

WE

BELIEVE



**Desjardins**  
Financial Security®

Cooperating in building the future

**PEOPLE COME FIRST**

## TABLE OF CONTENTS

<b>Desjardins Financial Security Profile</b>	02
<b>Message from Management</b>	04
<b>Key Achievements in 2010</b>	06
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	09
<b>FIVE-YEAR SUMMARY</b>	49
<b>CORPORATE INFORMATION</b>	50

### NOTE:

In the event of a discrepancy between the French and English texts, the French text will prevail.

### VERSION EN FRANÇAIS

Une version en français de cette Revue financière peut être consultée sur le site Internet de la compagnie ou commandée par écrit, télécopie ou courriel.

Service des communications  
Desjardins Sécurité financière  
200, rue des Commandeurs  
Lévis (Québec)  
G6V 6R2

Téléphone: 418 838-7800, poste 7797 ou 1 877 828-7800, poste 7797  
Télécopieur: 418 833-5985 ou 1 877 833-5985  
Courriel: [info@desjardinssecuritefinanciere.com](mailto:info@desjardinssecuritefinanciere.com)  
Site Internet: [www.desjardinssecuritefinanciere.com/lacompagnie](http://www.desjardinssecuritefinanciere.com/lacompagnie)

Committed to sustainable development, Desjardins Group favours the use of paper that is manufactured in Canada in accordance with recognized environmental standards.

This report has been printed on paper containing 100% post-consumer fibers certified FSC (Forest Stewardship Council), processed chlorine free and manufactured using biogas energy. Paper made with FSC certified fiber and bearing the FSC logo is your guarantee that it has come from responsibly managed forests that maintain the highest environmental and social standards according to the Forest Stewardship Council.



# DESJARDINS FINANCIAL SECURITY

## PRODUCTS AND SERVICES

Desjardins Financial Security Life Assurance Company (Desjardins Financial Security or “the Company”) offers a flexible array of life and health insurance, as well as savings and retirement products and services that are designed to meet the changing financial security needs of individuals, groups and businesses.

Desjardins Financial Security is a subsidiary of Desjardins Group, the largest cooperative financial group in Canada with assets under management of more than \$175 billion and a workforce of 42,200 employees.

Desjardins Financial Security helps more than five million Canadians prepare for retirement and the unexpected by ensuring their financial security. We do this by offering them tailor-made combinations of life and health insurance coverages to protect them against the financial repercussions of accidents, illness and death. We also provide them with innovative savings solutions to give them the peace of mind they need today and the ability to achieve their retirement plans and dreams of tomorrow.

## HISTORY AND INDUSTRY RANKING

Desjardins Financial Security is the result of the merger of some twenty portfolios and companies, including Desjardins-Laurentian Life Assurance and The Imperial Life Assurance Company of Canada, and boasts more than one hundred years of experience. The Company, which pioneered the concept of bancassurance in this country, now ranks fourth among life and health insurers in Canada and first in Quebec in terms of written premiums.<sup>1</sup>

## DISTRIBUTION NETWORKS

Desjardins Financial Security provides products and services to its clients through financial institutions, such as the Desjardins caisses, Desjardins Business Centres and Desjardins Credit Union branches, and has a special team of more than 275 financial security advisors dedicated to the customers of the Desjardins caisses.

To accommodate the individual preferences of its various clientele, Desjardins Financial Security makes its products and services available to individuals, groups and businesses through a diverse range of distribution channels, including its sales offices and other networks, such as the financial centres of SFL and SFL Investments in Quebec, as well as the financial centres of Desjardins Financial Security, Independent Network and Desjardins Financial Security Investments Inc. elsewhere in Canada.

The Company also maintains business relationships with many group plan representatives, consulting actuaries, brokers and general agents (MGAs) across Canada, and distributes a number of insurance products on line or through some 170 agents of its Direct Distribution Centre.

### **SUBSIDIARIES: DESJARDINS FINANCIAL SECURITY INVESTMENTS AND SIGMA ASSISTEL**

Desjardins Financial Security Investments Inc. is a mutual fund and insurance brokerage firm. Through this firm, our associate representatives, the caisse-dedicated financial security advisors and financial planners in our financial centres, and our group retirement savings plan representatives have access to the products of 15 Canadian insurance manufacturers and over 65 manufacturers of mutual funds.

A pioneer in assistance services in Canada, Sigma Assistel Inc. offers the most comprehensive range of services in the country, including travel, roadside, convalescence, legal, identity-theft and identity-restoration assistance, as well as employee assistance programs (EAPs). Sigma Assistel Inc. serves an extensive portfolio of domestic and international clients, such as insurance companies, financial institutions, credit-card issuers and associations.

### **PLACES OF BUSINESS**

In addition to its head office in Lévis, Desjardins Financial Security has offices in several other cities coast to coast, including Vancouver, Calgary, Winnipeg, Toronto, Ottawa, Montréal, Québec, Halifax and St. John's.

<sup>1</sup> The market data in this annual report are derived from the most recent information published in reports from the Superintendent of Financial Institutions and the Autorité des marchés financiers; most of the data are as at December 31, 2009.

# MESSAGE FROM MANAGEMENT

Strong growth  
coast to coast!



MONIQUE F. LEROUX



RICHARD FORTIER

**IN 2010, WE CLEARLY DEMONSTRATED THAT DESJARDINS FINANCIAL SECURITY HAS THE FINANCIAL STRENGTH, THE CREATIVITY AND THE PRODUCTS AND SERVICES TO SECURE A SUBSTANTIAL SHARE OF THE LIFE AND HEALTH INSURANCE MARKET. OUR ACHIEVEMENTS ARE A TRIBUTE TO OUR COMPETITIVE OFFER AND OUR FINANCIAL RESULTS SHOW THAT WE ARE NOW A MAJOR INDUSTRY PLAYER.**

Desjardins Financial Security maintained its financial strength and recorded significant growth in profitability in 2010, ending the year with \$234.7M in net income (\$193.8M in 2009) and one of the best returns on shareholder equity in the industry (24.1%). The share of Desjardins Financial Security's net income attributed to its ultimate shareholders, the Desjardins caisses, totalled \$235.8M, up \$43.0M over last year. Good claims experience and strict control of operating costs were also key factors behind the Company's performance in 2010.

Overall business growth was also excellent, with income from insurance and annuity premiums standing at \$3,034.1M, for a 1.7% increase over 2009, and insurance sales totalling \$183.5M. The savings sector continued to gain ground with sales totalling \$1,807.4M. Group retirement savings sales stood at \$371.7M and individual savings sales at \$958.7M. Investment funds generated \$477.0M in sales, compared to \$314.5M in 2009.

## PEOPLE COME FIRST

Over five million Canadians depend on us for their financial security, and that's something we can be proud of! In 2010, we continued to focus our attention on client support and guidance, using a holistic approach to make sure we are meeting all of their needs. And our success here is something else we can be proud of.

For example, Creditor and Direct Insurance increased the amount of insurance available under *Savings-Life Insurance* from \$10,000 to \$25,000 to better meet the needs of Desjardins caisse members; Individual Insurance redesigned *SOLO Health* and its line of critical illness products to maintain a diversified range of health insurance options; AssurFinance for Individuals optimized its approach and service offer in the area of retirement income preservation, estate planning and business transfer for mass affluent and high net worth clients; in partnership with the Desjardins caisse network, Group Retirement Savings expanded

its *Desjardins Group Retirement Savings Solutions* for the benefit of caisse members; and Individual Savings redesigned the *Helios* product and implemented a dynamic hedging program for segregated funds to manage the risks associated with this product more effectively.

## FINANCIAL EDUCATION A HIGH PRIORITY

As our markets and economic life become increasingly complex, consumers are on the look out for reliable sources of information to help them understand their financial security needs and make well-informed decisions. Desjardins Financial Security is committed to finding innovative ways of responding to this need. For instance, we added a *Life Events* section to our brand-new website that deals with such subjects as *Having a child, Buying a home, Going on a trip, Thinking about your retirement, Starting a life together, Losing a spouse or another family member, Getting divorced or separated, Starting a new job, Starting a business* and *Thinking about your health*. The site offers advice people can use to make informed decisions.

Group Retirement Savings' new and improved financial education program, *Your way, plain and simple*, encourages our group pension plan participants to become actively involved in planning their retirement and managing their assets. Our new pension plan statement, with its personalized information, is now more user friendly and was ranked number one in DALBAR's<sup>(1)</sup> *Trends and Best Practices in Defined Contribution Pension Plan Statements report*. Also, the *Find out more about* series was designed by the Group and Business Insurance sector for group insurance plan members to explain the basics of group insurance plans to them.

## 2011: MOVING FORWARD

In our concentrated and consolidated industry, Desjardins Financial Security is ranked the fourth leading life and health insurer in Canada and number one in Quebec in terms of written premiums. In order to maintain our leadership position in Quebec and continue our accelerated growth in the other provinces, our overall strategy in 2011 will focus on the following directions: concentrating on accelerated organic growth while actively seeking acquisition opportunities; developing the company's national profile; meeting client needs while keeping our service offer and costs competitive; improving the company's risk profile by balancing geographic and business sector contributions to the company's income; maintaining high profitability; seeking an operating balance, between clients, employees and the shareholder, through sustainable overall performance; and controlling costs.

The business sectors are already actively implementing their respective directions and have exciting things planned. For example, Group and Business Insurance is working on the launch of a new disability management offer and a secure site for plan administrators. Creditor and Direct Insurance continues to fine-tune its credit insurance offer in line with new developments in the area of financing solutions and credit distribution methods. Direct Insurance, which is marking the 25th anniversary of *Travel Insurance* this year, is stepping up its accelerated growth efforts. For the fourth consecutive year, AssurFinance for Individuals expects to outperform the Canadian industry in terms of growth thanks to its optimized approach and service offer, targeting the mass affluent and high net worth client market in particular. Individual Insurance and Savings is once again focusing on enhancing its distribution capabilities coast to coast and increasing market penetration in cultural communities. Group Retirement Savings (GRS) is already heavily invested in its own accelerated growth plan and will continue, as part of this plan, to build on the GRS team's recognized expertise, Desjardins Financial Security's well-established credibility as a service provider and a service offer in tune with the needs of an increasingly sophisticated clientele. The business sectors will also continue to work on major e-commerce development projects in 2011.

These ambitious plans will come with their share of challenges that will make the task ahead demanding but also exciting! We are convinced that they will ensure the continued success of our expansion from coast to coast and help us make a substantial contribution to Desjardins Group's performance.

## THANK YOU TO EVERYONE!

We would like to once again thank our 11,256 employees, representatives and partners for their commitment and dedication to our clients and mission throughout 2010. We recognize and appreciate your hard work. We would also like to thank the officers of Desjardins Group and members of our Board of Directors for their valuable contribution and support.

A very special thank-you goes out to our members and clients for placing their trust in our company. It is a privilege to serve five million Canadians and we gratefully acknowledge it. Your changing financial security needs are very important to us and we are committed to finding new and creative ways of meeting them.

MONIQUE F. LEROUX, FCA, FCMA

Chair of the Board, President and Chief Executive Officer, Desjardins Group and Chief Executive Officer of Desjardins Financial Security

RICHARD FORTIER, FSA, FICA, CFA

President and Chief Operating Officer of Desjardins Financial Security

(1) DALBAR: a research and consulting firm created in the United States in 1976 and established in Toronto since 1994. DALBAR is committed to raising the standards of excellence within the financial services industry.

# KEY ACHIEVEMENTS IN 2010

- NET INCOME TOTALLING \$234.7M, UP 21.1% OVER 2009.
- RETURN ON SHAREHOLDER EQUITY OF 24.1%, ONE OF THE BEST IN THE FINANCIAL SERVICES INDUSTRY.
- IN-FORCE INSURANCE UP 7.8%.
- NET INSURANCE PREMIUMS TOTALLING \$2,745.4M, UP 5.5% (BOTH IN AND OUTSIDE QUEBEC).
- GROUP INSURANCE ADMINISTERED PREMIUMS UP 5.5%.
- INDIVIDUAL INSURANCE SALES UP 12.0%.
- GROUP RETIREMENT SAVINGS SALES UP 37.0% OUTSIDE QUEBEC.
- MUTUAL FUND SALES UP 51.7%.
- WEALTH ACCUMULATION PLAN SALES UP 34.1% FOR GROUP RETIREMENT SAVINGS.
- TOTAL VOLUME OF CREDIT COVERED BY LIFE INSURANCE UP 4.5%.
- ASSETS UNDER MANAGEMENT AND ADMINISTRATION UP 14.0%, WITH CONTINUED EXCELLENT ASSET QUALITY.
- CAPITALIZATION COMPARABLE TO THE COMPETITION'S.

## GROUP INSURANCE

### Group and Business Insurance

- Renewal of Government of Newfoundland and Labrador group insurance plan with five-year service agreement.
- Ongoing development of IT solutions to maintain high service levels, including new secure site for plan administrators to be launched in 2011.
- New e-publication, *Your Guide to DFS Reports*, that representatives can use to present our portfolio of standard reports to intermediaries. This user-friendly interactive guide makes it easy to find the reports that clients need.
- Launch of *Find out more about* series for plan participants to help them better understand the different aspects of their group insurance plan.

### Creditor Insurance

- Amount of insurance available under *Savings-Life Insurance* increased from \$10,000 to \$25,000 to better meet the needs of Desjardins caisse members.
- Desjardins Financial Security selected as exclusive provider of *Credit Insurance* by Caisse Populaire Groupe Financier Ltée following the merger of a group of caisses in Manitoba.
- Development of integrated Desjardins solution jointly with Desjardins Group's Personal Services for automobile and durable goods financing.

## INDIVIDUAL INSURANCE

### INDIVIDUAL INSURANCE SALES UP 12.0%.

### Individual Insurance

- Insurance sales outside Quebec up 26.6%.
- Redesign of *SOLO Health* and family of critical illness products to maintain Desjardins Financial Security's privileged position in the health insurance market.
- Implementation of customer relationship management tool and redesign of SFL and Desjardins Financial Security Investments Inc. websites to take advantage of cutting-edge technologies that will help our partner networks grow their business.

### AssurFinance for Individuals

- Insurance sales up 13.0%.
- Optimization of approach and service offer in the area of retirement income preservation, estate planning and business transfer for mass affluent and high net worth client market.
- Increased specialization and higher number of financial security advisors dedicated to the mass affluent and high net worth market to maintain a high level of customer service.

### Direct Insurance

- Launch of new *Travel Insurance* transactional site, substantially improving client experience and adding new features to the product, including the Elite class. Continued marketing of this product to increase market share across Canada, with a special focus on Ontario.
- Sales of *GetWell Insurance*, a new product launched in 2009, reached the 10,000 mark.

## SAVINGS

**GROUP  
RETIREMENT  
SAVINGS SALES  
UP 37.0%  
OUTSIDE QUEBEC.**

**MUTUAL FUND  
SALES UP  
51.7%.**

### Group Retirement Savings

- *Desjardins Group Retirement Solutions*, a unique service offer developed in partnership with the Desjardins caisse network. This new offer consists of an expanded range of services, including five different types of group pension and savings plans for caisse members.
- Accumulation plan sales growth of 34.1%, generated mainly by our performance in major actuarial consulting networks.
- Redesign of our pension plan participant statement. The statement, which offers personalized communications, took first place in DALBAR's Trends and Best Practices in Defined Contribution Plan Statements report in 2010.
- Newly integrated website functions now make it easier for pension plan participants to access their site, view their financial statements on line and obtain more complete and detailed retirement information, from rates of return to asset management. Thanks to these changes, the site attracted twice as many visitors in December 2010 than it did in December 2009.
- Launch of the new *Your way, plain and simple* financial education and communication program to offer plan participants a better experience and encourage them to get more actively involved in planning their retirement and managing their savings.

