

2018

ANNUAL REPORT



**Caisse Desjardins Charles-
LeMoyne**

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.

Lisa Baillargeon, Chair
Danielle Latour, Secretary

About Caisse Desjardins Charles-LeMoyne:

- 19,207 members
- \$103,121 given back through our Community Development Fund
- A dynamic management team led by Manon Seery

• Dedicated officers

Lisa Baillargeon	Chair
Antonin Roy	Vice-Chair
Danielle Latour	Secretary
Alain Desgagné	Director
Audrée Lirette	Director
Claude Panneton	Director
Germen Brière	Director
Loïc Blancquaert	Director
Yolaine Lapointe	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 \$619,191K, up 7.7%
- Liabilities of \$556,989K, an increase of 7.9%
- Equity of \$62,202K, up 5.8%
 - Capital stock: \$2,070K
 - Distributable surplus earnings: \$10,128K
 - Accumulated other comprehensive income: \$81K
 - Reserves: \$49,923K
 - Stabilization reserve: \$1,988K
 - Reserve for future member dividends: \$1,308K
 - Community Development Fund: \$135K
- Operating surplus earnings of \$3,889K, up 56.7%
- Total Interest income of \$16,396K, an increase of 14.5%
- Interest expenses of \$5,998K, up 13.7%
- Other income totalling \$4,435K, up 4.3%
- Non-interest expenses of \$10,590K, an increase of 1.1%

All loans to restricted parties* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$165,001.

*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)	(297)	0.0
Desjardins Capital Management (INV)	52,952	8.0
Desjardins Financial Holding (FINSA)	19,443,836	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 \$537,992K, up \$65,412K, or 13.8%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 78.5% 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	56,897	41,586	96,532	92,995	134,407	422,417	375,851
Businesses	41,598	8,581	35,496	16,130	-	101,805	88,561
Public sector and other	9,708	66	3,538	458	-	13,770	8,168
Total	108,203	50,233	135,566	109,583	134,407	537,992	472,580

*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 0.4% 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							305,432		
Consumer and other							91,111		
	377,439	104	17,773	145	1,331	109	396,543	358	396,185
Business									
Commercial and industrial							124,648		
Agriculture, forestry and fishing							1,648		
Public administration and institutions							42		
	118,250	57	7,494	33	594	164	126,338	254	126,084
Total	495,689	161	25,267	178	1,925	273	522,881	612	522,269

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	281,165					
Consumer and other	83,341					
	364,506	5,568	200	75	170	364,261
Business						
Commercial and industrial	114,731					
Agriculture, forestry and fishing	1,835					
Public administration and institutions	10					
	116,576	1,723	575	299	214	116,063
Total	481,082	7,291	775	374	384	480,324

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.