Desjardins
Capital régional
et coopératif

2018 Annual Financial Report

THE FINANCIAL REPORT INCLUDES:

→ Management discussion and analysis

→ Management's report

→ Complete audited separate financial statements, including the notes and the independent auditor's report

→ Audited schedule of cost of Investments impacting the Québec economy

→ Statement of Other investments

→ Index of the Company's share in investments made by specialized funds and partner funds, at cost

CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

MANAGEMENT DISCUSSION AND ANALYSIS

This annual management discussion and analysis (MD&A) supplements the financial statements and contains financial highlights but does not reproduce the full annual financial statements of Capital régional et coopératif Desjardins (CRCD). It presents management's assessment of CRCD's results for the period reported in the financial statements, as well as its financial position and any material changes to it.

CRCD's annual and compounded returns expressed in this MD&A are net of expenses and income taxes while returns by activity or investment profile represent returns before expenses and income taxes.

This disclosure document contains management's analysis of forward-looking statements. Caution should be exercised in the interpretation of this analysis and these statements since management often makes reference to objectives and strategies that contain risks and uncertainties. Due to the nature of CRCD's operations, the associated risks and uncertainties could cause actual results to differ from those anticipated in forward-looking statements. CRCD disclaims any intention or obligation to update or revise such statements based on any new information or new event that may occur after the reporting date.

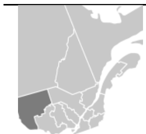
Copies of the annual financial statements may be obtained free of charge, on request, by calling 514 281-2322 or (toll free) 1 866 866-7000, extension 5552322, by writing to 2 Complexe Desjardins, P.O. Box 760, Desjardins Station, Montréal, Québec H5B 1B8, or from our website at www.capitalregional.com or SEDAR at www.sedar.com.

Interim financial information may be obtained in the same way.

HIGHLIGHTS

COMMITMENTS THROUGHOUT QUÉBEC

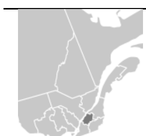
CRCD and its ecosystem[1] make a real contribution to the economic development of the regions. As at December 31, 2018, the funds committed were as follows:



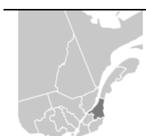
ABITIBI-TÉMISCAMINGUE*
$**22**M → **29** companies
$**1**M → **1** cooperative

BAS-SAINT-LAURENT*
$**18**M → **22** companies
$**0.2**M → **1** cooperative

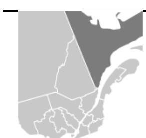
CAPITALE-NATIONALE
$**68**M → **31** companies
$**2**M → **1** cooperative



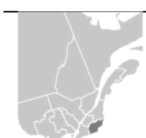
CENTRE-DU-QUÉBEC
$**56**M → **21** companies
$**13**M → **2** cooperatives



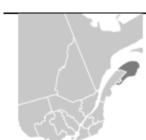
CHAUDIÈRE-APPALACHES
$**97**M → **30** companies
$**4**M → **4** cooperatives



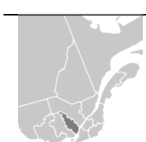
CÔTE-NORD*
$**3**M → **9** companies



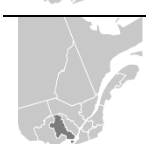
ESTRIE
$**60**M → **29** companies
$**4**M → **3** cooperatives



GASPÉSIE – ÎLES-DE-LA-MADELEINE*
$**5**M → **7** companies

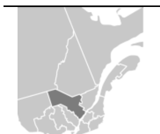


LANAUDIÈRE
$**24**M → **12** companies
$**1**M → **1** cooperative

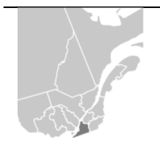


LAURENTIDES
$**10**M → **6** companies

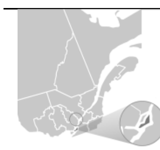
LAVAL
$**17**M → **10** companies



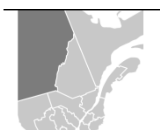
MAURICIE*
$**11**M → **9** companies
$**1**M → **1** cooperative



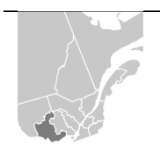
MONTÉRÉGIE
$**165**M → **54** companies
$**83**M → **3** cooperatives



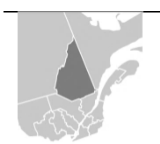
MONTRÉAL
$**210**M → **72** companies
$**86**M → **2** cooperatives



NORD-DU-QUÉBEC*
$**3**M→ **15** companies



OUTAOUAIS
$**4**M → **2** companies



SAGUENAY – LAC-SAINT-JEAN*
$**59**M → **63** companies
$**2**M → **3** cooperatives

OUTSIDE QUÉBEC (ex Europe)
$**2**M → **5** companies

EUROPE
$**7**M → **3** companies

FUNDS
$**71**M → **16** funds

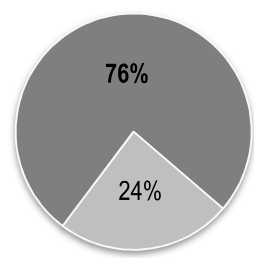
IN TOTAL

467
COMPANIES, COOPERATIVES AND FUNDS

$1,109M
BENEFITTING SMES

58,000
JOBS CREATED OR MAINTAINED

76%
OF COMPANIES AND COOPERATIVES BASED IN QUÉBEC ARE FROM REGIONS OTHER THAN MONTRÉAL AND THE CAPITALE-NATIONALE



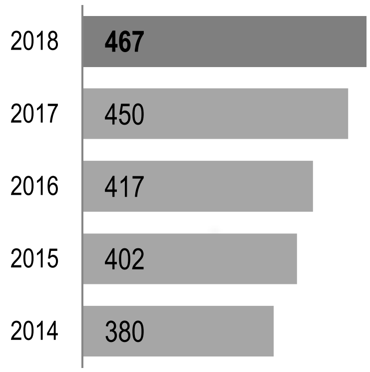
** Resource region*

See the "Entrepreneurial ecosystem" section for a detailed description of the main features of the ecosystem.

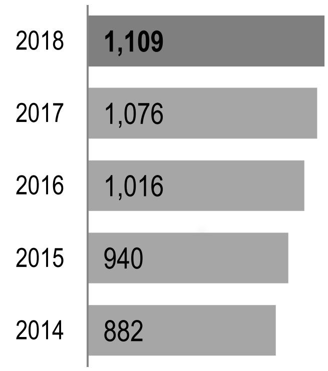
CRCD AND ITS ECOSYSTEM SUPPORT COMPANIES AND COOPERATIVES

AS AT DECEMBER 31

Total companies, cooperatives and funds



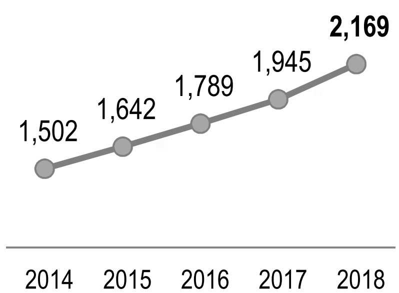
Funds committed ($M)



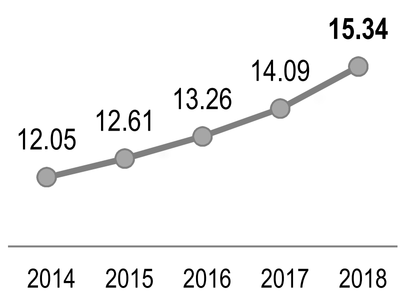
CRCD FINANCIAL DATA

AS AT DECEMBER 31

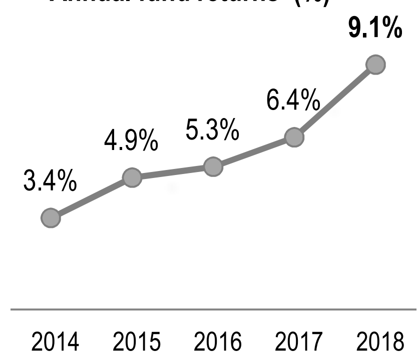
Net assets ($M)



Share price ($)



Annual fund returns (%)



CRCD FINANCIAL HIGHLIGHTS

The following charts present key financial data and are intended to assist in understanding CRCD's financial results for the preceding five fiscal years. This information is derived from CRCD's audited separate annual financial statements.

RATIOS AND SUPPLEMENTAL DATA AS AT DECEMBER 31

(in thousands of $, unless indicated otherwise)	2018	2017	2016	2015	2014
Revenue	**70,285**	51,392	44,449	45,269	44,422
Gains on investments	**138,632**	96,541	78,869	64,035	42,884
Net earnings	**174,894**	112 757	85,957	74,806	49,245
Net assets	**2,168,804**	1,945,342	1,789,417	1,642,076	1,502,462
Common shares outstanding (number, in thousands)	**141,391**	138,080	134,944	130,183	124,665
Total operating expense and common share issue expense ratio[1] (%)	**1.6**	1.9	2.2	2.0	2.2
Portfolio turnover rate:					
- Investments impacting the Québec economy (%)	**17**	16	11	19	19
- Other investments (%)	**163**	87	126	131	102
Trading expense ratio[2] (%)	**0.0**	0.0	0.0	0.0	0.0
Number of shareholders (number)	**107,862**	105,614	104,317	102,222	96,236
Issues of common shares	**141,179**	134,850	133,401	149,882	62,906
Common share issue expenses, net of related taxes	**2,523**	2,396	1,579	1,750	764
Redemption of common shares	**90,088**	89,285	70,438	83,324	79,501
Investments impacting the Québec economy at cost	**838,258**	828,255	787,142	738,596	675,355
Fair value of investments impacting the Québec economy	**1,080,069**	1,033,951	921,518	817,199	710,923
Funds committed but not disbursed	**192,169**	183,606	189,121	171,082	193,764

(1) The ratio of total operating expenses and common share issue expenses is calculated by dividing total expenses (before income taxes) as shown on the separate statements of comprehensive income and common share issue expenses as shown on the separate statements of changes in net assets by net assets as at the end of the period or by average net assets for the financial year, pursuant to Section 68 of the *Regulation respecting Development Capital Investment Fund Continuous Disclosure*.

(2) Trading expense includes brokerage fees and other portfolio transaction costs. These expenses are not material to CRCD.

CHANGES IN NET ASSETS PER COMMON SHARE AS AT DECEMBER 31

(in $)	2018	2017	2016	2015	2014
Net assets per common share, beginning of year	**14.09**	**13.26**	**12.61**	**12.05**	**11.66**
Increase attributable to operations	**1.28**	**0.84**	**0.66**	**0.59**	**0.40**
Interest, dividends, distributions and negotiation fees	0.51	0.38	0.34	0.35	0.36
Operating expenses	(0.21)	(0.24)	(0.26)	(0.23)	(0.25)
Income taxes	(0.03)	(0.02)	(0.03)	(0.03)	(0.06)
Realized gains (losses)	0.79	0.06	0.18	0.29	0.52
Unrealized gains (losses)	0.22	0.66	0.43	0.21	(0.17)
Difference attributable to common share issues and redemptions	**(0.03)**	**(0.01)**	**(0.01)**	**(0.03)**	**(0.01)**
Net assets per common share, end of year	**15.34**	**14.09**	**13.26**	**12.61**	**12.05**

OVERVIEW

CRCD ended fiscal 2018 with net earnings of $174.9 million ($112.8 million in 2017), representing a return of 9.1% (6.4% in 2017), resulting in an increase in net assets per share to $15.34 based on the number of common shares outstanding at the end of the fiscal year, compared with $14.09 at the end of fiscal 2017. CRCD aims to strike an appropriate long-term balance between shareholder return and its mission of Québec economic development. The financial asset management strategy adopted by CRCD several years ago provides the benefits of strong complementarity between the Investments impacting the Québec economy and Other investments portfolios. In fact, CRCD has now generated favourable returns for ten years.

Investments impacting the Québec economy posted a return of 19.7% in 2018, compared with a return of 12.7% in 2017. As at December 31, 2018, the cost of Investments impacting the Québec economy totalled $838.3 million, of which $176.4 million was disbursed during fiscal 2018. As at December 31, 2018, commitments made but not disbursed, which represent investments already agreed upon with companies, cooperatives or funds and that will be disbursed by CRCD at a later date, amounted to $192.2 million. New commitments for the year amounted to $185.0 million. Despite stock market turbulence in 2018, particularly during the last quarter, CRCD performed well, as the Other investments portfolio posted a 1.3% return for fiscal 2018, compared with a 4.2% return for fiscal 2017.

During the year, issues of common shares totalled $141.2 million, including the balance of the 2017 issue and substantially all of the maximum authorized amount of $139.6 million for the 2018 issue. For more information, please see the Subscriptions section of this MD&A. Share redemptions totalled $90.1 million. Net assets amounted to $2,168.8 million. The number of shareholders as at December 31, 2018 was 107,862. As at December 31, 2018, the balance of shares eligible for redemption totalled $1,040 million. However, this balance will be reduced by $100 million in 2019 as the shareholders selected during the share exchange process have made commitments to defer for seven years the right to redeem their eligible shares.

OUR VISION FOR QUÉBEC ENTREPRENEURSHIP

Québec faces a huge challenge: developing and growing existing businesses. Businesses in Québec tend to remain too small and to overleverage themselves, putting a healthier capital structure at risk. Undercapitalization has significant repercussions on their performance, including low productivity and a low level of activity in international markets, which ultimately lowers Québec's ability to create and retain its fair share of highly paid jobs – jobs that are needed to maintain a healthy economy for the province.

Together with its manager Desjardins Capital Management Inc. (Desjardins Capital or DC), CRCD, in carrying out its mission, aims to stand tall and play a unique role on these diverse issues that guide its actions every day.

GROWING BUSINESSES STRONGER

From the support, networking or training we offer our partner companies through to enhancing our product offering and sharing our business network, CRCD, through its manager, DC, acts on many levels to grow Québec SMEs and cooperatives.

As a leading player on the Québec development capital scene, we contribute to the vitality of the Québec economy by financing companies' growth initiatives, energizing the regions, and supporting jobs and business successions to build a strong Québec now and for future generations. A Québec leader in business transfers, DC has already completed several hundred transactions contributing to the continuity and sustainability of Québec's flagship companies. In addition, we support start-up or early-stage companies that use technological or industrial innovations and capitalize on new uses of existing technologies.

We also support Québec SMEs in their expansion in Europe with the new Desjardins Capital Transatlantic, L.P. fund which began operations during the second half of the year. This fund makes a new area of expertise available to Québec entrepreneurs, well beyond financial concerns, through support for international development with a team on the ground. A DC representative is based in France to support Québec entrepreneurs who want to develop new markets by setting up offices or acquiring competitors in Europe.

A real catalyst in the business development process of our existing and potential partners, we maintain close relationships with entrepreneurs throughout the province by creating numerous networking opportunities. These meetings make it possible to bring together entrepreneurs, business partners and experts who have questions on topical matters such as growth challenges and business succession issues.

Our support goes far beyond sharing our vast internal network and external business relationships. Various agreements have been negotiated, with Desjardins Group as well as other specialized external firms, to offer value-added services to our entrepreneurs in achieving their objectives.

Furthermore, we provide our partner companies with tailored support for implementing and monitoring sound SME governance practices, which represents undeniable value added. Very active in this area, we have a network of nearly 250 directors with skills and expertise unequalled in the industry. Their role is to help entrepreneurs set up a governance forum to support business growth and strategy. They have access to work tools and are regularly trained and evaluated to ensure they can effectively meet the needs of the companies they work with. Our entrepreneurial governance model, based on agility, simplicity, strategic thinking and alignment with business needs, is a unique type of support greatly appreciated by partner entrepreneurs.

ECONOMIC CONDITIONS

ECONOMIC ENVIRONMENT IN 2018 AND ECONOMIC OUTLOOK FOR 2019

After accelerating sharply in 2017, the international economy continued to expand in 2018. The annual gain in GDP is estimated at 3.7%. This good growth was despite a slowdown in international trade, the result of escalating protectionism that began in the U.S. Furthermore, the growth in several major economies slowed during the year. This was the case in the eurozone, where most confidence indices declined. Euroland's real GDP grew 1.8%, decidedly slower than the 2.5% growth posted for 2017. The Italian budgetary and political problem, the social strains in France and the difficulties in Germany's manufacturing sector have given cause for concern in Europe. In the United Kingdom, the trend is weak, due in particular to uncertainties around Brexit. The Chinese economy is growing at a slightly slower pace, at 6.6% for 2018 compared to 6.8% in 2017. Trade tensions between the U.S. and China have affected the economic environment in China, but also in many emerging countries.

The favourable economic environment and rising inflation led many central banks to continue normalizing monetary policy in 2018. In Europe, the European Central Bank stopped buying financial assets in December 2018, while the Bank of England raised its key interest rates by 0.25%. In North America, the pace of key interest rate hikes accelerated, with the U.S. Federal Reserve (the Fed) announcing four 0.25% increases, compared to three in Canada. Tighter monetary policies and optimistic statements issued by the central banks, particularly in North America, led to higher bond yields in early 2018. The rising interest rates, trade tensions and fears around the health of the global economy brought considerable volatility back to the stock markets. Even the S&P 500 Index, encouraged by tax reform and boosted by corporate earnings, nevertheless incurred two major corrections in 2018, ending the year lower compared to 2017. The year was even more difficult for most of the other stock exchanges. Stock markets in Europe and the emerging economies were held back by trade tensions, political uncertainties and the strength of the U.S. dollar, and the drop in the Toronto Stock Exchange was amplified by lower commodity prices. These factors also led to a weaker Canadian dollar and caused bond rates to fall sharply at the end of 2018.

The global economy should continue to grow in 2019, but economic activity is not expected to accelerate. The trade tensions and concerns about the emerging countries suggest a certain levelling off. In the industrialized countries, demand from the U.S. should partly offset weaker growth in the eurozone. The issue of the divorce between the European Union and the United Kingdom is not yet settled, and the related uncertainties may manifest in the economy. Volatility in the financial markets, concerns about Europe and China and the return of their monetary policies to a virtually neutral orientation should convince the Fed and the Bank of Canada to slow the pace of increases to their key interest rates. The increase in bond rates should also be limited. The return of a more positive sentiment on financial markets could exert some negative pressure on the U.S. dollar. Volatility may well remain high in the stock markets, but strong economic growth and high earnings levels leave hope that the North American indices will outperform their historical averages in 2019. The economic environment should also be quite favourable for commodities and, as a result, for the dollar and Canadian financial assets.

UNITED STATES

In the wake of slightly slower growth in early 2018, economic activity in the U.S. accelerated markedly in the spring, and real GDP grew strongly again in the second half of 2018. Confidence remained strong throughout the year despite greater volatility in the financial markets, escalating protectionism, the interest rate hikes and the mid-term elections. Real GDP grew 2.9% in 2018, on the heels of a 2.2% gain in 2017.

The economic environment in the U.S. should continue to be favoured by the budgetary policies implemented in 2018. However, the situation may change due to the risk of political stalemates following the mid-term elections. This became clear with the partial shutdown of the federal government that began at the end of December. Conditions in the labour market should nevertheless continue to improve, which will exert slightly more pressure on salaries and prices. Real GDP should reach 2.6% in 2019. However, the Trump administration's protectionist measures and reprisals by other countries represent significant risks.

CANADA

Following exceptional growth of 3.0% in 2017, Canadian real GDP expanded at a more sustainable rate of around 2.1% in 2018. The slower pace was due mostly to domestic demand. Household spending was not as strong, with slower growth in consumer spending and less residential investment. For the most part this was due to the effects of gradual rising Canadian interest rates and a series of restrictive measures affecting mortgage lending and the housing market. The economy experienced more problems late in the year when the energy sector was hard hit by plummeting oil prices, aggravated in Canada by constraints on the transportation of oil products. The year was also marked by an agreement to replace the North American Free Trade Agreement (NAFTA) with the Canada-United States-Mexico Agreement (CUSMA). This helped reduced uncertaint, opening the way for accelerated non-residential business investment in non-energy sectors.

The 2019 outlook in Canada is for growth near the economy's potential. The problems in the energy sector are expected to continue at the start of the year, as the Alberta government has imposed a significant cut in the province's oil production. The gradual increase in interest rates will also continue to affect consumer spending and the housing market. This being said, several favourable factors are still in place, allowing, among other things, growth in domestic demand to continue at a satisfactory pace. The labour market is strong, with the unemployment rate close to an historic low. Furthermore, demand for new and existing homes remains quite good, and the population is growing relatively quickly, particularly in the 25-to-34-year-old group. Lastly, if CUSMA is ratified as expected, businesses in the non-energy sectors should continue to invest in an environment where full use of production capacity is generating some problems satisfying growing demand. In trade, foreign demand should continue to expand in 2019, but at a slower pace. This will nevertheless foster export growth. The risks nevertheless remain substantial due to the trade wars being waged around the world. In the final analysis, real GDP could grow by 1.8% in 2019.

QUEBEC

The Quebec economy grew at a sustained pace in 2018. Real GDP rose by approximately 2.3% for the year, slightly slower than the 2.8% growth posted for 2017. Households continued to be active, driving the residential real estate market. Consumer spending maintained a good pace, with household confidence still high. Existing home sales reached new heights, with prices rising at close to 5.2% in 2018. The provincial unemployment rate averaged 5.5% last year, exacerbating the problems many businesses were experiencing recruiting talent. The upward pressure on salaries grew, and employees' hourly compensation increased by approximately 4% last year. Business investment and exports firmed up slightly in 2018, despite the period of uncertainty associated with the NAFTA renegotiations, which continued into the fall.

The Quebec economy is expected to slow somewhat in 2019. The interest rate increases that began in mid-2017 should moderate consumer spending, in particular purchases of big-ticket items that require financing. The residential real estate market will also be affected by higher borrowing costs. Home sales and housing starts can be expected to weaken slightly in 2019, compared to the exceptional market activity of 2018. CUSMA has reduced uncertainty for businesses and will be good for both investment and exports. It remains to be seen whether the tariffs of 25% on steel and 10% on aluminum, which are not part of the new agreement, will be maintained. Quebec's real GDP is expected to grow 2% in 2019, or slightly slower than in 2018.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

OPERATING RESULTS

CRCD'S NET RESULTS AND RETURNS

CRCD reported net earnings of $174.9 million for the year ended December 31, 2018, representing a return of 9.1%, compared with net earnings of $112.8 million (return of 6.4%) for the previous year. Accordingly, net assets per share increased to $15.34 based on the number of common shares outstanding at the end of the fiscal year, compared with $14.09 at the end of fiscal 2017. For illustrative purposes, at a price of $15.34 effective February 14, 2019, shareholders who invested seven years earlier would obtain an annual after-tax return of more than 12.6%, taking into account the 50% income tax credit as per the rate applicable on February 14, 2012.

CRCD's performance is driven primarily by Investments impacting the Québec economy and Other investments, which generated returns of 19.7% and 1.3%, respectively, while expenses, net of administrative charges received and income taxes had an impact of 1.9% on CRCD's performance.

CRCD's asset allocation strategy allows it to enjoy a more balanced overall portfolio profile, while actively contributing to Québec's economic development.

RETURN BY ACTIVITY	**2018**				**2017**			
	Average assets under management ($M)	**Weighting (%)**	**Return 1 year (%)**	**Contribution 1 year (%)**	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Activities related to Investments impacting the Québec economy[1]	**1,070**	**52.6**	**19.7**	**10.4**	975	52,9	12,7	6.6
Other investments and cash	**965**	**47.4**	**1.3**	**0.6**	867	47,1	4,2	2.0
	2,035	**100.0**	**11.0**	**11.0**	1,842	100.0	8.6	8.6
Expenses, net of administrative charges			**(1.7)**	**(1.7)**			(2.0)	(2.0)
Income taxes			**(0.2)**	**(0.2)**			(0.2)	(0.2)
CRCD's return			**9.1**	**9.1**			6.4	6.4

[1] Includes Investments impacting the Québec economy, amounts receivable on disposal of investments, notes payable and foreign exchange contracts.

