Financial Statements

Caisse d’économie Desjardins des employés en Télécommunication

Transit no.: 92239

As at December 31, 2014

Contents

Independent Auditor's Report

To the members of Caisse d'économie Desjardins des employés en Télécommunication,

Report on the Financial Statements

Pursuant to section 139 of the *Act respecting financial services cooperatives* (the Act), we have audited the accompanying financial statements of Caisse d'économie Desjardins des employés en Télécommunication (the Caisse), which comprise the Balance Sheets as at December 31, 2014 and 2013, and the statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013, and as a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Caisse as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended, in accordance with IFRS.

Report on a Legal Requirement

In accordance with section 159(2) of the Act, we report that, in our opinion, IFRS have been applied in the same manner as in the previous year.

Audit Department [1]

[1]CPA auditor, CA, public accountancy permit No. A109025

Montréal (Québec), April 1, 2015

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Caisse d'économie Desjardins des employés en Télécommunication
Balance Sheets

As at December 31

(in thousands of Canadian dollars)	Note	**2014**	2013
Assets			
Cash		**$842**	$1,220
Investments in the liquidity fund under management and other		**5,071**	4,940
		5,913	6,160
Loans	7		
Personal		**131,401**	129,245
Business		**7,223**	7,340
		138,624	136,585
Allowance for credit losses		**91**	97
		138,533	136,488
Other investments in the Federation	8	**9,378**	8,585
Derivative financial instruments		**3,023**	2,906
Other assets	9	**1,932**	2,054
		14,333	13,545
Total assets		**$158,779**	$156,193
Liabilities and equity			
Liabilities			
Deposits			
Term savings		**$74,800**	$81,017
Other		**41,394**	35,076
		116,194	116,093
Borrowings	10	**24,340**	22,696
Other liabilities	11	**3,422**	3,054
		27,762	25,750
Total liabilities		**143,956**	141,843
Equity			
Capital stock	14	**4,040**	4,209
Distributable surplus earnings		**314**	241
Accumulated other comprehensive income		**409**	289
Reserves		**10,060**	9,611
Total equity		**14,823**	14,350
Total liabilities and equity		**$158,779**	$156,193

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

Caisse d’économie Desjardins des employés en Télécommunication
Statements of Income

For the years ended December 31

(in thousands of Canadian dollars)	Note	**2014**	2013
Interest income		**$4,888**	$5,188
Interest expense		**2,278**	2,488
Net interest income		**2,610**	2,700
Provision for credit losses	7	**33**	3
Net interest income after provision for credit losses		**2,577**	2,697
Other income	15	**1,313**	1,385
Other expenses			
Employees	12	**1,735**	1,822
Assessments paid to Desjardins Group components		**513**	515
Computer services		**442**	473
General expenses	16	**1,036**	1,239
		3,726	4,049
Operating surplus earnings		**164**	33
Income on other investments in the Federation	8	**823**	946
Income (loss) related to fair value of derivative instruments		**375**	(263)
Surplus earnings before taxes		**1,362**	716
Income taxes on surplus earnings	13	**141**	(50)
Net surplus earnings for the year		**$1,221**	$766

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

Caisse d'économie Desjardins des employés en Télécommunication
Statements of Comprehensive Income

For the years ended December 31

(in thousands of Canadian dollars)	**2014**	2013
Net surplus earnings for the year	**$1,221**	$766
Other comprehensive income, net of income taxes		
Items that will not be subsequently reclassified to the Statements of Income		
Remeasurement of net defined benefit plan liabilities	**(282)**	262
Share of other comprehensive income attributable to the remeasurement of net defined benefit plan liabilities from investments in the Federation's investment funds	**(271)**	65
	(553)	327
Items that will be subsequently reclassified to the Statements of Income		
Share of other comprehensive income from investments in the Federation's investment funds	**198**	63
Reclassification to the Statements of Income related to share of other comprehensive income from investments in the Federation's investment funds	**(78)**	(64)
	120	(1)
Total other comprehensive income	**(433)**	326
Comprehensive income for the year	**$788**	$1,092

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

Caisse d'économie Desjardins des employés en Télécommunication
Statements of Changes in Equity

For the years ended December 31

(in thousands of Canadian dollars)	**Capital stock**	**Distributable surplus earnings**	Reserves: Appreciation reserve (investments in the Federation's investment funds)	Reserves: Appreciation reserve (derivative instruments)	Reserves: Appreciation reserve (employee benefit plans)	Reserves: General reserve	Reserves: Stabilization reserve	Reserves: **Total reserves**	**Accumulated other comprehensive income (1)**	**Total equity**
Balance as at December 31, 2013	$4,209	$241	$2,765	$111	$(856)	$7,372	$219	$9,611	$289	$14,350
Distribution by members at the 2014 general meeting										
Interest on permanent shares and on surplus shares	-	(176)	-	-	-	-	-	-	-	(176)
Transfer from (allocation to) reserves	-	(65)	-	-	-	-	65	65	-	-
Balance after distribution	4,209	-	2,765	111	(856)	7,372	284	9,676	289	14,174
Net surplus earnings for 2014	-	1,221	-	-	-	-	-	-	-	1,221
Other comprehensive income for the year	-	(553)	-	-	-	-	-	-	120	(433)
Statutory transfer	-	(354)	300	274	(220)	-	-	354	-	-
Equity transactions related to other investments in the Federation	-	-	16	-	-	-	-	16	-	16
Change in shares held in the Federation's investment funds	-	-	14	-	-	-	-	14	-	14
Issuance of permanent shares	145	-	-	-	-	-	-	-	-	145
Repurchase of permanent shares	(294)	-	-	-	-	-	-	-	-	(294)
Other net change in capital stock	(20)	-	-	-	-	-	-	-	-	(20)
Balance as at December 31, 2014	$4,040	$314	$3,095	$385	$(1,076)	$7,372	$284	$10,060	$409	$14,823

(1) "Accumulated other comprehensive income" mainly consists of the share of other comprehensive income from investments in the Federation's investment funds.

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

Caisse d'économie Desjardins des employés en Télécommunication
Statements of Changes in Equity

For the years ended December 31

(in thousands of Canadian dollars)	**Capital stock**	**Distributable surplus earnings**	Reserves: Appreciation reserve (investments in the Federation's investment funds)	Reserves: Appreciation reserve (derivative instruments)	Reserves: Appreciation reserve (employee benefit plans)	Reserves: General reserve	Reserves: Stabilization reserve	Reserves: **Total reserves**	**Accumulated other comprehensive income (1)**	**Total equity**
Balance as at December 31, 2012	$4,075	$273	$2,056	$315	$(1,276)	$7,369	$294	$8,758	$290	$13,396
Distribution by members at the 2013 general meeting										
Interest on permanent shares	-	(164)	-	-	-	-	-	-	-	(164)
Transfer from (allocation to) reserves	-	72	-	-	-	3	(75)	(72)	-	-
Impact of changes in accounting policies	-	37	-	-	-	-	-	-	-	37
Balance after distribution	4,075	218	2,056	315	(1,276)	7,372	219	8,686	290	13,269
Net surplus earnings for 2013	-	766	-	-	-	-	-	-	-	766
Other comprehensive income for the year	-	327	-	-	-	-	-	-	(1)	326
Statutory transfer	-	(1,033)	817	(204)	420	-	-	1,033	-	-
Equity transactions related to other investments in the Federation	-	-	(108)	-	-	-	-	(108)	-	(108)
Issuance of permanent shares	139	-	-	-	-	-	-	-	-	139
Other net change in capital stock	(5)	-	-	-	-	-	-	-	-	(5)
Impact of changes in accounting policies	-	(37)	-	-	-	-	-	-	-	(37)
Balance as at December 31, 2013	$4,209	$241	$2,765	$111	$(856)	$7,372	$219	$9,611	$289	$14,350

(1) "Accumulated other comprehensive income" mainly consists of the share of other comprehensive income from investments in the Federation's investment funds.

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

Caisse d'économie Desjardins des employés en Télécommunication
Statements of Cash Flows

For the years ended December 31

(in thousands of Canadian dollars)	**2014**	2013
Cash flows from (used in) operating activities		
Surplus earnings before taxes	**$1,362**	$716
Non-cash adjustments:		
Net provision for credit losses	**33**	(18)
Net defined benefit plan liabilities	**169**	203
Loss (income) related to recognition of derivative instruments at fair value	**(369)**	263
Income on investments in the Federation's investment funds	**(791)**	(909)
Changes in operating assets and liabilities:		
Net change in loans	**(2,078)**	2,273
Net change in member deposits	**198**	2,868
Other changes	**240**	(351)
Income taxes on surplus earnings received (paid) during the year	**(187)**	27
	(1,423)	5,072
Cash flows from (used in) financing activities		
Transactions related to borrowings:		
Net change in line of credit	**2,444**	(3,772)
Net change in term borrowings	**(800)**	(1,587)
Issuance of permanent shares	**145**	139
Repurchase of permanent shares	**(294)**	-
Other net change in capital stock	**(20)**	(5)
Remuneration on permanent shares and surplus shares	**(176)**	(164)
	1,299	(5,389)
Cash flows from (used in) investing activities		
Acquisition of other investments in the Federation	**(342)**	(258)
Amount received from the Federation's investment funds	**219**	157
Net change in investments	**(131)**	-
	(254)	(101)
Net decrease in cash	**(378)**	(418)
Cash at beginning of year	**1,220**	1,638
Cash at end of year	**$842**	$1,220
Supplemental information on cash flows from (used in) operating activities		
Interest paid	**$2,294**	$2,475
Interest received	**4,886**	5,232

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

Note 1. Applicable legislation and types of operations

The Caisse is a cooperative whose purpose is to receive the savings of its members in order to invest them profitably and to extend credit as well as to supply other financial products and services to its members. Its mission also includes fostering cooperation and promoting economic, social and cooperative education. It is governed by the *Act respecting financial services cooperatives* (the "Act").

