

**CAISSE POPULAIRE
GROUPE FINANCIER LTÉE**

**Consolidated Financial Statements
For the one month period ended
September 30, 2010**

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Consolidated Financial Statements For the one month period ended September 30, 2010

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Auditors' Report

To the Members of
Caisse Populaire Groupe Financier Ltée

We have audited the consolidated balance sheet of **Caisse Populaire Groupe Financier Ltée** as at September 30, 2010 and the consolidated statements of retained surplus, accumulated other comprehensive income, income, comprehensive income, and cash flows for the one month period then ended. These financial statements are the responsibility of the Caisse populaire's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Caisse populaire as at September 30, 2010 and the results of its operations and its cash flows for the one month period then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

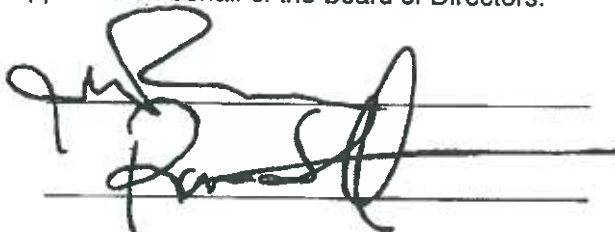

Chartered Accountants

Winnipeg, Manitoba
November 26, 2010

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Balance Sheet

As at	September 30 2010	August 31 2010
	\$	\$ (Note 3)
Assets		
Funds on hand and on deposit	41,310,760	32,641,389
Investments (Note 5)	119,037,137	119,916,685
Loans to members (Note 6)	691,548,662	688,447,781
Other assets (Note 7 and 10)	2,160,615	2,062,585
Property and equipment (Note 8)	12,290,980	11,991,988
	866,348,154	855,060,428
Liabilities and Members' Capital		
Members' deposits (Note 9)	801,758,751	791,464,474
Other liabilities	5,165,101	4,242,565
	806,923,852	795,707,039
Commitments (Note 11)		
Members' Capital (Note 12)		
Shares (Note 13)	13,719,140	13,743,676
Retained surplus	45,041,270	44,799,449
Accumulated other comprehensive income	663,892	810,264
	59,424,302	59,353,389
	866,348,154	855,060,428

Approved on behalf of the Board of Directors:


Director

Director

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Statement of Retained Surplus

<u>For the one month period ended September 30</u>	<u>2010</u>
	\$
Balance, beginning of the period	44,799,449
Net income for the period	<u>241,821</u>
Balance, end of the period	<u>45,041,270</u>

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
**Consolidated Statement of Accumulated Other Comprehensive
Income**

<u>For the one month period ended September 30</u>	<u>2010</u>
	\$
Balance, beginning of the period	810,264
Other comprehensive income for the period	<u>(146,372)</u>
Balance, end of the period	<u>663,892</u>

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Statement of Income

For the one month period ended September 30	2010
	\$
Revenue	
Interest from loans to members	2,693,722
Investment income	395,703
	<hr/>
	3,089,425
Cost of Funds	
Interest paid to members	1,595,452
	<hr/>
Financial margin	1,493,973
	<hr/>
Operating Expenses	
Personnel	1,023,853
Administrative	290,847
Organizational	7,658
Premises, furniture and equipment	212,876
Assessment and bonding insurance	84,109
	<hr/>
Gross operating expenses	1,619,343
Less other income	(410,066)
	<hr/>
Net operating expenses	1,209,277
	<hr/>
Net income before allowance for doubtful loans	284,696
Allowance for doubtful loans	-
	<hr/>
Net income before income taxes	284,696
Provision for income taxes (Note 10)	42,875
	<hr/>
Net income for the period	241,821

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Statement of Comprehensive Income

<u>For the one month period ended September 30</u>	<u>2010</u>
	\$
Net income for the period (see Consolidated Statement of Income)	241,821
Other comprehensive income (net of tax recovery)	
Loss on derivative financial instruments designated as cash flow hedges	<u>(146,372)</u>
Comprehensive income	<u>95,449</u>

