No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and, subject to certain exceptions, may not be offered or sold in the United States. See "Plan of Distribution". This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States.

Information has been incorporated by reference in this prospectus from documents filed with the securities regulatory authority in the province of Québec. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the issuer at 100 rue des Commandeurs, Lévis, Québec G6V 7N5 (telephone: (418) 835-8444) and are also available electronically on SEDAR at: www.sedar.com.*

SHORT FORM PROSPECTUS

New issue December 21, 2018

Fédération des caisses Desjardins du Québec

Up to $125,000,000
12,500,000 Class F Capital Shares

12,500,000 Class F Capital Shares (the "**Federation Capital Shares**") of the Fédération des caisses Desjardins du Québec ("**we**" or the "**Federation**") are offered under this short form prospectus (the "**Prospectus**") at a price of $10 per Federation Capital Share (the "**Offering**"). The minimum amount of each subscription is $100. Under the terms of an exemption granted by the *Autorité des marchés financiers* (Québec) (the "**AMF**"), the Offering of Federation Capital Shares will end at the earlier of the following dates: a) 12 months after the date of the receipt for this short form prospectus for the Offering and amendments thereto, or (b) the date of the receipt for a Federation prospectus offering Federation Capital Shares that is filed after the date of the receipt for this short form prospectus for the Offering and amendments thereto. See "Exemptions".

The Québec caisses, which are financial services cooperatives governed by the Constituent Legislation (as defined hereinafter) and grouped together as members of the Federation, are defined hereinafter collectively as "**Caisses**" and individually, as a "**Caisse**". An investment in Federation Capital Shares of the Federation is not an investment, direct or indirect, in the Caisses network. **Federation Capital Shares are not guaranteed by any entity of the Desjardins Group.**

Except for the possibility of their purchase and sale by the Federation's trust fund on certain conditions, there is currently no market through which the capital shares of the Federation may be sold and the Federation has not applied to list or quote any of the capital shares of the Federation and does not intend to apply to list or quote any of the capital shares of the Federation on any market. Purchasers may not be able to resell the Federation Capital Shares purchased under this Prospectus which may affect the pricing of the Federation Capital Shares in the secondary market, the transparency and availability of their trading prices, the liquidity of the Federation Capital Shares, and the extent of issuer regulation. See "Risk Factors" and "Description of Federation Capital Shares".

An investment in the securities offered hereunder involves risk. In reviewing this Prospectus and evaluating an investment in Federation Capital Shares, you should carefully consider the matters described under the headings "Risk Factors" and "Caution Regarding Forward-Looking Statements" and elsewhere in this Prospectus and the documents incorporated by reference herein.

There is no minimum sum to be collected under the Offering. Therefore, the issuer may complete the Offering even if only a small part of the amount of the Offering indicated above is collected.

Federation Capital Shares will not be deposits guaranteed under the *Deposit Insurance Act* (Québec) (which, as of June 13, 2019, will be entitled the *Deposit Institutions and Deposit Protection Act;* collectively, the "Québec Deposit Insurance Act"*)* nor under the *Canada Deposit Insurance Corporation Act*. Federation Capital Shares issued under this Offering are subject to the powers of the AMF pursuant to the first paragraph of section 40.50 of the Québec Deposit Insurance Act, which provides, among other things, that in the event a cooperative group (such as the Groupe coopératif Desjardins, which comprises the Caisses, the Federation and the Fonds de sécurité Desjardins) is resolved, the AMF may cancel any part of the Federation Capital Shares issued by the Federation or it may also convert such shares into contributed capital securities of a legal person constituted or resulting from an amalgamation/continuance or other conversion effected for the purpose of resolution. See "Description of Federation Capital Shares" and "Recent Developments - *The Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions*".

Federation Capital Shares may be redeemed, with the authorization of the AMF, only in the event of the winding-up, insolvency or dissolution of the Federation pursuant to applicable law. In the event that Federation Capital Shares are redeemed, the holders of Federation Capital Shares will receive from the remaining assets of the Groupe coopératif Desjardins, if any, after reimbursement of the deposits and other debts of the Groupe coopératif Desjardins and after payment to the holders of classes of investment shares, if any, and capital shares relating to investment funds, of the amounts to which they are entitled with respect to such shares (see "Business structure – Investment funds" in the Annual Information Form (as defined hereinafter)), and equally with the other classes of capital shares and qualifying shares, an amount equal to the par value of such Federation Capital Shares. Notwithstanding the foregoing, in the event of the winding-up, insolvency or dissolution of the Federation pursuant to applicable law, Federation Capital Shares may be redeemed with the authorization of the AMF only when each of the Caisses satisfies the capital adequacy requirements then applicable to it under the *Act respecting financial services cooperatives* (the "**Constituent Legislation**") and the regulations, by-laws, guidelines and directions made or given thereunder and with the authorization of the AMF. In the event that a balance remains after the capital adequacy requirements of one or more of the Caisses, as the case may be, have been satisfied, the Federation Capital Shares will be redeemed on a pro rata basis. Insolvency of the Federation will not constitute an event of default of the Federation that will permit the holders of Federation Capital Shares to demand their redemption. In the event of insolvency, the Federation may take several different measures without necessarily triggering a redemption of the Federation Capital Shares.

Federation Capital Shares are subordinate in all circumstances, with respect to the payment of interest, to the rights of the holders of investment shares and the holders of prior-ranking capitalization instruments, if any. Subject to the foregoing, Federation Capital Shares will rank, with respect to the payment of interest, equally with capital shares of all other classes. The Federation may not determine nor pay interest on Federation Capital Shares if there are reasonable grounds to believe that either (i) it is, or would after the payment be, unable to maintain, for its operations, an adequate capital base consistent with sound and prudent management and such liquid assets as are adequate to meet its requirements and obligations pursuant to the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder, or (ii) the Groupe coopératif Desjardins is, or would after the payment be, unable to maintain an adequate capital base consistent with sound and prudent management pursuant to the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder. At no time may the failure to determine or pay interest on Federation Capital Shares constitute an event of default by the Federation.

The Federation is entitled, by resolution of its board of directors (the "**Board of Directors**") and with the AMF's authorization, to repurchase all or part of the outstanding Federation Capital Shares unilaterally at any time, in accordance with the terms and conditions described in this Prospectus. See "Description of Federation Capital Shares".

Federation Capital Share holder status confers only the rights attaching to Federation Capital Shares as specifically described in this Prospectus (including but not limited to documents incorporated by reference herein), excluding in particular any rights relating to the distribution of surplus earnings or to notice of or to attend or vote at meetings of the Federation's members.

The interest rate payable on Federation Capital Shares is determined by the Board of Directors and calculated on the daily balance, prorated to the number of days the shares have been held by each shareholder. The Board of Directors of the Federation determined that the interest rate that may be paid out on Federation Capital Shares is 4.25%. The Board of Directors of the Federation may modify this rate or cancel the payment of interest at any time, in its sole discretion. It is possible that no interest will be paid for a given year, or at all. See "Description of Federation Capital Shares".

Price: $10 per Federation Capital Share

	Price to the public	Discount or underwriting commission[1]	Proceeds to the Federation[2]
Per Federation Capital Share	$10[3]	-	$10
Total	Up to $125,000,000	-	Up to $125,000,000

1. DFSF (as defined below) receives no compensation for distributing Federation Capital Shares. In consideration of their administrative support, the Caisses receive administrative fees from the Federation amounting to $100 for each purchase transaction. See "Plan of Distribution".
2. Before deduction of certain expenses of the Offering, estimated at $175,000, the administrative fees of the Caisses, estimated at a total of $500,000 and 0.25% of the average value of Federation Capital Shares held by their members, which will be paid from the general funds of the Federation. See "Plan of Distribution - Distribution Costs".
3. Each purchaser of Federation Capital Shares is required to subscribe for a minimum amount of $100.

Federation Capital Shares are offered on a best efforts basis by Desjardins Financial Services Firm Inc. ("**DFSF**"). See "Plan of Distribution".

DFSF is a direct wholly-owned subsidiary of the Federation. Consequently, the Federation may be considered a "connected issuer" or "related issuer" of DFSF within the meaning of the applicable securities legislation. See "Plan of Distribution" and "Relationship between the Federation and DFSF".

The Federation is a federation of financial services cooperatives formed under the Constituent Legislation. Its head office is located at 100 rue des Commandeurs, Lévis, Québec, G6V 7N5.

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ABOUT THIS PROSPECTUS

Readers should rely only on information contained in this Prospectus (including but not limited to documents incorporated by reference herein). The Federation and DFSF have not authorized any other person to provide readers with different information. Readers should not rely on different or inconsistent information provided by any other person.

Under the terms of an exemption granted by the AMF, the Offering of Federation Capital Shares is ongoing and will end at the earlier of the following dates: (a) 12 months after the date of the receipt for this short form prospectus for the Offering and amendments thereto, or (b) the date of the receipt for a Federation prospectus offering Federation Capital Shares that is filed after the date of the receipt for this short form prospectus for the Offering and amendments thereto. Information contained in this Prospectus is accurate at the date of this Prospectus or the respective dates of the documents incorporated by reference herein. This information will be updated only in order to comply with securities legislation and to ensure this Prospectus, together with the documents incorporated by reference herein, will, as of the date of any offering under this Prospectus, constitute full, true and plain disclosure of all material facts relating to Federation Capital Shares.

This Prospectus may not be used by anyone for any purpose other than the Offering. Information contained or accessible on the web site of the Federation is not deemed to be a part of this Prospectus and is not incorporated by reference herein.

MEANING OF CERTAIN REFERENCES

Unless otherwise indicated or the context otherwise requires, in this Prospectus, (i) the expressions "Federation", "we" and "our" refer to the Fédération des caisses Desjardins du Québec and its direct and indirect subsidiaries, its predecessors, its other constituent entities and the other entities controlled by it, and (ii) all references to dollars or "$" are to Canadian dollars. Certain totals, subtotals and percentages throughout this Prospectus may not reconcile due to rounding.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Forward-looking statements are contained in this Prospectus and in the documents incorporated by reference herein. Forward-looking statements in this Prospectus (including but not limited to documents incorporated by reference herein) include, but are not limited to, comments about the net proceeds of the distribution for the Federation, the Federation's use of the net proceeds of the distribution and the objectives achieved through the use of such net proceeds, the Federation's objectives regarding financial performance, priorities, operations, the review of economic conditions and markets, as well as the outlook for the Canadian, U.S., European and other international economies. Such statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "estimate", "plan" and "may", words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements involve assumptions, uncertainties and inherent risks, both general and specific. It is therefore possible that, due to many factors, the stated assumptions prove inaccurate or that these forward-looking statements may not materialize or may prove to be inaccurate and that actual results differ materially.