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

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

The address of the head office of the Caisse is 340-1050, côte du Beaver Hall, Montréal (Québec).

The Board of Directors of the Caisse approved its Financial Statements for the year ended December 31, 2014 on April 1, 2015.

Note 2. Significant accounting policies

General information

Statement of compliance

Pursuant to the Act, these Financial Statements have been prepared by the Caisse in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and the accounting requirements of the AMF, which do not differ from IFRS.

Some figures from the prior year were reclassified to be consistent with the presentation of the financial statements of the current year. This reclassification did not affect the Caisse's profit or loss or total assets and liabilities.

Scope of the Caisse

The Caisse participates in a Desjardins Business centre (formerly called a Business Centre), an Administrative Centre and a Collection Centre in the caisse network which is defined as a contractual agreement between caisses with the aim of sharing certain activities such as managing business loans, administrative activities and loan collections. Under the agreement, major decisions require the consent of the member caisses based on a double majority.

Significant judgments, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of certain assets, liabilities, income and expenses, as well as related information. The significant accounting policies that have required that management make difficult, subjective or complex judgments, often with regard to matters of an uncertain nature, concern determination of the fair value of financial instruments, derecognition of financial assets, the allowance for credit losses, objective evidence of impairment of available-for-sale securities, member dividends, provisions, impairment of non-financial assets including investments in the Federation's investment funds, income taxes on surplus earnings and employee benefits. Consequently, actual results could differ from these estimates and assumptions.

Functional and presentation currency

These financial statements are presented in Canadian dollars, the Caisse's functional currency. The figures presented in the Notes to the Financial Statements are in thousands of dollars, unless otherwise indicated.

Note 2. Significant accounting policies (continued)

Financial assets and liabilities

Financial assets and liabilities are recognized on the date the Caisse becomes a party to their contractual provisions.

Classification and measurement

Financial assets and liabilities are classified based on their characteristics and the intention of management upon their acquisition. Their classification in the categories defined by financial instrument standards is presented in Note 5, "Carrying amount of financial instruments". Initial recognition refers to when the financial assets and liabilities are recorded in the Caisse's accounting records for the first time. Subsequent recognition is the accounting treatment applied in subsequent periods during which these assets and liabilities are recorded on the Balance Sheets.

The classification of the financial assets held by the Caisse can be summarized as follows:

	Recognition	
Categories	**Initial**	**Subsequent**
Financial assets held for trading(i)	Fair value	Fair value
Loans and receivables(ii)	Fair value	Amortized cost
Available-for-sale financial assets(iii)	Fair value	Fair value

(i) Financial assets classified as "Held for trading" consist only of derivative financial instruments.

(ii) Assets classified in the "Loans and receivables" category are measured at amortized cost using the effective interest method. Income recognized on these assets is presented under "Interest income" in the Statements of Income. Financial assets classified in this category include:

- cash;
- term deposits;
- loans.

(iii) The "Available-for-sale financial assets" category is composed of the investment in the liquidity fund under management and investments in the Federation's General Fund. These investments are recognized at fair value, which corresponds to cost, taking into account the specific terms and conditions of the instruments.

Note 2. Significant accounting policies (continued)

The classification of financial liabilities can be summarized as follows:

Categories	Recognition Initial	Recognition Subsequent
Financial liabilities held for trading(iv)	Fair value	Fair value
Financial liabilities at amortized cost(v)	Fair value	At amortized cost

(iv) Financial liabilities classified as "Held for trading" consist only of derivative financial instruments.

(v) Financial liabilities classified in the "At amortized cost" category are measured at amortized cost using the effective interest method. Interest expense on these liabilities is recognized under "Interest expense" in the Statements of Income. Financial liabilities classified in this category include:

- deposits;
- borrowings.

Determination of the fair value of financial instruments

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

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

Loans

The fair value of loans is determined by discounting expected contractual cash flows using market interest rates charged for similar new loans at the reporting date and takes estimated prepayments into account. Changes in interest rates and in the creditworthiness of borrowers are the main causes of changes in the fair value of loans held by the Caisse, which results in a favourable or unfavourable difference compared to their carrying amount. The fair value of impaired loans is assumed to be equal to their carrying amount, in accordance with the valuation methods described below under "Loans".

Note 2. Significant accounting policies (continued)

Deposits and borrowings

The fair value of fixed-rate deposits and borrowings is determined by discounting expected cash flows using market interest rates currently being offered for deposits and borrowings with substantially the same term and takes estimated prepayments into account. The fair value of deposits and borrowings with floating-rate features or with no stated maturity is assumed to be equal to their carrying amounts.

Derivative financial instruments

The nature of the derivative financial instruments held by the Caisse is presented in this note under “Derivative financial instruments”. The fair value of derivative financial instruments is determined using pricing models that incorporate the current market prices and the contractual prices of the underlying instruments, the time value of money, interest rate yield curves, credit curves and volatility factors.

Financial instruments whose fair value equals the carrying amount

The carrying amount of certain financial instruments that mature within the next 12 months is a reasonable approximation of their fair value. These financial instruments include the following items: “Cash”, some “Other assets” and some “Other liabilities”.

Transaction costs

Transaction costs for financial instruments are capitalized and then amortized over the life of the instrument using the effective interest method, except if such instruments are classified in the “Financial assets held for trading” category, in which case these costs are expensed as incurred.

Offsetting financial assets and liabilities

Financial assets and liabilities are presented on a net basis when there is an unconditional and legally enforceable right to set off the recognized amounts and the Caisse intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

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

When the Caisse has retained substantially all the risks and rewards of ownership of the financial asset transferred, the asset continues to be recognized on the Balance Sheets and a financial liability is recognized, if required.

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

Note 2. Significant accounting policies (continued)

The Caisse's management must use its judgment to determine if the contractual rights to the cash flows from the asset have expired, have been transferred or have been retained with the obligation to pay these cash flows to a third party. In the event of the transfer of substantially all the risks and rewards, management will assess the Caisse's exposure before and after the transfer, as well as the change in the amount and timing of the net cash flows related to the transferred asset. Lastly, the Caisse's management must exercise judgment in measuring the rights retained.

A financial liability is derecognized when the related obligation is discharged, cancelled or expires. The difference between the carrying amount of the financial liability transferred and the consideration paid is recognized in the Statements of Income.

Cash

"Cash" includes cash on hand and other amounts used in current operations. These financial instruments are classified as "Loans and receivables".

Investments

Investments may include the investment in the liquidity fund under management and term deposits. To manage liquidity risk, the Caisse keeps the amounts necessary to maintain a minimum level of liquidity in a fund under management designed specifically for this purpose. The amounts paid into this fund are excluded from cash because regulations prohibit their use in current operations. The investment in the liquidity fund is therefore classified in the "Available-for-sale financial assets" category. Term deposits are classified as "Loans and receivables".

Loans

Loans are recorded at amortized cost using the effective interest method, net of the allowance for credit losses.

The fees collected and the direct costs related to the origination, restructuring, and renegotiation of loans are treated as being integral to the yield of the loan. They are deferred and amortized using the effective interest method, and amortization is recognized under interest income for the term of the loan.

Other investments in the Federation

Investments in the Federation's investment funds

The Caisse holds various participating securities of the Federation. It holds securities in a number of investment funds issued by the Federation which entitle the Caisse to the return from Desjardins Group subsidiaries. Since the Caisse is able to exercise significant influence over the Federation's financial and operationing policy decisions, the investments are accounted for using the equity method. Under this method, the investments are initially recognized at cost and subsequently adjusted to reflect the changes in the Caisse's share of the equity of the Federation's investment funds that occur after the investments are acquired. The income from these investments is presented in the Statements of Income under "Income on other investments in the Federation".

Note 2. Significant accounting policies (continued)

Investments in the Federation's General Fund

The Caisse has shares of capital stock, Series A, B, C and D capital shares and PL and PL2 investment shares issued by the Federation, which are investments in the Federation's General Fund. Since these shares do not entitle holders to any return from the Federation, holdings of these securities are classified as available-for-sale financial assets, and are therefore recognized at fair value. Given the specific characteristics of these shares, fair value corresponds to cost. Interest income from these investments is recorded when the right to such income is established by the Federation. This income is presented in the Statements of Income under "Income on other investments in the Federation".

