 2,741
Total contractual service margin (CSM) – Wealth Management and Life and Health Insurance ⁽⁸⁾	2,587	2,630	2,643	2,587	2,643
Direct Written Premiums – Property and Casualty Insurance ⁽⁶⁾	2,082	1,556	1,910	3,638	3,350
On-balance sheet and off-balance sheet					
Assets	\$ 444,348	\$ 435,819	\$ 409,558	\$ 444,348	\$ 409,558
Net loans and acceptances	276,996	269,012	257,743	276,996	257,743
Deposits	290,085	281,189	265,539	290,085	265,539
Equity	36,488	35,169	32,943	36,488	32,943
Assets under administration ⁽⁶⁾	557,902	549,580	492,638	557,902	492,638
Assets under management ⁽⁶⁾	88,202	83,289	80,229	88,202	80,229
Average assets ⁽⁶⁾	440,084	429,380	404,081	434,369	404,035
Capital measures					
Tier 1A capital ratio ⁽⁹⁾	21.2%	21.0%	20.9%	21.2%	20.9%
Tier 1 capital ratio ⁽⁹⁾	21.2	21.0	20.9	21.2	20.9
Total capital ratio ⁽⁹⁾	23.2	22.0	22.4	23.2	22.4
TLAC ratio ⁽¹⁰⁾	30.9	29.8	29.7	30.9	29.7
Leverage ratio ⁽⁹⁾	7.6	7.4	7.6	7.6	7.6
TLAC leverage ratio ⁽¹⁰⁾	10.9	10.4	10.6	10.9	10.6
Risk-weighted assets ⁽⁹⁾	\$ 147,074	\$ 142,266	\$ 135,499	\$ 147,074	\$ 135,499
Other information					
Number of employees	55,028	55,188	59,389	55,028	59,389

(1) Data have been restated to conform with the current period'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 11, "Segmented information," to the Interim Combined Financial Statements.

(4) For more information about non-GAAP financial measures and non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 5 to 7.

(5) Including \$16 million from the caisses' Community Development Fund (\$11 million for the first quarter of 2024 and \$15 million for the second quarter of 2023, \$27 million for the first six months of 2024 and \$23 million for the first six months of 2023).

(6) For further information about supplementary financial measures, see the Glossary on pages 51 to 58.

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

(8) Total CSM of \$2,795 million (\$2,895 million as at June 30, 2023) presented net of reinsurance for a total of \$208 million (\$252 million as at June 30, 2023). Included in the line items "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" on the Combined Balance Sheets. For more information, see Note 7, "Insurance and reinsurance contracts," to the Interim Combined Financial Statements.

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

SIGNIFICANT EVENTS

Changes to Desjardins Group's governance model

On May 16, 2024, Desjardins announced the election of Louis Babineau as Chair of its Board of Directors. This was the first election under Desjardins Group's new governance model, which came into effect on March 23, 2024, following its Annual General Meeting (AGM). At the March 2023 AGM, caisse delegates approved the decision to separate the role of the Chair of the Board from the role of President and CEO of Desjardins. Mr. Babineau has been a member of Desjardins Group's Board of Directors since 2016 and has served as Chair of the Board of Desjardins General Insurance Group Inc. since 2021. Guy Cormier continues to lead Desjardins as President and CEO until no later than March 2026.

Acquisition of The Insurance Company of Prince Edward Island

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 The Insurance Company of Prince Edward Island (ICPEI). Desjardins Group has 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.

ECONOMIC ENVIRONMENT AND OUTLOOK

Global economy

The global economy slowed at the end of 2023, but some indicators are showing a slight improvement so far. In Europe, real GDP indicators rose modestly in the first quarter and inflation continues to approach the European Central Bank's 2% target. The war in Gaza affected shipping in the Red Sea, which drove up maritime shipping costs at the start of the year, but the situation has since calmed down somewhat. In China, real GDP accelerated in the first quarter, but the problems in the property market have lingered, despite the government's support measures. Chinese inflation turned negative at the start of 2024, and price growth is still very weak.

Growth in most of the major economies overseas is expected to remain relatively weak in 2024. Inflation levels are falling almost everywhere, although the progress is generally slower in the cost of services as compared to the cost of goods, where the pace of inflation has slowed more sharply. This decline nevertheless allowed some central banks to begin lowering their key interest rates. This should generate slightly faster growth in the global economy in the second half of 2024. Following growth of 3.1% in 2023, global real GDP is expected to rise by 3.1% again in 2024 and 2025.

Global equity markets experienced high volatility over the summer following very strong gains early in the year. The first key rate cuts by several major central banks and clearer signals of an upcoming U.S. Federal Reserve cut were not enough to reassure investors as fears of a recession quickly picked up steam. At the outset of summer, index growth lifted numerous corporate valuations to very high levels, raising the risk of further corrections, particularly in the United States. Government bonds logged sharp interest-rate declines on heightened concerns about a U.S. recession. Although volatility has staged a strong comeback, attractive gains from the first half of the year may yet ensure positive returns for 2024. Sharply lower interest rates on government bonds will fuel bond market yields, but widening credit spreads on riskier securities may curb gains.

United States

Some U.S. economic indicators have weakened slightly since the start of 2024, with real GDP growing at an annualized rate of 1.3% in the first quarter. The U.S. labour market has remained relatively strong, with a total of more than 1,305,000 jobs created in the first six months of 2024. However, fewer job vacancies are a sign that the market is rebalancing. As a result, July ended with a gain of only 114,000 jobs. Progress continues to be made on bringing down U.S. inflation, but the pace is slower than elsewhere.

U.S. real GDP is expected to grow at a slightly faster pace over the next few quarters compared with last winter. Key interest rate cuts are due to begin in September. For the year a whole, real GDP should grow by 2.4%, followed by a 2.0% gain in 2025.

Canada

Following a steep rise in interest rates, both in scale and speed, consumers and businesses are beginning to get some relief, as the Bank of Canada announced an initial key interest rate cut on June 5 and a second on July 24. Canadian monetary policy nevertheless remains very restrictive, and further cuts will gradually be needed to bring key rates back into a more neutral range. If inflation continues in the right direction, we expect two further cuts in Canadian key interest rates between now and the end of the year, followed by further reductions in 2025 and 2026.

Although interest rates are likely to fall again over the next few quarters, there will be headwinds to growth. These include a wave of mortgage renewals in 2025 and 2026 at significantly higher rates than when households contracted these loans during the pandemic. Higher debt servicing costs will mean a smaller share of household income for other expenditures. We therefore expect more subdued household consumption and residential investment than would otherwise be the case. In addition, the pace of population growth will slow, now that the federal government is limiting the number of newcomers to Canada. Ultimately, Canada's real GDP should grow by 1.0% in 2024 and 1.8% in 2025.

Québec

Québec's economy has begun to recover. The first quarter of 2024 even saw a 3.6% annualized rebound in real GDP. The Québec economy's period of contraction from spring 2023 until the end of last year therefore appears to be over. The skies are finally clearing, and recent months have brought several signs of economic recovery. On the household side, sales of durable goods, which are more sensitive to changes in the economic environment and interest rates, are on the rise. Automobile purchases continue to rise, as the availability of many makes and models has improved. In addition, sales of furniture, household appliances and electronics have been picking up since the start of 2024, at the same time as the housing market has been improving. After hitting rock bottom, sales of existing properties and new construction have rallied in recent months. While there are positive signs in the Québec economy following a slump last year, the labour market continues to feel the pinch. After reaching a low of 3.9% in November 2022, the unemployment rate has been on a slow climb in recent months. It is now close to 5.7% and is expected to approach 6% by the end of 2024.

Businesses that have the financial capacity are competing in order to be better positioned to respond to any upturn in demand. The confidence level of SMEs has improved in recent months, although it remains low in relative terms. Investment intentions are slow to pick up because of global geopolitical uncertainty, borrowing difficulties caused by high interest rates, and low profitability levels in many businesses. The number of insolvencies continues to rise, and is now higher than before the pandemic. In short, many Québec households and businesses continue to experience financial difficulties, not least because of high interest rates and high inflation in recent years. However, the Québec economy is on the road to recovery, with real GDP growth expected to reach 0.7% in 2024 and 1.5% in 2025.

REVIEW OF FINANCIAL RESULTS

ANALYSIS OF RESULTS

Surplus earnings

Comparison of the second quarters of 2024 and 2023

For the second quarter ended June 30, 2024, Desjardins Group recorded surplus earnings before member dividends of \$918 million, up \$365 million from the same quarter of 2023. This increase was mainly due to the results of the Property and Casualty Insurance segment, owing to fewer claims combined with higher revenues from automobile and property insurance. In addition, we would like to highlight the very good performance by the Personal and Business Services segment stemming from higher net interest income, mainly tied to business growth, and lower non-interest expense. Overall, for Desjardins Group as a whole, non-interest expense was comparable to that of the second quarter of 2023 due to rigorous expenditure management.

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, a mission it continued to strive to achieve in the second quarter of 2024.

- A total of \$143 million was returned to members and the community,⁽¹⁾ compared to \$146 million for the second quarter of 2023.
 - The provision for member dividends totalled \$110 million for the quarter ended June 30, 2024, an amount comparable to the corresponding quarter of 2023.
 - An amount of \$33 million was returned in the form of sponsorships, donations and scholarships, compared to \$37 million in the same period of 2023, including \$16 million in the second quarter of 2024 and \$15 million in the second quarter of 2023 from the caisses' Community Development Fund.
- Commitments of \$11 million were made in the second quarter of 2024 with regard to the GoodSpark Fund, which seeks in particular to provide social and economic support to the regions. Since 2017, Desjardins Group has made commitments totalling \$198 million.
- **Business segment contributions to surplus earnings**
 - Personal and Business Services: **Surplus earnings totalled \$459 million**, up \$157 million, compared to the same period in 2023 primarily due to the following:
 - Increase in net interest income.
 - Decrease in non-interest expense following the implementation of 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 totalled \$231 million**, up \$76 million, compared to the second quarter of 2023. The change was due to the following:
 - Increase in the net insurance finance result related to the gain on disposal of buildings and the favourable impact of hedging the interest rate risk, offset in part by the favourable adjustment made to liability discount curve parameters in the second quarter of 2023.
 - Higher other income related to the gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
 - Offset by the increase in costs, essentially from growth in assets under administration and administrative expenses, including those related to personnel.
 - Property and Casualty Insurance: **Surplus earnings totalled \$300 million**, up \$244 million, compared to the second quarter of 2023. The change was mainly on account of the following:
 - Lower expenses related to claims.
 - Higher insurance revenue from automobile and property insurance.
- **Return on equity was 10.2%**, compared to 6.8% for the quarter ended June 30, 2023, mainly owing to the increase in surplus earnings, as previously explained.

⁽¹⁾ For more information on non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 5 to 7.

The following table presents the calculation of return on equity.

Return on equity

(in millions of dollars and as a percentage)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Surplus earnings before member dividends	\$ 918	\$ 855	\$ 553	\$ 1,773	\$ 895
Non-controlling interests' share	(35)	(34)	(11)	(69)	(14)
Group's share before member dividends	\$ 883	\$ 821	\$ 542	\$ 1,704	\$ 881
Average equity – Group's share	\$ 34,898	\$ 33,860	\$ 32,195	\$ 34,423	\$ 31,967
Return on equity⁽¹⁾⁽²⁾	10.2%	9.8%	6.8%	10.0%	5.6%

⁽¹⁾ For further information about supplementary financial measures, see the Glossary on pages 51 to 58.

⁽²⁾ Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

Comparison of the first six months of 2024 and 2023

For the first six months ended June 30, 2024, Desjardins Group recorded surplus earnings before member dividends of \$1,773 million, up \$878 million from the same period of 2023. All business segments contributed to these excellent results, including the Property and Casualty Insurance segment due to fewer claims and higher insurance revenue. There was also growth in the net insurance finance result in both life and health insurance and property and casualty insurance. In addition, surplus earnings growth was recorded in the Personal and Business Services segment, owing to higher net interest income, particularly as a result of business growth. We should also note that the increase in non-interest expense was limited as a result of measures deployed across the organization to improve efficiency and effectiveness.

- A total of \$280 million was returned to members and the community,⁽¹⁾ an amount comparable to the first six months of 2023.
 - The provision for member dividends totalled \$220 million, up \$5 million, compared to the corresponding period in 2023.
 - An amount of \$60 million was returned in the form of sponsorships, donations and scholarships, compared to \$63 million for the same period in 2023, including \$27 million for the first six months of 2024 and \$23 million for the first six months of 2023, from the caisses' Community Development Fund.
- Commitments of \$16 million were made for the first six months of 2024 with regard to the GoodSpark Fund.
- **Business segment contributions to surplus earnings**
 - Personal and Business Services: **Surplus earnings totalled \$860 million**, up \$364 million, compared to the first six months of 2023, mainly due by 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 were \$400 million**, up \$153 million, compared to the corresponding period of 2023, mainly due to the following:
 - Higher other income related, in particular, to the increase in assets under administration and assets under management and to the gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
 - Increase in the net insurance finance result related to the gain on disposal of buildings and the favourable impact of hedging the interest rate risk, offset in part by a favourable adjustment made to liability discount curve parameters in the second quarter of 2023.
 - Offset by higher costs arising from the increase in assets under administration and administrative expenses, including those related to personnel.
 - Property and Casualty Insurance: **Surplus earnings totalled \$580 million**, up \$549 million, compared to the corresponding period of 2023. The change was essentially due to the following:
 - Decrease in expenses related to claims.
 - Higher insurance revenue in automobile and property insurance.
 - Increase in the net insurance finance result.
- **Return on equity was 10.0%**, compared to 5.6% for the six-month period ended June 30, 2023, mainly as a result of higher surplus earnings, as explained earlier.

Net interest income

Comparison of the second quarters of 2024 and 2023

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 both interest-bearing and non-interest-bearing financial instruments.

Net interest income totalled \$1,861 million, up \$195 million, or 11.7%, due to the following:

- Growth in the average outstanding loan portfolio, mainly relating to business loans.
- Favourable impact on net interest income from the higher interest rate environment.
- **Net interest margin of 2.34%** for the quarter ended June 30, 2024, comparable to the corresponding period of 2023.

⁽¹⁾ For more information on non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 5 to 7.

Comparison of the first six months of 2024 and 2023

Net interest income was \$3,594 million, up \$387 million, or 12.1%, due to the following:

- Growth in average business loans outstanding and residential mortgages.
- Favourable impact of the higher interest rate environment on net interest income.
- **Net interest margin of 2.29%** for the first six months ended June 30, 2024, comparable to the corresponding period of 2023.

Net insurance service income

Comparison of the second quarters of 2024 and 2023

Net insurance service income stood at \$857 million,⁽¹⁾ up \$392 million, compared to the second 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 \$147 million, up \$14 million, or 10.5%, mainly due to a more favourable experience and business growth. In more detail, the increase in the insurance service result was due to the following:
 - Adjustment to the indexation assumption in individual insurance and group retirement savings.
 - More favourable experience in group insurance, mainly with regard to long-term disability coverage.
 - Business growth in group insurance.
 - Offset by the unfavourable effect of updating actuarial assumptions in group insurance.
- Net insurance finance result of \$167 million, up \$53 million, primarily due to the following:
 - Gain on disposal of buildings.
 - Favourable impact of the hedging of interest rate risk.
 - Offset by the favourable adjustment to rate curve parameters made in the second quarter of 2023.

Property and Casualty Insurance segment

- Insurance service result of \$460 million, up \$306 million.
 - Insurance revenue of \$1,790 million, up \$156 million, or 9.5%. By including ceded insurance revenue of \$84 million, presented under "Net reinsurance service income (expenses)," the increase was \$144 million, or 9.2%, mainly due to premium growth in automobile and property insurance.
 - Insurance service expenses of \$1,296 million, down \$163 million, or 11.2%. By including ceded insurance service expenses of \$50 million, presented under "Net reinsurance service income (expenses)," the decrease was \$162 million, or 11.5%, mainly on account of the following:
 - Lower claims expenses compared to the corresponding quarter in 2023, mainly due to the following:
 - No catastrophes or major events during the second quarter of 2024, while the second quarter of 2023 was marked by two major events: an ice storm in Québec and Ontario and forest fires in Nova Scotia.
 - Claims expenses for the current year that were lower than in the comparative period of 2023 due to automobile and property insurance, in particular as a result of a reduced frequency of claims.
 - Favourable effect of the loss component on onerous contracts, while an unfavourable effect was recorded in the second quarter of 2023 due to automobile insurance.
 - Offset by the 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.
- Net insurance finance result of \$58 million, up \$24 million.
 - Net insurance investment income of \$151 million, up \$127 million. This increase was essentially due to the following:
 - Positive change in the fair value of matched bonds, while a negative change was recorded in the corresponding quarter of 2023, in particular due to the effect of lower market interest rates in the second quarter of 2024, compared to an increase in the second quarter of 2023.
 - Higher interest income on fixed income securities than in the corresponding quarter of 2023.
 - Net insurance finance expenses of \$102 million, compared to \$11 million in the corresponding quarter of 2023. By including net reinsurance finance income of \$9 million (expense of \$1 million for the second quarter of 2023), net insurance and reinsurance finance expenses totalled \$93 million, compared to income of \$10 million in the corresponding quarter of 2023. This change was due to the unfavourable impact of a decrease in the discount rates used to measure net liabilities for incurred claims, whereas rates were higher in the corresponding quarter of 2023.

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

Comparison of the first six months of 2024 and 2023

Net insurance service income totalled \$1,576 million⁽¹⁾ up \$879 million compared to the first six months 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 \$289 million, up \$6 million, or 2.1%, mainly due to business growth. In more detail, the increase in the insurance service result was due to the following:
 - Adjustment to the indexation assumption in personal insurance and group retirement savings.
 - Business growth in group insurance.
 - Offset by the unfavourable effect of updating actuarial assumptions in group retirement savings.
- Net insurance finance result of \$295 million, up \$120 million, largely due to the following:
 - Gain on disposal of buildings.
 - Favourable impact of the hedging of interest rate risk.
 - Offset by the favourable adjustment made to the liability discount curve parameters in the second quarter of 2023.

Property and Casualty Insurance segment

- Insurance service result of \$730 million, up \$607 million.
 - Insurance revenue of \$3,539 million, up \$336 million, or 10.5%. By including ceded insurance revenue of \$169 million presented under "Net reinsurance service income (expenses)," there was an increase of \$306 million, or 10.0%, mainly due to premium growth in automobile and property insurance.
 - Insurance service expenses of \$2,788 million, down \$264 million, or 8.7%. By including ceded insurance service expenses of \$148 million presented under "Net reinsurance service income (expenses)," there was a decrease of \$301 million, or 10.2%, due to the following:
 - Expenses related to claims were down compared to the first six months of 2023, as a result of the following:
 - Claims expenses for the current year that were lower than in the comparative period of 2023, mainly on account of automobile and property insurance, due to a reduced frequency of claims, particularly as a result of milder weather conditions.
 - More favourable impact of prior year claims than in the first six months of 2023, mainly due to property insurance.
 - No catastrophes or major events, whereas the first six months of 2023 were marked by two major events: an ice storm in Québec and Ontario and forest fires in Nova Scotia.
 - Effect of the loss component on onerous contracts that was less favourable than that recorded in the corresponding period of 2023, due to automobile insurance.
 - Offset by the 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.
- Net insurance finance result of \$227 million, up \$100 million.
 - Net insurance investment income of \$333 million, up \$109 million. This increase was mainly due to the following:
 - Higher interest income on fixed income securities compared to the first six months of 2023.
 - Net gains on preferred shares, while net losses were recorded for the first six months of 2023.
 - Net insurance finance expenses of \$116 million, up \$8 million. By including net reinsurance finance income of \$10 million (\$11 million for the comparative period of 2023), net insurance and reinsurance finance expenses were \$106 million, compared of \$97 million for the corresponding period of 2023. The change was mainly on account of the less favourable impact of the higher discount rates used to measure net liabilities for incurred claims compared to the first six months of 2023.

Other income

Comparison of the second quarters of 2024 and 2023

Other income stood at \$1,035 million, down \$73 million, or 6.6%, compared to the second quarter of 2023, due in particular to market rate fluctuations as well as changes in hedging positions that had an unfavourable impact on net other investment income (loss). This decrease was partly offset by the following:

- Gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
- Higher income from brokerage and investment fund services, primarily related to the good performance of capital markets.
- Increase in deposit and payment service charges.

Comparison of the first six months of 2024 and 2023

Other income reached \$2,147 million, up \$145 million, or 7.2%, compared to the corresponding period of 2023, due to the following:

- Increase in income of \$56 million related to operations acquired from Worldsource⁽²⁾ on March 1, 2023.
- Increase in income from brokerage and investment fund services, primarily related to the good performance of capital markets.
- Higher income from specialized networks due to the increase in assets under administration.
- Increase in income stemming from growth in assets under management compared to the comparable period.
- Gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
- Higher deposit and payment service charges.

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

⁽²⁾ On March 1, 2023, through Worldsource Group of Companies Inc. (formerly 9479-5176 Québec Inc.), a wholly-owned indirect subsidiary of the Federation, Desjardins Group acquired, among others, all the outstanding shares of IDC Worldsource Insurance Network Inc., Worldsource Financial Management Inc. and Worldsource Securities Inc. (collectively designated as "Worldsource").

Total net revenue

For the second quarter of 2024, **total net revenue amounted to \$3,753 million**, up \$514 million, or 15.9%, compared to that which had been recorded for the same period in 2023.

For the first six months of 2024, **total net revenue amounted to \$7,317 million**, up \$1,411 million, or 23.9%, compared to that which had been recorded for the corresponding period in 2023.

Provision for credit losses

Comparison of the second quarters of 2024 and 2023

The provision for credit losses was **\$87 million**, up \$21 million, or 31.8%, compared to the same period in 2023, since changes in forward-looking information in the current quarter had a less favourable impact compared to the corresponding quarter of 2023. The provision for the second quarter of 2024 also reflected higher net write-offs.

- Credit loss provisioning rate of 0.13% for the second quarter of 2024, compared to 0.10% for the corresponding period in 2023.
- Ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, of 0.77%, compared to 0.57% as at June 30, 2023. This increase was due to a rise in the volume of gross impaired loans, mainly business loans, as a result of a migration in credit quality.

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

Credit loss provisioning rate

(in millions of dollars and as a percentage)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Total provision for credit losses	\$ 87	\$ 133	\$ 66	\$ 220	\$ 171
Provision for (recovery of) credit losses on securities	—	(9)	—	(9)	(4)
Provision for credit losses on loans and off-balance sheet items	\$ 87	\$ 142	\$ 66	\$ 229	\$ 175
Average gross loans	\$ 274,197	\$ 268,674	\$ 256,104	\$ 271,836	\$ 254,304
Average gross acceptances	—	—	7	—	13
Average gross loans and acceptances⁽¹⁾	\$ 274,197	\$ 268,674	\$ 256,111	\$ 271,836	\$ 254,317
Credit loss provisioning rate⁽¹⁾⁽²⁾	0.13%	0.21%	0.10%	0.17%	0.14%

⁽¹⁾ For further information on supplementary financial measures, see the Glossary on pages 51 to 58.

⁽²⁾ Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

Comparison of the first six months of 2024 and 2023

The provision for credit losses totalled **\$220 million**, up \$49 million, or 28.7%, compared to the same period in 2023. This change was mainly due to a higher provision for credit losses on credit card portfolios and consumer and other personal loan portfolios compared with the corresponding period of 2023. The provision for the first six months of 2024 also reflected higher net write-offs.

Desjardins Group has continued to present a quality loan portfolio in 2024.

- The credit loss provisioning rate was 0.17% for the first six months of 2024, compared to 0.14% for the corresponding period of 2023.
- The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.77% compared to 0.57% as at June 30, 2023. This increase was due to a rise in the volume of gross impaired loans, mainly business loans, as a result of a migration in credit quality.