A number of factors, many of which are beyond the Federation's control and the effects of which can be difficult to predict, could influence the accuracy of the forward-looking statements in this Prospectus and in the documents incorporated by reference herein. These factors include those discussed in the Item "Risk Factors" in this Prospectus and elsewhere in this Prospectus, in the documents incorporated by reference herein, including but not limited to in the Annual MD&A (as defined hereinafter), in the Annual Information Form, in the Interim MD&A (as defined hereinafter) and in other disclosure documents filed from time to time by the Federation with the Québec securities regulatory authority, such as credit, market, liquidity, operational, insurance, strategic and reputation risk. Additional factors include regulatory and legal environment risk, including legislative or regulatory developments in Québec, Canada or globally, such as changes in fiscal and monetary policies, reporting guidance, liquidity regulatory guidance and capital guidelines or interpretations thereof; as well as environmental risk, which is the risk of financial loss for the Federation or damage to its reputation as a result of environmental issues related to its financing, investment or insurance activities. Lastly, there is the risk related to pension plans, which is the risk of losses resulting from pension plan commitments made by the Federation for the benefit of its employees arising primarily from interest rate, price, foreign exchange and longevity risks.

Additional factors that may affect the accuracy of the forward-looking statements in this Prospectus (including but not limited to the documents incorporated by reference herein) also include factors related to cyberthreats, technological advancement and regulatory developments, household indebtedness and real estate market trends, low interest rate context, and geopolitical risks. Furthermore, there are factors related to general economic and business conditions in regions in which the Federation operates as well as changes in the economic and financial environment in Québec, Canada and globally, including short- and long-term interest rates, inflation, debt market fluctuations, foreign exchange rates, the volatility of capital markets, tighter liquidity conditions in certain markets, the strength of the economy and the volume of business conducted by the Federation in a given region; monetary policies; changes in standards; laws and regulations; the accuracy and completeness of information concerning clients and counterparties; the critical accounting estimates and accounting standards applied by the Federation; new products and services to maintain or increase the Federation's market share; the ability to recruit and retain key management personnel, including senior management; geographic concentration; acquisitions and joint arrangements; credit ratings as well as climate change and catastrophes. Mention should also be made of unexpected changes in consumer spending and saving habits, the ability to implement the Federation's disaster recovery plan within a reasonable time, the potential impact of international conflicts or natural disasters, and the Federation's ability to anticipate and properly manage the risks associated with these factors, despite a disciplined risk management environment.

It is important to note that the above list of factors that could influence future results is not exhaustive. Other factors could have an adverse effect on the Federation's results. Although the Federation believes that the expectations expressed in these forward-looking statements are reasonable, it cannot guarantee that these expectations will prove to be correct. See "Risk Factors".

Any forward-looking statements contained in this Prospectus and the documents incorporated by reference herein represent the views of management only as at the date hereof (or, in the case of information contained in a document incorporated by reference herein, at the date of the document), and are presented for the purpose of assisting readers in understanding and interpreting the Federation's strategic priorities and objectives. These statements may not be appropriate for other purposes. The Federation does not undertake to update any oral or written forward-looking statements that could be made from time to time by or on behalf of the Federation, except as required under applicable securities legislation.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with the securities authority in the province of Québec. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Federation at 100 rue des Commandeurs, Lévis, Québec, G6V 7N5 ((418) 835-8444) and are also available under the Federation's SEDAR profile at www.sedar.com.

The following documents and excerpts from documents, filed with the securities authority in Québec, are specifically incorporated by reference into and form an integral part of this Prospectus, provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Prospectus or in any other subsequently filed document that is also incorporated by reference in this Prospectus:

(a) The Federation's annual information form dated March 14, 2018 for the year ended December 31, 2017 (the "**Annual Information Form**");

(b) The Federation's audited consolidated financial statements (including notes thereto) for the years ended December 31, 2017 and 2016 and the independent auditor's report thereon;

(c) The Federation's management's discussion and analysis for the year ended December 31, 2017 (the "**Annual MD&A**");

(d) The Federation's unaudited condensed interim consolidated financial statements for the three- and nine-month periods ended September 30, 2018 and 2017; and

(e) The Federation's interim management's discussion and analysis for the three- and nine-month periods ended September 30, 2018 (the "**Interim MD&A**").

Any documents of the type referred to in the preceding paragraph or in other disclosure documents required to be incorporated by reference into a Prospectus filed under Regulation 44-101 *respecting short form prospectus distributions* ("Regulation 44-101") subsequently filed by the Federation with the securities regulatory authority in Québec, after the date of this Prospectus and prior to the completion or withdrawal of this Offering, shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document or statement that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that was required to be stated or that was necessary to make a statement not misleading in light of the circumstances in which it was made.

Upon a new annual information form and the related annual audited consolidated financial statements and annual management's discussion and analysis being filed by the Federation with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form, the previous annual audited consolidated financial statements and annual management's discussion and analysis and all unaudited condensed interim consolidated financial statements (including notes thereto), material change reports, information circulars (if then applicable), business acquisition reports and other disclosure documents filed prior to the commencement of the Federation's financial year in which the new annual information form is filed shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of sales of Federation Capital Shares hereunder. Upon unaudited condensed interim consolidated financial statements (including notes thereto) and the accompanying management's discussion and analysis being filed by the Federation with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this Prospectus, all unaudited condensed interim consolidated financial statements (including notes thereto) and the accompanying management's discussion and analysis filed prior to such new unaudited condensed interim consolidated financial statements (including notes thereto) and accompanying management's discussion and analysis shall be deemed no

longer to be incorporated by reference into this Prospectus for purposes of future sales of Federation Capital Shares hereunder.

MARKETING MATERIALS

Any template version of "Marketing Materials" (as defined in Regulation 41-101 *respecting general prospectus requirements* ("**Regulation 41-101**")) filed with the securities regulatory authority in Québec in connection with this Offering after the date of this Prospectus and prior to the completion or withdrawal of this Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated by reference into this Prospectus. Marketing Materials are not part of this Prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in an amendment to this Prospectus.

RECENT DEVELOPMENTS

The *Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions*

On June 13, 2018, the Québec National Assembly passed Bill 141, *An Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions* ("**Bill 141**"), which applies to all institutions and intermediaries operating in Québec's financial sector. Bill 141 affects a series of laws, including the Constituent Legislation and the Québec Deposit Insurance Act.

The Constituent Legislation has been amended to, among other things, prescribe the rules for organizing a network of financial services cooperatives and a financial group, and the rules for issuing capital shares (such as the Federation Capital Shares issued hereunder) and investment shares. Bill 141 also adds a chapter concerning the Groupe coopératif Desjardins (which comprises the Caisses, the Federation and the Fonds de sécurité Desjardins) and repeals and replaces the *Act respecting the Mouvement Desjardins* (the "**Mouvement Desjardins Act**").

Bill 141 provides the Federation and the Fonds de sécurité Desjardins additional special powers of supervision and intervention regarding the protection of creditors, including depositors. Among other things, the Federation may, in accordance with its mission and when it considers that the financial position of the Desjardins Group so warrants, give written instructions to any Caisse or order it to adopt and apply a recovery plan. For its part, the Fonds de sécurité Desjardins is required to ensure the distribution of capital and other liquid assets between the components of the Groupe coopératif Desjardins so that each one can perform its obligations to its depositors and other creditors in full, correctly and without delay. It is required to intervene with a component of the Groupe coopératif Desjardins each time it appears necessary to do so in order to protect the component's creditors. The Fonds de sécurité Desjardins may, in such circumstances, order the assignment of any part of the business of a Caisse, order the amalgamation or dissolution of Caisses or establish a legal entity to facilitate the liquidation of a Caisse's bad assets. Furthermore, the Fonds de sécurité Desjardins mutualizes the cost of its interventions between the components belonging to the Groupe coopératif Desjardins. In addition, if it considers that its financial resources are inadequate to carry out its mission, it may set a special assessment and require any component of the Groupe coopératif Desjardins to pay it. Bill 141 also provides that all the Caisses, the Federation and the Fonds de sécurité Desjardins may be amalgamated into a single legal entity to be wound up, as these entities cannot be wound up in any other manner.

Bill 141 also amends the Québec Deposit Insurance Act to provide for new rules for the supervision and control of deposit-taking activities and the activities of authorized deposit-taking institutions, as well as recovery and resolution mechanisms in the event of failure of deposit-taking institutions. See "Recent Developments - Recapitalization (Bail-in) Regime of Domestic Systemically Important Banks", "Description of Federation Capital Shares - Cancellation and Conversion Measures" and "Risk Factors".

The provisions of Bill 141 applicable to financial services cooperatives came into force on July 13, 2018, but there are several exceptions. In particular, the new chapter concerning the Groupe coopératif Desjardins which repeals the Mouvement Desjardins Act came into force on December 7, 2018, the date on which the new internal by-law of the Groupe coopératif Desjardins was adopted. The provisions of Bill 141 applicable to the Offering have been reflected in this Prospectus. See "Changes in the Regulatory Environment" of the Interim MD&A for additional details.

Groupe coopératif Desjardins' new internal by-law

On December 7, 2018, the Groupe coopératif Desjardins adopted a new internal by-law which, among other things, ensures the cohesion and functioning of the Groupe coopératif Desjardins (which comprises the Caisses, the Federation

and the Fonds de sécurité Desjardins) as well as the relationships between its components and creates a new class of shares, the Contingent Z-Capital Shares, which are issuable to the Federation's debt security holders upon certain specified circumstances. See "Description of Authorized Capital Stock".

Recapitalization (Bail-in) Regime of Domestic Systemically Important Banks

On April 18, 2018, the Minister of Finance (Canada) released the final version of the three regulations implementing the main features of the recapitalization (bail-in) regime of banks and the Office of the Superintendent of Financial Institutions released the final version of its guideline on total loss absorbing capacity (the "**TLAC Guideline**"). The implementation of the regulations and the TLAC Guideline aims to ensure that any domestic systemically important bank (a "**D-SIB**") that is non-viable has sufficient loss absorbing capacity in order to safeguard its recapitalization. These regulations and the TLAC Guideline came into force on September 23, 2018. D-SIBs must disclose the ratios pursuant to the TLAC Guideline since the quarter that began on November 1, 2018 and comply with the requirements of this guideline by November 1, 2021 at the latest. This recapitalization regime does not apply to the Desjardins Group as it is regulated by the AMF.