Impairment of financial assets

Impaired loans

At the reporting date, the Caisse assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A loan is considered impaired if there is evidence of impairment, more specifically if one of the following conditions is met:

- There is reason to believe that a portion of the principal or interest will not be able to be collected.
- The interest or principal is contractually 90 days past due, unless the loan is fully secured and in the process of collection.
- The interest or principal is more than 180 days past due.

A loan is not classified as impaired when it is fully guaranteed or insured by a Canadian government (federal or provincial) or a Canadian government agency.

A loan is considered past due as soon as the borrower has failed to make a payment by the contractual due date.

When a loan becomes impaired, the interest previously accrued but not collected is capitalized to the loan. Payments received subsequently are recorded as a deduction of the principal. A loan ceases to be considered impaired when principal and interest payments are up to date and there is no doubt as to the collection of the loan or when it is restructured, in which case it is treated as a new loan, and there is no longer doubt as to the collection of the principal and interest.

Assets foreclosed to settle impaired loans are recognized on the date of foreclosure at their fair value less costs of disposal. The fair value of foreclosed assets is determined by using a comparative market analysis, based on the optimal use of the assets, as well as the characteristics, location and market of each foreclosed asset. Transaction prices for similar assets are used and certain adjustments are made to take into account the differences between assets on the market and the foreclosed assets measured. If the fair value of the acquired assets is less than the carrying amount of the loan, the loss is recognized under "Provision for credit losses". In the opposite case, the difference is accounted for under "Provision for credit losses" up to the allowance already recognized, and any surplus is recognized under "General expenses".

A loan is written off when all possible attempts at restructuring or collection have been made and the likelihood of future recovery is remote. When a loan is written off completely, any subsequent payments are recognized under "Provision for credit losses" in the Statements of Income.

Note 2. Significant accounting policies (continued)

Allowance for credit losses

Objective evidence of impairment results from a loss event that occurred after the loan was granted but before the reporting date and that has an impact on the estimated future cash flows of loans. The impairment of a loan or a group of loans is determined by estimating the recoverable amount of these financial assets. The allowance is equal to the difference between this estimate and the carrying amount. This allowance is presented in deduction of loans under "Allowance for credit losses". To determine the estimated recoverable amount of a loan, the Caisse uses the value of the expected future cash flows discounted at the loan's original effective interest rate. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated recoverable amount is determined using the fair value of the securities underlying the loan, net of expected costs of realization.

The allowance for credit losses is Caisse management's best estimate of impaired loans as at the reporting date. In measuring the allowance for credit losses, Caisse management must exercise judgment in order to determine the inputs, assumptions and estimates to be used, including the timing when a loan is considered impaired and the recoverable amount. A change in these estimates and assumptions would affect the allowance for credit losses, as well as the provision for credit losses for the year.

The allowance for credit losses relating to impaired loans is measured on an individual basis, while the allowance for credit losses is measured on a collective basis for unimpaired loans.

Individual allowances

The Caisse reviews its loan portfolios on a loan-by-loan basis to assess credit risk and determine if there is any objective evidence of impairment for which a loss should be recognized in the Statements of Income.

Changes in the individual allowance for credit losses due to the passage of time are recognized under "Interest income", while those that are due to a revision of expected receipts are recognized under "Provision for credit losses" in the Statements of Income.

Collective allowance

Loan portfolios for which an individual allowance has not been established are included in groups of financial assets with similar credit characteristics and are subject to a collective allowance.

The method used by the Caisse to determine the collective allowance takes into account the risk parameters of the various loan portfolios, in particular through the integration of sophisticated credit risk models. These collective allowance impairment models take into account certain factors such as probabilities of default (loss frequency), loss given default (extent of losses) and gross exposures at default. These parameters, which are based on historical losses, are determined according to the category and the risk rating of each loan. The measurement of the collective allowance also depends to a large extent on management's judgment and its assessment of current credit quality trends with respect to business segments, the impact of changes to its credit policies and economic conditions.

Finally, the allowance related to off-balance sheet exposures, such as letters of guarantee and certain unrecognized credit commitments, is recognized under "Other liabilities" on the Balance Sheets and under "General expenses" in the Statements of Income.

Note 2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment may include land, buildings, equipment, furniture and other items as well as leasehold improvements. These assets are recognized at cost less any accumulated depreciation and any impairment losses, and are depreciated based on the estimated useful life of each of their significant parts, using the straight-line method.

Depreciation

Property, plant and equipment are depreciated using the following depreciation periods.

	Depreciation periods
Equipment, furniture and other	3 to 20 years
Leasehold improvements	10 to 16 years

Depreciation expense is recognized under "Other expenses" in the Statements of Income.

Assets held for sale

An asset is classified as held for sale if its carrying amount is expected to be recovered primarily through a sale transaction rather than through continuing use, and such a sale transaction is highly probable. An asset held for sale is measured at the lower of its carrying amount and its fair value less costs of disposal.

The fair value of assets held for sale is determined by using a comparative market analysis, based on the optimal use of the assets, as well as the characteristics, location and market of each asset. Transaction prices for similar assets are used and certain adjustments are made to take into account the differences between assets on the market and assets held for sale.

Impairment of non-financial assets

The Caisse assesses at the reporting date whether there is evidence that an asset may be impaired. An impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. Fair value corresponds to the best estimate of the amount that can be obtained from a sale during an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use is calculated according to the most appropriate method, generally by discounting recoverable future cash flows. Impairment losses on that asset may be subsequently reversed and are recognized in the Statements of Income in the year in which they occur.

Estimating the recoverable amount of a non-financial asset to determine if it is impaired requires also that management make estimates and assumptions, and any change in these estimates and assumptions could impact the determination of the recoverable amount of non-financial assets and, therefore, the outcome of the impairment test.

Deposits and borrowings

Deposits and borrowings are financial liabilities classified as "Financial liabilities at amortized cost". Interest expense calculated using the effective interest rate is recognized in profit or loss for the year under "Interest expense".

Note 2. Significant accounting policies (continued)

Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognized when the Caisse has an obligation (legal or constructive) as a result of past events, the settlement of which should result in a disbursement by the Caisse and when a reliable estimate can be made of this amount. The amount of the expected disbursement is discounted where the effect of the time value of money is material.

Provisions are based on management's best estimate of the amounts that will be necessary to settle the obligation at the end of the reporting period, in view of relevant risk and uncertainties. Given the prospective nature of these estimates, management must use its judgment to determine the timing and the amount of future cash flows. Actual results could be significantly different from forecasts.

Derivative financial instruments

Derivative financial instruments are financial contracts whose value depends on assets, interest rates, foreign exchange rates and other financial indexes. Derivative financial instruments are negotiated by mutual agreement between the Caisse and the counterparty and include interest rate swaps, total return swaps, foreign exchange contracts and stock index options.

The Caisse recognizes derivative instruments at fair value, whether they are stand-alone or embedded. Stand-alone derivative instruments are recognized on the Balance Sheets under other assets and liabilities, while embedded derivative instruments are presented with their host contract depending on the type of instrument, under "Term savings". Changes in the fair value of stand-alone derivative instruments are recognized under "Income (loss) related to fair value of derivative instruments" in the Statements of Income, except for changes in the fair value of derivative instruments associated with market-linked term savings, which are recognized under "Interest expense". Moreover, changes in the fair value of embedded derivative instruments are recognized as interest expense adjustments.

The Caisse essentially uses derivative financial instruments for purposes of asset and liability management.

Derivative financial instruments are mainly used to manage the interest rate risk exposure of the assets and liabilities recorded on the Balance Sheets, firm commitments and forecasted transactions.

Interest rate swaps are transactions in which two parties exchange interest flows on a specified notional amount for a predetermined period based on agreed-upon fixed and floating rates. Principal amounts are not exchanged.

The foreign exchange contracts to which the Caisse is a party are forward exchange contracts. Forward exchange contracts are commitments to exchange, at a future date, two currencies based on a rate agreed upon by both parties at the inception of the contract.

The Caisse has elected not to apply hedge accounting for these derivative financial instruments, given the complexity of documentation requirements.

Distributable surplus earnings

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

Note 2. Significant accounting policies (continued)

Reserves

The appreciation reserve consists of the following three components:

- The "Appreciation reserve – Investments in the Federation's investment funds" is comprised of uncollected income generated by shares of Desjardins subsidiaries accounted for using the equity method.
- The "Appreciation reserve – Derivative instruments" comprises gains and losses resulting from the change in net fair value of derivative instruments.
- The "Appreciation reserve – Employee benefit plans" includes the Caisse's share of the actuarial deficit of the common pension and group insurance plans.

The general reserve is made up of amounts appropriated by the Caisse, according to the conditions stipulated in the standards. This reserve can be used only to eliminate a deficit and cannot be divided amongst members or used to pay a member dividend.