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Investments of $177.5 million and disposals of $291.0 million were made for a net balance of $(113.5) million. Combined with realized and unrealized net gains of $158.3 million, these net investments brought the fair value of the investment portfolio, including foreign exchange contracts, to $1,080.0 million as at December 31, 2018 ($1,035.2 million as at December 31, 2017). The $177.5 million in investments made during the year consisted primarily of an aggregate amount of $72.2 million invested in three companies, as well as $48.8 million in the funds comprising the entrepreneurial ecosystem, as described below.

Investments impacting the Québec economy should also be measured taking into account funds committed but not disbursed, which amounted to $192.2 million as at December 31, 2018, compared with $183.6 million as at December 31, 2017. Total commitments at cost as at December 31, 2018 amounted to $1,030.4 million in 99 companies, cooperatives and funds, of which $838.3 million was disbursed. As at December 31, 2018, backed by its entrepreneurial ecosystem, CRCD supported growth in 467 companies, cooperatives and funds.

During fiscal 2018, higher value recognized on underlying investments increased a financial liability by $1.5 million to $4.7 million ($3.2 million as at December 31, 2017). During the year ended December 31, 2018, subsequent to an agreement between the parties, CRCD repaid in full the notes payable related to the acquisition of certain investments of Desjardins Venture Capital L.P. on November 30, 2010, ($20.2 million as at December 31, 2017).

During fiscal 2018, Investments impacting the Québec economy generated a contribution of $200.2 million, for a return of 19.7%, compared with $116.2 million in 2017 (a 12.7% return).

CONTRIBUTION GENERATED BY INVESTMENTS IMPACTING THE QUÉBEC ECONOMY (in thousands of $)	**2018**	**2017**
Revenue	**43,144**	31,658
Gains and losses	**157,072**	84,501
	200,216	116,159

Revenue, consisting of interest, dividends and negotiation fees related to Investments impacting the Québec economy, provides a solid income base that promotes overall portfolio profitability. The $11.5 million increase in revenue between the years stemmed primarily from a significant dividend received in the second half of the year. Negotiation fees, which amounted to $3.0 million for fiscal 2018 ($3.5 million in 2017), are earned by DC, the manager, and a credit for that amount is applied against the management fees paid to DC by CRCD. Negotiation fees are included in the contribution generated by the Investments impacting the Québec economy as they are included in the profitability analysis of the investments. The profile of the investments held by CRCD is changing and the amounts injected into its ecosystem funds continue to grow (see the following section for more details). Therefore, investments held by these ecosystem funds generate revenue in addition to the revenue generated by CRCD's direct investments. This revenue, of which CRCD's share amounted to $14.3 million for fiscal 2018 ($13.3 million in 2017), is reported as Gains and losses as it makes a positive contribution to the fair value of CRCD's interest in these funds.

CRCD accounts for its Investments impacting the Québec economy at fair value. Two comprehensive portfolio reviews are carried out each year, with one covering the six-month period ending June 30 and the other covering the six-month period ending December 31.

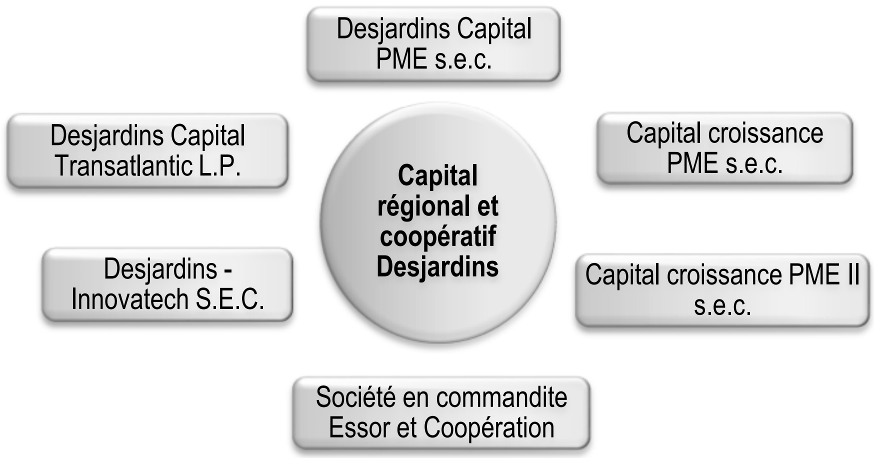
CRCD recorded a realized and unrealized gain of $157.1 million for the fiscal year, compared with $84.5 million for fiscal 2017. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at December 31, 2018, the overall risk level of the Investments impacting the Québec economy portfolio had deteriorated slightly compared with its December 31, 2017 level, as discussed in the Credit and counterparty risk section.

ENTREPRENEURIAL ECOSYSTEM

CRCD invests directly in Québec companies and also fulfils its economic development role via investments through the funds it has helped create with its manager, each of which has a specific mission. With this approach of seeking capital from various partners, CRCD can leverage its resources, thereby enhancing its positive impact on Québec's economic development.

Main funds of the entrepreneurial ecosystem



These funds, which are also managed by CRCD's manager, DC, are detailed below:

- On January 1, 2018, DC created the Desjardins Capital PME s.e.c. fund. (DCPME) in partnership with Desjardins Private Management. The fund's main goal is to invest in Québec's small- and medium-sized businesses, primarily in the form of subordinated debt securities for amounts not exceeding $10 million. This sustainable fund is an open-ended limited partnership, allowing the number of limited partners to vary. The limited partners' commitments are made on an annual basis. For fiscal 2018, the limited partners, consisting of CRCD and the DIM Private Completion Strategy Fund, committed to pay $100 million. As at December 31, 2018, CRCD had disbursed $30.4 million of its $40.0 million commitment and a total of 44 companies and funds benefited from $77.3 million committed by the DCPME fund. For fiscal 2019, the limited partners have made commitments in the same percentage for an amount of $100 million.
- On July 4, 2018, DC created two new funds jointly with France-based Groupe Siparex: the Desjardins Capital Transatlantic, L.P. fund (DC Transatlantic) and the Siparex Transatlantique – Fonds professionnel de Capital Investissements fund. The purpose of these funds is to co-invest in SMEs in Québec and Europe to support them in their marketing or acquisition efforts on both sides of the Atlantic. CRCD and other investor partners such as Export Development Canada (EDC), Groupe Siparex and French public investment bank BPIFrance committed a total of €75 million, or approximately $120 million, to the two funds. CRCD has a 60.7% interest in DC Transatlantic, which is managed by DC. As at December 31, 2018, CRCD had disbursed $5.1 million of its total commitment of $35.5 million (€22.8 million), allowing three companies to benefit from $6.8 million committed by the fund.
- The objective of the Société en commandite Essor et Coopération (Essor et Coopération), established on January 1, 2013, is to support the creation, growth and capitalization of cooperatives in Québec. CRCD and other partners, including three from the cooperative sector, have made commitments totalling $89.9 million. CRCD has a 94.6% interest in the Essor et Coopération fund. Since the fund's inception, CRCD has disbursed $32.6 million of its total commitment of $85 million. As at December 31, 2018, Essor et Coopération had committed $30.5 million in 19 cooperatives.
- CRCD is also the sponsor of the Desjardins-Innovatech S.E.C. fund (DI). DI has undertaken to inject a total of $85 million to support Québec technology or innovation businesses through each stage of their development. CRCD's interest in DI is 54.5%. In addition to this interest, CRCD has agreed to make an additional investment in the form of a note for a maximum amount of $5.0 million in DI of which $0.7 million was disbursed in 2018 for a total disbursement of $1.7 million. This note does not affect the units held by CRCD in this fund. In partnership with specialized organizations, DI helps create innovative business accelerators located in various regions of Québec, enabling it to support businesses from the embryonic stage through commercialization. As at December 31, 2018, DI had committed $64.6 million to support a total of 67 companies and funds.
- The Capital croissance PME s.e.c. fund (CCPME), created on July 1, 2010, had an investment policy similar to that of the DCPME fund, which is to make capital available to Québec companies, with an investment limit not exceeding $5 million. CRCD and the Caisse de dépôt et placement du Québec (CDPQ), as sponsors of the fund, agreed to invest, on a 50/50 basis, a total initial amount of $220 million. The 2014 renewal of this agreement resulted in the creation of Capital croissance PME II s.e.c. fund (CCPME II), which allowed an additional $320 million to be committed, increasing the total commitments in the two funds to $540 million. As at December 31, 2018, CRCD had disbursed $246.3 million of its total commitment of $270 million. As CCPME II's investment period closed on November 30, 2017, funds committed but not disbursed will be used for reinvestment and to pay the fund's operating expenses until its scheduled winding-up date of November 30, 2023. A total of 261 companies and funds benefited from $237.2 million committed by the CCPME funds as at December 31, 2018. Since their inception, these funds have committed $455.9 million to 375 companies.

In all, as at December 31, 2018, CRCD and its ecosystem supported the growth of 467 companies, cooperatives and funds in various industries spanning virtually all Québec regions with commitments of $1,109 million, while helping to create and retain over 58,000 jobs. Of that total, 22 cooperatives benefited from commitments of $196.3 million.

Given the size of the amounts allocated to the ecosystem's funds and to better manage and track operations, CRCD monitors changes in asset allocation and performance by investment profile.

Each investment profile includes assets held by CRCD together with similar assets held by the funds in its ecosystem based on CRCD's proportionate share in each fund.

The investment profiles related to Investments impacting the Québec economy are:

- Debt: investments in the form of advances and/or mainly unsecured loans and/or preferred shares;
- Equity: investments comprising common shares that may be combined with advances and/or mainly unsecured loans and preferred shares in companies other than those included under the Venture capital profile;
- Venture capital: investments in companies specializing in technological innovations or in pre-startup, startup or post-startup stages.
- External funds: investments in funds outside CRCD's entrepreneurial ecosystem;

Entrepreneurial ecosystem performance

RETURN BY INVESTMENT PROFILE	**2018**				**2017**			
	Average assets under management ($M)	**Weighting (%)**	**Return 1 year (%)**	**Contribution 1 year (%)**	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Debt	**313**	**15.4**	**5.5**	**0.8**	288	15.6	5.6	0.9
Equity	**650**	**31.9**	**26.9**	**9.0**	593	32.2	19.5	5.9
External funds	**41**	**2.0**	**18.6**	**0.4**	53	2.9	(22.7)	(0.9)
Venture capital	**54**	**2.7**	**12.4**	**0.2**	32	1.7	43.6	0.7
Investment profiles subtotal	**1,058**	**52.0**	**19.8**	**10.4**	966	52.4	12.9	6.6
Other asset items held by ecosystem funds	**12**	**0.6**	**(12.2)**	**(0.0)**	9	0.5	(2.0)	(0.0)
Ecosystem total	**1,070**	**52.6**	**19.7**	**10.4**	975	52.9	12.7	6.6

The entrepreneurial ecosystem's sound performance stems from the Equity investment profile, which posted a return of 26.9%. This return was mainly driven by the improved profitability of several portfolio companies as well as by significant gains following disinvestment in certain key portfolio companies. Given the significant volume of assets allocated to the Equity profile, it was the major contributor to the ecosystem's return of 19.7% in 2018.

OTHER INVESTMENTS

Managing the Other investments portfolio involves the portion of assets not earmarked for Investments impacting the Québec economy, including temporarily available cash resources prior to their investment in companies.

CRCD has implemented management strategies for the Other investments portfolio to optimize potential returns while retaining the required liquidity to meet liquidity needs arising from redemption requests from shareholders and Investments impacting the Québec economy it expects to make. This portfolio, consisting primarily of liquid assets, includes fixed-income securities, global equity funds, Canadian equity funds and real estate funds. This portfolio provides stable current revenue for CRCD and ensures sound diversification.

As at December 31, 2018, CRCD's Other investments portfolio, including cash but excluding foreign exchange contracts, totalled $1,041.5 million ($889.3 million as at December 31, 2017) and consisted of the following:

Other investments portfolio	**As at December 31, 2018**		As at December 31, 2017	
	Fair value ($M)	**% of portfolio**	Fair value ($M)	% of portfolio
Cash and money market instruments	**63.6**	**6.1**	46.2	5.2
Bonds	**642.0**	**61.6**	506.2	56.9
Global equity funds	**149.3**	**14.3**	155.0	17.4
Canadian equity funds	**90.2**	**8.7**	93.1	10.5
Real estate funds	**96.4**	**9.3**	88.8	10.0
Portfolio total	**1,041.5**	**100.0**	889.3	100.0

As at December 31, 2018, 79% of portfolio bond securities were government guaranteed (72% as at December 31, 2017).

The Other investments portfolio represented 48% of total net assets at the end of 2018 (46% as at December 31, 2017), an increase mainly arising from significant divestments in the Investments impacting the Québec economy portfolio in 2018. Commitments already made but not disbursed of $192.2 million, representing 9% of net assets, will eventually be covered from CRCD's Other investments portfolio and allocated to Investments impacting the Québec economy.

CRCD expects Other investments to represent nearly 35% of total net assets over the long term. In keeping with its core mission, this will allow an increase in funds allocated to Investments impacting the Québec economy.

CONTRIBUTION GENERATED BY OTHER INVESTMENTS (in thousands of $)	**2018**	2017
Revenue	**29,696**	22,753
Gains and losses	**(18,440)**	12,040
	11,256	34,793

Revenue consists mainly of interest, dividends and distributions related to Other investments. Interest income (primarily from bonds) is recognized at the bond rate in effect at the acquisition date.

Current revenue rose $6.9 million compared with 2017 due to higher interest rates during the period.

Losses of $18.4 million in fiscal 2018 stemmed mainly from the following financial assets:

The bond portfolio posted a $1.6 million decline in value, owing primarily to widening credit spreads and a two-basis-point increase in the key interest rate since December 2017.

The strong downturn in equity markets in the last quarter of 2018 impacted CRCD's Other investments portfolio. The portfolio recorded losses of $13.6 million for global equity funds and $6.9 million for Canadian equity funds. As portfolio equity funds have low volatility, CRCD did not bear the full brunt of the unfavourable equity market conditions in late 2018.

The real estate funds generated a gain of $3.2 million, owing primarily to the revaluation of properties held in Toronto and Vancouver.

CRCD's financial asset management strategy aims to diversify the market risks associated with the Other investments portfolio through the use of Canadian and global market securities unrelated to bond markets. Moreover, CRCD aims to match the average maturity of the bond portfolio with the average maturity of expected cash outflows, thereby limiting the long-term effect of bond rates on CRCD's results.

CAPITAL RAISING

CRCD offers its common shares for subscription through the Desjardins caisse network in Québec and via AccèsD Internet.

On February 28, 2014, CRCD reached its capitalization limit of $1.25 billion. Under its constituting act, share issues have since been limited to an amount equal to the preceding issue period's redemptions, up to a maximum of $150 million. Each issue period lasts 12 months and runs from March 1 to the last day of February of the following year.

However, in recent years, the provincial government has granted CRCD the right to issue shares for an amount greater than the limit stipulated in the Act. In its March 27, 2018 budget, the Québec government authorized CRCD to issue $140 million in shares for each of the 2018, 2019 and 2020 issues and set the tax credit rate for the purchase of shares at 35%. To allow as many shareholders as possible to buy CRCD shares under the $140 million 2018 issue, the maximum annual subscription amount allowable was capped at $3,000 per investor, for a tax credit of $1,050.

In the same budget, new provisions were announced concerning the possibility of taking advantage of a new tax credit for a shareholder who defers the redemption of eligible shares for seven years. The Government of Québec authorized CRCD, for the 2018, 2019 and 2020 issue periods only, to exchange its current shares for new shares up to an annual maximum of $100 million. These new provisions allow CRCD shareholders who have never redeemed shares to exchange their current eligible shares, up to a value of $15,000 annually, for a new class of shares which they will also be required to hold for at least seven years, as consideration for a provincial tax credit of 10% of the amounts exchanged. These provisions were implemented in the fall of 2018 and exchange requests for the maximum authorized amount of $100 million for the 2018 taxation year were accepted in February 2019.

The minimum holding period for CRCD shares before a shareholder would normally be eligible for a redemption is seven years to the day from the date of purchase. Note, however, that shareholders who withdraw some or all of their shares after the seven-year holding period may no longer claim a tax credit for any subscription for which the tax credit would apply in the current tax year or in any subsequent tax year.

A special tax is payable by CRCD if it fails to comply with the authorized issuance amounts, and control mechanisms have been implemented by CRCD to ensure compliance. No special tax was paid for fiscal 2018 or 2017.

As at December 31, 2018, CRCD had $1,577.4 million in share capital for 141,391,214 common shares outstanding.

During the year, CRCD raised $141.2 million, including the balance of $1.6 million from the 2017 issue and substantially all of the maximum authorized amount of $139.6 million for the 2018 issue. The $0.4 million balance for the 2018 issue was sold in January 2019.

With respect to issue expenses, an agreement was entered into between CRCD and the Fédération des caisses Desjardins du Québec to compensate the caisses in an amount equal to up to 2.9% of the value of the shares sold.

For fiscal 2018, redemptions of common shares totalled $90.1 million ($89.3 million in 2017).

As at December 31, 2018, the balance of shares eligible for redemption totalled $1,040 million. During 2019, additional shares valued at approximately $206 million will also become eligible for redemption bringing total potential redemptions to approximately $1,246 million for fiscal 2019. However, this balance will be reduced by $100 million in 2019 as the shareholders selected during the share exchange process have made commitments to defer for seven years the right to redeem their eligible shares. CRCD feels that the current economic conditions and low interest rates in particular are behind the low volume of redemptions in the last few years.

Subscriptions and redemptions for fiscal 2018 increased the number of shareholders to 107,862 as at December 31, 2018 from 105,614 as at December 31, 2017.

CRCD's policy is to reinvest income from operations rather than pay dividends to its shareholders in order to increase the capital available for investment in eligible entities and to create share value appreciation.

EXPENSES AND INCOME TAXES

EXPENSES (in thousands of $)	**2018**	2017
Management fees	**18,908**	23,865
Other operating expenses	**4,732**	5,046
Shareholder services	**6,305**	3,363
	29,945	32,274

CRCD has entrusted DC with its management and operations, in accordance with the strategies and objectives approved by the Board of Directors. The current three-year management agreement is in effect as of January 1, 2018. Under this agreement and the agreement effective for the year ended December 31, 2017, management fees amount to a maximum rate of 1.95% of CRCD's annual average asset value less any amounts payable related to Investments impacting the Québec economy and Other investments. An adjustment is made to the management fees charged to CRCD to avoid double billing relative to CRCD's interest in some funds. DC and CRCD have agreed that, for a given fiscal year, an adjustment could be made to allow CRCD to benefit from the economies of scale achieved by DC with regard to the growth of CRCD's assets and the increase in the balance of CRCD shares eligible for redemption over the last few years. For the year ended December 31, 2018, such a downward adjustment of $14.3 million ($6.6 million for the year ended December 31, 2017) was made. The negotiation fees arising from portfolio companies are earned by DC, and their amount is deducted from the management fees payable by CRCD. The decrease in management fees mainly reflects the economies of scale achieved by DC with regard to the growth of CRCD's assets.

There was no significant change in other operating expenses between the two years.

The $2.9 million increase in shareholder services resulted primarily from investments in information technology required to improve and simplify shareholder experience when subscribing for CRCD shares and implementing the online solution for the exchange of shares.

CRCD has appointed Desjardins Trust Inc. as shareholder registrar and share transfer agent. Desjardins Trust also acts as an intermediary for various shareholder support services. Since CRCD's inception, Desjardins Trust has represented the largest component of CRCD's shareholder service expenses. This agreement is effective from July 1, 2016 to December 31, 2020.

CRCD has appointed the FCDQ to distribute its shares through the Desjardins caisse network and via AccèsD Internet. CRCD has further agreed to pay project fees, as needed, to cover work required to upgrade the tools and applications supporting the CRCD share distribution processes. This agreement is effective from July 1, 2016 to December 31, 2020. The revised fee structure came into effect on January 1, 2017.

Income taxes amounted to $4.1 million in fiscal 2018, up from the previous year ($2.9 million in 2017). The nature of the income has a significant impact on tax expense since, unlike interest income, dividends are generally not taxable and capital gains are eligible for tax deductions and refund mechanisms.

LIQUIDITY AND CAPITAL RESOURCES

For fiscal 2018, cash inflows from issues net of redemptions amounted to $46.9 million (cash inflows of $43.0 million in 2017). Operating activities and the development of an intangible asset generated net cash outflows of $35.1 million ($32.6 million in 2017).

Cash outflows for Investments impacting the Québec economy amounted to $176.4 million for fiscal 2018 ($173.3 million in 2017). Net cash outflows for the Other investments portfolio totalled $163.3 million for fiscal 2018 ($16.3 million for fiscal 2017).

As at December 31, 2018, cash and cash equivalents totalled $41.3 million ($29.4 million as at December 31, 2017).

CRCD had an authorized line of credit of $50 million as at December 31, 2018. In the event that liquidity needs exceed expectations, this line of credit could be used on a temporary basis to cover CRCD's obligations. This additional flexibility optimizes the level of liquid assets held and reduces the risk of having to dispose of assets hastily under potentially less advantageous conditions. The line of credit was undrawn during fiscal 2018 and fiscal 2017.

Given the management approach for Other investments of matching the average maturity of bonds held with the average maturity of its expected cash outflows, CRCD does not anticipate any shortfall in liquidity in the short or medium terms and expects to be able to redeem eligible shares issued at least seven years earlier from those shareholders who make such a request.

CRCD'S VISION, MISSION, STRATEGIC PRIORITIES AND STRATEGIES

CRCD was founded on the July 1, 2001 effective date of the *Act constituting Capital régional et coopératif Desjardins* (the Act) adopted on June 21, 2001 by Québec's National Assembly, on the initiative of Desjardins Group. The manager, DC, manages its affairs.

MISSION

CRCD strives to value and nurture the best of Québec entrepreneurship that is part of the collective wealth that is ours to have and to hold. With that in mind, CRCD's mission will be to:

> *Energize our entrepreneurship. Prioritize Québec ownership. Grow our collective wealth and make it last for generations to come. By crossing over our walkways to tomorrow, together we can contribute to the vitality of an entire economy.*

CRCD'S VISION AND STRATEGIC PRIORITIES

Strategic planning work was carried out throughout 2016. The work involved consulting with our wide range of stakeholders, and included taking the pulse of shareholders and partner entrepreneurs as well as a number of meetings between CRCD's Board of Directors and DC's Management Committee. This approach allowed us to update CRCD's vision, identify issues as well as opportunities to be grasped and set our strategic priorities for the next three years. The 2017–2019 strategic plan was approved by CRCD's Board of Directors in late fiscal 2016.

CRCD's vision is to "Be the #1 choice of entrepreneurs: the go to for SMEs."

To achieve this, CRCD will continue to keep jobs and retain business ownership in Québec along with implementing initiatives that give our partners an edge.

Carrying out CRCD's mission and vision is driven by the following five strategic goals for 2017–2019:

- Ensuring the availability of sufficient long-term capital to carry out CRCD's mission
- Leveraging the strength of Desjardins Group to amplify CRCD's socioeconomic leadership
- Boosting CRCD's profile among SME entrepreneurs and visibility within the business community
- Enhancing the ability to innovate and anticipate entrepreneurs' needs so CRCD's offering remains ahead of the curve
- Growing CRCD's footprint in the resource regions, for cooperatives, among innovation enterprises and in new market segments

STRATEGIES

DC organizes its teams to optimize efficiency and control management fees. This administrative organization aims to appropriately fulfil our mandate of driving regional and cooperative development and Québec's economic development in general.

CRCD monitors changes in asset allocation and performance by investment profile to better manage operations. Each investment profile includes the assets held by CRCD and similar assets held by the funds in its ecosystem according to their respective interests.

