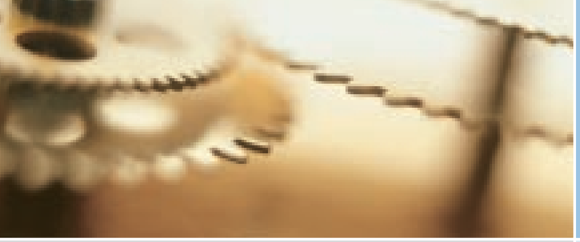
2002
Annual Report

Desjardins

Capital régional et coopératif Desjardins



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Mission / Highlights

To contribute to Quebec's economic development and to further the growth of the resource regions.

To inject venture capital into cooperatives and companies and offer expertise to stimulate their start-up, growth and influence.

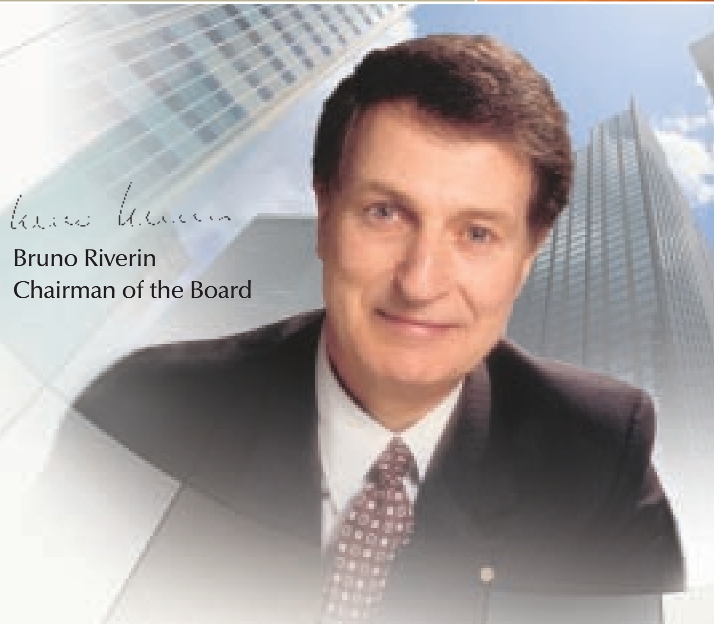
To provide shareholders with a rate of return that encourages reinvestment.

Highlights

	2001-12-31	2002-06-30	2002-12-31
Number of shareholders	35,357	44,102	72,105
Share capital	$79.05M	$115.03M	$208.3M
Share price	$10.00	$10.00	$10.12
Investments		$14.4M	$34.2M
Companies/cooperatives in portfolio		27	45
Rate of return			1.90%

Message from the Chairman of the Board

Since its inception, Capital régional et coopératif Desjardins has enjoyed enviable growth in share ownership—a sure sign of shareholder confidence in the Company's ability to create long-term value and achieve its mission.



Bruno Riverin
Chairman of the Board

This sustained growth has been underpinned by the development of close cooperation between our Company and the various entities of Desjardins Group over the past few months, an association that is much to the benefit of Québec entrepreneurs and shareholders alike.

Optimized share distribution

The effective distribution of Capital régional et coopératif Desjardins shares has been crucial to our Company's success. We are therefore genuinely grateful to the 1500 sales outlets in the Desjardins caisses network for their dynamic cooperation in garnering the interest of Québec investors during our capital raising process. With their sustained commitment and professionalism, the caisses personnel contribute effectively to enhancing our Company's reputation.

The rewards of cooperation

Access to top-quality, high-potential projects is a top priority of the Company to meet its objective of becoming a dominant player in the Québec venture capital market. As a result of our ties with the vast Desjardins network, we are able to form special business partnerships with a great many prosperous companies and cooperatives that are familiar with Desjardins' customs and practices.

Valuable expertise

In order to truly stand apart from the competition and offer our shareholders attractive long-term returns, we must be able to optimize our investment portfolios. In this regard, our manager, Investissement Desjardins, drew on its expertise and business networks to stage our Company's exemplary performance last year. Its prudent and rigorous management style has helped raise the value of our shares, despite market uncertainty and a start-up phase. Indeed, in its first year of operation, Capital régional et coopératif Desjardins showed a noteworthy performance compared with the performances of its venture capital competitors.