### Individual Savings

- Redesign of the *Helios* product and implementation of the dynamic hedging program for segregated funds to manage the risks associated with this product more effectively.
- Net guaranteed investment fund sales totalling \$846 million.
- Guaranteed investment fund market share up 1%.

## SIGMA ASSISTEL

- Redesign of assistance coordinator training programs, using a new method that makes learning easier by showing the synergy of the processes.
- Revision of roadside assistance service to increase user satisfaction while achieving a productivity gain.
- Redesign of [www.assistel.com](http://www.assistel.com)

## OTHER SIGNIFICANT ACHIEVEMENTS

- New International Financial Reporting Standards (IFRS) conversion plan. This plan consisted in assessing the impact of these standards and making the necessary changes to accounting policies, processes and IT systems. The required changes will affect mainly the classification of insurance contracts, the reporting basis of investment and own-use properties, segregated fund accounting, reinsurance contracts, financial instruments, future employee and pension benefits, and will introduce increased financial disclosure requirements.
- AssurFinance for Individuals celebrated its 10th anniversary. This line of business, which was created following a major study of consumers' life and health insurance expectations in 1999, has been making great strides since then and is now meeting the needs of caisses and their members very successfully.
- At the Insurance and Financial Communicators Association (IFCA) awards gala, Desjardins Financial Security was recognized for the seventh year in a row for its excellence in communications, marketing and promotion. This year Desjardins Financial Security added a record 16 prizes to the 12 it brought home in 2009: two Best of Show, seven Awards of Excellence and seven Honourable mentions. The annual contest covers 12 categories related to advertising, public relations, corporate communications and sales promotion in the insurance and financial services industry.



## TABLE OF CONTENTS

<b>Responsibility for Financial Reporting</b>	10
<b>Independent Auditors' Report</b>	11
<b>Appointed Actuary's Report</b>	12
<b>Consolidated Financial Statements</b>	13
Consolidated Statement of Income	13
Consolidated Balance Sheet	14
Consolidated Statement of Policyholders' and Shareholder's Equity	15
Consolidated Statement of Comprehensive Income	15
Consolidated Statement of Cash Flows	16
Consolidated Statement of Net Assets of Segregated Funds	17
Consolidated Statement of Changes in Net Assets of Segregated Funds	17
Notes to the Consolidated Financial Statements	18

# RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Desjardins Financial Security Life Assurance Company (the Company) and the information contained in this financial review were prepared by the Company's Management. These consolidated financial statements were prepared in accordance with the Canadian generally accepted accounting principles (GAAP) described in the accompanying notes and contain amounts that are based on Management's best judgment within reasonable limits of materiality.

To discharge their responsibility for the reliability and integrity of the financial data, the Company's Management have established systems to ensure strict control over accounting records, operations, and the various systems used.

The Company's Board of Directors approves the information contained in this financial review and, as part of its responsibilities, oversees Management's preparation of the financial statements and maintenance of appropriate internal control systems. The board exercises this responsibility primarily through its Audit Committee, the members of which are neither members of Management nor employees of the Company. The Audit Committee meets regularly with Management, the Appointed Actuary, the internal auditor and independent auditor. The independent auditor's representatives may, if they deem it necessary, request meetings with the Audit Committee. The Board of Directors, through its Investment Committee and Audit Committee, approves the Company's investment policies and monitors the activities governed by these policies. The Board of Directors also oversees the Company's transactions with related parties and with persons related to its directors or officers through its Ethics Committee, to which all major transactions of this nature must be submitted for approval.

The Appointed Actuary, who is appointed by the Board of Directors, is responsible for performing a yearly valuation of the Company's policyholder liabilities in accordance with the standards of the Canadian Institute of Actuaries and the requirements of the *Act Respecting Insurance* (Quebec) and for reporting thereon to the Company's policyholders and shareholder. To this end, the Appointed Actuary may ask to meet with the Audit Committee as well as the Board of Directors. To perform this valuation, the Appointed Actuary makes assumptions as to future interest, mortality and morbidity rates, claims experience, policy terminations, inflation, reinsurance recoveries, expenses and other contingencies, by taking into consideration the circumstances of the Company. In his report, the Appointed Actuary defines the scope of the valuation and issues an opinion. Each year, the Appointed Actuary is required to perform an analysis of the Company's financial position and prepare a report for the Board of Directors. This analysis tests the Company's capital adequacy to December 31, 2014, under adverse economic and business conditions.

The independent auditor, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., who is appointed by the Shareholder, is responsible for auditing the Company's consolidated financial statements and has full and unrestricted access to the Audit Committee's meetings, as well as to any information he requires in order to express an audit opinion on these financial statements.

The Autorité des marchés financiers (AMF) is empowered to audit the Company's compliance with the *Act Respecting Insurance* (Quebec), which aims primarily to protect policyholder interests and ensure companies maintain a sound financial position.

**RICHARD FORTIER**  
President and Chief Operating Officer

**FRANÇOIS DROUIN**  
Vice-President Finance

Lévis, February 11, 2011

# INDEPENDENT AUDITOR'S REPORT

To the Policyholders and Shareholder of **Desjardins Financial Security Life Assurance Company**

We have audited the enclosed consolidated financial statements of **Desjardins Financial Security Life Assurance Company**, which include the consolidated balance sheet and consolidated statement of its net assets of segregated funds as at December 31, 2010, the consolidated statements of income, comprehensive income, policyholders' and shareholder's equity, cash flows and changes in net assets of segregated funds for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated 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 the accounting policies used, the reasonableness of the accounting estimates made by Management, and the overall presentation of the consolidated financial statements.

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

## OPINION

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of **Desjardins Financial Security Life Assurance Company** and of its segregated funds as at December 31, 2010, and the results of its operations, cash flows and changes in net assets of segregated funds for the year then ended in accordance with Canadian generally accepted accounting principles.



*Belair & Tardif s.e.m.m.*<sup>1</sup>

Chartered Accountants

Quebec City, February 11, 2011

<sup>1</sup> Chartered accountant auditor permit n° 16162

# APPOINTED ACTUARY'S REPORT

To the Policyholders, Shareholder and Directors of **Desjardins Financial Security Life Assurance Company**

I have made valuations of the policy liabilities of **Desjardins Financial Security Life Assurance Company** for its consolidated balance sheet as at December 31, 2010 and their change in the consolidated statement of income for the year then ended in accordance with accepted actuarial practice, including selection of appropriate valuation assumptions and methods.

In my opinion, the amount of the Company's policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of these valuations.

CAMIL LÉVESQUE  
Fellow, Canadian Institute of Actuaries

Lévis, February 11, 2011

# CONSOLIDATED STATEMENT OF INCOME

for the year ended December 31

(in millions of dollars)

	NOTES	2010	2009
<b>Revenue</b>			
Premium income			
Insurance		\$ 2,745.4	\$ 2,602.5
Annuities		288.7	380.5
		<b>3,034.1</b>	2,983.0
Net investment income	4d	1,121.1	750.5
Other revenue		184.8	132.2
		<b>4,340.0</b>	<b>3,865.7</b>
<b>Expenses</b>			
Expenses attributable to policyholders			
Insurance benefits and annuities		2,227.2	2,174.9
Change in actuarial liabilities	7d	775.8	466.7
Policyholder dividends and experience rating refunds		102.2	118.0
Interest on benefits and deposits		74	7.5
		<b>3,112.6</b>	2,767.1
Commissions		238.1	223.6
Operating expenses		620.4	560.4
Premium taxes		70.0	63.9
		<b>4,041.1</b>	<b>3,615.0</b>
<b>Operating income</b>		<b>298.9</b>	250.7
Income taxes	15	63.1	55.9
Non-controlling interest in net income of subsidiaries	10	1.1	1.0
<b>Net income</b>		<b>\$ 234.7</b>	<b>\$ 193.8</b>
<b>Allocation of net income</b>			
Attributable to participating policyholders		\$ (1.1)	\$ 1.0
Attributable to the shareholder		235.8	192.8
<b>Net income</b>		<b>\$ 234.7</b>	<b>\$ 193.8</b>

The accompanying notes are an integral part of the consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

as at December 31

(in millions of dollars)

	NOTES	2010	2009
<b>Assets</b>			
<b>Investments</b>			
	4		
Bonds		\$ 8,499.4	\$ 7,691.8
Mortgage loans and business loans		3,121.3	3,245.0
Real estate		1,084.6	1,037.7
Stocks		1,042.3	703.9
Cash and money market instruments		444.4	422.8
Policy loans		107.5	106.1
Other loans and investments		927.8	779.8
		<b>15,227.3</b>	<b>13,987.1</b>
Other assets	6	<b>508.5</b>	484.4
<b>Total general fund assets</b>		<b>\$ 15,735.8</b>	<b>\$ 14,471.5</b>
<b>Net assets of segregated funds</b>		<b>\$ 4,793.9</b>	<b>\$ 3,502.1</b>
<b>Liabilities</b>			
<b>Policy liabilities</b>			
	7		
Actuarial liabilities		\$ 11,345.5	\$ 10,573.4
Provisions for claims, policyholder dividends and experience rating refunds		327.1	313.9
Policyholder deposits		449.1	434.3
		<b>12,121.7</b>	<b>11,321.6</b>
Other liabilities	8	<b>1,711.5</b>	1,721.0
Long-term debt	9	<b>63.3</b>	69.5
Deferred net realized gains	4b	<b>38.3</b>	40.3
Liabilities for preferred shares	12	<b>475.0</b>	275.0
Non-controlling interest in net income of subsidiaries	10	<b>6.8</b>	6.4
		<b>14,416.6</b>	<b>13,433.8</b>
<b>Policyholders' and shareholder's equity</b>			
Participating policyholders' equity		<b>203.9</b>	197.2
Shareholder's equity		<b>1,115.3</b>	840.5
<b>Total policyholders' and shareholder's equity</b>		<b>1,319.2</b>	<b>1,037.7</b>
<b>Total general fund liabilities and equity</b>		<b>\$ 15,735.8</b>	<b>\$ 14,471.5</b>
<b>Net assets attributable to segregated fund policyholders</b>		<b>\$ 4,793.9</b>	<b>\$ 3,502.1</b>

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors:

SYLVIE ST-PIERRE BABIN  
Chair of the Board of Directors

SERGE HAMELIN  
Chair of the Audit Committee

# CONSOLIDATED STATEMENT OF POLICYHOLDERS' AND SHAREHOLDER'S EQUITY

for the year ended December 31

(in millions of dollars)

	RETAINED EARNINGS			ACCUMULATED OTHER COMPREHENSIVE INCOME (NOTE 13)		TOTAL EQUITY	
	SHARE CAPITAL (NOTE 12)	PARTICIPATING POLICYHOLDERS	SHAREHOLDER	PARTICIPATING POLICYHOLDERS	SHAREHOLDER	PARTICIPATING POLICYHOLDERS	SHAREHOLDER
<b>Balance as at December 31, 2008</b>	<b>\$ 307.0</b>	<b>\$ 191.1</b>	<b>\$ 353.5</b>	<b>\$ (2.0)</b>	<b>\$ (10.5)</b>	<b>\$ 189.1</b>	<b>\$ 650.0</b>
Net income for 2009		1.0	192.8			1.0	192.8
Related party transaction adjustment (Note 22)			0.4				0.4
Other comprehensive income				7.1	35.9	7.1	35.9
Dividends (Note 12)			(38.6)				(38.6)
<b>Balance as at December 31, 2009</b>	<b>\$ 307.0</b>	<b>\$ 192.1</b>	<b>\$ 508.1</b>	<b>\$ 5.1</b>	<b>\$ 25.4</b>	<b>\$ 197.2</b>	<b>\$ 840.5</b>
Net income for 2010		(1.1)	235.8			(1.1)	235.8
Other comprehensive income				7.8	50.5	7.8	50.5
Dividends			(11.5)				(11.5)
<b>Balance as at December 31, 2010</b>	<b>\$ 307.0</b>	<b>\$ 191.0</b>	<b>\$ 732.4</b>	<b>\$ 12.9</b>	<b>\$ 75.9</b>	<b>\$ 203.9</b>	<b>\$ 1,115.3</b>

The accompanying notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31

(in millions of dollars)

	2010	2009
<b>Net income</b>	<b>\$ 234,7</b>	<b>\$ 193,8</b>
<b>Other comprehensive income</b>		
Unrealized gains on assets available for sale <sup>(1)</sup>	56,3	43,3
Reclassification of (gains) losses on assets available for sale included in net income <sup>(2)</sup>	2,0	(0,3)
Total other comprehensive income	58,3	43,0
<b>Comprehensive income</b>	<b>\$ 293,0</b>	<b>\$ 236,8</b>

## Allocation of comprehensive income

Attributable to participating policyholders	\$ 6,7	\$ 8,1
Attributable to shareholder	286,3	228,7
<b>Comprehensive income</b>	<b>\$ 293,0</b>	<b>\$ 236,8</b>

(1) Net of a tax expense of \$15.5M (tax expense of \$9.6M in 2009).

(2) Net of a tax savings of \$0.2M (tax expense of \$0.6M in 2009).

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31

(in millions of dollars)

	2010	2009
<b>Operating activities</b>		
Net income	\$ 234.7	\$ 193.8
Items not affecting cash		
Change in actuarial liabilities	775.8	466.7
Gains, losses and amortization recognized in investment income	(587.9)	(129.8)
Future income taxes	51.5	38.9
Other	20.5	20.6
	494.6	590.2
Change in operating assets and liabilities		
Trading assets and liabilities	49.5	(275.0)
Net change in commitments under securities lending transactions, repurchase agreements and securities sold short	109.1	(193.6)
Other	(80.9)	258.0
<b>Cash flows from operating activities</b>	<b>572.3</b>	<b>379.6</b>
<b>Investing activities</b>		
Sales, maturities and repayments		
Stocks and bonds available for sale	783.4	305.6
Real estate	7.3	3.4
Purchases		
Stocks and bonds available for sale	(1,430.2)	(597.6)
Real estate	(21.6)	(16.4)
Net change in money market instruments maturing in more than three months	1.6	(64.5)
Net change in mortgage loans, policy loans and business loans	118.7	67.3
Net change in other loans and investments	(124.7)	(113.8)
Other	(9.2)	(8.2)
<b>Cash flows from investing activities</b>	<b>(674.7)</b>	<b>(424.2)</b>
<b>Financing activities</b>		
Issuance of Class E shares	200.0	—
Dividends paid to common shareholder	(67.5)	(14.1)
Reduction of long-term debt	(6.2)	(35.7)
Other	(0.7)	(2.0)
<b>Cash flows from financing activities</b>	<b>125.6</b>	<b>(51.8)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>23.2</b>	<b>(96.4)</b>
Cash and cash equivalents at beginning of year	312.0	408.4
<b>Cash and cash equivalents at end of year</b>	<b>\$ 335.2</b>	<b>\$ 312.0</b>
Additional information		
Interest paid	\$ 21.3	\$ 21.6
Income taxes paid (recoveries)	\$ 74.2	\$ (51.6)

Cash and cash equivalents include \$40.9M (\$26.1M in 2009) in cash and \$294.3M (\$285.9M in 2009) in money market instruments maturing in less than three months.