The stabilization reserve consists of amounts appropriated by the Caisse. Amounts appropriated to the stabilization reserve are essentially used for the payment of interest on permanent shares when the surplus earnings of the Caisse are not sufficient.

The reserve for future member dividends is made up of amounts appropriated by the Caisse. This reserve allows it to manage over time the impact of changes in annual surplus earnings on the payment of member dividends.

The community development fund is a reserve that includes the amounts allocated by the general meeting. The amounts recorded in these accounts are to be used to assist in community development, according to the conditions stipulated in the Caisse's normative framework.

Revenue recognition

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Caisse and that they can be measured reliably. In addition to the items mentioned previously in "Financial assets and liabilities", the specific recognition criteria that follow must also be met before revenues can be recognized.

Net interest income

Interest income and expense are recognized using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that accurately discounts future cash payments or receipts through the expected life of the financial instrument or, when appropriate, over a shorter period to obtain the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Caisse estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes transaction costs and income between parties to the contract as well as premiums or discounts. Transaction costs and income that form an integral part of the effective rate of the contract, such as file set-up fees and finders' fees, are assimilated to supplemental interest.

Note 2. Significant accounting policies (continued)

Other income

The Caisse collects income from deposit administration, administration of other services and distribution of Desjardins products and services.

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

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

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities are translated at historical rates. Income and expenses are translated at the average exchange rate for the period. Realized and unrealized gains and losses resulting from the translation are recognized in the Statements of Income under "Other income".

Leases

Leases under which the lessor retains substantially all the risks and rewards incidental to ownership of an asset are known as operating leases. However, leases under which there is a transfer of substantially all the risks and rewards incidental to ownership of an asset are known as finance leases.

Lessee

Lease payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease period.

Under a finance lease, an asset and a liability of an equivalent amount are recognized at the lower of the fair value of the asset acquired or the present value of minimum lease payments. The asset is presented on the Balance Sheets under "Other assets", while the corresponding liability is presented on the Balance Sheets under "Other liabilities". A depreciation expense is recognized in profit or loss on a straight-line basis over the lease period, while an interest expense is recognized in profit or loss under "General expenses" based on the lease's effective interest rate.

Lessor

Lease income from operating leases is recognized in income on a straight-line basis over the lease period.

Note 2. Significant accounting policies (continued)

Income taxes on surplus earnings

The income tax expense on surplus earnings recognized in the Statements of Income includes the current and deferred income tax expense on operating surplus earnings as well as the tax consequences of remuneration on capital stock when certain conditions are met. The total income tax expense includes the income tax expense on surplus earnings in the Statements of Income and the current and deferred income tax expense related to items that are not recognized in profit or loss but directly in the Statements of Comprehensive Income or the Statements of Changes in Equity.

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

Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Tax rates and tax rules applied to determine these amounts are those that have been enacted or substantively enacted as at the reporting date.

Deferred income taxes

Deferred taxes are recognized, using the liability method, for all temporary differences existing as at the reporting date between the tax basis of assets and liabilities and their carrying amount on the Balance Sheets.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of that deferred tax asset to be utilized. Unrecognized deferred tax assets are remeasured at each reporting date and are recognized to the extent that a future taxable benefit may likely allow them to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Member dividends

The Board of Directors of the Caisse recommends for approval the surplus earnings distribution plan at the annual general meeting, which is held within four months following year-end. The amount of member dividends to be paid is part of this plan. The amount of the provision is determined based on, among other things, the surplus earnings recorded for the year taking the normative framework into consideration. The difference between the amounts of member dividends actually paid in cash, or in shares for surplus shares, following the general meeting held by the Caisse, and the estimated amount of the provision is charged to profit or loss for the period in which the payments are made.

The allocation basis of member dividends depends on the interest recorded on loans and deposits, the average outstanding amount of Desjardins investment funds, guaranteed market-linked investments, Accord D loans obtained by the member through the Caisse, and the various service charges collected from the member depending on the services used. For surplus shares, the surplus earnings distribution plan takes into account a program under which members may elect to receive their dividends in the form of shares, in which case the value is greater than the equivalent dividends paid in cash.

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term benefits

Short-term benefits include salaries and commissions, social security contributions and certain bonuses payable within 12 months after the reporting date. An expense is recognized for these short-term benefits in the period during which the services giving right to these benefits were rendered.

Post-employment benefits

Pension and post-retirement benefit plans

The Caisse offers the majority of its employees a pension plan as well as a supplemental pension plan that are defined benefit plans. The Caisse also offers a post-retirement benefit plan, including medical, dental and life insurance coverage to retiring employees and their dependants.

The cost of these plans is recognized in the Statements of Income and consists of current service cost, past service cost and net interest on net defined benefit plan liabilities. Past service cost arising from an amendment to or reduction in the plans is recognized immediately in the Statements of Income.

Remeasurements of net defined benefit plan liabilities are recognized in other comprehensive income that will not be subsequently reclassified to the Statements of Income and are recorded immediately in distributable surplus earnings. Remeasurements of net defined benefit plan liabilities include actuarial gains and losses as well as the difference between the actual return on plan assets and the interest income generated by the assets recognized in the Statements of Income. Actuarial gains and losses result from the changes made to the actuarial assumptions used to determine the defined benefit plan obligation and the experience gains or losses with regard to this obligation.

The net defined benefit plan assets or liabilities correspond to the present value of the obligation of these plans, computed according to the projected unit credit method, less the fair value of plan assets. The value of any defined benefit plan asset, when appropriate, is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the pension plans.

The pension plan net liabilities and the net liabilities related to the post-retirement benefit plan are recognized under "Net defined benefit plan liabilities" or "Other liabilities" on the Balance Sheets.

The Caisse participates in group defined benefit pension plans of which the risks are shared by entities under common control. The Caisse's share of the recognized costs and of Desjardins Group's net group defined benefit plan liabilities is mainly determined by funding rules, as described in the Desjardins Group Pension Plan Regulation. Desjardins Group's main pension plan is funded by both employee and employer contributions, which are determined based on the financial position and the funding policy of the plan. Employer contributions are determined as a percentage of the covered payroll of their employees who participate in the plan.

The Caisse's share of the cost of Desjardins Group's group post-retirement benefit plan is based on the number of the Caisse's active insureds as a percentage of the total number of active insureds for Desjardins Group as a whole.

Note 3. Changes in accounting policies

Offsetting financial assets and liabilities

On January 1, 2014, the Caisse adopted the amendments to IAS 32, "Financial Instruments: Presentation". The amendments clarify the criteria for offsetting financial assets and financial liabilities, including the unconditional and legally enforceable right to set-off and the simultaneous realization of the asset and settlement of the liability. The adoption of the amendments to IAS 32 had no impact on the Caisse's results and financial position.

Note 4. Future accounting changes

Accounting standards that have been issued by the IASB but not yet effective as at December 31, 2014 are listed below. Regulatory authorities have stated that early adoption of these standards will not be permitted, unless they advise otherwise.

IAS 16, "Property, Plant and Equipment" – Clarification of Acceptable Methods of Depreciation

In May 2014, the IASB issued amendments to IAS 16, "Property, Plant and Equipment". These amendments clarify that the use of a revenue-based depreciation method for property, plant and equipment is not appropriate.

The amendments to these standards, which will be effective for annual periods beginning on or after January 1, 2016, will not have any effect on the Caisse's results or financial position.

IAS 1, "Presentation of Financial Statements"

In December 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". These amendments clarify how professional judgment can be exercised in determining the level and structure of financial statement disclosures. Since IAS 1 is a presentation standard, the amendments to this standard, effective for annual periods beginning on or after January 1, 2016, will therefore have no impact on the Caisse's results or financial position.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", which introduces a single, comprehensive revenue recognition model for all contracts with customers other than those within the scope of other standards, such as insurance contracts and financial instruments. IFRS 15 therefore supersedes the two main revenue recognition standards, IAS 18, "Revenue", and IAS 11, "Construction Contracts", as well as related interpretations. The core principle of this new standard is that revenue recognition should depict the transfer of goods or services in an amount that reflects the consideration received or expected to be received in exchange for these goods or services. The new standard also provides more guidance on certain types of transactions and will result in an increase in disclosures related to revenue.

The Caisse is currently assessing the impact of adopting IFRS 15, which is effective for annual periods beginning on or after January 1, 2017.

IFRS 9, "Financial Instruments"

In July 2014, the IASB issued the complete and final version of IFRS 9, "Financial Instruments", which will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 covers requirements concerning the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Note 4. Future accounting changes (continued)

IFRS 9 establishes a new classification and measurement model for financial assets to determine whether a financial asset must be classified as measured at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income. This model is based on the characteristics of the contractual cash flows of the financial asset and on the business model under which it is held. For the classification and measurement of financial liabilities, the new standard essentially follows the current requirements under IAS 39.

The standard also introduces a single impairment model for financial assets that requires recognizing expected credit losses instead of incurred losses, which is the requirement under the current impairment model. The model provides for a multi-phase approach based on changes in credit quality since initial recognition.