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Statement of Cash Flows

For the one month period ended September 30	2010
	\$
Cash Flows from Operating Activities	
Cash received - interest income	3,402,612
Cash received - other revenue	225,107
Cash paid - cost of funds	(1,195,555)
Cash paid - operating and other expenses	(580,887)
Cash paid - income taxes	11,150
	1,862,427
Cash Flows from Financing Activities	
Net increase in members' deposits	9,894,380
Net change in common shares	165
Net change in surplus shares	(24,701)
	9,869,844
Cash Flows from Investing Activities	
Purchase of property and equipment	(942,522)
Net change in loans to members	(2,643,102)
Decrease in investments	522,724
	(3,062,900)
Net increase in funds on hand and on deposit	8,669,371
Funds on hand and on deposit, beginning of the period	32,641,389
Funds on hand and on deposit, end of the period	41,310,760

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

1. Summary of Significant Accounting Policies

Consolidation

These consolidated financial statements include the accounts of the Caisse Populaire Groupe Financier Ltée and its wholly-owned subsidiaries: Télé-Pop Inc., C Finance Inc., Immobilières CSB Inc. and C.C. Prêts et Placements Ltée for the one month period ended September 30, 2010.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts of assets and liabilities reported on the balance sheet and contingent assets and liabilities at the balance sheet date as well as reported amounts of revenues and expenses during the period covered by the consolidated financial statements. Actual results could differ from these estimates.

Financial Instruments

Recognition and Measurement - The Caisse populaire recognizes and measures financial assets and financial liabilities on the balance sheet when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a settlement date basis. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of each financial instrument. Held-for-trading items are reported at fair value, with changes in their fair value recognized in the statement of income. Available-for-sale items are reported at fair value, with changes in their fair value recognized in the statement of other comprehensive income. Loans and receivables and other financial liabilities are reported at amortized cost, using the effective interest method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the Caisse populaire has immediate access.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discounted rates. In determining those assumptions, external readily observable market inputs including interest rate yield curves, currency rates and price and rate volatilities are considered, as applicable.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

1. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

The Caisse populaire has classified term deposits, and loans and mortgages as "loans and receivables", securities and municipal debentures as "held-to-maturity", shares as "available-for-sale", members' deposits as "other financial liabilities", derivatives not designated in a hedging relationship as "held-for-trading" and derivatives designated in a hedging relationship as "available-for-sale". Note 15 details the classification of all the Caisse populaire's financial instruments.

Transaction costs for financial instruments are capitalized and then amortized over the term of the instrument using the effective interest rate method.

Derivative Financial Instruments and Hedges - The Caisse populaire enters into interest rate swap agreements to preserve the value of its loans to members and to manage exposure to interest rate risk. Swap agreements that have been designed to preserve the value of loans to members have been designated as fair value hedges while those designed to manage risk related to interest rate risk have been designated as cash flow hedges.

Derivative financial instruments arising from interest rate swap agreements are recorded on the balance sheet at fair value. For a fair value hedge, the gains and losses arising from changes in the fair value of the derivative financial instrument and the risk associated with the financial instrument hedged are recognized in income irrespective of the category the financial instrument in question has been classified. For a cash flow hedge, the gains and losses arising from changes in the fair value of the effective portion of the derivative financial instrument are recognized in comprehensive income until this hedged item is recognized in income while the ineffective portion will be recognized in income of the period.

The prepayment option included in the Caisse populaire's loan agreements have been identified as embedded derivatives. Given that interest differential penalties meet the criteria of being closely related to the host contract, they are not required to be reported separately.

Other Comprehensive Income - Other comprehensive income includes unrealized gains and losses on financial assets classified as "available-for-sale" as well as the change in the fair value of the effective portion of cash flow hedges.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

1. Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar risk characteristics. All impairment losses are recognized in the consolidated statement of income.

Loans to Members - The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the Caisse populaire's portfolio. The allowance is increased by an annual provision for doubtful loans which is charged against income. Loans are considered uncollectible when the Caisse populaire has exhausted all means of collection. These loans are written-off against the associated provision.