The accompanying notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF NET ASSETS OF SEGREGATED FUNDS

as at December 31

(in millions of dollars)

	NOTE	2010	2009
<b>Investments</b>			
Bonds		\$ 183.1	\$ 176.4
Mortgage loans		9.8	14.9
Stocks and mutual fund units		4,434.3	3,092.8
Money market instruments		164.3	182.4
Other assets		31.7	120.8
Liabilities		(29.3)	(85.2)
<b>Net assets of segregated funds</b>	2	<b>\$ 4,793.9</b>	<b>\$ 3,502.1</b>

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS OF SEGREGATED FUNDS

for the year ended December 31

(in millions of dollars)

	2010	2009
<b>Net assets of segregated funds at beginning of year</b>	<b>\$ 3,502.1</b>	<b>\$ 2,050.8</b>
<b>Additions</b>		
Amounts received from policyholders	1,292.5	1,401.2
Net investment income	125.8	90.6
Net realized and unrealized gains on investments	334.6	417.8
	<b>1,752.9</b>	<b>1,909.6</b>
<b>Deductions</b>		
Withdrawals and redemptions	390.0	418.5
Management fees	71.1	39.8
	<b>461.1</b>	<b>458.3</b>
<b>Net assets of segregated funds at end of year</b>	<b>\$ 4,793.9</b>	<b>\$ 3,502.1</b>

The accompanying notes are an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

(tabular amounts are in millions of dollars)

## NOTE 1

### Method of Incorporation and Nature of Operations

#### A) METHOD OF INCORPORATION

Desjardins Financial Security Life Assurance Company (the Company) is incorporated under the *Act Respecting Insurance* (Quebec) and is governed by Part 1A of the *Companies Act* (Quebec).

#### B) NATURE OF OPERATIONS

The Company designs, markets and distributes individual and group insurance and savings products. The Company is under the ultimate control of the Caisses Desjardins, through the Fédération des caisses Desjardins du Québec (FCDQ). It is the life and health insurance subsidiary of Desjardins Group.

## NOTE 2

### Significant Accounting Policies

These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP). These principles conform, in all material respects, with the requirements of the Autorité des marchés financiers (AMF).

The preparation of these financial statements required Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, mainly with respect to policy liabilities, the determination of the fair value of financial instruments, the disclosure of commitments and contingencies, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The significant accounting policies used in preparing these financial statements are described hereafter.

#### CONSOLIDATION

These consolidated financial statements include the operating results and financial position of the Company and its subsidiaries, as well as its share in a joint venture.

#### FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value. Subsequent measurement depends on their classification.

Financial assets are classified according to the Company's intention and capacity to hold the invested assets and are measured using the following methods:

- Assets held for trading and those designated under the fair value option as being held for trading are measured at fair value, and changes in fair value are recorded in net income.
- Assets classified as available for sale are measured at fair value, except for those that do not have a quoted market price in an active market, which are measured at cost. Changes in fair value are recognized in other comprehensive income until the asset is derecognized.
- Loans and receivables, which include mortgage loans, business loans, policy loans, reverse repurchase agreements, immigrant investor loans, premiums receivable, amounts receivable and accrued net investment income, are measured at amortized cost using the effective interest method.

With regard to stocks classified as assets available for sale, a significant and prolonged decline in the fair value of a stock below its cost that is considered other than temporary is objective evidence of impairment. In this situation, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value less any amortization of this financial asset previously recorded in net income, is recognized in net income.

With regard to bonds classified as assets available for sale, the interest calculated using the effective interest method is recorded in net income. An expense is recorded in net income if an other-than-temporary decline in the security's value represents a credit risk with regard to the amounts due by the issuer.

Financial liabilities are measured at amortized cost using the effective interest method and include all liabilities not held for trading. With regard to liabilities held for trading, that is, derivative financial instruments and securities sold short, changes in the fair value are recorded in net income.

The main financial asset classes designated as held for trading under the fair value option include:

- i) Financial assets matched to actuarial liabilities that would otherwise be classified as available for sale, in order to substantially reduce the accounting mismatch that would result from this classification. The impact of fluctuations in the fair value of these investments is largely offset by corresponding changes in actuarial liabilities.
- ii) Financial assets that have hedge funds as their underlying asset and are managed based on a documented investment strategy aimed at taking advantage of the market's short-term volatility.

Transaction costs for held-for-trading securities are expensed as incurred. Transaction costs for securities classified as available for sale or as loans and receivables are capitalized and amortized over the expected life of the instrument using the effective interest method.

The regular-way purchase or sale of financial assets is recognized using the trade date method.

## INVESTMENTS

### a) Bonds

Bonds are recorded at fair value on the balance sheet.

The fair value of bonds is the prevailing market price, when available. In the absence of an active market, the Company establishes fair value using valuation techniques. These techniques include using available information on recent arm's length market transactions between knowledgeable willing parties, using the current fair value of another relatively identical financial instrument and analyzing discounted cash flows.

### b) Mortgage Loans and Business Loans

Mortgage loans and business loans are recorded at amortized cost, less provisions for non-performing loans. Premiums or discounts on acquisition are amortized using the effective interest method.

The fair value of these loans (presented in Note 4) is estimated using discounted cash flows at the market interest rates currently charged for similar new loans on December 31 and applied to expected maturity amounts.

The Company's policy is to recognize these loans as non-performing investments when, in its opinion, there is reasonable doubt as to the collectability of a portion of the principal or interest, or where interest on a loan is contractually past due for 90 days or more unless, in the Company's opinion, there is no doubt as to the collectability of the principal and interest, and recovery procedures have not commenced. All investments are classified as non-performing when payment is 180 days in arrears. With regard to these loans, the provision for non-performing investments is based on the present value of estimated future cash flows, discounted at the effective interest rate of the loan and current market price of the loan. The interest recorded after the initial 90-day period is reversed and specific provisions are set up, if necessary, for the previously recorded accrued interest and to cover the risk of capital losses.

## NOTE 2

# Significant Accounting Policies (continued)

### INVESTMENTS (CONTINUED)

#### c) Real Estate

Buildings held by the Company for investment purposes, including those occupied by the Company, are recorded at cost. This amount is increased quarterly by 3% of the difference between the carrying value and the estimated market value based on appraisals performed by an outside appraiser on a three-year cycle.

Real estate also includes foreclosed buildings held for sale, which are recorded at their estimated fair value less selling costs. Any difference between the loan's carrying value before foreclosure and the amount at which the foreclosed assets were initially measured is recorded as a gain or loss in net income.

Any other-than-temporary decline in value of the entire real estate portfolio is charged to net income.

Gains and losses realized on real estate are deferred and recorded in net income at the rate of 3% per quarter using the declining balance method.

#### d) Stocks

Stocks are recorded at fair value, which is based on bid prices when available. In the absence of such prices, fair value is determined using the market prices of similar securities. Stocks classified as available for sale that are not quoted in an active market are measured at cost. Dividends on available-for-sale stocks are recorded in net income as soon as the Company's right to receive payment has been determined.

#### e) Cash and Money Market Instruments

Cash and money market instruments consist of deposit accounts in financial institutions and all investments in money market instruments, and are recorded at fair value.

#### f) Policy Loans

Policy loans are carried at their unpaid balance and are fully secured by the cash surrender value of the policies on which the loans are made.

#### g) Other Loans and Investments

Other loans and investments include immigrant investor loans classified as loans and receivables, investments in the Company's segregated funds classified as available for sale, as well as reverse repurchase agreements and derivative financial instruments assimilated with investments. The accounting policies that apply to these items are described below.

#### h) Reverse Repurchase Agreements and Repurchase Agreements

Reverse repurchase agreements are short-term investment transactions. They represent amounts that the Company will receive when the securities it purchased are resold to the original counterparties at a predetermined date and price. These items are classified as loans and receivables. Interest income from these transactions is recorded on an accrual basis.

Repurchase agreements are short-term funding transactions wherein the Company sells securities it owns and simultaneously agrees to buy back the same securities at a predetermined date and price. The sold securities remain on the balance sheet as the criteria for derecognition are not met. The obligation to repurchase these securities is recognized under other liabilities at the amount payable. The interest expense related to these transactions is recorded on an accrual basis.

#### i) Derivative Financial Instruments

Derivative instruments are initially measured at fair value. Gains and losses are recorded in net income unless the derivative instruments are part of a qualifying cash flow hedging relationship.

Derivative instruments with a positive fair value are recorded on the balance sheet as other loans and investments, whereas those with a negative value are recorded as other liabilities. The itemized amounts are presented in Note 5 to the financial statements.

The fair value of derivative financial instruments is calculated using pricing models that incorporate current market prices and the contractual prices of the underlying instruments, the time value of money, the credit risk and the yield curves. The fair value of derivative financial instruments is presented without taking into account the impact of master netting agreements.

#### **j) Hedging Activities**

The Company holds derivative financial instruments that allow it to apply hedge accounting. To use this type of accounting, the hedging relationship must be designated and documented at inception, and then throughout the life of the contract. The documentation must describe the Company's specific risk management strategy, the assets, liabilities or cash flows being hedged, and the method of assessing the effectiveness of the hedge. The derivative financial instrument must be highly effective to offset changes in the fair value or cash flows attributable to the risk being hedged.

Derivative financial instruments may be designated in a fair value or cash flow hedging relationship.

##### **FAIR VALUE HEDGING**

The Company uses hedge accounting as a hedge against changes in the fair value of certain assets available for sale. Changes in the fair value of the hedging derivative financial instrument and changes associated with the hedged risk are recognized in net investment income. Changes in the fair value associated with the risk not being hedged are recognized in other comprehensive income.

The hedging designation of a financial derivative instrument is discontinued in the following circumstances: the hedged item or hedging instrument is sold, matures or is cancelled; the hedging is no longer effective; or the Company terminates the hedge designation. When a hedging relationship is discontinued, hedge accounting ceases to be applied prospectively.

##### **CASH FLOW HEDGING**

In cash flow hedging transactions, gains and losses arising from the change in fair value of the effective portion of the derivative financial instrument are recorded in other comprehensive income until the hedged item is recognized in income. The change is then accounted for in net investment income. The ineffective portion of hedging transactions is immediately recognized as net investment income in the Statement of Income.

When a cash flow hedging relationship no longer qualifies for hedge accounting, the Company ceases to apply hedge accounting prospectively.

The Company does not use cash flow hedging relationships.

##### **FIXED ASSETS**

Fixed assets, which include leasehold improvements, furniture and equipment, are carried at cost and amortized over a two-to ten-year period on a straight-line basis. An impairment is recognized when the carrying value is not recoverable and exceeds the fair value of the asset.

##### **INTANGIBLE ASSETS**

Intangible assets include computer software acquired or developed in house by the Company and the distribution networks. Software is amortized on a straight-line basis over a three-to five-year period. Other intangible assets are amortized on a straight-line basis over a period of 20 to 40 years. They are tested for recoverability when events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying value exceeded their fair value, an impairment loss would be recorded.

## NOTE 2

# Significant Accounting Policies (continued)

### ACTUARIAL LIABILITIES

Actuarial liabilities are the amounts that, together with estimated future net investment income and premiums, will cover all Company commitments regarding estimated future benefits, policyholder dividends, dues and taxes (other than income taxes) and related estimated future expenses. Each year, the Appointed Actuary is required to assess the actuarial liabilities the Company needs to meet future obligations. Actuarial liabilities are determined using the Canadian asset liability method, in accordance with Canadian accepted actuarial practices.

Under the Canadian asset liability method, determining actuarial liabilities is based on an explicit projection of cash flows using current best estimate assumptions for each cash flow component and material contingency. Investment returns are dependent on the investment income expected from current asset portfolios and projected reinvestment strategies. Each non-economic assumption is adjusted by a margin for adverse deviation. With respect to investment returns, the margin for adverse deviation is established by yield rate scenario testing. These tests are generally performed on a deterministic basis that includes testing a range of scenarios prescribed by Canadian actuarial standards. The provision for minimum guarantees on segregated fund products is determined using stochastic modeling.

The period used for the projection of cash flows is the policy lifetime for most insurance contracts. A shorter projection period may be used for certain types of contracts. However, this period is limited to the duration of the liability during which the Company is exposed to a material risk without the ability to adjust policy premiums or fees.

### SECURITIES LENDING TRANSACTIONS

The Company lends securities it owns to third parties and receives securities or cash amounts as collateral. A liability is recorded for cash collateral received from borrowers through securities lending transactions. The loaned securities remain on the balance sheet as the criteria for derecognition are not met.

### SECURITIES SOLD SHORT

Securities sold short represent the Company's commitments to deliver securities it did not own at the time of sale. They are accounted for as liabilities held for trading and recorded at market value (asking price) in other liabilities.

### LIABILITIES FOR PREFERRED SHARES

As the preferred shares issued by the Company give the shareholder the right to redeem the shares at a specific date, they are classified as financial liabilities rather than shareholder's equity. Dividend payments are recorded as an interest expense in net income.

### ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income is recorded in policyholders' and shareholder's equity, net of taxes, and includes unrealized gains and losses on available-for-sale investments and, if applicable, gains and losses on derivative financial instruments designated as effective cash flow hedging items.

### TRANSLATION OF ACCOUNTS DENOMINATED IN FOREIGN CURRENCIES

The Company uses the temporal method to translate accounts denominated in foreign currencies into Canadian dollars.

Monetary assets and liabilities, as well as those measured at fair value on the balance sheet, are translated at the exchange rate in effect on the balance sheet date. Other assets and liabilities are translated at the historical exchange rate. Account balances appearing in the Statement of Income are translated at the prevailing exchange rate on the transaction dates. Gains and losses, whether realized or not, arising from these translations are recorded in net income, except for unrealized gains and losses on financial instruments classified as available for sale and gains and losses on derivatives designated as cash flow hedging items, which are recognized in other comprehensive income.

## REVENUE RECOGNITION

Insurance and annuity premiums are generally recognized as revenue when due. As soon as these premiums are recognized, corresponding actuarial liabilities are established to ensure the matching of revenue and expenses.

Other revenue is recognized when services are rendered and consist mainly of fees received for segregated fund asset management, group contract administrative services, assistance services, as well as commissions on mutual fund sales. Other revenue also includes fees related to reinsurance agreements.

## REINSURANCE

Premium income, payments to policyholders, actuarial liabilities and the change in actuarial liabilities relating to reinsured activities are accounted for net of amounts ceded to reinsurers.

## INCOME TAXES

The Company uses the liability method to calculate income taxes. This method requires that a future income tax asset or liability be determined for each temporary difference between the carrying value and tax value of the assets and liabilities. It also requires that this future income tax asset or liability be estimated using the tax rate expected to be enacted or substantively enacted on the anticipated realization or settlement date of these assets and liabilities. Future income tax assets are recognized to the extent they are more likely than not to be realized.

