



Desjardins
Caisse de l'Éducation

**When you choose
Desjardins,**
you're making
change happen.



2017 Annual Report

Message from the Board of Directors

On behalf of our officers, I'm pleased to present this review of 2017 for Caisse Desjardins de l'Éducation.

This is the first annual general meeting of the new Caisse Desjardins de l'Éducation, which was created from Caisse d'économie Strathcona and Caisse d'économie Laurentienne. Joining forces has enabled us to enhance the economic and social vibrancy of our community and offer our members a higher level of expertise. Once again, we would like to thank you for helping make this merger a success.

A driver of sustainability

In 2017, our caisse posted operating surplus earnings of \$1.681 million. These results are an indicator of your loyalty and our sound caisse management. By choosing the caisse's products and services, you have a direct positive impact on our profitability.

A community partner

At Caisse Desjardins de l'Éducation, we enrich the lives of members who are active in the community through our collective dividend. Last year, we gave back over \$60,000 in donations and sponsorships, including support for Université de Montréal's graduate exhibition for special education majors.

Changes to the caisse and its service centres

Caisse officers must humbly and respectfully carry out one mandate: to provide quality service and personalized products to all our members.

We must also ensure sound and prudent management of our members' assets. We generate surpluses in part when members use our services, so surpluses rightfully belong to members. Sound and prudent management sometimes means making difficult decisions, like the one we made to overhaul our service offer. This decision wasn't taken lightly. We arrived at it after carefully reviewing reports and having countless discussions. It was also based in part on usage data. This difficult choice will help us ensure that our cooperative remains competitive and keeps pace with members' changing habits.

I know these changes will affect how some of our members do business with us, and that's why we've developed solutions with them in mind. Because we'll now be providing advisory services remotely, we've extended our phone hours until 10:00 p.m. on weeknights and 4:00 p.m. on weekends and holidays. Many transactions can now be completed over the phone, and advisory services can also be provided by phone or online meeting. Rest assured we will continue to be there for all our members and assist them with all their financial needs.

Heartfelt thanks

I would like to thank everyone who is committed to the caisse, including our officers, managers and employees. Under Johnny Roy's strong leadership, their work, skills and remarkable adaptability have allowed the cooperative to meet your needs more efficiently and effectively than ever. Thanks also to our Desjardins partners for supporting our mission to serve our members.

Lastly, I'd like to thank our 19,419 members for placing their trust in us. Choosing Desjardins is more than choosing a financial institution. It means taking part in a great cooperative movement and helping contribute actively to the lives of people and communities.

Michèle Grenier

Chair of the Board of Directors



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Message from the General Manager

Below are the detailed financial results of Caisse Desjardins de l'Éducation and the share of net income from business at Desjardins Group subsidiaries as at December 31, 2017.

We owe these results to your trust in us and your commitment to the caisse. Thanks to the loyalty of our members, we can support our business development and help strengthen our community.

Business under management

With a solid business volume under management of \$1.295 million, up 5.7% from 2016, the caisse is very well positioned in its market. Through its membership in Desjardins Group and participation in Desjardins Group subsidiaries, the caisse has access to a wide range of financial products and services to meet the ever-growing needs of its members.

COMMENTS ON THE FINANCIAL REPORT

These comments are an overview of the financial report, available upon request and on the caisse's website. The Combined Financial Statements of the Desjardins Caisses in Quebec are also made available to the public at www.desjardins.com.

Balance sheet

Your financial cooperative's assets total \$595.7 million, down 0.6% from last year. Loans to individuals and businesses stand at \$523 million, a decrease of 1.2%.

The caisse's liabilities total \$555.5 million, representing a decrease of 1%. Deposits currently amount to \$485.7 million, up 2.8%, whereas your caisse's borrowing decreased by 24.7% and now totals \$60 million.

As at December 31, 2017, your cooperative's equity increased by 5.1% to \$40.2 million. Equity comprised \$2.959 million in social capital, \$1.487 million in surplus earnings to be distributed, \$1.111 million in accumulated other comprehensive income and \$34.647 million in reserves. Your caisse has \$1.862 million in its stabilization reserve and \$152,000 in its reserve for future dividends. Your caisse has also accumulated \$191,000 in its Community Development Fund.