Moreover, as mentioned previously, the amendments to the Québec Deposit Insurance Act enacted on June 13, 2018 provide for certain recovery and resolution mechanisms in the event of failure of deposit-taking institutions. On October 25, 2018, the AMF published for comments its draft regulations respecting the resolution of a cooperative group as well as a draft of the guideline on total loss absorbing capacity. The consultation process initiated by the AMF ended on November 23, 2018. The Desjardins Group will continue to monitor developments and expects that a regime similar to the federal recapitalization regime described in the preceding paragraph will be enacted and implemented. See "Risk Factors".

DESJARDINS GROUP

Founded in 1900, the Desjardins Group comprises the Caisses in Québec and Ontario, the Federation and its subsidiaries, the Fédération des caisses populaires de l'Ontario Inc. as well as the Fonds de sécurité Desjardins. The Desjardins Group is the largest financial cooperative in Canada, with assets of $295,3 billion as at September 30, 2018. A number of its subsidiaries and components are active across Canada, and the Desjardins Group maintains a presence in the U.S. through Desjardins Bank, National Association. Through its Personal Services and Business and Institutional Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance business segments, the Desjardins Group offers a full range of financial products and services to members and clients, individuals and businesses alike, that are designed to meet their needs. As one of the largest employers in the country, the Desjardins Group is driven by the skills of close to 46,000 employees and the commitment of over 4,000 elected officers.

Furthermore, to ensure consistency among the Desjardins Group's key business segments, certain functions affect all the activities of the Federation, its subsidiaries and components. These functions consist primarily of Finance, Treasury and Administration, Risk Management, Human Resources and Communications and Information Technology. The Federation also acts as treasurer and official representative of the Desjardins Group with the Bank of Canada and the Canadian banking system.

In June 2013, the AMF determined that the Desjardins Group met the criteria to be designated as a domestic systemically important financial institution, which subjects the Desjardins Group to additional obligations. See "Risk Factors – Inherent Risks of Federation Capital Shares – Changes in Regulation and Related Matters".

The Caisses are financial services cooperatives governed by the Constituent Legislation and grouped together as members of the Federation.

This Prospectus includes, for the reader's information, certain financial information of the Desjardins Group since the Federation is a cooperative entity whose primary role is to look after the risk management of the Desjardins Group and see to the financial health of the Groupe coopératif Desjardins and its sustainability. Specific financial information for the Federation is contained in the documents incorporated by reference in this Prospectus.

Operating Income and Financial Position of the Desjardins Group

(in millions of dollars and as a percentage)	For the years ended		
	2017	**2016**	**2015**
Operating income			
Total income	$17,101	$15,201	$15,242
Provision for credit losses	$349	$319	$377
Claims, benefits, annuities and changes in insurance contract liabilities	$6,717	$5,446	$5,431
Non-interest expense	$7,348	$7,204	$6,959
Surplus earnings before member dividends	$2,151	$1,772	$1,959
Amount returned to members and the community	$320	$259	$264
Balance sheet			
Assets	$275,095	$258,367	$248,128
Net loans and acceptances	$177,521	$166,026	$159,881
Deposits	$171,586	$160,546	$156,574
Equity	$24,773	$23,293	$21,725
Key ratios			
Return on equity[(1)]	9.1%	8.0%	9.1%
Desjardins Group productivity index[(1)]	70.8%	73.8%	70.9%
Tier 1 capital	18.0%	17.3%	16.0%
Total capital	18.4%	17.9%	17.2%

1. See the section "Basis of presentation of financial information" in the annual MD&A of the Desjardins Group for the fiscal year ended December 31, 2017, available under the SEDAR profile of Capital Desjardins inc. at www.sedar.com.

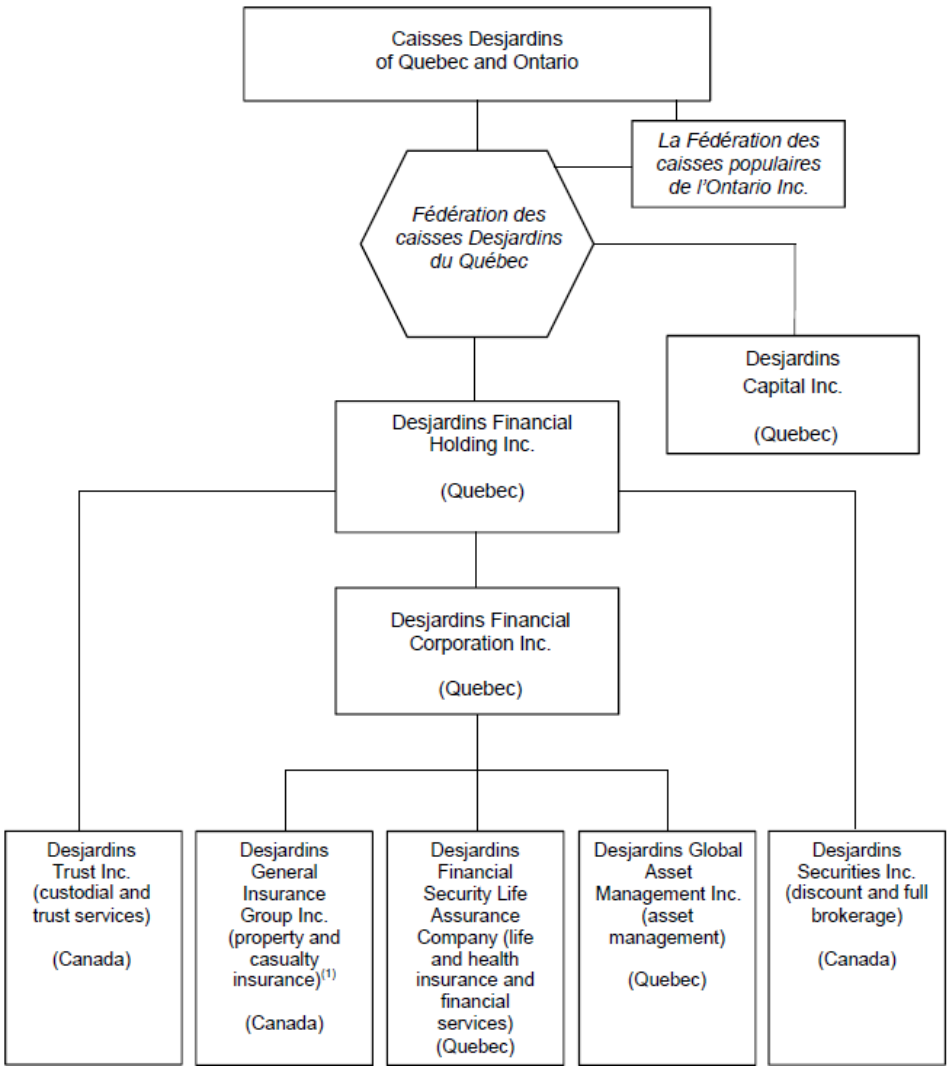
Please note that the annual MD&As of the Desjardins Group for the fiscal years ended December 31, 2017 and 2016 are available under the SEDAR profile of Capital Desjardins inc. at www.sedar.com.

FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC

The Federation resulted from the amalgamation, on July 1, 2001, of the various regional federations and the Confédération des caisses populaires et d'économie Desjardins du Québec. The Federation, which is governed by the Constituent Legislation, acts as the coordinating organization of the Caisses and the affiliated institutions and corporations of the Desjardins Group. It promotes the development and effectiveness of the Caisses by providing them with various technical, administrative and financial services. The Federation is a cooperative entity which is responsible for orientation, oversight, coordination and development activities for the Desjardins Group. The member Caisses collectively control the Federation and each of the member Caisses has influence over the Federation. The Federation enables the Caisses and other Desjardins Group components to accelerate their development and better meet the needs of their members and clients. See the item "Description of business" in the Annual Information Form for more information about the history of the Federation over the last three fiscal years.

For the year ended December 31, 2017, the Federation posted a surplus before member Caisses dividends of $1,416 million and, as at December 31, 2017, the Federation's stabilization reserve amounted to $467 million.

The following organizational chart presents a simplified view of the legal structure of the Desjardins Group as at the date hereof and shows the relationships between the Federation and its main components, including its direct and indirect subsidiaries, which, except as indicated below, are all wholly-owned (100%), and their respective jurisdiction of incorporation. The subsidiaries that have been omitted represent individually no more than 10% of the consolidated assets and no more than 10% of the consolidated revenues of the Federation or, collectively, no more than 20% of the total consolidated assets and consolidated revenues of the Federation.



(1) The subsidiaries of this entity are 10%-owned by *Groupe des Assurances du Crédit Mutuel SA* (France) as at the date of this Prospectus. In addition, *Groupe des Assurances du Crédit Mutuel SA* (France) and State Farm Mutual Automobile Insurance Company hold non-voting preferred shares of the operating subsidiaries of this entity.

Regulation and Control

The AMF is the agency responsible for the supervision, control and annual inspection of the Federation. The Constituent Legislation governs the control exercised by the AMF with regard to the management, transactions and solvency of the Federation.

Fonds de Sécurité Desjardins

The Fonds de sécurité Desjardins ensures that the distribution of the capital base and liquidity among the legal entities forming part of the Groupe coopératif Desjardins allows each such legal entity to fully, correctly and without delay fulfill its obligations towards its depositors and other creditors. The Fonds de sécurité Desjardins mutualizes the cost of its interventions between the financial services cooperatives that are part of the Groupe coopératif Desjardins.

USE OF PROCEEDS

The net proceeds to the Federation from the Offering, after deducting certain administrative fees of the Caisses, estimated at a total of $500,000 and certain other expenses of the Offering, amounting to approximately $175,000, but before deducting administrative fees of the Caisses representing 0.25% of the average value of Federation Capital Shares held by their members, are estimated to be up to $124,325,000. The Caisses' administrative fees and the expenses of the Offering will be paid out of the general funds of the Federation. See "Plan of Distribution – Distribution Costs".

The net proceeds of the Offering will be added to the Federation's funds and will be used to improve the network capital base of the Caisses and the Federation; it will also be used for general purposes of the Federation, the Caisses and for the capitalization of the Federation's subsidiaries, if necessary.

There is no minimum amount of proceeds to be collected under the Offering. Therefore, the Federation may complete the Offering even if only a small part of the amount of the Offering indicated on the cover page of this Prospectus is collected. While the Federation intends to use the net proceeds of the Offering as described above, it is not able to state any specific time period for the accomplishment of these objectives.

PRIOR SALES

During the 12-month period prior to the date hereof, the Federation regularly issued between December 21, 2017 and December 21, 2018, a total of 12,433,691 Federation Capital Shares at a subscription price of $10 per share under the Federation's Capital Shares program for the issuance of a maximum total of 12,500,000 Federation Capital Shares.