CRCD aims for a balance between its mission to drive regional economic development and reasonable long-term return for the shareholders. Using a global approach to managing its financial assets, CRCD manages its portfolio of Investments impacting the Québec economy jointly with its Other investments portfolio. This allows CRCD to balance its overall investment portfolio and limit volatility in share price due to changing economic conditions over the entire holding period.

To do this, CRCD's strategy for managing financial assets is as follows:

- CRCD takes an integrated and overall approach to managing its financial assets, which means that target asset allocation must include diversification to reduce the risks inherent in certain asset classes within the investment portfolios.
- The objective is to optimize the after tax risk/return ratio of CRCD's financial assets in compliance with its role as an economic development agent, to limit six-month fluctuations in the price of its shares and secure reasonable returns for shareholders.
- A sufficient portion of CRCD's financial assets must be invested in liquid securities to meet any share redemption requests that exceed issues of shares.
- A sufficient portion of CRCD's financial assets must be invested in securities that generate current income to meet its expenses.

Lastly, CRCD is required to fulfil its mission within certain guidelines, including, as at December 31, 2018, having invested 63% (62% as at December 31, 2017) of its average net assets in eligible Québec companies. This percentage is gradually increased by 1% per year to reach 65% for the fiscal years beginning after December 31, 2019. In addition, 35% of eligible investments must be made in Québec's resource regions or in eligible cooperatives. If these requirements are not met, the authorized issue of capital for the capitalization period following the end of the fiscal year could be reduced. As at December 31, 2018 and 2017, all of those rules were met.

GOVERNANCE

Board of Directors

The Board of Directors (the “Board”) is made up of 13 directors, 10 of whom are independent, and is chaired by an independent director. The following is a snapshot of the Board as of the date of this report:

Sylvie Lalande, ASC, C. Dir.
Chair of the Board of CRCD and Corporate Director

Chantal Bélanger, FCPA, FCGA, ASC
Vice-Chair of the Board of CRCD and Corporate Director

Jacques Jobin, Lawyer, ASC
Secretary of the Board of CRCD and President, Médiato

Bruno Morin
General Manager of CRCD and Corporate Director

Charles Auger, Vice-President of Operations, Chocolats Favoris

Marc Barbeau
CPA, CA, M. Fisc.
President and Chief Executive Officer, Ovivo Inc.

Éric Charron
Adm.A, Pl.Fin.
General Manager, Caisse Desjardins de Gatineau

Lucie Demers, CPA, CGA, CBV
Corporate Director

Marlène Deveaux, ASC
President and Chief Executive Officer, Revêtement sur métaux inc.

Jean-Claude Gagnon
FCPA, FCA
Strategic Growth Advisor and Corporate Director

Linda Labbé
CPA, CA
Corporate Director

Marcel Ostiguy
Corporate Director

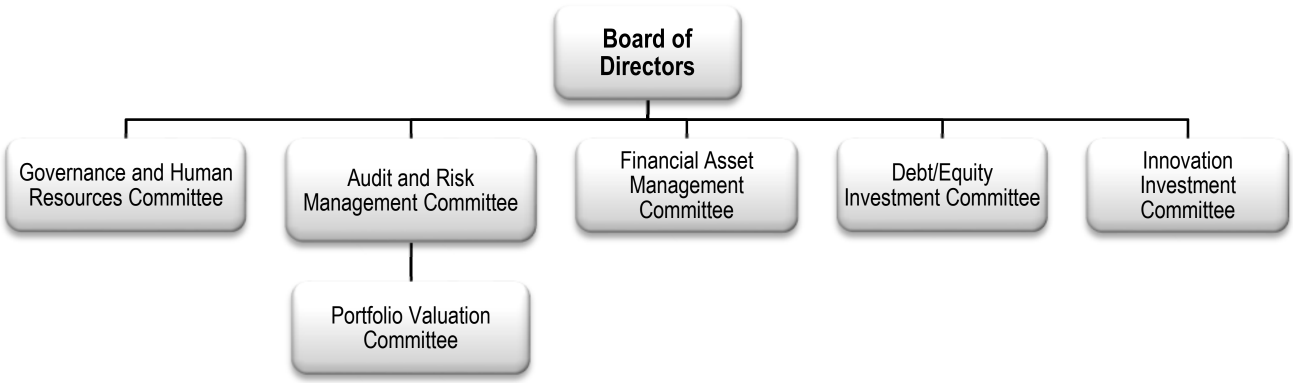
Louis-Régis Tremblay, Eng., ICD.D
Executive Management Consultant and Corporate Director

The Board has the general authority to manage the affairs of CRCD and oversee the fulfilment of its mission. In this capacity, it is responsible for guiding and overseeing all of CRCD’s affairs and risks, including strategic risk oversight.

The Board is involved in and makes decisions on matters such as governance, strategic planning, investment, financial reporting, financial asset management, risk management, capitalization, general meetings of shareholders and contracts.

To this end, the Board is supported by six committees that regularly report to it and make appropriate recommendations. Also, the manager reports on outsourced activities through its executives who attend meetings of the Board and the committees.

The governance structure is as follows:



Other than the specific mandates assigned from time to time by the Board, the main responsibilities of the committees are described below.

GOVERNANCE AND HUMAN RESOURCES COMMITTEE

The Corporate Governance and Human Resources Committee is made up of four directors, three of whom are independent.

This Committee's mandate is to provide oversight of the application of the rules relating to governance, independence, conflicts of interest, ethics and professional conduct. It is in particular responsible for drawing up skills and experience profiles for the General Manager and Board members. It also recommends to the Board an evaluation process for the performance of the Chair of the Board, the General Manager of CRCD, the Board, the Committees and CRCD's manager. Furthermore, the Committee ensures that a succession plan is in place for CRCD's General Manager, and for the Chief Operating Officer and other key positions of Desjardins Capital.

This Committee also oversees general reputation risk and conflict of interest risks. It is informed of the reputational risk associated with the investment, which is monitored by the investment committees.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is made up of three independent directors who have the financial literacy required to carry out their duties, two of whom at least have an accounting designation.

The Committee's mandate is to assist the Board in its oversight and accountability roles on aspects relating to the quality, reliability and integrity of financial reporting and continuous disclosure. It ensures that internal control over financial reporting has been implemented by the manager and is working effectively, and that adequate compliance mechanisms are implemented and maintained by the manager for the legal and statutory requirements that may have a material effect on financial reporting. Its role also includes a component related to the work, performance, independence, appointment and recommendation of the independent auditor.

The Committee is also responsible for monitoring CRCD's overall integrated risk management process and specifically monitors compliance risk at the regulatory and legislative level as well as for shareholder accountability and public disclosure, outsourcing risk (excluding external managers), operational risk related to the processing of transactions and systems, and internal and external fraud risk. It is informed of market risks related to interest rates, foreign currencies and stock markets, which are monitored by the Financial Asset Management Committee and credit and counterparty risk of Investments impacting the Québec economy, which is supervised by the investment committees.

FINANCIAL ASSET MANAGEMENT COMMITTEE

The Financial Asset Management Committee is made up of five directors who possess a range of complementary expertise and sufficient financial, accounting and economic knowledge and skills to fully understand the nature of CRCD's financial assets and the resulting financial risks.

This Committee's mandate is to coordinate and align CRCD's financial asset management to optimize the risk/return balance. The Committee monitors CRCD's performance and ensures that CRCD complies with the legislative and regulatory requirements relating to financial assets. It also oversees the implementation of and compliance with CRCD's Global Financial Asset Management Policy and related guidelines.

The Committee also monitors market risks related to interest rates, foreign currencies and stock markets, geographic and sector concentration risk related to net assets, liquidity risk, and outsourcing risk relating to the use of external managers. It is informed of the sector concentration risk of Investmerts impacting the Québec economy and the credit and counterparty risk of the Investments impacting the Québec economy that are under the supervision of the investment committees.

PORTFOLIO VALUATION COMMITTEE

The Portfolio Evaluation Committee is made up of five members: two independent directors and three external members. The majority of members are independent qualified valuators in accordance with the *Regulation respecting development capital investment fund continuous disclosure*.

The Committee's mandate is to review all relevant information concerning the valuations of CRCD's Investments impacting the Québec economy portfolio on a semi-annual basis in order to provide reasonable assurance to the Audit and Risk Management Committee and the Board that the valuation process complies with the requirements of said Regulation. It also reviews, from time to time, the Fair Value Methodology and recommends to the Audit and Risk Management Committee and the Board such changes as it deems necessary.

INVESTMENT COMMITTEES

The Debt/Equity Investment Committee is made up of six members, three directors and three external members, while the Innovation Investment Committee is made up of five members, two directors and three external members. Five members of the Debt/Equity Investment Committee and the Innovation Investment Committee are independent. The members of these committees are selected based on their expertise and experience in the sectors targeted by the various policies governing investment activities and on their ability to assess the quality of an investment, detect risks and contribute to its future growth in value.

The general mandate of the investment committees is to evaluate, authorize and oversee transactions related to Investments impacting the Québec economy within the limits of the decision-making process approved by the Board and in accordance with CRCD's mission.

The Debt/Equity Investment Committee reviews financing requests for subordinated debt, equity or a combination of subordinated debt and equity. The Innovation Investment Committee reviews financing requests for equity or a combination of subordinated debt and equity which promote technological or industrial innovation or advance new uses for existing technologies.

These committees also have a role in overseeing investment-related reputation risk, sector concentration risk related to Investments impacting the Québec economy, credit and counterparty risk related to Investments impacting the Québec economy, risk associated with the appointment and performance monitoring of external directors and operational risk related to the investment process. They are informed of the strategic risk associated with the Investments impacting the Québec economy portfolio's allocation by region, which is supervised by the Board.

ATTENDANCE RECORD AND COMPENSATION

The following table presents the attendance record and compensation of CRCD's directors and external committee members for fiscal 2018.

Name	Board of Directors	Governance and Human Resources Committee	Audit and Risk Management Committee	Financial Asset Management Committee	Portfolio Valuation Committee	Debt/Equity Investment Committee	Innovation Investment Committee	Compensation
(Number of meetings)	***9***	***6***	***6***	***4***	***2***	***16***	***11***	**$**
Charles Auger	9/9						11/11	30,000
Marc Barbeau	8/8			3/3		12/13		31,000
Chantal Bélanger	9/9	6/6	6/6		2/2			48,000
Ève-Lyne Biron	1/1							5,000
Éric Charron	7/8			3/3				20,150
Lucie Demers	8/8		5/5		1/1			26,350
Roger Demers	1/1			1/1		2/3		8,834
Marlène Deveaux	9/9	6/6	1/1			3/3		31,500
André Gabias	1/1							5,000
Jean-Claude Gagnon	7/9		5/6		1/1			29,500
Jacques Jobin	9/9	2/2		1/1			11/11	39,000
Linda Labbé	6/8			3/3				20,150
Sylvie Lalande	9/9	6/6						70,000
Jean-Claude Loranger	1/1			1/1				6,500
Bruno Morin	8/9	6/6	6/6	4/4		16/16		70,000
Marcel Ostiguy	9/9			4/4				26,000
Louis-Régis Tremblay	8/9		1/1			15/16		36,000
Bernard Bolduc*						14/16		16,000
Guy Delisle*						15/16		16,300
Sébastien Mailhot*					2/2			8,400
Michel Martineau*					2/2			8,400
Muriel McGrath*							10/11	13,600
George Rossi*					2/2			8,400
Michel Rouleau*						16/16		17,200
Thom Skinner*							11/11	14,200
Normand Tremblay*							11/11	14,200
TOTAL COMPENSATION								**619,684**

* External committee member

EXPLANATORY NOTES TO TABLE:

Compensation includes fees in connection with meetings of the Board of Directors and the committees, training sessions and working meetings of the special committees. Only external committee members receive fees for meetings.

Ms. Lalande, Chair of the Board, receives a fixed salary of $70,000 per year.
Mr. Morin, General Manager, receives a fixed salary of $70,000 per year.
Mss. Demers and Labbé and Messrs. Barbeau and Charron have served as directors since March 23, 2018, replacing Ms. Biron and Messrs. Demers, Gabias and Loranger.
Mr. Jobin ceased to serve as a member of the Governance and Human Resources Committee on March 23, 2018.
Ms. Deveaux and Mr. Tremblay ceased to serve as members of the Audit and Risk Management Committee on March 23, 2018.
Ms. Demers has served as a member of the Audit and Risk Management Committee and the Portfolio Valuation Committee since March 23, 2018.
Messrs. Demers, Jobin and Loranger ceased to serve as members of the Financial Asset Management Committee on March 23, 2018.
Ms. Labbé and Messrs. Barbeau and Charron ceased to serve as members of the Financial Asset Management Committee on March 23, 2018.
Mr. Gagnon ceased to serve as a member of the Portfolio Valuation Committee on March 23, 2018.
Ms. Deveaux and Mr. Demers ceased to serve as members of the Debt/Equity Investment Committee on March 23, 2018.
Mr. Barbeau ceased to serve as a member of the Debt/Equity Investment Committee on March 23, 2018.

RISK MANAGEMENT

Sound risk management practices are critical to the success of CRCD. An integrated risk management policy has been put in place to provide the capacity to anticipate and be proactive in mitigating the impact of risk events.

Note to the reader

The following sections regarding market risks, credit and counterparty risks, concentration risks and liquidity risks have been reviewed by CRCD's independent auditor as part of the audit of the separate financial statements concerning which an independent auditor's report was issued on February 14, 2019.

MARKET RISKS

Market risks pertain to CRCD's role in the capital markets and, indirectly, to general changes in economic conditions. They also pertain to the impact of capital market movements on the value of CRCD's assets. The various risks that make up market risks directly impacting CRCD are listed below.

In accordance with CRCD's global financial asset management approach, the impact of these interest rate and stock market risks and their interrelatedness are taken into account when determining overall asset allocation.

Interest rate risk

Interest rate fluctuations have an impact on the market value of fixed-income securities and real estate funds held in the portfolio for which fair value is determined based on market conditions. The fair value of these assets as at December 31, 2018 was $986.5 million ($813.3 million as at December 31, 2017). Fixed-income securities held in the Other investments portfolio include money market instruments and bonds. Fixed-income securities held in the Investments impacting the Québec economy portfolio include loans and advances and preferred shares.

Money market instruments with a fair value of $51.2 million ($33.9 million as at December 31, 2017) are not valued based on changes in interest rates, given their very short maturities and CRCD's intention to hold them until maturity.

Bonds with a fair value of $642.0 million ($506.2 million as at December 31, 2017) are directly affected by changes in interest rates. A 1% increase in interest rates would have resulted in a $39.9 million decrease in net earnings, representing a 1.9% decrease in CRCD's share price as at December 31, 2018 ($28.0 million for 1.5% as at December 31, 2017). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $42.9 million increase in net earnings, representing a 2.0% increase in the share price ($29.8 million for 1.6% as at December 31, 2017). CRCD's financial asset management strategy aims to diversify the portfolio securities, resulting in limited exposure to long-term bonds. Given that CRCD matches the maturities of bonds held in its portfolio with the average maturity of expected cash outflows, the long-term effect of interest rates on results should be limited.

Real estate funds with a fair value of $96.4 million ($88.8 million as at December 31, 2017) may also be affected by interest rate fluctuations. However, unlike bonds, there is no direct correlation between changes in interest rates and changes in fair value of this asset class.

In the Investments impacting the Québec economy portfolio, loans and advances and preferred shares for which CRCD also holds participating shares in the same company and those that are discounted, totalling a fair value of $225.6 million ($212.1 million as at December 31, 2017), are not sensitive to changes in interest rates. Conversely, the other loans and advances and preferred shares included in the portfolio, totalling a fair value of $197.0 million ($184.3 million as at December 31, 2017), are sensitive to changes in interest rates. However, the interest rate risk related to the other loans and advances and preferred shares held in the portfolio is limited given the amounts in question.

Stock market risk

Stock market trends have a twofold impact on CRCD. In addition to the direct impact on the market values of publicly traded stocks, the valuations of some private portfolio companies may also be affected by changes in stock prices.

As at December 31, 2018, global and Canadian equity funds, valued at $239.5 million ($248.1 million as at December 31, 2017), which were managed by external managers and held in the Other investments portfolio, consisted primarily of listed equities. Accordingly, a 10% increase or decrease in the quoted market prices of listed equities would have resulted in a $23.9 million increase or decrease in net earnings, representing a 1.1% increase or decrease in CRCD's share price.

The Investments impacting the Québec economy portfolio included listed equities in the amount of $18.4 million ($0.3 million as at December 31, 2017). Accordingly, for these investments a 10% increase or decrease in the quoted market prices of listed equities would have resulted in a $1.8 million increase or decrease in net earnings, representing a 0.1% increase or decrease in CRCD's share price.

Currency risk

Changes in currency values have an impact on the activities of a number of CRCD's partner companies. The net effect of an appreciation in the Canadian dollar is not necessarily always negative for these companies, nor is a depreciation necessarily positive. However, rapid fluctuations in the Canadian dollar heighten the difficulties faced by these companies.

Currency fluctuations impact the fair value of assets valued initially in a foreign currency and subsequently translated into Canadian dollars at the prevailing rate of exchange. In the portfolio of Investments impacting the Québec economy and in accounts receivable, assets whose values fluctuate due to changes in foreign exchange rates represented a fair value of $76.4 million or 3.5% of net assets as at December 31, 2018, compared with $91.0 million or 4.7% of net assets at December 31, 2017.

CRCD aims to systematically hedge currency risk for assets measured in foreign currency, unless the exposure stems from the long-term expected returns of certain asset classes. A $10 million line of credit has been granted to CRCD for its foreign exchange contract transactions. As at December 31, 2018, CRCD held foreign exchange contracts under which it will be required to deliver US$53.1 million (US$76.1 million as at December 31, 2017) at the rate of CAD/USD 1.3615 (CAD/USD 1.2747 as at December 31, 2017), as well as foreign exchange contracts under which it will be required to deliver €3.6 million (nil as at December 31, 2017) at the rate of CAD/EUR 1.5685 on March 29, 2019. As at December 31, 2018, CRCD had $4.5 million in collateral on its foreign exchange contracts (nil as at December 31, 2017). This collateral was released on January 1, 2019.

As at December 31, 2018, the net exposure of CRCD's Investments impacting the Québec economy portfolio and accounts receivable to foreign currencies was thus limited to $1.8 million ($4.7 million as at December 31, 2017). Any fluctuation in the Canadian dollar will therefore not have a significant impact on CRCD's results.

For the Other investments portfolio, the net exposure of investments to foreign currencies amounted to $137.4 million (140.0 million as at December 31, 2017). Accordingly, a 10% decrease (increase) in value of the Canadian dollar relative to all of the other foreign currencies would have resulted in a $13.7 million increase (decrease) in net earnings, representing a 0.7% increase (decrease) in CRCD's share price.

CREDIT AND COUNTERPARTY RISKS

In pursuing its Investments impacting the Québec economy mission, CRCD is exposed to credit and counterparty risks related to potential financial losses if a partner company fails to fulfill its commitments or experiences a deterioration of its financial position. By diversifying its investments by investment profile, and by limiting the potential risk of each partner company, CRCD has limited portfolio volatility due to the possibility of negative events.

CRCD does not generally require guarantees to limit credit risk on its loans. Requiring guarantees would contravene the eligibility rules for Investments impacting the Québec economy.

The maximum credit risk is the carrying amount of the financial instruments at the end of the reporting period, in addition to funds committed but not disbursed.

Investments impacting the Québec economy, except those carried out through funds, are first ranked by risk from 1 to 9 based on the criteria defined by Moody's RiskAnalyst tool. Subsequently, all the investments are reviewed monthly to identify those that meet the criteria for a ranking of 10.

Investments impacting the Québec economy made as funds are reported in the Low to acceptable risk category due to the structure of this type of product, and because they generally involve no leverage.

The following table shows a slight increase in the percentage of investments with a risk rating of 7 and above compared with fiscal 2017. The percentage breakdown of the Investments impacting the Québec economy portfolio ranked by risk is as follows (fair value amounts):

		As at December 31, 2018		As at December 31, 2017	
Rating		**(in thousands of $)**	**(as a %)**	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	**1,031,104**	**95.5**	1,013,033	98.0
7 to 9	At risk	**33,458**	**3.1**	15,267	1.5
10	High risk and insolvent	**15,507**	**1.4**	5,651	0.5

Furthermore, CRCD is exposed to credit risk on financial instruments not recognized in assets, which are funds committed but not disbursed in connection with the Investments impacting the Québec economy portfolio. The table below shows the breakdown, by risk rating, of funds committed but not disbursed as at the reporting date:

		As at December 31, 2018		As at December 31, 2017	
Rating		**(in thousands of $)**	**(as a %)**	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	**191,969**	**99.9**	183,606	100.0
7 to 9	At risk	**-**	**-**	-	-
10	High risk and insolvent	**200**	**0.1**	-	-

For the bond portfolio, which represented 62.4% of the fair value of the Other investments portfolio (57.6% as at December 31, 2017), credit risk is managed by diversification across numerous issuers with credit ratings as follows:

	As at December 31, 2018	As at December 31, 2017
Rating	**(in thousands of $)**	(in thousands of $)
AAA	**295,820**	224,582
AA	**242,163**	186,001
A	**56,401**	47,175
BBB	**47,571**	45,585
BB	**-**	2,841

Credit risk ratings are established by recognized credit agencies.

Consistent with the global financial asset management policy, money market instruments have a minimum credit rating of R-1 (low), thus limiting the credit risk associated with these financial instruments.

Counterparty risk is limited to the immediate short term and is associated with CRCD's counterparty when entering into cash transactions.

Counterparty risk is low for foreign exchange contracts given the amounts in question and that the contract counterparty is FCDQ.

CONCENTRATION RISKS

Concentration risks arise from the possibility that a significant portion of CRCD's Investments impacting the Québec economy portfolio or Other investments portfolio might become concentrated in a single entity, region or financial product, which could render CRCD vulnerable to any financial difficulties experienced by such entity, region or financial product.

Risk of concentration in an entity

Pursuant to its constituting act, policies and internal guidelines, the amount that CRCD may invest in any one entity or in a group of associates is limited to a percentage of its assets for both the Investments impacting the Québec economy and Other investments portfolios.

The concentration of the five largest Investments impacting the Québec economy and the five largest Other investments is as follows (percentages are based on fair asset value and funds committed but not disbursed):

	As at December 31, 2018		As at December 31, 2017	
	% of portfolio	**% of net assets**	% of portfolio	% of net assets
Investments impacting the Québec economy(1)	**33.5**	**19.7**	35.5	22.2
Other investments(2)	**48.8**	**23.1**	46.8	21.1

(1) CRCD's interest in the ecosystem funds accounted for 63% (63% as at December 31, 2017) of the five largest Investments impacting the Québec economy.

(2) Government issuers and issues guaranteed by government entities represented 70% (62% as at December 31, 2017) of the five largest issuers or counterparties in the Other investments portfolio.

Risk of concentration by region

In keeping with its mission of Québec economic development, the Investments impacting the Québec economy portfolio chiefly comprises businesses whose employees are, in the majority, residents of Québec. Furthermore, at least 35% of its investments must be made in companies located in the resource regions or in eligible cooperatives. Portfolio performance therefore depends heavily on economic conditions in Québec and the resource regions. As at December 31, 2018, the Investments impacting the Québec economy portfolio represented 51.3% of net assets (52.8% as at December 31, 2017).

CRCD has adopted a global financial asset management and investment guidelines policy to govern the Other investments portfolio activities which currently limit the option of holding foreign securities. As at December 31, 2018, the Other investments portfolio included a portion of foreign securities resulting primarily from its interest in global equity funds, plus 86.8% in Canadian securities (84.3% as at December 31, 2017). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at December 31, 2018, the Other investments portfolio represented 48.0% of net assets (45.8% as at December 31, 2017).