Lastly, IFRS 9 includes a new hedge accounting model in order to align hedge accounting more closely with risk management activities.

IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. The Caisse is currently assessing the impact of adopting this standard, except for hedge accounting, which does not apply.

Note 5. Carrying amount of financial instruments

The following tables present the carrying amount of all financial assets and liabilities according to their classification in the categories defined in Note 2 « Significant accounting policies » concerning financial instruments.

2014

	Held for trading	Available for sale	Loans and receivables, and financial liabilities at amortized cost	Total
Financial assets				
Cash	$-	$-	$842	$842
Investments	-	5,071	-	5,071
Loans	-	-	138,533	138,533
Investments in the Federation's General Fund	-	1,259	-	1,259
Derivative financial instruments	3,023	-	-	3,023
Other financial assets	-	-	276	276
Total financial assets	**$3,023**	**$6,330**	**$139,651**	**$149,004**

Note 5. Carrying amount of financial instruments (continued)

2014

	Held for trading	**Available for sale**	**Loans and receivables, and financial liabilities at amortized cost**	**Total**
Financial liabilities				
Deposits	**$-**	**$-**	**$116,194**	**$116,194**
Borrowings	**-**	**-**	**24,340**	**24,340**
Derivative financial instruments	**6**	**-**	**-**	**6**
Other financial liabilities	**-**	**-**	**1,374**	**1,374**
Total financial liabilities	**$6**	**$-**	**$141,908**	**$141,914**

2013

	Held for trading	Available for sale	Loans and receivables, and financial liabilities at amortized cost	Total
Financial assets				
Cash	$-	$-	$1,220	$1,220
Investments	-	4,940	-	4,940
Loans	-	-	136,488	136,488
Investments in the Federation's General Fund	-	1,369	-	1,369
Derivative financial instruments	2,906	-	-	2,906
Other financial assets	-	-	258	258
Total financial assets	$2,906	$6,309	$137,966	$147,181

Note 5. Carrying amount of financial instruments (continued)

2013	Held for trading	Available for sale	Loans and receivables, and financial liabilities at amortized cost	Total
Financial liabilities				
Deposits	$-	$-	$116,093	$116,093
Borrowings	-	-	22,696	22,696
Derivative financial instruments	175	-	-	175
Other financial liabilities	-	-	1,376	1,376
Total financial liabilities	$175	$-	$140,165	$140,340

Note 6. Fair value measurement

The fair value measurement of assets and liabilities is determined according to the following three levels of the fair value hierarchy:

- Level 1 – Measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques based primarily on observable market data.
- Level 3 – Valuation techniques not based primarily on observable market data.

At year-end 2014 and 2013, the fair value hierarchy of assets and liabilities recognized at fair value on the Balance Sheets is Level 2.

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

The following tables present the carrying amount and fair value, classified by hierarchical level, for the items including financial instruments whose carrying amount is not equal to fair value.

2014	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Loans	**$138,533**	**$139,020**	**$-**	**$-**	**$139,020**
Financial liabilities					
Deposits	**116,194**	**116,908**	**-**	**116,908**	**-**
Borrowings	**24,340**	**24,599**	**-**	**24,599**	**-**

Note 6. Fair value measurement (continued)

2013	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Loans	$136,488	$137,267	$-	$-	$137,267
Financial liabilities					
Deposits	116,093	117,082	-	117,082	-
Borrowings	22,696	22,986	-	22,986	-

Note 7. Loans and allowance for credit losses

Loans by borrower category

	2014	2013
Personal		
Mortgages	**$104,043**	$101,999
Consumer and other	**27,358**	27,246
Business		
Commercial and industrial	**7,223**	7,340
Agriculture, forestry and fishing	**-**	-
Public administrations and institutions	**-**	-
	$138,624	$136,585

Loans, impaired loans and allowance for credit losses

The following tables present the credit quality of loans.

2014	**Personal**	**Business**	**Collective allowance**	**Total**
Gross loans neither past due nor impaired	**$128,980**	**$7,223**	**$-**	**$136,203**
Gross loans past due but not impaired	**2,403**	**-**	**-**	**2,403**
Gross impaired loans	**18**	**-**	**-**	**18**
Total gross loans	**131,401**	**7,223**	**-**	**138,624**
Individual allowances	**(16)**	**-**	**-**	**(16)**
Collective allowance	**-**	**-**	**(75)**	**(75)**
Total net loans	**$131,385**	**$7,223**	**$(75)**	**$138,533**

Note 7. Loans and allowance for credit losses (continued)

2013				
	Personal	Business	Collective allowance	Total
Gross loans neither past due nor impaired	$127,350	$7,030	$-	$134,380
Gross loans past due but not impaired	1,848	305	-	2,153
Gross impaired loans	47	5	-	52
Total gross loans	129,245	7,340	-	136,585
Individual allowances	(47)	(4)	-	(51)
Collective allowance	-	-	(46)	(46)
Total net loans	$129,198	$7,336	$(46)	$136,488

Gross loans past due but not impaired

The following tables present the aging of gross loans that are past due but not impaired.

2014					
	1 to 29 days	**30 to 59 days**	**60 to 89 days**	**90 days or more**	**Total**
Personal	**$2,207**	**$-**	**$196**	**$-**	**$2,403**

2013					
	1 to 29 days	30 to 59 days	60 to 89 days	90 days or more	Total
Personal	$1,754	$-	$12	$82	$1,848
Business	305	-	-	-	305
	$2,059	$-	$12	$82	$2,153

Note 7. Loans and allowance for credit losses (continued)

Change in the allowance for credit losses

2014				
	Individual allowances Personal	**Individual allowances Business**	**Collective allowance**	**Total**
Balance at beginning of year	**$47**	**$4**	**$46**	**$97**
Provision for credit losses recognized in the Statements of Income	**8**	**(4)**	**29**	**33**
Write-offs and other	**(39)**	**-**	**-**	**(39)**
Balance at end of year	**$16**	**$-**	**$75**	**$91**

2013				
	Individual allowances Personal	Individual allowances Business	Collective allowance	Total
Balance at beginning of year	$146	$-	$54	$200
Provision for credit losses recognized in the Statements of Income	10	1	(8)	3
Write-offs and other	(109)	3	-	(106)
Balance at end of year	$47	$4	$46	$97

Transferred loans

Transferred loans that are not derecognized

Mortgage loans transferred for securitization purposes

As part of its liquidity and capital management strategy in order to maximize its liquidity and capital, Desjardins Group participates in the *National Housing Act* Mortgage-Backed Securities Program. Under this program, the Caisse transfers the securitization interest in mortgage loans guaranteed by Canada Mortgage and Housing Corporation (CMHC) to a Desjardins Group subsidiary. Once the loans covered by the securitization interests are converted into pools of loans by the subsidiary, the loans in the pool are then transferred from the caisses to CMHC. However, the Caisse retains substantially all the risks and rewards, in particular prepayment risk, interest rate risk, credit risk and counterparty risk, while the rewards include the cash flows from the assets.

Consequently, the loans continue to be recognized on the Caisse’s Balance Sheets. Furthermore, the Caisse in certain cases recognizes a liability equal to the consideration received from the purchaser when liquidity or other assets have been received in consideration of the transferred assets. This liability is presented on the Balance Sheets under “Borrowings”, if applicable.

No loss is expected on the mortgage loans because they are guaranteed by CMHC. Income related to securitization transactions is recognized under “Interest income”. The legal guarantee on these transactions is limited to the transferred assets.

Note 7. Loans and allowance for credit losses (continued)

Mortgage loans transferred for the covered bond programs

The Caisse transferred to a Desjardins Group subsidiary residential mortgage loans under covered bond issuance programs. The mortgage loans are then legally transferred to a consolidated structured entities by this Desjardins Group subsidiary. The Caisse retains substantially all the risks and rewards related to the loans concerned, in particular prepayment risk, interest rate risk, credit risk and counterparty risk, while the rewards include the cash flows from the assets. Consequently, the loans continue to be recognized on the Caisse's Balance Sheets. The Caisse furthermore undertook to make its mortgage loans available to the Desjardins Group subsidiary, to a maximum of the eligible loans for the covered bond programs.

Income related to the covered bond programs is recognized under "Interest income".

The table below presents the carrying amount of mortgage loans legally transferred by the Caisse, but still recognized in the Balance Sheets and the related liabilities, as applicable.

	2014		2013	
	Assets	**Liabilities**	Assets	Liabilities
Mortgage loans transferred for securitization purposes[1]	**$19,446**	**$-**	$10,726	$319
Mortgage loans transferred for the covered bond programs	**16,320**	**-**	1,453	-

(1) For the previous year, the fair value of financial assets transferred for securitization purposes and related financial liabilities, as applicable, was $319 and $317, respectively, for a net position of $2. There were no financial assets transferred for securitization purposes that gave rise to the recognition of a liability in 2014.