Furthermore, as at April 19, 2018, the Federation had issued a total of 14,208,755 Federation Capital Shares at the rate of one Federation Capital Share for each tranche of interest equal to the $10 par value of one Federation Capital Share issued and outstanding in respect of which a payment of interest was made in accordance with the terms described under "Description of Federation Capital Shares – Interest".

DESCRIPTION OF AUTHORIZED CAPITAL STOCK

As at the date hereof, the authorized capital stock of the Federation is made up of the following qualifying shares and capital shares:

Shares	Description
Qualifying shares	An unlimited number of qualifying shares having a par value of $5. These shares can be issued only to members of the Federation, are redeemable only at the option of the Board of Directors in certain situations provided for by by-law and bear no interest. The holders of qualifying shares of the Federation are not entitled to notice of or to attend or vote at meetings of the Federation's members.
Federation Capital Shares (Class F Capital Shares)	An unlimited number of Federation Capital Shares having a par value of $10. See "Description of Federation Capital Shares".
A and G Capital Shares	An unlimited number of A and G Capital Shares having a par value of $5. These shares can only be issued to members of the Federation. The Federation may, by resolution of the Board of Directors and with the AMF's authorization, redeem all or part of the A and G Capital Shares unilaterally at any time. The Federation may also at any time, and with the AMF's authorization, purchase all or part of the A and G Capital Shares by mutual agreement. All or part of the A and G Capital Shares may, by resolution of the Board of Directors, be converted at any time into another class of shares issued for such purpose. The rate of interest on A and G Capital Shares is determined by the Board of Directors. The holders of capital shares of the Federation are not entitled to notice of or to attend or vote at meetings of the Federation's members.
Contingent Z-Capital Shares	An unlimited number of Contingent Z-Capital Shares having a par value of $10. These shares can be issued to members of the Federation or to third party purchasers in accordance with the terms of the Constituent Legislation. Contingent Z-Capital Shares may only be issued (i) for the purposes of converting instruments

Shares	Description
	of the Federation pursuant to non-viability contingent capital ("**NVCC**") requirements of the AMF's *Ligne directrice sur les normes relatives à la suffisance du capital de base*, or (ii) as determined by the Federation after the issuance of Contingent Z-Capital Shares following an NVCC event as described in paragraph (i) above. The Federation may, by resolution of the Board of Directors and with the AMF's authorization, redeem all or part of the Contingent Z-Capital Shares unilaterally at any time. The Federation may also, subject to applicable laws, at any time, without notice and with the AMF's authorization, purchase all or part of the outstanding Contingent Z-Capital Shares by mutual agreement. The rate of interest on Contingent Z-Capital Shares is determined by the Board of Directors. The holders of capital shares of the Federation are not entitled to notice of or to attend or vote at meetings of the Federation's members.
FIN-5A, INV and SER Capital Shares	An unlimited number of FIN-5A, INV and SER Capital Shares in relation to an investment fund. These shares can be issued only to members of the Federation; they are without par value and bear no interest. Subject to the provisions of the Federation's by-law on investment funds, the holders of these shares are entitled to share the net revenue of the funds. These shares are redeemable, with the AMF's authorization, at the option of the Board of Directors or by mutual agreement. In addition, all or part of these shares may, by resolution of the Board of Directors, be converted into another class of shares issued for such purpose. The holders of capital shares of the Federation are not entitled to notice of or to attend or vote at meetings of the Federation's members.

ISSUED AND PAID-UP SHARES

The following table sets out, as of the date hereof, the number and value (in thousands of dollars) of the shares of the Federation that are issued and outstanding. The said shares, other than Federation Capital Shares, are owned in their entirety by the Caisses and the Fédération des caisses populaires de l'Ontario. Federation Capital Shares are owned in their entirety by the members of the Caisses.

Number (in thousands)	Type	Value (in thousands)
32,810	Qualifying Shares	$164
13,789,467	A Capital Shares	$68,947
478,768,270	Federation Capital Shares	$4,787,683[1]
600,532,931	G Capital Shares	$3,002,665
694,258,599	FIN-5A Capital Shares	$916,974
47,856,914	INV Capital Shares	$18,946
2,865,680	SER Capital Shares	$23,395

1. Net of certain expenses of the Offering and the Caisses administrative fees, this amount is $4,767,015,482.

DESCRIPTION OF FEDERATION CAPITAL SHARES

The following is a summary of the material attributes and characteristics of the Federation Capital Shares to be issued.

Federation Capital Shares will not be deposits guaranteed under the Québec Deposit Insurance Act or the *Canada Deposit Insurance Corporation Act*.

Par Value

The par value of the Federation Capital Shares is set at $10 per share.

Issue

Federation Capital Shares can be issued only to members of the Caisses, including their auxiliary members. A Federation Capital Share holder must retain his or her qualifying shares of a Caisse of which he or she is a member for the entire time that his or her Federation Capital Shares are held.

Payment for Federation Capital Shares must be made in full before they can be issued. Payment must be made in a single instalment, by cheque or authorized debit from the member's savings account. At no time shall the Federation and the Caisses offer, directly or indirectly, any financing for purposes of purchasing Federation Capital Shares.

No fractional Federation Capital Share may be issued.

Interest

The rate of interest, if any, payable on Federation Capital Shares is determined by the Board of Directors, and is computed daily, in proportion to the number of days that such shares are held by their respective holders. Holders may opt to have their interest, if any, paid in Federation Capital Shares, at the rate of one Federation Capital Share for each tranche of interest equal to the par value of one Federation Capital Share.

On August 13, 2018, in connection with the withdrawal from the interest in shares reinvestment program, the Board of Directors of the Federation decided to suspend the payment of interest in Federation Capital Shares. In accordance with the Federation Capital Share subscription form, holders who opted for payment of interest, if any, in the form of Federation Capital Shares were informed of this decision.

Interest on Federation Capital Shares, if any, is taken out of the Federation's surplus earnings. The allocation of surplus earnings to the payment of interest on Federation Capital Shares is the responsibility of the Board of Directors. Interest on Federation Capital Shares, if any, may also be taken out of the Federation's stabilization reserve. If the Federation's surplus earnings and stabilization reserve are insufficient to pay the interest payable on Federation Capital Shares, such interest may also be taken out of the Federation's general reserve.

In no case may the interest on Federation Capital Shares, if any, exceed the rate determined by the Board of Directors. Federation Capital Shares are subordinate in all circumstances, with respect to the payment of interest, to the rights of the holders of investment shares and the holders of prior-ranking capitalization instruments, if any. Subject to the foregoing, Federation Capital Shares will rank, with respect to the payment of interest, equally with capital shares of all other classes. The Federation may not determine nor pay interest on Federation Capital Shares if there are reasonable grounds to believe that either (i) it is, or would after the payment be, unable to maintain, for its operations, an adequate capital base consistent with sound and prudent management and such liquid assets as are adequate to meet its requirements and obligations pursuant to the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder, or (ii) the Groupe coopératif Desjardins is, or would after the payment be, unable to maintain an adequate capital base consistent with sound and prudent management pursuant to the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder. At no time may the failure to determine or pay interest on Federation Capital Shares constitute an event of default by the Federation. See "Risk Factors - Inherent Risks of Federation Capital Shares - Payment of Interest".

The Board of Directors of the Federation determined that the interest rate that may be paid out on Federation Capital Shares is 4.25%. The Board of Directors of the Federation may modify this rate or cancel payment of interest at any time, in its sole discretion. Interest may not be paid in any given year or at all. At no time will the failure to determine or pay interest on Federation Capital Shares constitute an event of default by the Federation.

Purchase and Sale by the Federation's Trust Fund

Federation Capital Shares held by the Federation's trust fund may be sold to a member of a Caisse, including an auxiliary member. A holder of Federation Capital Shares may request the Federation, through the Federation's trust fund, to purchase all or any part of its Federation Capital Shares. The Federation is not obliged to agree to such a request and may, in its sole discretion, refuse to purchase the shares, based on the need to balance supply and demand (see "Risk Factors - Inherent Risks of Federation Capital Shares - Purchase and Sale by the Federation's

Trust Fund" and "Description of Federation Capital Shares"). It should be noted that the Federation recommends that the Caisses collect fees, currently set at $30, from members of Caisses who sell Federation Capital Shares to the Federation's trust fund if such Federation Capital Shares have been held by such members for less than two years. See "Plan of Distribution – Fees".

In case of financial difficulty, the Federation may at any time terminate the acquisition of shares issued by a particular Caisse, shares issued by all the Caisses or shares it issues itself. In any of these cases, the Federation will instruct the administrator of the Federation's trust fund, Desjardins Trust Inc., to cease any acquisition of shares for which transfer requests are subsequent to a date it specifies. The Federation's instruction will be effective upon its receipt by Desjardins Trust Inc.

Redemption

Federation Capital Shares may be redeemed, with the authorization of the AMF, only in the event of the winding-up, insolvency or dissolution of the Federation pursuant to applicable law. In the event that Federation Capital Shares are redeemed, the holders of Federation Capital Shares will receive from the remaining assets of the Groupe coopératif Desjardins, if any, after reimbursement of the deposits and other debts of the Groupe coopératif Desjardins and after payment to the holders of classes of investment shares, if any, and capital shares in relation to investment funds, of the amounts to which they are entitled with respect to such shares (see "Business structure – Investment funds" in the Annual Information Form), and equally with the other classes of capital shares and qualifying shares, an amount equal to the par value of such Federation Capital Shares. Notwithstanding the foregoing, in the event of the winding-up, insolvency or dissolution of the Federation pursuant to applicable law, Federation Capital Shares may be redeemed with the authorization of the AMF only when each of the Caisses satisfies the capital adequacy requirements then applicable to it under the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder and with the authorization of the AMF. In the event that a balance remains after the capital adequacy requirements of one or more Caisses have been satisfied, as the case may be, Federation Capital Shares will be redeemed on a pro rata basis. Insolvency of the Federation will not constitute an event of default of the Federation that will permit the holders of Federation Capital Shares to demand their redemption. In the event of insolvency, the Federation may take several different measures without necessarily triggering a redemption of the Federation Capital Shares.

