

2018

ANNUAL REPORT



**Caisse populaire Desjardins
Canadienne Italienne**

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.

Raffaele Di Lillo, Chair
Claude Gobeil, Secretary

About Caisse populaire Desjardins Canadienne Italienne:

- 23,749 members
- \$36,450 given back through our Community Development Fund
- A dynamic management team led by Mariano A. De Carolis

• Dedicated officers

Raffaele Di Lillo	Chair
Elio Cerundolo	Vice-Chair
Claude Gobeil	Secretary
Anna Cortina	Director
Carmine Mercadante	Director
Carole Gagliardi	Director
Michael Di Grappa	Director
Nicodemo Panetta	Director
Robert Guerriero	Director
Serge Branconnier	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 \$1,091,247K, up 4,5%
- Liabilities of \$987,815K, an increase of 4,2%
- Equity of \$103,432K, up 7,0%
 - Capital stock: \$1,873K
 - Distributable surplus earnings: \$16,334K
 - Accumulated other comprehensive income: \$2K
 - Reserves: \$85,223K
 - Stabilization reserve: \$2,075K
 - Reserve for future member dividends: \$3,367K
 - Community Development Fund: \$140K
- Operating surplus earnings of \$8,855K, up 63,8%
- Total Interest income of \$29,624K, an increase of 20,1%
- Interest expenses of \$11,017K, up 21,6%
- Other income totalling \$5,717K, up 2,1%
- Non-interest expenses of \$15,251K, a decrease of 1,6%

All loans to restricted parties* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$3,119,358.

*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)	(372)	0,0
Desjardins Capital Management (INV)	66,094	8,0
Desjardins Financial Holding (FIN5A)	26,311,305	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 \$878,981K, up \$37,617K, or 4,5%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 70.9% 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	165,886	23,940	68,743	216,380	148,147	623,096	601,698
Businesses	64,519	7,476	41,264	130,010	-	243,269	229,012
Public sector and other	5,878	25	1,014	5,699	-	12,616	10,654
Total	236,283	31,441	111,021	352,089	148,147	878,981	841,364

*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 0,6% 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							414,715		
Consumer and other							270,577		
	640,643	177	40,441	331	4,208	267	685,292	775	684,517
Business									
Commercial and industrial							241,144		
Agriculture, forestry and fishing							6		
Public administration and institutions							3,811		
	224,215	95	19,714	132	1,032	229	244,961	456	244,505
Total	864,858	272	60,155	463	5,240	496	930,253	1,231	929,022

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	405,842					
Consumer and other	248,077					
	653,919	18,277	1,342	79	337	653,503
Business						
Commercial and industrial	214,118					
Agriculture, forestry and fishing	-					
Public administration and institutions	4,183					
	218,301	1,681	476	245	366	217,690
Total	872,220	19,958	1,818	324	703	871,193

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.