

2018

ANNUAL REPORT



Caisse Desjardins de L'Île-des-Soeurs-Verdun

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.

Claude Chapdelaine, Chair
Marcelle Dupré, Secretary

About Caisse Desjardins de L'Île-des-Sœurs-Verdun:

- 18,946 members
- \$41,163 given back through our Community Development Fund
- A dynamic management team led by Marie-France Boyer

• Dedicated officers

Claude Chapdelaine	Chair
Jacques Grenier	Vice-Chair
Marcelle Dupré	Secretary
André Savard	Director
Damian Marczuk	Director
Danick Charpentier	Director
Judith Guérin	Director
Lise Lachance	Director
Louise Montpetit-Laplane	Director
Mario Martine	Director
Yolaine Gervais	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 \$674,527K, up 4.6%
- Liabilities of \$612,271K, an increase of 4.5%
- Equity of \$62,256K, up 4.7%
 - Capital stock: \$2,464K
 - Distributable surplus earnings: \$10,935K
 - Accumulated other comprehensive income: \$69K
 - Reserves: \$48,788K
 - Stabilization reserve: \$2,397K
 - Reserve for future member dividends: \$1,149K
 - Community Development Fund: \$497K
- Operating surplus earnings of \$3,787K, up 25.6%
- Total Interest income of \$18,477K, an increase of 17.6%
- Interest expenses of \$7,867K, up 25.8%
- Other income totalling \$4,512K, up 1.3%
- Non-interest expenses of \$10,933K, an increase of 0.6%

All loans to restricted parties* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$865,125.

* 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)	(329)	0.0
Desjardins Capital Management (INV)	59,951	8.0
Desjardins Financial Holding (FINSA)	21,846,712	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 \$464,305K, up \$43,127K, or 10.2%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 71.5% 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	60,674	35,542	58,761	76,506	100,696	332,179	313,087
Businesses	36,853	9,290	20,274	50,014	-	116,431	93,363
Public sector and other	6,205	4,159	2,275	3,056	-	15,695	14,728
Total	103,732	48,991	81,310	129,576	100,696	464,305	421,178

*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 0.3% 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				
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	Net carrying amount
Personal									
Residential							328,423		
Consumer and other							125,378		
	433,330	143	19,666	237	805	124	453,801	504	453,297
Business									
Commercial and industrial							133,905		
Agriculture, forestry and fishing							32		
Public administration and institutions							8,615		
	133,108	74	8,574	94	870	140	142,552	308	142,244
Total	566,438	217	28,240	331	1,675	264	596,353	812	595,541

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	308,487					
Consumer and other	113,087					
	421,574	7,779	499	24	253	421,297
Business						
Commercial and industrial	130,444					
Agriculture, forestry and fishing	202					
Public administration and institutions	8,859					
	139,505	1,231	849	337	250	138,918
Total	561,079	9,010	1,348	361	503	560,215

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.