Repurchase

The Federation is entitled, by resolution of the Board of Directors and with the AMF's authorization, to repurchase all or part of the outstanding Federation Capital Shares unilaterally at any time, upon the following terms and conditions:

(a) the Federation shall convey to each registered holder of Federation Capital Shares a notice of repurchase in writing or using any other electronic written communication method, which notice shall inform the holder of the repurchase and specify the date on which the repurchase is to take effect (the "**repurchase date**"), which date must be at least 10 days later than the date on which the Federation gave or transmitted the notices of repurchase; it being understood, however, that any registered holder may waive receipt of a notice of repurchase;

(b) on the repurchase date, the Federation Capital Shares shall be cancelled automatically and their holders shall be entitled, on surrendering the certificates for the said shares or following cancellation of the relevant book-entry, as the case may be, to payment of their par value; if a part only of the Federation Capital Shares represented by such certificates or book-entry is being repurchased, a new certificate shall be issued for the balance of the Federation Capital Shares, or a new book-entry shall be made, as the case may be;

(c) with respect to holders of Federation Capital Shares who fail to surrender the certificates representing such shares for cancellation, the Federation may deposit an amount corresponding to their par value with the Minister of Finance of the province of Québec, in accordance with the provisions of the *Act respecting Deposits with the Bureau général de dépôts pour le Québec,* CQLR, c. D-5.1 (which repealed the *Deposit Act*, CQLR, c. D-5), or at such other location as may be designated in the notice of repurchase, for such holders. The rights of such holders shall be limited to having the amount so deposited credited to them on surrendering the certificates representing the repurchased shares, and if applicable, having new certificates issued to them for the balance of the Federation Capital Shares;

(d) in the case of a partial repurchase, the repurchase shall be made in proportion to the number of Federation Capital Shares outstanding; and

(e) the terms and conditions set out in subsections (a), (c) and (d) above do not apply to the repurchase of Federation Capital Shares held by the Federation's trust fund.

At no time may the holders of Federation Capital Shares require any such shares to be repurchased.

Purchase and Exchange by Mutual Agreement

The Federation may, at any time, without notice, with the AMF's authorization, when it sees fit, without taking the other classes of shares into account and without being bound by the rule which, in the case of repurchases, requires Federation Capital Shares to be redeemed *pro rata* from the holders of Federation Capital Shares, purchase all or any part of the outstanding Federation Capital Shares by mutual agreement, at an agreed price, which price, if applicable, may be paid in full or in part in the form of shares of another class issued for such purpose by the Federation.

On the purchase date, the purchased shares shall be cancelled automatically and their holders shall be entitled, on surrendering the certificates for the said shares or following cancellation of the relevant book-entry, as the case may be, to payment of the agreed price; if a part only of the shares represented by such certificates or book-entry is being purchased, a new certificate shall be issued for the balance of the shares or a new book-entry shall be made, as the case may be.

Voting Right

The holders of Federation Capital Shares are not entitled to notice of or to attend or vote at meetings of the Federation's members.

Other Rights

Federation Capital Share holder status confers only the rights attaching to Federation Capital Shares as described in this Prospectus (including but not limited to documents incorporated by reference herein), excluding in particular any rights relating to the distribution of surplus earnings or to notice of or to attend or vote at meetings of the Federation's members.

Cancellation and Conversion Measures

The AMF is responsible for resolution operations. Pursuant to section 40.9 of the Québec Deposit Insurance Act, the objective of such resolution operations is to ensure the sustainability of a cooperative group's (such as the Groupe coopératif Desjardins, which comprises the Caisses, the Federation and the Fonds de sécurité Desjardins) deposit institution activities despite the group's failure and without recourse to public funds. Among other things, in the event a cooperative group (such as the Groupe coopératif Desjardins) is resolved, the AMF may exercise several powers, in particular those conferred to it pursuant to section 40.50 of the *Deposit Insurance Act* (Québec) (which title shall be changed to *Deposit Institutions and Deposit Protection Act* as of June 13, 2019), which provides in particular that in the event a cooperative group (such as the Groupe coopératif Desjardins) is resolved, the AMF may cancel any part of the Federation Capital Shares issued by the Federation and it may also convert such shares into contributed capital securities of a legal person constituted or resulting from an amalgamation/continuance or other conversion effected for the purpose of resolution.

CONSOLIDATED CAPITALIZATION

With the exception of the following, there have been no material changes in the share capital or in the loan capital of the Federation since September 30, 2018, the date of the Federation's last financial statements.

Between October 1, 2018 and December 21, 2018, the Federation did not issue any Federation Capital Shares.

PLAN OF DISTRIBUTION

The Federation Capital Shares are distributed by DFSF. A DFSF representative may be contacted by applying to a Caisse.

The receipt issued by the AMF in respect of the best efforts underwriting of the Federation Capital Shares by DFSF will be valid for a period ending at the earlier of the following dates: (a) 12 months after the date of the receipt for this short form prospectus for the Offering and amendments thereto, or (b) the date of the receipt for a Federation prospectus offering Federation Capital Shares that is filed after the date of the receipt for this short form prospectus for the Offering and amendments thereto. See "Exemptions".

Opening of an Account

A Caisse member wishing to subscribe for Federation Capital Shares must first open an account with DFSF. The member can obtain and complete the form required to open an account by contacting an authorized representative of DFSF at a Caisse. The request to open an account can be made at the time of subscription.

Subscription

Federation Capital Shares can be issued only to Caisse members, including their auxiliary members. A Federation Capital Share holder must retain his or her qualifying shares of a Caisse of which he or she is a member for the entire time that his or her Federation Capital Shares are held. The minimum amount of each subscription is $100. No fractional Federation Capital Share may be issued.

Subscriptions for Federation Capital Shares by Caisse members must be made through a licensed representative of DFSF. All subscriptions must be submitted using the form prepared for that purpose.

Federation Capital Shares must be paid for in full before they can be issued. Payment must be made in a single instalment, by cheque or authorized debit from the member's savings account. At no time shall the Federation and the Caisses offer, directly or indirectly, any financing for purposes of purchasing Federation Capital Shares. Shares subscribed for are acquired by the member only when the subscription has been accepted by the Federation.

The Federation can refuse a Caisse member's subscription where the terms of the distribution, as referred to in this Prospectus, are not adhered to. A subscription can also be refused where DFSF considers that the acquisition of Federation Capital Shares does not correspond to a member's investment objectives and financial situation. Where a subscription is refused, the amounts paid by the member, if any, are promptly reimbursed to the member without interest.

Acceptance of Subscription

When a Caisse member's subscription is accepted and accompanied with payment in full, the Federation issues the Federation Capital Shares. In the days after the shares are issued, a certificate of ownership is sent to the member. This certificate of ownership takes the place of a share certificate and purchase confirmation notice. Instead of sending a certificate of ownership, the Federation may make a book entry in a computerized register.

Distribution Process

The distribution of Federation Capital Shares will take place in accordance with the provisions of the Constituent Legislation and the Federation reserves the right, if it sees fit, to limit the number or amount of Federation Capital Shares that may be issued to a single Caisse member during a given period, and to suspend or terminate the distribution of its Federation Capital Shares, without prior authorization or notice.

Distribution Costs

The distribution of Federation Capital Shares by DFSF entails direct and indirect costs. DFSF receives no compensation for distributing Federation Capital Shares.

In consideration of their administrative support, the Caisses receive administrative fees from the Federation amounting to $100 for each purchase transaction and 0.25% of the average value of Federation Capital Shares held by their members. These administrative fees are calculated on a monthly average and paid quarterly to the Caisses starting

on the date of issue of the Federation Capital Shares and for the next five years. In addition to the administrative fees, certain other expenses of the Offering estimated at $175,000 are borne entirely by the Federation.

Indirect distribution costs include the salaries of the Federation employees who took part in the activities related to the distribution. These costs are borne in their entirety by the Federation.

Fees

The Federation may require the payment of a fee for any transaction pertaining to Federation Capital Shares. However, there are no fees at the time of purchase, nor any administration fee. It should be noted that the Federation recommends that the Caisses collect fees, currently set at $30, from members of a Caisse who sell Federation Capital Shares to the Federation's trust fund if such Federation Capital Shares have been held by such members for less than two years.

No Market for Federation Capital Shares

Except for the possibility of their purchase and sale by the Federation's trust fund on certain conditions, there is currently no market through which the capital shares of the Federation may be sold and the Federation has not applied to list or quote any of the capital shares of the Federation and does not intend to apply to list or quote any of the capital shares of the Federation on any market. Purchasers may not be able to resell the Federation Capital Shares purchased under this Prospectus which may affect the pricing of the Federation Capital Shares in the secondary market, the transparency and availability of their trading prices, the liquidity of the Federation Capital Shares, and the extent of issuer regulation. See "Risk Factors" and "Description of Federation Capital Shares".

RELATIONSHIP BETWEEN THE FEDERATION AND DFSF

DFSF is a direct wholly-owned subsidiary of the Federation. Consequently, the Federation may be considered a "connected issuer" or "related issuer" of DFSF within the meaning of the applicable securities legislation. The decision to issue Federation Capital Shares and the determination of the terms for their distribution were made by the Federation alone. DFSF did not take part in that process. DFSF will not obtain any direct benefit in connection with this Offering. See "Exemptions" in this Prospectus.

CERTAIN CANADIAN AND QUÉBEC INCOME TAX CONSIDERATIONS

The following summarizes the principal income tax considerations generally applicable, as of the date hereof, to individuals (to the exclusion of bodies corporate) who, at any relevant time for purposes of application of the Canadian *Income Tax Act* or the Quebec *Taxation Act* (collectively referred hereinafter as the "**Tax Acts**"), are residents of Quebec and purchase, hold and dispose of Federation Capital Shares as capital property (a "**Resident Holder**").

This summary is based on the current provisions of the Tax Acts and their respective regulations in force on the date hereof. It also takes into consideration the Federation's understanding of the current published administrative practices and policies of the Canadian and Quebec taxation authorities published prior to the date hereof. This summary also takes into account all specific proposals to amend the Tax Acts that have been publicly announced by or on behalf of the Minister of Finance (Canada) or the Minister of Finance (Québec) prior to the date hereof (the "**Tax Proposals**"), and assumes that all such Tax Proposals will be enacted in the form proposed. No assurance can be given that the Tax Proposals will be enacted as proposed or at all. Except for the Tax Proposals, this summary does not otherwise take into account or anticipate any changes in law, administrative practices and policies, whether by way of legislative, judicial, regulatory or administrative action or decision, nor does it address any other provincial, territorial or foreign tax considerations.

This summary is of a general nature only and is not, and should not be interpreted as, legal or tax advice to a Resident Holder. This summary is not exhaustive of all Canadian and Québec tax considerations applicable to a Resident Holder. Accordingly, prospective purchasers are urged to consult their own legal and tax advisors with respect to the tax consequences applicable to them having regards to their particular circumstances.