The Caisse populaire maintains specific allowances for doubtful loans that reduce the carrying value of loans identified as impaired to their estimated realizable amounts.

The Caisse populaire includes in impaired loans (see Note 6) all loans where principal payments are 90 days or greater in arrears plus any other loans where, in management's view, there is no longer reasonable assurance of timely collection of the full amount of principal and interest in accordance with the terms of the loan agreement. Estimated realizable amounts are determined by discounting the expected cash flows at the effective interest rate inherent in the loan. If cash flows cannot be reasonably estimated, the fair value of any underlying security, net of expected realization costs, or an estimate of market price for the loan is used.

When the terms of loans that would otherwise be past due or impaired have been renegotiated, a review of the borrower's credit history and the collateral securing the loan is conducted to minimize the risk of loss to the Caisse populaire.

In addition to specific allowances against identified impaired loans, the Caisse populaire maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio and is estimated based upon historical loss experience and prevailing economic conditions.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Interest on loans is recorded as earned as specified in the loan agreement, except for loans which are considered impaired. When a loan becomes impaired, recognition of interest income ceases when the carrying amount of the loan including accrued interest exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

Interest revenue on investments and interest rate swap agreements are recorded as income in accordance with the terms of the instrument.

Other income, which is largely comprised of commissions, service charges and loan fees, are recognized as income when the requirements for service delivery have been satisfied.

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization and are amortized using the straight-line method over the estimated useful life of the assets at the following rates:

Buildings	2.5%
Parking lot	8%
Furniture and equipment	10%
Leasehold improvements	10% to 20%
Computer equipment	10% to 33%
Telecommunication equipment	6.7% to 10%

Goodwill

Goodwill represents the excess of purchase price of certain subsidiaries acquired by the Caisse populaire over the net amount attributable to assets acquired and liabilities assumed. The value of goodwill is reviewed annually to estimate the amount of the impairment of goodwill, if any. Any decline in value is expensed over the period where the decline is recognized.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Caisse populaire follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period.

Future income tax assets and liabilities are computed based on temporary differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values using the enacted or anticipated income tax rates at each period end. A future income tax asset is only recognized if it is more likely than not that the future income tax asset will be realized.

The valuation of future income tax assets and liabilities is reviewed annually and adjusted, if necessary, to reflect the estimated realizable amount.

Translation of Foreign Currencies

Cash resources and liquidity deposits denominated in foreign currencies are translated into Canadian dollars at the rates prevailing on the balance sheet date. Realized gains and losses are recorded at the rates prevailing at the time of the transaction. Unrealized gains and losses are recorded at the rates prevailing on the balance sheet date.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective and will have an implication for the Caisse populaire are as follows:

International Financial Reporting Standards - The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2010. The impact of the transition to IFRS on the Caisse populaire's financial statements has yet to be determined.

2. Nature of Business

The Caisse populaire is incorporated under *The Credit Unions and Caisses Populaires Act of Manitoba* ("The Act") and operates twenty six branches in the Province of Manitoba.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

3. Merger

On September 1, 2010, Caisse populaire La Prairie Ltée ("La Prairie"), Caisse populaire de Saint-Boniface Limitée ("Saint-Boniface"), Caisse populaire Pembina Ltée ("Pembina"), Caisse populaire d'Élie Limitée ("Élie") and La Fédération des Caisses Populaires du Manitoba Inc. ("Fédération") signed a merger agreement and operate under the name of Caisse Populaire Groupe Financier Ltée ("Caisse Groupe Financier"). At this date, all common and surplus shares issued and outstanding by La Prairie, Saint-Boniface, Pembina and Élie were converted into equivalent shares of Caisse Groupe Financier. The shares of Caisse Groupe Financier confer the same rights and restrictions as the predecessor Caisses populaires.

The transaction was accounted for using the pooling of interests method as permitted for cooperatives in Section 1581, Business Combinations, of the Canadian Institute of Chartered Accountants Handbook.