Gross non-interest expense

Comparison of the second quarters of 2024 and 2023

Gross non-interest expense totalled \$2,697 million, an amount comparable to that recorded for the second quarter of 2023. The increase in costs was limited by measures taken to improve efficiency and effectiveness, including reduced fees.

Comparison of the first six months of 2024 and 2023

Gross non-interest expense totalled \$5,253 million, up \$228 million, compared to the first six months of 2023, mainly as a result of:

- Increase in expenses of \$69 million related to operations acquired from Worldsource on March 1, 2023.
- The increase in other items included in gross non-interest expense was limited to \$159 million, or 3.3%, due to measures taken to improve efficiency and effectiveness, including reduced fees.

Income taxes on surplus earnings

Comparison of the second quarters of 2024 and 2023

Income taxes on surplus earnings before member dividends of \$301 million, up \$115 million, compared to the second quarter of 2023.

- Effective tax rate⁽¹⁾ of 24.7% for the quarter ended June 30, 2024, down from 25.2% for the corresponding period in 2023, mainly due to the following:
 - Increase in non-taxable investment income.
 - Offset by the lower favourable effect of tax savings on the effective tax rate for the second quarter of 2024 compared to the corresponding period of 2023 due to higher surplus earnings.

Comparison of the first six months of 2024 and 2023

Income taxes on surplus earnings before member dividends of \$566 million, up \$256 million, compared to the first six months of 2023.

- Effective tax rate⁽¹⁾ of 24.2% for the first six months of 2024, down from 25.7% for the same period in 2023, due mainly to the increase in non-taxable investment income.

RESULTS BY BUSINESS SEGMENT

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

During the first quarter of 2024, some changes were made to business segments to reflect management's decisions on how each segment is managed. The presentation of segmented information conforms with the presentation adopted by Desjardins Group for the year that began on January 1, 2024. 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.

Since the first quarter of 2024, Desjardins Group has transferred the interest rate and liquidity risks inherent in assets and liabilities related to members and clients to the matching management teams. The Personal and Business Services segment's net interest income includes the compensation and costs related to this internal funding. The internal funding rate, which is market-based, takes into account Desjardins Group's objectives for managing interest rate and liquidity risks and costs related to capital. Since the second quarter, this segment has also been allocated the estimated amount of capital needed to maintain a level of capital and a capital structure that optimize the financial cost of capital related to its operations.

Intersegment transactions are recognized at the exchange amount, which represents the amount agreed upon by the various legal entities and business units. The terms and conditions of these transactions are comparable to those offered on financial markets.

Additional information about each business segment, particularly its profile, services, 2023 achievements and industry, can be found on pages 25 to 37 of Desjardins Group's 2023 annual MD&A.

Personal and Business Services

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 in Ontario as well.

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.

⁽¹⁾ For further information about supplementary financial measures, see the Glossary on pages 51 to 58.

Personal and Business Services – Segment results

(in millions of dollars and as a percentage)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2024	March 31, 2024 ⁽¹⁾	June 30, 2023 ⁽¹⁾	June 30, 2024	June 30, 2023 ⁽¹⁾
Net interest income	\$ 1,778	\$ 1,680	\$ 1,586	\$ 3,458	\$ 3,074
Other income	640	637	623	1,277	1,208
Total net revenue	2,418	2,317	2,209	4,735	4,282
Provision for credit losses	86	142	65	228	174
Gross non-interest expense	1,713	1,630	1,744	3,343	3,448
Income taxes on surplus earnings	160	144	98	304	164
Surplus earnings before member dividends	459	401	302	860	496
Member dividends, net of income tax recovery	81	81	80	162	158
Net surplus earnings for the period after member dividends	\$ 378	\$ 320	\$ 222	\$ 698	\$ 338
Indicators					
Average assets ⁽²⁾	\$ 338,303	\$ 330,980	\$ 319,997	\$ 334,635	\$ 317,725
Average core interest-bearing assets ⁽³⁾	250,511	249,953	240,675	248,608	238,550
Average gross loans and acceptances ⁽²⁾	265,180	260,006	248,326	262,942	246,452
Average deposits ⁽²⁾	214,283	220,496	221,875	218,924	219,421
Net interest margin ⁽³⁾	2.66%	2.57%	2.53%	2.63%	2.48%
Productivity index ⁽²⁾	70.8	70.3	78.9	70.6	80.5
Credit loss provisioning rate ⁽²⁾	0.13	0.22	0.10	0.17	0.14
Gross credit-impaired loans/gross loans and acceptances ⁽²⁾	0.80	0.64	0.57	0.80	0.57

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

⁽²⁾ For further information about supplementary financial measures, see the Glossary on pages 51 to 58.

⁽³⁾ For more information about non-GAAP financial measures and non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 5 to 7.

Comparison of the second quarters of 2024 and 2023

- **Surplus earnings before member dividends of \$459 million**, up \$157 million, compared to the same period in 2023 primarily due to the following:
 - Increase in net interest income.
 - Decrease in non-interest expense following the implementation of measures taken to improve efficiency and effectiveness.
 - Offset by an increase in the provision for credit losses.
- **Net interest income of \$1,778 million**, up \$192 million, or 12.1%, as a result of the following:
 - Growth in the average outstanding loan portfolio, mainly relating to business loans.
 - Favourable impact on net interest income from the higher interest rate environment.
- **Other income totalled \$640 million**, up \$17 million, or 2.7%, mainly due to the following:
 - Higher income from brokerage and investment fund services, primarily related to the good performance of capital markets.
 - Increase in deposit and payment service charges.
- **Total net revenue of \$2,418 million**, up \$209 million, or 9.5%.
- **Provision for credit losses of \$86 million**, up \$21 million, or 32.3% compared to the same period in 2023, since changes in forward-looking information in the current quarter had a less favourable impact compared to the corresponding quarter of 2023. The provision for the second quarter of 2024 also reflected higher net write-offs.
- **Gross non-interest expense of \$1,713 million**, down \$31 million, or 1.8%, following measures taken to improve efficiency and effectiveness, affecting in particular spending on personnel.
- **Net interest margin of 2.66%**, up 13 basis points compared to the corresponding period of 2023, due in particular to higher interest rates combined with stronger growth in the average loan volume included in total average core interest-bearing assets.
- **Productivity index of 70.8%**, compared to 78.9% for the second quarter of 2023, due to income growth combined with a lower gross non-interest expense.

Comparison of the first six months of 2024 and 2023

- **Surplus earnings before member dividends of \$860 million**, up \$364 million, compared to the first six months of 2023, mainly due by 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 \$3,458 million**, up \$384 million, or 12.5%. This increase was due to the following:
 - Growth in average business loans outstanding and residential mortgages.
 - Favourable impact of the higher interest rate environment on net interest income.
- **Other income totalled \$1,277 million**, up \$69 million, or 5.7%, mainly due to the following:
 - Increase in income from brokerage and investment fund services, primarily related to the good performance of capital markets.
 - Higher deposit and payment service charges.
- **Total net revenue of \$4,735 million**, up \$453 million, or 10.6%.
- **Provision for credit losses of \$228 million**, up \$54 million, compared to the first six months of 2023. This change was mainly due to a higher provision for credit losses on credit card portfolios and consumer and other personal loan portfolios compared with the corresponding period of 2023. The provision for the first six months of 2024 also reflected higher net write-offs.
- **Gross non-interest expense of \$3,343 million**, down \$105 million, or 3.0%, following the implementation of measures taken to improve efficiency and effectiveness, affecting in particular spending on personnel.
- **Net interest margin of 2.63%**, up 15 basis points compared to the corresponding period of 2023, due in particular to higher interest rates combined with stronger growth in the average loan volume included in total average core interest-bearing assets.
- **Productivity index at 70.6%**, compared to 80.5% for the first six months of 2023, due to growth in income, combined with a decrease in gross non-interest expense.

Wealth Management and Life and Health Insurance

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 Wealth Management and Life and Health Insurance 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 partner network;
- External insurance and investment solution networks;
- Actuarial consulting firms and brokers.

To meet members' and clients' needs and preferences, certain product lines are also distributed directly via Client Relations Centres, online or through applications for mobile devices. Online services are constantly being fine-tuned so that they meet clients' changing requirements.

Wealth Management and Life and Health Insurance – Segment results

(in millions of dollars)	As at and for the three-month periods ended			As at and for the six-month periods ended	
	June 30, 2024	March 31, 2024	June 30, 2023 ⁽¹⁾	June 30, 2024	June 30, 2023 ⁽¹⁾
Net interest income	\$ 69	\$ 57	\$ 53	\$ 126	\$ 97
Insurance service result					
Insurance revenue	1,085	1,026	970	2,111	1,913
Insurance service expenses	(945)	(879)	(821)	(1,824)	(1,596)
Net reinsurance service income (expenses)	7	(5)	(16)	2	(34)
	147	142	133	289	283
Net insurance finance result					
Net insurance investment income (loss)	307	(234)	196	73	1,113
Net insurance finance income (expenses)	(145)	389	(94)	244	(980)
Net reinsurance finance income (expenses)	5	(27)	12	(22)	42
	167	128	114	295	175
Net insurance service income	314	270	247	584	458
Other income	652	630	627	1,282	1,102
Total net revenue	1,035	957	927	1,992	1,657
Provision for (recovery of) credit losses	—	(2)	1	(2)	—
Non-interest expense					
Gross non-interest expense	855	852	808	1,707	1,502
Non-interest expense included in insurance service expenses ⁽²⁾	(94)	(95)	(88)	(189)	(181)
Net non-interest expense	761	757	720	1,518	1,321
Income taxes on surplus earnings	43	33	51	76	89
Net surplus earnings for the period	\$ 231	\$ 169	\$ 155	\$ 400	\$ 247
Indicators					
Contractual service margin (CSM) ⁽³⁾					
Total CSM ⁽³⁾⁽⁴⁾	\$ 2,587	\$ 2,630	\$ 2,643	\$ 2,587	\$ 2,643
CSM on new sales ⁽³⁾⁽⁵⁾	42	25	25	42	25
Net sales of savings products ⁽¹⁾⁽⁶⁾	2,939	3,664	(65)	6,603	2,064
Insurance sales ⁽⁶⁾	140	189	119	329	275
Group insurance premiums ⁽⁶⁾	1,019	992	955	2,011	1,886
Individual insurance premiums ⁽⁶⁾	260	259	246	519	496
Annuity premiums ⁽⁶⁾	504	356	233	860	359
Segregated fund receipts ⁽⁶⁾	1,176	1,095	751	2,271	2,011

(1) Comparative data have been restated to conform to the current period'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 7, "Insurance and reinsurance contracts," to the Interim Combined Financial Statements.

(4) Total CSM of \$2,795 million (\$2,895 million as at June 30, 2023) presented net of reinsurance for a total amount of \$208 million (\$252 million as at June 30, 2023).

(5) CSM on new insurance business totalling \$41 million (\$27 million as at June 30, 2023) presented net of reinsurance for a total amount of \$(1) million (\$2 million as at June 30, 2023).

(6) For further information about supplementary financial measures, see the Glossary on pages 51 to 58.

Comparison of the second quarters of 2024 and 2023

- **Net surplus earnings of \$231 million**, up \$76 million, compared to the second quarter of 2023. The change was due to the following:
 - Increase in the net insurance finance result related to the gain on disposal of buildings and the favourable impact of hedging the interest rate risk, offset in part by the favourable adjustment made to liability discount curve parameters in the second quarter of 2023.
 - Higher other income related to the gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
 - Offset by the increase in costs, essentially from growth in assets under administration and administrative expenses, including those related to personnel.
- **Net interest income of \$69 million**, up \$16 million, or 30.2%. This increase was mainly due to a higher volume of securities.
- **Insurance service result of \$147 million** up \$14 million, or 10.5%, mainly due to a more favourable experience and business growth. In more detail, the increase in the insurance service result was due to the following:
 - Adjustment to the indexation assumption in individual insurance and group retirement savings.
 - More favourable experience in group insurance, mainly with regard to long-term disability coverage.
 - Business growth in group insurance.
 - Offset by the unfavourable effect of updating actuarial assumptions in group insurance.

- **Net insurance finance result of \$167 million**, up \$53 million, primarily due to the following:
 - Gain on disposal of buildings.
 - Favourable impact of the hedging of interest rate risk.
 - Offset by the favourable adjustment to rate curve parameters made in the second quarter of 2023.
- **Other income of \$652 million**, up \$25 million, or 4.0%, mainly from a gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
- **Total net revenue of \$1,035 million**, up \$108 million, or 11.7%.
- **Gross non-interest expense of \$855 million**, up \$47 million, or 5.8%, primarily due to the following:
 - Higher costs due to an increased transaction volume as a result of growth in assets under administration in the specialized networks.
 - Increase in spending on personnel.
 Note that a gross non-interest expense of \$94 million was included under insurance service expenses, an amount comparable to the \$88 million recorded for the second quarter of 2023.

Additional information related to certain indicators:

- **Contractual service margin (CSM)**
 - Total CSM of \$2,587 million as at June 30, 2024, compared to \$2,630 million as at March 31, 2024. This decline in total CSM was due to the following:
 - Effect of services rendered, which were mainly due to the creation of the CSM upon transition to IFRS 17, "Insurance Contracts."
 - Adjustment to the indexation assumption in individual insurance and group retirement savings.
 This decline was partly offset by the following:
 - Favourable impact of new sales in individual insurance.
 - Effect of accretion expenses.
- **Business growth**
 - Increase in net sales of savings products, mainly from exchange-traded funds and the Desjardins Investment Savings Account.
 - Increase in insurance sales, mainly in group insurance.
 - Growth in insurance premiums, primarily in group insurance.
 - Growth in annuity premiums, largely from group retirement savings, related to the addition of two large groups.

Comparison of the first six months of 2024 and 2023

- **Net surplus earnings of \$400 million**, up \$153 million, compared to the corresponding period of 2023, mainly due to the following:
 - Higher other income related, in particular, to the increase in assets under administration and assets under management and to the gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
 - Increase in the net insurance finance result related to the gain on disposal of buildings and the favourable impact of hedging the interest rate risk, offset in part by a favourable adjustment made to liability discount curve parameters in the second quarter of 2023.
 - Offset by higher costs arising from the increase in assets under administration and administrative expenses, including those related to personnel.
- **Net interest income of \$126 million**, up \$29 million, or 29.9%. This increase was mainly due to a higher volume of securities.
- **Insurance service result of \$289 million**, up \$6 million, or 2.1%, mainly due to business growth. In more detail, the increase in the insurance service result was due to the following:
 - Adjustment to the indexation assumption in personal insurance and group retirement savings.
 - Business growth in group insurance.
 - Offset by the unfavourable effect of updating actuarial assumptions in group retirement savings.
- **Net insurance finance result of \$295 million**, up \$120 million, largely due to the following:
 - Gain on disposal of buildings.
 - Favourable impact of the hedging of interest rate risk.
 - Offset by the favourable adjustment made to the liability discount curve parameters in the second quarter of 2023.
- **Other income of \$1,282 million**, up \$180 million, or 16.3%, mainly due to the following:
 - Increase in income of \$56 million related to operations acquired from Worldsource on March 1, 2023.
 - Higher income from specialized networks due to the increase in assets under administration.
 - Increase in income stemming from growth in assets under management compared to the comparable period.
 - Gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
- **Total net revenue of \$1,992 million**, up \$335 million, or 20.2%.
- **Gross non-interest expense of \$1,707 million**, up \$205 million, or 13.6%, owing primarily to the following:
 - Increase in expenses of \$69 million related to operations acquired from Worldsource on March 1, 2023.
 - Higher costs due to an increased transaction volume as a result of growth in assets under administration in the specialized networks.
 - Increase in spending on personnel.
 Note that a gross non-interest expense of \$189 million is included under insurance service expenses, compared to \$181 million for the first six months of 2023.

Additional information for certain indicators:

- **Contractual service margin (CSM)**

- Total CSM of \$2,587 million as at June 30, 2024 compared to \$2,595 million as at December 31, 2023. The slight decline in total CSM was due to the following:
 - Effect of services rendered, which were mainly due to the creation of the CSM at the transition to IFRS 17.
 - 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.
- Favourable experience in individual insurance.
- Gains on guaranteed investment fund liabilities.
- Accretion expenses.

- **Business growth**

- Increase in net sales of savings products generated mainly by the Desjardins Investment Saving Account and exchange-traded funds.
- Growth in insurance sales, mainly in group insurance.
- Growth in insurance premiums, mainly in group insurance.
- Growth in annuity premiums, arising mainly in group retirement savings, related to four large groups.

Property and Casualty Insurance

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 general 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. 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.

On May 31, 2024, Desjardins Group, through Desjardins General Insurance Inc., a subsidiary of the Federation, acquired all of the issued and outstanding shares of The Insurance Company of Prince Edward Island (ICPEI). Desjardins Group had held a minority interest in ICPEI since February 2023. ICPEI is a Canadian insurer that provides 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. The accounting for the business combination should be completed in the coming quarters.

Property and Casualty Insurance – Segment results

(in millions of dollars and as a percentage)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Insurance service result					
Insurance revenue	\$ 1,790	\$ 1,749	\$ 1,634	\$ 3,539	\$ 3,203
Insurance service expenses	(1,296)	(1,492)	(1,459)	(2,788)	(3,052)
Net reinsurance service income (expenses)	(34)	13	(21)	(21)	(28)
	460	270	154	730	123
Net insurance finance result					
Net insurance investment income (loss)	151	182	24	333	224
Net insurance finance income (expenses)	(102)	(14)	11	(116)	(108)
Net reinsurance finance income (expenses)	9	1	(1)	10	11
	58	169	34	227	127
Net insurance service income	518	439	188	957	250
Other income (loss)	(9)	10	(7)	1	(15)
Total net revenue	509	449	181	958	235
Provision for (recovery of) credit losses	1	(7)	—	(6)	(2)
Non-interest expense					
Gross non-interest expense	260	248	268	508	525
Non-interest expense included in insurance service expenses ⁽¹⁾	(164)	(158)	(167)	(322)	(331)
Net non-interest expense	96	90	101	186	194
Income taxes on surplus earnings	112	86	24	198	12
Net surplus earnings for the period	\$ 300	\$ 280	\$ 56	\$ 580	\$ 31
Of which:					
Group's share	\$ 265	\$ 246	\$ 45	\$ 511	\$ 17
Non-controlling interests' share	35	34	11	69	14
Indicators					
Direct written premiums ⁽²⁾	\$ 2,082	\$ 1,556	\$ 1,910	\$ 3,638	\$ 3,350
Loss ratio ⁽³⁾⁽⁴⁾⁽⁵⁾	58.8%	62.8%	74.1%	60.8%	77.4%
Current year loss ratio ⁽³⁾⁽⁴⁾⁽⁵⁾	69.8	69.4	80.0	69.6	81.2
Loss ratio related to catastrophes and major events ⁽³⁾⁽⁴⁾⁽⁵⁾	—	—	5.2	—	2.6
Ratio of changes in prior year claims ⁽³⁾⁽⁴⁾⁽⁵⁾	(11.0)	(6.6)	(11.1)	(8.8)	(6.4)
Expense ratio ⁽³⁾	25.6	25.5	26.0	25.5	26.5
Ratio of losses on onerous contracts ⁽³⁾	(1.0)	5.3	1.0	2.1	3.6
Combined ratio ⁽³⁾⁽⁴⁾⁽⁵⁾	83.4	93.6	101.1	88.4	107.5
Discounted combined ratio ⁽³⁾	78.5	88.9	95.9	83.6	102.0

⁽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 51 to 58.

⁽³⁾ For more information about non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 5 to 7.

⁽⁴⁾ Undiscounted ratio, therefore excluding the effect of discounting net liabilities for claims incurred.

⁽⁵⁾ Data have been restated to conform to the current period's presentation.

Comparison of the second quarters of 2024 and 2023

- **Net surplus earnings of \$300 million**, up \$244 million, compared to the second quarter of 2023. The change was mainly on account of the following:
 - Lower expenses related to claims.
 - Higher insurance revenue from automobile and property insurance.
- **Insurance service result of \$460 million**, up \$306 million.
 - **Insurance revenue** of \$1,790 million, up \$156 million, or 9.5%. By including ceded insurance revenue of \$84 million, presented under "Net reinsurance service income (expenses)," the increase was \$144 million, or 9.2%, mainly due to premium growth in automobile and property insurance.
 - **Insurance service expenses** of \$1,296 million, down \$163 million, or 11.2%. By including ceded insurance service expenses of \$50 million, presented under "Net reinsurance service income (expenses)," the decrease was \$162 million, or 11.5%, mainly on account of the following:
 - Lower claims expenses compared to the corresponding quarter in 2023, mainly due to the following:
 - No catastrophes or major events during the second quarter of 2024, while the second quarter of 2023 was marked by two major events: an ice storm in Québec and Ontario and forest fires in Nova Scotia.
 - Claims expenses for the current year that were lower than in the comparative period of 2023 due to automobile and property insurance, in particular as a result of a reduced frequency of claims.
 - Favourable effect of the loss component on onerous contracts, while an unfavourable effect was recorded in the second quarter of 2023 due to automobile insurance.
 - Offset by the 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.

- **Net insurance finance result of \$58 million**, up \$24 million.
 - **Net insurance investment income** of \$151 million, up \$127 million. This increase was essentially due to the following:
 - Positive change in the fair value of matched bonds, while a negative change was recorded in the corresponding quarter of 2023, in particular due to the effect of lower market interest rates in the second quarter of 2024, compared to an increase in the second quarter of 2023.
 - Higher interest income on fixed income securities than in the corresponding quarter of 2023.
 - **Net insurance finance expenses** of \$102 million, compared to \$11 million in the corresponding quarter of 2023. By including net reinsurance finance income of \$9 million (expense of \$1 million for the second quarter of 2023), net insurance and reinsurance finance expenses totalled \$93 million, compared to income of \$10 million in the corresponding quarter of 2023. This change was due to the unfavourable impact of a decrease in the discount rates used to measure net liabilities for incurred claims, whereas rates were higher in the corresponding quarter of 2023.
- **Other loss of \$9 million**, an amount comparable to the same quarter in 2023.
- **Total net revenue of \$509 million**, up \$328 million.
- **Gross non-interest expense of \$260 million**, down \$8 million, or 3.0%, mainly due to the derecognition of a computer licence in the comparable quarter of 2023.
Note that a gross non-interest expense of \$164 million was included in insurance service expenses, an amount comparable to that for the second quarter of 2023.