The Federation

The Federation is a body corporate lawfully incorporated and governed by the Constituent Legislation. It is therefore subject to corporate income tax.

Return

The interest on Federation Capital Shares is treated for tax purposes as interest and is taxable according to the taxation rules applicable to such income.

Where Federation Capital Shares are included in a tax-deferred plan, the income will accumulate in the plan, will forfeit its nature and will be taxable like any other income when it is withdrawn.

Qualified Investment for RRSPs and RRIFs

Under the Tax Acts, Federation Capital Shares constitute qualified investments for registered retirement savings plans ("**RRSP**") (including a locked-in retirement account (LIRA), a locked-in RRSP (federal) and a fixed term annuity retirement savings plan (FTA)) or a registered retirement income fund ("**RRIF**") (including a life income fund (LIF)). The only tax-deferred plans in which the Federation permits Federation Capital Shares to be held are RRSPs and RRIF.

The terms of registration of tax-free savings accounts ("**TFSAs**") and registered disability savings plans ("**RDSPs**") are such that the Federation does not allow Federation Capital Shares to be held in a TFSA or an RDSP because they cannot be cashed in easily.

Moreover, since Federation Capital Shares are not redeemable at the Resident Holder's option, they are not offered for registered education savings plans (RESPs), since it might be difficult for the trustee to make the required payments to a beneficiary pursuing post-secondary education and to terminate the plan within the required period of time.

Federation Capital Shares may not be held in a voluntary retirement savings plan (VRSP).

Disposition of Federation Capital Shares

In the event that Federation Capital Shares are redeemed, repurchased or purchased from a Resident Holder by the Federation for an amount greater than their paid-up capital, as computed for the purposes of the Tax Acts, the difference will be deemed to constitute interest in the hands of the Resident Holder.

In general, to the extent that the fair market value is equal to the paid-up capital and to the adjusted cost base of the Federation Capital Shares for the Resident Holder, the disposition of the Federation Capital Shares to the Federation will not result in a capital gain or capital loss to the Resident Holder. In circumstances where the Federation Capital Shares are disposed of (i) to the Federation for a value that differs from the paid-up capital or the adjusted cost base of the Federation Capital Shares for the Resident Holder or (ii) to a person other than the Federation, the disposition may result in a capital gain or capital loss determined in accordance with the Tax Acts.

Any reasonable costs of disposition incurred by a Resident Holder at the time of the disposition of the Federation Capital Shares (including on the redemption, repurchase or purchase by the Federation) will reduce, or increase, as the case may be, the capital gain or capital loss realized by the Resident Holder.

In general, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year will be included in the Resident Holder's income for the applicable taxation year. One-half of any capital loss ("**allowable capital loss**") realized by a Resident Holder during a given taxation year must be deducted from taxable capital gains realized by the Resident Holder during the taxation year. The amount by which allowable capital losses exceed taxable capital gains may be carried back over the three preceding taxation years or carried forward to any future taxation year in accordance with the Tax Acts.

RISK FACTORS

An investment in securities of the Federation involves risks. In addition to the risk factors noted below, prospective investors should consider the risk factors described in the Annual MD&A and in the Interim MD&A, which are both incorporated by reference herein, and all of the other information contained in this Prospectus (including, without limitation, the documents incorporated by reference herein), before purchasing any of the securities distributed under this Prospectus. The risks described herein are not the only risks facing the Federation. Additional risks and uncertainties not currently known to the Federation, or that the Federation currently deems immaterial, may also materially and adversely affect its business. Any of these risks could have a material adverse effect on the Federation's business, balance sheet or results of operations.

Inherent Risks of Federation Capital Shares

Structural and Contractual Subordination

The Federation is a single purpose entity whose assets currently include securities of its subsidiaries and other components controlled by the Federation. Although the Federation is the registered holder of these securities, investment funds have been set up for one or more of these subsidiaries, with their assets consisting primarily of the equity interest in the subsidiaries and other components of the Federation. The capital shares in relation to the various investment funds are held by each of the Caisses and in relation to certain investment funds by the Fédération des caisses populaires de l'Ontario. These capital shares provide the right to a share in the net equity of the related investment fund and the holders, namely, the Caisses and the Fédération des caisses populaires de l'Ontario, share the net revenue (such as dividends from subsidiaries and interest earned on various investments of the investment funds) in accordance with the Federation's by-laws. If the Federation disposes of investment fund assets, in whole or in part, or if the corporation repurchases or redeems all or part of the investment fund assets held by the Federation, the holders of the capital shares in relation to the investment funds may receive, to the exclusion of any other class of shares (including Federation Capital Shares) but based on the number of investment fund capital shares outstanding, their proportionate share of the price or net proceeds of sale, repurchase or redemption of the investment fund assets received by the Federation, net of applicable disbursements, costs or expenses charged by the Federation, if any.

In the event of the Federation's winding-up, insolvency or dissolution, the Caisses and the Fédération des caisses populaires de l'Ontario, as holders of the capital shares in relation to the various investment funds, will share in the remaining assets, after payment of the deposits and other debts of the Groupe coopératif Desjardins and the holders of investment shares, if any, concurrently with and without preference or distinction with respect to the holders of capital shares in relation to an investment fund, but in preference to holders of any other class of shares (including holders of Federation Capital Shares), according to the ratio that the book value of the outstanding capital shares of the relevant investment fund bears to the aggregate book value of all of the capital shares in relation to the investment funds, up to the net asset value of the investment fund in question. Holders of capital shares in relation to an investment fund are not entitled to any other share in the property of the Federation. Please refer to "Issued and Paid-Up Shares" for a description of the issued capital of the Federation.

The same principles would apply in the event of the liquidation, dissolution or winding-up in whole or in part of the bodies corporate whose securities are held directly or indirectly by the investment funds.

Federation Capital Shares are subordinate in all circumstances, with respect to the payment of interest, to the rights of the holders of investment shares and the holders of prior-ranking capitalization instruments, if any. Subject to the foregoing, Federation Capital Shares will rank, with respect to the payment of interest, equally with capital shares of all other classes. The Federation may not determine nor pay interest on Federation Capital Shares if there are reasonable grounds to believe that either (i) it is, or would after the payment be, unable to maintain, for its operations, an adequate capital base consistent with sound and prudent management and such liquid assets as are adequate to meet its requirements and obligations pursuant to the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder, or (ii) the Groupe coopératif Desjardins is, or would after the payment be, unable to maintain an adequate capital base consistent with sound and prudent management pursuant to the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder. At no time may the failure to determine or pay interest on Federation Capital Shares constitute an event of default by the Federation.

If the Federation Capital Shares are redeemed, the holders of Federation Capital Shares will receive from the remaining assets of the Groupe coopératif Desjardins, if any, after reimbursement of the deposits and other indebtedness of the Groupe coopératif Desjardins and after payment to the holders of classes of investment shares, if any, and of capital shares in relation to investment funds of the amounts to which they are entitled in respect of

such shares (see "Business structure – Investment funds" in the Annual Information Form) and equally with the other classes of capital shares and qualifying shares, an amount equal to the par value of such Federation Capital Shares. Notwithstanding the foregoing, in the event of the winding-up, insolvency or dissolution of the Federation pursuant to applicable law, Federation Capital Shares may be redeemed with the authorization of the AMF only when each of the Caisses satisfies the capital adequacy requirements then applicable to it under the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder and with the authorization of the AMF. In the event that a balance remains after the capital adequacy requirements of one or more Caisses have been satisfied, as the case may be, Federation Capital Shares will be redeemed on a pro rata basis. **Federation Capital Shares are not guaranteed by any entity of the Desjardins Group.**

Financial Intervention Mechanisms

The Caisses contribute to the financing of the Federation's operations mostly through basic annual assessments determined for each fiscal year. In addition, some of the Federation's operating costs are allocated among the Caisses and the Caisses are billed for services. The Federation's subsidiaries and other entities of the Desjardins Group also contribute to financing the Federation's operations.

The financial by-laws of the Federation contain terms and conditions for the establishment and payment of the basic assessments. Each year, on the recommendation of the Federation's Board of Directors, assessments are adopted by a two-thirds majority of the votes cast by the members of the Federation present at a general meeting. The assessments are then allocated among the Caisses based on their relative size.

The rates of the previous year or lower rates determined by the Board of Directors remain in effect until they are replaced by the general meeting in the manner described above. The members of the Federation present at a general meeting may also repeal any by-law requiring the Caisses to pay assessments.

For these reasons and notwithstanding the foregoing, a holder of a Federation Capital Share cannot rely on any financial intervention mechanism as guaranteeing payment of interest or any other amount with respect to Federation Capital Shares. Although the activities of the Federation's business units generate other sources of income that contribute to surplus earnings that could be used to make payments on the Federation Capital Shares issued by the Federation (and that, contrary to the income from the basic annual assessments, do not depend on the approval of a by-law by the members of the Federation present at a general meeting), failure to determine or pay interest on Federation Capital Shares will at no time be deemed to constitute an event of default by the Federation.

Payment of Interest

Interest on Federation Capital Shares, if any, is taken out of the Federation's surplus earnings. The allocation of surplus earnings to the payment of interest on Federation Capital Shares is the responsibility of the Board of Directors. Interest on Federation Capital Shares, if any, may also be taken out of the Federation's stabilization reserve. If the Federation's surplus earnings and stabilization reserve are insufficient to pay the interest payable on Federation Capital Shares, such interest may also be taken out of the Federation's general reserve.

In no case may the interest on Federation Capital Shares, if any, exceed the rate determined by the Board of Directors. See "Description of Federation Capital Shares - Interest".

The Federation Capital Shares are subordinate in all circumstances, with respect to the payment of interest, to the rights of the holders of investment shares and the holder of prior-ranking capitalization instruments, if any. Subject to the foregoing, Federation Capital Shares rank, with respect to payment of interest, equally with capital shares of all other classes. The Federation may not determine nor pay interest on Federation Capital Shares if there are reasonable grounds to believe that either (i) it is, or would after the payment be, unable to maintain, for its operations, an adequate capital base consistent with sound and prudent management and such liquid assets as are adequate to meet its requirements and obligations pursuant to the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder, or (ii) the Groupe coopératif Desjardins is, or would after the payment be, unable to maintain an adequate capital base consistent with sound and prudent management pursuant to the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder. At no time may the failure to determine or pay interest on Federation Capital Shares constitute an event of default by the Federation. See "Risk Factors - Inherent Risks of Federation Capital Shares - Financial Intervention Mechanisms".

Moreover, the Federation may legally decide not to pay any interest on Federation Capital Shares issued by it.