The caisse's capital base is at a level in accordance with the standard respecting capital base adequacy established by the Fédération des caisses du Québec.

RATIOS OF CAPITAL BASE	December 31, 2017	December 31, 2016	Minimum standard
Tier 1A capital over risk assets	18.84%	11.15%	11.0%
Tier 1 capital over expansion assets	3.84%	2.81%	3.5%

Statement of Income

During the last fiscal year, your caisse generated \$1.681 million in operating surpluses compared to a \$121,000 deficit the previous year.

Interest income totalled \$15.925 million, down 4.9% from last year. Interest expense decreased by 5.5% to \$6.422 million. Other income, generated largely from the distribution of Desjardins products and services, totalled \$3.488 million, up 0.3% compared to last year.

The provision for credit losses was \$77,791 or 0.01% of the entire portfolio of loans granted to individual members and businesses.

Non-interest expense showed a major decrease overall of 9.1% and totalled \$11.233 million.

The 2017 results prompted us to make prudent decisions to maintain the quality of our services. For this reason, we decided not to distribute dividends. We reached this decision after serious consideration with a view to maintaining the sound and prudent management of our caisse.

Like Desjardins Group as a whole, your caisse must maintain strong capitalization. By maintaining a balance between member needs and financial market requirements, we can ensure the sustainable development of the caisse.

One of the topics addressed at the last Desjardins Group Congress was changes to member dividends. It was decided that starting in 2019, dividends will be calculated based on your annual use of a wider range of Desjardins products and services, such as, credit cards and insurance.

Putting our passion to work for you

Our 64 employees are here to help you reach your goals. I'd like to thank them for their commitment and engagement and for choosing to work for Desjardins.

Thank you also to the caisse officers, who sincerely care about Desjardins, their community and their region. The time and energy you invest is essential to vitalizing our area.

Choosing Desjardins means working together to build a more vibrant community!

Johnny Roy
General Manager



THE FEDERATION'S OBLIGATION TO HOLDERS OF PERMANENT SHARES

Further to a recommendation of the Autorité des marchés financiers, the Fédération des caisses Desjardins du Québec guarantees to cover losses suffered by Quebec caisse members holding permanent shares due to 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.

ADDITIONAL INFORMATION FOR THE ANNUAL REPORT



Summary of the loan portfolio

As at December 31, 2017, the caisse's loan portfolio continued to be of high quality. Gross loans past due but not impaired, as well as gross impaired loans, accounted for only 2.4% and 0.2% of gross loans, respectively.

The following table shows the breakdown of loans by type of borrower with the amount of gross loans past due but not impaired, gross impaired loans, and individual and collective allowances.*

SUMMARY OF THE LOAN PORTFOLIO (IN THOUSANDS OF CANADIAN DOLLARS)	Gross loans	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowance	Net loans as at December 31,	
						2017	2016
PERSONAL							
Housing	\$400,490						
Consumer and other	93,142						
Subtotal	\$493,632	\$12,343	\$469	\$59	\$218	\$493,355	\$496,597
BUSINESS							
Commercial and industrial	\$27,707						
Agriculture, forestry and fishing	—						
Public administration and institutions	1,715						
Subtotal	\$29,422	\$—	\$351	\$5	\$42	\$29,375	\$31,790
TOTAL	\$523,054	\$12,343	\$820	\$64	\$260	\$522,730	\$528,387

* 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 deposit portfolio

As at December 31, 2017, the caisse's member deposits totalled \$485.726 million, up 2.8% since the end of last year. It should be noted that the caisse's main source of funding for its expansion comes from deposits made by individuals. These deposits represent 85.2% of total deposits as at December 31, 2017.

The following table shows the breakdown of deposits by type of depositor with amounts by type of savings.*

SUMMARY OF THE DEPOSIT PORTFOLIO (IN THOUSANDS OF CANADIAN DOLLARS)	Chequing accounts	Tiered savings accounts	Regular savings	Term savings	Registered plan savings	Total as at December 31,	
						2017	2016
Personal	\$51,620	\$30,489	\$57,953	\$71,355	\$202,611	\$414,028	\$403,880
Business	14,720	6,581	5,826	28,306	—	55,433	50,817
Public sector and other	5,726	2,435	3,331	4,766	7	16,265	17,695
TOTAL	\$72,066	\$39,505	\$67,110	\$104,427	\$202,618	\$485,726	\$472,392

* 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.