Rigorous management

Capital régional et coopératif Desjardins has always taken a highly vigilant and forward-looking approach to corporate governance. To maintain its reputation, the Company reviewed its corporate governance practices in 2002, even though they already exceeded the guidelines established by the regulatory authorities. This continuous governance improvement process, which involved in particular an assessment of the Board of Directors, its members and committees, was designed to ensure the integrity, competency and effectiveness of the Board, toward the harmonious development of the Company in the medium and long term.

Acknowledgements

I would like to extend warm thanks to our Board of Directors, the Desjardins caisses network, the Corporate Financial Centres and all teams at the various Desjardins entities that have contributed to our Company's success. I would also like to thank the entire team of our manager, Investissement Desjardins, whose expertise and professionalism have not only been an integral part of our success but have also contributed to effectively fulfill its management mandate.

Outlook

The future of Capital régional et coopératif Desjardins holds the prospect of success. To begin with, our investment portfolio, which accounts for at least 40% of total assets, is managed very prudently and this will continue so in the coming years. As well, we benefit from the three decades or so of the venture capital expertise of our manager, Investissement Desjardins. Finally, we build on the reputation of the caisses network and the deep roots of Desjardins Group.

All of these elements, together with the numerous events that marked the course followed by Capital régional et coopératif Desjardins in 2002, will undoubtedly strengthen its position along the road to sustainable and balanced growth in the venture capital market in the years ahead.

Message from the President and General Manager

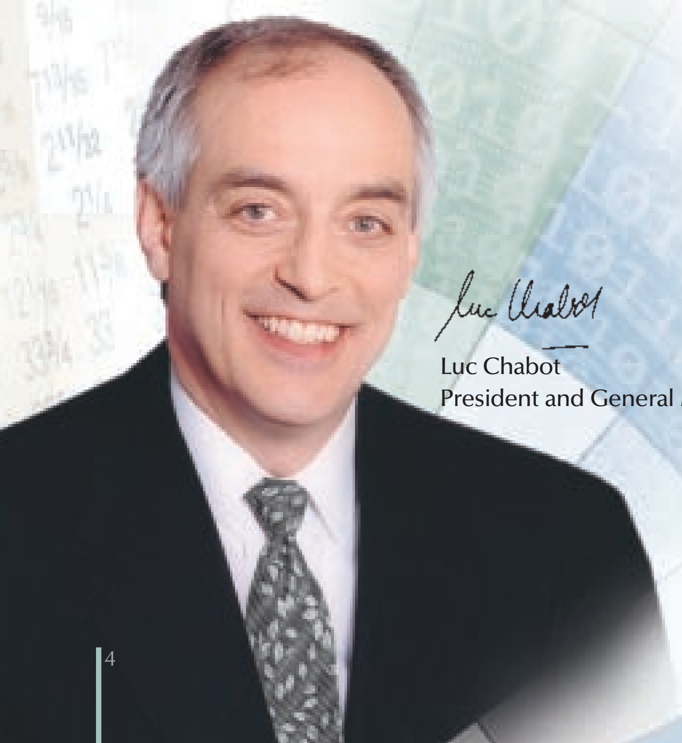
We are particularly proud of our 2002 results, which have proved profitable for all our shareholders. In a mere 14 months, we demonstrated our ability to generate attractive returns by being responsive to last year's prevailing economic uncertainty. A prudent management style, designed to protect shareholders' equity, yielded profitable results: as at March 3, 2003, the subscription price of our shares rose 12 cents to $10.12.

Although 2002 was its first full year of operation, the Company took only a few months to establish itself and mark its stamp on the Québec venture capital market—quite a feat in the face of lagging investor confidence.

Successful capital raising

With the unfaltering support of the Desjardins caisses network, the Company raised $129.3 million in capital from Québec investors. This amount boosted funds under management to $208.3 million and the number of shareholders to 72,105 as of December 31, 2002 compared with the $79 million raised from among 35,357 shareholders in 2001.

Furthermore, during the summer of 2002, the Québec Department of Finance agreed to extend to the last business day in February the deadline for investors to purchase the Company's shares and claim a tax credit for the previous year.



