

2018

ANNUAL REPORT



**Caisse Desjardins de
Montcalm et de la Ouareau**

Head office

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NOTE TO READERS

We've updated our annual report format as at December 31, 2018. This year's report provides a brief overview of our key financial data.

This document complies with the reporting requirements of the *Act respecting financial services cooperatives* and the Autorité des marchés financiers and was approved by the caisse board of directors.

Martine Mercier, Chair
Marcel Lapalme, Secretary

About Caisse Desjardins de Montcalm et de la Ouareau:

- 39,694 members
- \$192,648 given back through our Community Development Fund
- A dynamic management team led by Joël Landry

• Dedicated officers

Martine Mercier	Chair
Karine Laporte	First Vice-Chair
Dominic Majeau	Second Vice-Chair
Marcel Lapalme	Secretary
Alexandre Lemire	Director
Dominic Beaulieu	Director
Elisabeth Sigouin	Director
Flavie Robitaille	Director
Gaston Robert	Director
Gilles Vallières	Director
Jean-Pierre Garceau	Director
Laurier Riopel	Director
Marie-Claude Jolicoeur	Director
Martin Gervais	Director
Valérie Sylvain	Director

Desjardins Group Highlights

- Surplus earnings before member dividends up \$175 million compared to 2017, for a total of \$2,326 million, including:
 - \$1,272 million from Personal and Business Services
 - \$894 million from Wealth Management and Life and Health Insurance
 - \$173 million from Property and Casualty Insurance
- Outstanding loans and acceptances up \$13.1 billion
- \$57.4 billion in assets under management
- 17.3% Tier 1A capital ratio
- 9.3% return on equity compared to 9.1% in 2017
- 8.9% adjusted return on equity compared to 8% in 2017
- Total assets up \$20.4 billion
- \$16,576 million in operating income
- \$389 million given back to members and the community

CAISSE FINANCIALS

- Assets of \$1,517,563K, up 9.5%
- Liabilities of \$1,385,602K, an increase of 9.9%
- Equity of \$131,961K, up 4.9%
 - Capital stock: \$3,276K
 - Distributable surplus earnings: \$20,833K
 - Accumulated other comprehensive income: \$71K
 - Reserves: \$107,781K
 - Stabilization reserve: \$3,941K
 - Reserve for future member dividends: \$578K
 - Community Development Fund: \$978K
- Operating surplus earnings of \$9,820K, up 32.1%
- Total Interest income of \$45,081K, an increase of 20.1%
- Interest expenses of \$20,556K, up 36.3%
- Other income totalling \$10,477K, up 1.3%
- Non-interest expenses of \$23,794K, a decrease of 1.6%

All loans to restricted parties* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$1,529,695.

*Restricted parties include:

- a) Caisse directors and the caisse general manager, including their relatives
- b) The Federation's directors, including their relatives

Investment Funds

The money that caisses invest in these funds allows the Fédération des caisses Desjardins du Québec (the Federation) to invest in Desjardins Group subsidiaries and regional projects. The table below indicates the caisse's interest in each investment fund and the fund's return at the end of the fiscal year.

	Value of shares held as at December 31, 2018 (\$)	Average return (%)
Provincial Funds		
Société de Services des caisses Desjardins (SER)	(454)	0.0
Desjardins Capital Management (INV)	88,823	8.0
Desjardins Financial Holding (FINSA)	35,986,723	11.4

The Federation's obligation to holders of permanent shares

Further to a recommendation issued by the Autorité des marchés financiers, the Federation guarantees that it will indemnify Quebec caisse members holding permanent shares in the event of losses resulting from misinformation in the audited Combined Financial Statements and annual Desjardins Group Management's Discussion and Analysis available at www.sedar.com. The Federation's obligation in this matter is subject to certain conditions. Holders of permanent shares can request more information at their caisse.

The Combined Financial Statements of the Desjardins caisses in Quebec are also available to the public at www.desjardins.com.

SUMMARY OF THE DEPOSIT PORTFOLIO

As at December 31, 2018, the caisse's member deposits totalled \$776,745K, up \$49,368K, or 6.8%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 73.5% of total deposits as at December 31, 2018. The following table shows the breakdown of deposits by type of depositor with amounts by type of savings *.

(in thousands of Canadian dollars)	Checking accounts	Tiered savings accounts	Regular savings accounts	Term savings	Registered savings plans	Total as at December 31 2018	Total as at December 31 2017
Individuals	72,805	75,864	64,079	102,132	256,188	571,068	543,954
Businesses	97,963	8,001	42,239	24,684	-	172,887	151,418
Public sector and other	23,189	2,239	3,433	3,929	-	32,790	32,005
Total	193,957	86,104	109,751	130,745	256,188	776,745	727,377

*See Note 2 to the Combined Financial Statements of the Desjardins caisses in Quebec available at www.desjardins.com for additional information on presentation and significant accounting policies.

SUMMARY OF THE LOAN PORTFOLIO

The information in the table below was determined in accordance with IFRS 9 as at December 31, 2018, and in accordance with IAS 39 as at December 31, 2017. For more information, see Note 2 (Basis of presentation and significant accounting policies) to the Combined Financial Statements of the Desjardins caisses in Quebec for the year ended December 31, 2018, available at www.desjardins.com.

As at December 31, 2018, the quality of the caisse's loan portfolio remained high. Gross impaired loans represented only 0.6% of total gross loans. The table below shows the carrying amount of loans and their allowance balance by stage:

	Non-credit impaired				Credit-impaired		Total		
	Stage 1		Stage 2		Stage 3		Total		Net carrying amount
As at December 31, 2018 (in thousands of Canadian dollars)	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	
Personal									
Residential							707,845		
Consumer and other							205,921		
	865,217	221	43,523	323	5,026	356	913,766	900	912,866
Business									
Commercial and industrial							355,436		
Agriculture, forestry and fishing							76,471		
Public administration and institutions							31,621		
	435,307	311	24,809	366	3,412	550	463,528	1,227	462,301
Total	1,300,524	532	68,332	689	8,438	906	1,377,294	2,127	1,375,167

The following table shows the credit quality of loans:

As at December 31, 2017 (in thousands of Canadian dollars)	Gross loans	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowance	Net loans
Personal						
Residential	658,127					
Consumer and other	193,662					
	851,789	14,788	970	566	431	850,792
Business						
Commercial and industrial	298,294					
Agriculture, forestry and fishing	66,025					
Public administration and institutions	19,122					
	383,441	2,896	959	479	924	382,038
Total	1,235,230	17,684	1,929	1,045	1,355	1,232,830

Further to adoption of IFRS 9 of January 1, 2018, all loans included in Stage 3 of the impairment model are considered impaired. The criteria for considering a loan to be impaired were different under IAS 39.