

# 2018

# ANNUAL REPORT



**Caisse Desjardins Des  
Rivières de Québec**

**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.

Suzanne Canac Marquis, Chair  
Marie-Catherine Paquet, Secretary

### About Caisse Desjardins Des Rivières de Québec:

- 67,132 members
- \$502,660 given back through our Community Development Fund
- A dynamic management team led by Jean-Paul B. Lachapelle

#### • Dedicated officers

Suzanne Canac Marquis	Chair
Christian Lavoie	Vice-Chair
Claude Lantier	Vice-Chair
Marie-Catherine Paquet	Secretary
André Maheux	Director
Éric Bédard	Director
Frédéric Tremblay	Director
Jean-Louis Duchesne	Director
Jean-Yves Parent	Director
Julie Massé	Director
Mélanie Desharnais	Director
Murielle Foucault	Director
Nathalie Gagnon	Director
Nathalie Godin	Director
Paul Gardon	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 \$2,198,115K, up 1.8%
- Liabilities of \$1,995,827K, an increase of 1.4%
- Equity of \$202,288K, up 5.1%
  - Capital stock: \$5,831K
  - Distributable surplus earnings: \$33,471K
  - Accumulated other comprehensive income: \$50K
  - Reserves: \$162,936K
    - Stabilization reserve: \$6,464K
    - Reserve for future member dividends: \$1,499K
    - Community Development Fund: \$2,587K
- Operating surplus earnings of \$15,734K, up 30.3%
- Total Interest income of \$65,324K, an increase of 8.9%
- Interest expenses of \$27,011K, up 11.5%
- Other income totalling \$14,932K, up 2.0%
- Non-interest expenses of \$37,084K, a decrease of 1.3%

All loans to restricted parties\* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$439,335.

\*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 (%)
<b>Provincial Funds</b>		
Société de Services des caisses Desjardins (SER)	(772)	0.0
Desjardins Capital Management (INV)	142,709	8.0
Desjardins Financial Holding (FINSA)	56,751,638	11.5

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

## SUMMARY OF THE DEPOSIT PORTFOLIO

As at December 31, 2018, the caisse's member deposits totalled \$1,809,944K, up \$83,255K, or 4.8%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 75.3% 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	151,619	149,847	174,289	283,876	604,097	1,363,728	1,306,655
Businesses	154,439	12,676	87,106	160,939	-	415,160	389,220
Public sector and other	18,051	997	6,773	5,235	-	31,056	30,814
<b>Total</b>	<b>324,109</b>	<b>163,520</b>	<b>268,168</b>	<b>450,050</b>	<b>604,097</b>	<b>1,809,944</b>	<b>1,726,689</b>

\*See Note 2 to the Combined Financial Statements of the Desjardins caisses in Quebec available at [www.desjardins.com](http://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](http://www.desjardins.com).

As at December 31, 2018, the quality of the caisse's loan portfolio remained high. Gross impaired loans represented only 0.3% 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
<b>As at December 31, 2018</b> (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	
<b>Personal</b>									
Residential							1,027,270		
Consumer and other							238,546		
	1,220,999	259	41,725	335	3,092	302	1,265,816	896	1,264,920
<b>Business</b>									
Commercial and industrial							634,176		
Agriculture, forestry and fishing							37,087		
Public administration and institutions							21,346		
	623,407	335	65,708	245	3,494	1,345	692,609	1,925	690,684
<b>Total</b>	1,844,406	594	107,433	580	6,586	1,647	1,958,425	2,821	1,955,604

The following table shows the credit quality of loans:

<b>As at December 31, 2017</b> (in thousands of Canadian dollars)	Gross loans	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowance	Net loans
<b>Personal</b>						
Residential	991,912					
Consumer and other	246,770					
	1,238,682	20,166	1,267	261	525	1,237,896
<b>Business</b>						
Commercial and industrial	610,761					
Agriculture, forestry and fishing	33,937					
Public administration and institutions	20,313					
	665,011	3,581	6,328	2,638	1,184	661,189
<b>Total</b>	1,903,693	23,747	7,595	2,899	1,709	1,899,085

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.