

2018

ANNUAL REPORT



**Caisse Desjardins des
Versants du mont Royal**

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.

Andrée Lafortune, Chair
Paule Descôteaux, Secretary

About Caisse Desjardins des Versants du mont Royal:

- 31,264 members
- \$45,490 given back through our Community Development Fund
- A dynamic management team led by Pierre Poirier

• Dedicated officers

Andrée Lafortune	Chair
Hélène Savard	Vice-Chair
Paule Descôteaux	Secretary
Léopold Paquet	Director
Louka Kattan-Méthot	Director
Marie Vermette	Director
Marie-Claude Desaulniers	Director
Micheline Fortin	Director
Renaud Lachance	Director
René Saint-Pierre	Director
Serge Lebeau	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 \$1,176,630K, up 13,1%
- Liabilities of \$1,100,111K, an increase of 13,7%
- Equity of \$76,519K, up 5,4%
 - Capital stock: \$2,152K
 - Distributable surplus earnings: \$12,071K
 - Accumulated other comprehensive income: \$(30)K
 - Reserves: \$62,326K
 - Stabilization reserve: \$1,988K
 - Reserve for future member dividends: \$-K
 - Community Development Fund: \$194K
- Operating surplus earnings of \$6,063K, up 33,9%
- Total Interest income of \$32,784K, an increase of 26,2%
- Interest expenses of \$15,772K, up 38,6%
- Other income totalling \$7,657K, up 0,2%
- Non-interest expenses of \$17,759K, an increase of 4,2%

All loans to restricted parties* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$2,257,355.

*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)	(273)	0,0
Desjardins Capital Management (INV)	46,323	8,0
Desjardins Financial Holding (FIN5A)	19,954,726	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. 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 \$665,908K, up \$68,323K, or 11,4%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 73.4% 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	86,290	67,604	99,357	112,939	122,652	488,842	443,701
Businesses	76,424	7,791	32,993	42,557	-	159,765	137,177
Public sector and other	11,649	15	3,726	1,911	-	17,301	16,707
Total	174,363	75,410	136,076	157,407	122,652	665,908	597,585

*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 0,2% 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		Net carrying amount
	Stage 1		Stage 2		Stage 3				
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							501,296		
Consumer and other							240,295		
	707,887	419	33,058	397	646	194	741,591	1,010	740,581
Business									
Commercial and industrial							308,893		
Agriculture, forestry and fishing							74		
Public administration and institutions							5,002		
	292,820	174	19,932	217	1,217	203	313,969	594	313,375
Total	1,000,707	593	52,990	614	1,863	397	1,055,560	1,604	1,053,956

The following table shows the credit quality of loans:

	Gross loans	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowance	Net loans
As at December 31, 2017 (in thousands of Canadian dollars)						
Personal						
Residential	438,616					
Consumer and other	216,246					
	654,862	11,476	270	130	653	654,079
Business						
Commercial and industrial	255,928					
Agriculture, forestry and fishing	400					
Public administration and institutions	4,713					
	261,041	2,435	804	287	475	260,279
Total	915,903	13,911	1,074	417	1,128	914,358

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.