Comparison of the first six months of 2024 and 2023

- **Net surplus earnings of \$580 million**, up \$549 million, compared to the corresponding period of 2023. The change was essentially due to the following:
 - Decrease in expenses related to claims.
 - Higher insurance revenue in automobile and property insurance.
 - Increase in the net insurance finance result.
- **Insurance service result of \$730 million**, up \$607 million.
 - **Insurance revenue** of \$3,539 million, up \$336 million, or 10.5%. By including ceded insurance revenue of \$169 million presented under "Net reinsurance service income (expenses)," there was an increase of \$306 million, or 10.0%, mainly due to premium growth in automobile and property insurance.
 - **Insurance service expenses** of \$2,788 million, down \$264 million, or 8.7%. By including ceded insurance service expenses of \$148 million presented under "Net reinsurance service income (expenses)," there was a decrease of \$301 million, or 10.2%, due to the following:
 - Expenses related to claims were down compared to the first six months of 2023, as a result of the following:
 - Claims expenses for the current year that were lower than in the comparative period of 2023, mainly on account of automobile and property insurance, due to a reduced frequency of claims, particularly as a result of milder weather conditions.
 - More favourable impact of prior year claims than in the first six months of 2023, mainly due to property insurance.
 - No catastrophes or major events, whereas the first six months of 2023 were marked by two major events: an ice storm in Québec and Ontario and forest fires in Nova Scotia.
 - Effect of the loss component on onerous contracts that was less favourable than that recorded in the corresponding period of 2023, due to automobile insurance.
 - Offset by the 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.
- **Net insurance finance result of \$227 million**, up \$100 million.
 - **Net insurance investment income** of \$333 million, up \$109 million. This increase was mainly due to the following:
 - Higher interest income on fixed income securities compared to the first six months of 2023.
 - Net gains on preferred shares, while net losses were recorded for the first six months of 2023.
 - **Net insurance finance expenses** of \$116 million, up \$8 million. By including net reinsurance finance income of \$10 million (\$11 million for the comparative period of 2023), net insurance and reinsurance finance expenses were \$106 million, compared of \$97 million for the corresponding period of 2023. The change was mainly on account of the less favourable impact of the higher discount rates used to measure net liabilities for incurred claims compared to the first six months of 2023.
- **Other income of \$1 million**, compared to losses of \$15 million in the corresponding six-month period of 2023. The change was due in particular to a smaller increase in the contingent consideration payable as part of the acquisition of the Canadian operations of State Farm Mutual Automobile Insurance Company arising from favourable developments in claims taken over.
- **Total net revenue of \$958 million**, up \$723 million.
- **Gross non-interest expense of \$508 million**, down \$17 million, or 3.2%. This decrease resulted from the following:
 - Decrease in spending on technology.
 - Derecognition of a computer licence in 2023.
 - Downward remeasurement of the provision for the deferred compensation program and the post-retirement benefit plan for Desjardins agents, compared to an upward remeasurement in the corresponding period of 2023.
Note that a gross non-interest expense of \$322 million was included in insurance service expenses, compared to \$331 million for the first six months of 2023.

Other category

The Other category includes financial information that is not specific to a business segment. It mainly includes treasury activities and those related to financial intermediation between the liquidity surpluses and needs of the caisses. This category also includes the results for the support functions provided by the Federation to Desjardins Group as a whole, comprising: finance, including cash; administration; 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 the operations of Desjardins Technology Group Inc., which encompasses all of Desjardins Group's IT operations. In addition to various adjustments required to prepare the Interim Combined Financial Statements, intersegment balance eliminations are classified in this category.

Other category

(in millions of dollars)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2024	March 31, 2024	June 30, 2023 ⁽¹⁾	June 30, 2024	June 30, 2023 ⁽¹⁾
Net interest income	\$ 14	\$ (4)	\$ 27	\$ 10	\$ 36
Net insurance service income (loss)	25	10	30	35	(11)
Other income (loss)	(248)	(165)	(135)	(413)	(293)
Total net loss	(209)	(159)	(78)	(368)	(268)
Recovery of provision for credit losses	—	—	—	—	(1)
Net non-interest expense	(123)	(166)	(131)	(289)	(433)
Income taxes on surplus earnings	(14)	2	13	(12)	45
Net surplus earnings (deficit) for the period	\$ (72)	\$ 5	\$ 40	\$ (67)	\$ 121

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

Comparison of the second quarters of 2024 and 2023

- **Net deficit of \$72 million**, compared to net surplus earnings of \$40 million for the second quarter of 2023.
 - In relation to treasury activities, market rate fluctuations as well as changes in hedging positions had an unfavourable effect on net other investment income (loss) included under other income.
 - Net non-interest expense included investments related to the continued implementation of Desjardins-wide strategic projects, 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.

Comparison of the first six months of 2024 and 2023

- **Net deficit of \$67 million**, compared to net surplus earnings of \$121 million for the first six months of 2023.
 - Net non-interest expense included investments related to 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.

SUMMARY OF INTERIM RESULTS

The table below presents a summary of data related to the results for Desjardins Group's most recent eight quarters.

Results for the most recent eight quarters

(in millions of dollars)	2024		2023				2022	
	Q2	Q1	Q4 ⁽¹⁾	Q3 ⁽¹⁾	Q2 ⁽¹⁾	Q1 ⁽¹⁾	Q4 ⁽¹⁾	Q3 ⁽¹⁾
Net interest income	\$ 1,861	\$ 1,733	\$ 1,696	\$ 1,716	\$ 1,666	\$ 1,541	\$ 1,482	\$ 1,602
Insurance service result								
Insurance revenue	2,829	2,752	2,718	2,656	2,562	2,493	2,480	2,462
Insurance service expenses	(2,182)	(2,351)	(2,093)	(2,245)	(2,238)	(2,358)	(2,177)	(2,158)
Net reinsurance service income (expenses)	(27)	8	(47)	(20)	(36)	(26)	(40)	(27)
	620	409	578	391	288	109	263	277
Net insurance finance result								
Net insurance investment income (loss)	467	(39)	3,005	(1,363)	249	1,080	286	119
Net insurance finance income (expenses)	(244)	375	(2,780)	1,479	(83)	(999)	(30)	(214)
Net reinsurance finance income (expenses)	14	(26)	115	(65)	11	42	(17)	11
	237	310	340	51	177	123	239	(84)
Net insurance service income	857	719	918	442	465	232	502	193
Other income								
Deposit and payment service charges	129	126	134	119	117	113	115	115
Lending fees and card service revenues	238	262	185	258	242	266	256	269
Brokerage and investment fund services	363	376	347	339	400	253	235	235
Management and custodial service fees	222	199	207	192	189	163	182	151
Net other investment income (loss)	(61)	17	(65)	(30)	41	(18)	22	(116)
Foreign exchange income	47	48	59	47	47	39	42	19
Other	97	84	57	50	72	78	36	74
	1,035	1,112	924	975	1,108	894	888	747
Total net revenue	3,753	3,564	3,538	3,133	3,239	2,667	2,872	2,542
Provision for credit losses	87	133	231	127	66	105	80	125
Non-interest expense								
Gross non-interest expense	2,697	2,556	2,749	2,443	2,680	2,345	2,525	2,317
Non-interest expense included in insurance service expenses ⁽²⁾	(250)	(245)	(250)	(240)	(246)	(249)	(262)	(256)
Net non-interest expense	2,447	2,311	2,499	2,203	2,434	2,096	2,263	2,061
Income taxes on surplus earnings	301	265	58	189	186	124	71	61
Surplus earnings before member dividends	918	855	750	614	553	342	458	295
Member dividends, net of income tax recovery	81	81	68	78	80	78	64	78
Net surplus earnings for the period after member dividends	\$ 837	\$ 774	\$ 682	\$ 536	\$ 473	\$ 264	\$ 394	\$ 217
Of which:								
Group's share	\$ 802	\$ 740	\$ 641	\$ 520	\$ 462	\$ 261	\$ 379	\$ 214
Non-controlling interests' share	35	34	41	16	11	3	15	3

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

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

Quarterly income, expenses and surplus earnings before member dividends are affected by certain trends, including seasonal variations, and by changes in general economic conditions and the financial markets. Following the transition to IFRS 17, "Insurance Contracts," on January 1, 2023, insurers' net surplus earnings are more sensitive mainly to financial market changes, but also to interest rates, which makes the quarterly results more volatile compared to past quarterly results. In addition, the provisions of IFRS 17 allow for the review of the designation or classification of financial assets recognized under IFRS 9, "Financial Instruments," held in respect of insurance operations as at the date that IFRS 17 was first applied. Desjardins Group elected not to restate the comparative figures of its Combined Financial Statements to reflect the changes in designation or classification for these financial assets made as at January 1, 2023. As a result, the results for the 2024 and 2023 periods may be less comparable than those for 2022. For more information about quarterly trends, see pages 41 and 42 of the 2023 annual MD&A.

BALANCE SHEET REVIEW

BALANCE SHEET MANAGEMENT

Combined Balance Sheets

(in millions of dollars and as a percentage)	As at June 30, 2024		As at December 31, 2023	
Assets				
Cash and deposits with financial institutions	\$ 9,390	2.1%	\$ 8,987	2.1%
Securities	87,996	19.8	88,365	20.9
Securities borrowed or purchased under reverse repurchase agreements	21,253	4.8	13,678	3.2
Net loans	276,996	62.3	265,935	62.9
Segregated fund net assets	26,637	6.0	24,754	5.9
Derivative financial instruments	5,584	1.3	5,861	1.4
Other assets	16,492	3.7	15,360	3.6
Total assets	\$ 444,348	100.0%	\$ 422,940	100.0%
Liabilities and equity				
Deposits	\$ 290,085	65.4%	\$ 279,329	66.1%
Insurance contract liabilities	33,054	7.4	32,961	7.8
Commitments related to securities sold short	11,279	2.5	11,686	2.8
Commitments related to securities lent or sold under repurchase agreements	18,389	4.1	12,032	2.8
Derivative financial instruments	5,798	1.3	6,626	1.6
Segregated fund net liabilities for investment contracts	23,117	5.2	21,233	5.0
Other liabilities	22,235	5.0	21,729	5.1
Subordinated notes	3,903	0.9	2,954	0.7
Equity	36,488	8.2	34,390	8.1
Total liabilities and equity	\$ 444,348	100.0%	\$ 422,940	100.0%

Assets

As at June 30, 2024, Desjardins Group's total assets stood at \$444.3 billion, up \$21.4 billion, or 5.1%, since December 31, 2023.

Desjardins Group's cash and deposits with financial institutions were up \$0.4 billion, or 4.5%, and securities, including securities borrowed or purchased under reverse repurchase agreements, rose by \$7.2 billion, or 7.1%, reflecting cash management activities.

Desjardins Group's outstanding loan portfolio, net of the allowance for credit losses, increased by \$11.1 billion, or 4.2%, primarily as a result of residential mortgage loans, which were up \$5.7 billion, or 3.4%. Business and government loans have increased by \$5.3 billion, or 6.9% since December 31, 2023. Consumer, credit card and other personal loans outstanding have remained stable since the end of 2023.

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

Segregated fund net assets grew \$1.9 billion, or 7.6%, on account of the increase in the fair value of the portfolio as a result of developments in financial markets.

Derivative financial instrument assets were down \$0.3 billion, or 4.7%, owing primarily to the effects of exchange and interest rate fluctuations.

Other assets increased by \$1.1 billion, or 7.4%, mainly as a result of the increase in amounts receivable from clients, brokers and financial institutions.

Liabilities

Desjardins Group's total liabilities amounted to \$407.9 billion as at June 30, 2024, up \$19.3 billion, or 5.0%, since December 31, 2023.

Outstanding deposits grew by \$10.8 billion, or 3.9%. The increase in personal deposits outstanding, which accounted for 54.4% of the total deposit portfolio, was largely responsible for this growth. These deposits outstanding were up \$6.2 billion, or 4.1%, due to growth in member deposits in the caisse network. Business and government deposits outstanding, which comprised 45.5% of the total deposit portfolio, were up \$4.7 billion, or 3.7%, mainly as a result of growth in business member deposits in the caisse network. Deposits from deposit institutions are down \$0.2 billion since the beginning of 2023.

Desjardins Group's insurance contract liabilities were up \$0.1 billion, or 0.3%.

Commitments related to securities sold short and lent or sold under repurchase agreements increased by \$6.0 billion, or 25.1% to a volume of \$29.7 billion.

Derivative financial instrument liabilities were down \$0.8 billion, or 12.5%, owing primarily to the effects of exchange and interest rate fluctuations.

Segregated fund net liabilities for investment contracts were up by \$1.9 billion, or 8.9%, due to an increase in the fair value of the portfolio caused by developments in the financial markets.

Other liabilities rose by \$0.5 billion, or 2.3%, due primarily to the higher amounts payable to clients, brokers and financial institutions.

Subordinated notes increased by \$0.9 billion, or 32.1%, 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 \$2.1 billion, or 6.1%, since December 31, 2023 due to net surplus earnings after member dividends totalling \$1.6 billion for the first six months of 2024.

Note 23, "Capital stock," and Note 24, "Share capital," to the Annual Combined Financial Statements provide additional information about Desjardins Group's capital stock and share capital.

CAPITAL MANAGEMENT

Capital management is crucial to the financial management of Desjardins Group 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 is updated annually by the Federation's Board of Directors based on changes in the above factors. Additional information on the Integrated Capital Management Framework can be found in Section 3.2, "Capital management," of Desjardins Group's 2023 annual MD&A.

The current situation and the forecasts show that, overall, Desjardins Group has a solid capital base that allows it to continue to be one of the best-capitalized Canadian financial institutions 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.

Under this framework, a minimum amount of capital must be maintained on a combined basis by all the Desjardins Group components. Some of these components are subject to separate requirements regarding regulatory capital, liquidity and funding, which are set by regulatory authorities governing trusts, credit unions, insurers and securities, among other things. Desjardins Group oversees and manages the capital requirements of these entities to ensure efficient use of capital and continuous compliance with the applicable regulations.

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

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 CARLI guideline.

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* (TLAC Guideline) issued by the AMF.

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

Summary of ratios regulated by the AMF under Basel III

(as a percentage)	Minimum ratio	Capital conservation buffer	Minimum ratio including capital conservation buffer	Supplement applying to D-SIFs ⁽¹⁾⁽²⁾	Minimum ratio including capital conservation buffer and supplement applying to D-SIFs	Capital and leverage ratios as at June 30, 2024
Tier 1A capital ratio ⁽³⁾	> 4.5%	2.5%	> 7.0%	1.0%	> 8.0%	21.2%
Tier 1 capital ratio ⁽³⁾	> 6.0	2.5	> 8.5	1.0	> 9.5	21.2
Total capital ratio ⁽³⁾	> 8.0	2.5	> 10.5	1.0	> 11.5	23.2
TLAC ratio ⁽⁴⁾	> 21.5	N/A	> 21.5	N/A	> 21.5	30.9
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	10.9

⁽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, since March 31, 2019, the AMF could activate the countercyclical buffer when it considers that excess credit growth is associated with a build-up of system-wide risk. Based on this assessment, a countercyclical buffer requirement representing between 0% and 2.5% of total risk-weighted assets (RWA) will be put in place when circumstances warrant. This requirement will be lifted when the risk either crystallizes or dissipates.

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

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

⁽⁵⁾ The leverage ratio is calculated by dividing Tier 1 capital by the exposure measure, which is an independent measure of risk and includes: (1) on-balance sheet exposures, (2) securities financing transaction exposures, (3) derivative exposures, and (4) off-balance sheet items.

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

Regulatory developments

Desjardins Group continues to monitor changes in capital requirements under the global standards developed by the Basel Committee on Banking Supervision (BCBS) and to assess their impact on the capital ratios and the leverage ratio. Additional information in this regard can be found in Desjardins Group's 2023 annual MD&A on page 45. The "Changes in the regulatory environment" section of this MD&A also presents additional details on regulation as it affects all Desjardins Group operations.

In February 2024, the AMF issued a new revision to its *Capital Adequacy Guideline* to harmonize the AMF's securitization risk management guidelines, adjust credit risk requirements and increase quality assurance requirements for capital statements. These changes became effective on January 1, 2024.

Compliance with requirements

As at June 30, 2024, the Tier 1A, Tier 1 and total capital ratios of Desjardins Group, calculated in accordance with Basel III requirements, were 21.2%, 21.2% and 23.2%, respectively. The leverage ratio was 7.6%.

As at June 30, 2024, the Tier 1A capital ratio was up 74 basis points compared to December 31, 2023, owing primarily to the increase in reserves and surpluses for the period.

In addition, the TLAC ratio and the TLAC leverage ratio were respectively 30.9% and 10.9% as at June 30, 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 June 30, 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 period.

Main capital components and other TLAC instruments

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

⁽¹⁾ The Tier 1A and Tier 1B ratios are the equivalent of the financial institutions' CET1 and AT1 ratios for financial services cooperatives regulated by the AMF.

⁽²⁾ The amount of non-controlling interests is determined, in particular, based on the nature of the operations and the capitalization level of the investee.

⁽³⁾ These notes meet the Non-Viability Contingent Capital (NVCC) requirements of the *Capital Adequacy Guideline*. To be eligible, the notes must include a clause requiring the full and permanent conversion into a Tier 1A capital instrument at the point of non-viability.

⁽⁴⁾ Represent the portion of investments in the components deconsolidated for regulatory capital purposes (mainly Desjardins Financial Corporation Inc.) that exceeds 10% of capital, net of regulatory adjustments. In addition, when the non-deducted balance, plus deferred tax assets, net of corresponding deferred tax liabilities, exceeds 15% of the adjusted capital, the surplus is also deducted from this capital. The net non-deducted balance is subject to risk weighting at a rate of 250%.

Regulatory capital and other TLAC instruments

(in millions of dollars and as a percentage)	As at June 30, 2024	As at December 31, 2023
Capital		
Tier 1A capital	\$ 31,111	\$ 28,678
Tier 1 capital	31,111	28,678
Total capital	34,152	30,745
Total loss absorbing capacity (TLAC) available ⁽¹⁾	44,289	40,137
Risk-weighted assets		
Credit risk ⁽²⁾	\$ 120,993	\$ 115,313
Market risk ⁽²⁾	3,322	2,881
Operational risk	22,759	22,287
Total risk-weighted assets	\$ 147,074	\$ 140,481
Total risk-weighted assets for TLAC ratio purposes⁽¹⁾	143,099	136,311
Leverage ratio exposure	411,407	390,563
TLAC leverage ratio exposure⁽¹⁾	405,638	383,474
Ratios		
Tier 1A capital ratio	21.2%	20.4%
Tier 1 capital ratio	21.2	20.4
Total capital ratio	23.2	21.9
TLAC ⁽¹⁾	30.9	29.4
Leverage ratio	7.6	7.3
TLAC leverage ratio ⁽¹⁾	10.9	10.5

⁽¹⁾ Data calculated at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.

⁽²⁾ The data as at June 30, 2024 take into account the provisions relating to the revised market risk frameworks and the credit valuation adjustment (CVA) effective January 1, 2024.

The Federation is able to issue Non-Viability Contingent Capital-eligible instruments on Canadian, U.S. and international markets. Since the program was implemented, the Federation has in fact issued a total amount of \$4.0 billion in such securities as at June 30, 2024, including \$1.0 billion in the second quarter of 2024. Therefore, should there be a trigger event as defined in the *Capital Adequacy Guideline*, these notes would automatically and immediately be converted into Tier 1A capital of the Federation.

In addition, Desjardins Group has been issuing TLAC-eligible debt since October 1, 2019 in order to meet minimum requirements, for a total of \$11.0 billion as at June 30, 2024.

Change in regulatory capital and other TLAC instruments

For the six-month period ended

(in millions of dollars)

	June 30, 2024
Tier 1A capital	
Balance at beginning of period	\$ 28,678
Increase in reserves and undistributed surplus earnings ⁽¹⁾	2,214
Eligible accumulated other comprehensive income	(100)
F capital shares ⁽²⁾	(100)
Deductions ⁽³⁾	419
Balance at end of period	31,111
Total Tier 1 capital⁽⁴⁾	31,111
Tier 2 capital	
Balance at beginning of period	2,067
Eligible instruments	948
Eligible portion of allowance for credit losses	26
Balance at end of period	3,041
Total capital	\$ 34,152
Total capital for TLAC purposes⁽⁵⁾	\$ 33,242
Other TLAC instruments	
Balance at beginning of period	10,292
TLAC senior notes	755
Balance at end of period	11,047
Total loss absorbing capacity (TLAC) available⁽⁵⁾	\$ 44,289

⁽¹⁾ Amount including the change in defined benefit pension plans.⁽²⁾ On April 29, 2024, the Federation redeemed for cancellation 10,000,000 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 level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.**Risk-weighted assets (RWA)**

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

Credit risk

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

Market risk

- 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*.**Movements in risk-weighted assets**

RWA totalled \$147.1 billion as at June 30, 2024, up \$4.8 billion compared to the previous quarter.

For credit risk, changes in RWA for the second quarter of 2024 are divided into two segments: credit risk other than counterparty risk, and counterparty risk.

- In credit risk other than counterparty risk, the net increase amounted to \$3.7 billion.
- In counterparty risk, the net increase stood at \$42 million.

In market risk, the net increase in RWA totalled \$0.5 billion. Operational risk was also up \$0.6 billion.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of operations, Desjardins Group enters into various off-balance sheet arrangements, including assets under management and under administration on behalf of its members and clients, credit instruments, guarantees and structured entities, including securitization. Additional information is included in Section 3.3, "Off-balance sheet arrangements," of Desjardins Group's 2023 annual MD&A.

Note 14, "Interests in other entities," and Note 29, "Commitments, guarantees and contingent liabilities," to Desjardins Group's Annual Combined Financial Statements contain information about structured entities, credit instruments and guarantees, while Note 9, "Derecognition of financial assets," to the Annual Combined Financial Statements provides information about the securitization of Desjardins Group's loans.

Assets under management and under administration

As at June 30, 2024, Desjardins Group administered, on behalf of its members and clients, assets totalling \$557.9 billion, for an increase of \$22.6 billion, or 4.2% since December 31, 2023. Financial assets entrusted to Desjardins Group as wealth manager amounted to \$88.2 billion as at June 30, 2024, up \$6.7 billion, or 8.2% since December 31, 2023. The increase in assets under management and under administration resulted primarily from the increase in assets as a result of changes in financial markets, 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.

RISK MANAGEMENT

RISK MANAGEMENT

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

Desjardins Group is exposed to different types of risk in the normal course of its operations, including credit risk, market risk, liquidity risk, operational risk, insurance risk, strategic risk, reputational risk, environmental, social and governance risk, and regulatory risk.

Strict and effective management of these risks is a priority for Desjardins Group, its purpose being to support its major orientations, particularly regarding its financial soundness as well as its sustained and profitable growth, while complying with regulatory requirements. Desjardins Group considers risk an inextricable part of its development, and consequently strives to promote a proactive approach in which each of its business segments, employees and managers is responsible for risk management.

In the first six months of fiscal 2024, Desjardins Group's governance structure, frameworks and practices for risk management, and the nature and description of the risks to which it is exposed (including operational risk, insurance risk, strategic risk, reputational risk, environmental, social risk and governance risk, and regulatory risk) did not change significantly from those described on pages 55 to 93 of Desjardins Group's 2023 annual MD&A. In addition to these types of risk, other risk factors, which are beyond Desjardins Group's control, could have an impact on its future results. These principal risks and emerging risks, as well as other risk factors, did not change significantly from those described on pages 52 to 54 of Desjardins Group's 2023 annual MD&A, except for the economic situation as specified in the "Economic environment and outlook" section of this MD&A.

CREDIT RISK

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

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

The current macroeconomic environment is still characterized by high interest rates, despite a slight decline from the first quarter of 2024, and growing geopolitical tensions, as well as inflation, causing continued uncertainty.

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

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

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

Quality of loan portfolio

As at June 30, 2024, in accordance with Note 5, "Loans and allowance for credit losses," to the Interim Combined Financial Statements, the loss allowance for expected credit losses on loans totalled \$1,164 million, and the loss allowance for off-balance-sheet items was \$90 million, for a total of \$1,254 million, down \$19 million, compared to December 31, 2023. This change resulted from the migration of credit quality and the favourable effect of updating forward-looking information for the period, partially offset by the upward effect of changes made to methodology. For more information about the methodology and assumptions used to estimate the loss allowance for expected credit losses, please refer to Note 5, "Loans and allowance for credit losses," to the Interim Combined Financial Statements.

Gross credit-impaired loans outstanding are considered Stage 3 loans of the impairment model. The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.77% for the second quarter of 2024, compared to 0.74% as at December 31, 2023. The allowance for credit losses on credit-impaired loans totalled \$494 million as at June 30, 2024, resulting in a provisioning rate of 22.9% for credit-impaired loans.