Note 8. Other investments in the Federation

Other investments in the Federation presented on the Balance Sheets comprise:

	2014	2013
Investments in the Federation's investment funds accounted for using the equity method	**$8,119**	$7,216
Investments in the Federation's General Fund recognized at fair value	**1,259**	1,369
	$9,378	$8,585

Note 8. Other investments in the Federation (continued)

Income on other investments in the Federation comprises:

	2014	2013
Share of net surplus earnings from the Federation's investment funds	**$791**	$909
Interest income from investments in the Federation's General Fund	**32**	37
	$823	$946

Investments in the Federation's investment funds

The Caisse has a significant influence over the Federation. The Federation is the cooperative entity responsible for assuming orientation, framework, coordination and development activities for Desjardins Group. It provides the Caisse with services of strategic importance, such as services of a technical, financial or administrative nature. In addition, the Federation is the parent company of a number of subsidiaries that offer complementary financial services to the caisses and their members.

The Caisse considers that it has significant influence over the Federation, even though it holds less than 20% of the voting rights, given that it is able to influence by participating in various bodies and commissions and advisory groups mandated to establish operating policies, and by the extent of intercompany transactions disclosed in Note 17 "Related party transactions" and the numerous exchanges of a technical and other nature with these subsidiaries and their parent, the Federation.

The following tables present summary financial information on the investment funds from the non-consolidated financial statements of the Federation:

	2014	2013
Percentage of equity securities(1)	**0.11%**	0.12%
Equity	**$7,184,010**	$6,264,304
Investments in the Federation's investment funds(2)	**8,119**	7,216

(1) Each caisse has one voting right in the Federation.

(2) The carrying amount of investments in the Federation's investment funds reported on the Balance Sheets corresponds to the Caisse's share of the equity of the Federation's investment funds as well as adjustments made by the Caisse in applying the equity method.

	2014	2013
Net surplus earnings	**$705,616**	$817,039
Other comprehensive income	**113,296**	2,484
Comprehensive income for the year	**818,912**	819,524
Amount received by the Caisse from the Federation's investment funds	**219**	157

The Federation may, upon a decision of the Board of Directors, finance an investment in an investment fund by way of a call for capital to the caisses. The Board determines the number of shares of the investment fund to be acquired by each of the caisses, by choosing one or another of the allocation bases provided in the regulation of the Federation.

Note 9. Other assets

Other assets presented on the Balance Sheets were primarily composed of:

	2014	2013
Prepaid expenses	**$448**	$538
Accounts receivable	**1,155**	1,145
Other	**329**	371
	$1,932	$2,054

Note 10. Borrowings

			2014	2013
Line of credit, bearing interest at a rate ranging from 1.28% to 1.80%			**$5,872**	$3,428
Term loan, bearing interest at 1.97%, repayable at maturity in April 2018			**1,000**	1,500
Term loans, bearing interest at a rate ranging from 1.69% to 2.52%, renegotiable quarterly, repayable at their respective maturity dates until September 2018			**14,000**	13,500
Term loans, bearing interest at fixed rates or rates renegotiable quarterly, some of which include an early repayment clause				
Fixed rate	**Maturity**	**Repayable**[(1)]		
6.01%	April 2019	April 2014	**-**	655
5.79	June 2021	June 2014	**652**	652
5.39	May 2020	May 2015	**1,145**	1,145
4.05	November 2020	November 2015	**877**	878
5.15	December 2026	December 2021	**619**	619
Borrowings resulting from certain securitization transactions, bearing interest at 1.68% and 1.99%, repaid in full in 2014			**-**	319
Term loan, bearing interest at 4.25%, renegotiable by the holder under certain conditions, repayable at maturity in December 2054[(2)]			**175**	-
			$24,340	$22,696

(1) The term loans are subordinated securities with a related company, repayable at the option of the holder as these dates under certain conditions and for specified purposes.

(2) The term loan is subordinated with a related company and is repayable at the option of the holder before maturity under certain conditions and for specified purposes.

Note 11. Other liabilities

The other liabilities presented on the Balance Sheets are primarily composed of:

	Note	**2014**	2013
Accrued interest		**$1,374**	$1,376
Accounts payable		**446**	246
Net defined benefit plan liabilities	12	**1,329**	1,013
Other		**273**	419
		$3,422	$3,054

Note 12. Defined benefit plans

Group plans

This note should be read in conjunction with Note 18 to the Desjardins Group audited Combined Financial Statements for the year ended December 31, 2014, approved on February 25, 2015, which presents the defined benefit group plans.

Pension plan

The Caisse participates in the pension plan and the supplemental pension plan, which are defined benefit group plans of Desjardins Group. Consequently, the Caisse recognizes its share of the plan liabilities on the Balance Sheets under "Other liabilities".

The Caisse's share represents 0.06% of the defined benefit group plans of Desjardins Group (0.06% in 2013). The share of the pension expense related to these plans attributable to the Caisse and recognized in profit or loss for the year, is $148 ($173 in 2013) and the share of the remeasurement of net defined benefit plan liabilities recognized in other comprehensive income is $(386) ($247 in 2013). The Caisse's share of the plan liabilities recognized on the Balance Sheets amounts to $946 ($623 in 2013).

Post-retirement benefit plan

The Caisse offers a post-retirement benefit plan, including medical, dental and life insurance coverage, to retiring employees and their dependents through the group defined benefit plan of Desjardins Group. The Caisse's share represents 0.05% of the group defined benefit plan of Desjardins Group (0.07% in 2013). An amount of $383 ($390 in 2013) was recognized as a liability, representing the Caisse's share in the plan. The expense for the year related to this plan totalled $21 ($30 in 2013), while the remeasurement of net defined benefit plan liabilities recognized in other comprehensive income was $19 ($96 in 2013).

Note 13. Income taxes on surplus earnings

Income tax expense on surplus earnings

The income tax expense on surplus earnings recognized in the financial statements is detailed as follows:

	2014	2013
Statements of Income		
Current income taxes		
Current income tax expense on surplus earnings	**$143**	$83
Current tax recovery on remuneration on capital stock	**(40)**	(37)
Other	**(1)**	(1)
	102	45
Deferred income taxes		
Deferred income tax expense related to origination and reversal of temporary differences	**43**	(96)
Deferred income tax expense related to changes in tax rates	**(4)**	1
	39	(95)
	141	(50)
Statements of Comprehensive Income		
Current income taxes	**(15)**	(49)
Deferred income taxes	**(70)**	130
	(85)	81
Total income tax expense	**$56**	$31

The income tax expense for surplus earnings recognized in the Statements of Income differs from the income tax expense determined using the statutory rate for the following reasons:

	2014	2013
Income taxes at the statutory rate of 26.9% (26.9% in 2013)	**$366**	$192
Eligible small business deduction	**(29)**	-
Non-taxable investment income and other items	**(156)**	(207)
Recovery of current income tax related to remuneration on capital stock	**(40)**	(37)
Other differences	**-**	2
	$141	$(50)

Note 13. Income taxes on surplus earnings (continued)

Income tax expense on other comprehensive income

An income tax expense of $(85) ($81 in 2013) was recognized in comprehensive income in relation to the remeasurement of net defined benefit plan liabilities.

Note 14. Capital stock

The figures in the following three paragraphs are not presented in thousands of dollars.

Authorized

Capital stock comprises qualifying shares, permanent shares and surplus shares.

The Caisse may issue an unlimited number of qualifying shares with a par value of $5, redeemable at the Caisse's option under certain conditions stipulated by the Act. Members have only one vote each, no matter how many qualifying shares they own.

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

Issued and paid-up shares

Issued and paid-up shares are as follows:

	2014	2013
Qualifying shares	**$30**	$31
Permanent shares	**3,884**	4,033
Surplus shares	**126**	145
	$4,040	$4,209

Repurchase of shares

During the year, the AMF authorized, for the caisse network as a whole, the repurchase for cancellation of a predetermined amount of permanent shares, under certain conditions, for the period ending December 31, 2015. The Caisse repurchased 29,440 permanent shares for cancellation, for a cash consideration of $294.

During the year, the AMF authorized the repurchase for cancellation of all of the surplus shares under certain conditions. The Caisse repurchased 22,568 surplus shares for cancellation, for a cash consideration of $23.

Note 15. Other income

	2014	2013
Related mainly to deposit administration	**$336**	$354
Related to distribution of Desjardins products and services	**624**	615
Related to administration of other services	**353**	416
	$1,313	$1,385

Note 16. General expenses

	2014	2013
Premises	**$197**	$331
Office and communications expenses	**109**	107
Intercaisse transactions	**163**	195
Other	**567**	606
	$1,036	$1,239

Note 17. Related party transactions

In the normal course of business, the Caisse carries out transactions with other Desjardins Group components. It may also carry out financial transactions with its officer members as well as with members of Desjardins Group's management personnel, made on terms equivalent to those that prevail in arm's length transactions. Transactions involving a financial instrument were initially recognized at fair value. In the normal course of business, the Caisse may have granted loans to related parties. No individual allowance was deemed necessary on these loans.

