

# 2018

# ANNUAL REPORT



**Caisse Desjardins de l'Éducation**

**Head office**

9405, rue Sherbrooke Est  
Montréal (Québec) H1L 6P3  
877 442-3382

## 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.

Michèle Grenier, Chair  
Marc Méthot, Secretary

### About Caisse Desjardins de l'Éducation:

- 19,119 members
- \$3,147 given back through our Community Development Fund
- A dynamic management team led by Johnny Roy

### • Dedicated officers

Michèle Grenier	Chair
Hélène Gignac	Vice-Chair
Marc Méthot	Secretary
André Massé	Director
Daniel Tur	Director
Frédéric Renaud	Director
Guy Pepin	Director
Jean-Pierre Auclair	Director
Josette De La Fontaine	Director
Pierre Côté	Director
Sébastien Potvin	Director
Simon Bernier	Director
Sylvie Thériault	Director
Wilfrid L'Italien	Director
Luc Beauregard	Administrateur

### 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 \$579,520K, down 2.7%
- Liabilities of \$537,657K, a decrease of 3.2%
- Equity of \$41,863K, up 4.1%
  - Capital stock: \$1,988K
  - Distributable surplus earnings: \$6,442K
  - Accumulated other comprehensive income: \$(126)K
  - Reserves: \$33,559K
    - Stabilization reserve: \$1,819K
    - Reserve for future member dividends: \$-K
    - Community Development Fund: \$188K
- Operating surplus earnings of \$2,446K, up 45.6%
- Total Interest income of \$16,721K, an increase of 5.0%
- Interest expenses of \$6,973K, up 8.6%
- Other income totalling \$3,765K, up 7.9%
- Non-interest expenses of \$10,871K, a decrease of 3.2%

All loans to restricted parties\* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$1,169,515.

\*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)	(231)	0.0
Desjardins Capital Management (INV)	45,471	8.0
Desjardins Financial Holding (FINSA)	13,552,245	11.7

### 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 \$514,941K, up \$29,215K, or 6.0%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 79.1% 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	53,366	30,929	56,745	63,301	203,093	407,434	414,034
Businesses	17,199	7,350	8,851	56,776	-	90,176	55,434
Public sector and other	6,533	2,934	3,219	4,645	-	17,331	16,258
<b>Total</b>	<b>77,098</b>	<b>41,213</b>	<b>68,815</b>	<b>124,722</b>	<b>203,093</b>	<b>514,941</b>	<b>485,726</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		
	Stage 1		Stage 2		Stage 3				
<b>As at December 31, 2018</b> (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	Net carrying amount
<b>Personal</b>									
Residential							388,423		
Consumer and other							92,256		
	461,023	104	18,642	132	1,014	78	480,679	314	480,365
<b>Business</b>									
Commercial and industrial							26,017		
Agriculture, forestry and fishing							-		
Public administration and institutions							1,346		
	27,052	6	-	-	311	34	27,363	40	27,323
<b>Total</b>	488,075	110	18,642	132	1,325	112	508,042	354	507,688

The following table shows the credit quality of loans:

<b>As at December 31, 2017</b> (in thousands of Canadian dollars)	Gross loans	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowance	Net loans
<b>Personal</b>						
Residential	400,491					
Consumer and other	93,141					
	493,632	12,343	469	59	218	493,355
<b>Business</b>						
Commercial and industrial	27,707					
Agriculture, forestry and fishing	-					
Public administration and institutions	1,715					
	29,422	-	351	5	42	29,375
<b>Total</b>	523,054	12,343	820	64	260	522,730

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.