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

Gross loans past due but not credit-impaired⁽¹⁾

(in millions of dollars)	As at June 30, 2024			As at December 31, 2023		
	31 to 90 days	91 days or more	Total	31 to 90 days	91 days or more	Total
Residential mortgages	\$ 174	\$ 95	\$ 269	\$ 245	\$ 95	\$ 340
Consumer, credit card and other personal loans	153	35	188	196	38	234
Business and government	106	102	208	41	128	169
Total	\$ 433	\$ 232	\$ 665	\$ 482	\$ 261	\$ 743

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

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

Gross credit-impaired loans by borrower category

(in millions of dollars and as a percentage)	As at June 30, 2024				As at December 31, 2023		
	Gross carrying amount		Allowance for credit losses on credit-impaired loans	Net credit-impaired loans	Gross credit-impaired loans	Net credit-impaired loans	
Gross loans and acceptances	Gross credit-impaired loans ⁽¹⁾						
Residential mortgages	\$ 171,563	\$ 436	0.25%	\$ 27	\$ 409	\$ 375	\$ 351
Consumer, credit card and other personal loans	24,302	242	1.00	168	74	224	84
Business and government	82,295	1,475	1.79	299	1,176	1,365	1,034
Total	\$ 278,160	\$ 2,153	0.77%	\$ 494	\$ 1,659	\$ 1,964	\$ 1,469

⁽¹⁾ For more information on the gross credit-impaired loans/gross loans and acceptances ratio, which is a supplementary financial measure, see the Glossary on pages 51 to 58.

Change in gross credit-impaired loans

(in millions of dollars)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Gross credit-impaired loans at the beginning of the period	\$ 2,150	\$ 1,964	\$ 1,270	\$ 1,964	\$ 1,191
Gross loans that became credit-impaired since the last period	871	930	834	1,801	1,504
Loans returned to unimpaired status	(718)	(645)	(550)	(1,363)	(1,078)
Write-offs and recoveries	(150)	(98)	(77)	(248)	(138)
Other changes	—	(1)	(1)	(1)	(3)
Gross credit-impaired loans at the end of the period	\$ 2,153	\$ 2,150	\$ 1,476	\$ 2,153	\$ 1,476

In March 2024, the AMF released an updated *Residential Mortgage Lending Guideline*. As part of the update, the AMF introduced expectations for combined loan plans, reverse hypothecary loans and hypothecary loans with shared equity features. These new expectations aim to adapt the AMF's framework to current market conditions, while maintaining competitive fairness among regulated mortgage lenders. Desjardins Group continues to work on meeting these requirements.

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

Residential mortgage portfolio⁽¹⁾

Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.⁽²⁾

(in millions of dollars and as a percentage)	As at June 30, 2024							
	Guaranteed or insured loans ⁽³⁾		Uninsured loans ⁽⁴⁾		Home equity lines of credit ⁽⁵⁾		Total	
Québec	\$ 29,556	97.8%	\$ 93,135	95.2%	\$ 5,891	95.0%	\$ 128,582	95.8%
Ontario	625	2.1	4,723	4.8	309	5.0	5,657	4.2
Other ⁽⁶⁾	19	0.1	46	—	—	—	65	—
All geographic areas	\$ 30,200	100.0%	\$ 97,904	100.0%	\$ 6,200	100.0%	\$ 134,304	100.0%

(in millions of dollars and as a percentage)	As at March 31, 2024							
	Guaranteed or insured loans ⁽³⁾		Uninsured loans ⁽⁴⁾		Home equity lines of credit ⁽⁵⁾		Total	
Québec	\$ 28,480	97.9%	\$ 91,206	95.1%	\$ 5,760	94.8%	\$ 125,446	95.8%
Ontario	594	2.0	4,653	4.9	315	5.2	5,562	4.2
Other ⁽⁶⁾	19	0.1	43	—	—	—	62	—
All geographic areas	\$ 29,093	100.0%	\$ 95,902	100.0%	\$ 6,075	100.0%	\$ 131,070	100.0%

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

(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 \$218 million as at June 30, 2024 (\$218 million as at March 31, 2024 and \$209 million as at June 30, 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.

Average loan-to-value (LTV) ratio for uninsured residential mortgage granted during the quarter

Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.⁽¹⁾

(average loan-to-value ratio, by geographic area)	As at June 30, 2024			As at March 31, 2024			As at June 30, 2023		
	Uninsured loans ⁽²⁾	Home equity lines of credit and related loans ⁽³⁾	Total uninsured	Uninsured loans ⁽²⁾	Home equity lines of credit and related loans ⁽³⁾	Total uninsured	Uninsured loans ⁽²⁾	Home equity lines of credit and related loans ⁽³⁾	Total uninsured
Québec	64.1%	62.9%	63.3%	61.8%	61.4%	61.5%	61.6%	65.2%	64.4%
Ontario	65.6	64.0	64.7	65.8	61.7	63.5	61.1	61.9	61.6
Other ⁽⁴⁾	79.7	55.2	66.5	79.9	—	79.9	79.7	69.6	72.4
All geographic areas	64.2%	63.0%	63.3%	62.1%	61.4%	61.6%	61.5%	65.1%	64.3%

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

(2) Conventional term mortgages and amortized consumer loans secured by a property with up to four units.

(3) Home equity lines of credit including related amortized loans and consumer lines of credit secured by a property with up to four units.

(4) Represents the geographic areas of Canada other than Québec and Ontario.

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

Remaining amortization period for residential mortgages⁽¹⁾⁽²⁾

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

(in millions of dollars in gross loans and as a percentage of the total by remaining amortization category)	Total amortized loans					
	As at June 30, 2024		As at March 31, 2024		As at June 30, 2023 ⁽⁴⁾	
0 to 10 years	\$ 9,227	7.2%	\$ 9,099	7.3%	\$ 9,058	7.3%
10 to 20 years	42,394	33.1	41,402	33.1	41,102	33.1
20 to 25 years	64,806	50.6	62,661	50.1	62,034	50.0
25 to 30 years	6,145	4.8	5,945	4.8	5,152	4.1
30 to 35 years	169	0.1	172	0.1	169	0.1
35 years or more ⁽⁵⁾	5,363	4.2	5,716	4.6	6,729	5.4
All amortization periods	\$ 128,104	100.0%	\$ 124,995	100.0%	\$ 124,244	100.0%

⁽¹⁾ The caisse network's variable-rate mortgages represented 23.2% as at June 30, 2024 (24.1% as at March 31, 2024 and 25.9% as at June 30, 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⁾ Comparative data have been restated to conform to the current period's presentation due to a refinement in methodology.

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

International exposures

As at June 30, 2024, Desjardins Group credit risk exposures outside of Canada and the U.S. represented 1.4% of the total exposures.

Counterparty and issuer risk

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

The Risk Management Executive Division sets the maximum exposure for each counterparty and issuer based on quantitative and qualitative criteria. In addition, limits are set for certain financial instruments. The amounts are then allocated to different components based on their needs.

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

MARKET RISK

Market risk refers to the risk of loss arising from changes in the fair value of financial instruments as a result of fluctuations in the parameters affecting this value, in particular, interest rates, exchange rates, credit spreads, 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 the various regulatory environments governing the banking, securities brokerage, wealth management, life and health insurance, and property and casualty insurance industries. The board of directors of these entities delegate to various committees the responsibility of setting up systems and procedures to establish measures adapted to their operations and regulatory environments. These measures, together with the appropriate follow-up procedures, are incorporated into their respective policies and guidelines. The function of the Risk Management Executive Division is to monitor these measures and ensure compliance with the said policies. The main measures used and their follow-up processes are described in the pages that follow.

Link between market risk and the Combined Balance Sheets

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

Link between market risk and the Combined Balance Sheets

As at June 30, 2024

(in millions of dollars)	Combined Balance Sheets	Exposed to market risk		Not exposed to market risk	Principal risks associated with non-trading activities
		Trading activities ⁽¹⁾⁽²⁾	Non-trading activities ⁽³⁾		
Assets					
Cash and deposits with financial institutions	\$ 9,390	\$ —	\$ 9,390	\$ —	Interest rate
Securities					
Securities at fair value through profit or loss	36,159	9,339	26,820	—	Interest rate
Securities at fair value through other comprehensive income	51,776	—	51,776	—	Interest rate, FX, price
Securities at amortized cost	61	—	61	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	21,253	18,013	3,240	—	Interest rate
Net loans	276,996	—	276,996	—	Interest rate
Segregated fund net assets	26,637	—	26,637	—	Interest rate, price
Derivative financial instruments	5,584	336	5,248	—	Interest rate, FX, price
Other assets	16,492	—	—	16,492	
Total assets	\$ 444,348	\$ 27,688	\$ 400,168	\$ 16,492	
Liabilities and equity					
Deposits	\$ 290,085	\$ —	\$ 290,085	\$ —	Interest rate
Insurance contract liabilities	33,054	—	33,054	—	Interest rate
Commitments related to securities sold short	11,279	11,017	262	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	18,389	17,767	622	—	Interest rate
Derivative financial instruments	5,798	507	5,291	—	Interest rate, FX, price
Segregated fund net liabilities from investment contracts	23,117	—	23,117	—	Interest rate, price
Other liabilities	22,235	—	687	21,548	Interest rate
Subordinated notes	3,903	—	3,903	—	Interest rate
Equity	36,488	—	—	36,488	
Total liabilities and equity	\$ 444,348	\$ 29,291	\$ 357,021	\$ 58,036	

Footnotes to this table are presented on the next page.

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			Principal risks associated with non-trading activities
		Trading activities ⁽¹⁾⁽²⁾	Non-trading activities ⁽³⁾	Not exposed to market risk	
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
Net loans	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 from 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 Value at Risk (VaR).⁽²⁾ The amounts presented under trading activities take inter-company eliminations into account.⁽³⁾ Positions mainly related to non-trading banking activities and insurance activities.**Management of market risk related to trading activities – Value at Risk**

The market risk of trading portfolios is managed on a day-to-day basis under specific frameworks, which set out the risk factors that must be measured and the limit for each of these factors as well as the total. Tolerance limits are also provided for various stress testing. Compliance with these limits is monitored daily and a market risk dashboard is produced on a daily basis and reported to senior management. Any limit exceeded is immediately analyzed and the appropriate action is taken.

The main tool used to measure this risk is Value at Risk (VaR). VaR is an estimate of the potential loss over a certain period of time at a given confidence level. A Monte Carlo VaR is calculated daily on the trading portfolios, using a 99% confidence level and a holding horizon of one day holding horizon. 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 following table presents the aggregate VaR of trading activities. Equity price risk, foreign exchange risk and interest rate risk (including specific 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* (in French only) issued by the AMF.

Market risk measures for the trading portfolio

(in millions of dollars)	For the quarter ended June 30, 2024				For the quarters ended			
	As at June 30, 2024	Average			March 31, 2024		June 30, 2023	
		Average	High	Low	As at March 31, 2024	Average	As at June 30, 2023	Average
Equities	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.2	\$ 0.3	\$ 0.2	\$ 0.4	\$ 0.3
Foreign exchange	0.5	0.4	0.7	0.2	0.4	0.5	0.4	0.4
Interest rate	4.8	5.2	7.9	3.1	4.4	4.8	4.4	4.8
Diversification effect ⁽¹⁾⁽²⁾	(0.7)	(0.8)	N/A ⁽³⁾	N/A ⁽³⁾	(0.9)	(0.8)	(0.8)	(0.7)
Aggregate VaR	\$ 4.9	\$ 5.1	\$ 7.8	\$ 3.0	\$ 4.2	\$ 4.7	\$ 4.4	\$ 4.8

⁽¹⁾ Represents the risk reduction related to diversification, namely the difference between the sum of the VaR of the various market risks and the aggregate VaR.

⁽²⁾ The diversification effect has been recalculated for the second quarter of 2023.

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

The average of the trading portfolio's aggregate VaR was \$5.1 million for the quarter ended June 30, 2024, up \$0.4 million compared to the quarter ended March 31, 2024.

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

Back testing

Back testing, which is a 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 may have a significant impact on trading portfolios may occur from time to time. For more details on our stress-testing program, see the Market Risk section of our 2023 Annual Report on page 77.

Structural interest rate risk management

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

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

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

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

- Trend in interest rate level and volatility.
- Changes in the shape of the interest rate curve.
- Member and client behaviour in their choice of products.
- Financial intermediation margin.
- Optionality of the various financial products offered.

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

The assumptions used in the stress testing are based on an analysis of historical data and on the effects of various interest rate environments on changes in such data. These assumptions concern changes in the structure of assets and liabilities, including modelling for non-maturity deposits and equity, in member and client behaviour, and in pricing. Desjardins Group's Asset/Liability Committee (ALCO) is responsible for analyzing and approving the global matching strategy on a monthly basis while respecting the parameters defined in structural interest rate risk management policies.

The table below presents the potential impact before income taxes, with regard to structural interest rate risk management associated with banking activities, of a sudden and sustained 100-basis-point increase or decrease in interest rates on net interest income and the economic value of equity for Desjardins Group, assuming the balance sheet is stable and management takes no measures to mitigate risk.

Interest rate sensitivity (before income taxes)⁽¹⁾

	As at June 30, 2024		As at March 31, 2024		As at June 30, 2023	
	Net interest income ⁽²⁾	Economic value of equity ⁽³⁾	Net interest income ⁽²⁾	Economic value of equity ⁽³⁾	Net interest income ⁽²⁾	Economic value of equity ⁽³⁾
(in millions of dollars)						
Impact of a 100-basis-point increase in interest rates	\$ 52	\$ (15)	\$ 58	\$ (42)	\$ 69	\$ (80)
Impact of a 100-basis-point decrease in interest rates	(45)	(197)	(53)	(147)	(67)	12

⁽¹⁾ Interest rate sensitivity related to insurance activities is not reflected in the amounts above. However, information on interest rate sensitivity related to insurance activities as at December 31, 2023 is disclosed in Note 17, "Insurance and reinsurance contracts," to the Annual 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.

LIQUIDITY RISK

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

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

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

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

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

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

Liquidity risk measurement and monitoring

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

The minimum liquid asset levels to be maintained by Desjardins Group are specifically prescribed by policies. Daily management of these securities and the reserve level to be maintained is centralized at Desjardins Group Treasury and is subject to monitoring by the Risk Management function under the supervision of the 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 BCBS in *Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring*. The scenarios make it possible to:

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

Liquid assets

The following tables present a summary of Desjardins Group's liquid assets, which do not include assets held by the insurance subsidiaries because those assets are committed to covering insurance liabilities and not the liquidity needs of Desjardins Group's other components. Liquid assets constitute Desjardins Group's primary liquidity reserve for all its operations. Encumbered liquid assets mainly include liquid assets that are pledged as collateral or cannot be used due to regulatory, legal, operational or other restrictions.

Liquid assets⁽¹⁾

As at June 30, 2024

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral – Securities financing and derivatives trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	\$ 7,720	\$ —	\$ 7,720	\$ 631	\$ 7,089
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	48,562	22,010	70,572	28,600	41,972
Other securities in Canada	4,452	1,072	5,524	1,366	4,158
Issued or guaranteed by foreign issuers	271	2	273	2	271
Loans					
Insured residential mortgage-backed securities	12,987	—	12,987	2,021	10,966
Total	\$ 73,992	\$ 23,084	\$ 97,076	\$ 32,620	\$ 64,456

As at December 31, 2023

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral – Securities financing and derivatives trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	\$ 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.**Unencumbered liquid assets by entity⁽¹⁾**

(in millions of dollars)	As at June 30, 2024	As at December 31, 2023
Federation	\$ 38,774	\$ 35,264
Caisse network	22,846	24,739
Other entities	2,836	3,766
Total	\$ 64,456	\$ 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.

Encumbered assets

As at June 30, 2024

(in millions of dollars)	Combined Balance Sheet assets	Securities held as collateral	Total assets	Breakdown of total assets			
				Encumbered assets		Unencumbered assets	
				Pledged as collateral	Other ⁽¹⁾	Available as collateral	Other ⁽²⁾
Cash and deposits with financial institutions	\$ 9,390	\$ —	\$ 9,390	\$ 184	\$ 631	\$ 6,905	\$ 1,670
Securities	87,996	29,281	117,277	38,707	741	43,120	34,709
Securities borrowed or purchased under reverse repurchase agreements	21,253	—	21,253	—	—	—	21,253
Net loans	276,996	—	276,996	35,395	—	64,668	176,933
Segregated fund net assets	26,637	—	26,637	—	—	—	26,637
Other assets	22,076	—	22,076	—	—	—	22,076
Total	\$ 444,348	\$ 29,281	\$ 473,629	\$ 74,286	\$ 1,372	\$ 114,693	\$ 283,278

As at December 31, 2023

(in millions of dollars)	Combined Balance Sheet assets	Securities held as collateral	Total assets	Breakdown of total assets			
				Encumbered assets		Unencumbered 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
Net loans	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.

Liquidity coverage ratio⁽¹⁾

	For the quarter ended June 30, 2024		For the quarter ended March 31, 2024
	Total non-weighted value ⁽²⁾ (average ⁽⁴⁾)	Total weighted value ⁽³⁾ (average ⁽⁴⁾)	Total weighted value ⁽³⁾ (average ⁽⁴⁾)
(in millions of dollars and as a percentage)			
High-quality liquid assets			
Total high-quality liquid assets	N/A	\$ 54,684	\$ 53,186
Cash outflows			
Retail deposits and small business deposits, including:	\$ 99,090	7,706	7,463
Stable deposits	49,176	1,475	1,432
Less stable deposits	49,914	6,231	6,031
Unsecured wholesale funding, including:	43,162	20,196	21,944
Operational deposits (all counterparties) and deposits in cooperative bank networks	15,750	3,804	3,518
Non-operational deposits (all counterparties)	18,483	7,463	7,045
Unsecured debt	8,929	8,929	11,381
Secured wholesale funding	N/A	136	168
Additional requirements, including:	27,592	4,745	4,718
Outflows related to exposures on derivatives and other collateral required	1,381	1,274	1,301
Outflows related to funding loss on debt products	243	243	465
Credit and liquidity facilities	25,968	3,228	2,952
Other contractual funding liabilities	3,176	1,396	711
Other contingent funding liabilities	93,626	2,701	2,701
Total cash outflows	N/A	\$ 36,880	\$ 37,705
Cash inflows			
Secured loans (e.g. reverse repurchase agreements)	\$ 13,348	\$ 958	\$ 1,003
Inflows related to completely effective exposures	3,560	1,780	1,708
Other cash inflows	1	1	4
Total cash inflows	\$ 16,909	\$ 2,739	\$ 2,715
		Total adjusted value⁽⁵⁾	Total adjusted value⁽⁵⁾
Total high-quality liquid assets		\$ 54,684	\$ 53,186
Total net cash outflows		34,141	34,990
Liquidity coverage ratio		160%	152%

(1) Excluding the insurance subsidiaries.

(2) The non-weighted values of cash inflows and outflows represent unpaid balances either maturing or falling due and payable within 30 days.

(3) Weighted values are calculated after the "haircuts" prescribed for high-quality liquid assets and the rates prescribed for cash inflows and outflows have been applied.

(4) The ratio is presented based on the average daily data for the quarter.

(5) The total adjusted value takes into account, if applicable, the caps prescribed by the AMF for high-quality liquid assets and cash inflows.

Desjardins Group's average LCR was 160% for the quarter ended June 30, 2024, up 8% from the previous quarter. The LCR remains substantially above regulatory requirements. For the quarter ended June 30, 2024, the high quality liquid asset average was approximately \$54.7 billion (\$53.2 billion as at March 31, 2024), of which 95% (94% as at March 31, 2024) was composed of Level 1 assets according to 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.

Net Stable Funding Ratio⁽¹⁾

(in millions of dollars and as a percentage)	As at June 30, 2024					As at
	Unweighted value by residual maturity				Weighted value	March 31, 2024
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year		Weighted value
Available Stable Funding (ASF) item						
Capital	\$ 35,504	\$ —	\$ —	\$ 3,000	\$ 38,504	\$ 37,173
Regulatory capital	35,504	—	—	3,000	38,504	37,173
Other capital instruments	—	—	—	—	—	—
Retail deposits and deposits from small business customers	79,881	41,110	21,191	46,722	176,311	171,042
Stable deposits	45,860	6,236	5,437	13,209	67,865	65,964
Less stable deposits	34,021	34,874	15,754	33,513	108,446	105,078
Wholesale funding	27,756	41,496	4,549	26,602	46,340	42,156
Operational deposits	15,116	—	—	—	7,558	7,587
Other wholesale funding	12,640	41,496	4,549	26,602	38,782	34,569
Liabilities with matching interdependent assets	—	843	989	13,784	—	—
Other liabilities ⁽²⁾	27,409			14,381	—	—
NSFR derivative liabilities ⁽²⁾	N/A			4,142	N/A	N/A
All other liabilities and equity not included in the above categories	27,409	10,239	—	—	—	—
Total ASF	N/A	N/A	N/A	N/A	\$ 261,155	\$ 250,371
Required Stable Funding (RSF) item						
Total NSFR high-quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	\$ 454	\$ 858
Deposits held by other financial institutions for operational purposes	\$ —	\$ —	\$ —	\$ —	—	—
Performing loans and securities	20,191	58,139	24,861	181,071	181,316	178,423
Performing loans to financial institutions secured by Level 1 HQLA	—	21,630	—	—	1,082	808
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	—	1,470	—	690	840	622
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:	14,102	28,875	10,689	70,817	89,407	87,317
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	—	8,049	5,313	12,785	8,310	8,654
Performing residential mortgages, of which:	6,087	5,981	13,748	106,305	86,912	85,253
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	6,087	5,981	13,748	106,305	86,912	85,253
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2	183	424	3,259	3,075	4,423
Assets with matching interdependent liabilities	—	843	989	13,784	—	—
Other assets ⁽²⁾	—			28,246	17,415	17,677
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			352	299	267
NSFR derivative assets ⁽²⁾	N/A			5,516	277	310
NSFR derivative liabilities before deduction of variation margin posted ⁽²⁾	N/A			5,539	—	—
All other assets not included in the above categories	—	—	—	16,839	16,839	17,100
Off-balance sheet items ⁽²⁾	N/A			120,887	3,232	3,079
Total RSF	N/A	N/A	N/A	N/A	\$ 202,417	\$ 200,037
Net Stable Funding Ratio	N/A	N/A	N/A	N/A	129%	125%

⁽¹⁾ Excluding the insurance subsidiaries.

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

The NSFR ratio was 129% as at June 30, 2024, compared to 125% as at March 31, 2024. This change resulted from the increase in Available Stable Funding due to growth in deposits and long-term funding, which exceeded the increase in Required Stable Funding, driven primarily by growth in 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. Total deposits, including wholesale funding, presented on the Combined Balance Sheets amounted to \$290.1 billion as at June 30, 2024, up \$10.8 billion since December 31, 2023. Additional information on deposits is presented in the "Balance sheet management" section of this MD&A.

Funding programs and strategies

As Desjardins Group's treasurer, the Federation meets the needs of the organization's members and clients. Its first priority is to implement appropriate strategies to identify, measure and manage risks, and these strategies are regulated by policies. In the first six months of 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 period. Short-term wholesale funding is used to finance very liquid assets while long-term wholesale funding is mainly used to finance less liquid assets and to support reserves of liquid assets.

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

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

Main funding programs

As at June 30, 2024

	Maximum authorized amount
Medium-term notes (Canadian) ⁽¹⁾	\$10 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⁾	€10 billion
NVCC subordinated notes (Canadian) ⁽¹⁾	\$5 billion
Medium-term notes (Australian) ⁽¹⁾	AU\$3 billion

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

⁽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.