Risk of concentration in a financial product

The global financial asset management policy favours global integrated management of the Investments impacting the Québec economy and Other investments portfolios. The policy establishes limits by asset class and these limits are applied by the manager. As at December 31, 2018, bond securities represented 29.6% of net assets (26.0% as at December 31, 2017). The higher percentage allocated to this asset class stems from the significant divestments carried out at the end of the year.

The portfolio summary presented at the end of this MD&A also provides relevant information for assessing concentration risk.

LIQUIDITY RISKS

CRCD must maintain sufficient liquid assets to fund share redemptions and committed Investments impacting the Québec economy. If it failed to do so, CRCD would be dependent on the markets and could be forced to carry out transactions under unfavourable conditions. With liquid investments that should represent approximately 30% of assets under management, and using a management approach that ensures that the average maturity of bonds is close to the average maturity of expected outflows, CRCD can confirm that liquidity risks are adequately covered. Furthermore, credit facilities have been put in place to provide greater cash management flexibility. The credit facilities were undrawn during fiscal 2018 and 2017.

Given the anticipated increase in the balance of the redeemable shares of CRCD, in addition to the initiatives put in place to stimulate share redemptions, new measures announced by the Québec government in March 2018 allow eligible CRCD shareholders to commit their redeemable capital for an additional seven-year period. With an authorized annual amount of $100 million, this initiative will ensure greater availability of capital for Investments impacting the Québec economy and reduce cash requirements related to share redemptions. See the Capital raising section for more information.

CRCD, through its balanced financial strategy and integrated risk management, has the necessary sources of funding to cover its financial obligations and pursue its mission among Québec businesses.

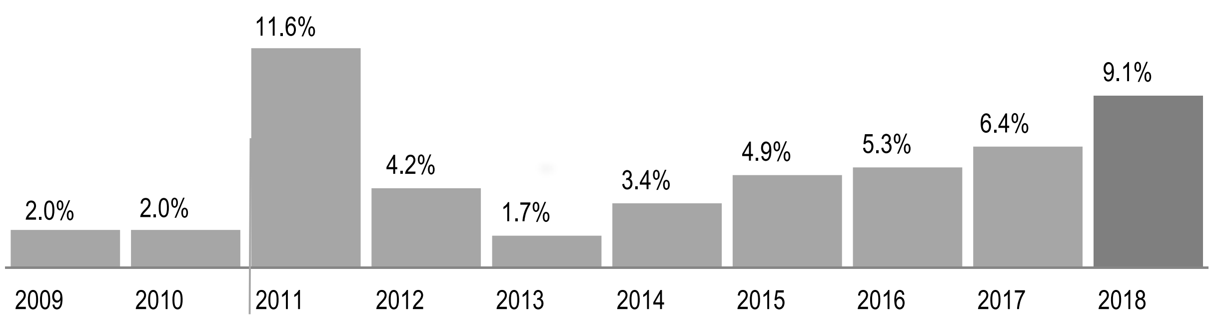
PAST PERFORMANCE

This section presents CRCD's historical returns. These returns do not include the $50 administration fee paid by shareholders or the tax credit they enjoy as a result of their investment. Past performance is not necessarily indicative of future returns.

ANNUAL RETURNS

The following chart shows CRCD's annual returns and illustrates the change in returns from one period to the next for the past ten fiscal years. Annual return is calculated by dividing income (loss) per share for the period by the share price at the beginning of the period.

Annual return



COMPOUNDED RETURN OF THE COMMON SHARE AS AT DECEMBER 31, 2018

The compounded return is calculated based on the annualized change in the price of the share over each of the periods shown.

10 YEARS	7 YEARS	5 YEARS	3 YEARS	1 YEAR
4.9%	4.8%	5.6%	6.7%	8.9%

PORTFOLIO SUMMARY

CORE INVESTMENT PROFILES

As at December 31, 2018, the assets of CRCD's Investments impacting the Québec economy and Other investments portfolios at fair value were as follows:

Investment profile	% of net assets
Investments impacting the Québec economy*	
Debt	15.0
Equity	30.1
Venture capital	3.3
External funds	1.9
Other asset items held by ecosystem funds	1.0
Total – Investments impacting the Québec economy	**51.3**
Other investments	
Cash and money market instruments	2.9
Bonds	29.6
Global equity funds	6.9
Canadian equity funds	4.2
Real estate funds	4.4
Total – Other investments	**48.0**

* Including foreign exchange contracts

Net assets are made up of 99.3% investment profiles and 0.7% other asset items.

MAIN INVESTMENTS HELD

As at December 31, 2018, on a fair value basis, the issuers of the 25 main investments held by CRCD were as follows:

Issuers	% of net assets
Investments impacting the Québec economy (14 issuers)*	31.1
Government of Canada	8.1
Canada Housing Trust	4.5
Province of Québec	3.6
Desjardins Global Dividend Fund	3.4
Desjardins IBrix Low Volatility Global Equity Fund	3.4
Province of Ontario	3.2
Bentall Kennedy Prime Canadian Property Fund	2.2
Fiera Properties CORE Fund	2.2
BMO Low Volatility Canadian Equity ETF	2.1
Fidelity Canadian Low Volatility Equity Institutional Trust	2.1
Province of Manitoba	1.3

* The 14 issuers who collectively represent 31.1% of CRCD's net assets are:
- Agropur Cooperative
- Amisco Industries Ltd.
- Avjet Holding Inc.
- Capital croissance PME II s.e.c.
- Congebec Logistic II Inc.
- Desjardins Capital PME s.e.c.
- Desjardins-Innovatech S.E.C
- Exo-s Inc.
- Fournier Industries Group Inc.
- Gecko Alliance Group Inc.
- Groupe Solotech inc.
- La Coop fédérée
- Norbec Group Inc. (10080233 Canada Inc.)
- Télécon Inc.

This summary of CRCD's portfolio may change at any time due to transactions carried out by CRCD.

February 14, 2019

MANAGEMENT'S REPORT

February 14, 2019

CRCD's separate financial statements together with the financial information contained in this annual report are the responsibility of the Board of Directors, which delegates the preparation thereof to management.

In discharging its responsibility for the integrity and fairness of the financial statements, management has ensured that the manager maintains an internal control system to provide reasonable assurance that the financial information is reliable, that it provides an adequate basis for the preparation of the financial statements and that the assets are properly accounted for and safeguarded.

Furthermore, CRCD's General Manager and Chief Financial Officer have certified that the method used to determine the fair value of each of the Investments impacting the Québec economy complies with the requirements of the Autorité des marchés financiers and have confirmed the reasonableness of the aggregate fair value of the portfolio of Investments impacting the Québec economy.

The Board of Directors fulfils its responsibility for the financial statements principally through its Audit and Risk Management Committee. The Committee meets with the independent auditor appointed by the shareholders with and without management present to review the financial statements, discuss the audit and other related matters and make appropriate recommendations to the Board of Directors. The Committee also analyzes the management discussion and analysis to ensure that the information therein is consistent with the financial statements.

The financial statements present the financial information available as at February 14, 2019. These statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and audited by PricewaterhouseCoopers LLP.

The Board of Directors has approved the separate financial statements, together with the information in the management discussion and analysis. The financial information presented elsewhere in this report is consistent with CRCD's separate financial statements.

(signed) Yves Calloc'h, CPA, CA

Chief Financial Officer

Capital régional et coopératif Desjardins

Separate Financial Statements
December 31, 2018 et 2017
(in thousands of Canadian dollars)

Independent auditor's report

To the Shareholders of Capital régional et coopératif Desjardins

Our opinion

In our opinion, the accompanying separate financial statements ("financial statements") present fairly, in all material respects, the financial position of Capital régional et coopératif Desjardins (the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited:

The Company's separate financial statements comprise:

- the separate balance sheets as at December 31, 2018 and 2017;
- the separate statements of comprehensive income for the years then ended;
- the separate statements of changes in net assets for the years then ended;
- the separate statements of cash flows for the years then ended; and
- the notes to financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
February 14, 2019

[1] CPA auditor, CA, public accountancy permit No. A111799

Capital régional et coopératif Desjardins

Separate Balance Sheets

(in thousands of Canadian dollars, except for number of common shares outstanding and net asset value per common share)

	Note	As at December 31, 2018 $	As at December 31, 2017 $
Assets			
Investments impacting the Québec economy	7	1,080,069	1,033,951
Other investments	8	1,028,968	878,482
Intangibles assets	10	1,023	-
Income taxes recoverable	19	26,477	19,624
Accounts receivable	11	45,981	36,069
Cash	12	12,428	12,305
		2,194,946	1,980,431
Liabilities			
Notes payable and financial liabilities	13	4,726	23,413
Income taxes payables	19	15,097	232
Accounts payable	14	6,319	11,444
		26,142	35,089
Net assets	16	2,168,804	1,945,342
Number of common shares outstanding		141,391,214	138,079,685
Net asset value per common share		15.34	14.09

On behalf of the Board of Directors of Capital régional et coopératif Desjardins,

Sylvie Lalande, ASC, C. Dir. , Director

Chantal Bélanger, FCPA, FCGA, Director

The accompanying notes are an integral part of these separate financial statements.

Capital régional et coopératif Desjardins

Separate Statements of Comprehensive Income

For the years ended December 31

(in thousands of Canadian dollars, except for weighted average number of common shares and net earnings per common share)

	Note	2018 $	2017 $
Revenue			
Interest	7	25,886	23,228
Dividends and distributions		43,929	27,645
Administrative charges		470	519
		70,285	51,392
Gains (losses) on investments			
Realized		108,335	8,480
Unrealized		30,297	88,061
		138,632	96,541
Total revenue and gains on investments		208,917	147,933
Expenses			
Management fees		18,908	23,865
Other operating expenses	18	4,732	5,046
Shareholder services	18	6,305	3,363
		29,945	32,274
Earnings before income taxes		178,972	115,659
Income taxes	19	4,078	2,902
Net earnings for the year		174,894	112,757
Weighted average number of common shares		136,894,655	133,493,165
Net earnings per common share		1.28	0.84

The accompanying notes are an integral part of these separate financial statements.

Capital régional et coopératif Desjardins

Separate Statements of Changes in Net Assets

For the years ended December 31

(in thousands of Canadian dollars)

	Share capital (note 16)		Retained earnings	Net assets
	Number	$	$	$
Balance – December 31, 2017	138,079,685	1,501,550	443,792	1,945,342
Net earnings for the year	-	-	174,894	174,894
Share capital transactions[1]				
Issuance of common shares	9,630,654	141,179	-	141,179
Share issue expenses, net of $1,657 in taxes	-	(2,523)	-	(2,523)
Redemption of common shares	(6,319,125)	(62,775)	(27,313)	(90,088)
Balance – December 31, 2018	141,391,214	1,577,431	591,373	2,168,804
Balance – December 31, 2016	134,943,941	1,434,668	354,749	1,789,417
Net earnings for the year	-	-	112,757	112,757
Share capital transactions[1]				
Issuance of common shares	9,792,823	134,850	-	134,850
Share issue expenses, net of $1,578 in taxes	-	(2,396)	-	(2,396)
Redemption of common shares	(6,657,079)	(65,572)	(23,714)	(89,286)
Balance – December 31, 2017	138,079,685	1,501,550	443,792	1,945,342

(1) This data does not include the redemption requests made within 30 days of subscription.

The accompanying notes are an integral part of these separate financial statements.

Capital régional et coopératif Desjardins

Separate Statements of Cash Flows

For the years ended December 31

(in thousands of Canadian dollars)

	2018 $	2017 $
Cash flows from (used in) operating activities		
Net earnings for the year	174,894	112,757
Non-cash items:		
Losses (gains) on investments	(138,632)	(96,541)
Amortization of premiums and discounts on other investments	(3,773)	(2,629)
Amortization of intangibles assets	73	-
Deferred taxes	2,977	1,180
Capitalized interest and other non-cash items	(1,095)	(2,629)
Changes in operating assets and liabilities:		
Income taxes recoverable	(5,668)	640
Income taxes payable	12,360	-
Accounts receivable	12,070	(13,181)
Accounts payable	(4,645)	4,011
Acquisitions of investments impacting the Québec economy	(176,400)	(173,264)
Proceeds from disposals of investments impacting the Québec economy	257,112	153,278
Acquisitions of other investments	(1,557,623)	(716,918)
Proceeds on disposal of other investments	1,394,350	700,647
	(34,000)	(32,649)
Cash flows from (used in) investing activities		
Acquisitions of intangibles assets	(1,096)	-
Cash flows from (used in) financing activities		
Issuance of common shares	136,999	132,256
Redemption of common shares	(90,088)	(89,286)
	46,911	42,970
Net change in cash and cash equivalents during the year	11,815	10,321
Cash and cash equivalents – Beginning of year	29,438	19,117
Cash and cash equivalents – End of year	41,253	29,438

Supplemental information about cash flows from operating activities

Interest received	19,651	18,198
Dividends and distributions received	43,715	27,503
Income taxes recovered (paid)	5,591	1,082

The accompanying notes are an integral part of these separate financial statements.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

1 Governing statute, administration and investments

Governing statute

Capital régional et coopératif Desjardins ("CRCD") is constituted by an Act of the National Assembly of Québec (C.Q.L.R. chapter C 6.1) (the "Act") and is deemed to have been constituted by the filing of articles on July 1, 2001. CRCD began its activities on November 5, 2001 and is a legal person with share capital. CRCD has business offices at 2 Complexe Desjardins, East Tower, Suite 1717, Montréal, Québec, Canada, and its head office is located at 100 Rue des Commandeurs, Lévis, Québec, Canada.

Administration

The affairs of CRCD are administered by a Board of Directors consisting of 13 members:

- Eight persons appointed by the President of Desjardins Group;
- Two persons elected by the General Meeting of Shareholders;
- Two persons appointed by the aforementioned 10 members from among the persons considered by those members to be representative of the eligible entities described in the Act;
- The Chief Executive Officer of CRCD.

Investments

CRCD may make investments with or without a guarantee or security, mainly in eligible entities. Eligible entities include eligible cooperatives and partnerships or a legal person actively operating an enterprise, the majority of whose employees are resident in Québec and whose assets are less than $100 million or whose net equity is less than or equal to $50 million.

CRCD may invest up to 5% of its assets (as established on the basis of the latest valuation by the chartered professional accountants) in the same eligible company or cooperative, and the investment is generally planned for a period of five to fifteen years. The percentage may be increased up to 10% to enable CRCD to acquire securities in an entity carrying on business in Québec but that is not an eligible entity. In such a case, CRCD may not, directly or indirectly, acquire or hold shares carrying more than 30% of the voting rights that may be exercised under any circumstances.

Pursuant to the Act, other investments may qualify, such as investments in certain investment funds, provided the required specific conditions set out in the Act have been met.

As of the fiscal year that began on January 1, 2006, and during each subsequent fiscal year, CRCD's eligible investments, as defined in the Act, must represent on average at least 60% of CRCD's average net assets for the preceding year. As of the fiscal year beginning January 1, 2016, this percentage is gradually increased by 1% per year to reach 65% for the fiscal years beginning after December 31, 2019.

Furthermore, a portion representing at least 35% of that percentage (from 60% to 65%) must be made in entities situated in the resource regions of Québec or in eligible cooperatives, as defined in the Act.

If one of these targets is not met, CRCD will be subject to a reduction of the authorized issue of capital for the capitalization period following the end of the fiscal year.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

2 Basis of presentation

Statement of compliance

CRCD has prepared its separate financial statements (the “financial statements”) in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements were approved by the Board of Directors on February 14, 2019.

Basis of measurement

These financial statements have been prepared on a fair value basis, except with respect to cash, accounts receivable, accounts payable and taxes, which are measured at amortized cost and at cost as well as intangible assets which are measured at amortized cost.

Investment entity

CRCD has several shareholders that are not related parties and holds a number of investments directly or indirectly in underlying funds. Ownership interests in CRCD are in the form of redeemable shares, subject to certain conditions, which are reported in net assets, in accordance with the puttable instrument exemption under IAS 32, *Financial Instruments: Presentation*.

CRCD has concluded that it constitutes an investment entity within the meaning of IFRS 10, *Consolidated Financial Statements*, as it obtains funds from multiple shareholders, commits to its shareholders to invest funds for returns from capital appreciation, and measures and evaluates the performance of its investments on a fair value basis. Accordingly, investments in subsidiaries and associates reported in investments impacting the Québec economy are recognized at fair value.

3 Significant accounting policies

Changes in accounting policies

On January 1, 2018, CRCD adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, retrospectively, without restatement of comparative periods. IFRS 7, *Financial Instruments: Disclosures*, was also amended to reflect the differences between IFRS 9 and IAS 39. Accordingly, the information for fiscal 2017 is reported in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, and IAS 18, *Revenue*.

IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, introduces new requirements relating to the classification and measurement of financial assets and liabilities, the impairment of financial instruments, as well as requirements for hedge accounting. CRCD does not apply hedge accounting.

Regarding the classification and measurement of financial assets and liabilities, the adoption of IFRS 9 had no impact on CRCD’s balance sheet as at January 1, 2018. The financial assets designated at fair value through profit or loss in accordance with IAS 39 are now classified as at fair value through profit or loss in accordance with IFRS 9 while those included in loans and receivables and measured at

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

amortized cost under IAS 39 continued to be measured at amortized cost under IFRS 9. The adoption of IFRS 9 had no impact on the classification and measurement of financial assets and liabilities.

The IFRS 9 impairment model applies to financial assets, loan commitments and financial guarantee contracts, except for financial instruments at fair value through profit or loss and those designated at fair value through other comprehensive income. Since CRCD's financial instruments are mostly at fair value through profit or loss, the adoption of this new impairment model had no impact on CRCD's balance sheet as at January 1, 2008.

IFRS 15 introduces a single, comprehensive revenue recognition model for all contracts with customers other than those within the scope of other standards, such as financial instruments, insurance contracts and leases. The core principle of this standard is that revenue recognition should depict the transfer of the control of goods or services in an amount that reflects the consideration received or expected to be received in exchange for such goods or services. The adoption of IFRS 15 had no impact on CRCD's balance sheet and statement of comprehensive income.

The significant accounting policies used in preparing these financial statements are set out below.

Financial instruments

CRCD accounts for its financial instruments at fair value on initial recognition. Purchases and sales of financial assets are recognized at the trade date.

Classification and measurement

Under IFRS 9, financial assets are classified according to their contractual cash flow characteristics as well as the economic model under which they are held.

Contractual cash flow characteristics

To satisfy the criteria related to the cash flow characteristics for classifying a financial asset, the cash flows related to this asset must consist solely of principal and interest payments on the principal amount outstanding. The principal generally represents the fair value of the financial asset at initial recognition. Interest consists primarily of consideration for the time value of money and credit risk associated with the principal outstanding over a given period.

Business model

CRCD's business models are determined in a manner that reflects how groups of financial assets are managed together to achieve a particular business objective. The business models represent how CRCD manages its financial assets to generate cash flows, that is, they reflect whether the cash flows will arise from the collection of contractual cash flows, the sale of financial assets, or both. CRCD's business models are outlined as follows:

- Held to collect contractual cash flows: The objective of holding financial assets is to collect contractual cash flows
- Held to collect contractual cash flows and for sale: The objective is achieved by collecting contractual cash flows and by selling financial assets

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

- Other business models: The objective is not consistent with any of the above business models.

The classification and measurement of CRCD's financial assets and liabilities under IFRS 9 and IAS 39 can be summarized as follows.

Under IFRS 9, Investments impacting the Québec economy, Other investments and amounts receivable on disposals of Investments impacting the Québec economy are classified as at fair value through profit or loss because they are held according to an economic model whose aim is to manage and measure investment performance on a fair value basis. Under IAS 39, they were designated at fair value through profit or loss.

Cash and accounts receivable are measured at amortized cost, which approximates their fair value, according to IFRS 9, since they are held under a business model whose objective is to collect contractual cash flows and they satisfy the criteria of the cash flow characteristics test, that is, they consist solely of payments of principal and interest. Under IAS 39, these financial assets were classified in loans and receivables and measured at amortized cost, which approximates their fair value.

Under IFRS 9 and IAS 39, accounts payable are classified and measured at amortized cost which approximates their fair value, while notes payable and financial liabilities are designated at fair value through profit or loss. Financial liabilities are derecognized when the liability is extinguished, that is, when the obligation specified in the contract is discharged or cancelled, or expires.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of assets and liabilities traded in a market

The fair value of assets and liabilities traded in a market considered as active is based on the quoted price within the bid-ask spread that is most representative of fair value in the circumstances. In certain cases, if the market is not considered an active market, the most recent quoted price between the bid-ask spread may be adjusted to adequately reflect fair value.

Fair value of assets and liabilities not traded in a market

When assets and liabilities are not market traded, fair value is determined using valuation techniques chosen based on set criteria and prevailing market conditions at each reporting date. The principal financial instruments not traded in a market are included in investments impacting the Québec economy. The techniques used are based on valuation principles including guidelines generally used in the industry by business valuation professionals. Those valuation principles have been approved by CRCD's Board of Directors. The valuation method for a financial instrument is generally consistent from period to period, except where a change will result in more accurate estimates of fair value. Given the evolving environment specific to each entity underlying the financial instruments, changes to valuation techniques occur in each reporting period.

Loans and advances, non-participating shares

The fair value of loans and advances and non-participating shares is determined by discounting CRCD's expected contractual cash flows using a discount rate reflecting the return it would demand in light of entity-specific credit risk.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

Participating shares

The main technique used to determine the fair value of participating shares is the capitalization of cash flows. Two key variables used in that technique are representative cash flow and the capitalization rate. To determine representative cash flow, recurring cash flows are estimated using the entity's historical results and/or financial forecasts. A risk weight is subsequently applied to each of the cash flows thus determined to reflect its probability of occurrence. The rate used to capitalize the representative cash flow thus obtained reflects the way in which the entity could fund its operations and the risks associated with the occurrence of that representative cash flow.

Where the price of a recent arm's length market transaction between knowledgeable, willing parties is available, this valuation technique is used. It may also be appropriate to use a technique based on a third party purchase offer when deemed bona fide and credible. The use of judgment is required in determining whether the fair value of the recent transaction or purchase offer is the best evidence of fair value at the measurement date. The period during which it is deemed appropriate to refer to a past transaction or purchase offer depends on the circumstances specific to each investment.

Another valuation technique used is adjusted net assets, which consists in remeasuring all assets and liabilities on the balance sheet of the entity or fund at their fair value at the measurement date. The key adjustments made are related to the fair value of assets and liabilities, newly available information and significant events that occurred between the balance sheet date of the entity or the fund and the measurement date.

Global equities, Canadian equities and real estate funds

Interests in global equity, Canadian equities and real estate funds are recorded at their fair value. Fair value represents the net assets per unit as determined by the funds as at the balance sheet date.

Guarantee

When it is probable that CRCD is required to make a payment under guarantee it has provided, the liability to be recognized is estimated using an asset-based approach and a liquidation value method.

Note

The note receivable is related to an investment impacting the Québec economy and is recognized at fair value, which is the amount that CRCD would receive on the reporting date under the contractual agreement underlying this note receivable.

Notes payable and financial liabilities

Notes payable and financial liabilities are related to acquisitions of certain investments impacting the Québec economy and are recognized at fair value, which represents the amount payable by CRCD under the notes and financial liabilities' underlying contractual agreements at the reporting date.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

Amounts receivable on disposal of investments impacting the Québec economy

The fair value of amounts receivable on disposal of investments impacting the Québec economy is determined by discounting contractual cash flows and considers the debtor's credit risk in particular. Typically, estimating the amounts receivable and the timing of their collection depends on whether specified future events occur or conditions are met.

Intangibles assets

IT development consists primarily of costs relating to the development of applications that can be used internally or to provide services to shareholders. Intangible assets are initially recognized at cost and subsequently measured at cost less any accumulated amortization and any impairment losses. These costs are capitalized when the application's development phase begins. The costs incurred prior to this phase are expensed.

