

**CAISSE POPULAIRE
GROUPE FINANCIER LTÉE**

Consolidated Financial Statements
For the year ended September 30, 2011

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Consolidated Financial Statements For the year ended September 30, 2011

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CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Balance Sheet

As at September 30	2011	2010
	\$	\$
Assets		
Funds on hand and on deposit	38,073,206	41,310,760
Investments (Note 4)	115,799,974	119,037,137
Loans to members (Note 5)	735,325,106	691,548,662
Other assets (Note 6 and 10)	2,603,507	2,160,615
Property and equipment (Note 7)	20,473,579	12,290,980
	912,275,372	866,348,154
Liabilities and Members' Capital		
Members' deposits (Note 8)	840,147,502	801,758,751
Other liabilities (Note 9)	7,448,556	5,165,101
	847,596,058	806,923,852
Commitments (Note 11)		
Members' Capital (Note 12)		
Shares (Note 13)	13,175,408	13,719,140
Retained surplus	51,319,344	45,041,270
Accumulated other comprehensive income	184,562	663,892
	64,679,314	59,424,302
	912,275,372	866,348,154

Approved on behalf of the Board of Directors:

 Director

 Director

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Statement of Retained Surplus

For the year ended September 30	2011	2010
(with comparative amounts for the one month period ended September 30, 2010)	\$	\$
Balance, beginning of the year	45,041,270	44,799,449
Net income for the year	6,278,074	241,821
Balance, end of the year	51,319,344	45,041,270

**Consolidated Statement of Accumulated
Other Comprehensive Income**

For the year ended September 30	2011	2010
(with comparative amounts for the one month period ended September 30, 2010)	\$	\$
Balance, beginning of the year	663,892	810,264
Other comprehensive income for the year	(479,330)	(146,372)
Balance, end of the year	184,562	663,892

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Consolidated Statement of Income

For the year ended September 30	2011	2010
(with comparative amounts for the one month period ended September 30, 2010)	\$	\$
Revenue		
Interest from loans to members	33,356,173	2,693,722
Investments	<u>6,498,685</u>	<u>395,703</u>
	39,854,858	3,089,425
Cost of Funds		
Interest paid to members	<u>19,485,292</u>	<u>1,595,452</u>
	20,369,566	1,493,973
Financial margin		
	<u>19,928,666</u>	<u>1,619,343</u>
Operating Expenses		
Personnel	12,101,294	1,023,853
Administrative	3,852,117	290,847
Organizational	569,985	7,658
Premises, furniture and equipment	2,801,662	212,876
Assessment and bonding insurance	<u>603,608</u>	<u>84,109</u>
	19,928,666	1,619,343
Gross operating expenses		
	<u>19,928,666</u>	<u>1,619,343</u>
Less other income	<u>(7,230,169)</u>	<u>(410,066)</u>
Net operating expenses	12,698,497	1,209,277
Net income before allowance for doubtful loans	7,671,069	284,696
Allowance for doubtful loans	<u>-</u>	<u>-</u>
Net income before income taxes	7,671,069	284,696
Provision for income taxes (Note 10)	<u>1,392,995</u>	<u>42,875</u>
Net income for the year	<u>6,278,074</u>	<u>241,821</u>

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Statement of Comprehensive Income

For the year ended September 30	2011	2010
(with comparative amounts for the one month period ended September 30, 2010)	\$	\$
Net income for the year (see Consolidated Statement of Income)	6,278,074	241,821
Other comprehensive income (net of tax recovery)		
Loss on derivative financial instruments designated as cash flow hedges	<u>(479,330)</u>	<u>(146,372)</u>
Comprehensive income	<u>5,798,744</u>	<u>95,449</u>

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Consolidated Statement of Cash Flows