Luc Chabot
President and General Manager

By harmonizing the terms and conditions governing its investment vehicle's subscription period with those of the main tax shelters available to Québec investors, Capital régional et coopératif Desjardins acquired an additional tool to substantially enhance the impact and flexibility of its public subscription program.

Initial strategic investments

The prime objective of Capital régional et coopératif Desjardins consists in injecting capital into Québec SMBs and cooperatives to drive their growth and generate attractive returns for its shareholders. By January 2002, only a few weeks after its first public capital raising was launched, our Company displayed its determination by undertaking its initial investments. After twelve months, the fair value of the investments made and committed by Capital régional et coopératif Desjardins amounted to over $33.7 million. Operating in the manufacturing, health sciences, telecommunications and information technology industries, the 45 partner companies and cooperatives used the newly invested capital to strengthen their development efforts and contribute to the well-being of communities by creating and supporting thousands of jobs.

True cooperative ally

Among last year's investments, three were made in eligible cooperatives seeking new capitalization tools. These investments helped maintain hundreds of jobs. Mindful of the vitality of the Québec cooperative movement, Capital régional et coopératif Desjardins is particularly proud to support dynamic cooperatives that show promising development potential and whose member-owners play a pivotal role in the advancement of Québec society. By investing in these eligible cooperatives, our Company is contributing to the growth of a dynamic and prosperous market segment that is overlooked by venture capital firms.

Experienced manager

The success of Capital régional et coopératif Desjardins in 2002 was mainly due to the profitability derived from its assets. This performance has much to do with the extensive experience in venture capital management of Investissement Desjardins, the manager of the Company's operations. Investissement Desjardins' business approach focuses on the industry and regional skills of its team. These complementary skills are one of our major competitive advantages and, in the case of regional investments, are bolstered by local boards of directors who are thoroughly familiar with the challenges and issues facing the communities they represent.

Promising developments

Last year was an opportunity for our Company to achieve new stages in expanding its network. Our manager, who already had a strong presence in all regions of Québec, opened its seventh business office at Saint-Georges in the Beauce region. This new office will further enhance our solid coverage of the province and enable Capital régional et coopératif Desjardins to establish closer ties with businesses throughout the Chaudière-Appalaches region. Investissement Desjardins expects to open nine other offices over the next year. This will make Capital régional et coopératif Desjardins one of the most accessible venture capital firms in Québec.

In a similar vein, the Company embarked on a vast information tour of some 20 Québec locations to highlight Capital régional et coopératif Desjardins and its accomplishments. These exchanges, which attracted hundreds of investors, entrepreneurs and local frontline stakeholders, contributed to the establishment of strong ties with local influential forces. We had the opportunity to discuss the issues and concerns facing entrepreneurs and various regional stakeholders. We strongly believe that these discussions will yield significant progress in terms of market penetration and the adaptation of our tools for intervention. The entrepreneurs we met quickly grasped the role of venture capital as a source of funding that complements traditional financial products for the purpose of supporting their regional economic growth projects.

In a further attempt to enhance its profile and coverage, Capital régional et coopératif Desjardins launched its new Web site (www.capitalregional.com) during the year. This user-friendly communications tool helps us maintain direct and ongoing contact with our shareholders and partners, as well as with entrepreneurs in search of venture capital who wish to better understand our operations.

Outlook

Capital régional et coopératif Desjardins looks to the future with great confidence and optimism. With its recent efforts to strengthen its positioning, coupled with its manager's extensive experience and the upcoming launch of new offices, the Company has the necessary resources to seize new opportunities to expand its portfolio, drive further growth and increase its presence in all regions of Québec.

Investments

Strength in numbers

In order to maximize its investment capacity and available resources, Capital régional et coopératif Desjardins often invests in promising companies and cooperatives in conjunction with other funds managed by Investissement Desjardins or other independent funds, whether private or governmental. The investment in Luzernes Belcan in Saguenay–Lac-Saint-Jean is a fine example of bringing together and mobilizing regional and government stakeholders to stimulate the use of a regional resource and create jobs.

As a result of its manager's dynamic, entrepreneurial and innovative approach, this type of partnership with key local forces is very much in keeping with the Company's philosophy, which focuses on stimulating the ingenuity, synergies and strategic thinking that result from teamwork and cooperation.