Intangible assets are amortized over their estimated useful lives, using the following method and period:

	Method	Period
Intangible assets		
IT development	Straight-line	3 years

Amortization begins when intangible assets are available for use. The amortization method and the useful life are revised at least once per year. Changes are recognized prospectively similarly to changes in accounting estimates.

Impairment of assets

The carrying amount of intangible assets is reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. For intangible assets that are not yet available for use, an annual impairment test is performed by comparing their carrying amount to their recoverable amount.

Cash and cash equivalents

Cash and cash equivalents consist of cash and money market instruments with purchased maturities of less than 90 days.

Share capital

The shares of CRCD are redeemable at the holder's option subject to certain conditions and therefore constitute financial liabilities. However, they are reported in net assets, as they have all of the following features:

- They entitle the shareholder to a pro rata share of CRCD's net assets in the event of CRCD's liquidation;

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

- They are in the class of instruments that is subordinate to all other classes of instruments of CRCD;
- They have identical features to all other instruments in that class;
- Apart from the contractual obligation for CRCD to repurchase or redeem the instrument for cash or another financial asset, they do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to CRCD, and it is not a contract that will or may be settled in CRCD's shares;
- The total expected cash flows attributable to the shares over their life are based substantially on net earnings, the change in recognized net assets or the change in fair value of the recognized and unrecognized net assets of CRCD over the life of the shares (excluding any effects of the shares).

Share issuance costs, net of taxes, are reported in the Separate Statements of Changes in Net Assets.

Revenue recognition

Interest

For investments impacting the Québec economy, interest is recognized at the contractual rate, as collection is reasonably assured. For other investments, interest is recognized using the effective interest method. Amortization of premiums and discounts, calculated using the effective interest method, is recognized in profit or loss under "Interest."

Dividends and distributions

Dividends are recognized as at the holder-of-record date and when they are declared by the issuing companies or received.

Distributions are recognized when they are declared by the funds in the other investments portfolio.

Administrative charges

Administrative charges are recognized at the time of a shareholder's initial subscription and on the closure of that account by the shareholder.

Gains and losses

Realized gains and losses on investments are recognized at the time of sale and represent the difference between sales proceeds and cost. Variations in the fair value of amounts receivable on disposal of investments are considered adjustments to sales proceeds and are therefore recorded as realized gains and losses. Realized gains and losses on a note payable or financial liability are recognized when paid and represent the difference between the amount CRCD paid to settle the note or financial liability and its initial value. The realized gains and losses do not take into account the unrealized gains and losses recognized in previous period, which are reversed and reported in unrealized gains and losses for the current year.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

Functional currency and foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars, CRCD's functional currency, at the exchange rate prevailing at the end of the reporting period. Revenues and expenses are translated at the exchange rate prevailing on the transaction date. Realized and unrealized gains and losses on investments arising from those translations are accounted for in the Separate Statements of Comprehensive Income under "Gains (losses) on investments". For other monetary assets and liabilities denominated in foreign currencies, changes related to foreign currency translation are reported under "Other operating expenses" in the Separate Statements of Comprehensive Income. CRCD aims to systematically hedge currency risk for assets measured in foreign currency, unless the exposure stems from the long-term expected returns of certain asset classes. CRCD has decided not to apply hedge accounting.

Taxes

The income tax expense comprises current taxes and deferred taxes. Income taxes are recognized in the Separate Statements of Comprehensive Income, unless they relate to items that were recognized outside earnings directly in the Separate Statements of Changes in Net Assets. In such cases, income taxes are also recognized outside profit or loss directly in net assets.

Current tax is the tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for deferred tax on unrealized gains, discussed in the following paragraph. Deferred tax is calculated on an undiscounted basis using enacted or substantively enacted tax rates and legislation at the end of the reporting period that are expected to apply in the period in which the deferred tax asset will be realized and the deferred tax liability will be settled. Deferred tax assets are generally recognized only to the extent that it is probable that future taxable income will be available against which temporary differences can be utilized.

CRCD is subject to federal and Québec income taxes. It is also subject to the tax rules applicable to mutual fund corporations. For federal tax purposes, CRCD may, in particular, obtain a refund of its tax paid on capital gains through the redemption of its shares. CRCD considers it is, in substance, exempt from federal income tax related to capital gains (losses) for the purposes of applying IFRS and, accordingly, does not recognize any deferred taxes relating to unrealized gains (losses) on investments or deferred taxes related to unrealized recoveries resulting from tax mechanisms related to refundable capital gains tax on hand. For Québec tax purposes, realized capital gains (losses) are not taxable (deductible).

Net earnings per common share

Net earnings per common share are computed by dividing net earnings by the weighted average number of common shares outstanding during the period.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

4 Significant judgments, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires CRCD to make judgments, estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenue and expenses and the related disclosures. Changes in assumptions can have a material effect on the financial statements for the period in which those assumptions were changed. CRCD considers the assumptions used to be appropriate and accordingly that its separate financial statements present fairly its financial position and its results.

The significant accounting policy that required CRCD to make subjective or complex judgments, often about matters that are inherently uncertain, pertains to the fair value measurement of assets and liabilities not traded in an active market.

A significant judgment is made in the assumptions used in the valuation techniques. While those techniques make as much use as possible of observable inputs, fair value is also determined based on internal inputs and estimates (unobservable inputs) that take into account the features specific to the financial instrument and any relevant measurement factor. The use of unobservable inputs requires CRCD to exercise judgment to ensure that those inputs reflect the assumptions that market participants would use to determine fair value based on the best information available in the circumstances. CRCD considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Fair value reflects market conditions on a given date and, for that reason, may not be representative of future fair values.

In accordance with the requirements contained in the *Regulation Respecting Development Capital Investment Fund Continuous Disclosure* issued by the Autorité des marchés financiers, CRCD has implemented various controls and procedures to ensure that financial instruments are appropriately and reliably measured. The valuations have been prepared by a team of qualified valuators relying on a structured process composed of several validation and review stages. The Portfolio Valuation Committee, whose members consist mainly of independent qualified valuators, monitors operational risk related to non-compliance with the portfolio valuation methodology and reports to the Board of Directors semi-annually. More specifically, its role consists in performing semi-annual reviews of all relevant information regarding the valuations of CRCD’s portfolio of investments impacting the Québec economy to provide reasonable assurance that the valuation process meets regulatory requirements.

5 Accounting standards issued but not yet adopted

No accounting standards issued by the IASB and not yet effective as at 31 December 2018 could have a material impact on CRCD’s financial statements.

6 Risks associated with financial instruments

The risks associated with financial instruments that affect CRCD’s financial position are discussed in detail in the audited sections “Market Risks,” “Credit and Counterparty Risk”, “Concentration Risk” and “Liquidity Risk” of CRCD’s Management’s Discussion and Analysis and are an integral part of these audited separate financial statements.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

7 Investments impacting the Québec economy

The Audited Schedule of Cost of Investments Impacting the Québec Economy is available on written request to CRCD's head office or on our website at www.capitalregional.com and on SEDAR at www.sedar.com. The Schedule does not form an integral part of the financial statements.

	As at December 31, 2018		
	Cost $	Unrealized gain (loss) $	Fair value $
Unsecured			
Common shares	259,388	119,218	378,606
Preferred shares	259,039	58,478	317,517
Fund units	209,690	64,152	273,842
Loans and advances	94,634	278	94,912
Note (1)	1,787	(91)	1,696
Secured			
Loans and advances	13,720	(224)	13,496
	838,258	241,811	1,080,069

	As at December 31, 2017		
	Cost $	Unrealized gain (loss) $	Fair value $
Unsecured			
Common shares	289,722	106,253	395,975
Preferred shares	240,059	45,611	285,670
Fund units	187,192	53,351	240,543
Loans and advances	107,225	1,087	108,312
Note (1)	1,020	-	1,020
Secured			
Loans and advances	3,037	(606)	2,431
	828,255	205,696	1,033,951

(1) On September 28, 2017, CRCD made a commitment to invest, in the form of a note, a maximum amount of $5.0 million in the Desjardins-Innovatech S.E.C. fund (DI) which will use the amount to make an investment impacting the Québec economy. This note contains a clause under which the amount receivable by CRCD will be equal to the fair value of the investment made by DI. The entire proceeds received by DI upon a partial or full disposal of the investment will be paid to CRCD and deducted from the note receivable.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

Investments impacting the Québec economy include investments valued at fair value in U.S. dollars for an amount of C$40.1 million (C$77.1 million as at December 31, 2017) and in euros for an amount of $5.4 million (nil as at December 31, 2017).

Agreements related to investments impacting the Québec economy may include clauses providing conversion and redemption options.

Loans and advances bear interest at a weighted average rate of 8,8 % (9.9% as at December 31, 2017). The interest rate is fixed for substantially all interest-bearing loans and advances. For the period ended December 31, 2018, interest income recognized at the contractual rate amounted to $10.5 million ($11.9 million for the year ended December 31, 2017). Substantially all of the change in the fair value of loans and advances resulted from changes in credit risk and and to a lesser extent, changes in the rates charged on these types of products.

Loans and advances have an annual residual maturity of 2,8 years (3.3 years as at December 31, 2017) and the fair market value of the current portion is $19,0 million ($21.6 million as at December 31, 2017).

Allocation of investments and funds committed by segment

Investments and funds committed are allocated by segment as follows:

					As at December 31, 2018
Segment	**Investments at cost $**	**Unrealized gain (loss) $**	**Fair value $**	**Funds committed but not disbursed[1] $**	**Total commitment $**
Manufacturing	473,564	63,683	537,247	2,648	539,895
Services	138,167	117,835	256,002	200	256,202
Technological innovations	15,050	(3,768)	11,282	-	11,282
Funds	211,477	64,061	275,538	189,321	464,859
Total	838,258	241,811	1,080,069	192,169	1,272,238

					As at December 31, 2017
Segment	**Investments at cost $**	**Unrealized gain (loss) $**	**Fair value $**	**Funds committed but not disbursed[1] $**	**Total commitment $**
Manufacturing	440,207	86,777	526,984	15,000	541,984
Services	179,720	78,860	258,580	4,925	263,505
Technological innovations	20,116	(13,292)	6,824	1,000	7,824
Funds	188,212	53,351	241,563	162,681	404,244
Total	828,255	205,696	1,033,951	183,606	1,217,577

[1] Funds committed but not disbursed are not included in assets.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

Funds committed but not disbursed

Funds committed but not disbursed represent investments that have already been agreed upon and for which amounts have been committed but not disbursed by CRCD at the reporting date. Future disbursements are subject to certain conditions. Assuming that the conditions are met, the estimated instalments over the coming years ended December 31 will be as follows:

2019 $	2020 $	2021 $	2021 $	2023 and thereafter $	Total $
79,899	31,352	26,927	28,252	25,739	192,169

Investments in subsidiaries and associates

Subsequent to quantitative and qualitative analyses, CRCD has determined that it has control (subsidiaries) or exercises significant influence (associates) over the following number of entities:

	As at December 31, 2018		As at December 31, 2017	
	Number	**Fair value $**	**Number**	**Fair value $**
Subsidiaries				
Partner companies	9	224,056	10	237,991
Associates				
Partner companies	27	302,173	27	288,316
Funds	10	254,324	7	220,460

The principal place of business of these entities is in Québec, and the country of incorporation is Canada.

Interests in the share capital of these partner companies comprise common shares and preferred shares. The percentage of equity securities held by CRCD in each of the partner companies is equal to or over 50% for the subsidiaries, and between 9% and 45% (10% and 49% as at December 31, 2017) for associates. Except for a subsidiary and three associates as at December 31, 2018 (one subsidiary as at December 31, 2017), the voting rights are equivalent to the proportion of interests held. During the year ended December 31, 2018, CRCD acquired four associates and disposed of three associates and a subsidiary. Also, CRCD no longer exercises significant influence over an associate following a decrease in CRCD’s interest. During fiscal 2018, CRCD received a significant dividend from a subsidiary in the amount of $14.6 million.

As at December 31, 2018, CRCD has invested as sponsor in three funds over which it exercises significant influence. As at December 31, 2018, the interests were made up of units and the holding percentage varied from 13% to 95% (20% to 95% as at December 31,2017).

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

8 Other investments

The Unaudited Statement of Other Investments is available on written request to CRCD's head office or on our website at www.capitalregional.com and on SEDAR at www.sedar.com. The Statement does not form an integral part of the financial statements.

	As at December 31, 2018		
	Cost $	Unrealized gain (loss) $	Fair value $
Bonds			
Federal or guaranteed	286,256	1,733	287,989
Provincial, municipal or guaranteed	219,669	1,814	221,483
Financial institutions	82,312	(55)	82,257
Companies	50,353	(127)	50,226
	638,590	3,365	641,955
Money market instruments[1]	51,166	-	51,166
Foreign exchange contracts[2]	-	(67)	(67)
Canadian equity funds	93,188	(2,992)	90,196
Global equity funds	151,930	(2,640)	149,290
Real estate funds	93,326	3,102	96,428
Total	1,028,200	768	1,028,968

Breakdown of bonds by maturity date

	As at December 31, 2018			
	Under 1 year $	1 to 5 years $	Over 5 years $	Total $
Cost	3,561	30,337	604,692	638,590
Par value	3,560	30,599	614,673	648,832
Fair value	3,562	30,279	608,114	641,955
Average nominal rate[3]	2,41%	2,44%	2,48%	2,48%
Average effective rate	2,37%	2,85%	2,69%	2,69%

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

	As at December 31, 2017		
	Cost $	Unrealized gain (loss) $	Fair value $
Bonds			
Federal or guaranteed	217,460	(2,987)	214,473
Provincial, municipal or guaranteed	158,878	(1,929)	156,949
Financial institutions	83,250	(873)	82,377
Companies	52,113	272	52,385
	511,701	(5,517)	506,184
Money market instruments(1)	33,938	-	33,938
Foreign exchange contracts(2)	-	1,465	1,465
Canadian equity funds	89,186	3,911	93,097
Global equity funds	143,995	10,958	154,953
Real estate funds	85,807	3,038	88,845
Total	864,627	13,855	878,482

Breakdown of bonds by maturity date

	As at December 31, 2017			
	Under 1 year $	1 to 5 years $	Over 5 years $	Total $
Cost	6,091	175,554	330,056	511,701
Par value	6,075	178,345	346,843	531,263
Fair value	6,104	173,783	326,297	506,184
Average nominal rate(3)	1.91 %	1.98 %	2.14 %	2.08 %
Average effective rate	2.00 %	2.05 %	2.28 %	2.20 %

(1) Money market instruments consist of term deposits, treasury bills and strip bonds with an original maturity of less than a year.

(2) Foreign exchange contracts to sell US$53.1 million have three-month maturities (US$76.1 million as at December 31, 2017) and €3.6 million (nil as at December 31, 2017) have three-month maturities.

(3) Substantially all bonds bear interest at a fixed rate.

Other investments include investments which represent foreign currency exposure with a fair value of $137.4 million ($140.0 million as at December 31, 2017).

As at December 31, 2018, other investments did not include funds committed but not disbursed.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

9 Fair value of financial instruments

Hierarchy levels of financial instruments measured at fair value

CRCD categorizes its financial instruments according to the following three hierarchical levels:

- Level 1 – Measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables show the breakdown by level of the fair value measurements of financial instruments recognized at fair value in the Balance Sheets.

				As at December 31, 2018
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Financial assets				
Investments impacting the Québec economy	331	18,070	1,061,668	1,080,069
Other investments	758,973	173,567	96,428	1,028,968
Amounts receivable on disposal of investments impacting the Québec economy	-	-	36,925	36,925
Total financial assets	759,304	191,637	1,195,021	2,145,962
Financial liabilities	-	-	4,726	4,726

				As at December 31, 2017
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Financial assets				
Investments impacting the Québec economy	264	-	1,033,687	1,033,951
Other investments	615,182	174,455	88,845	878,482
Amounts receivable on disposal of investments impacting the Québec economy	-	-	14,943	14,943
Total financial assets	615,446	174,455	1,137,475	1,927,376
Financial liabilities				
Notes payable and financial liabilities	-	-	23,413	23,413

Transfers between hierarchy levels of financial instruments measured at fair value are made at the reporting date. One transfer between hierarchy levels took place during the year ended December 31, 2018 (nil transfers during the year ended December 31, 2017).

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

Level 3 financial instruments

The following tables present the reconciliation between the beginning and ending balances of Level 3 financial instruments:

	As at December 31, 2018			
	Investments impacting the Québec economy $	**Other investments $**	**Amounts receivable on disposal of investments impacting the Québec economy $**	**Notes payable and financial liabilities $**
Fair value as at December 31, 2017	1,033,687	88,845	14,943	(23,413)
Realized gains (losses)	131,086	3,126	7,395	(8,323)
Unrealized gains (losses)	41,303	63	-	7,270
Acquisitions/issuances	175,636	48,894	16,564	-
Disposals/repayments	(305,334)	(44,500)	(1,977)	19,740
Transfers between levels	(14,710)	-	-	-
Fair value as at December 31, 2018	1,061,668	96,428	36,925	(4,726)
Unrealized gains (losses) in comprehensive income on investments and notes payable and financial liabilities as at December 31, 2018	82,642	1,516	-	(1,536)

	As at December 31, 2017			
	Investments impacting the Québec economy $	**Other investments $**	**Amounts receivable on disposal of investments impacting the Québec economy $**	**Notes payable and financial liabilities $**
Fair value as at December 31, 2016	920,942	64,118	27,469	(25,233)
Realized gains (losses)	18,432	-	291	(119)
Unrealized gains (losses)	61,064	1,495	-	(333)
Acquisitions/issuances	176,154	23,232	179	-
Disposals/repayments	(142,905)	-	(12,996)	2,272
Fair value as at December 31, 2017	1,033,687	88,845	14,943	(23,413)
Unrealized gains (losses) in comprehensive income on investments and notes payable and financial liabilities as at December 31, 2017	74,816	1,495	-	(256)

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

The following tables present the main techniques and inputs used to measure the fair value of Level 3 financial instruments:

	As at December 31, 2018			
	Fair value $	**Main valuation techniques**	**Unobservable inputs**	**Input value range (weighted average)**
Investments impacting the Québec economy				
Loans and advances	35,025	Discounted cash flows	Required return	6,7% to 16,0% (9,0%)
Non-participating shares	172,649	Discounted cash flows	Required return	4,5% to 13,0% (6,1%)
Participating controlling shares	147,662	Capitalized cash flows	Capitalization rate	8,7% to 12,5% (9,3%)
			% of representative cash flows(1)	7,9% to 27,8% (11,1%)
	52,821	Recent transactions and bids	Paid/bid price	-
	34,559	Restated net assets	Entity's net assets	(2)
Participating non-controlling shares	174,067	Capitalized cash flows	Capitalization rate	7,9% to 21,6%(11,1%)
			% of representative cash flows(1)	6,6% to 49,3%(15,9%)
	96,912	Recent transactions and bids	Paid/bid price	-
	66,234	Restated net assets	Entity's net assets	(2)
	6,201	Other (3)	-	-
Note	1,696	Restated net assets	Fund's net assets	(4)
Fund units	273,842	Restated net assets	Fund's net assets	(2)
	1,061,668			
Other investments – Real estate fund	96,428	Restated net assets	Fund's net assets	(2)
Amounts receivable on disposal of investments impacting the Québec economy	36,925	Discounted cash flows	Required return	0,5% to 9,0% (5,7%)
Financial liabilities	(4,726)	Miscellaneous	-	-

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

	As at December 31, 2017			
	Fair value $	**Main valuation techniques**	**Unobservable inputs**	**Input value range (weighted average)**
Investments impacting the Québec economy				
Loans and advances	32,201	Discounted cash flows	Required return	6.8% to 17.1% (8.8%)
Non-participating shares	155,232	Discounted cash flows	Required return	4.4% to 12.1% (5.2%)
Participating controlling shares	201,031	Capitalized cash flows	Capitalization rate	7.7% to 9.6% (8.6%)
			% of representative cash flows(1)	7.5% to 26.2% (14.9%)
	13,150	Recent transactions and bids	Paid/bid price	-
	560	Restated net assets	Entity's net assets	-(2)
Participating non-controlling shares	139,426	Capitalized cash flows	Capitalization rate	7.1% to 20.5% (10.2%)
			% of representative cash flows(1)	3.1% to 38.7% (15.5%)
	186,685	Recent transactions and bids	Paid/bid price	-
	57,523	Restated net assets	Entity's net assets	-(2)
	6,316	Other(3)	-	-
Note	1,020	Restated net assets	Fund's net assets	-(4)
Fund units	240,543	Restated net assets	Fund's net assets	-(2)
	1,033,687			
Other investments – Real estate fund	88,845	Restated net assets	Fund's net assets	-(2)
Amounts receivable on disposal of investments impacting the Québec economy	14,943	Discounted cash flows	Required return	0.5% to 10.0% (7.9%)
Notes payable and financial liabilities	(23,413)	Miscellaneous	-	-

(1) As the entities comprising the portfolio vary widely in size, representative cash flows are presented as a percentage of sales.

(2) As the entities and funds comprising the portfolio vary widely in size, no input value range is provided for the net assets of the entity/fund.

(3) Other valuation techniques include discounted transaction value, redemption value and liquidation value methods.

(4) The note receivable is related to an investment impacting the Québec economy in a fund.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

The main valuation techniques used for participating shares take into account investments made in a single entity in the form of loans and advances, and non-participating shares. Accordingly, the fair value of participating shares includes these mixed investments.

Sensitivity of fair value to unobservable inputs

Although CRCD considers that fair value estimates made for the separate financial statements are appropriate, if different assumptions were used for unobservable inputs, the results could be different.

Loans and advances, non-participating shares – Discounted cash flows

An increase (decrease) in the required return, all other factors remaining constant, generally results in a decrease (increase) in fair value. According to CRCD, changing one or more reasonably possible assumptions could result in a change in the required return of about 0.5%. However, such a change in the required return would not have a direct material impact on the fair value of loans and advances, and non-participating shares.

Participating shares – Capitalized cash flows

If different assumptions were used for the two unobservable inputs, namely representative cash flows and capitalization rate, to measure a given investment, the fair value of the investment could increase or decrease. However, since these two unobservable inputs are interrelated, the use of different assumptions for one of these inputs generally leads to a revised assumption for the other input, thereby limiting the impact on fair value.

Typically, CRCD determines a range of acceptable fair values for each investment measured and uses the mid-point of the range for financial statement reporting purposes. If all the ranges are summed up, the cumulative difference between the top and bottom acceptable fair values and the investment fair value expressed as a percentage of CRCD's net assets is approximately:

	As at December 31, 2018	**As at December 31, 2017**
Participating controlling shares	+/− 0.2%	+/− 0.3%
Participating non-controlling shares	+/− 0.3%	+/− 0.3%

According to CRCD, for each investment subject to measurement, the impact of a change in the two unobservable inputs to reflect other reasonably possible assumptions should be less than this percentage on the net assets of CRCD.

Participating shares – Recent transactions and bids

According to these techniques, the fair value of participating shares is based on an observable input, namely the price of a recent transaction negotiated between unrelated parties or the price of a bid received. CRCD must use judgment to determine whether the recent transaction is still representative of the fair value as at the measurement date or whether the bid is serious and credible. CRCD may also, if necessary, make any adjustments considered required and include unobservable inputs in the fair value measurement. The amount of the adjustments is generally immaterial compared with the related transaction or bid price used. CRCD considers that the fair value it could have obtained by using unobservable inputs based on different reasonably possible assumptions would not be materially different from the fair value used.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

Fund units – Restated net assets

According to this technique, the fair value of fund units is based on an observable input, namely the net assets reported in the most recent audited financial statements of each fund held and adjusted if necessary to reflect the acquisitions or disposals of fund units made by CRCD between the financial statement reporting date for each fund and the valuation date. In certain circumstances, CRCD must make certain other adjustments that are more judgmental in nature. CRCD considers that the fair value it could have obtained by using unobservable inputs based on different reasonably possible assumptions would not have been materially different from the fair value used.