Remaining contractual term to maturity of wholesale funding

(in millions of dollars)	As at June 30, 2024								As at December 31, 2023 ⁽¹⁾
	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	\$ 1,321	\$ 1,036	\$ 6	\$ 1	\$ 2,364	\$ —	\$ —	\$ 2,364	\$ 2,994
Commercial paper	7,791	3,036	401	—	11,228	—	—	11,228	17,038
Medium-term notes	—	732	999	2,188	3,919	4,478	6,569	14,966	13,662
Mortgage loan securitization	—	405	437	956	1,798	1,421	12,301	15,520	13,872
Covered bonds	—	—	1,099	—	1,099	2,839	11,443	15,381	12,922
Subordinated notes	—	—	—	—	—	—	3,903	3,903	2,954
Total	\$ 9,112	\$ 5,209	\$ 2,942	\$ 3,145	\$ 20,408	\$ 8,738	\$ 34,216	\$ 63,362	\$ 63,442
Including:									
Secured	\$ —	\$ 405	\$ 1,536	\$ 956	\$ 2,897	\$ 4,260	\$ 23,744	\$ 30,901	\$ 26,794
Unsecured	9,112	4,804	1,406	2,189	17,511	4,478	10,472	32,461	36,648

⁽¹⁾ Data have been reclassified to conform to the current period's presentation.

Desjardins Group's total wholesale funding presented in the table above was carried out by the Federation. Total wholesale funding has remained stable since December 31, 2023. Desjardins Group does not foresee any event, commitment or requirement that could have a major impact on its ability to raise funds through wholesale funding or its members' deposits.

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

Wholesale funding by currency

(in millions of dollars and as a percentage)	As at June 30, 2024		As at December 31, 2023	
	\$	%	\$	%
Canadian dollars	\$ 27,171	42.9%	\$ 25,419	40.1%
U.S. dollars	21,933	34.6	25,440	40.1
Euros	10,390	16.4	10,040	15.8
Other	3,868	6.1	2,543	4.0
Total	\$ 63,362	100.0%	\$ 63,442	100.0%

Moreover, the Federation participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of \$2.8 billion in the first six months of 2024. During the same period and early in the second quarter of 2024, 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.

Outstanding notes issued under the Federation's medium-term funding programs amounted to \$45.9 billion as at June 30, 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."

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.

Credit ratings of securities issued and outstanding

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

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

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

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

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

As at June 30, 2024

(in millions of dollars)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
Assets										
Cash and deposits with financial institutions	\$ 8,863	\$ 522	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ 9,390
Securities										
Securities at fair value through profit or loss ⁽¹⁾	335	1,254	1,502	1,419	1,383	2,386	5,094	17,627	5,159	36,159
Securities at fair value through other comprehensive income ⁽¹⁾	306	893	1,549	2,089	3,129	8,894	20,732	12,628	1,556	51,776
Securities at amortized cost	—	—	16	—	1	2	5	37	—	61
Securities borrowed or purchased under reverse repurchase agreements	17,793	1,963	744	501	252	—	—	—	—	21,253
Loans										
Residential mortgages ⁽²⁾	3,044	3,449	6,237	7,098	10,790	40,207	90,452	3,175	7,111	171,563
Consumer, credit card and other personal loans ⁽²⁾	76	79	139	162	229	1,097	4,704	8,427	9,389	24,302
Business and government ⁽²⁾	25,474	6,594	6,530	6,255	6,802	8,807	11,073	2,200	8,560	82,295
Allowance for credit losses	—	—	—	—	—	—	—	—	(1,164)	(1,164)
Segregated fund net assets	—	—	—	—	—	—	—	—	26,637	26,637
Derivative financial instruments	80	355	479	254	611	852	2,771	182	—	5,584
Amounts receivable from clients, brokers and financial institutions	3,180	12	—	—	—	—	—	—	755	3,947
Reinsurance contract assets	29	60	56	47	44	155	316	808	160	1,675
Right-of-use assets	—	—	—	—	—	—	—	—	465	465
Investment property	—	—	—	—	—	—	—	—	803	803
Property, plant and equipment	—	—	—	—	—	—	—	—	1,510	1,510
Goodwill	—	—	—	—	—	—	—	—	596	596
Intangible assets	—	—	—	—	—	—	—	—	1,214	1,214
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,227	1,227
Net defined benefit plan assets	—	—	—	—	—	—	—	—	676	676
Deferred tax assets	—	—	—	—	—	—	—	—	1,182	1,182
Other assets – Other	1,200	206	219	23	34	24	51	5	1,435	3,197
Total assets	\$ 60,380	\$ 15,387	\$ 17,471	\$ 17,848	\$ 23,275	\$ 62,424	\$ 135,198	\$ 45,089	\$ 67,276	\$ 444,348
Liabilities and equity										
Deposits										
Individuals ⁽³⁾	\$ 4,518	\$ 5,329	\$ 9,299	\$ 6,361	\$ 13,591	\$ 25,954	\$ 19,881	\$ 398	\$ 72,429	\$ 157,760
Business and government ⁽³⁾	14,374	8,640	5,050	4,176	1,944	10,198	24,188	7,737	55,618	131,925
Deposit-taking institutions ⁽³⁾	45	1	7	2	1	2	1	—	341	400
Insurance contract liabilities	806	658	816	757	645	2,276	4,916	18,330	3,850	33,054
Commitments related to securities sold short ⁽⁴⁾	226	598	1,311	146	265	1,030	3,385	4,295	23	11,279
Commitments related to securities lent or sold under repurchase agreements	18,154	235	—	—	—	—	—	—	—	18,389
Derivative financial instruments	102	345	445	227	600	969	2,785	325	—	5,798
Amounts payable to clients, brokers and financial institutions	2,854	7	1	—	—	—	—	—	7,718	10,580
Lease liabilities	7	12	17	19	17	65	167	238	—	542
Reinsurance contract liabilities	—	—	1	1	1	1	4	29	—	37
Segregated fund net liabilities for investment contracts	—	—	—	—	—	—	—	—	23,117	23,117
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	687	687
Deferred tax liabilities	—	—	—	—	—	—	—	—	308	308
Other liabilities – Other	3,145	946	734	833	754	616	947	155	1,951	10,081
Subordinated notes	—	—	—	—	—	—	—	3,903	—	3,903
Total equity	—	—	—	—	—	—	—	—	36,488	36,488
Total liabilities and equity	\$ 44,231	\$ 16,771	\$ 17,681	\$ 12,522	\$ 17,818	\$ 41,111	\$ 56,274	\$ 35,410	\$ 202,530	\$ 444,348
Off-balance sheet commitments										
Credit commitments ⁽⁵⁾	\$ 2,409	\$ 1,218	\$ 1,414	\$ 1,213	\$ 1,453	\$ 7,481	\$ 13,636	\$ 904	\$ 108,061	\$ 137,789
Documentary letters of credit	2	2	3	4	1	—	—	—	—	12
Guarantees and standby letters of credit	291	367	560	288	378	121	61	60	33	2,159

See next page for footnotes.

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

As at December 31, 2023

(in millions of dollars)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
Assets										
Cash and deposits with financial institutions	\$ 7,388	\$ 1,593	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6	\$ 8,987
Securities										
Securities at fair value through profit or loss ⁽¹⁾	214	372	1,139	1,256	1,207	2,860	5,509	19,223	4,847	36,627
Securities at fair value through other comprehensive income ⁽¹⁾	867	1,658	1,682	1,473	1,468	8,221	22,192	12,619	1,512	51,692
Securities at amortized cost	1	—	—	—	1	1	6	37	—	46
Securities borrowed or purchased under reverse repurchase agreements	10,613	1,689	1,376	—	—	—	—	—	—	13,678
Loans										
Residential mortgages ⁽²⁾	3,207	4,698	7,864	4,991	6,530	34,523	93,329	3,693	7,023	165,858
Consumer, credit card and other personal loans ⁽²⁾	39	72	163	161	205	1,069	4,646	8,499	9,385	24,239
Business and government ⁽²⁾	22,160	6,613	5,726	4,609	6,493	8,547	12,831	2,255	7,784	77,018
Allowance for credit losses	—	—	—	—	—	—	—	—	(1,180)	(1,180)
Segregated fund net assets	—	—	—	—	—	—	—	—	24,754	24,754
Derivative financial instruments	249	364	649	349	434	1,229	2,386	201	—	5,861
Amounts receivable from clients, brokers and financial institutions	2,345	19	—	—	—	—	—	—	437	2,801
Reinsurance contract assets	7	70	60	49	46	152	319	834	139	1,676
Right-of-use assets	—	—	—	—	—	—	—	—	476	476
Investment property	—	—	—	—	—	—	—	—	974	974
Property, plant and equipment	—	—	—	—	—	—	—	—	1,549	1,549
Goodwill	—	—	—	—	—	—	—	—	563	563
Intangible assets	—	—	—	—	—	—	—	—	1,186	1,186
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,477	1,477
Net defined benefit plan assets	—	—	—	—	—	—	—	—	46	46
Deferred tax assets	—	—	—	—	—	—	—	—	1,244	1,244
Other assets – Other	1,079	438	277	38	31	12	35	3	1,455	3,368
Total assets	\$ 48,169	\$ 17,586	\$ 18,936	\$ 12,926	\$ 16,415	\$ 56,614	\$ 141,253	\$ 47,364	\$ 63,677	\$ 422,940
Liabilities and equity										
Deposits										
Individuals ⁽³⁾	\$ 4,911	\$ 6,288	\$ 17,222	\$ 6,685	\$ 9,348	\$ 19,596	\$ 16,631	\$ 422	\$ 70,416	\$ 151,519
Business and government ⁽³⁾	19,455	8,816	4,469	2,587	4,254	9,712	21,016	5,585	51,325	127,219
Deposit-taking institutions ⁽³⁾	314	1	5	7	7	3	—	—	254	591
Insurance contract liabilities	869	803	812	692	665	2,159	4,771	18,508	3,682	32,961
Commitments related to securities sold short ⁽⁴⁾	69	72	623	99	66	817	3,691	6,229	20	11,686
Commitments related to securities lent or sold under repurchase agreements	11,681	351	—	—	—	—	—	—	—	12,032
Derivative financial instruments	510	480	653	393	441	1,422	2,487	240	—	6,626
Amounts payable to clients, brokers and financial institutions	5,056	2	—	—	—	—	—	—	4,292	9,350
Lease liabilities	7	12	17	20	18	66	169	244	—	553
Reinsurance contract liabilities	—	—	1	1	1	1	4	30	—	38
Segregated fund net liabilities for investment contracts	—	—	—	—	—	—	—	—	21,233	21,233
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	867	867
Deferred tax liabilities	—	—	—	—	—	—	—	—	252	252
Other liabilities – Other	3,461	1,766	1,181	427	333	488	837	156	2,020	10,669
Subordinated notes	—	—	—	—	—	—	—	2,954	—	2,954
Total equity	—	—	—	—	—	—	—	—	34,390	34,390
Total liabilities and equity	\$ 46,333	\$ 18,591	\$ 24,983	\$ 10,911	\$ 15,133	\$ 34,264	\$ 49,606	\$ 34,368	\$ 188,751	\$ 422,940
Off-balance sheet commitments										
Credit commitments ⁽⁵⁾	\$ 1,050	\$ 1,046	\$ 1,580	\$ 1,739	\$ 1,133	\$ 4,886	\$ 13,375	\$ 774	\$ 105,465	\$ 131,048
Indemnification commitments related to securities lending	—	—	—	—	—	—	—	—	2,875	2,875
Documentary letters of credit	3	2	9	1	1	1	—	—	—	17
Guarantees and standby letters of credit	199	259	483	754	444	58	40	40	4	2,281

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

ADDITIONAL INFORMATION

CONTROLS AND PROCEDURES

During the six-month period ended June 30, 2024, Desjardins Group made no changes to its policies, procedures or other processes with regard to internal control that materially affected, or may materially affect internal control over financial reporting. The parties involved and their responsibilities regarding such internal control are described on pages 93 and 94 of the Desjardins Group's 2023 annual MD&A.

RELATED PARTY DISCLOSURES

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

Furthermore, Desjardins Group provides its financial products and services to its directors, its key management personnel and the persons related to them on terms similar to those offered to unrelated parties.

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. These policies and procedures have not changed significantly since December 31, 2023.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A description of the accounting policies used by Desjardins Group is essential to understanding the Annual and Interim Combined Financial Statements. The significant accounting policies are described in Note 2, "Accounting policies," to Desjardins Group's Annual Combined Financial Statements on pages 127 to 149 of the 2023 Annual Report.

Some of these policies are of particular importance in presenting Desjardins Group's financial position and operating results because they require management to make judgments as well as estimates and assumptions that affect the reported amounts of some assets, liabilities, income and expenses, as well as related information. Explanations of the significant accounting policies that have required management to make difficult, subjective or complex judgments, often about matters that are inherently uncertain, are provided on pages 94 to 100 of the 2023 annual MD&A. No significant changes were made to these accounting policies during the first six months of 2024.

FUTURE ACCOUNTING CHANGES

Accounting standards issued by the IASB but not yet effective as at December 31, 2023 are described in Note 2, "Accounting policies," to Desjardins Group's Annual Combined Financial Statements, on page 149 of the 2023 Annual Report. The IASB has since issued the following new standards and amendments:

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. Regulatory authorities have stated that early adoption of these amendments will not be permitted, unless they indicate otherwise.

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.

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

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

CDO financial information

(in millions of dollars and as a percentage)	As at June 30, 2024			As at December 31, 2023		
	CDO	Desjardins Group Combined Balance Sheets		CDO	Desjardins Group Combined Balance Sheets	
		% proportion			% proportion	
Total assets	\$ 13,198	\$ 444,348	3.0%	\$ 11,922	\$ 422,940	2.8%
Total liabilities	12,365	407,860	3.0	11,107	388,550	2.9
Total equity	833	36,488	2.3	815	34,390	2.4

(in millions of dollars and as a percentage)	For the three-month periods ended						For the six-month periods ended								
	June 30, 2024			March 31, 2024			June 30, 2023			June 30, 2024			June 30, 2023		
	CDO	Desjardins Group Combined Statements of Income	% proportion	CDO	Desjardins Group Combined Statements of Income	% proportion	CDO	Desjardins Group Combined Statements of Income	% proportion	CDO	Desjardins Group Combined Statements of Income	% proportion	CDO	Desjardins Group Combined Statements of Income	% proportion
Total net revenue	\$ 54	\$ 3,753	1.4%	\$ 55	\$ 3,564	1.5%	\$ 51	\$ 3,239	1.6%	\$ 109	\$ 7,317	1.5%	\$ 95	\$ 5,906	1.6%
Surplus earnings before member dividends	6	918	0.7	9	855	1.1	7	553	1.3	15	1,773	0.8	5	895	0.6
Net surplus earnings for the period after member dividends	4	837	0.5	6	774	0.8	5	473	1.1	10	1,611	0.6	1	737	0.1

GLOSSARY

Acceptance

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

Advanced Internal Ratings-Based Approach

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

Allowance for credit losses

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

Amortized cost

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

Annuity premium

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

Assets under administration

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

Assets under management

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

Autorité des marchés financiers (AMF)

Organization whose mission is to enforce the laws governing the financial industry, particularly in the areas of insurance, securities, deposit-taking institutions and financial product and service distribution.

Average assets

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

Average deposits

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

Average equity – Group's share

Average equity –Group's share presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average gross loans and acceptances

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

Average interest-bearing 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 quarters calculated from the quarter preceding the relevant period.

Average net loans and acceptances

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

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 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.

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, 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, guarantor's, issuer's or counterparty's failure to honour its contractual obligations, whether or not such obligations appear on the Combined Balance Sheets.

Credit valuation adjustment

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

Defined benefit pension plan

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

Derivative financial instrument, or derivative

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

Desjardins Group (Desjardins) component

Cooperative or subsidiary that is part of Desjardins Group.

Direct written premiums

In property and casualty insurance, the premiums stipulated in insurance policies issued 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

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

Environmental, social and governance (ESG) risk factors

Refer to all environmental, social and governance (ESG) considerations that Desjardins Group and its entities must take into account as part of their operations, financing, investing or insurance activities and which could result, in particular, in credit risks, insurance risks, asset value losses or non-financial risks such as damage to the organization's reputation.

Exposure at default (EAD)

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

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 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 payable on property and casualty insurance products differ from the amounts estimated when designing, pricing or measuring actuarial reserves.

Insurance sales

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

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 the "Capital management" section of the Management's Discussion and Analysis.

Regulatory funds

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

Reinsurance contract

Contract whereby one insurer assumes all or part of a risk undertaken by another insurer. Despite 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 "Capital management" section of the Management's Discussion and Analysis.

Scaling factor

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

Securitization

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

Security borrowed or purchased

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

Security lent or sold

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

Security sold short

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

Segregated fund

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

Segregated fund deposits

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

Standardized Approach

- **Credit risk**
Default approach used to calculate risk-weighted assets. Under this method, the entity uses valuations performed by external credit assessment institutions recognized by the AMF to determine the risk-weighting factors related to the various exposure categories.
- **Market risk**
Default approach used to calculate risk-weighted assets for the 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.

Structural interest rate risk

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

Structured entity

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

Subordinated note

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

Subsidiary

Company controlled by the Federation.

Swap

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

TLAC leverage ratio

Ratio determined by dividing the total loss absorbing capacity by the exposure measure. The exposure measure is independent from risk and includes:

- on-balance sheet exposures;
- securities financing transaction exposures;
- derivative exposures; and
- off-balance sheet items.

TLAC ratio

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

Total loss absorbing capacity – TLAC

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

Unused exposure

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

Used exposure

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

Value at Risk (VaR)

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

COMBINED FINANCIAL STATEMENTS

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Combined Balance Sheets

(unaudited)

(in millions of Canadian dollars)	Notes	As at June 30, 2024	As at December 31, 2023
ASSETS			
Cash and deposits with financial institutions		\$ 9,390	\$ 8,987
Securities			
Securities at fair value through profit or loss		36,159	36,627
Securities at fair value through other comprehensive income		51,776	51,692
Securities at amortized cost		61	46
		87,996	88,365
Securities borrowed or purchased under reverse repurchase agreements		21,253	13,678
Loans			
Residential mortgages	5	171,563	165,858
Consumer, credit card and other personal loans		24,302	24,239
Business and government		82,295	77,018
		278,160	267,115
Allowance for credit losses	5	(1,164)	(1,180)
		276,996	265,935
Segregated fund net assets		26,637	24,754
Other assets			
Derivative financial instruments		5,584	5,861
Amounts receivable from clients, brokers and financial institutions		3,947	2,801
Reinsurance contract assets	7	1,675	1,676
Right-of-use assets		465	476
Investment property		803	974
Property, plant and equipment		1,510	1,549
Goodwill	12	596	563
Intangible assets		1,214	1,186
Investments in companies accounted for using the equity method		1,227	1,477
Net defined benefit plan assets		676	46
Deferred tax assets		1,182	1,244
Other		3,197	3,368
		22,076	21,221
TOTAL ASSETS		\$ 444,348	\$ 422,940
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits			
Individuals	6	\$ 157,760	\$ 151,519
Business and government		131,925	127,219
Deposit-taking institutions		400	591
		290,085	279,329
Insurance contract liabilities	7	33,054	32,961
Other liabilities			
Commitments related to securities sold short		11,279	11,686
Commitments related to securities lent or sold under repurchase agreements		18,389	12,032
Derivative financial instruments		5,798	6,626
Amounts payable to clients, brokers and financial institutions		10,580	9,350
Lease liabilities		542	553
Reinsurance contract liabilities	7	37	38
Segregated fund net liabilities for investment contracts		23,117	21,233
Net defined benefit plan liabilities		687	867
Deferred tax liabilities		308	252
Other		10,081	10,669
		80,818	73,306
Subordinated notes		3,903	2,954
TOTAL LIABILITIES		407,860	388,550
EQUITY			
Capital stock		4,736	4,731
Undistributed surplus earnings		3,893	2,668
Accumulated other comprehensive income	8	(808)	(708)
Reserves		27,730	26,784
Equity – Group's share		35,551	33,475
Non-controlling interests		937	915
TOTAL EQUITY		36,488	34,390
TOTAL LIABILITIES AND EQUITY		\$ 444,348	\$ 422,940

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

Combined Statements of Income

(unaudited)

(in millions of Canadian dollars)	Notes	For the three-month periods ended June 30		For the six-month periods ended June 30	
		2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
INTEREST INCOME					
Loans		\$ 3,860	\$ 3,064	\$ 7,480	\$ 5,899
Securities		631	595	1,268	1,168
		4,491	3,659	8,748	7,067
INTEREST EXPENSE					
Deposits		2,016	1,468	3,991	2,844
Subordinated notes		43	42	78	67
Other		571	483	1,085	949
		2,630	1,993	5,154	3,860
NET INTEREST INCOME	10	1,861	1,666	3,594	3,207
INSURANCE SERVICE RESULT					
Insurance revenue		2,829	2,562	5,581	5,055
Insurance service expenses		(2,182)	(2,238)	(4,533)	(4,596)
Net reinsurance service income (expenses)		(27)	(36)	(19)	(62)
		620	288	1,029	397
NET INSURANCE FINANCE RESULT					
Net insurance investment income (loss)		467	249	428	1,329
Net insurance finance income (expenses)		(244)	(83)	131	(1,082)
Net reinsurance finance income (expenses)		14	11	(12)	53
	7	237	177	547	300
NET INSURANCE SERVICE INCOME		857	465	1,576	697
OTHER INCOME					
Deposit and payment service charges		129	117	255	230
Lending fees and card service revenues		238	242	500	508
Brokerage and investment fund services		363	400	739	653
Management and custodial service fees		222	189	421	352
Net other investment income (loss)	10	(61)	41	(44)	23
Foreign exchange income		47	47	95	86
Other		97	72	181	150
		1,035	1,108	2,147	2,002
TOTAL NET REVENUE		3,753	3,239	7,317	5,906
PROVISION FOR CREDIT LOSSES	5	87	66	220	171
NON-INTEREST EXPENSE					
Salaries and employee benefits		1,445	1,410	2,797	2,732
Professional fees		211	233	379	450
Technology		292	259	582	520
Commissions		174	231	383	329
Occupancy costs		99	99	198	202
Communications		97	95	171	183
Business and capital taxes		37	29	74	67
Other		342	324	669	542
Gross non-interest expense		2,697	2,680	5,253	5,025
Non-interest expense included in insurance service expenses		(250)	(246)	(495)	(495)
NET NON-INTEREST EXPENSE		2,447	2,434	4,758	4,530
OPERATING SURPLUS EARNINGS		1,219	739	2,339	1,205
Income taxes on surplus earnings		301	186	566	310
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS		918	553	1,773	895
Member dividends		110	109	220	215
Tax recovery on member dividends		(29)	(29)	(58)	(57)
NET SURPLUS EARNINGS FOR THE PERIOD AFTER MEMBER DIVIDENDS		\$ 837	\$ 473	\$ 1,611	\$ 737
of which:					
Group's share		\$ 802	\$ 462	\$ 1,542	\$ 723
Non-controlling interests' share		35	11	69	14

⁽¹⁾ Data have been restated to conform with the presentation for the current period. For more information, refer to Note 1, "Basis of presentation."