The net assets contributed by the participants on September 1, 2010 are as follows:

	Assets	Liabilities	Net Assets
	\$	\$	\$
La Prairie	312,066,223	290,612,050	21,454,173
Saint-Boniface	314,084,082	296,265,156	17,818,926
Pembina	168,186,802	155,682,484	12,504,318
Élie	56,698,327	52,793,369	3,904,958
Fédération	148,178,689	131,382,775	16,795,914
Total net assets	999,214,123	926,735,834	72,478,289
Consolidation entries	(144,153,695)	(131,028,795)	(13,124,900)
Total	855,060,428	795,707,039	59,353,389

The opening balance sheet is presented for comparison purposes in these consolidated financial statements. The period ended September 30, 2010 is for a period of one month and the years ended August 31, 2010 of the predecessor Caisses populaires and the Fédération were for periods of eight and eleven months. Since the previous fiscal periods were for different periods, and this information would not be comparable, no comparative information was prepared for the statement of income, comprehensive income, retained surplus, accumulated other comprehensive income and cash flows.

In addition, certain figures of the previous periods have been changed to conform to the current period's presentation and to eliminate balances due between predecessor entities.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

4. Borrowing Limit

The Caisse populaire has an approved borrowing limit with Credit Union Central of Manitoba equal to 10% of members' deposits. Borrowings are secured by an assignment of shares and deposits with Credit Union Central of Manitoba, as well as by an assignment of loans receivable from members.

The Caisse populaire also has a borrowing limit of up to a maximum of \$46,800,000 with the Caisse centrale Desjardins to fund its current operations. Any advances made when borrowings are greater than \$15,000,000 must have a guarantee of term deposits equivalent to the amount in excess of \$15,000,000.

As at September 30, 2010, borrowing limits were not utilized.

5. Investments

	As at September 30 2010	As at August 31 2010
	\$	\$
Term deposits	35,800,000	34,300,000
Securities	66,841,513	68,864,237
Municipal debentures	1,283,952	1,283,952
Shares	13,168,849	13,168,849
	117,094,314	117,617,038
Accrued interest	1,942,823	2,299,647
	119,037,137	119,916,685

Term deposits and municipal debentures bear interest at rates ranging from 0.77% to 6.50% and mature between 2010 and 2028.

Securities bear interest at rates ranging from 3.30% to 5.14% and mature between 2010 and 2056.

Since the shares held by the Caisse populaire are classified as "available for sale", they are valued at cost as there is no market price for these shares.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

6. Loans to Members

Loans to members are presented net of allowances for doubtful loans totalling \$6,513,364 (\$6,512,860 at August 31, 2010). This allowance consists of \$4,692,461 (\$4,622,433 at August 31, 2010) for specific loans considered impaired and a general allowance of \$1,820,903 (\$1,890,427 at August 31, 2010). The following table shows the gross amount of loans including accrued interest for each category of loans with the amount of the allowance attributable to each of these categories:

	As at September 30 2010		As at August 31 2010	
	Total Loans	Allowance	Total Loans	Allowance
	\$	\$	\$	\$
Personal	318,833,904	694,431	316,660,754	1,382,585
Commercial	254,370,001	4,450,585	252,604,237	3,783,340
Agricultural	124,858,121	1,368,348	125,695,650	1,346,935
	698,062,026	6,513,364	694,960,641	6,512,860
Net loan balance		691,548,662		688,447,781

The amount of doubtful loans as well as their specific allowance by category are allocated as follows:

	As at September 30 2010		As at August 31 2010	
	Doubtful Loans	Specific Allowance	Doubtful Loans	Specific Allowance
	\$	\$	\$	\$
Personal	1,467,665	301,060	1,156,581	396,651
Commercial	8,765,958	3,394,886	9,713,599	3,030,353
Agricultural	5,175,782	996,515	5,923,725	1,195,429
	15,409,405	4,692,461	16,793,905	4,622,433
Net doubtful loans		10,716,944		12,171,472

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

6. Loans to Members (continued)

The principal collateral and other credit enhancements held as security for loans include (i) insurance, mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to the commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities.

During the one month period ended September 30, 2010, the Caisse populaire did not acquire any properties in respect of doubtful loans.