Prudence is the watchword

Venture capital is often erroneously linked with speculative investment. Yet, in reality, it is quite different.

In order to generate a return that will prompt shareholders to reinvest in the Company, our manager's team thoroughly analyzes the proposals it receives to ensure that the businesses and cooperatives that are granted capital meet the rigorous investment criteria established by the Board of Directors of Capital régional et coopératif Desjardins. Successful proposals must:

- Demonstrate competent, dynamic, effective and entrepreneurial management;
- Benefit from an experienced, committed and visionary management team seeking to join forces with a major financial partner;
- Operate in a large-scale market that offers attractive opportunities;
- Demonstrate significant growth potential;
- Offer a product or service with a competitive edge;
- Show potential for profitability; and
- Offer our Company the possibility of generating an investment return over an average horizon of five to eight years.

By partnering with businesses and cooperatives with clear business plans, led by experienced entrepreneurs and managers, Capital régional et coopératif Desjardins will be able to generate a return on its investments that will convince its shareholders to reinvest the maximum authorized amount of $2,500 year after year.

Under its constituting act

Capital régional et coopératif Desjardins is required to invest 60% of its net assets by 2006 in eligible entities within the meaning of its constituting act. As well, in order to fulfill its commitment to structured regional development, the Company will invest 35% of this amount, or 21% of total net assets, in eligible cooperatives or businesses located in the so-called "resource regions" of Québec: Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie–Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay–Lac-Saint-Jean. Finally, the remaining 40% of net assets will be invested according to the strategies normally employed by pension funds.

The authorized capitalization of Capital régional et coopératif Desjardins is $1.5 billion as of December 31, 2010. As such, over $900 million will be invested in SMBs and cooperatives located throughout Québec. Of this amount, $315 million will be invested in eligible cooperatives or projects earmarked for Québec's resource regions.

Springboard for growth

The primary mission of Capital régional et coopératif Desjardins consists in raising capital to assist SMBs and cooperatives from all regions of Québec with their start-up, growth, modernization, merger, acquisition and financial structure reinforcement projects. Investments are made by way of share capital, unsecured debentures, equity loans or partnership shares. The Company invests in organizations with assets under $50 million or net equity below $20 million. These thresholds do not apply, however, to investments in eligible cooperatives.

The businesses and cooperatives selected by the Company constitute more than simply a portfolio; they are the very foundation of a true growth platform designed to generate attractive returns for our shareholders.

Experience makes all the difference

To fulfill its mandate, Capital régional et coopératif Desjardins calls upon the services of Desjardins Group's venture capital manager, Investissement Desjardins, which supervises its daily operations, manages its investment portfolio and identifies promising projects throughout Québec. With its extensive investment experience with traditional and new economy businesses, Investissement Desjardins has built a reputation for thoroughness, integrity and performance.

Balancing economic efficiency with social development

Mindful of the vitality of the Québec cooperative movement, the development strategy of Capital régional et coopératif Desjardins focuses in part on designing business solutions that meet the specific needs of cooperatives, organizations that are dynamic and prosperous, and can balance economic efficiency with social development.

Studies show that non-financial cooperatives have a survival rate twice that of businesses in the private sector, all legal structures being equal. We can only conclude that the cooperative format is a winning formula for maximizing the growth opportunities and investment returns of a portfolio such as ours.

More than just capital

The Company offers more than just capital. We offer businesses and cooperatives a specialized and customized partnership intended to enable them to become dominant players in their markets and derive maximum value from their operations.

In the past year, partner-entrepreneurs were offered information seminars on topics that clearly reflected their concerns. For instance, they were given access to the expertise of renowned specialists in the areas of intellectual property, and mergers and acquisitions.

Moreover, the professionals at Investissement Desjardins have acquired sound financial and operational expertise to assist entrepreneurs in working out their business strategies, recruiting experienced managers and directors, as well as establishing and sustaining strategic relationships with business and financial partners.