## EMPLOYEE FUTURE BENEFITS

The employees of the Company are members of the Desjardins Group Pension Plan, a multiemployer defined benefit plan. The Company also provides life, health and dental insurance benefits to its employees and retirees through the Desjardins Group multiemployer group insurance plan. The Company applies the recommendations of the Canadian Institute of Chartered Accountants (CICA) regarding defined contribution plans, since the information on the costs and funding of the plan is not presented separately for the member companies of the Group. The costs of these benefits are charged to income as the Company's contribution payments become due.

## GOVERNMENT ASSISTANCE

Government assistance is recorded as a reduction to the related expenses or related cost of the assets.

## SEGREGATED FUNDS

Certain contracts allow policyholders to invest in segregated funds held by the Company for their benefit. The underlying assets are registered in the name of the Company. Substantially all risks and rewards of ownership accrue to the policyholders. Accordingly, assets held in segregated fund accounts are excluded from the Company's general fund assets. The Consolidated Statements of Net Assets of Segregated Funds and Changes in Net Assets of Segregated Funds are presented for information purposes. Segregated fund assets are recorded at fair value at year-end. This value is determined using the methods described earlier for the Company's general fund assets.

The Company's variable annuity contracts offered through segregated funds have minimal guarantees relative to death benefits, maturity value, and withdrawal amounts in payout situations. The liabilities associated with these guarantees are accounted for in the actuarial liabilities of the Company's general funds.

## NOTE 3

# Accounting Changes

### A) DURING THE YEAR

In June 2009, the CICA provided new guidance regarding the effective interest rate to use to recognize interest income on a financial asset other than loans and receivables after an impairment loss has been recorded. This amendment applies to fiscal years beginning on or after July 1, 2009, and has no impact on the Company's financial statements.

### B) FUTURE ACCOUNTING CHANGES

#### International Financial Reporting Standard (IFRS)

In 2008, the Accounting Standards Board of Canada issued a press release confirming that publicly accountable enterprises would be required to apply International Financial Reporting Standards (IFRS) in 2011. The Company will adopt IFRS on January 1, 2011.

For the purpose of the IFRS conversion, the Company set up an action plan in order to assess the impact of the new standards and make all the necessary changes to its accounting policies, processes and information technology systems within the timelines of the IFRS implementation schedule. The work performed to date under this plan has enabled the Company to determine that the implementation of the IFRS will require a certain number of major changes.

These changes will affect mainly the classification of insurance contracts, the reporting basis of investment and own-use property, the accounting of segregated funds, reinsurance contracts, financial instruments, future employee and pension benefits, and will introduce increased financial disclosure requirements.

Since the Company will be adopting IFRS on January 1, 2011 and cease to file its financial statements using Canadian generally accepted accounting principles (GAAP), the new GAAP standards taking effect on or after January 1, 2011 are not presented as future accounting changes.

## NOTE 4

# Investments

### A) INVESTMENT VALUES

2010							
	HELD FOR TRADING	DESIGNATED AS HELD FOR TRADING	AVAILABLE FOR SALE	LOANS AND RECEIVABLES	OTHER	TOTAL BALANCE SHEET	FAIR VALUE
Bonds							
Government	\$ 350.4	\$ 4,773.2	\$ 1,456.3	\$ —	\$ 15.6	\$ 6,595.5	\$ 6,596.2
Corporate	10.7	1,700.5	192.7	—	—	1,903.9	1,904.0
	361.1	6,473.7	1,649.0	—	15.6	8,499.4	8,500.2
Mortgage loans and business loans							
Residential	—	—	—	2,270.2	—	2,270.2	2,406.2
Commercial	—	—	—	851.1	—	851.1	898.3
	—	—	—	3,121.3	—	3,121.3	3,304.5
Real estate	—	—	—	—	1,084.6	1,084.6	1,399.5
Stocks	—	576.7	465.6	—	—	1,042.3	1,042.6
Cash and money market instruments	90.4	94.4	258.4	—	1.2	444.4	444.4
Policy loans	—	—	—	107.5	—	107.5	107.5
Other loans and investments							
Reverse repurchase agreements	—	—	—	374.0	—	374.0	374.0
Derivative financial instruments	36.2	—	—	—	—	36.2	36.2
Immigrant investor loans	—	—	—	497.7	—	497.7	523.5
Other	—	—	19.8	—	0.1	19.9	19.9
	\$ 487.7	\$ 7,144.8	\$ 2,392.8	\$ 4,100.5	\$ 1,101.5	\$ 15,227.3	\$ 15,752.3
Fair value	\$ 487.7	\$ 7,144.8	\$ 2,393.2	\$ 4,309.5	\$ 1,417.1		\$ 15,752.3

## 2009

	HELD FOR TRADING	DESIGNATED AS HELD FOR TRADING	AVAILABLE FOR SALE	LOANS AND RECEIVABLES	OTHER	TOTAL BALANCE SHEET	FAIR VALUE
<b>Bonds</b>							
Government	\$ 463.0	\$ 4,523.4	\$ 1,071.8	\$ —	\$ 17.0	\$ 6,075.2	\$ 6,076.2
Corporate	21.4	1,557.1	38.1	—	—	1,616.6	1,616.7
	484.4	6,080.5	1,109.9	—	17.0	7,691.8	7,692.9
<b>Mortgage loans and business loans</b>							
Residential	—	—	—	2,401.5	—	2,401.5	2,467.9
Commercial	—	—	—	843.5	—	843.5	819.9
	—	—	—	3,245.0	—	3,245.0	3,287.8
Real estate	—	—	—	—	1,037.7	1,037.7	1,409.5
Stocks	—	405.7	298.2	—	—	703.9	704.2
Cash and money market instruments	27.3	89.3	305.2	—	1.0	422.8	422.8
Policy loans	—	—	—	106.1	—	106.1	106.1
<b>Other loans and investments</b>							
Reverse repurchase agreements	—	—	—	293.0	—	293.0	293.0
Derivative financial instruments	14.6	—	—	—	—	14.6	14.6
Immigrant investor loans	—	—	—	454.0	—	454.0	479.2
Other	—	—	18.2	—	—	18.2	18.2
	\$ 526.3	\$ 6,575.5	\$ 1,731.5	\$ 4,098.1	\$ 1,055.7	\$ 13,987.1	\$ 14,428.3
<b>Fair value</b>	\$ 526.3	\$ 6,575.5	\$ 1,732.0	\$ 4,166.1	\$ 1,428.4		\$ 14,428.3

The bond portfolio consists of 92.3% (93.6% in 2009) government bonds and bonds rated A or higher:

	2010	2009
Government	\$ 6,595.5	\$ 6,075.2
AAA	329.0	417.9
AA	375.7	359.9
A	540.9	344.3
BBB	615.5	441.3
BB and lower	42.8	53.2
	\$ 8,499.4	\$ 7,691.8

The carrying value of bonds by contractual maturity is as follows:

	2010	2009
Due in one year or less	\$ 529.9	\$ 522.3
Due in years two through five	1,352.4	1,607.3
Due in years six through ten	1,770.8	1,609.0
Due after ten years	4,846.3	3,953.2
<b>Total</b>	\$ 8,499.4	\$ 7,691.8

The weighted average effective interest rate was 5.0% (5.0% in 2009) on bonds and 5.3% (5.2% in 2009) on mortgage loans and business loans.

**NOTE 4****Investments (continued)****B) DEFERRED NET REALIZED GAINS**

Changes in deferred net realized gains on real estate are as follows:

	2010	2009
<b>Deferred net realized gains at beginning of year</b>	<b>\$ 40.3</b>	\$ 45.5
Net realized gains during the year	2.7	—
Amortization of deferred net realized gains	<b>(4.7)</b>	(5.2)
<b>Deferred net realized gains at end of year</b>	<b>\$ 38.3</b>	\$ 40.3

**C) PROVISIONS FOR INVESTMENTS****Provisions for non-performing investments**

	2010			2009		
	BALANCE	PROVISION	NET BALANCE	BALANCE	PROVISION	NET BALANCE
Mortgage loans and business loans	\$ 4.4	\$ 3.6	\$ 0.8	\$ 6.4	\$ 6.1	\$ 0.3
	\$ 4.4	\$ 3.6	\$ 0.8	\$ 6.4	\$ 6.1	\$ 0.3

Interest totalling \$0.3M (\$0.8M in 2009) was recognized in income for the year concerning these investments.

**Monitoring of provisions for non-performing investments**

	2010	2009
<b>Balance at beginning of year</b>	<b>\$ 6.1</b>	\$ 5.0
Net provisions for non-performing investments	<b>(0.9)</b>	1.1
Provision write-offs upon disposal of non-performing investments	<b>(1.6)</b>	—
<b>Balance at end of year</b>	<b>\$ 3.6</b>	\$ 6.1

## D) NET INVESTMENT INCOME

2010

	HELD FOR TRADING <sup>(1)</sup>	AVAILABLE FOR SALE	OTHER	TOTAL
Bonds				
Interest	\$ 306.5	\$ 52.2	\$ 0.7	\$ 359.4
Gains (losses)	422.0	(0.4)	—	421.6
Mortgage loans and business loans	—	—	171.6	171.6
Real estate <sup>(2)</sup>	—	—	113.4	113.4
Stocks				
Dividends	12.8	5.4	—	18.2
Gains (losses)	43.6	(7.7)	—	35.9
Cash and money market instruments	1.5	0.3	—	1.8
Policy loans	—	—	6.5	6.5
Other loans and investments	3.2	(0.5)	21.9	24.6
Investment management fees	—	—	(31.9)	(31.9)
<b>Total net investment income</b>	<b>\$ 789.6</b>	<b>\$ 49.3</b>	<b>\$ 282.2</b>	<b>\$ 1,121.1</b>

(1) Includes gains and losses in the amount of \$17.0M on assets held for trading and gains and losses in the amount of \$451.2M on assets designated as held for trading.

(2) Income from real estate is presented net of operating expenses of \$98.8M.

2009

	HELD FOR TRADING <sup>(1)</sup>	AVAILABLE FOR SALE	OTHER	TOTAL
Bonds				
Interest	\$ 304.1	\$ 42.7	\$ 0.8	\$ 347.6
Gains (losses)	(39.6)	2.2	—	(37.4)
Mortgage loans and business loans	—	—	166.8	166.8
Real estate <sup>(2)</sup>	—	—	117.7	117.7
Stocks				
Dividends	7.8	4.2	—	12.0
Gains (losses)	62.0	(11.3)	—	50.7
Cash and money market instruments	1.0	1.1	—	2.1
Policy loans	—	—	5.8	5.8
Other loans and investments	100.7	(0.3)	17.1	117.5
Investment management fees	—	—	(32.3)	(32.3)
<b>Total net investment income</b>	<b>\$ 436.0</b>	<b>\$ 38.6</b>	<b>\$ 275.9</b>	<b>\$ 750.5</b>

	2010	2009
Investment income	\$ 627.7	\$ 640.6
Gains (losses) on investments matched to actuarial liabilities	493.4	109.9
<b>Total net investment income</b>	<b>\$ 1,121.1</b>	<b>\$ 750.5</b>

(1) Includes gains and losses in the amount of \$98.0M in 2009 on assets held for trading and gains and losses in the amount of \$16.8M in 2009 on assets designated as held for trading.

(2) Real estate income is presented net of operating expenses of \$116.0M in 2009.

## E) NON-DERECOGNIZED TRANSFERRED FINANCIAL ASSETS

The Company entered into repurchase agreements and securities lending transactions under which it transferred financial assets to a third party. As the transactions do not meet the derecognition criteria, these assets continue to be recognized in the consolidated balance sheet. The carrying value of the transferred financial assets is \$1,261.3M (\$1,065.5M in 2009).

## NOTE 5

# Derivative Financial Instruments

The Company uses derivative financial instruments primarily to manage the matching of assets and liabilities, to protect itself against market, interest rate and foreign exchange rate fluctuations, and to reduce the market risk associated with the sale of certain products. It may also use these instruments to obtain a desired exposure to the underlying position for such contracts, such as a stock market exposure, and to express certain market views.

These derivative instruments, which are limited to contracts in the form of swaps, forwards and call or put options, are used by the Company to manage risk within the constraints imposed by the general investment policy, the general policy on derivative instruments, the matching policy, the liquidity policy, and by the maximum amount of acceptable risk it is allowed to manage.

The use of interest rate contracts to manage matching allows the Company to control its exposure to interest rate fluctuations while making it possible to realign its business segments and ensure the achievement of optimum long-term returns within well-defined parameters.

The Company uses credit risk contracts to gain exposure to corporate credit, as part of its asset and liability matching strategy.

The Company uses foreign exchange contracts to manage the foreign exchange risk associated with its investments denominated in foreign currencies. Some of these contracts are designated as hedging items.

Total return swaps are also used to reduce the risk of fluctuations associated with specific policyholder liabilities.

Stock index futures are used in a hedging strategy to offset the market risk associated with the Company's segregated funds.

The following tables show the notional amount, fair value and credit risk of the Company's derivative financial instruments as at December 31, 2010 and 2009. The fair value is estimated and compared with prices obtained from counterparties. The fair value takes into account accrued income.

	NOTIONAL AMOUNT				FAIR VALUE		CREDIT RISK EQUIVALENT	RISK-WEIGHTED AMOUNT
	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL	POSITIVE	TOTAL		
<b>Held for trading</b>								
Interest rate contracts	\$ 138.6	\$ 435.0	\$ 1,150.0	\$ 1,723.6	\$ 29.2	\$ (4.0)	\$ 48.6	\$ 9.7
Credit risk contracts	—	424.7	—	424.7	2.8	(3.1)	53.7	10.7
Foreign exchange contracts	173.3	15.6	—	188.9	2.7	2.6	5.4	1.1
Total return swaps	20.6	5.7	1.0	27.3	0.6	(5.9)	3.0	0.6
Stock index futures contracts	218.2	—	—	218.2	—	(2.6)	—	—
	<b>550.7</b>	<b>881.0</b>	<b>1,151.0</b>	<b>2,582.7</b>	<b>35.3</b>	<b>(13.0)</b>	<b>110.7</b>	<b>22.1</b>
<b>Designated as fair value hedging items</b>								
Foreign exchange contracts <sup>(1)</sup>	162.1	—	—	162.1	1.9	1.9	3.5	0.7
	<b>\$ 712.8</b>	<b>\$ 881.0</b>	<b>\$ 1,151.0</b>	<b>\$ 2,744.8</b>	<b>\$ 37.2</b>	<b>\$ (11.1)</b>	<b>\$ 114.2</b>	<b>\$ 22.8</b>

(1) The Company recognized a gain in the amount of \$0.6M relating to the ineffective portion of its fair value hedges. These amounts are accounted for in investment income.

## 2009

	NOTIONAL AMOUNT				FAIR VALUE		CREDIT RISK EQUIVALENT	RISK-WEIGHTED AMOUNT
	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL	POSITIVE	TOTAL		
<b>Held for trading</b>								
Interest rate contracts	\$ 151.6	\$ 415.3	\$ 25.0	\$ 591.9	\$ 1.7	\$ (17.3)	\$ 3.5	\$ 0.7
Credit risk contracts	70.9	347.5	—	418.4	4.0	(58.6)	52.8	10.6
Foreign exchange contracts	129.3	15.6	—	144.9	3.1	3.1	5.2	1.0
Total return swaps	32.8	9.6	1.3	43.7	3.3	(4.6)	2.2	0.4
Stock index futures contracts	157.5	—	—	157.5	—	(2.1)	—	—
	542.1	788.0	26.3	1,356.4	12.1	(79.5)	63.7	12.7
<b>Designated as fair value hedging items</b>								
Foreign exchange contracts <sup>(1)</sup>	114.9	—	—	114.9	2.5	2.5	3.7	0.7
	\$ 657.0	\$ 788.0	\$ 26.3	\$1,471.3	\$ 14.6	\$ (77.0)	\$ 67.4	\$ 13.4

(1) The Company recorded a gain of \$0.5M in 2009 relating to the ineffective portion of its fair value hedges. These amounts are recognized in net investment income.