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

Combined Statements of Comprehensive Income

(unaudited)

(in millions of Canadian dollars)	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2024	2023	2024	2023
Net surplus earnings for the period after member dividends	\$ 837	\$ 473	\$ 1,611	\$ 737
Other comprehensive income, net of income taxes				
Items that will not be reclassified subsequently to the Combined Statements of Income				
Remeasurement of net defined benefit plan assets and liabilities	339	(199)	531	(220)
Net change in gains and losses on equity securities designated as at fair value through other comprehensive income	12	(3)	109	40
Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	3	(6)	(4)	(5)
	354	(208)	636	(185)
Items that will be reclassified subsequently to the Combined Statements of Income				
Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income				
Net unrealized gains (losses)	104	(194)	109	77
Reclassification of net (gains) losses to the Combined Statements of Income	(29)	74	(14)	132
	75	(120)	95	209
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	11	(427)	(329)	(167)
Reclassification to the Combined Statements of Income of net (gains) losses on derivative financial instruments designated as cash flow hedges	70	24	133	45
	81	(403)	(196)	(122)
	156	(523)	(101)	87
Total other comprehensive income, net of income taxes	510	(731)	535	(98)
COMPREHENSIVE INCOME FOR THE PERIOD	\$ 1,347	\$ (258)	\$ 2,146	\$ 639
of which:				
Group's share	\$ 1,307	\$ (264)	\$ 2,071	\$ 626
Non-controlling interests' share	40	6	75	13

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

Income taxes on other comprehensive income

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

(in millions of Canadian dollars)	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2024	2023	2024	2023
Items that will not be reclassified subsequently to the Combined Statements of Income				
Remeasurement of net defined benefit plan assets and liabilities	\$ 136	\$ (73)	\$ 205	\$ (80)
Net change in gains and losses on equity securities designated as at fair value through other comprehensive income	1	(6)	21	1
Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	—	(3)	(1)	(2)
	137	(82)	225	(81)
Items that will be reclassified subsequently to the Combined Statements of Income				
Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income				
Net unrealized gains (losses)	41	(67)	43	26
Reclassification of net (gains) losses to the Combined Statements of Income	(10)	26	(6)	45
	31	(41)	37	71
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	1	(153)	(121)	(60)
Reclassification to the Combined Statements of Income of net (gains) losses on derivative financial instruments designated as cash flow hedges	25	8	48	16
	26	(145)	(73)	(44)
	57	(186)	(36)	27
Total income tax expense (recovery)	\$ 194	\$ (268)	\$ 189	\$ (54)

Combined Statements of Changes in Equity

(unaudited)

For the six-month periods ended June 30

	Capital stock	Undistributed surplus earnings	Accumulated other comprehensive income (Note 8)	Reserves			Equity – Group's share	Non-controlling interests	Total equity	
				Stabilization reserve	Reserve for future member dividends	General and other reserves				Total reserves
(in millions of Canadian dollars)										
BALANCE AS AT DECEMBER 31, 2023	\$ 4,731	\$ 2,668	\$ (708)	\$ 616	\$ 3,528	\$ 22,640	\$ 26,784	\$ 33,475	\$ 915	\$ 34,390
Net surplus earnings for the period after member dividends	—	1,542	—	—	—	—	—	1,542	69	1,611
Other comprehensive income for the period	—	629	(100)	—	—	—	—	529	6	535
Comprehensive income for the period	—	2,171	(100)	—	—	—	—	2,071	75	2,146
Other changes to capital stock	5	—	—	—	—	—	—	5	—	5
Dividends	—	—	—	—	—	—	—	—	(53)	(53)
Transfer between undistributed surplus earnings and reserves	—	(946)	—	8	(6)	944	946	—	—	—
BALANCE AS AT JUNE 30, 2024	\$ 4,736	\$ 3,893	\$ (808)	\$ 624	\$ 3,522	\$ 23,584	\$ 27,730	\$ 35,551	\$ 937	\$ 36,488
BALANCE AS AT DECEMBER 31, 2022	\$ 4,786	\$ 8,783	\$ (1,939)	\$ 343	\$ 1,704	\$ 17,755	\$ 19,802	\$ 31,432	\$ 895	\$ 32,327
Net surplus earnings for the period after member dividends	—	723	—	—	—	—	—	723	14	737
Other comprehensive income for the period	—	(181)	84	—	—	—	—	(97)	(1)	(98)
Comprehensive income for the period	—	542	84	—	—	—	—	626	13	639
Other changes to capital stock	8	—	—	—	—	—	—	8	—	8
Dividends	—	—	—	—	—	—	—	—	(27)	(27)
Transfer between undistributed surplus earnings and reserves	—	(5,834)	—	273	1,824	3,737	5,834	—	—	—
Other	—	(4)	—	—	—	—	—	(4)	—	(4)
BALANCE AS AT JUNE 30, 2023	\$ 4,794	\$ 3,487	\$ (1,855)	\$ 616	\$ 3,528	\$ 21,492	\$ 25,636	\$ 32,062	\$ 881	\$ 32,943

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

Combined Statements of Cash Flows

(unaudited)

(in millions of Canadian dollars)	For the six-month periods ended June 30	
	2024	2023
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Operating surplus earnings	\$ 2,339	\$ 1,205
Non-cash adjustments:		
Depreciation of right-of-use assets, property, plant and equipment and investment property, and amortization of intangible assets	240	228
Amortization of premiums and discounts	19	79
Provision for credit losses	220	171
Net realized (gains) losses on securities classified as at fair value through other comprehensive income	49	88
Net (gains) losses on disposal of property, plant and equipment, intangible assets and investment property	(80)	—
Other	(43)	(26)
Change in operating assets and liabilities:		
Securities at fair value through profit or loss	468	1,679
Securities borrowed or purchased under reverse repurchase agreements	(7,575)	3,413
Loans	(11,281)	(8,237)
Insurance and reinsurance contract assets and liabilities	8	1,039
Derivative financial instruments, net amount	(729)	366
Net amounts receivable from and payable to clients, brokers and financial institutions	84	(922)
Deposits	10,756	5,703
Commitments related to securities sold short	(407)	798
Commitments related to securities lent or sold under repurchase agreements	6,357	(4,063)
Other	80	(1,399)
Payment of the contingent consideration	(49)	(60)
Income taxes paid on surplus earnings	(294)	(211)
Payment of member dividends	(414)	(398)
	(252)	(547)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of subordinated notes	997	—
Sale (purchase) of debt securities and subordinated notes to (from) third parties on the market	(59)	(3)
Repayment of lease liabilities	(44)	(41)
Other changes to capital stock	5	8
Remuneration on capital stock	(293)	(262)
Dividends paid	(53)	(27)
	553	(325)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of securities at fair value through other comprehensive income and at amortized cost	(18,724)	(18,152)
Proceeds from disposals of securities at fair value through other comprehensive income and at amortized cost	11,609	10,761
Proceeds from maturities of securities at fair value through other comprehensive income and at amortized cost	7,177	8,576
Business acquisition, net of cash and cash equivalents acquired	—	(743)
Acquisitions of property, plant and equipment, intangible assets and investment property	(201)	(226)
Proceeds from disposal of property, plant and equipment, intangible assets and investment property	223	4
Distributions received from associates and joint ventures	21	27
Proceeds from disposal of joint ventures and associates accounted for using the equity method	53	—
Acquisitions of joint ventures and associates accounted for using the equity method	(56)	(70)
	102	177
Net increase (decrease) in cash and cash equivalents	403	(695)
Cash and cash equivalents at beginning of period	8,987	8,913
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 9,390	\$ 8,218
Supplemental information on cash flows from (used in) operating activities		
Interest paid	\$ 3,934	\$ 2,615
Interest received	8,484	6,844
Dividends received	111	145

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

NOTES TO THE CONDENSED INTERIM COMBINED FINANCIAL STATEMENTS (unaudited)

NOTE 1 – BASIS OF PRESENTATION

Nature of operations

Desjardins Group is made up of the Desjardins caisses in Québec, Caisse Desjardins Ontario Credit Union Inc. (CDO), the *Fédération des caisses Desjardins du Québec* (the Federation) and its subsidiaries, and the *Fonds de sécurité Desjardins*. A number of the subsidiaries are active across Canada. The address of its head office is 100 Des Commandeurs Street, Lévis, Québec, Canada.

Combined Financial Statements

As an integrated financial services group, Desjardins Group is a complete economic entity. These unaudited Condensed Interim Combined Financial Statements (the Interim Combined Financial Statements) have been prepared to present the financial position, the financial performance and the cash flows of this economic entity. The Desjardins caisses exercise a collective power over the Federation, which is the cooperative entity responsible for assuming orientation, framework, coordination and development activities for Desjardins Group. The role of the Federation is also to protect the interests of Desjardins Group members.

As Desjardins caisses and the Federation are financial services cooperatives, these Interim Combined Financial Statements differ from the consolidated financial statements of a group with a traditional organizational structure. Consequently, the Combined Financial Statements of Desjardins Group are a combination of the accounts of the Desjardins caisses in Québec, the Federation, CDO and the entities controlled by them, namely the Federation's subsidiaries and the *Fonds de sécurité Desjardins*. The capital stock of Desjardins Group represents the aggregate of the capital stock issued by the Desjardins caisses in Québec, the Federation and CDO.

Statement of Compliance

Pursuant to the *Act Respecting Financial Services Cooperatives*, these Interim Combined Financial Statements have been prepared by Desjardins Group's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), more specifically in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting," and the accounting requirements of the *Autorité des marchés financiers* (AMF) in Québec, which do not differ from IFRS. Certain comparative figures have been restated to conform with the presentation of the Interim Combined Financial Statements for the current period. During the first quarter of 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 six-month period ended June 30, 2023, a net amount of \$219 million has been moved in two gross amounts from "Other income" to interest income and interest expense, under "Net interest income" (\$103 million for the three-month period ended June 30, 2023), changing these line items by \$552 million and \$771 million, respectively, for the six-month period ended June 30, 2023, and by \$282 million and \$385 million, respectively, for the three-month period ended June 30, 2023. This change had no impact on total net revenue and net surplus earnings for the comparative period.

These Interim Combined Financial Statements should be read in conjunction with the audited Annual Combined Financial Statements (the Annual Combined Financial Statements) for the year ended December 31, 2023, and the shaded areas of section 4.0, "Risk management," of the related Management's Discussion and Analysis, which are an integral part of the Annual Combined Financial Statements.

These Interim Combined Financial Statements were approved by the Board of Directors of Desjardins Group, which is the Board of Directors of the Federation, on August 9, 2024.

Presentation and functional currency

These Interim Combined Financial Statements are expressed in Canadian dollars, which is also the functional currency of Desjardins Group. Dollar amounts presented in the tables of the Notes to the Interim Combined Financial Statements are in millions of dollars, unless otherwise stated.

NOTE 2 – ACCOUNTING POLICIES

All accounting policies were applied as described in Note 2, "Accounting policies," to the Annual Combined Financial Statements.

FUTURE ACCOUNTING CHANGES

Accounting standards issued by the IASB, but not effective as at December 31, 2023, are described in Note 2, "Accounting policies," to the Annual Combined Financial Statements. The IASB has since issued the following new standards and amendments:

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. Regulatory authorities have stated that early adoption of these amendments will not be permitted, unless they indicate otherwise.

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.

NOTE 3 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

CLASSIFICATION AND CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

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

	At fair value through profit or loss		At fair value through other comprehensive income			Total
	Classified as at fair value through profit or loss	Designated as at fair value through profit or loss	Classified as at fair value through other comprehensive income ⁽¹⁾	Designated as at fair value through other comprehensive income	Amortized cost ⁽¹⁾	
As at June 30, 2024						
Financial assets						
Cash and deposits with financial institutions	\$ 309	\$ —	\$ 1,181	\$ —	\$ 7,900	\$ 9,390
Securities	16,848	19,311	50,220	1,556	61	87,996
Securities borrowed or purchased under reverse repurchase agreements	—	—	—	—	21,253	21,253
Loans, net of allowance for credit losses	—	1,677	—	—	275,319	276,996
Segregated fund net assets	26,783	—	—	—	(146)	26,637
Other financial assets						
Derivative financial instruments ⁽²⁾	5,584	—	—	—	—	5,584
Amounts receivable from clients, brokers and financial institutions	—	—	—	—	3,947	3,947
Other	—	—	—	—	2,189	2,189
Total financial assets	\$ 49,524	\$ 20,988	\$ 51,401	\$ 1,556	\$ 310,523	\$ 433,992
Financial liabilities						
Deposits	\$ —	\$ 1,496	\$ —	\$ —	\$ 288,589	\$ 290,085
Other financial liabilities						
Commitments related to securities sold short	11,279	—	—	—	—	11,279
Commitments related to securities lent or sold under repurchase agreements	—	—	—	—	18,389	18,389
Derivative financial instruments ⁽²⁾	5,798	—	—	—	—	5,798
Amounts payable to clients, brokers and financial institutions	—	—	—	—	10,580	10,580
Segregated fund net liabilities for investment contracts	—	—	—	—	23,117	23,117
Other	38	—	—	—	6,633	6,671
Subordinated notes	—	—	—	—	3,903	3,903
Total financial liabilities	\$ 17,115	\$ 1,496	\$ —	\$ —	\$ 351,211	\$ 369,822

⁽¹⁾ As at June 30, 2024, the allowance for credit losses on securities at "Amortized cost" was insignificant, and the allowance for credit losses on securities "Classified as at fair value through other comprehensive income" totalled \$9 million. Detailed information on the allowance for credit losses on loans is presented in Note 5, "Loans and allowance for credit losses."

⁽²⁾ Include derivative financial instruments designated as hedging instruments amounting to \$312 million in assets and \$428 million in liabilities.

NOTE 3 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS (continued)

CLASSIFICATION AND CARRYING AMOUNT OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss		At fair value through other comprehensive income		Amortized cost ⁽¹⁾	Total
	Classified as at fair value through profit or loss	Designated as at fair value through profit or loss	Classified as at fair value through other comprehensive income ⁽¹⁾	Designated as at fair value through other comprehensive income		
As at December 31, 2023						
Financial assets						
Cash and deposits with financial institutions	\$ 589	\$ —	\$ 2,132	\$ —	\$ 6,266	\$ 8,987
Securities	17,674	18,953	50,180	1,512	46	88,365
Securities borrowed or purchased under reverse repurchase agreements	—	—	—	—	13,678	13,678
Loans, net of allowance for credit losses	—	1,704	—	—	264,231	265,935
Segregated fund net assets	24,860	—	—	—	(106)	24,754
Other financial assets						
Premiums receivable						
Derivative financial instruments ⁽²⁾	5,861	—	—	—	—	5,861
Amounts receivable from clients, brokers and financial institutions	—	—	—	—	2,801	2,801
Other	—	—	—	—	2,167	2,167
Total financial assets	\$ 48,984	\$ 20,657	\$ 52,312	\$ 1,512	\$ 289,083	\$ 412,548
Financial liabilities						
Deposits	\$ —	\$ 1,317	\$ —	\$ —	\$ 278,012	\$ 279,329
Other financial liabilities						
Commitments related to securities sold short	11,686	—	—	—	—	11,686
Commitments related to securities lent or sold under repurchase agreements	—	—	—	—	12,032	12,032
Derivative financial instruments ⁽²⁾	6,626	—	—	—	—	6,626
Amounts payable to clients, brokers and financial institutions	—	—	—	—	9,350	9,350
Segregated fund net liabilities for investment contracts	—	—	—	—	21,233	21,233
Other	75	—	—	—	6,927	7,002
Subordinated notes	—	—	—	—	2,954	2,954
Total financial liabilities	\$ 18,387	\$ 1,317	\$ —	\$ —	\$ 330,508	\$ 350,212

⁽¹⁾ As at December 31, 2023, the allowance for credit losses on securities at "Amortized cost" was insignificant, and the allowance for credit losses on securities "Classified as at fair value through other comprehensive income" totalled \$18 million. Detailed information on the allowance for credit losses on loans is presented in Note 5, "Loans and allowance for credit losses."

⁽²⁾ Include derivative financial instruments designated as hedging instruments amounting to \$298 million in assets and \$650 million in liabilities.

During the six-month period ended June 30, 2024 and the year ended December 31, 2023, there were no material reclassifications of financial instruments.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

DETERMINATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	As at June 30, 2024		As at December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Securities	\$ 61	\$ 54	\$ 46	\$ 39
Loans, net of allowance for credit losses	275,319	273,429	264,231	261,276
Financial liabilities				
Deposits	288,589	289,020	278,012	277,978
Subordinated notes	3,903	3,876	2,954	2,882
Other liabilities – Other	1,755	1,707	1,762	1,721

FAIR VALUE HIERARCHY

Fair value measurement is determined using a three-level fair value hierarchy. Refer to Note 5, "Fair value of financial instruments," to the Annual Combined Financial Statements, which contains a description of these three levels.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following tables present the hierarchy for financial instruments measured at fair value in the Combined Balance Sheets.

As at June 30, 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	\$ 236	\$ 73	\$ —	\$ 309
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	6,070	—	—	6,070
Provincial governmental entities and municipal corporations in Canada	14,863	475	—	15,338
School or public corporations in Canada	11	68	—	79
Foreign public administrations	536	—	—	536
Other debt securities	—	8,549	381	8,930
Equity securities	2,403	352	2,451	5,206
	23,883	9,444	2,832	36,159
Loans				
Residential mortgages	—	—	1,067	1,067
Business and government	—	—	610	610
	—	—	1,677	1,677
Segregated fund net assets	8,449	17,623	711	26,783
Derivative financial instruments				
Interest rate contracts	—	309	—	309
Foreign exchange contracts	—	589	—	589
Other contracts	—	4,686	—	4,686
	—	5,584	—	5,584
Total financial assets at fair value through profit or loss	32,568	32,724	5,220	70,512
Financial assets at fair value through other comprehensive income				
Cash and deposits with financial institutions	573	608	—	1,181
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	5,390	7,645	—	13,035
Provincial governmental entities and municipal corporations in Canada	24,089	3,717	—	27,806
School or public corporations in Canada	—	39	—	39
Foreign public administrations	343	5	—	348
Other debt securities	—	8,992	—	8,992
Equity securities	1,469	—	87	1,556
	31,291	20,398	87	51,776
Total financial assets at fair value through other comprehensive income	31,864	21,006	87	52,957
Total financial assets	\$ 64,432	\$ 53,730	\$ 5,307	\$ 123,469
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Deposits	\$ —	\$ 1,496	\$ —	\$ 1,496
Other liabilities				
Commitments related to securities sold short	10,513	766	—	11,279
Other	—	—	38	38
	10,513	2,262	38	12,813
Derivative financial instruments				
Interest rate contracts	—	656	—	656
Foreign exchange contracts	—	666	—	666
Other contracts	—	4,476	—	4,476
	—	5,798	—	5,798
Total financial liabilities	\$ 10,513	\$ 8,060	\$ 38	\$ 18,611

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (continued)

As at December 31, 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	\$ 127	\$ 462	\$ —	\$ 589
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	8,191	—	—	8,191
Provincial governmental entities and municipal corporations in Canada	15,021	608	—	15,629
School or public corporations in Canada	12	68	—	80
Foreign public administrations	201	—	—	201
Other debt securities	—	7,228	407	7,635
Equity securities	2,411	242	2,238	4,891
	25,836	8,146	2,645	36,627
Loans				
Residential mortgages	—	—	1,102	1,102
Business and government	—	—	602	602
	—	—	1,704	1,704
Segregated fund net assets	7,953	16,252	655	24,860
Derivative financial instruments				
Interest rate contracts	—	475	—	475
Foreign exchange contracts	—	831	—	831
Other contracts	—	4,555	—	4,555
	—	5,861	—	5,861
Total financial assets at fair value through profit or loss	33,916	30,721	5,004	69,641
Financial assets at fair value through other comprehensive income				
Cash and deposits with financial institutions	35	2,097	—	2,132
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	5,775	6,446	—	12,221
Provincial governmental entities and municipal corporations in Canada	24,601	3,815	—	28,416
Foreign public administrations	334	—	—	334
Other debt securities	—	9,209	—	9,209
Equity securities	1,427	—	85	1,512
	32,137	19,470	85	51,692
Total financial assets at fair value through other comprehensive income	32,172	21,567	85	53,824
Total financial assets	\$ 66,088	\$ 52,288	\$ 5,089	\$ 123,465
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Deposits	\$ —	\$ 1,317	\$ —	\$ 1,317
Other liabilities				
Commitments related to securities sold short	11,174	512	—	11,686
Other	—	—	75	75
	11,174	1,829	75	13,078
Derivative financial instruments				
Interest rate contracts	—	797	—	797
Foreign exchange contracts	—	1,421	—	1,421
Other contracts	—	4,408	—	4,408
	—	6,626	—	6,626
Total financial liabilities	\$ 11,174	\$ 8,455	\$ 75	\$ 19,704

During the six-month period ended June 30, 2024, and the year ended December 31, 2023, no material transfers attributable to changes in the observability of market data were made between Levels 1 and 2 of the hierarchy for instruments measured at fair value. Transfers of financial instruments into or out of Level 3 reflect changes in the availability of observable inputs as a result of changes in market conditions.

FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3

Desjardins Group has implemented various key controls and procedures to ensure that the financial instruments categorized within Level 3 are appropriately and reliably measured. During the six-month period ended June 30, 2024, no significant changes were made to key controls and procedures, valuation techniques, unobservable inputs and input value ranges used to determine fair value. For a description of the valuation process for financial instruments categorized within Level 3, refer to Note 5, "Fair value of financial instruments," to the Annual Combined Financial Statements.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3 (continued)

Changes in fair value of financial instruments categorized within Level 3

The following tables present the changes in fair value of financial instruments categorized within Level 3 of the hierarchy, namely financial instruments whose fair value is determined using valuation techniques not based mainly on observable market data.

	Balance at beginning period	Realized gains / losses recognized in profit or loss ⁽¹⁾	Unrealized gains / losses recognized in profit or loss ⁽²⁾	Unrealized gains / losses recognized in other comprehensive income ⁽³⁾	Purchases / Issuances / Other	Sales / Settlements / Other	Balance at end of period
For the six-month period ended June 30, 2024							
Financial assets							
Financial assets at fair value through profit or loss							
Securities							
Other debt securities							
Mortgage bonds	\$ 259	\$ —	\$ (1)	\$ —	\$ —	\$ (18)	\$ 240
Other	148	—	(11)	—	61	(57)	141
Equity securities	2,238	—	38	—	191	(16)	2,451
	2,645	—	26	—	252	(91)	2,832
Loans							
Residential mortgages	1,102	—	(14)	—	78	(99)	1,067
Business and government	602	—	(3)	—	28	(17)	610
	1,704	—	(17)	—	106	(116)	1,677
Segregated fund net assets	655	2	26	—	94	(66)	711
Total financial assets at fair value through profit or loss	5,004	2	35	—	452	(273)	5,220
Financial assets at fair value through other comprehensive income							
Equity securities	85	—	—	2	—	—	87
Total financial assets at fair value through other comprehensive income	85	—	—	2	—	—	87
Total financial assets	\$ 5,089	\$ 2	\$ 35	\$ 2	\$ 452	\$ (273)	\$ 5,307
Financial liabilities							
Financial liabilities at fair value through profit or loss							
Other liabilities – Other							
Financial liability related to the contingent consideration	\$ 75	\$ —	\$ 12	\$ —	\$ —	\$ (49)	\$ 38
Total financial liabilities	\$ 75	\$ —	\$ 12	\$ —	\$ —	\$ (49)	\$ 38

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

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

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

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3 (continued)

Changes in fair value of financial instruments categorized within Level 3 (continued)

	Balance at beginning of period	Realized gains / losses recognized in profit or loss ⁽¹⁾	Unrealized gains / losses recognized in profit or loss ⁽²⁾	Unrealized gains / losses recognized in other comprehensive income ⁽³⁾	Purchases / Issuances / Other	Sales / Settlements / Other	Balance at end of period
For the six-month period ended June 30, 2023							
Financial assets							
Financial assets at fair value through profit or loss							
Securities							
Other debt securities							
Mortgage bonds	\$ 448	\$ —	\$ 1	\$ —	\$ —	\$ (105)	\$ 344
Other	107	—	(2)	—	7	(6)	106
Equity securities	1,903	23	43	—	143	(32)	2,080
	2,458	23	42	—	150	(143)	2,530
Loans							
Residential mortgages	1,062	—	(5)	—	49	(23)	1,083
Business and government	609	—	4	—	—	(18)	595
	1,671	—	(1)	—	49	(41)	1,678
Segregated fund net assets	598	—	(7)	—	183	(140)	634
Total financial assets at fair value through profit or loss	4,727	23	34	—	382	(324)	4,842
Financial assets at fair value through other comprehensive income							
Securities							
Equity securities	65	—	—	9	—	—	74
Total financial assets at fair value through other comprehensive income	65	—	—	9	—	—	74
Total financial assets	\$ 4,792	\$ 23	\$ 34	\$ 9	\$ 382	\$ (324)	\$ 4,916
Financial liabilities							
Financial liabilities at fair value through profit or loss							
Other liabilities – Other							
Financial liability related to the contingent consideration	\$ 95	\$ —	\$ 17	\$ —	\$ —	\$ (60)	\$ 52
Total financial liabilities	\$ 95	\$ —	\$ 17	\$ —	\$ —	\$ (60)	\$ 52

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

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

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

NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

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

The following tables present the gross carrying amount of loans and the exposure amount for off-balance sheet items for which Desjardins Group estimates an allowance for expected credit losses, according to credit quality and the impairment model stage in which they are classified. For more information on credit quality according to risk levels, see Table 28, "Probabilities of default of retail clients by risk level," and Table 29, "Probabilities of default of businesses, financial institutions and sovereign borrowers by risk level," in section 4.0, "Risk Management," of the 2023 Annual Management's Discussion and Analysis.