INDUSTRY SEGMENT	$M	%	# companies
Industrial	12.6	36.8	21
Information Technology	8.5	24.9	12
Health and Biotechnology	8.1	23.7	6
Telecommunications	3.6	10.5	3
Cooperatives	1.4	4.1	3

BY REGION	$M	%	# companies
Montréal	21.7	63.5	20
Estrie	5.6	16.4	7
Québec	3.3	9.6	7
Bas-Saint-Laurent	1.2	3.5	4
Richelieu-Yamaska	1.1	3.2	2
Saguenay–Lac-Saint-Jean	1.3	3.8	5

Testimonials

Diamants du Saint-Laurent

Customized financing

« Our partnership agreement with Capital régional et coopératif Desjardins gives us the opportunity to pursue our already solid expansion in the diamond cutting industry. With this investment, we can now optimize our operational efficiency and performance by moving into new facilities that are safer for our employees and better adapted to meet the growing demand of jewellers and wholesalers in North America. This financing also allows us to be more competitive by enhancing the skills of our workforce. All in all, this valuable partnership will ensure the sustained and profitable growth of our operations in the coming years and contribute substantially to economic diversification in the Matane region. »

Founded in 2000 in Matane, Diamants du Saint-Laurent specializes in cutting top-quality diamonds. Using state-of-the-art techniques, Diamants du Saint-Laurent's expert diamond cutters offer rare-quality diamonds in all sizes and cuts to over 2,500 jewellers and wholesalers throughout North America.

James Ben-Oliel
President
Diamants du Saint-Laurent

Coopérative Forestière des Hautes-Laurentides

Capital aiming for the top

« Our association with a financial partner with the credentials of Capital régional et coopératif Desjardins contributes to the steady, orderly growth of our operations. With Capital régional et coopératif Desjardins' commitment, we will continue with our forestry planning and forest access road improvements, projects which are essential to expand our client base but unfortunately incompatible with traditional bank financing. In addition, with a financial expert now sitting on the Board of Directors, our management team has a solid expertise to optimize the cooperative's financial performance and allow it to generate maximum value from its operations. »

Founded in 1978, Coopérative Forestière des Hautes-Laurentides offers sawmills a wide range of services including wood harvesting, forestry planning, sylviculture and forest planting production. Coopérative Forestière des Hautes-Laurentides is also a shareholder, directly and indirectly, of four secondary and tertiary lumber processing companies. With about 500 employees, 298 of whom are members of the cooperative, it is by far the largest employer in the Mont-Laurier region.

Daniel Morin
President
Coopérative Forestière des Hautes-Laurentides

Testimonials

Phytobiotech

Right chemistry for molecular sciences

« We are pleased to have the support of a high-caliber investor such as Capital régional et coopératif Desjardins to ensure our development. The latest round of financing generated the resources necessary for Phytobiotech to achieve the real potential of its platform technology and contribute to its library of natural molecules. As well, sound administrative and scientific advice given to Phytobiotech management by Capital régional et coopératif Desjardins' representative on the Board of Directors helps to strengthen the Company's expertise and expand its outreach potential in the industry. Capital régional et coopératif Desjardins' strategic involvement in Phytobiotech is a clear indication of its firm commitment to advancing the life sciences to ensure the well-being of the general public. »

Founded in 1997, Phytobiotech Inc. is a biopharmaceutical company dedicated to the discovery, development and commercialization of novel plant-derived drugs to treat cancer and infectious diseases. The Company uses its proprietary platform technology to gain access to the plant world's enormous chemical diversity in order to identify novel, therapeutically promising pharmaceuticals. The Company's head office and research facilities are located in Laval (Montreal), Québec.

Jean Archambault, Ph.D.
President and General Manager
Phytobiotech Inc.

Caisses Testimonials

Truth be told!

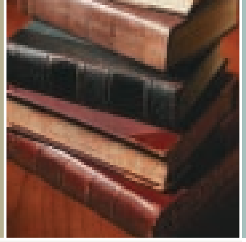
« Quebekers can truly consider themselves fortunate to have the opportunity to invest in a financial vehicle as innovative and flexible as the shares of Capital régional et coopératif Desjardins. The Company, whose mission is to stimulate the economic development of Québec, enables individuals, regardless of their marginal tax rate, to purchase shares and take advantage of substantial Québec tax credits equal to 50% of the amount invested, with a maximum annual investment of $2,500. These savings can in turn be reinvested by the shareholders in other financial vehicles so as to grow their assets in an orderly manner. In other words, purchasing shares of Capital régional et coopératif Desjardins means taking full advantage of a diversified portfolio of growing Québec businesses and cooperatives and investing wisely. »

