

2018

ANNUAL REPORT



**Caisse Desjardins du
Centre-est de Montréal**

Head office

6955, rue Jean-Talon Est
Montréal (Québec) H1S 1N2
514 725-5050

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.

Alain Fredette, Chair
Isabelle Gagnon, Secretary

About Caisse Desjardins du Centre-est de Montréal:

- 77,574 members
- \$132,925 given back through our Community Development Fund
- A dynamic management team led by Michel Gamelin

• Dedicated officers

Alain Fredette	Chair
Michel Tourangeau	Vice-Chair
Isabelle Gagnon	Secretary
Claudia Garone	Director
Daniel Bilodeau	Director
Giuseppe Leuzzi	Director
Jonathan Lalonde	Director
Joseph Loiacono	Director
Marie-Claude Beaudin	Director
Marie-Lou Philie-Noël	Director
Mario Duchesne	Director
Michel Séguin	Director
Nedgy Augustin	Director
Nicole Blanchette	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 \$2,569,317K, up 4.0%
- Liabilities of \$2,292,242K, an increase of 3.8%
- Equity of \$277,075K, up 5.6%
 - Capital stock: \$8,508K
 - Distributable surplus earnings: \$47,895K
 - Accumulated other comprehensive income: \$354K
 - Reserves: \$220,318K
 - Stabilization reserve: \$8,871K
 - Reserve for future member dividends: \$5,000K
 - Community Development Fund: \$970K
- Operating surplus earnings of \$19,573K, up 52.7%
- Total Interest income of \$70,992K, an increase of 13.8%
- Interest expenses of \$27,920K, up 19.8%
- Other income totalling \$16,700K, up 0.5%
- Non-interest expenses of \$40,093K, a decrease of 5.0%

All loans to restricted parties* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$661,362.

*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)	(1,379)	0.0
Desjardins Capital Management (INV)	238,337	8.0
Desjardins Financial Holding (FINSA)	90,118,682	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 \$1,873,326K, up \$57,313K, or 3.2%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 83.4% 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	295,661	162,010	208,785	385,871	510,568	1,562,895	1,494,623
Businesses	104,329	17,411	83,798	69,243	-	274,781	278,411
Public sector and other	20,509	502	11,062	3,577	-	35,650	42,979
Total	420,499	179,923	303,645	458,691	510,568	1,873,326	1,816,013

*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		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							1,228,560		
Consumer and other							439,510		
	1,584,712	394	78,831	577	4,527	373	1,668,070	1,344	1,666,726
Business									
Commercial and industrial							586,639		
Agriculture, forestry and fishing							15		
Public administration and institutions							9,405		
	546,299	233	47,085	318	2,675	648	596,059	1,199	594,860
Total	2,131,011	627	125,916	895	7,202	1,021	2,264,129	2,543	2,261,586

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	1,180,282					
Consumer and other	413,548					
	1,593,830	22,509	950	649	757	1,592,424
Business						
Commercial and industrial	528,883					
Agriculture, forestry and fishing	-					
Public administration and institutions	10,392					
	539,275	1,965	656	966	841	537,468
Total	2,133,105	24,474	1,606	1,615	1,598	2,129,892

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.