## NOTE 6 Other Assets

	NOTE	2010	2009
Premiums receivable		\$ 220.3	\$ 188.4
Amounts receivable and other		169.3	165.9
Accrued net investment income		75.2	72.6
Future income taxes	15c	12.6	28.6
Fixed assets		16.2	17.3
Intangible assets		14.9	11.6
		\$ 508.5	\$ 484.4

The Statement of Income includes the amortization expenses relating to fixed assets and intangible assets in the amounts of \$5.3M and \$1.7M respectively (\$5.5M and \$1.3M in 2009).

The fair value of financial instruments included under this item is equal to their carrying value.

**NOTE 7****Actuarial Liabilities****A) COMPOSITION OF ACTUARIAL LIABILITIES**

As at December 31, the actuarial liabilities and their matched assets consisted of the following:

2010				
	GROUP INSURANCE	INDIVIDUAL INSURANCE	SAVINGS	TOTAL
Gross actuarial liabilities				
Non-participating policies	\$ 2,570.1	\$ 3,325.4	\$ 3,967.6	\$ 9,863.1
Participating policies	27.6	1,894.4	122.4	2,044.4
Amounts transferred under reinsurance treaties	(195.1)	(356.7)	(10.2)	(562.0)
<b>Net actuarial liabilities</b>	<b>\$ 2,402.6</b>	<b>\$ 4,863.1</b>	<b>\$ 4,079.8</b>	<b>\$ 11,345.5</b>
<b>Composition of assets matched to actuarial liabilities</b>				
Bonds	1,288.5	3,334.4	1,892.1	6,515.0
Mortgage loans and business loans	818.2	447.4	1,743.9	3,009.5
Real estate	—	387.5	—	387.5
Stocks	35.0	492.0	21.0	548.0
Other	260.9	201.8	422.8	885.5
	<b>\$ 2,402.6</b>	<b>\$ 4,863.1</b>	<b>\$ 4,079.8</b>	<b>\$ 11,345.5</b>

2009				
	GROUP INSURANCE	INDIVIDUAL INSURANCE	SAVINGS	TOTAL
Gross actuarial liabilities				
Non-participating policies	\$ 2,345.2	\$ 2,888.5	\$ 3,965.9	\$ 9,199.6
Participating policies	24.5	1,692.1	134.3	1,850.9
Amounts transferred under reinsurance treaties	(180.0)	(285.4)	(11.7)	(477.1)
<b>Net actuarial liabilities</b>	<b>\$ 2,189.7</b>	<b>\$ 4,295.2</b>	<b>\$ 4,088.5</b>	<b>\$ 10,573.4</b>
<b>Composition of assets matched to actuarial liabilities</b>				
Bonds	1,210.8	2,860.9	1,893.8	5,965.5
Mortgage loans and business loans	771.1	478.6	1,834.3	3,084.0
Real estate	—	355.8	—	355.8
Stocks	32.6	342.4	—	375.0
Other	175.2	257.5	360.4	793.1
	<b>\$ 2,189.7</b>	<b>\$ 4,295.2</b>	<b>\$ 4,088.5</b>	<b>\$ 10,573.4</b>

The fair value of assets matched to actuarial liabilities is \$11,623.2M (\$10,729.4M in 2009).

**B) ACTUARIAL ASSUMPTIONS AND SENSITIVITY OF ASSUMPTIONS TO CHANGES**

The nature of the key assumptions used to calculate the actuarial liabilities and the methodology used to establish these assumptions are described in the following paragraphs.

The base assumptions used to determine actuarial liabilities are those that prove most probable under various contingencies. For each assumption, the Appointed Actuary is required to establish a margin for adverse deviation to mitigate random events, allow for a possible deterioration in experience and ensure that adequate reserves are available to meet future obligations. These margins for adverse deviation increase actuarial liabilities and reduce the gross income that would normally be recognized at inception of policies. With the passage of time and the resulting reduction in estimation risk, these margins are released into income. If estimates of future conditions change during the life of a policy, the present value of those changes is recognized in income immediately.

**Mortality and Morbidity**

Each year, the Company conducts a mortality experience study of life insurance policies. After analyzing the results, it uses the findings of this study to adjust the mortality assumption applied in its valuation. When the Company's experience cannot be used as the only benchmark due to low volume, the mortality assumption also takes into account industry studies and tables. A 1% increase in the most probable assumption would increase actuarial liabilities by approximately \$14.0M (\$13.0M in 2009).

In the case of annuities, the Company also examines its claims experience, which provides a sufficient degree of credibility to establish the main basis for the assumptions but, unlike insurance, an improvement in the future mortality rates is considered. A 1% decrease in the most probable assumption would increase actuarial liabilities by approximately \$9.0M (\$10.3M in 2009).

With respect to morbidity, which relates to the occurrence of accidental death, dismemberment, sickness, disability and the duration of these disabilities, the Company bases its assumption on tables developed by the industry and adapted based on current data from its own claims experience studies and those of the industry. For products on which morbidity has a significant impact, a 1% increase in the most probable assumption would increase actuarial liabilities by approximately \$12.0M (\$11.0M in 2009).

#### **Contract Lapse Rates**

Policyholders can terminate their policies before the contract period expires by discontinuing premium payments. For certain insurance products that have cash surrender values, an increase in the lapse rate will have an adverse effect on the Company if its actuarial liabilities are lower than the cash surrender values of the policies. For other products with little or no surrender value, such as Term-to-100 life insurance, a decrease in the lapse rates will increase the number of future death claims and decrease expected profit levels. The Company bases its estimate of future lapse rates on the previous claims experience of each block of business and on industry trends and studies. A negative 10% change in the most probable assumption concerning policy terminations would increase actuarial liabilities by approximately \$102.0M (\$83.6M in 2009).

The actuarial liabilities relating to Term-to-100 and Universal Life insurance policies with level mortality costs established by the Company are sensitive to changes in the lapse rates.

#### **Net Investment Income**

The Company manages its investments by taking into account the characteristics of each business line's commitments and by using the methods clearly defined in its matching policy.

One of the controls consists in examining the duration gap between the liabilities and the assets supporting these liabilities. The duration comparison measures the sensitivity of the market value of assets and liabilities to interest rate fluctuations. The matching control process is performed globally for all of the Company's business lines, since the matching policy specifies certain limits in this regard.

When determining actuarial liabilities, consideration is given to the uncertainty associated with the projection of interest rates on the reinvestment of future cash flows in relation to the mismatching of cash flows if a series of economically unfavourable scenarios were to occur.

As at December 31, 2010, there was an 0.7-year gap between the asset and liability durations. In 2009, they were equal. Since the valuation method already recognizes the impact of possible changes in interest rates, a sudden increase or decrease in interest rates would have no material impact on the Company's income.

Future investment income is affected by the magnitude of credit losses. In addition to allowances for non-performing investments applied as reductions to the carrying value of the assets, the Company included a \$469.3M provision (\$305.1M in 2009) in its projections of net investment income to cover the risk of underperforming assets.

#### **Operating Expenses**

Amounts are included in the actuarial liabilities to cover the costs of administering in-force policies, such as the cost of premium collection, claims processing and settlement, periodic actuarial valuations, preparation and mailing of policy statements, related indirect expenses and an appropriate share of overhead. The process of forecasting expenses requires estimates to be made of such factors as inflation, salary rate increases, changes in productivity, new business volumes and premium tax rates. Estimates of future policy administration costs are based on the Company's current unit costs adjusted for the expected rate of inflation. A 5% increase in the most probable assumption concerning the Company's unit costs would increase actuarial liabilities by approximately \$34.0M (\$29.6M in 2009).

#### **Participating Policyholder Dividends**

Actuarial liabilities include estimated amounts of future participating policyholder dividends. The Company establishes these liabilities based on projected future profits for that line of business and the reasonable expectations of the participating policyholders. Changes in the most probable assumptions associated with participating insurance would result in corresponding changes in policyholder dividends and a negligible net change in the actuarial liabilities associated with the participating policies.

## NOTE 7

# Actuarial Liabilities (continued)

### C) RISK MANAGEMENT

In addition to the risks related to actuarial assumptions, the Company is exposed to risks inherent to its insurance activities, and considers the following when calculating its actuarial liabilities:

#### Insurance and Reinsurance Risk

In the normal course of business, the Company is exposed to insurance risk, which takes two forms: product design and pricing risk and underwriting and commitment risk.

Product design and pricing risk is the risk that initial rates are, or may become inadequate. It is related to the possibility that forecasts involving such factors as future investment yields, mortality, morbidity, and administrative fees may not prove to be accurate. The Company applies strict pricing standards and policies, and regularly compares assumptions with actual results. Certain products also allow for a price adjustment based on whether or not assumptions are borne out.

Underwriting and commitment risk stems from the underwriting process, claims settlement and contractual clause management. The Company manages this risk by establishing appropriate underwriting criteria and policies, and by limiting losses through reinsurance treaties.

The Company limits its exposure to claims through the use of reinsurance treaties when the face value of policies exceeds certain maximums, which vary according to the type of activity. The Company also carries additional reinsurance against major catastrophic events.

To reduce reinsurance risk, the Company does business with many different reinsurers, the vast majority of which are duly licensed. These reinsurers meet credit standards and are governed by the same regulatory authorities as the Company. Such reinsurance treaties do not release the Company from its policyholder obligations.

The impact of reinsurance reduces premiums and benefits by the following amounts:

	2010	2009
Premiums	\$ 169.1	\$ 157.2
Benefits	\$ 90.2	\$ 102.0

#### Risk Related to Segregated Funds

Actuarial liabilities also include sufficient amounts to pay the minimum guarantees under segregated fund contracts. These amounts are calculated using stochastic models defined by the Canadian Institute of Actuaries. These models are based on the nature of the guarantees and on assumptions regarding investment returns, mortality and contract lapse rates. Deferred acquisition costs, which are the expenses incurred on the sale of individual segregated fund contracts, are recorded in actuarial liabilities and amortized over the same period as the applicable surrender charges. Actuarial liabilities take into consideration the fact that future revenue will be available to recover unamortized acquisition costs.

To reduce the potential adverse effects of the risk associated with the guarantees granted under segregated fund contracts, the Company has put in place, in 2010, a hedging program in order to offset the impact of adverse market fluctuations on the future cost of these guarantees. This program covers all contracts and funds offered to clients by the Company.

### D) CHANGES IN ACTUARIAL LIABILITIES

Changes in actuarial liabilities during the year were due to the following business activities and changes in actuarial estimates:

	2010	2009
<b>Balance at beginning of year</b>	<b>\$ 10,573.4</b>	<b>\$ 10,114.4</b>
Normal change due to:		
Revised actuarial assumptions	2.0	31.0
Passage of time	773.8	435.7
	775.8	466.7
Other changes	(3.7)	(7.7)
<b>Balance at end of year</b>	<b>\$ 11,345.5</b>	<b>\$ 10,573.4</b>

In 2010, the main changes to the actuarial assumptions involved mortality rates and lapses, whereas in 2009 they involved mortality rates, interest rates and lapses.

**NOTE 8****Other liabilities**

	NOTE	2010	2009
Accounts payable, accrued liabilities and other		\$ 389.5	\$ 397.2
Commitments under securities lending transactions		591.0	501.8
Repurchase agreements		404.8	392.0
Securities sold short		145.6	138.5
Derivative financial instruments with a negative fair value		39.5	91.6
Income and other taxes payable		52.0	90.3
Future income taxes	15c	89.1	53.6
Dividends payable		—	56.0
		<b>\$ 1,711.5</b>	<b>\$ 1,721.0</b>

The fair value of the financial instruments included under this item is equal to their carrying value.

**NOTE 9****Long-term debt**

	2010	2009
Mortgage loans relating to various real estate investments bearing interest at rates varying from 4.7% to 11.0% (with a weighted average rate of 6.04% as at December 31, 2010 and 6.12% as at December 31, 2009), maturing on different dates up to 2017.	\$ 63.3	\$ 69.5

The fair value of these debts, determined on a discounted contractual cash flow basis at current market interest rates for loans with similar terms and risks, is \$62.4M (\$67.3M in 2009).

These mortgage loans are secured by assets with a carrying value of \$129.7M (\$138.8M in 2009).

The interest expense for the long-term debt is \$3.8M (\$4.0M in 2009) and is accounted for as a reduction to investment income.

Annual principal repayments on the long-term debt over the next five years are as follows:

	2011	2012	2013	2014	2015	TOTAL
Long-term debt	\$ 2.6	\$ 2.8	\$ 3.0	\$ 3.1	\$ 3.3	\$ 14.8

**NOTE 10****Non-controlling interest in subsidiaries**

Non-controlling interest in subsidiaries includes the non-controlling interest in Laurentian Weloga, a limited partnership.

The changes in the non-controlling interest in subsidiaries during the year are as follows:

	2010	2009
<b>Balance at beginning of year</b>	\$ 6.4	\$ 7.4
Non-controlling interest in net income of subsidiaries	1.1	1.0
Investments (distribution)	(0.7)	(2.0)
<b>Balance at end of year</b>	<b>\$ 6.8</b>	<b>\$ 6.4</b>

## NOTE II

### Interest in a joint venture

The Company holds an interest in a joint venture active primarily in developing and holding real estate property, which was disposed of in 2007. The main assets and liabilities of this joint venture, which were included in the proportional consolidation, are as follows:

	2010	2009
Bonds	\$ 15.6	\$ 16.9
Other assets	1.1	1.2
Mortgage loans	(15.1)	(15.8)
Deferred net realized gains	(22.1)	(24.9)
	<b>\$ (20.5)</b>	<b>\$ (22.6)</b>

The operating results of the joint venture are recognized in income using the accounting principles applied to the Company's real estate holdings. The Company's share of the joint venture's net income is (\$0.6M) in 2010 ((\$0.6M) in 2009).

## NOTE I2

### Share capital and liabilities for preferred shares

The authorized share capital of the Company is as follows:

#### AUTHORIZED

Class A shares – An unlimited number of voting shares, without par value and participating.

Preferred shares – An unlimited number of Classes B, C, D, E, and F shares, without par value, non-voting, non-convertible, issuable in series, redeemable by the Company at any time and retractable at the option of the holder at any time subject to certain restrictions, with a quarterly cumulative dividend at annual rates varying from 0.5% to 15.0% or at variable rates established based on the cost of Caisse centrale Desjardins funds. Each share is redeemable at a price equal to the paid-up capital, plus any unpaid cumulative dividend.

