

# 2018

# ANNUAL REPORT



**Caisse Desjardins du  
Lac-Memphrémagog**

**Head office**

230, rue Principale Ouest  
Magog (Québec) J1X 2A5  
819 843-3328

## 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.

Maxime Ferland, Chair  
Anne-Marie Grenier, Secretary

### About Caisse Desjardins du Lac-Memphrémagog:

- 31,599 members
- \$440,478 given back through our Community Development Fund
- A dynamic management team led by Patrick Gravel

#### • Dedicated officers

|                    |            |
|--------------------|------------|
| Maxime Ferland     | Chair      |
| Maxime Langlois    | Vice-Chair |
| Anne-Marie Grenier | Secretary  |
| Charles Métivier   | Director   |
| Christine Allard   | Director   |
| Daniel Boisclair   | Director   |
| Danielle Bolduc    | Director   |
| Gaétan Giguère     | Director   |
| Jocelyne Pellerin  | Director   |
| Louise Côté        | Director   |
| Michel Lafleur     | Director   |
| Olivier Désilets   | 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 \$952,389K, up 5.5%
- Liabilities of \$843,499K, an increase of 5.2%
- Equity of \$108,890K, up 7.6%
  - Capital stock: \$3,731K
  - Distributable surplus earnings: \$16,234K
  - Accumulated other comprehensive income: \$68K
  - Reserves: \$88,857K
    - Stabilization reserve: \$3,288K
    - Reserve for future member dividends: \$-K
    - Community Development Fund: \$981K
- Operating surplus earnings of \$8,058K, up 24.9%
- Total Interest income of \$28,080K, an increase of 14.7%
- Interest expenses of \$9,405K, up 23.7%
- Other income totalling \$7,168K, down 0.4%
- Non-interest expenses of \$17,012K, an increase of 0.7%

All loans to restricted parties\* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$826,300.

\*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 (%) |
|--|---|--------------------|
| <b>Provincial Funds</b>                          |   |                    |
| Société de Services des caisses Desjardins (SER) | (378)   | 0.0                |
| Desjardins Capital Management (INV)              | 72,527  | 8.0                |
| Desjardins Financial Holding (FINSA)             | 27,480,973  | 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](http://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](http://www.desjardins.com).

## SUMMARY OF THE DEPOSIT PORTFOLIO

As at December 31, 2018, the caisse's member deposits totalled \$707,448K, up \$51,974K, or 7.9%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 77.4% 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                        | 83,893            | 67,142                  | 81,271                   | 100,169        | 215,397                  | 547,872                      | 507,158                      |
| Businesses                         | 84,391            | 10,316                  | 30,000                   | 10,670         | -                        | 135,377                      | 126,692                      |
| Public sector and other            | 15,061            | 35                      | 4,334                    | 4,769          | -                        | 24,199                       | 21,624                       |
| <b>Total</b>                       | <b>183,345</b>    | <b>77,493</b>           | <b>115,605</b>           | <b>115,608</b> | <b>215,397</b>           | <b>707,448</b>               | <b>655,474</b>               |

\*See Note 2 to the Combined Financial Statements of the Desjardins caisses in Quebec available at [www.desjardins.com](http://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](http://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               |                             |                       |                             |                     |
| <b>As at December 31, 2018</b><br>(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 |                     |
| <b>Personal</b>  |                       |                             |                       |                             |                       |                             |                       |                             |                     |
| Residential  |                       |                             |                       |                             |                       |                             | 427,202               |                             |                     |
| Consumer and other   |                       |                             |                       |                             |                       |                             | 155,952               |                             |                     |
|  | 554,454               | 169                         | 27,514                | 360                         | 1,186                 | 82                          | 583,154               | 611                         | 582,543             |
| <b>Business</b>  |                       |                             |                       |                             |                       |                             |                       |                             |                     |
| Commercial and industrial  |                       |                             |                       |                             |                       |                             | 188,987               |                             |                     |
| Agriculture, forestry and fishing                                    |                       |                             |                       |                             |                       |                             | 57,112                |                             |                     |
| Public administration and institutions                               |                       |                             |                       |                             |                       |                             | 7,843                 |                             |                     |
|  | 228,403               | 145                         | 24,328                | 215                         | 1,211                 | 294                         | 253,942               | 654                         | 253,288             |
| <b>Total</b>   | <b>782,857</b>        | <b>314</b>                  | <b>51,842</b>         | <b>575</b>                  | <b>2,397</b>          | <b>376</b>                  | <b>837,096</b>        | <b>1,265</b>                | <b>835,831</b>      |

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      |
|--|----------------|---------------------------------------|----------------------|-----------------------|----------------------|----------------|
| <b>As at December 31, 2017</b><br>(in thousands of Canadian dollars) |                |                                       |                      |                       |                      |                |
| <b>Personal</b>  |                |                                       |                      |                       |                      |                |
| Residential  | 396,141        |                                       |                      |                       |                      |                |
| Consumer and other   | 156,315        |                                       |                      |                       |                      |                |
|  | 552,456        | 11,241                                | 870                  | 230                   | 310                  | 551,916        |
| <b>Business</b>  |                |                                       |                      |                       |                      |                |
| Commercial and industrial  | 171,190        |                                       |                      |                       |                      |                |
| Agriculture, forestry and fishing                                    | 48,911         |                                       |                      |                       |                      |                |
| Public administration and institutions                               | 6,069          |                                       |                      |                       |                      |                |
|  | 226,170        | 1,497                                 | 894                  | 312                   | 532                  | 225,326        |
| <b>Total</b>   | <b>778,626</b> | <b>12,738</b>                         | <b>1,764</b>         | <b>542</b>            | <b>842</b>           | <b>777,242</b> |

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.