For the year ended September 30	2011	2010
(with comparative amounts for the one month period ended September 30, 2010)	\$	\$
Cash Flows from Operating Activities		
Cash received - interest income	38,744,286	3,402,612
Cash received - other revenue	6,787,277	225,107
Cash paid - cost of funds	(19,843,407)	(1,195,555)
Cash paid - operating and other expenses	(17,650,224)	(580,887)
Cash received (paid) - income taxes	(942,891)	11,150
	<u>7,095,041</u>	<u>1,862,427</u>
Cash Flows from Financing Activities		
Net increase in members' deposits	38,746,866	9,894,380
Net change in common shares	(1,290)	165
Net change in surplus shares	(542,442)	(24,701)
	<u>38,203,134</u>	<u>9,869,844</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(9,196,335)	(942,522)
Net increase in loans to members	(43,909,966)	(2,643,102)
Net decrease in investments	4,570,572	522,724
	<u>(48,535,729)</u>	<u>(3,062,900)</u>
Net increase (decrease) in funds on hand and on deposit	(3,237,554)	8,669,371
Funds on hand and on deposit, beginning of the year	41,310,760	32,641,389
Funds on hand and on deposit, end of the year	38,073,206	41,310,760

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

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 year ended September 30, 2011.

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 year 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.

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.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

1. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

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 year.

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.

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.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

1. Summary of Significant Accounting Policies (continued)

The Caisse populaire includes in impaired loans (see Note 5) 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.

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 to 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%

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

1. Summary of Significant Accounting Policies (continued)

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 in the year where the decline is recognized.

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 year.

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 year 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.

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

Summary of Significant Accounting Policies

For the year ended September 30, 2011

3. Borrowing Limit

The Caisse populaire has an approved borrowing limit with Credit Union Central of Manitoba equal to 10% of its 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 \$41,300,000 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, 2011, borrowing limits were not utilized.

4. Investments

	2011	2010
	\$	\$
Term deposits	48,484,800	35,800,000
Securities	49,136,243	66,841,513
Municipal debentures	1,677,551	1,283,952
Shares	13,225,148	13,168,849
	<u>112,523,742</u>	117,094,314
Accrued interest	3,276,232	1,942,823
	<u>115,799,974</u>	119,037,137

Term deposits and municipal debentures bear interest at rates ranging from 1.71% to 6.50% (0.77% to 6.50% at September 30, 2010) and mature between 2012 and 2030.

Securities bear interest at rates ranging from 3.30% to 5.14% (3.30% to 5.14% at September 30, 2010) and mature between 2012 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 year ended September 30, 2011

5. Loans to Members

Loans to members are presented net of allowances for doubtful loans totalling \$6,239,033 (\$6,513,364 at September 30, 2010). This allowance consists of \$4,335,201 (\$4,692,461 at September 30, 2010) for specific loans considered impaired and a general allowance of \$1,903,832 (\$1,820,903 at September 30, 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:

	2011		2010	
	Total Loans	Allowance	Total Loans	Allowance
	\$	\$	\$	\$
Personal	339,088,091	701,101	318,833,904	694,431
Commercial	280,533,639	4,296,492	254,370,001	4,450,585
Agricultural	121,942,409	1,241,440	124,858,121	1,368,348
	741,564,139	6,239,033	698,062,026	6,513,364
Net loan balance		735,325,106		691,548,662

The amount of doubtful loans as well as their specific allowance by category are allocated as follows as at September 30:

	2011		2010	
	Doubtful Loans	Specific Allowance	Doubtful Loans	Specific Allowance
	\$	\$	\$	\$
Personal	1,103,056	285,710	1,467,665	301,060
Commercial	6,295,076	3,165,189	8,765,958	3,394,886
Agricultural	4,384,343	884,302	5,175,782	996,515
	11,782,475	4,335,201	15,409,405	4,692,461
Net doubtful loans		7,447,274		10,716,944

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.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

5. Loans to Members (continued)

During the year ended September 30, 2011, 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 2011			
	1-30 days	31-90 days	Greater than 90 days	Total
	\$	\$	\$	\$
Personal	2,761,444	691,203	-	3,452,647
Commercial	1,201,555	619,740	-	1,821,295
Agricultural	113,062	164,716	-	277,778
	4,076,061	1,475,659	-	5,551,720

	As at September 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

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

	2011	2010
	\$	\$
Balance, beginning of the year	6,513,364	6,512,860
Provision for doubtful loans	-	-
Loans recovered	32,149	504
Loans written off	(306,480)	-
	6,239,033	6,513,364

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

6. Other Assets

	2011	2010
	\$	\$
Goodwill	984,996	984,996
Future income taxes	286,880	249,462
Derivative financial instruments	-	33,321
Receivables and prepaid expenses	1,331,631	892,836
	2,603,507	2,160,615

