

2018

ANNUAL REPORT



Caisse Desjardins de Saint-Eustache–Deux-Montagnes

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.

Roland Tourangeau, Chair
Benoit Bélanger, Vice-Chair

About Caisse Desjardins de Saint-Eustache-Deux-Montagnes:

- 39,802 members
- \$285,361 given back through our Community Development Fund
- A dynamic management team led by Neil Hawthorn

• Dedicated officers

Roland Tourangeau	Chair
Benoit Bélanger	Vice-Chair
Michel Rousseau	Secretary
Geneviève Goyer	Director
Ghislain Guindon	Director
Kim Paquette	Director
Manon Chatelois	Director
Maxime Constantin	Director
Michel Beauchemin	Director
Véronique Leblanc	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 \$1,229,116K, up 6.2%
- Liabilities of \$1,121,984K, an increase of 6.5%
- Equity of \$107,132K, up 3.8%
 - Capital stock: \$3,776K
 - Distributable surplus earnings: \$17,759K
 - Accumulated other comprehensive income: \$(47)K
 - Reserves: \$85,644K
 - Stabilization reserve: \$4,152K
 - Reserve for future member dividends: \$680K
 - Community Development Fund: \$847K
- Operating surplus earnings of \$7,574K, up 20.2%
- Total Interest income of \$33,942K, an increase of 15.1%
- Interest expenses of \$13,428K, up 21.7%
- Other income totalling \$9,666K, up 0.5%
- Non-interest expenses of \$22,068K, an increase of 3.5%

All loans to restricted parties* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$970,023.

* 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)	(412)	0.0
Desjardins Capital Management (INV)	84,723	8.0
Desjardins Financial Holding (FINSA)	31,313,488	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 \$913,545K, up \$67,563K, or 8.0%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 81.4% 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	103,357	68,002	107,595	142,329	322,547	743,830	691,580
Businesses	73,153	15,634	31,260	15,846	-	135,893	127,414
Public sector and other	22,066	24	7,947	3,785	-	33,822	26,988
Total	198,576	83,660	146,802	161,960	322,547	913,545	845,982

*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 0.2% 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							671,478		
Consumer and other							218,057		
	856,516	210	31,505	229	1,514	162	889,535	601	888,934
Business									
Commercial and industrial							147,676		
Agriculture, forestry and fishing							44,741		
Public administration and institutions							3,748		
	181,358	97	13,900	98	907	101	196,165	296	195,869
Total	1,037,874	307	45,405	327	2,421	263	1,085,700	897	1,084,803

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	611,364					
Consumer and other	208,896					
	820,260	20,719	634	166	384	819,710
Business						
Commercial and industrial	118,152					
Agriculture, forestry and fishing	55,057					
Public administration and institutions	8,907					
	182,116	2,024	1,495	159	295	181,662
Total	1,002,376	22,743	2,129	325	679	1,001,372

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.