Other valuation techniques

Since the fair value of assets measured using other techniques is not significant, CRCD considers that the fair value it could have obtained by using unobservable inputs based on different reasonably possible assumptions would not have been materially different from the fair value used.

10 Intangible assets

	IT development	
	As at December 31, 2018 $	**As at December 31, 2017 $**
Cost	1,096	-
Cumulated depreciation	(73)	-
Net accounting value	1,023	-
Period variation		
Beginning net accounting value	-	-
Acquisition	1,096	-
Depreciation	(73)	-
Ending net accounting value	1,023	-

11 Accounts receivable

	As at December 31, 2018 $	**As at December 31, 2017 $**
Interest, dividends and distributions receivable on investments	8,033	20,240
Amounts receivable on disposal of investments impacting the Québec economy	36,925	14,943
Others	1,023	886
	45,981	36,069

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

The change in fair value of amounts receivable on disposal of investments impacting the Québec economy is not attributable to changes in credit risk. These amounts receivable include amounts denominated in U.S. dollars for $30.5 million ($13.6 million as at December 31, 2017).

Based on the information available as at the reporting date and the assumptions made as to the timing of collection, CRCD expects to collect accounts receivable with a fair value of $26.2 million ($32.6 million as at December 31, 2017) no later than 12 months after the reporting date.

12 Cash and cash equivalents

	As at December 31, 2018 $	**As at December 31, 2017 $**
Cash	12,428	12,305
Money market instruments	28,825	17,133
	41,253	29,438

13 Notes payable and financial liabilities

On November 30, 2010, CRCD acquired from Desjardins Venture Capital L.P., a subsidiary of Fédération des caisses Desjardins du Québec ("FCDQ"), investments impacting the Québec economy with a fair value of $17.6 million as consideration for notes of an equal initial value. Each note payable is related to one of the acquired investments and contains a provision under which the amount payable shall be adjusted based on the amounts received by CRCD on the sale of the related investment. During the year ended December 31, 2018, one note payable was paid for an amount of $ 1.2 million following the disposition of the underlying company. As at May 30, 2018, an agreement related to the final settlement of the securities underlying the notes payable has been signed between CRCD and DCR. The balance of the notes was therefore paid for a total amount of $ 18.5 million. As at December 31, 2018, there is no notes payable.

Financial liabilities are amounts that CRCD would have to pay under contractual agreements and whose fair value is determined according to changes in fair value of certain underlying investments impacting the Québec economy.

As at December 31, 2018, financial liabilities with a fair value of $4.7 million were related to investments impacting the Québec economy measured in U.S. dollars ($21.2 million as at December 31, 2017 including notes payable and financial liabilities).

The payment of financial liabilities is directly related to receipts in connection with disposals of certain investments impacting the Québec economy. Given that the timing of such receipts is contingent on whether future events occur or specific conditions are met, CRCD is not in a position to determine the period during which it will pay the financial liabilities. However, as payment typically follows receipts, liquidity risk is low.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

14 Accounts payable

	As at December 31, 2018 $	As at December 31, 2017 $
Trade payables and accrued liabilities	6,282	6,269
Other	37	5,175
	6,319	11,444

CRCD expects to pay its accounts payable no later than 12 months after the reporting date.

15 Line of credit

CRCD has an authorized line of credit of $50 million with FCDQ, bearing interest at the operating credit rate of FCDQ plus 0.5%. This line of credit is secured by a portion of the money market instruments and bonds recorded in other investments and is renewable annually. As at December 31, 2018 and 2017, the line of credit was undrawn and was not used during the year then ended.

16 Share capital

Authorized

CRCD is authorized to issue common shares and fractions of common shares without par value, participating, voting, with the right to elect two representatives to the Board of Directors, redeemable under certain conditions prescribed by the Act, so that its capital increases by a maximum of $150 million annually.

According to the Act, as of the capitalization period following the one at the end of which CRCD first reaches capitalization of at least $1.25 billion, CRCD may raise, per capitalization period, the lesser of $150 million and the amount corresponding to the reduction in paid-up capital attributable to all the shares and fractions of shares redeemed or purchased by agreement by CRCD during the preceding capitalization period.

Each capitalization period, which lasts 12 months, begins on March 1 of each year. A special tax is payable by CRCD if it fails to comply with these limits, and control mechanisms have been implemented by CRCD to ensure compliance.

On February 28, 2014, CRCD reached its capitalization limit. Despite the provisions of its constituting act, the Minister of Finance of Québec authorized CRCD to raise a maximum amount of $135 million for each of the capitalization periods from March 1, 2016 to February 28, 2017 and from March 1, 2017 to February 28, 2018. In the Budget Speech of March 27, 2018, a maximum amount of $140 million was authorized for each of the capitalization periods starting March 1, 2018, 2019 and 2020. The provincial tax credit granted by the Québec government for purchasing shares is set at 40% up to February 28, 2018 and 35% starting March 1, 2018.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

To allow as many shareholders as possible to buy CRCD shares, purchases are capped at $3,000 per investor for each of the 2016 and 2017 issues.

CRCD is required to pay share issuance costs. Those costs are presented net of taxes, as a deduction from share capital. For the period ended December 31, 2018, share issuance costs amounted to $2.5 million ($2.4 million for the year ended December 31, 2017).

Issued

The net assets of CRCD as at December 31, 2018 totalled $2,168.8 million broken down by issue as follows:

Issue	Balance* $M	Eligible for redemption
2001	29.2	2008
2002	80.4	2009
2003	40.7	2010
2004	50.6	2011
2005	56.0	2012
2006	54.4	2013
2007	75.5	2014
2008	123.6	2015
2009	159.0	2016
2010	175.4	2017
2011	194.9	2018
2012	205.7	2019
2013	198.3	2020
2014	80.4	2021
2015	189.4	2022
2016	159.5	2023
2017	149.9	2024
2018	145.9	2025
Net assets	2,168.8	

*Calculated as net asset value per share as at December 31, 2018. The grey section represents the balance of CRCD shares eligible for redemption as at December 31, 2018 amounting to $1,039.7 million.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

Redemption criteria

CRCD is bound to redeem a whole common share or a fraction of a common share in the following circumstances:

- At the request of the person who acquired it from CRCD at least seven years prior to redemption;
- At the request of a person to whom it has been devolved by succession;
- At the request of the person who acquired it from CRCD if that person applies to CRCD in writing within 30 days of subscription date; and
- At the request of a person who acquired it from CRCD if that person is declared to have a severe and permanent mental or physical disability that makes her/him incapable of working.

Moreover, CRCD may purchase a common share or a fraction of a common share by agreement in the cases and to the extent permitted by a policy adopted by the Board of Directors and approved by the Québec Minister of Finance.

The redemption price of the common shares is set twice a year, at dates that are six months apart, by CRCD's Board of Directors on the basis of CRCD's value as determined in the audited financial statements.

Tax credit

The purchase of shares of CRCD entitles the investor to receive a non-refundable tax credit, for Québec tax purposes only, determined as follows:

- For purchases prior to March 24, 2006: 50% tax credit;
- For purchases from March 24, 2006 to November 9, 2007: 35% tax credit;
- For purchases from November 10, 2007 to February 28, 2014: 50% tax credit;
- For purchases from March 1, 2014 to February 29, 2016: 45% tax credit;
- For purchases from March 1, 2016 to February 28, 2018: 40% tax credit; and
- For purchases from March 1, 2018: 35% tax credit.

Investors who withdraw some or all of their shares as part of a redemption after a seven-year holding period will not be able to claim the tax credit for any purchase for which the tax credit could be applied in the current or subsequent taxation years.

In its budget of March 27, 2018, the provincial government announced new provisions concerning the possibility of taking advantage of a new tax credit for a shareholder who defers the redemption of eligible shares for seven years. The Québec government has authorized CRCD, for three years only, to exchange its current shares for new shares in a maximum annual amount of $100 million. These new provisions will allow CRCD shareholders who have never redeemed shares to exchange their current shares, up to a value of $15,000 annually, for a new class of shares that will also have a mandatory seven-year holding period, and benefit from a provincial tax credit of 10% of the exchanged amount. These provisions were implemented in fall 2018 and share exchange applications for the 2018 taxation year were accepted in February 2019.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

17 Capital disclosures

CRCD's objective with respect to capital management is to ensure the availability of sufficient cash resources to fund investments in line with its mission and meet shareholders' demands for share redemptions. CRCD's capital consists of its net assets.

CRCD is not subject to any external capital requirements other than those governing the issuance and redemption of its shares, as indicated in note 16.

CRCD's policy is to reinvest the annual earnings generated by its operations and not to pay dividends to its shareholders, with a view to increasing the capital available for investment and enhancing share valuations.

18 Expenses

	2018 $	2017 $
Other operating expenses		
IT expenses	2,205	2,991
Professional services fees	420	446
Compensation of members of the Board of Directors and its committees	618	673
Audit fees	186	187
Custodial and trustee fees	110	109
Marketing	890	182
Other expenses	303	458
	4,732	5,046
Shareholder services		
Trustee fees (registration)	2,112	1,827
Reporting to shareholders	442	583
Share distribution fees	393	783
IT expenses	2,950	-
Other expenses	408	170
	6,305	3,363

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

19 Income taxes

Income tax expense

Income tax expense is detailed as follows:

	2018		2017	
	Statement of Comprehensive Income **$**	**Statement of Changes in Net Assets** **$**	**Statement of Comprehensive Income** **$**	**Statement of Changes in Net Assets** **$**
Current	1,101	(1,185)	1,722	(1,087)
Deferred	2,977	(472)	1,180	(491)
	4,078	(1,657)	2,902	(1,578)

Reconciliation of the income tax rate

The actual income tax rate differs from the basic income tax rate for the following reasons:

	2018 $	2017 $
Income taxes at the combined basic tax rate of 39.7% (39.8% in 2017)	71,052	46,032
Permanent differences between earnings before income taxes and taxable income and other items		
Realized and unrealized losses (gains) on investments	(54,906)	(35,416)
Non-taxable dividends	(11,515)	(7,576)
Other	(553)	(138)
	4,078	2,902

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

Income tax balance

Income tax expense recognized in the Balance Sheets is detailed as follows:

	As at December 31, 2018 $	As at December 31, 2017 $
Assets		
Refundable tax on hand	26,477	14,277
Income taxes recoverable	-	5,347
	26,477	19,624
Liabilities		
Deferred taxes – Share issue expenses	2,902	2,430
Deferred taxes – Other	(5,639)	(2,662)
Income taxes payable	(12,360)	-
	(15,097)	(232)

CRCD expects to recover $3.5 million ($8.3 million recoverable as at December 31, 2017) in income taxes no later than 12 months after the reporting date.

20 Related party transactions

Related parties include Desjardins Capital Management Inc. (DC), CRCD's manager, which is a subsidiary of FCDQ and is part of Desjardins Group. CRCD is therefore indirectly related to Desjardins Group. Related parties also include CRCD's key management personnel.

- CRCD has entrusted DC with its management and operations, in accordance with the strategies and objectives approved by the Board of Directors. The current management agreement with a three-year term is in effect as of January 1, 2018. Under this agreement and the agreement effective for the year ended December 31, 2017, management fees amount to a maximum rate of 1.95% of CRCD's annual average asset value less any amounts payable related to Investments impacting the Québec economy and Other investments. An adjustment is made to the management fees charged to CRCD to avoid double billing relative to CRCD's interest in some funds. DC and CRCD have agreed that, for a given fiscal year, an adjustment could also be made to allow CRCD to benefit from economies of scale realized by DC with regard to the growth in CRCD's assets and the increase in the balance of CRCD shares eligible for redemption over the last few years. A downward adjustment of $14.3 million ($6.6 million for the year ended December 31, 2017) was made for the year ended December 31, 2018. The negotiation fees arising from portfolio companies are earned by DC, and their amount is deducted from the management fees payable by CRCD.

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

- CRCD has appointed Desjardins Trust Inc. as shareholder registrar and share transfer agent. Desjardins Trust also acts as an intermediary for various shareholder support services. Since CRCD began operations, Desjardins Trust has represented the largest component of CRCD's shareholder service expenses. This agreement is effective from July 1, 2016 until December 31, 2020.

- CRCD has entrusted Desjardins Trust Inc. with custody services for its assets. The custody and administration agreement came into effect on May 1, 2009 and will remain in force until December 31, 2020.

- CRCD has appointed FCDQ to oversee the distribution of its shares through the Desjardins caisse network. This agreement is effective from January 1, 2016 until December 31, 2020. CRCD also agreed to pay, as needed, project fees to cover the work required to upgrade the tools and applications supporting the CRCD share distribution processes.

- CRCD has entrusted the Desjardins caisse network with issuing its shares.

- CRCD has entrusted FCDQ with the banking operations related to its day-to-day activities and its role as counterparty in foreign exchange contracts.

- CRCD has appointed Desjardins Securities as its full service broker, to serve as an intermediary for buying and selling shares traded on public markets.

- CRCD has entrusted Desjardins Technology Group Inc. with its IT development strategy (IT master plan), particularly the implementation and upgrading of a new investment management software.

- CRCD holds securities issued by FCDQ in its Other investments portfolio.

Related party transactions

CRCD has entered into transactions with other Desjardins Group entities in the normal course of business, and all these transactions are measured at the exchange amount. Unless otherwise indicated, none of the transactions incorporated special terms or conditions. The balances are generally settled in cash. The transactions and balances are detailed as follows:

	As at December 31, 2018			As at December 31, 2017		
	DC $	Other related parties[1] $	Total $	DC $	Other related parties[1] $	Total $
Balance Sheets						
Assets						
Other investments	-	12,947	12,947	-	6,809	6,809
Interest and dividends receivable on investments	-	-	-	-	31	31
Intangible assets	-	1,023	1,023		-	-
Accounts receivables	827	-	827	-	821	821
Cash	-	12,482	12,482	-	12,506	12,506
Liabilities						
Notes payable and financial liabilities	-	-	-	-	20,183	20,183
Accounts payable	-	4,859	4,859	5,175	4,461	9,636

(tabular amounts are in thousands of Canadian dollars, unless otherwise specified)

	2018			2017		
	DC $	Other related parties[(1)] $	Total $	DC $	Other related parties[(1)] $	Total $
Statements of Comprehensive Income						
Revenue						
Interest	-	125	125	-	103	103
Gains (losses) on investments	-	8,755	8,755	-	4,588	4,588
Expenses						
Management fees	18,908	-	18,908	23,865	-	23,865
Other operating expenses	-	1,922	1,922	-	2,935	2,935
Shareholder services	-	5,455	5,455	-	2,610	2,610
Statements of Changes in Net Assets						
Share issue expenses	-	4,092	4,092	-	3,895	3,895

[(1)]Other related parties include FCDQ and its subsidiaries, namely, Desjardins Securities, Desjardins Venture Capital L.P., Desjardins Technology Group Inc, Desjardins Trust and Desjardins Investment. They also include Desjardins caisse network.

Key management personnel compensation

CRCD's key management personnel are the members of the Board of Directors. For the year ended December 31, 2018, compensation of key management personnel comprised solely short-term benefits in the amount of $503,000 ($508,000 for the year ended December 31, 2017).

Capital régional et coopératif Desjardins

Audited schedule of cost of investments impacting
the Québec economy
As at December 31, 2018

Independent auditor's report

To the Shareholders of Capital régional et coopératif Desjardins

Our opinion

In our opinion, the accompanying schedule of cost of investments impacting the Quebec economy (the Schedule) of Capital régional et coopératif Desjardins (the Entity) as at December 31, 2018 is prepared, in all material respects, in accordance with the dispositions of article 18 of the Regulation respecting Development Capital Investment Fund Continuous Disclosure.

Basis for opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Schedule* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the Schedule in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Basis of accounting

We draw attention to note to the Schedule, which describes the basis of accounting. The Schedule is prepared in order to comply with the dispositions of article 18 of the Regulation respecting Development Capital Investment Fund Continuous Disclosure. As a result, the financial statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the Schedule

Management is responsible for the preparation of the Schedule in accordance with the dispositions of article 18 of the *Regulation respecting development capital investment fund continuous disclosure*, and for such internal control as management determines is necessary to enable the preparation of a Schedule that is free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

In preparing the Schedule, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Schedule.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
February 14, 2019

[1] CPA auditor, CA, public accountancy permit No. A111799

Capital régional et coopératif Desjardins

Audited schedule of cost of investments impacting the Quebec economy

As at December 31st, 2018

(in thousands of dollars)

	Initial investment year	Industry segment	Common and preferred shares and funds units $	Unsecured investments Loans, advances and notes $	Secured investments Loans, advances and notes $	Total $
Abitibi-Témiscamingue						
Norbell Électrique inc.	2010	S	-	28	-	28
Trim Line de l'Abitibi inc.	2009	S	125	-	-	125
Total Abitibi-Témiscamingue			125	28	-	153
Bas-Saint-Laurent						
2862-2272 Québec inc. (Quincaillerie Home Hardware Rimouski)	2018	S	-	181	-	181
Domaine Élie-Raphaël inc.	2018	S	-	550	-	550
Total Bas-Saint-Laurent			-	731	-	731
Capitale-Nationale						
Boutique Le Pentagone inc.	2008	S	2,951	-	-	2,951
Gecko Alliance Group inc.	2016	M	14,772	4,412	-	19,184
Groupe conseil NOVO SST inc.	2013	S	750	983	-	1,733
Jobillico inc.	2015	S	1,020	5,980	-	7,000
Total Capitale-Nationale			19,493	11,375	-	30,868
Centre-du-Québec						
Avjet Holding inc	2009	S	3,732	583	-	4,315
CBR Laser inc.	2012	M	-	11,796	-	11,796
Citadelle, Maple Syrup producer's Cooperative	2016	M	7,500	-	-	7,500
Farinart inc.	2010	M	250	-	-	250
Fruit d'or inc.	2018	M	20,000	-	-	20,000
Groupe Anderson inc.	2007	M	3,740	-	-	3,740
Total Centre-du-Québec			35,222	12,379	-	47,601
Chaudière - Appalaches						
Amisco Industries Ltd.	2018	M	17,220	20,000	-	37,220
C.I.F. Métal ltée	2005	M	1,008	-	-	1,008
Cycles Lambert inc.	2018	S	-	-	3,800	3,800
Fournier Industries Group inc.	2013	M	17,000	2,492	-	19,492
Groupe Filgo inc.	2012	S	11,988	-	-	11,988
Hortau inc.	2010	M	2,168	-	-	2,168
Marquis Book Printing inc.	2007	M	2,850	850	-	3,700
Total Chaudière - Appalaches			52,234	23,342	3,800	79,376
Eastern Townships						
Coopérative funéraire de l'Estrie	2006	S	-	350	-	350
Engrenages Sherbrooke inc. (Les)	2013	M	-	163	-	163
Exo-s-inc.	2012	M	20,572	2,688	-	23,260
FilSpec inc.	2004	M	1,291	-	-	1,291
Imprimerie Préci-Grafik inc.	2009	M	1,500	526	-	2,026
Kemestrie inc.	2010	TI	528	-	-	528
Technic-Eau Drillings inc.	2017	M	12,561	4,417	-	16,978
Total Eastern Townships			36,452	8,144	-	44,596
Gaspésie-Îles-de-la-Madeleine						
Les Entreprises Leblanc 3 inc.	2018	S	-	500	-	500
Total Gaspésie-Îles-de-la-Madeleine			-	500	-	500
Lanaudière						
Groupe Composites VCI inc.	2007	M	2,250	-	-	2,250
Xpertdoc Technologies inc.	2018	S	3,000	1,000	-	4,000
Total Lanaudière			5,250	1,000	-	6,250

Capital régional et coopératif Desjardins

Audited schedule of cost of investments impacting the Quebec economy

As at December 31st, 2018

(in thousands of dollars)

	Initial investment year	Industry segment	Common and preferred shares and funds units $	Unsecured investments Loans, advances and notes $	Secured investments Loans, advances and notes $	Total $
Mauricie						
Classement Luc Beaudoin inc. (9289-8907 Qc inc.)	2013	S	-	329	-	329
Innovations Voltflex inc.	2006	M	17	-	-	17
Total Mauricie			17	329	-	346
Montérégie						
9523383 Canada inc. (C.A.T.)	2016	S	8,224	-	-	8,224
A. & D. Prévost inc.	2011	M	10,880	6,042	-	16,922
A.T.L.A.S. Aéronautique inc.	2010	M	6,000	-	-	6,000
Agropur Coopérative	2014	M	74,947	-	-	74,947
Atis Group inc.	2015	M	34,231	1,741	-	35,972
Câbles Ben-Mor inc. (Les)	2009	M	-	1,582	-	1,582
Investissements Brasco inc.	2009	M	-	674	-	674
Mirazed inc.	2007	M	-	-	1,259	1,259
Norbec Group inc.	2017	M	7,450	1,600	-	9,050
Novo Poultry inc.	2017	M	1,700	-	500	2,200
NSE Automatech inc.	2013	M	2,640	-	-	2,640
Nutri Group inc.	2018	M	-	5,000	-	5,000
Spectra Premium Industries inc.	2006	M	1,793	-	-	1,793
Unicel Architectural Corp.	2017	M	6,000	2,263	-	8,263
Valtech Fabrication inc.	2017	M	15,300	6,000	-	21,300
Total Montérégie			169,165	24,902	1,759	195,826
Montréal						
360 Agency inc.	2016	S	9,950	-	-	9,950
9381-4077 Québec inc.	2018	M	-	-	3,732	3,732
Agriculture Concentric inc.	2018	M	2,468	-	-	2,468
Alithya Group inc.	2015	S	22,217	-	-	22,217
Arbell Electronics inc.	2008	S	1,250	153	20	1,423
Courchesne, Larose ltée	2015	M	-	6,948	-	6,948
Emballages Deltapac inc. (Les)	2005	M	42	-	-	42
Entreprises Nexmoov inc.	2018	TI	-	518	-	518
Emovi inc.	2018	M	-	-	520	520
Groupe API inc.	2009	S	-	4	-	4
Groupe Solotech inc.	2013	S	26,812	-	-	26,812
Keatext inc.	2018	TI	-	1,028	-	1,028
La Coop fédérée	2005	M	80,000	-	-	80,000
Motorleaf (9337-4791 Québec inc.)	2018	TI	866	-	-	866
Mylo Financial Technologies inc.	2017	TI	1,000	1,000	-	2,000
nGUVU Technologies inc.	2018	TI	-	251	-	251
Ni2 inc.	2017	TI	5,000	-	-	5,000
Optina Diagnostics inc.	2018	TI	868	-	-	868
Phildan inc.	2015	M	8,250	-	-	8,250
Potloc inc.	2018	TI	-	791	-	791
Rekruti Solutions inc.	2018	TI	-	314	-	314
SPB Solutions inc.	2016	M	-	-	1,000	1,000
Telecon inc.	2011	S	30,791	-	-	30,791
Thorasys Thoracic Medical Systems inc.	2018	TI	-	526	-	526
Total Montréal			189,514	11,533	5,272	206,319
Nord-du-Québec						
Maple Gold Mines Ltd.	2018	M	150	-	-	150
Total Nord-du-Québec			150	-	-	150

Capital régional et coopératif Desjardins

Audited schedule of cost of investments impacting the Quebec economy

As at December 31st, 2018

(in thousands of dollars)

	Initial investment year	Industry segment	Common and preferred shares and funds units $	Unsecured investments: Loans, advances and notes $	Secured investments: Loans, advances and notes $	Total $
Outaouais						
Agrisoma Biosciences inc.	2018	TI	-	-	2,008	2,008
Total Outaouais			-	-	2,008	2,008
Outside of Canada						
Pharmaxis Ltd	2010	TI	2,360	-	-	2,360
Total Outside of Canada			2,360	-	-	2,360
Saguenay-Lac-Saint-Jean						
9366-5099 Québec inc. (La Voie maltée - Laurier)	2018	S	-	-	525	525
Groupe Canmec inc.	2004	M	7,014	-	-	7,014
Nokamic inc.	2010	M	-	-	356	356
Produits sanitaires Lépine inc. (Les)	2010	M	1,431	-	-	1,431
Senneco inc.	2013	S	-	371	-	371
Total Saguenay-Lac-Saint-Jean			8,445	371	881	9,697
Funds						
Capital croissance PME s.e.c. II	2014	F	85,398	-	-	85,398
Desjardins - Innovatech S.E.C.	2005	F	42,704	1,787	-	44,491
Desjardins Capital PME s.e.c.	2018	F	30,400	-	-	30,400
Desjardins Capital Transatlantic, L.P.	2018	F	5,084	-	-	5,084
FIER Partenaires, s.e.c.	2005	F	4,412	-	-	4,412
Fonds de transfert d'entreprise du Québec, s.e.c.	2011	F	1,954	-	-	1,954
Fonds d'investissement MSBI, s.e.c.	2004	F	5,035	-	-	5,035
Fonds d'investissement pour la relève agricole (FIRA)	2011	F	9,393	-	-	9,393
Fonds Ecofuel I S.E.C.	2018	F	363	-	-	363
Luge Investment Fund I, L.P.	2018	F	100	-	-	100
RVOMTL17 Limited Partnership	2017	F	988	-	-	988
Siparex Transatlantique - Fonds Professionnel de Capital Investissement	2018	F	1,116	-	-	1,116
Société en commandite Essor et Coopération	2013	F	22,743	-	-	22,743
Total Funds			209,690	1,787	-	211,477
Total cost			**728,117**	**96,421**	**13,720**	**838,258**

Industry segment legend

M: Manufacturing
S: Services
TI: Technological innovations
F: Funds

The statement of the cost of investments in the Québec economy is prepared in accordance with the section 18 of the Regulation respecting the continuous disclosure of investment funds in capital of Québec. This audited schedule of cost of investments impacting the Québec economy provides details, per entity, of the sums invested by Capital régional et coopératif Desjardins. This amount appears in note 7 to the financial statements of CRCD, as at December 31st, 2018.