7. Property and Equipment

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	2,276,640	-	2,276,640	2,220,098
Buildings and parking lots	18,654,356	3,425,567	15,228,789	4,118,221
Furniture and equipment	5,410,195	3,952,315	1,457,880	709,946
Leasehold improvements	896,680	635,267	261,413	413,019
Computer and telecommunication equipment	6,552,183	5,303,326	1,248,857	1,675,739
Construction in progress	-	-	-	3,153,957
	33,790,054	13,316,475	20,473,579	12,290,980

Amortization expense for the year ended September 30, 2011 totalled \$1,013,736 (\$115,920 for the one month period ended September 30, 2010) and is included in premises, furniture and equipment expense on the consolidated statement of income.

At September 30, 2011, land and buildings with a net book value of \$1,390,461 have been sold with possession dates anticipated after year end.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

8. Members' Deposits

	2011	2010
	\$	\$
Term deposits	290,024,070	293,916,395
Savings	147,135,032	136,647,463
Registered plans	205,137,655	191,463,595
Chequing	189,758,915	171,281,353
	832,055,672	793,308,806
Accrued interest	8,091,830	8,449,945
	840,147,502	801,758,751

9. Other Liabilities

	2011	2010
	\$	\$
Accounts payable	5,525,022	4,758,676
Income taxes payable	856,529	406,425
Derivative financial instruments	1,067,005	-
	7,448,556	5,165,101

10. Income Taxes

The provision for income taxes consists of the following amounts:

	2011	2010
	(12 months) \$	(1 month) \$
Current	1,302,933	54 325
Future	90,062	(11 450)
	1,392,995	42 875

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

	2011	2010
	%	%
Federal and provincial statutory rates	29.2	30.3
Deduction available to Caisses populaires	(11.1)	(18.2)
Other	0.1	3.1
	18.2	15.2

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

10. Income Taxes (continued)

The income tax asset resulting from temporary differences is principally related to property and equipment, the allowance for doubtful loans, goodwill, unrealized gains or losses on derivative financial instruments and merger costs.

11. Commitments

As at September 30, 2011, the Caisse populaire has total commitments of \$181,949,063. This total consists of authorized loans to members that have not yet been disbursed of \$46,097,984, lines of credit extended but not utilized by members of \$134,286,025, and letters of credit in effect at September 30, 2011 of \$1,565,054.

12. Capital Requirements

Regulations to 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 year.

As at September 30, 2011, the Caisse populaire has met the capital requirements of the Act.

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.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

13. Shares (continued)

Issued shares:	2011	2010
	\$	\$
Common shares		
29,140 shares (29,398 shares at September 30, 2010)	145,700	146,990
Surplus shares		
Balance, beginning of the year	13,572,150	13,596,851
Net redemption of shares during the year	(542,442)	(24,701)
Balance, end of the year	13,029,708	13,572,150
Total shares issued, end of the year	13,175,408	13,719,140

14. Related Parties Transactions

Related parties include all members of the Caisse populaire (including directors, management and staff) and Deposit Guarantee Corporation of Manitoba. All transactions occurring with parties related to the Caisse populaire respected the acts, its constitution and its policies.

Deposit Guarantee Corporation of Manitoba (DGCM)

By legal obligation under the Act, the DGCM protects the savings and deposits of all members of the Caisse populaire and credit unions in Manitoba. All transactions with DGCM have been recorded at the exchange amount, which is the amount agreed upon by the two parties.

Fees charged by DGCM for statutory annual assessment were \$424,961 for the year ended September 30, 2011 (\$66,813 for the one month period ended September 30, 2010). The amount received from DGCM as a statutory assessment rebate was \$660,553 for the year ended September 30, 2011 (\$nil for the one month period ended 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 \$52,110 for the year ended September 30, 2011 (\$1,452 for the one month period ended September 30, 2010).