#### ISSUED AND OUTSTANDING

	2010	2009
<b>Liabilities for preferred shares</b>		
313,500 Class E, Series 5	\$ 313.5	\$ –
161,500 Class E, Series 6	161.5	–
22,000 Class C, Series 6	–	22.0
253,000 Class C, Series 7	–	253.0
<b>Total liabilities for preferred shares</b>	<b>\$ 475.0</b>	<b>\$ 275.0</b>
<b>Share capital</b>		
8,522,537 Class A shares	\$ 307.0	\$ 307.0
<b>Total share capital</b>	<b>\$ 307.0</b>	<b>\$ 307.0</b>

On December 21, 2010, the Company issued 132,000 Class E preferred shares, Series 5 and 68,000 Class E preferred shares, Series 6. These shares carry a cumulative dividend that is payable quarterly at an annual fixed rate of 2.5% and 3.0% respectively. They are retractable at the option of the holder at any time as of December 31, 2020, and redeemable by the Company at any time with the approval of the AMF. These shares are recognized as preferred share liabilities at their redemption value of \$200.0M.

Class C shares, Series 6 and 7 carry a cumulative dividend that is payable quarterly at a fixed annual rate of 3.0% and 3.5%, respectively. They are retractable at the option of the holder at any time as of December 31, 2014 and redeemable by the Company at any time with the approval of the AMF. These shares are recognized as preferred share liabilities at their redemption value. On December 21, 2010, with the approval of the AMF, the Company converted all of its Class C preferred shares into Class E preferred shares as follows: 181,500 in Series 5 and 93,500 in Series 6.

Dividend payments of \$9.2M (\$9.5M in 2009) on preferred shares are carried as an interest expense and recorded in operating expenses.

On January 30, 2009, the sole shareholder of all Class A shares waived an amount of \$17.4M from the \$31.5M dividend declared on December 1, 2008. This amount was deducted from 2009 dividends.

**NOTE 13****Accumulated other comprehensive income**

Accumulated other comprehensive income comprises the following items:

	2010	2009
Unrealized gains (unrealized losses) on assets available for sale		
Bonds	\$ 82.2	\$ 53.4
Stocks	40.3	(2.7)
Other loans and investments	0.1	(2.1)
	122.6	48.6
Related taxes	(33.8)	(18.1)
<b>Accumulated other comprehensive income</b>	<b>\$ 88.8</b>	<b>\$ 30.5</b>

**NOTE 14****Restructuring costs**

During the second quarter of 2009, the FCDQ Board of Directors approved the implementation of a new organizational structure for Desjardins Group.

The Company recorded an amount of \$1.3M (\$6.4M in 2009) in the 2010 Consolidated Statement of Income for severance benefits and for professional and other fees in conjunction with the implementation of this new organizational structure.

**NOTE 15****Income taxes****A) INCOME TAX EXPENSE**

The income tax expense charged against net income comprises the following amounts:

	2010	2009
Current income taxes	\$ 11.6	\$ 17.0
Future income taxes	51.5	38.9
	\$ 63.1	\$ 55.9

**B) INCOME TAXES**

The Company's income is subject to Canadian income taxes. The effective income tax rate varies from year to year based on changes in the combined statutory tax rate. The provision for income taxes in the Statement of Income differs from the provision that would be established by applying the combined statutory tax rate for the following reasons:

	2010	2009
Income taxes on operating income at the combined statutory rate of 30.11 % in 2010 (31.32% in 2009)	\$ 90.0	\$ 78.5
Change due to the following items:		
Net investment income and other non-taxable or non-deductible items (net)	(29.0)	(10.2)
Impact of change in income tax rates	(1.6)	(8.3)
Other	3.7	(4.1)
	\$ 63.1	\$ 55.9

**NOTE 15****Income taxes (continued)****C) FUTURE INCOME TAXES**

Future income taxes, which are based on estimates of temporary differences calculated as at December 31, arise from the following items:

	2010	2009
<b>Future income tax asset</b>		
Policy liabilities	\$ 160.7	\$ 230.7
Deferred non-capital losses	—	35.1
Deferred capital losses	6.0	6.2
Other	21.6	14.8
	<b>\$ 188.3</b>	<b>\$ 286.8</b>
<b>Future income tax liability</b>		
Investments	\$ 264.8	\$ 311.8
	<b>\$ 264.8</b>	<b>\$ 311.8</b>
<b>Net balance of future tax asset (liability)</b>	<b>\$ (76.5)</b>	<b>\$ (25.0)</b>
Future income tax asset	12.6	28.6
Future income tax liability	89.1	53.6
	<b>\$ (76.5)</b>	<b>\$ (25.0)</b>

As at December 31, 2010, the Company had capital losses in the amount of \$45.5M (\$46.9M in 2009) for which a future tax asset of \$6.0M was recorded. These losses do not have a maturity date. The Company no longer has any non-capital losses (\$116.5M in 2009).

**NOTE 16****Capital management**

The Company's capital management objective is to maintain adequate, quality capital and allocate surplus capital to its priorities of supporting growth, financing acquisitions where opportunities exist, and increasing dividends to its shareholder.

The Company's Board of Directors is responsible for managing capital. The Board is guided in this activity by a policy that is reviewed annually.

This policy defines a target range within which the Company's capitalization ratio must remain. The upper limit of this range represents the optimum level of capitalization. At this level, the shareholder is not required to maintain unused capital in the Company. The lower limit of the range ensures that the Company has a level of capital high enough to deal with adverse events and still remain financially strong.

The Company's financial strength is tested at least once a year through Dynamic Capital Adequacy Testing. This test allows the Company to assess the adequacy of its capital under adverse condition scenarios. The results demonstrate whether maintaining the capitalization ratio within the target range established by the Capital Management Policy allows the Company to deal with various adverse events and still maintain its financial strength at a satisfactory level.

The establishment of a business plan also helps to ensure that the Company is maintaining its capital ratio at a high enough level to be able to seize business opportunities when they arise.

Every year, the results of these tests are presented to the Board of Directors and can be used to guide them in their decision-making.

Under its provincial charter, the Company is governed by the AMF. It must also comply with the requirements of the regulatory authorities of the other provinces and territories where it conducts business. In Quebec, insurance companies must guarantee their solvency by complying with the AMF's Guideline on Capital Adequacy Requirements.

The Company's regulatory capital, which is established in compliance with this guideline, comprises its capital and differs from the equity on the balance sheet. It includes two tiers:

Tier 1 capital comprises capital that is more permanent in nature than Tier 2 capital. It consists primarily of shareholder's equity and participating policyholders' equity.

Tier 2 capital is comprised primarily of preferred shares.

The Company's available capital is summarized in the following table.

	2010	2009
Tier 1 capital	\$ 1,158.4	\$ 971.1
Tier 2 capital	591.6	350.4
<b>Total capital available</b>	<b>\$ 1,750.0</b>	<b>\$ 1,321.5</b>

Under the AMF's Guideline on Capital Adequacy Requirements, a minimum amount of regulatory capital must be maintained to cover certain risks such as credit, market, insurance and interest rate risks. As at December 31, 2010, these requirements were met.

The Company's solvency ratio is established by comparing its total available capital with the required minimum regulatory capital.

Under the *Act respecting Insurance* (Quebec), the payment of dividends to the shareholder and policyholders is subject to the Company's compliance with the minimum capital adequacy standards prescribed by the AMF.

Furthermore, to meet various financial management requirements, an amount of \$35.9M (\$40.0M in 2009) was allocated to participating policyholders' equity and an amount of \$342.3M (\$274.4M in 2009) to retained earnings.

## NOTE 17

# Financial instrument risk management

### RISK CONTROL

The Company's risk management objective is to optimize the risk/return ratio for all of its operations. Risk is defined as an element of uncertainty that may have an impact on current or future profits. Risk is controlled by incorporating risk management strategies, policies and processes in all organizational functions.

The Company has adopted a risk-management governance structure that includes a risk management team and an integrated risk management committee. Their mandate is to ensure the implementation of policies and systems that will maintain risk at an acceptable level in accordance with the expectations of the Board of Directors and the Company's Management. These governance mechanisms were implemented as part of the transformation process Desjardins Group began in 2009. The functional expertise within Desjardins Group, in the area of risk management in particular, was pooled together to enable the Group to consolidate its risk management expertise, and also ensure that the Company has all the leverage it needs to carry out its risk management responsibilities.

The Company has established an integrated risk profile that defines the risks to which it is exposed, the level of its exposure to these risks, and the effectiveness of the control measures used to mitigate these risks. The Company's risk management officer provides the Audit Committee with regular risk management reports.

Internal Audit independently evaluates the processes, systems and controls in place and submits status reports that provide appropriate recommendations.

In addition to the risks inherent in its insurance activities, which are described in Note 7, the key financial risks to which the Company is exposed are the following:

#### a) Credit risk

Credit risk is defined as the potential risk of losses arising from a counterparty's failure to meet its on- or off-balance-sheet contractual obligations. It also includes concentration risk. The term "counterparty" refers to an issuer, debtor, borrower, broker, underwriter, reinsurer or guarantor.

## NOTE 17

# Financial instrument risk management (continued)

### RISK CONTROL (CONTINUED)

#### a) Credit risk (continued)

##### CREDIT RISK MANAGEMENT AND FRAMEWORK

Company policies establish limits according to commitment, issuer, borrower, groups of borrowers, region and activity sector. These policies also identify the approval levels to which any new commitment must be submitted. Specific provisions are recorded for non-performing financial instruments.

With respect to loans granted by the Company, underwriting standards are applied to ensure portfolio diversification and sound management of credit risk. An internal rating system enables the Company to evaluate the portfolio and identify the risk levels of the different loans and portfolios. An independent sector reviews the loan granting process. Specialized employees ensure loan oversight, management and recovery. Mortgage loans are secured by real estate, while other loans are secured by the government of Quebec under its immigrant loans program, and also by the cash surrender value of the policies against which loans were granted to policyholders.

When the Company uses derivative financial instruments, it assesses and monitors the credit risk as it does for its other financial instruments. The credit risk of a derivative financial instrument is generally below its notional amount, because it is limited at all times to the replacement cost and contingent credit risk.

All counterparties with which the Company carries out derivative transactions are financial institutions rated A or better by recognized independent credit rating agencies.

The Company constantly seeks opportunities to decrease uncertainty and minimize the credit risk associated with derivatives-transactions. Such opportunities include master netting agreements, under which the Company is entitled to offset its payables to a counterparty against its receivables when the specified terms of payment have not been honoured.

The maximum credit risk exposure on the financial instruments used by the Company is as follows:

	2010	2009
<b>Carried on balance sheet</b>		
Bonds and money market instruments	\$ 8,902.9	\$ 8,088.5
Mortgage loans and business loans	3,121.3	3,245.0
Policy loans	107.5	106.1
Other loans and investments	907.9	761.6
Other assets	386.5	343.8
	<b>13,426.1</b>	<b>12,545.0</b>
<b>Off-balance sheet</b>		
Credit commitments	101.2	35.7
<b>Total</b>	<b>\$ 13,527.3</b>	<b>\$ 12,580.7</b>

#### b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to amass sufficient funds to meet an obligation that could be settled with a payment in cash or another financial asset, whether it is on- or off-balance sheet, due or not.

##### LIQUIDITY RISK MANAGEMENT AND FRAMEWORK

In the short term, the purpose of liquidity management is to ensure that adequate funds are available to meet financial commitments as they become payable. The management of strategic liquidity aims to ensure stability between sources and uses of funds on an ongoing basis, taking into account economic, operational and business factors that could influence this balance.

A liquidity policy ensures global proactive management of balance sheet items by establishing limits. Additionally, asset managers ensure that an adequate proportion of assets is held in readily marketable securities.

The Company has developed a contingency plan in the event of a liquidity crisis. The plan describes the sources of financing available in order of priority, with their costs. The Company also has access to operating lines of credit to meet its temporary working capital needs. None of these lines of credit had been used as at December 31, 2010.

As at December 31, 2010, the contractual maturities for financial liabilities<sup>(1)</sup> (with the exception of policyholder liabilities, whose liquidity risk management risk is covered by the matching policy described in Note 7b and by the liquidity policy) and for loan commitments are as follows:

2010				
	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Non-derivative financial instruments				
Long-term debt	\$ 5.9	\$ 44.7	\$ 23.9	\$ 74.5
Commitments under securities lending transactions and repurchase agreements	995.8	—	—	995.8
Securities sold short	146.1	—	—	146.1
Liabilities for preferred shares	12.7	50.7	538.4	601.8
Other liabilities	214.0	1.6	0.4	216.0
Derivative financial instruments				
Settled on a gross basis <sup>(2)</sup>				
Cash flows payable from liabilities	6.5	—	—	6.5
Cash flows payables from assets	337.7	14.9	—	352.6
Settled on a net basis	20.2	56.4	23.6	100.2
Off-balance sheet				
Loan commitments	101.2	—	—	101.2
	<b>\$ 1,840.1</b>	<b>\$ 168.3</b>	<b>\$ 586.3</b>	<b>\$ 2,594.7</b>

(1) The class of derivative financial instruments settled on a gross basis includes the cash flows payable from derivative financial instruments to liabilities and those payable to assets.

(2) The contractual cash outflows on derivative financial instruments settled on a gross basis are accompanied by corresponding fund inflows in the amount of \$6.4M for liabilities and \$357.8M for assets. These amounts are not included in the table above.

2009				
	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Non-derivative financial instruments				
Long-term debt	\$ 6.2	\$ 52.0	\$ 26.6	\$ 84.8
Commitments under securities lending transactions and repurchase agreements	893.8	—	—	893.8
Securities sold short	138.9	—	—	138.9
Liabilities for preferred shares	9.5	38.1	284.5	332.1
Other liabilities	347.3	1.7	1.3	350.3
Derivative financial instruments				
Settled on a gross basis <sup>(1)</sup>				
Cash flows payable from liabilities	—	—	—	—
Cash flows payables from assets	239.7	15.8	—	255.5
Settled on a net basis	23.8	27.0	3.5	54.3
Off-balance sheet				
Loan commitments	35.7	—	—	35.7
	<b>\$ 1,694.9</b>	<b>\$ 134.6</b>	<b>\$ 315.9</b>	<b>\$ 2,145.4</b>

(1) The contractual cash outflows on derivative financial instruments settled on a gross basis are accompanied by corresponding fund inflows in the amount of \$262.2M. This amount is not included in the table above.

**NOTE 17****Financial instrument  
risk management (continued)****c) Market risk**

Market risk is the risk of changes in the value of financial instruments arising from a fluctuation in the market parameters affecting this value, such as interest rates, exchange rates, stock market prices and any other market risk, but credit spreads and volatility in particular.

**I) EXCHANGE RISK MANAGEMENT AND FRAMEWORK**

To guard against potential losses due to exchange rate movements, the Company has an asset and liability matching policy, which is described in Note 7b. Compliance with the policy, which clearly defines the acceptable levels of risk, is ensured with regular controls. Each business segment's assets are managed in relation to its liabilities and invested in instruments that meet the requirements of the related products.

The risks associated with mismatches in portfolio investment durations and cash flows, asset prepayment exposure, and the pace of asset acquisition are quantified and reviewed regularly.

Bonds classified as assets available for sale do not support actuarial liabilities. The change in the fair value of available-for-sale bonds is recorded in other comprehensive income. The following table presents the estimated impact on other comprehensive income of a change in interest rates across the entire yield curve in all the Company's available-for-sale bond markets.

	2010	2009
1% increase in interest rates	\$ (78.4)	\$ (39.5)
1% decrease in interest rates	\$ 78.4	\$ 39.5

**II) FOREIGN EXCHANGE RISK MANAGEMENT AND FRAMEWORK**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to movements in foreign exchange rates. Although most of the Company's transactions are in Canadian dollars, certain limits have been set with regard to foreign exchange risk.