« It's easy to trumpet the advantages of Capital régional et coopératif Desjardins' shares. They benefit from an exclusive provincial tax credit when purchased as well as an attractive tax treatment when disposed of. The tax credit alone represents a net after-tax return of more than 9% if the shares have the same value at disposal as when purchased. Furthermore, the minimum seven-year holding period for investors is lower than for other similar financial vehicles, keeping in mind the investor's age. Moreover, by investing in shares of Capital régional et coopératif Desjardins, you can benefit from Investissement Desjardins' expertise and its seasoned team of investment professionals who strive to increase the value of your investment. Lastly, shares in Capital régional et coopératif Desjardins, which are offered annually in limited quantity, are an excellent way for investors to diversify their holdings and contribute to the growth of Québec's economy. »

Ms. Sara Falci
Assistant Manager,
Caisse populaire Desjardins
Saint-Jean-de-la-Croix

Ms. Annie Bélair
Manager,
Business Development,
Caisse populaire Desjardins
de Granby/Bromont

Share Ownership



Growing popularity of our shares ...

Capital régional et coopératif Desjardins' shares grew in popularity last year. Indeed, as at December 31, 2002, our Company accounted for some 72,105 shareholders, which is more than double the 35,357 shareholders registered at the same date a year earlier.

... and steady rise in the capital raised

Like the number of registered shareholders, the capital that investors entrusted to the Company as part of its public capital raising increased significantly in the year to a total of approximately $208.3 million, up sharply over the $79 million raised in 2001.

In 2002, investors subscribed for an average amount of $2,315 in shares of the Company, which is slightly below the maximum limit permitted by law. In 2001, the average amount totalled $2,236.

Competitive distinctive features

The Company's success since its inception stems from various distinctive and highly valuable features of Capital régional et coopératif Desjardins shares.

Terms and conditions that require only $500 as the minimum amount of the initial subscription, with multiples of $100 for each subsequent subscription, are definite advantages that make share ownership in Capital régional et coopératif Desjardins an innovative and quality investment vehicle that is accessible to all investors.

As well, the 50% tax credit granted by the Québec government to all individuals who invest in the Company's shares is another reason behind their popularity. This is a winning combination for investors, as the tax credit alone represents an after-tax compound annual return of slightly over 9% over the mandatory holding period of only seven years, assuming the par value of the investment is maintained.

Finally, since it does not affect the amount that a taxpayer may contribute to a registered retirement savings plan, the purchase of shares in Capital régional et coopératif Desjardins can serve as a highly attractive and sound non-RRSP investment strategy for individuals seeking complementary investment vehicles to further reduce their tax liability and grow their assets conservatively.

Purchase of shares

Capital régional et coopératif Desjardins is required to purchase all or part of an investor's retractable shares, at his or her request, in the following circumstances:

- The shareholder applies to the Company in writing within thirty days after their share subscription.
- The shareholder has held the shares for at least seven years.
- The shareholder acquired the shares by succession.
- The shareholder is suffering from a severe and permanent mental or physical disability which prevents him or her from working.

Capital régional et coopératif Desjardins may also purchase all or part of the shares by agreement with the shareholder in the following circumstances:

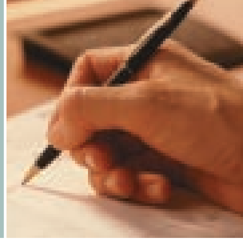
- The shareholder, or his or her spouse, has not benefited from a tax credit in respect of the shares.
- The shareholder has emigrated permanently from Canada.
- The shareholder is suffering from a serious illness.
- The shareholder has an urgent need for cash for the purpose of meeting an extraordinary and unforeseen expense required for the health of the shareholder or of a dependant or for the purpose of replacing essential property that was destroyed or seriously damaged as a result of a loss for which the shareholder has not been indemnified.

The Company's purchase of the shares, according to the criteria mentioned above, may have tax consequences for the investor or the person who acquired the shares by succession.

Indicative of the excellent information provided to investors by the caisses network advisors, only 405 shareholders asked the Company in 2002 to cancel their subscriptions within the 30-day period provided for in its constituting Act.