Purchase and Sale by the Federation's Trust Fund

Federation Capital Shares held by the Federation's trust fund may be sold to a member of a Caisse, including an auxiliary member. A holder of Federation Capital Shares may request the Federation, through its trust fund, to purchase all or any part of its shares. Due to certain constraints, it is possible that such a request may entail some delays. The Federation is not obliged to agree to such a request and may, in its sole discretion, refuse to purchase the shares, based on the need to balance supply and demand.

In case of financial difficulty, the Federation may at any time terminate the acquisition of shares issued by a particular Caisse, shares issued by all of the Caisses or shares it issues itself. In any of these cases, the Federation will instruct the administrator of the trust fund, Desjardins Trust Inc., to cease any acquisition of shares for which transfer requests are subsequent to a date it specifies. The Federation's instruction will be effective upon its receipt by Desjardins Trust Inc.

Redemption

Federation Capital Shares may only be redeemed with the authorization of the AMF in the event of the Federation's winding-up, insolvency or dissolution, pursuant to applicable law. However, it is possible that in the event of liquidation, dissolution or winding-up, a holder will obtain from the Federation an amount less than the price paid for such shares.

In the event that Federation Capital Shares are redeemed, the holders of Federation Capital Shares will receive from the remaining assets of the Groupe coopératif Desjardins, if any, after reimbursement of the deposits and other debts of the Groupe coopératif Desjardins and after payment to the holders of classes of investment shares, if any, and capital shares relating to investment funds, of the amounts to which they are entitled with respect to such shares (see "Business structure – Investment funds" in the Annual Information Form), and equally with the other classes of capital shares and qualifying shares, an amount equal to the par value of such Federation Capital Shares. Notwithstanding the foregoing, in the event of the winding-up, insolvency or dissolution of the Federation pursuant to applicable law, Federation Capital Shares may be redeemed with the authorization of the AMF only when each of the Caisses satisfies the capital adequacy requirements then applicable to it under the Constituent Legislation and the regulations, by-laws, guidelines and directions made or given thereunder and with the authorization of the AMF. In the event that a balance remains after the capital adequacy requirements of one or more Caisses have been satisfied, as the case may be, the Federation Capital Shares will be redeemed on a pro rata basis. Insolvency of the Federation will not constitute an event of default of the Federation that will permit the holders of Federation Capital Shares to demand their redemption. In the event of insolvency, the Federation may take several different measures without necessarily triggering a redemption of the Federation Capital Shares.

Repurchase at the Federation's Option

The Federation is entitled, by resolution of the Board of Directors and with the AMF's authorization, to repurchase all or part of the outstanding Federation Capital Shares unilaterally at any time, the whole in accordance with the terms and conditions described under "Description of Federation Capital Shares - Repurchase", including when prevailing interest rates are lower than the interest rate then offered by Federation Capital Shares, if any. If prevailing rates are lower at the time of repurchase, a purchaser will not be able to reinvest the proceeds of repurchase in a comparable security with a real return as high as the return on the Federation Capital Shares being repurchased, if any. Please refer to "Description of Federation Capital Shares - Repurchase" in this Prospectus for a description of the terms and conditions of exercise of the repurchase right.

Absence of Public Market

The Federation does not expect to list the Federation Capital Shares on any stock exchange and there can be no assurance that an active trading market in Federation Capital Shares will develop or be sustained after any offering of Federation Capital Shares is completed.

Absence of Other Rights

Federation Capital Share holder status confers only the rights attaching to Federation Capital Shares as described in this Prospectus (including but not limited to documents incorporated by reference herein), excluding in particular any rights relating to the distribution of surplus earnings or to notice of or to attend or vote at meetings of the Federation's members.

Inherent Risks of the Federation's Business

General Creditworthiness of the Desjardins Group

The value of Federation Capital Shares will be affected by the general creditworthiness of the network consisting of the Caisses and the Federation and of the Desjardins Group. Accordingly, conditions adversely affecting the Caisses and the other members of the Desjardins Group could impair the Federation's ability to satisfy its obligations, and the Federation's balance sheet or results of operations may be adversely affected by business risks affecting those entities (including liquidity risk, credit risk, market risk, operational risk, as well as insurance risk associated with the design and pricing of insurance products and underwriting and claims risks associated with those products). The Annual MD&A and the Interim MD&A incorporated by reference in this Prospectus discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the business, balance sheet or results of operations of the Federation. For more information on these risk factors, see the Annual MD&A and Interim MD&A that are incorporated by reference herein.

Geographic Concentration of Activities

The activities of the Federation and the subsidiaries and other components controlled by the Federation are heavily concentrated in Québec. As a result of this significant geographic concentration of activities, the Federation's results depend largely on the economic environment in Québec.

A deterioration in this environment could adversely impact:

- loan delinquencies;
- problem assets and foreclosed property;
- claims and lawsuits;
- the demand for products and services of subsidiaries and other components controlled by the Federation; and
- the value of the collateral available for loans, especially mortgage loans, and by extension the members' and clients' borrowing capacity, the value of assets associated with impaired loans and the collateral coverage.

Changes in Regulation and Related Matters

The Caisses, the Federation and other entities of the Desjardins Group are subject to extensive regulatory oversight by the AMF. The Federation and the subsidiaries and other components controlled by the Federation could in the future be affected by restrictions on the products and services offering or the enhanced ability of competitors to compete with such products and services, as a result of changes in regulatory oversight and in applicable law relating to the business of the Federation, including changes affecting the interpretation or application of the law or the enactment of new laws and regulations. More specifically, the most recent financial crisis has resulted in major and unprecedented changes to laws and regulations that apply to financial institutions and the financial industry and could lead to further changes. Further legislation may be introduced that may expand the regulatory powers of the AMF and impose new restrictions or standards on the business or assets of the Federation or the Caisses.

As a result of operating in a closely regulated industry, the Federation is also exposed to regulatory and legal risk, being the risk of non-compliance with regulatory, legal or other similar requirements, in virtually all of its activities. Further, legal risk includes the effectiveness of preventing and handling litigation. Failure to meet regulatory and legal requirements not only poses a risk of censure or penalty, and may lead to litigation, but also puts the Federation's reputation at risk. Financial penalties, unfavourable judicial or regulatory judgments and other costs associated with legal proceedings may also adversely affect the earnings of the Federation.

In June 2013, the AMF determined that the Desjardins Group met the criteria for designation as a domestic systemically important financial institution (D-SIFI), which subjects the Desjardins Group to, among other things, greater capital adequacy requirements as well as enhanced disclosure requirements in accordance with the guidelines of the AMF. As a D-SIFI, since January 1, 2016, the Desjardins Group has been subject to an additional Tier 1A capital requirement corresponding to 1% of risk-weighted assets. Therefore, since January 1, 2016, the Desjardins Group's Tier 1A capital target has been 8%. In addition, the Tier 1 capital ratio and total capital ratio

must exceed 9.5% and 11.5%, respectively. These minimum ratios include a 2.5% capital conservation buffer and a supplement of 1% applying to D-SIFIs. Other major obligations include that, based on the recommendations issued by the Enhanced Disclosure Task Force (EDTF) of the Financial Stability Board and contained in the document "Enhancing the Risk Disclosures of Banks", the Desjardins Group is continuing to develop its external disclosures and is integrating these recommendations comprehensively into its risk management disclosure framework. The Desjardins Group also continues to adapt its disclosure to comply with the principles of effective risk data aggregation and risk reporting (RDARR), which will strengthen governance as well as risk data aggregation and risk reporting capabilities. Furthermore, the Desjardins Group has developed a resolution plan, detailing the actions to be taken to restore its financial position in the event of a crisis. Although the Desjardins Group has disclosed its capitalization ratios in accordance with the rules of the Basel Committee (Basel III) and as prescribed by the AMF's guidelines for financial services cooperatives regarding standards for the adequacy of the capital base since the first quarter of 2013, the regulatory environment is evolving in particular as regards non-viability contingent capital, liquidity standards, credit risk, market risk, counterparty risk and with respect to bail-in provisions.

On June 13, 2018, the Québec National Assembly passed Bill 141, which applies to all institutions and intermediaries operating in Québec's financial sector. Bill 141 amends a series of laws, including the Constituent Legislation and the Québec Deposit Insurance Act. The Constituent Legislation has been amended to, among other things, prescribe the rules for organizing a network of financial services cooperatives and a financial group, and the rules for issuing capital shares (such as the Federation Capital Shares issued hereunder) and investment shares. Bill 141 also adds a chapter concerning the Groupe coopératif Desjardins, which comprises the Caisses, the Federation and the Fonds de sécurité Desjardins, and repeals and replaces the Mouvement Desjardins Act. The added chapter aims to strengthen financial solidarity mechanisms within the Desjardins Group, among other things. The provisions of Bill 141 applicable to financial services cooperatives came into force on July 13, 2018 (one month after assent), but there are several exceptions. In particular, the new chapter concerning the Groupe coopératif Desjardins which repeals the Mouvement Desjardins Act came into force on December 7, 2018, the date on which the new internal by-law of the Groupe coopératif Desjardins was adopted. See "Changes in the Regulatory Environment" of the Interim MD&A and "Recent Developments". That being said, on July 13, 2018, the significant amendments to the Québec Deposit Insurance Act came into force. Among other things, the Québec Deposit Insurance Act now provides that the AMF, as the resolution authority for financial services cooperatives in Québec, has the power to cancel or convert any part of the Federation's capital shares in certain specified circumstances. On October 25, 2018, the AMF published for comments its draft regulations respecting the resolution of a cooperative group as well as a draft of the guideline on total loss absorbing capacity. The consultation process initiated by the AMF ended on November 23, 2018. The Desjardins Group will continue to monitor developments and expects that a regime similar to the federal recapitalization regime described in "Recent Developments - Recapitalization (Bail-in) Regime of Domestic Systemically Important Banks" will be enacted and implemented. See "Description of Federation Capital Shares - Cancellation and Conversion Measures".

Compliance with the foregoing laws and regulations requires the Federation to incur additional costs and deploy additional resources. The impact of the foregoing laws and regulations on the Federation will, among other things, depend on the Federation's and the Desjardins Group's ability to comply with the new provisions of such laws and regulations.