As at September 30, 2011, outstanding loans to directors, management and staff totalled 1.91% (1.84% as at September 30, 2010), in aggregate, of the total assets of the Caisse populaire.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

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, 2011:

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	38,073,206	-	-	-	-
Investments					
Term deposits	-	48,484,800	-	-	-
Shares	-	-	13,225,148	-	-
Securities and municipal debentures	-	-	-	50,813,794	-
Accrued interest	-	385,851	2,314,207	576,174	-
Loans to members	-	735,325,106	-	-	-
Accounts receivable	-	519,559	-	-	-
Members' deposits	-	-	-	-	840,147,502
Accounts payable	-	-	-	-	5,525,021
Derivative financial instruments	-	-	-	-	1,067,005

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 management 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 year ended September 30, 2011

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 risk 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 year ended September 30, 2011

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:

	2011		2010	
	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure
	\$	\$	\$	\$
Funds on hand and on deposit	38,073,206	38,073,206	41,310,760	41,310,760
Investments	115,799,974	115,799,974	119,037,137	119,037,137
Loans to members	735,325,106	735,325,106	691,548,662	691,548,662
Undisbursed loans	-	46,097,984	-	57,520,925
Unutilized lines of credit	-	134,286,025	-	119,639,803
Letters of credit in effect	-	1,565,054	-	2,144,938
	889,198,286	1,071,147,349	851,896,559	1,031,202,225

Details regarding concentration of credit risk, collateral and other credit enhancements held and loans past due but not impaired are disclosed in Note 5.

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 year ended September 30, 2011

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 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, 2011, the Caisse populaire met the liquidity requirements of the Act.

The following are the contractual maturities of financial liabilities as at September 30:

	2011					
	Current	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	Total
<i>(Thousands of dollars)</i>	\$	\$	\$	\$	\$	\$
Members' deposits	361,533	220,340	92,801	165,474	-	840,148
Accounts payable	-	5,525	-	-	-	5,525
	361,533	225,865	92,801	165,474	-	845,673
						2010
	Current	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	Total
<i>(Thousands of dollars)</i>	\$	\$	\$	\$	\$	\$
Members' deposits	329,684	218,040	93,432	160,602	-	801,758
Accounts payable	-	4,759	-	-	-	4,759
	329,684	222,799	93,432	160,602	-	806,517

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

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 fund 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 year ended September 30, 2011

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, 2011, the notional principal amount of swaps totalled \$44,200,000. 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 \$1,067,005 at September 30, 2011. 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, 2011					
Maturity Dates	Assets	Assets Swaps	Liabilities	Liabilities Swaps	Asset/ Liability Gap
<i>(Thousands of dollars)</i>	\$	\$	\$	\$	\$
0-12 months	446,844	35,700	432,407	27,200	22,937
Greater than 1 year	425,206	8,500	258,275	17,000	158,431
Interest sensitive	872,050	44,200	690,682	44,200	181,368
Non-interest sensitive	40,225	-	221,593	-	(181 368)
Total	912,275	44,200	912,275	44,200	-

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

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 \$44,200,000 and variable rate liabilities of \$44,200,000.

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 year ended September 30, 2011, the Caisse populaire's exposure to foreign exchange risk was not material.

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

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, 2011		
	Book Value	Fair Value	Fair Value Over (Under) Book Value
<i>(Thousands of dollars)</i>	\$	\$	\$
Assets			
Funds on hand and on deposit	38,073	38,073	-
Investments	115,800	118,477	2,677
Loans to members	735,325	744,914	9,589
Accounts receivable	520	520	-
	889,718	901,984	12,266
Liabilities			
Members' deposits	840,148	846,222	6,074
Accounts payable	5,525	5,525	-
Derivative financial instruments	1,067	1,067	-
	846,740	852,814	6,074

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

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

	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
Accounts receivable	164	164	-
Derivative financial instruments	33	33	-
	852,094	866,056	13,962
Liabilities			
Members' deposits	801,759	813,790	12,031
Accounts payable	4,759	4,759	-
	806,518	818,549	12,031

CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Notes to Consolidated Financial Statements

For the year ended September 30, 2011

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 following schedule shows the fair value hierarchy classification of financial assets and liabilities as at September 30 2011:

Financial Instruments	Level 1	Level 2	Level 3
<i>(thousands of dollars)</i>	\$	\$	\$
Financial assets			
Funds on hand and on deposit	38,073,206	-	-
Financial liabilities			
Derivative financial instruments	-	1,067,005	-

During the year, 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 Caisse populaire matches employee contributions at a rate of 5.2% to 8.0% of their annual salary. The expense for the year ended September 30, 2011 amounted to \$503,631 (\$40,633 for the one month period ended September 30, 2010). The Caisse populaire has no future liability or obligation for future contributions to fund future benefits to the holders of the plan.