The Company's policy on exchange risk requires that investments in foreign currencies used as hedges against foreign exchange risk be limited to 10% of the total amount of the surplus/liabilities insensitive portfolio matched participating portfolio and unmatched participating portfolio.

Investments without foreign currency hedging (excluding securities and resource investments) are limited to 5% of the assets of the surplus/liabilities insensitive portfolio and the matched participating portfolio and to 1% of the matched non-participating portfolio's assets.

The Company uses foreign exchange contracts to keep this risk within the prescribed limits. As at December 31, 2010, the Company deemed this risk to be insignificant.

**III) MARKET-BASED PRICE RISK MANAGEMENT AND FRAMEWORK**

Stock market price fluctuations could have an impact on the Company's income, particularly with regard to products with capital guarantees whose value is influenced by market fluctuations. A hedging program was put in place in August 2009 in order to mitigate the effects of market volatility.

A 10% increase in stock prices would result in a \$11.3M increase (\$3.2M in 2009) in net income and a 10% decrease in stock prices would result in a \$16.0M decrease (\$5.4M in 2009) in the Company's net income.

**IV) OTHER MARKET RISK MANAGEMENT AND FRAMEWORK**

In the normal course of business, the Company is exposed to insurance risk, which is described in Note 7c.

In addition to the previously mentioned risks, the Company's unmatched portfolio is managed as a diversified portfolio comprising several asset classes. This portfolio's risk exposure associated with positions in these different classes is managed using two mechanisms:

1. Concentration limits applied to the different asset classes.
2. Deviation-from-target limits applied to the different asset classes.

## NOTE 18

# Fair value of financial instruments

The Company accounts for certain financial instruments at fair value.

Fair value is based on market prices when available. When there is no market to trade the financial instrument, the Company uses the valuation techniques described in Note 2.

The Company has classified the fair value measurement of each class of financial instrument according to a three-level hierarchy that reflects the significance of the data used to perform these valuations.

**Level 1:** Quoted prices in active markets for identical assets or liabilities. Public corporation stocks held by the Company are included in this class.

**Level 2:** Inputs other than the quoted prices included in Level 1 that are observable, either directly or indirectly for the assets or the liability. This class includes financial instruments whose fair value was established by valuation techniques that use observable data or data that can be corroborated by observable data.

**Level 3:** Inputs relative to the assets or liabilities that are not based on observable market data. This level includes financial assets and liabilities whose fair value was established by valuation techniques based on Company estimates.

Observable data are derived from independent sources. Non-observable data represent the Company's best estimates as to the assumptions that should be used by the markets to determine the fair value of financial assets and liabilities as at December 31, 2010.

The fair value measurement is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

The following table presents the financial assets and liabilities measured at fair value as at December 31, 2010.

2010				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Financial assets</b>				
Bonds				
Government	\$ 6,231.9	\$ 344.4	\$ 0.6	\$ 6,576.9
Corporate	—	1,370.8	532.4	1,903.2
Stocks	913.2	125.1	3.4	1,041.7
Cash flow and money market instruments	40.9	401.6	—	442.5
Derivative financial instruments	—	36.2	—	36.2
Other investments	19.8	—	—	19.8
<b>Total financial assets measured at fair value</b>	<b>\$ 7,205.8</b>	<b>\$ 2,278.1</b>	<b>\$ 536.4</b>	<b>\$ 10,020.3</b>
<b>Financial liabilities</b>				
Securities sold short	145.6	—	—	145.6
Derivative financial instruments	2.7	36.8	—	39.5
<b>Total financial liabilities measured at fair value</b>	<b>\$ 148.3</b>	<b>\$ 36.8</b>	<b>\$ —</b>	<b>\$ 185.1</b>

In 2010, stocks and bonds with a book value of \$3.1M and \$101.0M respectively, were transferred from Level 1 to Level 2 as their fair value is now determined using a valuation model based on observable data. In addition, bonds with a book value of \$78.5M and money market securities with a book value of \$7.3M were transferred from Level 2 to Level 1 as market prices were available in 2010.

2009				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Financial assets</b>				
Bonds				
Government	\$ 5,687.2	\$ 367.7	\$ —	\$ 6,054.9
Corporate	—	1,162.5	453.2	1,615.7
Stocks	694.2	0.1	9.0	703.3
Cash flow and money market instruments	26.1	395.7	—	421.8
Derivative financial instruments	0.6	14.0	—	14.6
Other investments	18.2	—	—	18.2
<b>Total financial assets measured at fair value</b>	<b>\$ 6,426.3</b>	<b>\$ 1,940.0</b>	<b>\$ 462.2</b>	<b>\$ 8,828.5</b>
<b>Financial liabilities</b>				
Securities sold short	138.5	—	—	138.5
Derivative financial instruments	2.1	89.5	—	91.6
<b>Total financial liabilities measured at fair value</b>	<b>\$ 140.6</b>	<b>\$ 89.5</b>	<b>\$ —</b>	<b>\$ 230.1</b>

**NOTE 18****Fair value of financial instruments  
(continued)**

The following table presents the changes in the fair value of financial assets and liabilities classified as Level 3 during the year.

	2010	2009
<b>Fair value as at January 1</b>	<b>\$ 462.2</b>	<b>\$ 668.7</b>
Total gains and losses <sup>(1)</sup>		
Presented in net investment income	20.1	(19.8)
Presented in other comprehensive income	2.1	(0.6)
Purchases	117.8	36.9
Sales	(65.8)	(223.0)
Transfers to Level 3	—	—
Transfers from Level 3	—	—
<b>Fair value as at December 31</b>	<b>\$ 536.4</b>	<b>\$ 462.2</b>

(1) Total gains and losses include \$29.5M in unrealized gains (\$27.1M in unrealized losses in 2009).

**NOTE 19****Commitments, guarantees  
and contingencies****A) CONTINGENT LIABILITIES**

The Company may have lawsuits brought against it in the normal course of its insurance, savings and insurance product distribution, and investment-related business activities. Such lawsuits have in the past been settled without generating expenses in excess of the amounts set aside for this purpose, in actuarial liabilities in particular. While it is not possible at this time to estimate the outcome of various proceedings and litigation currently under way or about to be undertaken, the Company does not believe that it will incur any significant additional loss or expense in relation to the estimated liabilities.

**B) CONTRACTS**

Payments under the Company's various contractual obligations, mainly in respect of leases and various services over the coming fiscal years, total \$46.9M and break down as follows: \$12.8M in 2011, \$4.7M in 2012, \$3.1M in 2013, \$2.2M in 2014, \$7.0M in 2015 and \$17.1M thereafter.

**C) LETTERS OF CREDIT**

In the normal course of business, the Company issues letters of credit. As at December 31, 2010, letters of credit in the amount of \$3.7M were outstanding.

**D) CONTRACTUAL GUARANTEES**

The significant guarantees granted by the Company and in force as at December 31, 2010 are the following:

**Derivatives**

In the normal course of its investment activities, the Company enters into credit default swaps on investment securities and undertakes to assume the credit risk for the investment securities concerned. The guarantee consists in providing partial or full payment for a security or group of securities in the event that the issuer defaults on payment. The maximum amount of this guarantee corresponds to the notional amount of the swap. The amounts that may have to be disbursed depend on the nature of the default and the recovery rate for the securities in collection.

These swaps mature on various dates until 2015. As at December 31, 2010, the maximum amount that could be disbursed under this guarantee totalled \$424.7M (\$399.8M in 2009).

### Indemnification agreements

In the normal course of business, the Company has entered into a number of contracts containing indemnification provisions, such as purchasing contracts, service agreements, outsourcing agreements, lease agreements, netting agreements and asset or stock transfer contracts. Under the terms of these contracts, the Company may be required to indemnify a counterparty if certain events occur, such as amendments to statutes and regulations, changes in reported financial positions, the existence of unreported liabilities, losses caused by third-party activities or as a result of third-party litigation. The indemnification provisions vary depending on the contract. In many cases, the contracts do not specify any predetermined amounts or limits, and future events that could give rise to a claim are difficult to predict. Consequently, the Company is not in a position to provide a reasonable estimate of the maximum amount it could be required to pay. Historically, payments made under these indemnification agreements have been negligible. The probability of conditions occurring that could engage the Company's liability under these contracts is low and the potential amount of indemnification is difficult to assess. No specific liability has been recorded with respect to these agreements.

### Indemnification of directors and officers

The Company will indemnify its directors and officers as well as any person who, at its request, acts in that capacity for another entity in the event a claim or lawsuit is filed against them. The Company maintains liability insurance policies for its directors and officers. Due to the nature of these indemnities, it is not possible to give a reasonable estimate of the amount the Company could be required to pay. No specific liability has been recorded with respect to these indemnities.

## E) SECURITIES LENDING

In the normal course of its investment activities, the Company lends securities. All loans of securities must be collateralized at all times by the borrower (with marketable securities generally issued by the federal or provincial governments). There is a risk of loss if the borrower fails to meet its obligations and the value of the collateral is not sufficient to cover the amount of the loan. The credit risk associated with these types of transactions is considered low since the Company does business with only creditworthy brokerage firms and financial institutions. Furthermore, the Company receives as collateral securities whose value is equal to 102% of the loan amount. Loaned securities with a value of \$276.4M (\$179.5M in 2009), for which securities were received as collateral, were not accounted for in the balance sheet.

## F) FINANCIAL ASSETS PLEDGED AS COLLATERAL

The financial assets that the Company pledges as collateral in the normal course of business are presented in the following table:

	2010	2009
Financial assets pledged as collateral for the following transactions:		
Derivative transactions	\$ 37.6	\$ 84.0
Repurchase agreements, and securities lending transactions	990.0	889.7
Other transactions	18.4	23.3
	<b>\$ 1,046.0</b>	<b>\$ 997.0</b>

## G) FINANCIAL ASSETS RECEIVED AS COLLATERAL

As at December 31, 2010, the fair value of the financial assets received as collateral, which the Company is authorized to sell or repledge as collateral in the absence of default, totalled \$374.4M (\$293.5M in 2009). The fair value of the financial assets accepted as collateral, which were sold or repledged as collateral, was \$159.0M (\$138.3M in 2009).

The financial assets received as collateral were obtained through securities lending transactions or reverse repurchase agreements. These transactions were executed in normal conditions for these types of transactions.

## NOTE 20

# Employee future benefits and pension plans

### EMPLOYEE FUTURE BENEFITS COSTS

The Company's employees are members of the Desjardins Group Pension Plan, a multiemployer defined benefit pension plan. The last actuarial valuation, which was performed on December 31, 2009, indicated a capitalization deficit of \$349.2M and a solvency deficit of \$1,930.7M. The actuarial valuation was filed with the Régie des rentes du Québec in March 2010. To eliminate these deficits, employers and employees are required to make special payments in accordance with the law and the relief measures it allows until a subsequent actuarial valuation shows that this Plan no longer has capitalization and solvency deficits. Expenses related to this Plan, including the Company's share of the special payments, totalled \$27.5M in 2010 (\$20.2M in 2009).

The Company also offers additional defined benefit pension plans, including the Desjardins Group Unified Excess Pension Plan, to some of its active and retired executives. To meet its future obligations under these plans, an amount of \$14.8M (\$13.8M in 2009) was recorded in other liabilities. Expenses for the year totalled \$1.9M (\$0.4M in 2009).

## NOTE 21

# Government assistance

Upon receipt of its Annual Eligibility Certificate, the Company will benefit from a government assistance program for major investment projects. This program will end on April 30, 2010. During the year, the Company recorded government assistance in the amount of \$6.7M (\$19.3M in 2009), \$4.7M after taxes (\$13.3M in 2009), as a reduction to operating expenses.

## NOTE 22

# Related party transactions

### RELATED PARTY TRANSACTIONS IN THE NORMAL COURSE OF BUSINESS

In the normal course of business, the Company carries out transactions with entities of Desjardins Group. These transactions are measured at their exchange value, which is equal to the consideration established and agreed to by the related parties.

The table below summarizes these transactions:

	2010	2009
<b>Revenue</b>		
Premium income	\$ 167.4	\$ 156.8
Net investment income	46.9	40.6
	<b>\$ 214.3</b>	<b>\$ 197.4</b>
<b>Operating expenses</b>	<b>\$ 151.6</b>	<b>\$ 141.6</b>

The above revenue stems from the sale of life and health insurance products and investments, while the expenses consist primarily of management fees, securities custody fees and compensation, and administrative expenses paid to the Desjardins caisse network for distributing the Company's products.

The Company's related party account balances included in the balance sheet as at December 31 are as follows:

	2010	2009
<b>Assets</b>		
Bonds	\$ 18.1	\$ 17.1
Stocks	7.8	12.3
Cash and money market instruments	191.2	197.4
Other loans and investments	189.5	107.0
Other assets	28.4	16.9
	<b>\$ 435.0</b>	<b>\$ 350.7</b>
<b>Liabilities</b>		
Other liabilities	\$ 596.0	\$ 549.2
Long-term debt	10.1	10.3
Liabilities for preferred shares	475.0	275.0
	<b>\$ 1,081.1</b>	<b>\$ 834.5</b>

### RELATED PARTY TRANSACTIONS NOT IN THE NORMAL COURSE OF BUSINESS

On December 21, 2010, the Company issued \$200.0M in preferred shares to its parent company, as described in Note 12.

On April 1, 2009, the Company sold the majority of its Term Asset-Backed Notes worth \$102.7M to 9186-8034 Québec inc., a subsidiary of the FCDQ. The selling price of the notes represented the estimated fair value of these securities and corresponded to the carrying value of the Term Asset-Backed Notes traded.

On December 29, 2009, the Company purchased the shares of 9186-4132 Québec inc., a corporation under common control, from another corporation under common control for an amount of \$0.1M. As this transaction occurred outside the normal course of business, it was measured at the book value of the net assets acquired. These assets included a future tax asset of \$31.3M and a loan of an equal amount with a subsidiary company. On the same date, the new subsidiary was wound up into the Company. The transferred future tax assets were revalued on that date and an amount of \$0.4M (net of the impact on actuarial liabilities) was credited to retained earnings. The loan was repaid in full on December 30, 2009.

**NOTE 23****Segmented information**

The Company conducts business in various operating segments, which are based on the type of products distributed or the distribution method.

The Company's group insurance segment is divided into two areas of activity. The first includes group life and health insurance plans for groups, businesses and associations, which are distributed across Canada by agents, group plan brokers and consulting actuaries. The second includes the group death and disability insurance plans for loans or deposit-linked life insurance distributed in financial institutions, particularly to Desjardins Group members.

The Company's individual insurance products are distributed by brokers, managing general agents (MGAs), financial security advisors assigned to the Desjardins caisses, direct marketing and over the Internet.

Its savings products are distributed through the same channels as its individual and group insurance products and include segregated fund transactions.

The significant accounting policies used by the Company's various operating segments are the same as those described in Note 2.

In addition to the segmented information relating to actuarial liabilities and main key assets to which they are matched provided in Note 7, the following table summarizes the results by segment.