Capital régional et coopératif Desjardins

Statement of other investments
As at December 31, 2018

Capital régional et coopératif Desjardins
Statement of other investments (unaudited)
As at December 31, 2018

(in thousands of dollars)

Description		Par value $	Cost $	Fair Value $
Bonds (62.4%)				
Federal and guaranteed bonds (28.0%)				
Canada Housing Trust	12-15-2025, 1.95%	22,387	21,704	21,725
	12-15-2025, 2.25%	10,000	10,198	9,895
	09-15-2026, 1.90%	30,400	29,300	29,234
	06-15-2027, 2.35%	27,535	27,008	27,281
	03-15-2028, 2.35%	10,450	10,131	10,315
Government of Canada	03-01-2024, 2.25%	16,040	16,149	16,314
	06-01-2024, 2.50%	75,986	77,832	78,303
	06-01-2025, 2.25%	1,600	1,625	1,632
	06-01-2027, 1.00%	59,134	54,325	54,807
	06-01-2028, 2.00%	24,711	24,289	24,784
NHA Merrill Lynch Canada[1]	09-01-2022, 1.89%	13,899	13,695	13,699
Total federal and guaranteed bonds		292,142	286,256	287,989
Provincial, municipal or guaranteed bonds (21.5%)				
Municipal Finance Authority of British Columbia	10-02-2025, 2.65%	3,000	3,006	2,986
OPB Finance Trust	10-25-2026, 2.98%	4,330	4,333	4,335
Province of Alberta	06-01-2024, 3.10%	4,100	4,191	4,203
	06-01-2025, 2.35%	8,100	7,912	7,939
	06-01-2027, 2.55%	2,500	2,449	2,444
	12-01-2028, 2.90%	1,000	1,000	998
Province of British Columbia	06-18-2027, 2.55%	1,500	1,486	1,484
	12-18-2028, 2.95%	3,300	3,310	3,362
Province of Manitoba	06-02-2024, 3.30%	3,100	3,200	3,212
	06-02-2025, 2.45%	6,000	5,864	5,920
	06-02-2027, 2.60%	8,000	7,751	7,849
	06-02-2028, 3.00%	10,400	10,244	10,478
Province of New Brunswick	08-14-2027, 2.35%	2,500	2,401	2,394
Province of Newfoundland and Labrador	06-02-2025, 2.30%	4,500	4,357	4,380
Province of Nova Scotia	06-01-2027, 2.10%	3,500	3,382	3,319
Province of Ontario	06-02-2025, 2.60%	22,900	22,537	22,850
	06-02-2026, 2.40%	30,315	29,632	29,675
	06-02-2027, 2.60%	9,750	9,622	9,613
	06-02-2028, 2.90%	5,000	4,958	5,031
Province of Quebec	09-01-2027, 2.75%	12,700	12,600	12,713
	09-01-2028, 2.75%	1,000	995	998
Province of Québec	09-01-2025, 2.75%	44,520	44,270	44,900
	09-01-2026, 2.50%	16,900	16,619	16,689
Province of Saskatchewan	06-03-2024, 3.20%	6,500	6,684	6,708
	06-02-2026, 2.55%	2,985	2,899	2,946
	12-02-2028, 3.05%	4,000	3,967	4,057
Total provincial, municipal or guaranteed bonds		222,400	219,669	221,483
Financial institutions bonds (8.0%)				
Bank of Montreal	09-11-2024, 2.70%	900	900	886
	12-09-2026, 2.70%	7,300	7,062	7,090
	03-01-2028, 3.19%	4,900	4,873	4,901
bcIMC Realty	12-31-2026, 3.00%	600	600	592
Canadian Imperial Bank of Commerce	05-26-2025, 3.30%	6,530	6,595	6,615

[1]This security is guaranteed by the Canada Mortgage and Housing Corporation.

Capital régional et coopératif Desjardins
Statement of other investments (unaudited)
As at December 31, 2018

(in thousands of dollars)

Description		Par value $	Cost $	Fair Value $
Financial institutions bonds (cont.)				
Canadian Tire Real Estate Investment Trust	03-01-2026, 3.29%	1,750	1,727	1,664
	09-07-2027, 3.87%	750	750	726
Chartwell Retirement Residences	02-28-2025, 4.21%	200	200	202
Choice Properties Real Estate Investment Trust	12-08-2027, 4.18%	2,600	2,589	2,570
CI Financial	10-25-2021, 2.78%	700	700	691
	06-27-2027, 3.90%	350	339	343
First Capital Realty	04-12-2027, 3.75%	800	800	770
Great-West Lifeco	11-28-2027, 3.34%	500	495	502
Honda Canada Finance	05-23-2025, 3.44%	845	842	852
IGM Financial	10-26-2026, 3.44%	600	590	593
Industrial Alliance Insurance and Financial Services	02-23-2022, 2.64%	300	300	295
Intact Financial Corporation	03-07-2027, 2.85%	1,600	1,600	1,522
Manulife Financial Corporation	08-20-2024, 3.05%	750	723	731
OMERS Realty	01-23-2024, 2.86%	1,000	986	996
	07-04-2027, 3.24%	2,500	2,486	2,507
Riocan Real Estate Investment Trust	02-12-2024, 3.29%	551	535	540
Royal Bank of Canada	06-19-2019, 2.37%	3,500	3,500	3,501
	05-01-2023, 2.95%	9,700	9,685	9,715
	12-05-2023, 2.33%	3,700	3,680	3,597
	07-16-2025, 4.93%	1,500	1,654	1,668
Scotiabank	06-28-2024, 2.29%	4,800	4,566	4,628
	12-02-2026, 2.62%	900	865	868
	09-06-2027, 4.25%	1,900	1,870	1,857
	02-02-2028, 3.10%	6,000	5,967	5,956
SmartCentres Real Estate Investment Trust	09-21-2027, 3.83%	1,500	1,463	1,440
TMX Group	10-11-2024, 3.00%	250	250	246
Toronto Dominion Bank	07-24-2024, 3.23%	9,100	9,102	9,223
Toronto-Dominion Bank	07-25-2024, 3.22%	3,150	3,119	3,064
VW Credit Canada	11-14-2022, 3.70%	900	899	906
Total financial institutions bonds		82,926	82,312	82,257
Corporate bonds (4.9%)				
407 International	02-04-2027, 2.43%	1,650	1,550	1,572
Alectra	02-17-2027, 2.49%	1,000	947	957
Algonquin Power & Utilities	11-17-2026, 4.09%	400	392	398
Alimentation Couche-Tard	05-26-2024, 3.06%	1,675	1,610	1,618
AltaGas	10-15-2024, 3.84%	1,000	1,033	984
AltaLink	02-28-2026, 2.75%	1,360	1,340	1,337
Bell Canada	05-12-2026, 2.90%	3,931	3,700	3,713
	06-29-2027, 3.60%	2,000	1,943	1,963
Brookfield Asset Management	12-16-2026, 3.80%	2,950	2,811	2,839
Brookfield Infrastructure Partners	12-22-2023, 3.32%	800	779	780
	06-11-2028, 4.19%	750	731	740
Brookfield Renewable Energy Partners	03-02-2025, 3.75%	750	750	741
Bruce Power	04-21-2024, 3.00%	500	481	489
Enbridge	08-19-2024, 3.95%	750	759	764
	06-29-2025, 3.45%	250	248	250
	05-10-2026, 3.00%	1,000	965	964
Enbridge	09-02-2019, 4.77%	60	61	61
	03-08-2027, 3.20%	1,000	966	950
	09-27-2027, 5.38%	1,700	1,700	1,567
	04-12-2028, 6.63%	750	750	752

Capital régional et coopératif Desjardins

Statement of other investments (unaudited)

As at December 31, 2018

(in thousands of dollars)

Description		Par value $	Cost $	Fair Value $
Corporate bonds (cont.)				
Enbridge Gas Distribution	06-11-2025, 3.31%	2,000	2,005	2,017
EnerCare Solutions	12-21-2023, 3.99%	600	600	595
FortisAlberta	06-30-2024, 3.30%	250	250	255
FortisBC Energy	01-08-2026, 2.58%	975	950	947
Hydro One	11-26-2025, 2.77%	1,150	1,110	1,118
Inter Pipeline	02-18-2024, 2.73%	1,000	1,000	952
	12-24-2024, 3.17%	1,000	1,000	962
Loblaw Companies Ltd	05-10-2024, 3.92%	180	181	183
	09-11-2028, 4.49%	1,100	1,122	1,131
Lower Mattagami Energy	10-21-2026, 2.31%	300	281	283
Metro	09-06-2027, 3.39%	470	470	449
North West Redwater Partnership	04-23-2024, 3.20%	1,500	1,486	1,494
	03-01-2027, 2.80%	1,543	1,444	1,459
Pembina Pipeline	05-11-2026, 3.71%	1,150	1,173	1,133
	03-15-2027, 4.24%	2,600	2,649	2,640
Reliance	01-15-2025, 3.84%	1,110	1,101	1,089
Saputo	06-14-2025, 3.60%	550	542	547
Shaw Communications	12-01-2026, 3.80%	500	490	489
TELUS	01-02-2024, 3.35%	300	303	298
	10-17-2024, 3.75%	1,500	1,500	1,514
	12-10-2025, 3.75%	1,900	1,886	1,906
Toromont Industries	07-27-2027, 3.84%	750	751	753
TransCanada PipeLines	04-17-2025, 3.30%	1,500	1,487	1,491
Transcanada Trust	05-18-2027, 4.65%	1,000	897	894
Union Gas	06-17-2025, 3.19%	1,000	997	1,003
Westcoast Energy	09-08-2025, 3.77%	1,160	1,162	1,185
Total corporate bonds		51,364	50,353	50,226
Total bonds		648,832	638,590	641,955

Money market instruments (5.0%)

Description		Par value $	Cost $	Fair Value $
AltaLink	01-02-2019, 2.14%	800	800	800
	03-01-2019, 2.28%	3,000	2,989	2,989
Bank of Montreal	01-10-2019, 1.97%	2,500	2,499	2,499
	03-07-2019, 2.15%	500	498	498
Canadian Imperial Bank of Commerce	01-08-2019, 1.96%	700	700	700
	03-25-2019, 2.10%	3,000	2,985	2,985
Énergir	02-20-2019, 2.16%	4,000	3,988	3,988
Fédération des caisses populaires du Québec	01-07-2019, 2.08 %	13,000	13,000	13,000
Greater Toronto Airports Authority	01-10-2019, 2.15%	3,500	3,498	3,498
	03-13-2019, 2.20%	300	299	299
Honda Canada Finance	01-04-2019, 1.96%	1,000	1,000	1,000
National Bank of Canada	01-10-2019, 1.97%	1,000	999	999
	01-25-2019, 2.23%	1,000	998	998
	03-22-2019, 2.08%	1,600	1,593	1,593
Province of Ontario	10-02-2019, 2.28%	1,400	1,376	1,376
Province of Quebec	02-15-2019, 1.85%	1,500	1,497	1,497
Province of Québec	04-05-2019, 1.82%	1,280	1,274	1,274
Scotiabank	01-03-2019, 1.96%	287	287	287
	01-21-2019, 2.16%	1,000	999	999
	01-28-2019, 2.23%	2,600	2,595	2,595
TMX Group	01-28-2019, 2.13%	3,750	3,744	3,744

Capital régional et coopératif Desjardins
Statement of other investments (unaudited)
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(in thousands of dollars)

Description		Par value $	Cost $	Fair Value $
Money market instruments (cont.)				
Toronto Dominion Bank	01-10-2019, 1.97%	1,800	1,799	1,799
	01-11-2019, 2.15%	1,750	1,749	1,749
Total money market instruments		51,267	51,166	51,166
Foreign exchange contracts (0.0%)				
Fédération des caisses Desjardins du Québec	03-29-2019, 1.56845 CAD/EUR	3,649	0	-15
	03-29-2019, 1.36145 CAD/USD	53,100	0	-52
Total foreign exchange contracts			0	-67
		Number of units		
Canadian Equity Funds (8.7%)				
BMO Low Volatility Equity ETF		2,102	46,722	45,615
Fidelity Canadian Low Volatility Equity Institutional Trust		3,748	46,466	44,581
Total canadian equity funds			93,188	90,196
Global Equity Funds (14.5%)				
Desjardins Global Dividend Fund		3,856	75,702	74,669
Desjardins IBrix Low Volatility Global Equity Fund		6,539	76,228	74,621
Total global equity funds			151,930	149,290
Real Estate Funds (9.4%)				
Bentall Kennedy Prime Canadian Property Fund		5,998	47,827	48,426
Fiera Properties CORE Fund		41	45,499	48,002
Total real estate funds			93,326	96,428
Total other investments (100.0%)			1,028,200	1,028,968

Capital régional et coopératif Desjardins

Index of the Company’s share in investments made by specialized funds and partner funds, at cost
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Capital régional et coopératif Desjardins

Index of the Company's share in investments made by specialized funds and partner funds, at cost (unaudited)

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(in thousands of dollars)

Information from Annual Financial Report dated		Equity Interest of the Company %	Common and Preferred shares and funds units $ (Unsecured investments)	Loans and advances $ (Unsecured investments)	Loans and advances $ (Secured investments)	Total $
31/12/2018	**Capital croissance PME s.e.c.**	**50.00**				
	Abitibi-Témiscamingue					
	2637-1914 Québec inc. (Télévision J. R.)		-	-	11	11
	9265-0381 Québec inc. (Barbin Sport)		-	21	-	21
	Abitibi Géophysique inc.		-	151	-	151
	Cartier Resources inc.		44	-	-	44
	Hôtel Forestel Val d'Or inc.		-	651	-	651
	Total Abitibi-Témiscamingue		44	823	11	878
	Bas-Saint-Laurent					
	9048-3538 Québec inc. (Matane Honda) (9244-9396 Qc inc.)		-	74	-	74
	Gestion Rima 2013 inc. (Sani-Manic inc.)		-	-	216	216
	Total Bas-Saint-Laurent		-	74	216	290
	Canada Hors Québec et Ontario					
	Eldorado Gold Corporation		57	-	-	57
	Total Canada Hors Québec et Ontario		57	-	-	57
	Capitale-Nationale					
	9101-2492 Québec inc. (Centre médical Le Mesnil)		-	13	-	13
	Planifika inc.		-	-	119	119
	Radio-Onde inc.		750	-	-	750
	Total Capitale-Nationale		750	13	119	882
	Centre-du-Québec					
	2543-6205 Québec inc. (Groupe MBI)		-	-	190	190
	2681871 Canada inc. (Voyages Escapades Victoriaville)		-	78	-	78
	Fromagerie L'Ancêtre inc.		-	89	-	89
	Total Centre-du-Québec		-	167	190	357
	Chaudière - Appalaches					
	Autobus Fleur de Lys inc.		-	-	8	8
	Entreprises de services BCE Pharma inc. (Les)		-	-	77	77
	Fenêtres Sélection inc.		-	36	-	36
	Gesdix inc.		-	87	-	87
	Humaco Acoustique inc.		-	82	-	82
	Investissements Mika inc. (Les)		-	-	216	216
	Productions Horticoles Demers (Les)		250	-	-	250
	Serres Demers inc. (Les)		-	-	350	350
	Umano Médical inc.		-	57	-	57
	Total Chaudière - Appalaches		250	262	651	1,163

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(in thousands of dollars)

Information from Annual Financial Report dated		Equity Interest of the Company %	Common and Preferred shares and funds units $	Unsecured investments: Loans and advances $	Secured investments: Loans and advances $	Total $
31/12/2018	**Capital croissance PME s.e.c. (cont.)**	**50.00**				
	Côte-Nord					
	9160-7671 Québec inc. (Pétroles MB)		600	-	-	600
	Carrosserie Baie-Comeau inc.		-	-	58	58
	Construction Leclerc et Pelletier inc.		-	-	10	10
	Entreprises G.M. Mallet inc. (les)		-	-	86	86
	Hôtel Motel Le Q'Artier des Îles inc.		-	-	155	155
	Sécurgence inc.		-	-	114	114
	Total Côte-Nord		600	-	423	1,023
	Eastern Townships					
	6358331 Canada inc. (Groupe OEM)		458	-	-	458
	Innotex inc.		-	121	-	121
	Postech Screw Piles inc.		-	459	-	459
	S.E.2 inc.		125	-	-	125
	Total Eastern Townships		583	580	-	1,163
	Funds					
	Fonds Prêt à Entreprendre, s.e.c.		408	-	-	408
	Total Funds		408	-	-	408
	Laval					
	8376905 Canada inc. (Paramédic)		-	202	-	202
	Total Laval		-	202	-	202
	Mauricie					
	Ateliers de l'électro-ménager R. Vallée inc.		75	-	71	146
	Investissements Bédard-Hallé inc.		-	-	539	539
	Total Mauricie		75	-	610	685
	Montérégie					
	9120-6094 Québec inc. (Lanla)		-	20	-	20
	9223-5845 Québec inc. (Autobus Dufresne)		-	-	225	225
	Câbles Ben-Mor inc. (Les)		-	-	676	676
	Comax, coopérative agricole		900	-	-	900
	Hygie Canada inc.		-	-	348	348
	Industries M.R. inc. (Les)		-	-	63	63
	Plomberie St-Luc inc.		-	180	-	180
	Total Montérégie		900	200	1,312	2,412

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Information from Annual Financial Report dated		Equity Interest of the Company %	Common and Preferred shares and funds units $	Unsecured investments: Loans and advances $	Secured investments: Loans and advances $	Total $
31/12/2018	**Capital croissance PME s.e.c. (cont.)**	**50.00**				
	Montréal					
	9106-7645 Québec inc. (Vidéo MTL)		-	1,339	-	1,339
	9228-6384 Québec inc. (Sid Lee Technologies)		-	-	300	300
	Alta Précision inc.		1,500	-	510	2,010
	Balcon Idéal inc.		-	147	-	147
	CTA de Negotium		-	585	-	585
	DEK Canada inc.		518	163	-	681
	Ge-ber Transport inc.		-	-	69	69
	LVL Studio inc.		625	-	878	1,503
	Total Montréal		2,643	2,234	1,757	6,634
	Nord-du-Québec					
	9223-3196 Québec inc. (Rona)		-	72	-	72
	Geomega Resources inc.		18	-	-	18
	Midland Exploration inc.		71	-	-	71
	Némaska Lithium inc.		9	-	-	9
	Total Nord-du-Québec		98	72	-	170
	Outaouais					
	Gestion S. Kelly (Métro Kelly)		300	-	500	800
	Total Outaouais		300	-	500	800
	Saguenay-Lac-Saint-Jean					
	2737-2895 Québec Inc. (Distribution Fromagerie Boivin)		-	-	41	41
	4145275 Canada inc. (Chlorophylle)		200	-	145	345
	8439117 Canada inc. (RSI Environnement)		-	195	-	195
	9244-7770 Québec inc. (La Voie Maltée)		-	-	59	59
	Cuisines G.B.M. inc. (Les)		-	6	-	6
	Denis Lavoie & fils ltée		-	-	188	188
	Garage Georges Beaudoin inc.		-	-	28	28
	Location A.L.R. inc.		-	-	231	231
	Messagerie du Fjord inc.		-	-	296	296
	Métatube (1993) inc.		-	79	-	79
	Sécuor inc.		-	63	-	63
	Sports Guy Dumas inc.		36	-	-	36
	Théka Industries inc.		-	170	-	170
	Total Saguenay-Lac-Saint-Jean		236	513	988	1,737
			6,944	5,140	6,777	18,861
	Funds commited but not disbursed					134
	Total Capital croissance PME, s.e.c.					**18,995**

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Information from Annual Financial Report dated		Equity Interest of the Company %	Common and Preferred shares and funds units $	Unsecured investments: Loans and advances $	Secured investments: Loans and advances $	Total $
31/12/2018	**Capital croissance PME II s.e.c.**	**50.00**				
	Abitibi-Témiscamingue					
	9063-7547 Québec inc. (Usinage Laquerre)		800	600	-	1,400
	9207-6553 Québec inc. (Pizzeria Noranda)		-	-	5	5
	9222-0201 Québec inc. (Location Dumco)		-	105	-	105
	Abitibi Géophysique inc.		-	69	-	69
	Ace services mécaniques inc.		-	57	-	57
	Autobus Maheux ltée (Les)		-	975	-	975
	Cartier Resources inc.		87	-	-	87
	Centre de camping et propane Amos		-	296	-	296
	Construction Gaston Proulx et Frères inc.		-	54	123	177
	Corporation aurifère Monarques		158	-	-	158
	Falco Resources Ltd.		142	-	-	142
	Gestion Martin Dandurand inc.		-	50	-	50
	Groupe Minier CMAC - Thyssen Mining Group		-	66	-	66
	Hôtel des Eskers inc.		-	185	-	185
	Maison des Viandes inc.		-	248	-	248
	Menuiserie Jalbert inc.		-	101	-	101
	Osisko Mining inc.		52	-	-	52
	Probe Metals inc.		88	-	-	88
	Ressources minières Radisson inc.		155	-	-	155
	Yorbeau Ressources inc.		53	-	-	53
	Total Abitibi-Témiscamingue		1,535	2,806	128	4,469
	Bas-Saint-Laurent					
	9091-4532 Québec inc. (Cotech)		-	365	-	365
	9164-1134 Québec inc. (Kia Matane)		-	-	110	110
	9188-1441 Québec inc. (Caravane Rimouski)		-	101	-	101
	Bouffard Sanitaire inc.		-	-	327	327
	Gestion AFM-Séma inc.		978	226	-	1,204
	Gestion Brasa inc.		-	190	1,166	1,356
	Gestion Rima 2013 inc. (Sani-Manic inc.)		-	-	70	70
	Groupe PVP inc.		250	-	-	250
	Les Finesses d'Alsace inc.		-	84	-	84
	Location Jesna inc.		-	-	175	175
	Produits métalliques Pouliot Machinerie inc.		-	-	492	492
	Service Diron inc.		-	141	-	141
	Total Bas-Saint-Laurent		1,228	1,107	2,340	4,675