In addition, another 115 shareholders asked to have part or all of their shares purchased under the other redemption criteria permitted by law or under its purchase-by-agreement policy.

Board of Directors



The Company's business is administered by a Board of Directors made up of the following persons:

1 **Bruno Riverin** (2)
Chairman of the Company's Board of Directors,
President and Chief Operating Officer
Investissement Desjardins Inc.

2 **Luc Chabot** (2)
President and General Manager of the Company

3 **Yves Lavoie** (2)
Vice-Chairman of the Company's Board of Directors,
Corporate Director

4 **Gilbert Beaulieu**
Secretary of the Company's Board of Directors,
General Manager, Caisse populaire de Vaudreuil

5 **Lorrain Barrette, FCA** (1)
President, Caisse populaire Desjardins de la M.R.C.
de Rouyn-Noranda, Corporate Director

6 **Raynald Bisson** (1)
Vice-President, Montreal South Shore Region
Fédération des caisses Desjardins du Québec

7 **Évangéliste Bourdages** (3)
President, Groupe Ohméga Inc.

8 **Pierre Brossard**
Senior Vice-President,
Institutional Affairs and
Executive Assistant to the
Desjardins Group President
Fédération des caisses
Desjardins du Québec

9 **Pierre Gauvreau, FCA** (2) *
General Manager, Coopérative fédérée de Québec

10 **Luc Labelle, M.Sc.** (3)
President and General Manager,
Conseil de la coopération du Québec

11 **Olivier Lavoie** (1)
Teacher, Séminaire Marie-Reine du Clergé

12 **Denise Verreault** (3)
President, Groupe maritime Verreault inc.

13 **Carole Voyzelle** (2) *
President and General Manager,
Parc Technologique Québec métropolitain

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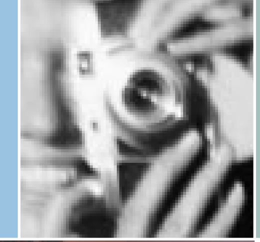
(1) Member of the Audit Committee
(2) Member of the Executive Committee and of the Purchase Exchange Committee
(3) Member of the Review Committee
* Outgoing and may be re-elected at the General Meeting

Tour Pictures



In the past year, we were invited to present Capital régional et coopératif Desjardins and highlight its active contribution to the economic development of Québec communities. Shareholders, entrepreneurs and local stakeholders took part in these meetings.

Venues for dynamic and conclusive exchanges, these meetings took place in some twenty locations across Québec and were extremely successful.

Web Site

The Internet, a true communications tool

Over the past few months, one of our priorities has been the development of a Web site. The goal of the project was to effectively provide detailed and quality information about all aspects of our Company. Much effort was dedicated to the project, and our Web site was launched last December at **www.capitalregional.com**.

The site is intended to be a comprehensive, user-friendly communications tool designed for and accessible to all users. In addition to highlighting Capital régional et coopératif Desjardins and its achievements through the publication of news, the site answers questions that may be raised by shareholders, business people and the general public. It also features a variety of topics, including our affiliated organizations, shareholder services and an FAQ. By the end of February 2003, in a matter of only a few weeks, our site attracted over 5 000 visitors.

Review of Financial Position

This review of the Company's financial position and operating results is intended to provide an overview of the major changes between the December 31, 2001 and the December 31, 2002 results and should be read in conjunction with the Company's financial statements and the accompanying notes that are presented in accordance with Canadian generally accepted accounting principles.

It should be noted that fiscal 2002 covers a period of 52 weeks (365 days), compared with only nine weeks (57 days) in 2001, the year in which the Company was launched.

Success across the board

Significant progress was achieved on several fronts in 2002.

Raising capital: A total of $208.3 million in capital was raised as at December 31, 2002, compared with $79.1 million as at December 31, 2001, for an increase of 163.5%. This increase reflects the growing popularity of Capital régional et coopératif Desjardins as an innovative investment vehicle.

As well, the number of shareholders more than doubled from 35,357 to 72,105. As in 2001, most shareholders purchased a total of $2,500 in shares and benefited from the maximum tax credit of $1,250, or 50% of the purchase amount granted by the Québec government.