2010					
	GROUP INSURANCE	INDIVIDUAL INSURANCE	SAVINGS	OTHER	TOTAL
Premium income					
Products distributed to Desjardins	\$ 595.1	\$ 172.6	\$ 15.7	\$ —	\$ 783.4
Group members					
Other distribution networks	1,682.6	295.1	273.0	—	2,250.7
Net investment income	245.1	642.2	233.7	0.1	1,121.1
Other revenue	21.3	15.9	142.7	4.9	184.8
<b>Total revenue</b>	<b>2,544.1</b>	<b>1,125.8</b>	<b>665.1</b>	<b>5.0</b>	<b>4,340.0</b>
Expenses attributable to policyholders	1,813.5	833.6	465.5	—	3,112.6
Other expenses	470.0	251.4	203.7	3.4	928.5
<b>Total expenses</b>	<b>2,283.5</b>	<b>1,085.0</b>	<b>669.2</b>	<b>3.4</b>	<b>4,041.1</b>
<b>Operating income (loss)</b>	<b>260.6</b>	<b>40.8</b>	<b>(4.1)</b>	<b>1.6</b>	<b>298.9</b>
Income taxes	57.6	6.2	(1.2)	0.5	63.1
Non-controlling interest in net income of subsidiaries	—	—	—	1.1	1.1
<b>Net income (loss)</b>	<b>\$ 203.0</b>	<b>\$ 34.6</b>	<b>\$ (2.9)</b>	<b>\$ —</b>	<b>\$ 234.7</b>

2009					
	GROUP INSURANCE	INDIVIDUAL INSURANCE	SAVINGS	OTHER	TOTAL
Premium income					
Products distributed to Desjardins	\$ 558.7	\$ 149.5	\$ 14.3	\$ —	\$ 722.5
Group members					
Other distribution networks	1,607.3	287.0	366.2	—	2,260.5
Net investment income	187.4	317.2	245.8	0.1	750.5
Other revenue	18.1	15.3	94.1	4.7	132.2
<b>Total revenue</b>	<b>2,371.5</b>	<b>769.0</b>	<b>720.4</b>	<b>4.8</b>	<b>3,865.7</b>
Expenses attributable to policyholders	1,682.9	496.2	588.0	—	2,767.1
Other expenses	444.8	223.8	176.0	3.3	847.9
<b>Total expenses</b>	<b>2,127.7</b>	<b>720.0</b>	<b>764.0</b>	<b>3.3</b>	<b>3,615.0</b>
<b>Operating income (loss)</b>	<b>243.8</b>	<b>49.0</b>	<b>(43.6)</b>	<b>1.5</b>	<b>250.7</b>
Income taxes	57.6	8.3	(10.5)	0.5	55.9
Non-controlling interest in net income of subsidiaries	—	—	—	1.0	1.0
<b>Net income (loss)</b>	<b>\$ 186.2</b>	<b>\$ 40.7</b>	<b>\$ (33.1)</b>	<b>\$ —</b>	<b>\$ 193.8</b>

**NOTE 24****Post-balance sheet item**

On January 1, 2011, the Company outsourced all of its technological operations to Groupe Technologies Desjardins inc. (GTD), a new subsidiary created on January 1, 2011 and owned exclusively by the Fédération des caisses Desjardins du Québec.

Under this transfer, the Company sold all of its information technology hardware and software, except for certain specialized application programs, to GTD. This transfer will not have any significant impact on the Company's results.

**NOTE 25****Comparative figures**

Certain figures for 2009, presented for comparative purposes, have been reclassified to conform to the presentation adopted for 2010.



# FIVE-YEAR SUMMARY

## For the years ended December 31

(in M\$, unless otherwise indicated)

	2010	2009	2008	2007	2006
<b>Profitability and capitalization</b>					
Net income	234.7	193.8	34.5	216.7	151.3
Operating income	298.9	250.7	57.1	288.3	202.8
Net income attributable to shareholder	235.8	192.8	40.2	211.1	145.8
Return on shareholder's equity	24.1%	25.9%	5.9%	27.5%	20.7%
<b>Business growth</b>					
Insurance in force	205,655.6	190,699.0	183,490.6	171,009.4	151,191.9
<b>Net premiums</b>					
Insurance premiums	2,745.4	2,602.5	2,552.9	2,329.7	2,065.7
Annuity premiums	288.7	380.5	315.5	245.6	372.7
<b>Total</b>	<b>3,034.1</b>	<b>2,983.0</b>	<b>2,868.4</b>	<b>2,575.3</b>	<b>2,438.4</b>
<b>Savings</b>					
Group products	371.7	403.6	260.1	218.5	290.6
Individual products	958.7	1,096.2	432.3	251.8	250.9
Mutual funds	477.0	314.5	462.8	636.3	516.9
<b>Total</b>	<b>1,807.4</b>	<b>1,814.3</b>	<b>1,155.2</b>	<b>1,106.6</b>	<b>1,058.4</b>
<b>Assets under management and administration</b>					
General funds	15,735.8	14,471.5	13,759.2	15,307.9	12,804.0
Segregated funds	4,793.9	3,502.1	2,050.8	2,246.9	2,112.1
Mutual funds	5,416.0	4,792.0	3,856.1	5,021.4	5,028.4
<b>Total</b>	<b>25,945.7</b>	<b>22,765.6</b>	<b>19,666.1</b>	<b>22,576.2</b>	<b>19,944.5</b>
<b>Investment quality</b>					
<b>Bonds</b>					
Rated A or higher	92.3%	93.6%	92.0%	95.2%	95.0%
<b>Real estate</b>					
Market value as a percentage of carrying value	129.0%	135.8%	142.3%	127.1%	116.8%
<b>Other information</b>					
Number of employees	3,948	3,873	3,816	3,893	3,734
Number of representatives and brokers	7,308	6,709	5,942	5,542	5,321

## Board of Directors

As at December 31, 2010

### BOARD CHAIR

**Sylvie St-Pierre Babin**

Gatineau, Quebec

Legal Counsel

Vice-President of CORE Abitibi-Témiscamingue –  
North and West of Quebec

### SENIOR DEPUTY CHAIR

**M<sup>r</sup> Jacques Sylvestre, Ad. E.**

Saint-Hyacinthe, Quebec

Sylvestre & Associés, Avocats

### DIRECTORS

**Martin Desrosiers**

Matane, Quebec

General Manager

Caisse populaire Desjardins de Matane

**Robert Guerriero, CA**

Laval, Quebec

Corporate and Cooperative Director

Chair of the Board of Directors

Caisse populaire Canadienne Italienne

**Serge Hamelin, FICA**

Laval, Quebec

Consulting Actuary

Daigneault & Hamelin, Actuaire

**Monique Lefebvre, Ph. D.**

Montreal, Quebec

Psychologist, Executive Coaching

Consultant, Strategic Management and Business Governance

**Suzanne L. Lemay**

Trois-Rivières, Quebec

Corporate Director

**Louise Lussier, CGA, MBA**

Outremont, Quebec

Consultant, Strategic and Financial Planning

**Suzanne Maisonneuve-Benoit**

Mont-Tremblant, Quebec

Administrative Consultant

**Michel Rouleau, ASC**

Sainte-Marie-de-Beauce, Quebec

Corporate Director

**Jacques St-Aubin**

Hawkesbury, Ontario

Chair of the Board of Directors

Caisse populaire de Hawkesbury Ltd

**Réal Sureau, FCA**

Verdun, Quebec

Chartered Accountant

President, Sureau Management Limited

**Laura M. Talbot, FCMA, ICD.D./IAS.A**

Kingston, Ontario

President, Talbot Allan Consulting Group

Chair of the Board of Directors

Deposit Insurance Corporation of Ontario

## Board committees

### EXECUTIVE COMMITTEE

**Sylvie St-Pierre Babin**  
Chair

**Monique Lefebvre**  
**Suzanne Maisonneuve-Benoit**  
**Jacques Sylvestre**

### INVESTMENT COMMITTEE

**Michel Rouleau**  
Chair

**Martin Desrosiers**  
**Robert Guerriero**  
**Sylvie St-Pierre Babin**  
**Réal Sureau**  
Observer

### AUDIT COMMITTEE

**Serge Hamelin**  
Chair

**Louise Lussier**  
**Réal Sureau**  
**Laura M. Talbot**

### ETHICS COMMITTEE

**Suzanne Maisonneuve-Benoit**  
Chair

**Suzanne L. Lemay**  
**Jacques St-Aubin**

## Company management

### Monique F. Leroux

Chair of the Board, President and Chief Executive Officer, Desjardins Group  
Chief Executive Officer of Desjardins Financial Security

### Denis Berthiaume

Senior Vice-President and General Manager  
Wealth Management and Life and Health Insurance  
Desjardins Group

### Richard Fortier

President and Chief Operating Officer, Life and Health Insurance<sup>(1)</sup>

### Alain Bédard

Senior Vice-President Individual Insurance and Savings Division<sup>(1)</sup>

### Alain Thauvette

Senior Vice-President Group and Business Insurance Division<sup>(1)</sup>

### Michel Desmarais

Senior Vice-President Group Retirement Savings Division<sup>(1)</sup>

### Jean-François Chalifoux

Senior Vice-President Creditor and Direct Insurance Division<sup>(1)</sup>

### Camil Lévesque

Senior Vice-President Corporate Actuarial Services and  
Underwriting Division<sup>(1)</sup>

### François Drouin

Vice-President, Finance Division, Wealth Management and  
Life and Health Insurance<sup>(1)</sup>

### Luc Loiselle

Vice-President, Technology Division, Wealth Management and  
Life and Health Insurance<sup>(1)</sup>

### Raynald Bisson

Vice-President, Human Resources Division, Wealth Management and  
Life and Health Insurance<sup>(1)</sup>

<sup>(1)</sup> Desjardins Financial Security Management Committee

## Office contact information

### MAIN OFFICES

#### DESJARDINS FINANCIAL SECURITY

##### Head Office

200, rue des Commandeurs, Lévis (Québec) G6V 6R2  
418-838-7800  
1-877-828-7800

##### Montréal

1, complexe Desjardins, Tour Sud, 21<sup>e</sup> étage, Montréal (Québec) H5B 1E2  
514-350-8700  
1-877-750-8700

##### Québec

1150, rue de Claire-Fontaine, Québec (Québec) G1R 5G4  
418-647-5000  
1-888-893-1833

##### Toronto

95 St. Clair Avenue West, Toronto, Ontario M4V 1N7  
416-926-2700  
1-877-906-5551

### SUBSIDIARIES

#### Desjardins Financial Security Investments Inc.

1150, rue de Claire-Fontaine, Québec (Québec) G1R 5G4  
418-647-5070  
1-866-647-5070

#### Sigma Assistel Inc.

1100, boul. René-Lévesque Ouest, 15<sup>e</sup> étage, Montréal (Québec) H3B 4N4  
514-875-9170  
1-800-465-6390

For the contact information of our financial centres,  
call 1-800-463-7870, or visit our website  
[www.desjardinsfinancialsecurity.com](http://www.desjardinsfinancialsecurity.com)

### INTERNET ADDRESSES

#### Desjardins Financial Security

[www.desjardinsfinancialsecurity.com](http://www.desjardinsfinancialsecurity.com)

#### SFL

[www.sfl.qc.ca](http://www.sfl.qc.ca)

#### SFL Investments

[www.sfl.qc.ca](http://www.sfl.qc.ca)

#### Desjardins Financial Security Independent Network

[www.dfsin.ca](http://www.dfsin.ca)

#### Desjardins Financial Security Investments Inc.

[www.dfsin.ca](http://www.dfsin.ca) and [www.dfsinvestments.ca](http://www.dfsinvestments.ca)

#### Sigma Assistel

[www.assistel.com](http://www.assistel.com)

#### Desjardins Group

[www.desjardins.com](http://www.desjardins.com)

### REGIONAL OFFICES

#### ATLANTIC CANADA

##### Halifax/Dartmouth

99 Wyse Road, Suite 1400, Dartmouth, Nova Scotia B3A 4S5  
902-466-8881

##### Corner Brook

Corner Brook Plaza  
44 Maple Road, Unit 0315  
Corner Brook, Newfoundland and Labrador A2H 6L8  
709-639-4208

##### St. John's

Village Shopping Centre  
430 Topsail Road, St. John's, Newfoundland and Labrador A1E 4N1  
709-747-8473

#### QUÉBEC

##### Lévis

Complexe Maurice-Tanguay  
5790, boul. Étienne-Dallaire, bureau 203, Lévis (Québec) G6V 8V6  
418-838-7800

##### Montréal

2, complexe Desjardins, bureau 2301, Montréal (Québec) H5B 1E2  
514-285-7880  
1-800-363-3072

#### ONTARIO

##### Ottawa

14 Chamberlain Avenue, Suite 201, Ottawa, Ontario K1S 1V9  
613-224-3121

##### Toronto

95 St. Clair Avenue West, Toronto, Ontario M4V 1N7  
416-926-2662

#### WESTERN CANADA

##### Winnipeg

363 Broadway, Suite 1405, Winnipeg, Manitoba R3C 3N9  
204-989-4350

##### Calgary

Bow Valley Square 1  
202-6th Avenue S. W., Suite 560, Calgary, Alberta T2P 2R9  
403-216-5800

110-9th Avenue S. W., Suite 410, Calgary, Alberta T2P 0T1  
403-532-6650

##### Vancouver

401 West Georgia Street, Suite 1050, Vancouver, British Columbia V6B 5A1  
604-718-4410

Published by the Communications Advisory Services, Business Sectors,  
Desjardins Group  
March 2011

For more information, visit our website or call 418-838-7800, extension 7797 or  
1-877-828-7800, extension 7797.

This Financial Review and other publications may be viewed on the company's  
website. Copies can also be ordered in writing or by phone, email or fax.

Communications Advisory Services, Business Sectors  
Desjardins Financial Security  
200, rue des Commandeurs  
Lévis (Québec)  
G6V 6R2

Phone: 418-838-7800, extension 7797 or 1-877-828-7800, extension 7797

Fax: 418-833-5985 or 1-877-833-5985

Email: [info@desjardinsfinancialsecurity.com](mailto:info@desjardinsfinancialsecurity.com)

Website: [www.desjardinsfinancialsecurity.com/ourcompany](http://www.desjardinsfinancialsecurity.com/ourcompany)

**110  
YEARS**

ON DECEMBER 6, 1900, IN A SMALL COMMUNITY HALL IN THE TOWN OF LÉVIS, ALPHONSE DESJARDINS, HIS WIFE DORIMÈNE, AND ONE HUNDRED OF THEIR FELLOW CITIZENS UNANIMOUSLY ADOPTED THE CONSTITUTION AND BY-LAWS OF CAISSE POPULAIRE DE LÉVIS, THE FIRST CREDIT UNION IN NORTH AMERICA.

TODAY, DESJARDINS GROUP IS QUÉBEC'S LARGEST FINANCIAL INSTITUTION AND ITS NUMBER ONE PRIVATE EMPLOYER. THE LEADING COOPERATIVE FINANCIAL GROUP IN CANADA AND THE SIXTH LARGEST IN THE WORLD, DESJARDINS IS ALSO ONE OF THE BEST CAPITALIZED FINANCIAL INSTITUTIONS IN THE COUNTRY.

1-800-463-7870  
[desjardinsfinancialsecurity.com](http://desjardinsfinancialsecurity.com)



**Desjardins**  
Financial Security®

Cooperating in building the future

© Registered trademark owned by Desjardins Financial Security