A loan is considered past due when a counterparty has not made a payment by the contractual date due. The following table presents the carrying value of loans that are past due but not classified as impaired because they are either (i) less than 90 days past due, or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

	As at September 30 2010			
	1-30 days	31-90 days	Greater than 90 days	Total
	\$	\$	\$	\$
Personal	2,233,435	920,515	32,320	3,186,270
Commercial	418,689	1,355,166	20,000	1,793,855
Agricultural	310,681	463,274	85,134	859,089
	2,962,805	2,738,955	137,454	5,839,214
	<hr/>			
	As at August 31 2010			
	1-30 days	31-90 days	Greater than 90 days	Total
	\$	\$	\$	\$
Personal	2,885,638	1,089,623	-	3,975,261
Commercial	2,548,368	1,036,257	-	3,584,625
Agricultural	273,406	422,523	-	695,929
	5,707,412	2,548,403	-	8,255,815

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

6. Loans to Members (continued)

The following consists of the period's transactions in the allowance for doubtful loans:

	For the period ended September 30, 2010
	\$
Balance, beginning of the period	6,512,860
Provision for doubtful loans	-
Loans recovered	504
Loans written off	-
	6,513,364
Balance, end of the period	6,513,364

7. Other Assets

	As at September 30 2010	As at August 31 2010
	\$	\$
Goodwill	984,996	984,996
Future income taxes	249,462	11,137
Derivative financial instruments	33,321	232,936
Receivables and prepaid expenses	892,836	833,516
	2,160,615	2,062,585

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

8. Property and Equipment

			As at September 30 2010	As at August 31 2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	2,220,098	-	2,220,098	2,220,098
Buildings and parking lots	9,141,105	5,022,884	4,118,221	4,133,852
Furniture and equipment	4,535,657	3,825,711	709,946	744,725
Leasehold improvements	1,048,596	635,577	413,019	422,267
Computer and telecommunication equipment	6,544,116	4,868,377	1,675,739	1,717,028
Construction in progress	3,153,957	-	3,153,957	2,754,018
	26,643,529	14,352,549	12,290,980	11,991,988

Amortization expense for the one month period ended September 30, 2010 totalled \$115,920 and is included in the premises, furniture and equipment expense on the consolidated statement of income.

9. Members' Deposits

	As at September 30 2010	As at August 31 2010
	\$	\$
Term deposits	293,916,395	294,885,610
Savings	136,647,463	131,166,081
Registered plans	191,463,595	190,472,046
Chequing	171,281,353	166,890,690
	793,308,806	783,414,427
Accrued interest	8,449,945	8,050,047
	801,758,751	791,464,474

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

10. Income Taxes

The provision for income taxes consists of the following amounts:

	For the period ended September 30 2010
	<hr style="width: 100%;"/> (1 month) \$
Current	54,325
Future	(11,450) <hr style="width: 100%;"/>
	42,875 <hr style="width: 100%;"/>

The provision for income taxes presented in the statement of income is at a rate less than the combined federal and provincial statutory income tax rates for the following reasons:

	For the period ended September 30 2010
	<hr style="width: 100%;"/> %
Federal and provincial statutory rates	30.3
Deduction available to Caisses populaires	(18.2)
Other	3.1 <hr style="width: 100%;"/>
	15.2 <hr style="width: 100%;"/>

Income tax assets and liabilities resulting from temporary differences are principally related to property and equipment, the allowance for doubtful loans, goodwill, unrealized gains or losses on derivative financial instruments and merger costs.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

11. Commitments

As at September 30, 2010, the Caisse populaire has total commitments of \$179,305,665. This total consists of authorized loans to members that have not yet been disbursed of \$57,520,925, lines of credit extended but not utilized by members of \$119,639,803, and letters of credit in effect at September 30, 2010 of \$2,144,938.

12. Capital Requirements

Regulations to *The Credit Unions and Caisses Populaires Act* (the Act) require that each Caisse populaire establish and maintain a level of capital that meets or exceeds the following:

- (i) total members' capital shall not be less than 5% of the book value of assets;
- (ii) retained surplus shall not be less than 3% of the book value of assets; and
- (iii) total members' capital shall not be less than 8% of the risk-weighted value of its assets.