Loans

As at June 30, 2024	Non-credit impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Residential mortgages				
Excellent	\$ 53,395	\$ 36	\$ —	\$ 53,431
Very low	70,249	402	—	70,651
Low	38,186	1,739	—	39,925
Moderate	2,222	2,631	—	4,853
High	2	857	—	859
Default	—	341	436	777
Total residential mortgages subject to expected credit losses	\$ 164,054	\$ 6,006	\$ 436	\$ 170,496
Residential mortgages at fair value through profit or loss ⁽¹⁾				1,067
Total gross residential mortgages	\$ 164,054	\$ 6,006	\$ 436	\$ 171,563
Allowance for credit losses	(36)	(31)	(27)	(94)
Total net residential mortgages	\$ 164,018	\$ 5,975	\$ 409	\$ 171,469
Consumer, credit card and other personal loans				
Excellent	\$ 5,303	\$ —	\$ —	\$ 5,303
Very low	6,541	2	—	6,543
Low	8,125	836	—	8,961
Moderate	1,164	772	—	1,936
High	13	1,254	—	1,267
Default	—	50	242	292
Total gross consumer, credit card and other personal loans	\$ 21,146	\$ 2,914	\$ 242	\$ 24,302
Allowance for credit losses	(123)	(269)	(168)	(560)
Total net consumer, credit card and other personal loans	\$ 21,023	\$ 2,645	\$ 74	\$ 23,742
Business and government loans				
Acceptable risk				
Investment grade	\$ 25,762	\$ 78	\$ —	\$ 25,840
Other than investment grade	46,497	3,519	—	50,016
Under watch	1,685	2,476	—	4,161
Default	—	193	1,475	1,668
Total business and government loans subject to expected credit losses	\$ 73,944	\$ 6,266	\$ 1,475	\$ 81,685
Business and government loans at fair value through profit or loss ⁽¹⁾				610
Total gross business and government loans	\$ 73,944	\$ 6,266	\$ 1,475	\$ 82,295
Allowance for credit losses	(118)	(93)	(299)	(510)
Total net business and government loans	\$ 73,826	\$ 6,173	\$ 1,176	\$ 81,785
Total gross loans	\$ 259,144	\$ 15,186	\$ 2,153	\$ 278,160
Allowance for credit losses	(277)	(393)	(494)	(1,164)
Total net loans	\$ 258,867	\$ 14,793	\$ 1,659	\$ 276,996

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

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

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

Loans (continued)

As at December 31, 2023	Non-credit impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Residential mortgages				
Excellent	\$ 51,993	\$ 10	\$ —	\$ 52,003
Very low	69,332	332	—	69,664
Low	34,631	2,054	—	36,685
Moderate	1,931	2,796	—	4,727
High	2	1,023	—	1,025
Default	—	277	375	652
Total residential mortgages subject to expected credit losses	\$ 157,889	\$ 6,492	\$ 375	\$ 164,756
Residential mortgages at fair value through profit or loss ⁽¹⁾				1,102
Total gross residential mortgages	\$ 157,889	\$ 6,492	\$ 375	\$ 165,858
Allowance for credit losses	(45)	(33)	(24)	(102)
Total net residential mortgages	\$ 157,844	\$ 6,459	\$ 351	\$ 165,756
Consumer, credit card and other personal loans				
Excellent	\$ 5,069	\$ —	\$ —	\$ 5,069
Very low	6,590	2	—	6,592
Low	7,858	1,224	—	9,082
Moderate	1,101	814	—	1,915
High	8	1,305	—	1,313
Default	—	44	224	268
Total gross consumer, credit card and other personal loans	\$ 20,626	\$ 3,389	\$ 224	\$ 24,239
Allowance for credit losses	(130)	(281)	(140)	(551)
Total net consumer, credit card and other personal loans	\$ 20,496	\$ 3,108	\$ 84	\$ 23,688
Business and government loans				
Acceptable risk				
Investment grade	\$ 25,102	\$ 95	\$ —	\$ 25,197
Other than investment grade	42,287	3,859	—	46,146
Under watch	1,425	2,097	—	3,522
Default	—	186	1,365	1,551
Total business and government loans subject to expected credit losses	\$ 68,814	\$ 6,237	\$ 1,365	\$ 76,416
Business and government loans at fair value through profit or loss ⁽¹⁾				602
Total gross business and government loans	\$ 68,814	\$ 6,237	\$ 1,365	\$ 77,018
Allowance for credit losses	(115)	(81)	(331)	(527)
Total net business and government loans	\$ 68,699	\$ 6,156	\$ 1,034	\$ 76,491
Total gross loans	\$ 247,329	\$ 16,118	\$ 1,964	\$ 267,115
Allowance for credit losses	(290)	(395)	(495)	(1,180)
Total net loans	\$ 247,039	\$ 15,723	\$ 1,469	\$ 265,935

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

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

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

Off-balance sheet items⁽¹⁾

As at June 30, 2024	Non-credit impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Residential mortgages, consumer, credit card and other personal loans				
Excellent	\$ 50,032	\$ —	\$ —	\$ 50,032
Very low	24,461	10	—	24,471
Low	7,694	496	—	8,190
Moderate	362	415	—	777
High	6	241	—	247
Default	—	10	49	59
Total	\$ 82,555	\$ 1,172	\$ 49	\$ 83,776
Allowance for credit losses	(40)	(19)	—	(59)
Total, net of allowance for credit losses	\$ 82,515	\$ 1,153	\$ 49	\$ 83,717
Business and government				
Acceptable risk				
Investment grade	\$ 38,464	\$ 63	\$ —	\$ 38,527
Other than investment grade	15,808	848	—	16,656
Under watch	311	356	—	667
Default	—	8	326	334
Total	\$ 54,583	\$ 1,275	\$ 326	\$ 56,184
Allowance for credit losses	(23)	(8)	—	(31)
Total, net of allowance for credit losses	\$ 54,560	\$ 1,267	\$ 326	\$ 56,153
Total off-balance sheet items	\$ 137,138	\$ 2,447	\$ 375	\$ 139,960
Allowance for credit losses	(63)	(27)	—	(90)
Total off-balance sheet items, net of allowance for credit losses	\$ 137,075	\$ 2,420	\$ 375	\$ 139,870

As at December 31, 2023	Non-credit impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Residential mortgages, consumer, credit card and other personal loans				
Excellent	\$ 48,395	\$ 1	\$ —	\$ 48,396
Very low	24,051	13	—	24,064
Low	6,963	745	—	7,708
Moderate	328	492	—	820
High	5	286	—	291
Default	—	9	48	57
Total	\$ 79,742	\$ 1,546	\$ 48	\$ 81,336
Allowance for credit losses	(43)	(23)	—	(66)
Total, net of allowance for credit losses	\$ 79,699	\$ 1,523	\$ 48	\$ 81,270
Business and government				
Acceptable risk				
Investment grade	\$ 35,776	\$ 40	\$ —	\$ 35,816
Other than investment grade	14,194	1,059	—	15,253
Under watch	346	371	—	717
Default	—	5	219	224
Total	\$ 50,316	\$ 1,475	\$ 219	\$ 52,010
Allowance for credit losses	(20)	(7)	—	(27)
Total, net of allowance for credit losses	\$ 50,296	\$ 1,468	\$ 219	\$ 51,983
Total off-balance sheet items	\$ 130,058	\$ 3,021	\$ 267	\$ 133,346
Allowance for credit losses	(63)	(30)	—	(93)
Total off-balance sheet items, net of allowance for credit losses	\$ 129,995	\$ 2,991	\$ 267	\$ 133,253

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

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

ALLOWANCE FOR CREDIT LOSSES

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

For the six-month period ended June 30, 2024	Non-credit impaired		Credit-impaired	Allowance for credit losses
	Stage 1	Stage 2	Stage 3	
Residential mortgages				
Balance at beginning of period	\$ 48	\$ 33	\$ 24	\$ 105
<i>Provision for credit losses</i>				
Transfers to ⁽¹⁾ :				
Stage 1	15	(13)	(2)	—
Stage 2	(5)	8	(3)	—
Stage 3	—	(2)	2	—
Net remeasurement due to transfers ⁽²⁾	(5)	5	12	12
Changes in risks, parameters and models ⁽³⁾	(23)	5	—	(18)
New originations or acquisitions ⁽⁴⁾	10	—	—	10
Derecognitions and maturities ⁽⁵⁾	(3)	(4)	(6)	(13)
Net drawdowns (repayments) ⁽⁶⁾	—	(1)	—	(1)
	(11)	(2)	3	(10)
Write-offs and recoveries	—	—	—	—
Balance at end of period	\$ 37	\$ 31	\$ 27	\$ 95
Consumer, credit card and other personal loans				
Balance at beginning of period	\$ 170	\$ 304	\$ 140	\$ 614
<i>Provision for credit losses</i>				
Transfers to ⁽¹⁾ :				
Stage 1	157	(150)	(7)	—
Stage 2	(46)	72	(26)	—
Stage 3	(1)	(34)	35	—
Net remeasurement due to transfers ⁽²⁾	(43)	36	128	121
Changes in risks, parameters and models ⁽³⁾	(108)	96	132	120
New originations or acquisitions ⁽⁴⁾	46	—	—	46
Derecognitions and maturities ⁽⁵⁾	(13)	(32)	(41)	(86)
Net drawdowns (repayments) ⁽⁶⁾	—	(4)	—	(4)
	(8)	(16)	221	197
Write-offs and recoveries	—	—	(193)	(193)
Balance at end of period	\$ 162	\$ 288	\$ 168	\$ 618
Business and government				
Balance at beginning of period	\$ 135	\$ 88	\$ 331	\$ 554
<i>Provision for credit losses</i>				
Transfers to ⁽¹⁾ :				
Stage 1	28	(26)	(2)	—
Stage 2	(17)	23	(6)	—
Stage 3	(1)	(6)	7	—
Net remeasurement due to transfers ⁽²⁾	(12)	15	59	62
Changes in risks, parameters and models ⁽³⁾	(39)	20	(11)	(30)
New originations or acquisitions ⁽⁴⁾	59	—	—	59
Derecognitions and maturities ⁽⁵⁾	(22)	(15)	(7)	(44)
Net drawdowns (repayments) ⁽⁶⁾	10	2	(17)	(5)
	6	13	23	42
Write-offs and recoveries	—	—	(55)	(55)
Balance at end of period	\$ 141	\$ 101	\$ 299	\$ 541
Total balances at end of period	\$ 340	\$ 420	\$ 494	\$ 1,254
Composed of:				
Loans	\$ 277	\$ 393	\$ 494	\$ 1,164
Off-balance sheet items ⁽⁷⁾	63	27	—	90

⁽¹⁾ Represent transfers between stages before the remeasurement of expected credit losses.

⁽²⁾ Represents the remeasurement of the allowance for expected credit losses resulting from transfers between stages.

⁽³⁾ Represent the change in the allowance due to changes in risks resulting from changes in forward-looking information, risk levels, parameters and models, after transfers between stages.

⁽⁴⁾ Represent the increase in the allowance for new originations or acquisitions during the period, including loans that were derecognized and for which a new asset was recognized following a modification of terms.

⁽⁵⁾ Represent mainly the decrease in the allowance for fully repaid loans, including loans that were derecognized and for which a new asset was recognized following a modification of terms.

⁽⁶⁾ Represent changes in the allowance attributable to drawdowns and repayments on outstanding loans.

⁽⁷⁾ The allowance for credit losses on off-balance sheet items is presented under "Other liabilities – Other" in the Combined Balance Sheets.

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

ALLOWANCE FOR CREDIT LOSSES (continued)

For the six-month period ended June 30, 2023	Non-credit impaired		Credit-impaired	Allowance for credit losses
	Stage 1	Stage 2	Stage 3	
Residential mortgages				
Balance at beginning of period	\$ 59	\$ 44	\$ 16	\$ 119
<i>Provision for credit losses</i>				
Transfers to ⁽¹⁾ :				
Stage 1	22	(21)	(1)	—
Stage 2	(5)	7	(2)	—
Stage 3	—	(2)	2	—
Net remeasurement due to transfers ⁽²⁾	(8)	7	7	6
Changes in risks, parameters and models ⁽³⁾	(26)	6	4	(16)
New originations or acquisitions ⁽⁴⁾	8	—	—	8
Derecognitions and maturities ⁽⁵⁾	(3)	(3)	(4)	(10)
Net drawdowns (repayments) ⁽⁶⁾	—	(1)	—	(1)
	(12)	(7)	6	(13)
Balance at end of period	\$ 47	\$ 37	\$ 22	\$ 106
Consumer, credit card and other personal loans				
Balance at beginning of period	\$ 170	\$ 310	\$ 91	\$ 571
<i>Provision for credit losses</i>				
Transfers to ⁽¹⁾ :				
Stage 1	130	(126)	(4)	—
Stage 2	(48)	67	(19)	—
Stage 3	—	(25)	25	—
Net remeasurement due to transfers ⁽²⁾	(18)	29	83	94
Changes in risks, parameters and models ⁽³⁾	(96)	66	128	98
New originations or acquisitions ⁽⁴⁾	42	—	—	42
Derecognitions and maturities ⁽⁵⁾	(13)	(24)	(44)	(81)
Net drawdowns (repayments) ⁽⁶⁾	—	(3)	—	(3)
	(3)	(16)	169	150
Write-offs and recoveries	—	—	(130)	(130)
Balance at end of period	\$ 167	\$ 294	\$ 130	\$ 591
Business and government				
Balance at beginning of period	\$ 125	\$ 69	\$ 204	\$ 398
<i>Provision for credit losses</i>				
Transfers to ⁽¹⁾ :				
Stage 1	33	(32)	(1)	—
Stage 2	(15)	19	(4)	—
Stage 3	—	(4)	4	—
Net remeasurement due to transfers ⁽²⁾	(9)	10	43	44
Changes in risks, parameters and models ⁽³⁾	(56)	10	23	(23)
New originations or acquisitions ⁽⁴⁾	44	—	—	44
Derecognitions and maturities ⁽⁵⁾	(13)	(5)	(16)	(34)
Net drawdowns (repayments) ⁽⁶⁾	3	3	—	6
Other	—	—	1	1
	(13)	1	50	38
Write-offs and recoveries	—	—	(8)	(8)
Balance at end of period	\$ 112	\$ 70	\$ 246	\$ 428
Total balances at end of period	\$ 326	\$ 401	\$ 398	\$ 1,125
Composed of:				
Loans	\$ 264	\$ 378	\$ 398	\$ 1,040
Off-balance sheet items ⁽⁷⁾	62	23	—	85

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

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

(3) Represent the change in the allowance due to changes in risks resulting from changes in forward-looking information, risk levels, parameters and models, after transfers between stages.

(4) Represent the increase in the allowance for new originations or acquisitions during the period, including loans that were derecognized and for which a new asset was recognized following a modification of terms.

(5) Represent mainly the decrease in the allowance for fully repaid loans, including loans that were derecognized and for which a new asset was recognized following a modification of terms.

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

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

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

KEY DATA AND ASSUMPTIONS

The following information is an update, compared to the most recent Annual Combined Financial Statements, of key data and assumptions underlying the measurement of the allowance for expected credit losses. For more information, see Notes 2, "Accounting policies," and 8, "Loans and allowance for credit losses," to the Annual Combined Financial Statements.

The macroeconomic environment is still characterized by high interest rates, despite a slight decrease compared to the first quarter of 2024, growing geopolitical tensions and inflation that remains high, which continues to cause uncertainty. Therefore, management has to continue making particularly complex judgments to estimate the allowance for credit losses in such situation.

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

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

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
As at June 30, 2024						
Macroeconomic variables⁽¹⁾						
Gross domestic product (annualized change)	1.5 %	1.7 %	2.6 %	2.2 %	(1.0) %	1.0 %
Unemployment rate (average)	5.8 %	4.8 %	4.5 %	3.5 %	6.8 %	6.3 %
Consumer Price Index (annualized change)	2.4 %	1.8 %	3.2 %	2.5 %	1.7 %	1.8 %
Housing prices (annualized change)	5.9 %	3.5 %	9.7 %	4.3 %	(16.4) %	3.9 %
Corporate credit spread ⁽²⁾ (average)	136 bp	126 bp	102 bp	95 bp	210 bp	171 bp
S&P/TSX stock index ⁽²⁾ (annualized change)	3.0 %	5.0 %	15.0 %	6.0 %	(21.0) %	9.0 %

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
As at December 31, 2023						
Macroeconomic variables⁽¹⁾						
Gross domestic product (annualized change)	0.6 %	1.5 %	1.5 %	2.0 %	(2.0) %	1.1 %
Unemployment rate (average)	5.7 %	4.4 %	4.7 %	3.6 %	7.3 %	6.5 %
Consumer Price Index (annualized change)	2.1 %	2.0 %	2.7 %	2.0 %	1.2 %	1.8 %
Housing prices (annualized change)	1.0 %	3.4 %	5.7 %	3.8 %	(26.6) %	5.8 %
Corporate credit spread ⁽²⁾ (average)	177 bp	145 bp	125 bp	109 bp	274 bp	183 bp
S&P/TSX stock index ⁽²⁾ (annualized change)	3.9 %	5.8 %	22.6 %	7.1 %	(19.5) %	9.9 %

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

⁽²⁾ Macroeconomic variables related to the Canadian economy.

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

KEY DATA AND ASSUMPTIONS (continued)

The base scenario forecasts that the low economic growth period will extend until summer 2024. The lagged effects of previous interest rate hikes continue to put a strain on the economy, but as a result of the progress made on the inflation front, several central banks have started to decrease interest rates, which will help the economy accelerate by the end of the year. Until then, the unemployment rate should continue to rise to close to 6% in Québec. Afterwards, it should return to a downward trend, driven by accelerating economic growth, to converge to below 4%. The insufficient housing supply compared to the size of population will continue to support the housing market, with price increases expected in 2024 and subsequent years.

In the downside scenario, inflation could continue to concern central banks for a longer period and limit the number of interest rate decreases, which would result in a more extended period of economic weakness. In this scenario, real GDP decreases would be likely by the end of 2024 and in the first half of 2025. The increase in unemployment rate would be more evident, peaking in early 2025 at approximately 7.5% in Québec. With inflation eventually going down, interest rates could be lowered faster in 2025. This would help setting the foundations for an economic recovery, with a re-acceleration of real GDP and gradual reduction in unemployment. The downside scenario includes a house price correction of about 20% in Québec from the beginning of 2024 to the end of 2025. Higher unemployment and lower demographic growth would be some of the key factors behind this correction.

The upside scenario essentially assumes that the economy will be stronger than in the base scenario, helped by a sharper rebound in investments. More significant productivity gains could also be experienced, which would help economic growth while limiting inflationary pressures. Other factors, such as a quick end to the conflicts in Ukraine and the Middle East, could also support the global economy. In this scenario, the unemployment rate could decrease to close to 4% by 2025 and gradually converge to 3% in the longer term. Inflation would still be more persistent than under the base scenario. The return to the 2% inflation target would take more time and incite the Bank of Canada to maintain higher policy interest rates over an extended period. There would then be fewer decreases than under the base scenario. The discount rate would not be reduced below 3.75%, which is close to the high end of the neutral rate range estimated by the Bank of Canada. Slightly higher interest rates under this scenario would contribute to limiting the rise in house prices, which would still be a little stronger than under the base scenario.

The development of the economic outlook after June 30, 2024, will be considered in estimating the allowance for expected credit losses in future periods.

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

Scenarios

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

	Allowance for credit losses on non-credit impaired loans and off-balance sheet items	
	As at June 30, 2024	As at December 31, 2023
Under IFRS 9	\$ 760	\$ 778
Weighting of 100% assigned to the scenario:		
Base	\$ 663	\$ 649
Upside	498	544
Downside	1,075	1,097

Transfers between stages

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

	Allowance for credit losses on non-credit impaired loans and off-balance sheet items	
	As at June 30, 2024	As at December 31, 2023
Under IFRS 9	\$ 760	\$ 778
If all non-credit impaired loans and off-balance sheet items had been included in Stage 1	\$ 575	\$ 690

NOTE 6 – DEPOSITS

Deposits consist of demand deposits (payable on demand), notice deposits (payable upon notice) and term deposits (payable on a fixed date). Demand deposits are interest-bearing or non-interest-bearing deposits, primarily accounts with chequing privileges, for which Desjardins Group does not have the right to require notice prior to withdrawal. Notice deposits are interest-bearing deposits, primarily savings accounts, for which Desjardins Group has the legal right to require notice prior to withdrawal. Term deposits are interest-bearing deposits, primarily fixed-term deposit accounts, guaranteed investment certificates or other similar instruments, with a term that generally varies from one day to 10 years and mature on a predetermined date.

The following table presents the breakdown of deposits.

	As at June 30, 2024				As at December 31, 2023			
	Payable on demand	Payable upon notice	Payable on a fixed date	Total	Payable on demand	Payable upon notice	Payable on a fixed date	Total
Individuals	\$ 68,142	\$ 4,295	\$ 85,323	\$ 157,760	\$ 65,675	\$ 4,751	\$ 81,093	\$ 151,519
Business and government	55,401	282	76,242	131,925	51,259	281	75,679	127,219
Deposit-taking institutions	341	—	59	400	254	—	337	591
	\$ 123,884	\$ 4,577	\$ 161,624	\$ 290,085	\$ 117,188	\$ 5,032	\$ 157,109	\$ 279,329

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS

COMPOSITION OF BALANCE SHEET BALANCES

Balance sheet summary

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

	As at June 30, 2024			As at December 31, 2023		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
Insurance contract liabilities						
Insurance contract liabilities, excluding the asset for insurance acquisition cash flows ⁽¹⁾	\$ 25,811	\$ 7,282	\$ 33,093	\$ 25,817	\$ 7,194	\$ 33,011
Asset for insurance acquisition cash flows	(39)	—	(39)	(50)	—	(50)
	\$ 25,772	\$ 7,282	\$ 33,054	\$ 25,767	\$ 7,194	\$ 32,961
Reinsurance contract liabilities	\$ 37	\$ —	\$ 37	\$ 38	\$ —	\$ 38
Reinsurance contract assets	\$ 925	\$ 750	\$ 1,675	\$ 923	\$ 753	\$ 1,676

⁽¹⁾ The balance for life and health insurance includes an amount of \$3,472 million (\$3,486 million as at December 31, 2023) corresponding to the obligation to segregated fund holders and an amount of \$506 million (\$602 million as at December 31, 2023) related to segregated fund guarantees.