Competition

The Federation must not only deal with fierce competition between major financial institutions, but also competition from new non-bank players that offer services traditionally provided by financial institutions. The level of competition in the marketplace affects the Federation's performance. The degree of competition in markets in which the Federation operates affects its performance. The competition for clients among financial services companies in the markets in which the Federation operates is intense. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services and changes thereto, the Desjardins Group's reputation, the quality of customer service delivery, technological advances and the conduct and actions of competitors. A deterioration in these factors or loss of market share could have an adverse effect on the Federation's earnings. The Federation's main competitors include the major Canadian banks and insurance companies which do business in all Canadian provinces. Some of the Federation's competitors have greater financial, technical, marketing and other resources and more personnel than the Federation. Other financial services institutions, such as insurance companies and non-financial companies, are increasingly offering services that were traditionally offered by financial services companies. This factor may reduce net interest income or revenues from commission-based products and services and could have an adverse impact on the Federation's earnings.

Ability to Recruit and Retain Key Management Personnel, Including Senior Management

The Federation's future performance depends partly on its ability to recruit and retain key management personnel, including senior management, as there is fierce competition in this area in the financial services industry. The Federation cannot, however, be sure that it will be able to continue to recruit and retain key officers, even though this is one of the objectives of its resources management policies and practices.

Business Infrastructure

Third parties provide some of the essential components of the Federation's business infrastructure, such as Internet connections and network access. Interruptions in network access services or other communication services, as well as in the data provided by such third parties could adversely affect the ability of the subsidiaries and other components controlled by the Federation to offer products and services to customers and to otherwise conduct their business and could damage its reputation.

General Economic and Business Conditions in the Regions in which the Federation Operates

General economic and business conditions in the regions in which the Federation operates (principally within the province of Québec) may significantly affect the Federation's revenues. These conditions include short and long term interest rates, inflation, money market and capital market fluctuations, government expenditures, foreign exchange rates, the stability of various financial markets, including the impact of the continuing volatility in the U.S. subprime and related markets and lack of liquidity in various other financial markets, the strength of the economy, terrorist threats, civil disturbances, the impact of public health emergencies, disruption of public infrastructures and the volume of business the Federation conducts in a given region. These factors affect consumer spending and saving habits and the propensity of consumers to borrow and repay their loans, business investment, public spending, the volume of activity and volatility of financial markets and inflation. Thus, economic decline in a region may lead to higher unemployment, lower household incomes and a reduction in corporate profits, business investment and consumer spending and could have an adverse impact on demand for loans and other products of the subsidiaries and other components controlled by the Federation. Such a situation would also lead to increased provision for credit losses, which would probably result in lower earnings. Meanwhile, a natural disaster could lead to business interruptions and give rise to more insurance claims and actions in damages, which could hurt the Federation's results. In addition, capital markets are generally characterized by numerous interconnections between financial institutions. Consequently, the default of other financial institutions in Canada, the United States or other countries might have an adverse effect on the Federation.

Sufficiency of the Federation's Risk Management Framework

The Federation's risk management framework contains various processes and strategies to manage risk and a framework for the Federation's risk tolerance. Risks faced by the Federation include credit risk, liquidity risk, market risk, operational risk, insurance risk, strategic risk, reputational risk and other risks. There can be no assurance that the Federation's risk management framework, including the underlying assumptions and models, will be effective in all situations and circumstances. If the Federation's risk management framework were found to be ineffective due to changes in the Federation's situation or market or other changes, the Federation could incur unanticipated losses and be seriously affected.

Acquisitions and Strategic Plans

The Federation regularly assesses opportunities to acquire other financial services companies or parts of their business through acquisition strategies of its subsidiaries and other components controlled by the Federation. Although these entities carry out careful due diligence before making an acquisition, it is possible that unanticipated factors may arise and there can be no assurance that these subsidiaries and other components controlled by the Federation will achieve their financial or strategic objectives or will achieve the expected cost savings following acquisitions and despite their integration efforts. The ability of the subsidiaries and other components controlled by the Federation to successfully complete an acquisition is often subject to the approval of the regulatory authorities and the members or shareholders and the Federation cannot be certain when such approval of the regulatory authorities and the members or shareholders will be obtained, nor on what conditions. The financial return also depends on the ability of these entities to execute the strategic plans developed by management. If these plans are not successfully implemented or are modified, the Federation's earnings may grow more slowly or decline.

Other Factors

Other factors that may have an impact on actual results include amendments to government trade policy, the ability of the subsidiaries and other components controlled by the Federation to do more cross-selling to their customers, technological change, the failure of third parties to fulfil their obligations to the subsidiaries and other components controlled by the Federation as regards the management of confidential information, fraud perpetrated by third parties internally or externally, the possible effect on the Federation's business of an epidemic with local, national or global repercussions, a disruption of public infrastructure such as transport, communications, electricity networks or water mains, international conflicts and other political issues, including issues relating to the war on terror, and the extent to which the Federation has been able to anticipate and manage the related risks.

Risks Associated with the Caisses' Business

In the normal course of their business the Caisses are exposed to a variety of risks including credit risk, liquidity risk, market risk and operational risk.

Credit Risk

In the context of the Caisses' business, credit risk is the risk of losses resulting from a borrower's, a guarantor's, an issuer's or a counterparty's failure to honour its contractual obligations, whether or not such obligations appear on the consolidated balance sheets. The Caisses are responsible for the credit risk inherent in their lending business.

Liquidity Risk

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

Market Risk

In the Caisses' areas of business, market risk refers to the risk of changes in the fair value of financial instruments resulting from fluctuations in the parameters affecting that value, in particular, interest rates, exchange rates, credit spreads and their volatility.

(a) Interest rate risk

The Caisses are exposed to interest rate risk primarily through positions taken in the course of their traditional financing and savings recruitment activities. Interest rate risk represents the potential impact of interest rate fluctuations on net interest income and the economic value of equity.

(b) Foreign exchange risk

The Caisses are exposed to foreign exchange risk, primarily on loans and deposits denominated in U.S. dollars.

Operational Risk

Operational risk associated with the Caisses' business is defined as the risk of inadequacy or failure attributable to processes, people, internal systems or external events resulting in losses, failure to achieve objectives or a negative impact on reputation.

The Caisses may be Adversely Affected by Reliance on Information concerning Customers and Counterparties Supplied by such Customers or Counterparties if such Information is Misleading or Incomplete

The Caisses rely on the completeness and accuracy of information concerning customers and counterparties supplied by such customers and counterparties. When deciding to authorize credit or other transactions with customers or counterparties, the Caisses may use information supplied by the customers or counterparties themselves, including financial statements and other financial information. The Caisses may also rely on representations made by customers and counterparties regarding the completeness and accuracy of such

information, and on auditors' reports regarding the financial statements. The Caisses' financial condition and revenues could be adversely affected if they rely on financial statements that do not comply with Canadian generally accepted accounting principles, are misleading or do not present fairly, in all material respects, the financial condition and the results of the operations of customers and counterparties.

The Success of New Products and Services in Retaining or Increasing the Desjardins Group's Market Share Depends in part on the Desjardins Group's Skill in Adapting its Products and Services to Changing Industry Standards

The Desjardins Group's success in retaining or increasing its market share depends partly on its skill in innovating and adapting its products and services to changing standards in the financial services industry and in developing or extending its distribution networks at the right time. Financial services companies are subject to increasing pressure regarding the pricing of their products and services such as the extension of branch opening hours. This factor may reduce net interest income or revenues from commission-based products and services, the Desjardins Group's expenses may rise and net income may suffer. Moreover, the adoption of new technology, including online services, could result in major expenses for the Desjardins Group, as it would be required to modify or adapt its products and services and these technologies could be used in unprecedented ways by ever more sophisticated third parties to try to defraud the Desjardins Group or its customers in various ways. The Desjardins Group may be unable to successfully deploy new products and services, achieve market acceptance, develop and extend its distribution networks, develop its customer base and earn its customers' loyalty.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the securities of the Federation is Desjardins Trust Inc., at its principal office in Montréal.

AUDITOR

The independent auditor of the Federation is PricewaterhouseCoopers LLP, 1250 René Lévesque Boulevard West, Suite 2500, Montréal, Québec H3B 4Y1.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP has advised us that it is independent with respect to the Federation within the meaning of the *Code of ethics of chartered professional accountants* (Québec).

EXEMPTIONS

In connection with this Offering and this Prospectus, the Federation has obtained exemptive relief from certain requirements under the terms of the applicable securities legislation, as described below:

(a) pursuant to section 263 of the Québec *Securities Act* (the "**QSA**") and section 8.1 of Regulation 44-101, exemptive relief from the application of the requirement under s. 2.2(e) of Regulation 44-101 to have its equity securities listed and posted for trading on a short form eligible exchange, allowing the Federation to qualify for the short form prospectus regime;

(b) pursuant to section 263 QSA and section 19.1 of Regulation 41-101, exemptive relief from the application of section 8.2 of Regulation 41-101, allowing the Federation to carry out the distribution of Federation Capital Shares for a period exceeding the maximum period following the date of this short form prospectus, i.e., for a period ending at the earlier of the following dates: (a) 12 months after the date of the receipt for this short form prospectus for the Offering and amendments thereto, or (b) the date of the receipt for a Federation prospectus offering Federation Capital Shares that is filed after the date of the receipt for this short form prospectus for the Offering and amendments thereto;

(c) pursuant to section 263 QSA and section 8.1 of Regulation 44-101, exemptive relief from the application of sections 21.2 and 21.3 of Form 44-101F1, allowing the Federation and DFSF to provide a forward-looking certificate in this short form prospectus; and

(d) pursuant to section 263 QSA and section 5.1(3) of *Regulation 33-105 respecting underwriting conflicts*, ("**Regulation 33-105**"), exemptive relief from the application of section 2.1(2) of Regulation 33-105, allowing DFSF to act as a direct underwriter without the involvement of an independent underwriter, notwithstanding that its related issuer, the Federation, is the issuer of the securities to be distributed.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in the province of Québec provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In the province of Québec, the securities legislation further provides a purchaser with remedies for rescission or, in some cases, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the province of Québec. The purchaser should refer to any applicable provisions of the securities legislation of the province of Québec for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC

December 21, 2018

This short form prospectus, together with the documents incorporated or deemed to be incorporated by reference, will, as of the date of any offering under this short form prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the province of Québec.

(*signed*) GUY CORMIER
President and Chief Executive Officer, Desjardins Group

(*signed*) RÉAL BELLEMARE
Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer, Desjardins Group

On behalf of the Board of Directors

(signed) SERGE ROUSSEAU
Director

(*signed*) JEAN-ROBERT LAPORTE
Director

CERTIFICATE OF DESJARDINS FINANCIAL SERVICES FIRM INC.

December 21, 2018

To our knowledge, this short form prospectus, together with the documents incorporated or deemed to be incorporated by reference, will, as of the date of any offering under this short form prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the province of Québec.

(*signed*) ERIC LACHAINE
President, Desjardins Financial Services Firm Inc.