The Caisse populaire considers its capital to be comprised of its common and surplus shares and retained surplus. There have been no changes in what the Caisse populaire considers to be its capital since the previous period.

As at September 30, 2010, the Caisse populaire has met the capital requirements of the Act.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

13. Shares

Each member must purchase one common share. No member may hold more than 10% of the total number of shares. Each member of the Caisse populaire has one vote, regardless of the number of shares that a member holds.

Authorized shares:

Common Shares

Authorized common share capital consists of an unlimited number of common shares, with an issue price per share to be not less than \$5 and redeemable in the amount of consideration received for the share.

Surplus Shares

Authorized surplus share capital consists of an unlimited number of surplus shares, with an issue price per share of \$1 and redeemable at the option of the Caisse populaire at \$1 per share.

Issued shares:

	For the period ended September 30 2010
	<u> </u>
	\$
Common shares	
29,398 shares (29,365 shares at August 31, 2010)	<u>146,990</u>
Surplus shares	
Balance, beginning of the period	13,596,851
Shares issued during the period	-
Redemption of shares during the period	<u>(24,701)</u>
Balance, end of the period	<u>13,572,150</u>
Total shares issued, end of the period	<u>13,719,140</u>

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

14. Related Parties Transactions

All operations transacted between related parties of the Caisse populaire were in conformity with the laws, statutes and its policies.

La Société d'assurance-dépôts des caisses populaires

The fees invoiced by La Société d'assurance-dépôts des caisses populaires represent amounts related to annual statutory assessment.

The amount of assessments incurred totalled \$66,813 for the one month period ending September 30, 2010.

Directors and Officers

All transactions with directors and officers, including any approved loans, conformed with the Caisse populaire's normal procedures and lending practices to members.

The aggregate amount of remuneration paid to directors including reimbursement for expenses on Caisse populaire business amounted to nil for the one month period ended September 30, 2010.

As at September 30, 2010, outstanding loans to directors, management and staff totalled 1.84%, in aggregate, of the total assets of the Caisse populaire.

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Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

15. Financial Instrument Risk Exposure and Management

This note describes the Caisse populaire's objectives, policies and processes for managing risks arising from financial instruments and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The following table presents the principal financial instruments used by the Caisse populaire from which financial instrument risk arises at September 30, 2010:

Class of Financial Instrument	<u>Categories of Financial Assets and Financial Liabilities</u>				
	Held for Trading	Loans & Receivables	Available for Sale	Held to Maturity	Other Financial Liabilities
	\$	\$	\$	\$	\$
Funds on hand and on deposit	41,310,760	-	-	-	-
Investments					
Term deposits	-	35,800,000	-	-	-
Shares	-	-	13,168,849	-	-
Securities and municipal debentures	-	-	-	68,125,465	-
Accrued interest	-	371,874	868,777	702,172	-
Loans to members	-	691,548,662	-	-	-
Derivative financial instruments	-	-	33,321	-	-
Accounts receivable	-	130,775	-	-	-
Members' deposits	-	-	-	-	801,758,751
Accounts payable	-	-	-	-	4,758,676

There have been no substantive changes in the Caisse populaire's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them from previous periods unless otherwise stated in this note.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Caisse populaire's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Caisse populaire's management. The Board of Directors receives monthly reports from the Caisse populaire's General Manager through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

15. Financial Instrument Risk Exposure and Management (continued)

Credit Risk

Credit risk is the risk of loss to the Caisse populaire if a counterparty to a financial instrument fails to meet its contractual obligations. The Caisse populaire is mainly exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

Risk Measurement

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Caisse populaire takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

Objectives, Policies and Processes

The Caisse populaire's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Caisse populaire's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration.
- Loan lending limits including Board of Directors limits, schedule of assigned limits and exemptions from aggregate indebtedness.
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods.
- Procedures outlining the steps to follow to deal with loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations.
- Loan delinquency controls regarding procedures followed for loans in arrears.
- Audit procedures and processes are in existence for the Caisse populaire's lending activities.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

15. Financial Instrument Risk Exposure and Management (continued)

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans quarterly.

