

2018

ANNUAL REPORT



**Caisse Desjardins du
Coeur-des-vallées**

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.

Jean-Claude Pelletier, Chair
Denis Bédard, Secretary

About Caisse Desjardins du Coeur-des-vallées:

- 23,384 members
- \$145,612 given back through our Community Development Fund
- A dynamic management team led by Philippe Harkins

• Dedicated officers

Jean-Claude Pelletier	Chair
Pierre Perras	Vice-Chair
Denis Bédard	Secretary
Annie Boucher	Director
Edmond Leclerc	Director
Ghislain Guindon	Director
Guyline St-Amour	Director
Hugo Blais	Director
Jasmin Gibeau	Director
Lucie Bourassa	Director
Magaly-Jade Boyer	Director
Maude Raby-Morin	Director
Normand Achim	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 \$846,727K, up 0.7%
- Liabilities of \$765,698K, an increase of 0.4%
- Equity of \$81,029K, up 3.3%
 - Capital stock: \$3,355K
 - Distributable surplus earnings: \$12,066K
 - Accumulated other comprehensive income: \$19K
 - Reserves: \$65,589K
 - Stabilization reserve: \$2,556K
 - Reserve for future member dividends: \$2,083K
 - Community Development Fund: \$358K
- Operating surplus earnings of \$4,851K, up 34.2%
- Total Interest income of \$25,878K, an increase of 11.5%
- Interest expenses of \$12,629K, up 13.4%
- Other income totalling \$6,609K, up 2.1%
- Non-interest expenses of \$14,230K, a decrease 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 \$465,558.

*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)	(303)	0.0
Desjardins Capital Management (INV)	56,234	8.0
Desjardins Financial Holding (FINSA)	22,081,287	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 \$521,402K, down \$6,759K, or 1.3%, 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	62,497	32,649	41,394	99,732	146,220	382,492	362,966
Businesses	47,300	9,313	31,426	40,970	-	129,009	154,475
Public sector and other	6,933	38	2,050	880	-	9,901	10,720
Total	116,730	42,000	74,870	141,582	146,220	521,402	528,161

*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							456,965		
Consumer and other							109,172		
	539,832	146	24,952	222	1,353	84	566,137	452	565,685
Business									
Commercial and industrial							176,172		
Agriculture, forestry and fishing							3,749		
Public administration and institutions							5,559		
	171,216	88	13,283	103	981	399	185,480	590	184,890
Total	711,048	234	38,235	325	2,334	483	751,617	1,042	750,575

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	451,454					
Consumer and other	108,943					
	560,397	17,002	592	96	321	559,980
Business						
Commercial and industrial	174,197					
Agriculture, forestry and fishing	3,885					
Public administration and institutions	5,229					
	183,311	1,341	995	120	347	182,844
Total	743,708	18,343	1,587	216	668	742,824

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.