The table below shows the main financial transactions entered into with certain related parties and the main balances presented on the Balance Sheets, other than those separately identified elsewhere in the Financial Statements.

	2014		2013	
	Federation[(1)]	**Other related parties [(2)]**	Federation	Other related parties
Balance Sheets				
Cash	**$370**	**$-**	$719	$-
Investment in the liquidity fund under management	**5,071**	**-**	4,940	-
Other assets	**3,496**	**4**	3,428	7
Borrowings	**24,340**	**-**	22,696	-
Other liabilities	**230**	**1,329**	257	1,013
Statements of Income				
Interest income	**330**	**-**	357	-
Other income	**713**	**242**	661	340
Interest expense	**546**	**-**	664	-
Employees	**-**	**248**	-	286
Computer services	**405**	**3**	416	4
General expenses	**108**	**203**	119	240

(1) The Federation includes the *Fédération des caisses Desjardins du Québec* and its subsidiaries.

(2) Other related parties are chiefly composed of the caisses in Quebec, the caisses in Ontario, the *Fonds de sécurité Desjardins* and the employee benefit plan for employees of the Caisse.

The amounts maintained by the Caisse in the liquidity fund under management are administered by the Federation for the benefit of the Caisse.

Note 17. Related party transactions (continued)

Other income mainly comes from intercaisse transactions carried out by members and from fees related to the distribution of Desjardins products and services, while general expenses are mainly related to intercaisse transactions.

During the year, the Caisse bought loans at market value for an amount of $803.

During the previous year, the Caisse bought loans at market value for an amount of $651.

Key management personnel compensation

Key management personnel of the Caisse comprise the members of the Board of Directors, the general manager, the assistant general manager and the persons reporting directly to him. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Caisse.

The compensation of the Caisse's key management personnel was as follows:

	2014	2013
Short-term benefits	**$451**	$456
Post-employment benefits	**55**	62

Note 18. Credit commitments

The Caisse's credit commitments represent unused portions of authorizations to extend credit in the form of loans or letters of credit and guarantee. The information on maximum credit risk exposure included in Note 21 "Financial instrument risk management" presents these credit commitments as at year-end.

Note 19. Leases

Lessee

Operating lease

The Caisse participates in a Desjardins Business centre and entered into a lease with the other participating caisses. The amount presented below is the total commitment, including the share of the other participating caisses. The Caisse may be jointly, severally and solidarily liable in order to guarantee payment in full of the rent provided for under a lease.

Leases, whose maximum term is 4 years, can have renewal options over a period of 10 years. These leases include rent indexation clauses based on the Consumer Price Index.

Note 19. Leases (continued)

At year-end, future minimum payments for the lease of premises and equipment under non-cancellable operating leases were as follows.

	2014	2013
Under 1 year	**$136**	$139
1 to 5 years	**347**	511
Over 5 years	**-**	3
	$483	$653
Total minimum lease payments assumed by the related parties	**$243**	$310

Lease payments recognized as an expense were as follows:

	2014	2013
Minimum payments	**$72**	$125

The lease payments presented above include amounts paid to a Desjardins Group component, which is a related party, totalling $1 ($1 in 2013). The total amount of future minimum commitments to this same component was $246 ($314 in 2013).

Note 20. Offsetting of financial assets and liabilities

The Caisse trades derivatives on the over-the-counter market using International Swaps and Derivatives Association (ISDA) master agreements. No financial collateral is pledged or received to manage credit risk, since the counterparty for these agreements is a related party of the Caisse and, consequently, no credit support annex is deemed necessary.

These master agreements do not meet the criteria for offsetting on the Balance Sheets because they create a right of set-off that is enforceable only in the event of default, insolvency or bankruptcy.

Note 20. Offsetting of financial assets and liabilities (continued)

The following tables present information on financial assets and financial liabilities not set off on the Balance Sheets that are the subject of a master netting arrangement:

2014

		Related amounts not set off on the Balance Sheets		
	Gross amounts presented on the Balance Sheets (1)(2)	**Financial instruments(3)**	**Financial collateral received/ pledged**	**Residual amounts not set off**
Financial assets				
Derivative financial instruments	**$452**	**$6**	**$-**	**$446**
Total financial assets	**$452**	**$6**	**$-**	**$446**
Financial liabilities				
Derivative financial instruments	**$6**	**$6**	**$-**	**$-**
Total financial liabilities	**$6**	**$6**	**$-**	**$-**

2013

		Related amounts not set off on the Balance Sheets		
	Gross amounts presented on the Balance Sheets (1)(2)	Financial instruments(3)	Financial collateral received/ pledged	Residual amounts not set off
Financial assets				
Derivative financial instruments	$266	$175	$-	$91
Total financial assets	$266	$175	$-	$91
Financial liabilities				
Derivative financial instruments	$175	$175	$-	$-
Total financial liabilities	$175	$175	$-	$-

(1) The Caisse does not set off derivative financial instruments.

(2) The difference between the amounts presented in this column and the balances reported on the Balance Sheets represents the financial assets and financial liabilities that are not the subject of master netting arrangements.

(3) This is the carrying amount of derivative financial instruments that are the subject of master netting arrangements, but do not meet the criteria for offsetting.

Note 21. Financial instrument risk management

The Caisse is exposed to different types of risk in the normal course of its operations, including credit risk, liquidity risk and market risk.

The objective of the members of the Caisse’s Board of Directors in risk management, working together with management and the Federation, is to optimize the risk-return trade-off by applying integrated risk management and control strategies, frameworks and procedures to all of the Caisse’s activities.

With the aim of ensuring sound and prudent management of the Caisse’s activities, the Caisse’s Board of Directors has adopted policies and relies, among other things, on laws and regulations, the Desjardins Code of Professional Conduct and on Federation and Desjardins Group standards and policies. This risk management approach is based on principles that encourage the Caisse to take responsibility for the quality of risk management.

Credit risk

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

The Caisse is exposed to credit risk mainly through its personal and business loans, which represented 87.31% of balance sheet assets as at December 31, 2014, compared to 87.45% a year earlier.

Credit risk management

The Caisse is responsible for the credit risk inherent in its lending activities. For this purpose, the Caisse and its centres, as applicable, have an approval limit assigned by the Desjardins Group Risk Management Office (RMO) as well as a management framework and tools.

Framework

A set of policies and standards govern all aspects of credit risk management at Desjardins Group. This framework defines, among other things:

- The minimum framework for credit risk management and control.
- The roles and responsibilities of the main parties involved.

This framework is rounded out by the credit practices of the Federation. These credit practices, adopted by the Federation and applicable to the caisses and their centres, set out:

- The conditions relative to commitment, approval, review and delegation limits.
- The rules relative to management and control of credit activities.
- Financing terms and conditions applicable to borrowers.

Credit granting

The Caisse and its centres are primarily responsible for approving files. Some approval limits are set, and loans for an amount above these limits are approved by the RMO.

Professionals are assigned to the two credit risk management divisions at the RMO according to client type. Their qualifications, their approval responsibilities and the depth of the analyses required depend on product features as well as the complexity and extent of transaction risk.

Note 21. Financial instrument risk management (continued)

Personal loans and small business loans

Retail portfolios consist of residential mortgages, personal loans and small business loans. To assess the risk of credit activities involving individuals and smaller businesses, credit scoring systems based on proven statistics are used.

Business loans

The granting of credit to businesses is based on an analysis of each file, where each borrower is assigned a risk rating. These ratings are assigned individually following a detailed examination of the financial, market and management characteristics of the business. For the main commercial portfolios, the scoring system used has 19 ratings, broken down into 12 levels, each representing a probability of default.

The characteristics of each borrower are analyzed using models based on internal and external historical data, taking into account the specific features of the borrower's economic sector and the performance of comparable businesses. These analyses are performed using systems that can make quantitative comparisons, and are supplemented by the professional judgment of the personnel involved with the file.

The use of internal ratings and estimates has been expanded to other risk management and governance activities such as establishing analysis requirements and file authorization levels, determining the different types of follow-up activities, as well as assessing and disclosing portfolio risk quality.

Mitigating credit risk

In its lending operations, the Caisse, directly or through its centre, obtains collateral if deemed necessary for a member's borrowing facility following a risk assessment. Collateral normally takes the form of assets, such as investments, receivables, inventory, and movable and immovable property. For some files, guarantee programs offered by organizations such as Canada Mortgage and Housing Corporation and *La Financière agricole du Québec* are used in addition to customary collateral.

The large number of borrowers—for the most part individuals, but also small- and medium-sized businesses from most sectors of the economy—helps ensure the sound diversification of the financing portfolio. Note 7 "Loans and allowance for credit losses" to the financial statements presents the distribution of loans by borrower category.

Where required, the Caisse uses mechanisms for sharing risk, mainly with caisses or certain Desjardins Group subsidiary companies.

File monitoring and management of higher risks

The loan portfolio is monitored using credit practices that set out the degree of thoroughness and frequency of review based on the quality and extent of the risk to which the Caisse is exposed. A quarterly report on credit activities, covering changes in credit quality and financial issues as well as non-compliance with frameworks identified by internal controls, is presented to the Board of Directors.