Maximum Exposure to Credit Risk

The Caisse populaire's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	As at September 30 2010		As at August 31 2010	
	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure
	\$	\$	\$	\$
Term deposits	35,800,000	35,800,000	34,300,000	34,300,000
Securities and municipal debentures	68,125,465	68,125,465	70,148,189	70,148,189
Loans to members	691,548,662	691,548,662	688,447,781	688,447,781
Undisbursed loans	-	57,520,925	-	52,988,227
Unutilized lines of credit	-	119,639,803	-	382,633
Letters of credit in effect	-	2,144,938	-	8,757,979
	795,474,127	974,779,793	792,895,970	855,024,809

Details regarding concentration of credit risk, collateral and other credit enhancements held and loans past due but not impaired are disclosed in Note 6.

For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is nil.

Liquidity Risk

Liquidity risk is the risk that the Caisse populaire may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

15. Financial Instrument Risk Exposure and Management (continued)

Risk Measurement

The assessment of the Caisse populaire's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective firm-specific and market conditions and the related behaviour of its clients and counterparties.

Objectives, Policies and Processes

The Caisse populaire's liquidity management framework is designed to ensure that the Caisse populaire has adequate sources of reliable and cost-effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the *The Credit Unions and Caisses Populaires Act* (the Act) require the Caisse populaire to maintain a certain amount of liquid assets in order to meet member withdrawals.

The Board of Directors receives monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Caisse populaire's liquidity framework. The Caisse populaire was in compliance with the liquidity requirements throughout the fiscal year.

As at September 30, 2010, the Caisse populaire met the liquidity requirements of the Act.

The following are the contractual maturities of financial liabilities.

	As at September 30, 2010					Total
	Current	Less than 1 years	1 - 2 years	2 - 5 years	Greater than 5 years	
<i>(Thousands of dollars)</i>	\$	\$	\$	\$	\$	\$
Members' deposits	329,684	218,040	93,432	160,602	-	801,758
Other liabilities	-	4,760	-	-	-	4,760
	329,684	222,800	93,432	160,602	-	806,518

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

15. Financial Instrument Risk Exposure and Management (continued)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, equity or commodity prices, and credit spreads. The Caisse populaire is exposed to market risk in its asset/liability management activities. The level of market risk to which the Caisse populaire is exposed varies depending on market conditions and expectations of future price and yield movements.

Interest Rate Risk

Traditional banking activities, such as deposit taking and lending, expose the Caisse populaire to market risk, of which interest rate risk is the largest component. The Caisse populaire's goal is to manage the interest rate risk of the balance sheet to a target level. The Caisse populaire continually monitors the effectiveness of its interest rate mitigation activities.

Risk Measurement

The Caisse populaire 's position is measured monthly. Measurement of risk is based on rates charged to clients as well as funds transfer pricing rates.

Objective, Policies and Processes

The Caisse populaire's major source of income is financial margin, the difference between interest earned on loans to members and investments and interest paid on members' deposits. The objective of asset/liability management is to match interest-sensitive assets with interest-sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

15. Financial Instrument Risk Exposure and Management (continued)

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by the Caisse populaire's management.

To decrease the exposure of wide fluctuations of income during periods of changing interest rates, the Caisse populaire has policies to maintain the best possible matching of maturity of its loans and deposits. The Caisse populaire also enters into interest rate swap contracts to reduce its exposures to changing interest rates.

As at September 30, 2010, the notional principal amount of swaps totalled \$67,500,000. These amounts, however, are not indicative of the underlying credit risk. The credit risk is represented by the cost to replace the swap agreements which is estimated to be \$33,321 at September 30, 2010. This cost would be incurred only in the event of failure by the counter party, restricted to major chartered banks, to honour its contractual obligations; it is management's responsibility to assess whether an event of failure is remote and the associated credit risk is minimal.