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31/12/2018	**Capital croissance PME II s.e.c. (cont.)**	**50.00**				
	Capitale-Nationale					
	9166-4789 Québec inc. (Re/max Référence 2000)		-	-	300	300
	9265-1934 Québec inc. (Centurion Fondation)		-	-	174	174
	9295-4874 Québec inc. (Maison de l'homéopathie de Québec)		-	141	-	141
	9348-0648 Québec inc. (Gestion C.C. Blouin inc.)		-	-	174	174
	Capilex-Beauté ltée		-	-	462	462
	DMB Distribution alimentaire inc.		1,312	221	-	1,533
	Groupe Restos Plaisirs inc. (Le)		-	1,438	-	1,438
	Lasertech industries inc.		-	280	-	280
	Matériaux Blanchet inc.		-	-	767	767
	Multi Options Nursing inc.		-	115	-	115
	Panthera Dental inc.		188	-	-	188
	Pol R Enterprises inc.		2,713	-	-	2,713
	R. Bouffard & Fils inc.		-	-	416	416
	Ruchers Promiel inc. (Les)		-	316	-	316
	Ventilation CDR inc.		-	196	-	196
	Vitrerie Lepage (1995) inc.		205	-	-	205
	Total Capitale-Nationale		4,418	2,707	2,293	9,418
	Centre-du-Québec					
	9138-4529 Québec inc. (GG Telecom)		1,800	-	-	1,800
	9324-9605 Québec inc. (Préscolaire Vision)		84	-	-	84
	Advantag Canada inc.		-	93	242	335
	Davinci Compass inc.		-	-	369	369
	Distribution Pro-Excellence		-	350	-	350
	Fromagerie L'Ancêtre inc.		-	107	-	107
	Lacal Technologie inc.		-	320	-	320
	NMédia Solutions inc.		-	53	-	53
	Produits Mobilicab Canada inc.		-	-	1,474	1,474
	Reflec inc.		-	187	-	187
	Remorques Leblanc (2010) (Bec-Chine inc.)		103	-	-	103
	Sipromac II inc.		-	-	266	266
	Total Centre-du-Québec		1,987	1,110	2,351	5,448
	Chaudière - Appalaches					
	Acriart inc.		-	-	5	5
	Emballages E.B. ltée (Les)		-	344	-	344
	F. Charest Ltée		-	-	658	658
	Gestion Maître C inc.		1,695	-	-	1,695
	Groupe Audaz inc.		-	150	-	150
	Humaco Acoustique inc.		-	333	-	333
	I. Thibault Inc.		-	37	-	37
	Industries et équipements Laliberté (Les)		-	432	-	432
	Lou-Tec Group inc.		-	288	-	288
	Productions Horticoles Demers (Les)		188	768	-	956
	Résidence intermédiaire Fortier inc.		-	105	-	105
	Techno-Moules P.L.C. inc.		-	-	46	46
	Transport St-Agapit inc. (9361-0178 Québec inc.)		-	-	391	391
	Total Chaudière - Appalaches		1,883	2,457	1,100	5,440

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31/12/2018	**Capital croissance PME II s.e.c. (cont.)**	**50.00**				
	Côte-Nord					
	9074-9664 Québec inc. (Portes et fenêtres Vaillancourt)		-	-	64	64
	9160-7671 Québec inc. (Pétroles MB)		-	132	-	132
	Caroline Tremblay, CPA inc.		-	-	107	107
	Construction Leclerc et Pelletier inc.		-	-	125	125
	Total Côte-Nord		-	132	296	428
	Eastern Townships					
	6358331 Canada inc. (Groupe OEM)		-	120	-	120
	Attraction inc.		-	338	-	338
	Avizo Consulting inc.		-	300	-	300
	Éco-Pak inc. (9316-3251 Québec inc.)		-	-	406	406
	Fruits et légumes de l'Estrie (Les)		-	76	-	76
	Innotex inc.		-	156	-	156
	Khrome Product - Transport (KPT) inc.		-	330	-	330
	Nautic & Art inc.		-	-	423	423
	Postech Screw Piles inc.		375	488	-	863
	S.E.2 inc.		125	-	-	125
	Sherlic inc.		350	-	-	350
	Spécialités industrielles Sherbrooke inc.		-	25	-	25
	Total Eastern Townships		850	1,833	829	3,512
	Gaspésie-Îles-de-la-Madeleine					
	9088-6086 Québec inc. (Subaru New Richmond)		-	-	170	170
	9144-3036 Québec inc. (Navigue.com)		-	296	-	296
	Construction L.F.G. inc.		-	-	1,271	1,271
	Entreprises Larebel inc. (Les)		-	188	-	188
	Hôtel Baker ltée		125	-	-	125
	Total Gaspésie-Îles-de-la-Madeleine		125	484	1,441	2,050
	Lanaudière					
	Artotech Integration inc.		-	-	38	38
	Centre Nouvelle-Vie		-	-	286	286
	Cryos Technologies inc.		812	537	-	1,349
	La Fromagerie Champêtre inc.		911	-	-	911
	Nouveau Monde Graphite inc.		193	-	-	193
	Produits de Métal Pointech inc.		-	-	243	243
	Total Lanaudière		1,916	537	567	3,020
	Laurentians					
	9317-5602 Québec inc. (Marché Leblanc inc.)		-	236	-	236
	Alimenteurs Orientech inc.		-	132	-	132
	Jean-Jacques Campeau inc.		2,000	480	-	2,480
	Multi Online Distribution inc.		-	658	-	658
	Technoflex International inc.		350	278	-	628
	Total Laurentians		2,350	1,784	-	4,134

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31/12/2018	**Capital croissance PME II s.e.c. (cont.)**	**50.00**				
	Laval					
	8376905 Canada inc. (Paramédic)		-	236	-	236
	Groupe Lumain inc.		-	-	1,780	1,780
	Marina Del Rey Foods inc.		-	167	-	167
	Norseco inc.		-	360	-	360
	Numesh inc.		-	1,500	-	1,500
	Total Laval		-	2,263	1,780	4,043
	Mauricie					
	Ateliers de l'électro-ménager R. Vallée inc.		-	-	57	57
	Maison Isabelle inc.		-	160	-	160
	Maison Jamy inc.		-	22	91	113
	Placements Le Belvedère inc.		-	720	3,125	3,845
	Premont Foods Inc.		-	277	-	277
	Somnus Société de gestion inc.		-	-	216	216
	Total Mauricie		-	1,179	3,489	4,668
	Montérégie					
	3087-9894 Québec inc. (Habitations Trigone)		-	-	225	225
	9008-7826 Québec inc. (Habitations Trigone)		-	-	225	225
	9020-5758 Québec inc. (AVRIL)		-	1,450	-	1,450
	9120-6094 Québec inc. (Lanla)		1,571	-	250	1,821
	9223-5845 Québec inc. (Autobus Dufresne)		-	112	-	112
	9286-9890 Québec inc. (Groupe Surmesure)		-	480	-	480
	9361-4857 Québec inc. (Acam Transport inc.)		-	-	1,500	1,500
	Acema Importations inc.		-	66	-	66
	Alarme S.P.P. inc.		-	-	109	109
	Autobus Bibeau inc.		-	169	-	169
	Brosses Lacasse inc. (Les)		-	-	86	86
	Constructions 3P inc.		-	372	-	372
	Corflex Partitions inc.		-	788	-	788
	Éclairages Électroniques C.B.M. inc. (Les)		-	176	-	176
	Groupe Bertrand Éditeurs inc.		-	-	278	278
	Groupe Grégor inc.		-	-	1,136	1,136
	Groupe Thomas Marine inc.		-	-	550	550
	Habitations Deschênes et Pépin inc. (Les)		-	1,767	-	1,767
	Helios Group inc.		1,500	696	-	2,196
	Industries B. Rainville inc.		-	-	210	210
	Logicmed inc.		-	-	338	338
	Mométal Structures inc.		-	1,000	-	1,000
	MTL Technologies inc.		-	365	-	365
	Placements F.I. inc.		-	516	-	516
	Pro Action Diesel inc.		-	-	195	195
	Rotoplast inc.		-	515	-	515
	W. Côté & fils ltée		-	750	-	750
	Total Montérégie		3,071	9,222	5,102	17,395

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31/12/2018	**Capital croissance PME II s.e.c. (cont.)**	**50.00**				
	Montréal					
	3236013 Canada inc. (Planète Mobile)		-	-	400	400
	9041-9680 Québec inc. (Alco Transport)		-	125	-	125
	9168-5909 Québec inc. (Piknic Électronik inc.)		-	-	167	167
	9272-6751 Québec inc. (Studio de Yoga Wanderlust)		-	90	-	90
	9303-6408 Québec inc. (Atelier d'usinage de précision Innova)		-	-	138	138
	Alta Précision inc.		200	-	-	200
	Azimut Exploration inc.		158	-	-	158
	C.R.H. Oral Design inc.		-	207	-	207
	Corporation Ressources Pershimex (ex Exploration Khalkos)		50	-	-	50
	CDREM Group inc.		-	400	-	400
	Datsit Sphère inc.		1,000	1,402	-	2,402
	Éditions Info Presse inc.		-	262	-	262
	Faspac Plastiks inc.		-	475	-	475
	G. & S. Fer-Aluminium inc.		-	338	-	338
	Gorski Group Ltd.		-	686	-	686
	Groupe Bugatti inc. (Le)		-	1,488	-	1,488
	Groupe Shemie inc.		-	-	858	858
	JSS Medical Research inc.		2,000	367	-	2,367
	M.C. Crystal inc.		-	-	250	250
	Masdel inc.		725	1,004	-	1,729
	Multiforme Métal inc.		-	-	500	500
	Oboxmedia inc.		-	322	-	322
	Reftech international inc.		-	-	206	206
	Total Montréal		4,133	7,166	2,519	13,818
	Nord-du-Québec					
	9223-3196 Québec inc. (Rona)		-	-	200	200
	9249-2206 Québec inc. (Construction Baie-James inc.)		-	112	-	112
	Dios Exploration inc.		62	-	-	62
	Geomega Resources inc.		164	-	-	164
	Harfang Exploration inc.		107	-	-	107
	Kintavar Exploration inc.		156	-	-	156
	Midland Exploration inc.		76	-	-	76
	Sirios Resources inc.		144	-	-	144
	Société d'exploration minière Vior inc.		63	-	-	63
	Sphinx Ressources Ltd		50	-	-	50
	Stelmine Canada Ltd		101	-	-	101
	Tarku Resources Ltd		50	-	-	50
	X-Terra Resources inc.		112	-	-	112
	Total Nord-du-Québec		1,085	112	200	1,397

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31/12/2018	**Capital croissance PME II s.e.c. (cont.)**	**50.00**				
	Saguenay-Lac-Saint-Jean					
	130395 Canada inc. (Nordex inc.)		1,875	-	-	1,875
	2526-0100 Québec inc. (Terrassement J. Fortin)		-	-	379	379
	2737-2895 Québec inc. (Distribution Fromagerie Boivin)		-	-	69	69
	2956-7062 Québec inc. (NAPA La Baie)		-	49	-	49
	4145275 Canada inc. (Chlorophylle)		-	75	-	75
	9165-8021 Québec inc. (Transport R.C.I.)		-	200	-	200
	9182-6032 Québec inc. (La Bonne Patate)		-	-	103	103
	9216-3146 Québec inc. (Voie Maltée Brasserie)		-	-	73	73
	9244-7770 Québec inc. (La Voie Maltée)		-	-	7	7
	9280-3162 Québec inc. (Transport Réal Villeneuve inc.)		-	250	-	250
	9328-9486 Québec inc. (Dém.et Exc. Démex inc. et Centrem)		390	198	-	588
	9348-0739 Québec inc. (Voie Maltée Usine)		-	-	150	150
	9365-4606 Québec inc. (Voie Maltée - Holding)		825	-	-	825
	Cervo-Polygaz inc.		-	-	169	169
	Clinique médicale privée Opti-Soins inc.		-	473	-	473
	Communications Télésignal inc.		337	-	-	337
	Constructions Fabmec inc.		-	-	319	319
	Déménagement Tremblay Express ltée (Les)		250	-	175	425
	Dery Telecom inc.		-	-	1,785	1,785
	Équipements industriels Barsatech inc.		-	-	218	218
	Équipements Villeneuve inc.		-	496	-	496
	Fenêtres Réjean Tremblay inc. (Les)		-	320	-	320
	Flash Néon inc.		-	-	128	128
	Foresco Holding inc.		-	209	-	209
	Gestion R. et G.G. inc.		2,000	-	-	2,000
	Groupe E.D.S. inc.		-	107	-	107
	Imprimeurs Associés ICLT-Commerciale inc. (Les)		-	128	-	128
	Industries G.R.C. inc. (Les)		-	100	-	100
	Mermax inc.		-	-	120	120
	Messagerie du Fjord inc.		-	34	-	34
	Métatube (1993) inc.		-	150	-	150
	Pavillon des Mille Fleurs inc.		-	-	2,250	2,250
	Restaurant La Cuisine inc.		-	128	-	128
	Sécuor inc.		-	150	90	240
	Taimi R & D inc.		-	154	-	154
	Télénet Informatique inc.		500	96	-	596
	Total Saguenay-Lac-Saint-Jean		6,177	3,317	6,035	15,528
			30,758	38,216	30,470	99,443
	Funds commited but not disbursed					140
	Total Capital croissance PME II, s.e.c.					**99,583**

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Information from Annual Financial Report dated		Equity Interest of the Company %	Common and Preferred shares and funds units $	Unsecured investments: Loans and advances $	Secured investments: Loans and advances $	Total $
31/12/2018	**Desjardins Capital PME, s.e.c.**	**40.00**				
	Abitibi-Témiscamingue					
	2732-2304 Québec inc. (Location Dion)		-	720	-	720
	Groupe Minier CMAC - Thyssen Mining Group		-	1,600	-	1,600
	Perseus Services-Conseils inc.		-	80	-	80
	Total Abitibi-Témiscamingue		-	2,400	-	2,400
	Bas-Saint-Laurent					
	9024-0177 Québec inc. (Transport Stéphane Ross)		-	192	-	192
	Bouffard Sanitaire inc.		-	120	240	360
	La Maison du Lac Témiscouata inc.		-	120	-	120
	Les Conteneurs Verts inc.		-	-	280	280
	Les Finesses d'Alsace inc.		-	49	-	49
	Transport Gérard Hallé inc.		-	190	-	190
	Total Bas-Saint-Laurent		-	671	520	1,191
	Capitale-Nationale					
	Oricom Internet inc.		310	297	-	607
	Produits Pâtisserie Michaud inc.		-	140	-	140
	Total Capitale-Nationale		310	437	-	747
	Centre-du-Québec					
	Ferblanterie Gilles Laliberté inc.		-	354	-	354
	Total Centre-du-Québec		-	354	-	354
	Chaudière - Appalaches					
	Ancia Personnel inc.		-	238	-	238
	Total Chaudière - Appalaches		-	238	-	238
	Gaspésie-Îles-de-la-Madeleine					
	9368-8828 Québec inc. (Danis Renaud Pêcheur de Homard)		-	252	-	252
	Total Gaspésie-Îles-de-la-Madeleine		-	252	-	252
	Lanaudière					
	EEGT inc.		-	-	300	300
	Paul Arbec inc.		-	3,600	-	3,600
	PEL International Furniture Ltd		-	300	-	300
	Total Lanaudière		-	3,900	300	4,200
	Laval					
	L. Nardella Associates Ltd		640	1,400	-	2,040
	Total Laval		640	1,400	-	2,040

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31/12/2018	**Desjardins Capital PME, S.E.C. (cont.)**	**40.00**				
	Montérégie					
	3894207 Canada inc. (Barbies TM)		-	200	-	200
	9341-3292 Québec inc. (Keg Management)		-	400	-	400
	Asselin Mécanique Industrielle inc.		-	715	-	715
	Bigo inc.		-	201	-	201
	Éveil des Sens Inc.		-	200	-	200
	Total Montérégie		-	1,716	-	1,716
	Montréal					
	3236013 Canada inc. (Planète Mobile)		-	-	480	480
	9115-7115 Québec inc. (Résidence des Bâtisseurs, Sept-Îles)		-	-	800	800
	Azur Group inc.		600	-	-	600
	DEK Canada inc.		-	100	-	100
	Disprotech inc.		-	-	280	280
	Groupe Shemie inc.		-	-	1,800	1,800
	IP4B inc.		-	300	-	300
	Multiforme Métal inc.		-	-	94	94
	Reftech International Maintenance inc.		-	-	400	400
	Résidences pour aînés Immo 1ere inc.		3,800	-	-	3,800
	Total Montréal		4,400	400	3,854	8,654
	Saguenay-Lac-Saint-Jean					
	2724600 Canada ltée (Industries Soudex)		-	80	-	80
	2331-8884 Québec inc. (Advantage Logistic Group)		240	-	-	240
	Câble-Axion Digitel inc.		-	-	1,950	1,950
	Clinique médicale privée Opti-Soins inc.		-	268	-	268
	Groupe ATCO inc.		-	180	-	180
	Société en commandite Lokia Trois-Rivières		-	-	2,043	2,043
	STC Manufacturier inc.		-	120	-	120
	Total Saguenay-Lac-Saint-Jean		240	648	3,993	4,881
			5,590	12,416	8,667	26,673
	Funds commited but not disbursed					4,232
	Total Desjardins Capital PME, s.e.c.					**30,905**

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31/12/2018	**Desjardins Capital Transatlantic L.P.**	**60.67**				
	Outside of Canada					
	Apside Advance		1,430	374	-	1,804
	Texelis Fintex		779	-	-	779
	Texelis Mobilitex		-	1,529	-	1,529
	Total Outside of Canada		2,209	1,903	-	4,112
	Funds commited but not disbursed					-
	Total Desjardins Capital Transatlantic L.P.					**4,112**

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31/12/2018	**Desjardins – Innovatech S.E.C.**	**54.49**				
	7525443 Canada inc. (Inflotrolix)		400	-	-	400
	9088-9148 Québec inc. (Usinage SM)		-	153	-	153
	9310-3760 Québec inc. (Rhéabrio Interface Corporelle)		-	72	-	72
	9324-2568 Québec inc. (Manutech)		-	141	-	141
	9360-4742 Québec inc. (LONGPREBP Precast Concrete)		-	69	-	69
	9813063 Canada inc. (My Intelligent Machines)		-	143	-	143
	A3 Surfaces inc.		-	82	-	82
	Agriculture Concentric inc.		2,866	-	-	2,866
	Airex Énergie inc.		1,448	-	-	1,448
	Alaya Care inc.		136	-	-	136
	Albert Perron inc.		470	-	-	470
	Ananda Devices inc.		-	148	-	148
	AppMed inc.		-	74	-	74
	AxesNetwork Solutions inc.		1,933	721	-	2,654
	Biocéan Canada inc.		272	54	-	326
	Biomomentum inc.		-	151	-	151
	CmLabs Simulations inc.		817	-	272	1,089
	Delve Laboratories inc.		664	180	-	844
	Dymedso inc.		-	142	-	142
	E2Metrix inc.		348	545	-	893
	Emovi inc.		-	152	-	152
	Énergie Solutions Air (ESA)		-	136	-	136
	FjordAl Aluminium inc.		163	-	-	163
	Fonds Entrepia Nord, s.e.c. (Le)		305	-	-	305
	Fonds Innovexport s.e.c.		974	-	-	974
	Fond-vers inc.		-	52	-	52
	Global LVL inc.		191	-	-	191
	Greybox Solutions inc.		-	72	-	72
	Groupe Icible inc.		-	136	-	136
	Groupe Minier CMAC - Thyssen Mining Group		-	72	-	72
	Gullivert Technologies inc.		109	-	-	109
	Hortau inc.		368	-	-	368
	Imagia Cybernetics inc.		1,333	-	-	1,333
	Imeka Solutions inc.		-	205	-	205
	Inno-3B inc.		-	288	-	288
	Innomalt inc.		-	250	-	250
	Innovative Imaging Technologies inc. (IIT)		1,090	-	-	1,090
	Interactive Validated Solutions 88 Inc.		1,143	-	-	1,143
	Ionodes inc.		316	-	-	316
	Kinesiq inc.		-	145	-	145
	Kube Innovation inc.		-	72	-	72
	Laboratoire M2 inc.		817	-	164	981
	Laserax inc.		1,880	-	-	1,880
	Leadfox technologie inc.		-	210	-	210
	LeddarTech inc.		714	1,047	-	1,761
	Mobilus Technologies inc.		-	96	-	96

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31/12/2018	**Desjardins – Innovatech S.E.C. (cont.)**	**54.49**				
	nGUVU Technologies inc.		817	-	-	817
	Nippon Dragon Resources inc.		178	-	-	178
	o3d inc.		-	74	-	74
	Optina Diagnostics inc.		148	-	-	148
	OXO Fab inc.		-	145	-	145
	Oxy'Nov inc.		611	-	-	611
	Prevtec Microbia inc.		2,094	-	-	2,094
	Produits forestiers LAMCO inc.		311	-	-	311
	Rekruti Solutions inc.		-	272	-	272
	Société de gestion de projets Ecotierra inc.		296	-	-	296
	Technologies Intelia inc.		235	288	-	523
	Thorasys Thoracic Medical Systems inc.		-	301	-	301
	TSO3 inc.		773	-	-	773
	Umanx inc.		-	594	-	594
	VIMAC Early Stage Fund L.P.		611	-	-	611
	Voltra Technologie - Réseau Synapse inc.		-	44	-	44
			24,831	7,326	436	32,593
	Funds commited but not disbursed					2,598
	Total Desjardins - Innovatech S.E.C.					**35,191**

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31/12/2018	**Société en commandite Essor et Coopération**	**94.55**				
	Agropur Coopérative		4,728	-	-	4,728
	Café Cambio, coopérative de travail		174	-	-	174
	Camping co-op des Érables de Montmagny		236	-	-	236
	Central Café - Coop de solidarité		189	-	-	189
	Citadelle, Maple Syrup Producer's Cooperative		4,728	-	-	4,728
	Club coopératif de consommation d'Amos		946	-	-	946
	Coopérative Actionnaire Les Paramédics d'Urgence Bois-Francs		-	619	-	619
	Coopérative de travailleurs actionnaires de Xpertdoc Technologies		473	519	-	992
	Coopérative forestière de Petit Paris		-	757	-	757
	Coopérative forestière Ferland-Boilleau		-	709	-	709
	Coopérative Vision-Éducation		756	-	-	756
	École Plein Soleil (Association coopérative)		946	-	-	946
	Fédération des coopératives funéraires du Québec		615	-	-	615
	Journal de Lévis, coopérative de solidarité (le)		-	285	-	285
	La Coop Avantis		1,417	-	-	1,417
	La Coop fédérée		4,727	-	-	4,727
	La Coop Unifrontières		905	-	-	905
	Québec Federation of Forestry Cooperatives		284	-	-	284
			21,124	2,889	-	24,013
	Funds commited but not disbursed					4,855
	Total Société en commandité Essor et Coopération					**28,868**

This unaudited index provides details of investments made by specialized funds and partner funds in which Capital régional et coopératif Desjardins has invested more than $10M and by partner funds, in which it holds an equity interest of more than or equal to 50%, that respect the criteria stated in the *Regulation respecting Development Capital Investment Fund Continuous Disclosure.*

Desjardins
Capital régional
et coopératif

2 Complexe Desjardins
P.O. 760, Desjardins Station
Montréal, Québec H5B 1B8

Investor Relations:
1-888-522-3222

capitalregional.com