INVESTMENT FUNDS

Investments held by caisses in investment funds allow the Fédération des caisses Desjardins du Québec to invest in Desjardins Group subsidiaries and regional projects. The table below indicates the caisse's interest in each investment fund and the return on it at the end of the fiscal year.

	Shares held as at December 31, 2017	Average return
Provincial fund		
Société de Services des caisses Desjardins (SER)	\$ (231)	—%
Gestion Desjardins Capital (INV)	\$123,447	12.31%
Desjardins Financial Holding (FIN5A)	\$17,250,938	14.62%

Report of the Board of Supervision

The board of supervision makes sure the caisse fulfills its responsibilities in terms of ethics, professional conduct and cooperation.

Supervision of ethical aspects

Every year, caisse officers and employees renew their commitment to comply with the Desjardins Code of Professional Conduct. The code sets out the behaviours that are expected as well as those that are not acceptable. The board of supervision ensured that the caisse, officers and employees took the values of Desjardins into account to guide their conduct. Here's a supervision report for the past year concerning three rules of professional conduct:

1. No conflict of interest situations were noted.
2. Deposits from and loans to restricted parties of the caisse (caisse officers and general manager, officers of the Fédération des caisses Desjardins du Québec and their associated persons) were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$916,669.
3. The caisse did not grant any contract for the supply of goods and services to restricted parties subject to the code (restricted parties, caisse employees, centre managers and their associated persons).

Supervision of cooperative aspects

With regard to the supervision of cooperative aspects, the board of supervision must ensure that Desjardins values are an integral part of the caisse's business and management practices. It must also make sure the caisse contributes to community development and the economic and financial education of members. Lastly, it ensures that members are informed about topics of importance to them.

Over the past year, the board's activities focused on the following:

- ◆ Member participation in cooperative life, especially mechanisms established by the caisse to inform, listen to and consult with members
- ◆ Activities and resources available to members to help them manage their finances
- ◆ Caisse strategies to improve member satisfaction and meet member needs
- ◆ Caisse support for community development, particularly through the Community Development Fund, donations and sponsorships
- ◆ Cooperation between the caisse and other types of cooperatives

The board of supervision is satisfied with the work carried out over the past year.

In the coming months, changes will be made to the way caisse ethics, professional conduct and cooperation are supervised. Rest assured that until these changes are in place, your board of supervision will continue to do its job with the same diligence and dedication as always. I would like to thank the members of the board for their commitment in this respect, and the general manager for helping us deliver on our mandate.

Marc-Éric Plante

Chair of the Board of Supervision



The Officers

AS AT DECEMBER 31, 2017

Board of Directors

MICHÈLE GRENIER	Chair
CHRISTIAN ST-LOUIS*	Vice-Chair
CAROLINE TAYLOR-DENONCOURT	Secretary
JEAN-PIERRE AUCLAIR	Director
CLAIRE BARRY*	Director
STÉPHAN BÉLAND*	Director
PIERRE CÔTÉ*	Director
DANIELLE CASAVANT	Director
JOSETTE DE LA FONTAINE	Director
HÉLÈNE GIGNAC	Director
WILFRID L'ITALIEN	Director
MARC MÉTHOT	Director
GUY PEPIN*	Director
SÉBASTIEN POTVIN	Director
DANIEL TUR	Director

Board of Supervision

MARC-ÉRIC PLANTE*	Chair
CHARLES RAMSAY	Secretary
JEAN BELLAVANCE*	Advisor
JOSÉE ROY	Advisor
VACANCY*	

* Outgoing officers eligible for re-election



Desjardins
Caisse de l'Éducation

Approval of the Annual Report

We certify that the annual report of Caisse Desjardins de l'Éducation for the financial year ended December 31, 2017, meets the requirements of the *Act Respecting Financial Services Cooperatives* and has been duly approved by the caisse's board of directors.

Michèle Grenier
Chair

Christian St-Louis
Vice-Chair