

2018

ANNUAL REPORT



**Caisse Desjardins du
Nord de Laval**

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.

Stéphane Corbeil, Chair
Alexandre Jarry, Secretary

About Caisse Desjardins du Nord de Laval:

- 24,589 members
- \$91,592 given back through our Community Development Fund
- A dynamic management team led by Guy Benoit

• Dedicated officers

Stéphane Corbeil	Chair
Hubert Bernatchez	Vice-Chair
Alexandre Jarry	Secretary
Edith Lauzon	Director
Jean Boisvert	Director
Jean-Pierre Nadeau	Director
Mario Gebrayel	Director
Michel Beaumont	Director
Serge Bouchard	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 \$776,326K, up 4,3%
- Liabilities of \$706,323K, an increase of 4,2%
- Equity of \$70,003K, up 4,9%
 - Capital stock: \$2,561K
 - Distributable surplus earnings: \$11,020K
 - Accumulated other comprehensive income: \$(26)K
 - Reserves: \$56,448K
 - Stabilization reserve: \$2,009K
 - Reserve for future member dividends: \$1,533K
 - Community Development Fund: \$74K
- Operating surplus earnings of \$5,354K, up 54,3%
- Total Interest income of \$21,609K, an increase of 15,1%
- Interest expenses of \$8,629K, up 13,2%
- Other income totalling \$5,431K, up 3,7%
- Non-interest expenses of \$12,920K, an increase of 1,7%

All loans to restricted parties* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$3,927,126.

*Restricted parties include:

- Caisse directors and the caisse general manager, including their relatives
- 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)	(239)	0,0
Desjardins Capital Management (INV)	48,222	8,0
Desjardins Financial Holding (FIN5A)	18,216,721	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 \$649,617K, up \$10,878K, or 1,7%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 80.8% 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	67,911	51,601	75,048	113,526	216,883	524,969	516,661
Businesses	43,754	9,889	24,915	29,294	-	107,852	105,785
Public sector and other	8,704	60	4,470	3,562	-	16,796	16,293
Total	120,369	61,550	104,433	146,382	216,883	649,617	638,739

*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		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							458,871		
Consumer and other							112,336		
	541,088	125	28,521	208	1,598	197	571,207	530	570,677
Business									
Commercial and industrial							115,539		
Agriculture, forestry and fishing							823		
Public administration and institutions							258		
	101,137	49	15,128	124	355	103	116,620	276	116,344
Total	642,225	174	43,649	332	1,953	300	687,827	806	687,021

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	435,399					
Consumer and other	113,753					
	549,152	18,628	1,026	169	344	548,639
Business						
Commercial and industrial	95,553					
Agriculture, forestry and fishing	824					
Public administration and institutions	-					
	96,377	425	81	8	209	96,160
Total	645,529	19,053	1,107	177	553	644,799

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.