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

INSURANCE FINANCE RESULT

Finance expenses and investment income

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

	2024			2023		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
For the three-month periods ended June 30						
Return on assets held in respect of insurance activities						
Net insurance investment income (loss)						
Insurance contracts	\$ 283	\$ 150	\$ 433	\$ 168	\$ 24	\$ 192
Segregated fund contracts	34	—	34	57	—	57
	317	150	467	225	24	249
Net change in insurance investment gains and losses recognized in the Combined Statements of Comprehensive Income	29	39	68	(10)	(38)	(48)
	346	189	535	215	(14)	201
Net insurance and reinsurance finance income (expenses)						
Net insurance finance income (expenses)						
Capitalized interest	(225)	(83)	(308)	(194)	(85)	(279)
Effect related to changes in discount rates and other financial assumptions	153	(19)	134	133	95	228
Change in the fair value of underlying assets of insurance contracts with direct participation features:						
Insurance contracts	(22)	—	(22)	(15)	—	(15)
Segregated fund contracts	(34)	—	(34)	(57)	—	(57)
Effect of financial risk mitigation	4	—	4	57	—	57
Other	(18)	—	(18)	(17)	—	(17)
	(142)	(102)	(244)	(93)	10	(83)
Net reinsurance finance income (expenses)						
Capitalized interest	7	8	15	4	8	12
Effect related to changes in discount rates and other financial assumptions	(3)	2	(1)	4	(9)	(5)
Other	—	—	—	4	—	4
	4	10	14	12	(1)	11
	(138)	(92)	(230)	(81)	9	(72)
Total	\$ 208	\$ 97	\$ 305	\$ 134	\$ (5)	\$ 129
Composed of:						
Net insurance finance result in the Combined Statements of Income	\$ 179	\$ 58	\$ 237	\$ 144	\$ 33	\$ 177
Net insurance finance result in the Combined Statements of Comprehensive Income	29	39	68	(10)	(38)	(48)

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

INSURANCE FINANCE RESULT (continued)

Finance expenses and investment income (continued)

	2024			2023		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
For the six-month periods ended June 30						
Return on assets held in respect of insurance activities						
Net insurance investment income (loss)						
Insurance contracts	\$ (118)	\$ 332	\$ 214	\$ 889	\$ 224	\$ 1,113
Segregated fund contracts	214	—	214	216	—	216
	96	332	428	1,105	224	1,329
Net change in insurance investment gains and losses recognized in the Combined Statements of Comprehensive Income	98	28	126	55	28	83
	194	360	554	1,160	252	1,412
Net insurance and reinsurance finance income (expenses)						
Net insurance finance income (expenses)						
Capitalized interest	(459)	(150)	(609)	(381)	(150)	(531)
Effect related to changes in discount rates and other financial assumptions	898	34	932	(323)	42	(281)
Change in the fair value of underlying assets of insurance contracts with direct participation features:						
Insurance contracts	(44)	—	(44)	(68)	—	(68)
Segregated fund contracts	(214)	—	(214)	(216)	—	(216)
Effect of financial risk mitigation	103	—	103	47	—	47
Other	(37)	—	(37)	(33)	—	(33)
	247	(116)	131	(974)	(108)	(1,082)
Net reinsurance finance income (expenses)						
Capitalized interest	12	14	26	13	15	28
Effect related to changes in discount rates and other financial assumptions	(35)	(3)	(38)	24	(4)	20
Other	—	—	—	5	—	5
	(23)	11	(12)	42	11	53
	224	(105)	119	(932)	(97)	(1,029)
Total	\$ 418	\$ 255	\$ 673	\$ 228	\$ 155	\$ 383
Composed of:						
Net insurance finance result in the Combined Statements of Income	\$ 320	\$ 227	\$ 547	\$ 173	\$ 127	\$ 300
Net insurance finance result in the Combined Statements of Comprehensive Income	98	28	126	55	28	83

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

RECONCILIATIONS OF INSURANCE CONTRACT LIABILITIES

Reconciliations of insurance contract liabilities

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

Life and health insurance activities

	Remaining coverage		Incurred claims Contracts				Total
	Excluding the loss component	Loss component	Other than those to which the premium allocation approach has been applied	To which the premium allocation approach has been applied			
				Estimates of the present value of future cash flows	Risk adjustment for non- financial risk		
For the six-month period ended June 30, 2024							
Liability balance at beginning of period	\$ 20,994	\$ 128	\$ 338	\$ 4,244	\$ 113	\$ 25,817	
Insurance revenue							
Contracts to which the fair value approach has been applied	(566)	—	—	—	—	(566)	
Other contracts	(1,502)	—	—	—	—	(1,502)	
	(2,068)	—	—	—	—	(2,068)	
Insurance service expenses							
Incurred claims and other incurred insurance service expenses	—	(22)	542	1,028	(1)	1,547	
Amortization of insurance acquisition cash flows	163	—	—	—	—	163	
Losses and reversals of losses on onerous contracts	—	67	—	—	—	67	
	163	45	542	1,028	(1)	1,777	
Insurance service result	(1,905)	45	542	1,028	(1)	(291)	
Net insurance finance expenses (income)	(288)	6	6	29	—	(247)	
Total items recognized in the Combined Statements of Income	\$ (2,193)	\$ 51	\$ 548	\$ 1,057	\$ (1)	\$ (538)	
Investment components	(996)	—	414	582	—	—	
Cash flows							
Premiums and other amounts received	3,374	—	—	—	—	3,374	
Insurance acquisition cash outflows	(259)	—	—	—	—	(259)	
Claims and other insurance service expenses paid (including investment components)	—	—	(952)	(1,631)	—	(2,583)	
Total cash flows	\$ 3,115	\$ —	\$ (952)	\$ (1,631)	\$ —	\$ 532	
Liability balance at end of period	\$ 20,920	\$ 179	\$ 348	\$ 4,252	\$ 112	\$ 25,811	

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

Life and health insurance activities (continued)

For the six-month period ended June 30, 2023	Remaining coverage		Incurred claims Contracts				Total
	Excluding the loss component	Loss component	Other than those to which the premium allocation approach has been applied	To which the premium allocation approach has been applied		Risk adjustment for non- financial risk	
				Estimates of the present value of future cash flows			
Liability balance at beginning of period	\$ 18,655	\$ 94	\$ 344	\$ 4,032	\$ 108	\$ 23,233	
Insurance revenue							
Contracts to which the fair value approach has been applied	(548)	—	—	—	—	(548)	
Other contracts	(1,327)	—	—	—	—	(1,327)	
	(1,875)	—	—	—	—	(1,875)	
Insurance service expenses							
Incurred claims and other incurred insurance service expenses	—	(21)	441	953	(2)	1,371	
Amortization of insurance acquisition cash flows	164	—	—	—	—	164	
Losses and reversal of losses on onerous contracts	—	32	—	—	—	32	
	164	11	441	953	(2)	1,567	
Insurance service result	(1,711)	11	441	953	(2)	(308)	
Net insurance finance expenses (income)	885	1	6	79	3	974	
Total items recognized in the Combined Statements of Income	\$ (826)	\$ 12	\$ 447	\$ 1,032	\$ 1	\$ 666	
Investment components	(864)	—	325	539	—	—	
Cash flows							
Premiums and other amounts received	2,751	—	—	—	—	2,751	
Insurance acquisition cash outflows	(267)	—	—	—	—	(267)	
Claims and other insurance service expenses paid (including investment components)	—	—	(791)	(1,521)	—	(2,312)	
Total cash flows	\$ 2,484	\$ —	\$ (791)	\$ (1,521)	\$ —	\$ 172	
Other changes	(8)	—	—	(5)	—	(13)	
Liability balance at end of period	\$ 19,441	\$ 106	\$ 325	\$ 4,077	\$ 109	\$ 24,058	

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

Property and casualty insurance activities

For the six-month period ended June 30, 2024	Remaining coverage		Incurred claims ⁽¹⁾		Total
	Excluding the loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non- financial risk	
Liability balance at beginning of period	\$ 112	\$ 224	\$ 6,351	\$ 507	\$ 7,194
Insurance revenue	(3,513)	—	—	—	(3,513)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	—	(180)	2,359	88	2,267
Amortization of insurance acquisition cash flows	537	—	—	—	537
Changes related to claims incurred in prior years	—	—	(199)	(99)	(298)
Losses and reversals of losses on onerous contracts	—	250	—	—	250
	537	70	2,160	(11)	2,756
Insurance service result	(2,976)	70	2,160	(11)	(757)
Net insurance finance expenses (income)	—	—	107	9	116
Total items recognized in the Combined Statements of Income	\$ (2,976)	\$ 70	\$ 2,267	\$ (2)	\$ (641)
Cash flows					
Premiums and other amounts received	3,615	—	—	—	3,615
Insurance acquisition cash outflows	(562)	—	—	—	(562)
Claims and other insurance service expenses paid (including investment components)	—	—	(2,324)	—	(2,324)
Total cash flows	\$ 3,053	\$ —	\$ (2,324)	\$ —	\$ 729
Liability balance at end of period	\$ 189	\$ 294	\$ 6,294	\$ 505	\$ 7,282

For the six-month period ended June 30, 2023	Remaining coverage		Incurred claims ⁽¹⁾		Total
	Excluding the loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non- financial risk	
Liability balance at beginning of period	\$ 66	\$ 277	\$ 6,192	\$ 480	\$ 7,015
Insurance revenue	(3,180)	—	—	—	(3,180)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	—	(238)	2,515	93	2,370
Amortization of insurance acquisition cash flows	531	—	—	—	531
Changes related to claims incurred in prior years	—	—	(141)	(94)	(235)
Losses and reversals of losses on onerous contracts	—	363	—	—	363
	531	125	2,374	(1)	3,029
Insurance service result	(2,649)	125	2,374	(1)	(151)
Net insurance finance expenses (income)	—	—	100	8	108
Total items recognized in the Combined Statements of Income	\$ (2,649)	\$ 125	\$ 2,474	\$ 7	\$ (43)
Cash flows					
Premiums and other amounts received	3,223	—	—	—	3,223
Insurance acquisition cash outflows	(534)	—	—	—	(534)
Claims and other insurance service expenses paid (including investment components)	—	—	(2,393)	—	(2,393)
Total cash flows	\$ 2,689	\$ —	\$ (2,393)	\$ —	\$ 296
Liability balance at end of period	\$ 106	\$ 402	\$ 6,273	\$ 487	\$ 7,268

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

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

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

Life and health insurance activities

For the six-month period ended June 30, 2024	Estimates of the present value of future cash flows		Contractual service margin		Total
			Risk adjustment for non- financial risk	Contracts to which the fair value approach has been applied	
Liability balance at beginning of period	\$ 18,034	\$ 768	\$ 2,720	\$ 93	\$ 21,615
Changes that relate to current service					
Amount of the contractual service margin	—	—	(131)	(4)	(135)
Change in the risk adjustment for non-financial risk for expired risks	—	(22)	—	—	(22)
Experience adjustments	10	—	—	—	10
	10	(22)	(131)	(4)	(147)
Changes that relate to future service					
Changes in estimates that adjust the contractual service margin	(38)	(12)	60	(11)	(1)
Changes in estimates that result in losses or reversal of losses on onerous contracts	27	—	—	—	27
Contracts initially recognized in the period	(56)	31	—	41	16
	(67)	19	60	30	42
Insurance service result	(57)	(3)	(71)	26	(105)
Net insurance finance expenses (income)	(288)	(17)	24	3	(278)
Total items recognized in the Combined Statements of Income	\$ (345)	\$ (20)	\$ (47)	\$ 29	\$ (383)
Cash flows					
Premiums and other amounts received	1,441	—	—	—	1,441
Insurance acquisition cash outflows	(89)	—	—	—	(89)
Claims and other insurance service expenses paid (including investment components)	(952)	—	—	—	(952)
Total cash flows	400	—	—	—	400
Liability balance at end of period	\$ 18,089	\$ 748	\$ 2,673	\$ 122	\$ 21,632

NOTE 7 – INSURANCE AND REINSURANCE CONTRACTS (continued)

Life and health insurance activities (continued)

For the six-month period ended June 30, 2023	Estimates of the present value of future cash flows		Contractual service margin		Total
			Risk adjustment for non- financial risk	Contracts to which the fair value approach has been applied	
Liability balance at beginning of period	\$ 15,658	\$ 720	\$ 2,847	\$ 37	\$ 19,262
Changes that relate to current service					
Amount of the contractual service margin	—	—	(110)	(1)	(111)
Change in the risk adjustment for non-financial risk for expired risks	—	(21)	—	—	(21)
Experience adjustments	(15)	—	—	—	(15)
	(15)	(21)	(110)	(1)	(147)
Changes that relate to future service					
Changes in estimates that adjust the contractual service margin	(65)	(8)	72	1	—
Changes in estimates that result in losses or reversal of losses on onerous contracts	(5)	—	—	—	(5)
Contracts initially recognized in the period	(37)	26	—	27	16
	(107)	18	72	28	11
Insurance service result	(122)	(3)	(38)	27	(136)
Net insurance finance expenses (income)	837	33	21	1	892
Total items recognized in the Combined Statements of Income	\$ 715	\$ 30	\$ (17)	\$ 28	\$ 756
Cash flows					
Premiums and other amounts received	944	—	—	—	944
Insurance acquisition cash outflows	(100)	—	—	—	(100)
Claims and other insurance service expenses paid (including investment components)	(791)	—	—	—	(791)
Total cash flows	\$ 53	\$ —	\$ —	\$ —	\$ 53
Other changes	(13)	—	—	—	(13)
Liability balance at end of period	\$ 16,413	\$ 750	\$ 2,830	\$ 65	\$ 20,058

NOTE 8 – ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	As at June 30, 2024		As at December 31, 2023	
	Group's share	Non-controlling interests' share	Group's share	Non-controlling interests' share
Items that will be reclassified subsequently to the Combined Statements of Income				
Net unrealized gains (losses) on debt securities classified as at fair value through other comprehensive income ⁽¹⁾	\$ (332)	\$ (2)	\$ (428)	\$ (1)
Net gains (losses) on derivative financial instruments designated as cash flow hedges	(476)	—	(280)	—
Accumulated other comprehensive income	\$ (808)	\$ (2)	\$ (708)	\$ (1)

⁽¹⁾ Take into account an allowance for credit losses of \$9 million as at June 30, 2024, (\$18 million as at December 31, 2023) on securities classified as at fair value through other comprehensive income.

NOTE 9 – CAPITAL MANAGEMENT

The goal of capital management at Desjardins Group is to ensure 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 the financial capital costs, the organization has adopted a target capital structure that takes into account the banking industry regulatory requirements, Desjardins Group's ambitions for maintaining its credit ratings and the risk profiles of the organization and its components. The target structure is updated based on changes in the above factors and approved annually by the Federation's Board of Directors.

Desjardins Group's capital ratios are calculated according to the *Capital Adequacy Guideline* applicable to financial services cooperatives.

As it was designated by the AMF as a domestic systemically important financial institution, Desjardins Group is subject to an additional capital surcharge of 1.0% and must maintain a minimum Tier 1A capital ratio of 8.0%. Its Tier 1 capital ratio and total capital ratio must be above 9.5% and 11.5%, respectively. These ratios include a 2.5% capital conversation buffer. In addition, Desjardins Group is required by the AMF to meet a minimum leverage ratio of 3.5%.

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

As at June 30, 2024, Desjardins Group was in compliance with the AMF's capital ratio and leverage ratio regulatory requirements.

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

(in millions of dollars and as a percentage)	As at June 30, 2024	As at December 31, 2023
Capital and other TLAC instruments		
Tier 1A capital	\$ 31,111	\$ 28,678
Tier 1 capital	31,111	28,678
Total capital	34,152	30,745
Available total loss absorbing capacity (TLAC) ⁽¹⁾	44,289	40,137
Risk-weighted assets		
Credit risk ⁽²⁾	120,993	115,313
Market risk ⁽²⁾	3,322	2,881
Operational risk	22,759	22,287
Total risk-weighted assets	\$ 147,074	\$ 140,481
Total risk-weighted assets for TLAC ratio purposes⁽¹⁾	143,099	136,311
Leverage ratio exposure	411,407	390,563
TLAC leverage ratio exposure⁽¹⁾	405,638	383,474
Ratios		
Tier 1A capital	21.2 %	20.4 %
Tier 1 capital	21.2	20.4
Total capital	23.2	21.9
TLAC ⁽¹⁾	30.9	29.4
Leverage	7.6	7.3
TLAC leverage ⁽¹⁾	10.9	10.5

⁽¹⁾ Data calculated at the resolution group level that is deemed to be Desjardins Group excluding CDO.

⁽²⁾ Data as at June 30, 2024, reflect the provisions relating to the revised market risk and credit valuation adjustment (CVA) risk frameworks that became effective on January 1, 2024.

NOTE 10 – NET INTEREST INCOME AND NET OTHER INVESTMENT INCOME (LOSS)

NET INTEREST INCOME

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
Interest income on financial assets				
At amortized cost	\$ 3,924	\$ 3,131	\$ 7,607	\$ 6,035
At fair value through other comprehensive income	494	432	957	852
At fair value through profit or loss	73	96	184	180
	4,491	3,659	8,748	7,067
Interest expense on financial liabilities				
At amortized cost	2,523	1,914	4,951	3,714
At fair value through profit or loss	107	79	203	146
	2,630	1,993	5,154	3,860
	\$ 1,861	\$ 1,666	\$ 3,594	\$ 3,207

⁽¹⁾ Data have been restated to conform with the presentation for the current period.

NET OTHER INVESTMENT INCOME (LOSS)

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

For the three-month periods ended June 30	2024			2023 ⁽¹⁾		
	Net interest and dividend income	Change in fair value and other	Total	Net interest and dividend income	Change in fair value and other	Total
Net other investment income (loss) on financial assets and liabilities						
Classified as at fair value through profit or loss	\$ (166)	\$ 154	\$ (12)	\$ (17)	\$ 61	\$ 44
Designated as at fair value through profit or loss	—	(16)	(16)	—	15	15
Classified as at fair value through other comprehensive income	11	(20)	(9)	7	(9)	(2)
At amortized cost and other	(24)	—	(24)	(16)	—	(16)
	\$ (179)	\$ 118	\$ (61)	\$ (26)	\$ 67	\$ 41

For the six-month periods ended June 30	2024			2023 ⁽¹⁾		
	Net interest and dividend income	Change in fair value and other	Total	Net interest and dividend income	Change in fair value and other	Total
Net other investment income (loss) on financial assets and liabilities						
Classified as at fair value through profit or loss	\$ (292)	\$ 320	\$ 28	\$ (74)	\$ 130	\$ 56
Designated as at fair value through profit or loss	—	(41)	(41)	—	(1)	(1)
Classified as at fair value through other comprehensive income	21	(28)	(7)	17	(33)	(16)
At amortized cost and other	(24)	—	(24)	(16)	—	(16)
	\$ (295)	\$ 251	\$ (44)	\$ (73)	\$ 96	\$ 23

⁽¹⁾ Data have been restated to conform with the presentation for the current period.

NOTE 11 – SEGMENTED INFORMATION

During the first quarter of 2024, some changes were made to business segments to reflect management's decisions on how each segment is managed. The presentation of segmented information conforms with the presentation adopted by Desjardins Group for the year that began on January 1, 2024. 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.

Since the first quarter of 2024, Desjardins Group has transferred the interest rate and liquidity risks inherent in assets and liabilities related to members and clients to the matching management teams. The Personal and Business Services segment's net interest income includes the compensation and costs related to this internal funding. The internal funding rate, which is market-based, takes into account Desjardins Group's objectives for managing interest rate and liquidity risks and costs related to capital. Since the second quarter, this segment has also been allocated the estimated amount of capital needed to maintain a level of capital and a capital structure that optimize the financial cost of capital related to its operations.

RESULTS BY BUSINESS SEGMENT

The following tables provide a summary of Desjardins Group's financial results by business segment.

	Personal and Business Services		Wealth Management and Life and Health Insurance		Property and Casualty Insurance		Other		Combined	
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾	2024	2023	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
For the three-month periods ended June 30										
Net interest income	\$ 1,778	\$ 1,586	\$ 69	\$ 53	\$ —	\$ —	\$ 14	\$ 27	\$ 1,861	\$ 1,666
Net insurance service income (loss)	—	—	314	247	518	188	25	30	857	465
Other income	640	623	652	627	(9)	(7)	(248)	(135)	1,035	1,108
Total net revenue	2,418	2,209	1,035	927	509	181	(209)	(78)	3,753	3,239
Provision for (recovery of) credit losses	86	65	—	1	1	—	—	—	87	66
Net non-interest expense	1,713	1,744	761	720	96	101	(123)	(131)	2,447	2,434
Operating surplus earnings	619	400	274	206	412	80	(86)	53	1,219	739
Income taxes on surplus earnings	160	98	43	51	112	24	(14)	13	301	186
Surplus earnings before member dividends	459	302	231	155	300	56	(72)	40	918	553
Member dividends, net of income tax recovery	81	80	—	—	—	—	—	—	81	80
Net surplus earnings for the period after member dividends	\$ 378	\$ 222	\$ 231	\$ 155	\$ 300	\$ 56	\$ (72)	\$ 40	\$ 837	\$ 473
of which:										
Group's share	\$ 378	\$ 222	\$ 231	\$ 155	\$ 265	\$ 45	\$ (72)	\$ 40	\$ 802	\$ 462
Non-controlling interests' share	—	—	—	—	35	11	—	—	35	11

⁽¹⁾ Data have been restated to conform with the presentation for the current period.

NOTE 11 – SEGMENTED INFORMATION (continued)

RESULTS BY BUSINESS SEGMENT (continued)

	Personal and Business Services		Wealth Management and Life and Health Insurance		Property and Casualty Insurance		Other		Combined	
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾	2024	2023	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
For the six-month periods ended June 30										
Net interest income	\$ 3,458	\$ 3,074	\$ 126	\$ 97	\$ —	\$ —	\$ 10	\$ 36	\$ 3,594	\$ 3,207
Net insurance service income (loss)	—	—	584	458	957	250	35	(11)	1,576	697
Other income	1,277	1,208	1,282	1,102	1	(15)	(413)	(293)	2,147	2,002
Total net revenue	4,735	4,282	1,992	1,657	958	235	(368)	(268)	7,317	5,906
Provision for (recovery of) credit losses	228	174	(2)	—	(6)	(2)	—	(1)	220	171
Net non-interest expense	3,343	3,448	1,518	1,321	186	194	(289)	(433)	4,758	4,530
Operating surplus earnings	1,164	660	476	336	778	43	(79)	166	2,339	1,205
Income taxes on surplus earnings	304	164	76	89	198	12	(12)	45	566	310
Surplus earnings before member dividends	860	496	400	247	580	31	(67)	121	1,773	895
Member dividends, net of income tax recovery	162	158	—	—	—	—	—	—	162	158
Net surplus earnings for the period after member dividends	\$ 698	\$ 338	\$ 400	\$ 247	\$ 580	\$ 31	\$ (67)	\$ 121	\$ 1,611	\$ 737
of which:										
Group's share	\$ 698	\$ 338	\$ 400	\$ 247	\$ 511	\$ 17	\$ (67)	\$ 121	\$ 1,542	\$ 723
Non-controlling interests' share	—	—	—	—	69	14	—	—	69	14

⁽¹⁾ Data have been restated to conform with the presentation for the current period.

SEGMENT ASSETS

	Personal and Business Services		Wealth Management and Life and Health Insurance		Property and Casualty Insurance		Other		Combined	
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾	2024	2023	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
As at June 30, 2024	\$ 341,946		\$ 70,166		\$ 13,903		\$ 18,333		\$ 444,348	
As at December 31, 2023 ⁽¹⁾	\$ 327,299		\$ 68,993		\$ 13,548		\$ 13,100		\$ 422,940	

⁽¹⁾ Data have been restated to conform with the presentation for the current period.

NOTE 12 – SIGNIFICANT ACQUISITION

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 The Insurance Company of Prince Edward Island (ICPEI). Desjardins Group has 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.

The determination of the fair value of identifiable assets acquired and liabilities assumed as well as the transferred consideration is substantially completed, but remains provisional due to the recent closing of the transaction. The transaction gave rise to the recognition of insurance contract liabilities of \$85 million and goodwill of \$33 million. The accounting for the business combination should be completed in the coming quarters.

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

GENERAL INFORMATION

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