For certain loans that present irregularities or increased risk, compared to what was accepted at the time of approval, a position must be taken and then authorized by the appropriate decision-making level.

Management of higher-risk loans involves more frequent monitoring and the Caisse may be supported by teams from the RMO's Recovery and Collection Response Unit to help manage more difficult situations.

Note 21. Financial instrument risk management (continued)

Maximum credit risk exposure

At year-end, the maximum credit risk exposure for loan commitments was $37,914 ($33,013 in 2013).

Liquidity risk

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

Management of this risk and liquidity reserves

The Caisse 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, for the Caisse, involves maintaining a sufficient level of liquid securities. In addition, the Caisse ensures, through Desjardins Group, that it has stable and diversified sources of funding, that indicators are monitored and that there is a contingency plan to implement in the event of a liquidity crisis. For Desjardins as a whole, the implementation of Basel III will strengthen international minimum liquidity requirements through the application of regulatory liquidity ratios, including the liquidity coverage ratio (LCR), which will take effect as of 2015.

Liquidity risk management is a key component of overall risk management strategy. Desjardins Group together with its components and the caisse network have established policies, standards and regulations describing the principles, limits, risk appetite and tolerance thresholds, and 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 market conditions. They are also updated according to regulatory requirements and sound liquidity risk management practices.

The minimum liquidity reserves that a caisse must maintain are prescribed in a standard and a regulation. Day-to-day management of securities and the reserve level to be maintained is centralized at Desjardins Group Treasury and monitoring of the risk management sector is supervised by the Desjardins Group Finance and Risk Management Committee. Securities eligible for the liquidity reserves must meet high security and negotiability standards and provide assurance of their adequacy in the event of a possible severe liquidity crisis. The securities held are largely government-issued.

Furthermore, Desjardins Group Treasury is able to issue covered bonds and be active on the market for securitization of CMHC-insured loans.

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

Sources of funding and contingency plan

Desjardins Group 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 financing needs.

Desjardins Group has developed a liquidity contingency plan that provides for setting up an internal crisis committee vested with special decision-making powers to deal with crisis situations. The plan lists the sources of liquidity available in exceptional situations. It also sets out the decision-making and information process based on the severity level of a possible crisis.

Note 21. Financial instrument risk management (continued)

The objective of this plan is to enable quick and efficient action in order to minimize disruptions caused by sudden changes in member and client behaviours and potential disruptions in capital markets or economic conditions. In the event that a caisse experiences financial difficulties, Desjardins Group has set up certain financial intervention procedures to support it. In addition, the Act grants the Federation all the powers necessary to make up for the operating deficit of a caisse that does not have an adequate general reserve.

Contractual obligations

Contractual obligations are commitments with respect to future minimum payments and impact the Caisse's liquidity needs. Such contractual obligations are recognized on the Balance Sheets or are off-balance sheet.

The following tables present financial liabilities as well as other obligations by remaining contractual maturity term. The amounts presented include principal and interest, if any.

2014

	Less than 1 year	**1 to 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Deposits	**$75,071**	**$45,132**	**$-**	**$120,203**
Borrowings[1]	**12,186**	**9,909**	**3,826**	**25,921**
Derivative financial instruments with net settlement	**7**	**1**	**-**	**8**
Other financial liabilities	**485**	**-**	**-**	**485**
Off-balance sheet items				
Loan commitments	**37,914**	**-**	**-**	**37,914**

2013

	Less than1 year	1 to 5 years	Over 5 years	Total
Financial liabilities				
Deposits	$63,773	$56,699	$-	$120,472
Borrowings[1]	10,076	9,999	4,420	24,495
Derivative financial instruments with net settlement	(65)	214	33	182
Other financial liabilities	378	-	-	378
Off-balance sheet items				
Loan commitments	33,013	-	-	33,013
Letters of guarantee and credit	1	-	-	1

(1) Certain borrowings are repayable at the option of the holder before maturity under certain conditions and for specified purposes. Considering these conditions, these borrowings are presented by remaining contractual maturity term. Additional information can be found in Note 10, "Borrowings".

Market risk

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

Note 21. Financial instrument risk management (continued)

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

Interest rate risk management

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

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

Management of this risk for the caisse network

The policies and standard established by the Federation describe the principles, limits and procedures that apply to interest rate risk management. Simulations are used at the caisse network level to measure the effect of different variables on changes in net interest income and the economic value of equity for all the caisses.

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

Management of this risk for the Caisse

The Caisse's interest rate risk is managed in accordance with a strategy that involves setting targets and action to be taken when the Caisse finds itself outside the guidelines set out in the standard for individual caisses.

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

	2014	2013
Impact of a 100 basis point increase in interest rates	**$(41)**	$(97)
Impact of a 100 basis point decrease in interest rates	**104**	168

Note 21. Financial instrument risk management (continued)

The tables below summarize the interest rate risk exposure of the Caisse's assets and liabilities at year-end.

2014	Sensitivity gap – Balance sheet items	Sensitivity gap – Derivative financial instruments	Total sensitivity gap
Non-interest-rate-sensitive items	**$(28,310)**	**$-**	**$(28,310)**
Interest-rate-sensitive items			
Floating rate	**11,127**	**-**	**11,127**
0 to 12 months	**14,712**	**(20,068)**	**(5,356)**
1 to 5 years	**5,585**	**18,304**	**23,889**
Over 5 years	**(1,951)**	**1,764**	**(187)**

2013	Sensitivity gap – Balance sheet items	Sensitivity gap – Derivative financial instruments	Total sensitivity gap
Non-interest-rate-sensitive items	$(29,527)	$-	$(29,527)
Interest-rate-sensitive items			
Floating rate	21,693	-	21,693
0 to 12 months	8,773	(29,831)	(21,058)
1 to 5 years	3,132	28,067	31,199
Over 5 years	(2,692)	1,764	(928)

The sensitivity gap – Balance sheet items is based on the earlier of the repricing or maturity dates of the interest rates on assets and liabilities. The sensitivity gap – Balance sheet items represents the difference between total assets and total liabilities and equity for a given period.

The above tables show year-end balances, except in the case of non-interest sensitive assets and liabilities for which the average monthly balance is provided because it is used for management purposes.

Some balance sheet items are considered non-interest-rate-sensitive instruments, such as 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. Desjardins Group's management practices are based, as required by its policies, on prudent assumptions regarding the maturity profile used in its models in order to determine interest rate sensitivity.

The sensitivity gap – Derivative financial instruments is based on notional amounts.

The situation presented reflects the position on that date only, based on certain management assumptions. This situation can change significantly in subsequent years depending on the preferences of members and clients and the application of policies on interest rate risk management.

Note 22. Capital management

The goal of the Caisse's capital management is to ensure that a sufficient base capital is maintained for sound and prudent management.

Note 22. Capital management (continued)

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

The Caisse's regulatory capital, which constitutes capital, differs from the equity disclosed in the Balance Sheets.

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

Tier 2 capital consists of qualifying shares, eligible investment shares, certain eligible borrowings and the eligible portion of the collective allowance.

As prescribed by the current provisions of the Federation standard, the Caisse's total capital is reduced, among other things, by certain investments in the Federation's investment funds.

The Caisse's expansion assets comprise its assets appearing on the Balance Sheets and its off-balance sheet commitments, reduced by its investments in the Federation's investment funds accounted for using the equity method.

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

The Caisse must at all times maintain capital in compliance with the following requirements:

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

In accordance with the transitional provision of the guideline issued by the AMF, the standard on the capital adequacy of the caisses, established by the Federation, allows the Caisse to mitigate the impact of the amendments to IAS 19, "Employee Benefits", for a two-year period ending December 31, 2014. As a result, for purposes of calculating the capital ratios, the Caisse amortized the eligible portion of the IFRS impact related to the effect of IAS 19 amounting to $362 on a straight-line basis from January 1, 2013 to December 31, 2014.

Note 22. Capital management (continued)

The following table presents the composition of the Caisse's regulatory capital, as it appeared in the internal report to the officers of the Caisse before the accounts were closed.

	2014	2013
Tier 1 capital		
Eligible permanent shares and surplus shares	**$4,010**	$4,175
General reserve, eligible appreciation reserve, stabilization reserve and reserve for future member dividends	**9,582**	8,232
Eligible surplus earnings	**784**	689
Other Tier 1 capital	**175**	181
Deductions	**(6,020)**	(5,660)
Total Tier 1 capital	**$8,531**	$7,617
Tier 2 capital		
Qualifying shares and eligible investment shares	**$31**	$32
Eligible collective allowance	**38**	33
Eligible borrowings	**3,293**	3,948
Deductions	**(996)**	(1,242)
Total Tier 2 capital	**2,366**	2,771
Total capital	**$10,897**	$10,388

At year-end, the Caisse's capitalization ratios were in compliance with those required under the standard, as the normative framework stipulates that the ratios to be used are based on the internal data provided to the officers of the Caisse.