The following schedule shows the Caisse populaire's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within twelve months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

As at September 30, 2010					
Maturity Dates	Assets	Assets Swaps	Liabilities	Liabilities Swaps	Asset/ Liability Gap
<i>(Thousands of dollars)</i>	\$	\$	\$	\$	\$
0-12 months	444,962	40,300	413,750	58,500	13,012
1-5 years	391,762	27,200	254,035	9,000	155,927
Interest sensitive	836,724	67,500	667,785	67,500	168,939
Non-interest sensitive	29,624	-	198,563	-	(168,939)
Total	866,348	67,500	866,348	67,500	-

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

15. Financial Instrument Risk Exposure and Management (continued)

The notional amount of swaps reflected in the above schedule is added to the balance sheet as fixed rate assets of \$67,500,000 and variable rate liabilities of \$67,500,000.

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of the Caisse populaire is to intermediate between the expectations of borrowers and depositors.

The risk to the Caisse populaire due to changes in interest rates is minimal.

Foreign Exchange Risk

Another risk component of traditional banking activities is foreign exchange risk. The Caisse populaire's goal is to manage the foreign exchange risk of the balance sheet to a target level. The Caisse populaire continually monitors the effectiveness of its foreign exchange mitigation activities.

Risk Measurement

The Caisse populaire's position is measured monthly. Measurement of risk is based on rates charged to members as well as currency purchase costs.

Objectives, Policies and Procedures

The Caisse populaire's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure.

For the period ended September 30, 2010, the Caisse populaire's exposure to foreign exchange risk was not material.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

16. Fair Values of Financial Assets and Liabilities

The following represents the fair values of on and off balance sheet financial instruments of the Caisse populaire. The fair values disclosed exclude the value of assets and liabilities that are not considered financial instruments. In addition, the value of intangibles such as long-term member relationships is not included in the fair value amounts. The Caisse populaire considers the value of intangibles to be significant.

While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, many of the Caisse populaire's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuation techniques and may not be indicative of the net realizable values.

Due to the judgement used in applying a wide range of acceptable valuation techniques in calculating fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

	As at September 30, 2010		
	Book Value	Fair Value	Fair Value Over (Under) Book Value
<i>(Thousands of dollars)</i>	\$	\$	\$
Assets			
Funds on hand and on deposit	41,311	41,311	-
Investments	119,037	123,048	4,011
Loans to members	691,549	701,500	9,951
Other assets	164	164	-
	852,061	866,023	13,962
Liabilities			
Members' deposits	801,759	813,790	12,031
Other liabilities	4,759	4,759	-
	806,518	818,549	12,031

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the one month period ended September 30, 2010

16. Fair Values of Financial Assets and Liabilities (continued)

Interest rate sensitivity is the main cause of changes in the fair value of the Caisse populaire's financial instruments. The book values are generally not adjusted to reflect the fair value, as it is the Caisse populaire's intention to realize their value over time by holding them to maturity.

The Caisse populaire has categorized its assets and liabilities that are carried at fair value on a recurring basis, into a three level fair value hierarchy. The assets and liabilities are categorized in the hierarchy based on the priority of the inputs used to measure fair value. The three level fair value hierarchy is composed of the following categories:

- Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.
- Level 2: Fair value is based on inputs other than quoted prices included in Level 1. Fair value of the quoted prices is based on inputs that are directly observable or inputs derived from information that is observable in an active market.
- Level 3: Fair value is based on inputs for the asset or liability that are not based on observable market data.

The Caisse populaire considers most of its financial assets and liabilities to be in the level 2 fair value measurement category.

During the period, there were no transfers between levels in the fair value hierarchy.

17. Pension Plan

The Caisse populaire participates in a defined contribution pension plan for its employees. The contributions are held in trust by Desjardins Sécurité Financière and are not presented in the consolidated financial statements as assets or liabilities. The Caisse populaire matches employee contributions at a rate of 5.2% to 8.0% of their annual salary. The expense for the one month period ended September 30, 2010 amounted to \$26,960. The Caisse populaire has no future liability or obligation for future contributions to fund future benefits to the holders of the plan.