Start of investment activities: In early 2002, the Company initiated its unsecured investments impacting on the Québec economy. As a result, the fair value of investments in the 45 eligible Québec businesses and cooperatives amounted to $33.7 million as at December 31, 2002. No investments were made in 2001, the year in which the Company was launched and which included only two months of operations.

Prudent management and protection of liquidity: In a start-up phase, it is important to protect investors' capital and ensure the availability of cash. The other investments under management in 2002 rose more than $119.0 million from $70.5 million at the beginning of the year to almost $190.0 million as at December 31, 2002. These amounts were invested in bond and money markets. In light of last year's economic conditions, no amounts were invested in stock markets.

Net earnings in first full fiscal year: Capital régional et coopératif Desjardins ended its first full fiscal year on a bright note with net earnings of $2.39 million. This positive result is largely attributable to the prudent and sound management of the Company's cash.

Financial review of fiscal year ended December 31, 2002

Balance sheet

Unsecured investments impacting on the Québec economy: All investments were made in fiscal 2002. Consequently, the fair value of the investments was not measured except for those investments for which a further transaction or significant changes that caused a depreciation of investment value took place. Of the $24.4 million in investments completed in 2002, the Company recognized an overall unrealized depreciation of $491,000. The net value of the investments therefore amounted to $23.9 million at the end of 2002. If the funds committed by the Company but not disbursed totalling $9.8 million at year-end are added to this amount, the fair value of investments totalled $33.7 million as at December 31, 2002.

The investments made in 2002 can be broken down as follows: Approximately one third in common shares, almost 43% in preferred shares and the balance, a little less than 24%, in unsecured debentures and advances.

Other investments: Since the start of the Company's operations, cash has been managed so as to protect investors' capital. As at December 31, 2002, the amounts available totalled approximately $190 million and were invested almost exclusively in highly liquid bonds with a low credit risk. More than 80% of the securities selected at this date carried a government guarantee. On the other hand, as at December 31, 2001, the investments consisted solely of term deposits.

Non-refundable grants: The non-refundable amounts totalling $10 million that were granted by the Québec government and the Mouvement des caisses Desjardins, in equal shares, were received in fiscal 2002.

During the year, the Company changed the accounting treatment of non-refundable grants from that used in 2001. The change resulted in a restatement for fiscal 2001 that consisted in capitalizing the expense related to software development in consideration of an increase in the balance of deferred non-refundable grants. These changes did not affect any of the Company's net assets, net earnings or cash flows for the years ended December 31, 2001 and 2002.

Share capital: Thanks to the unflagging support of the Desjardins caisses network and the numerous information events conducted by the manager's team in the various regions of Québec, the Company succeeded in substantially increasing its share capital to 20,832,862 shares as at December 31, 2002, up 163.5% from the 7,905,450 shares outstanding at the end of fiscal 2001.

Net assets per common share: Thanks to the positive results in fiscal 2002, the Company's net assets per common share amounted to $10.12 as at December 31, 2002, up from $10.00 as at December 31, 2001.

Earnings

Revenue: During the year ended December 31, 2002, revenue from operations totalled $7.9 million, compared with $1.6 million for the 57-day period in 2001.

Revenue from the investment portfolio in 2002 totalled $6.03 million, or 70% of the Company's operating revenue. In addition to interest income in the amount of $4.3 million generated by the portfolio, with the manager's expertise, the Company realized capital gains of $1.7 million on the disposal of certain investments, and this contributed to its profitability in 2002.

Revenue from membership dues, which are required of all new shareholders upon opening an account, rose from $1.5 million in 2001 to $1.6 million in 2002, for an increase of 3.4%. This change reflects the Company's extended outreach among Québec investors.

Expenses: In 2002, expenses totalled $4.4 million and essentially consisted of operating and shareholder services expenses. These expenses were partly offset by non-refundable grants to the Company in the amount of $3.0 million in 2002 and $1.8 million in 2001.

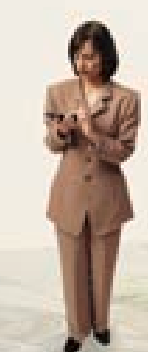
The Company benefited from its ability to draw on the invaluable cooperation of the Mouvement des caisses Desjardins to optimize its efficiency and enhance its competitive edge.

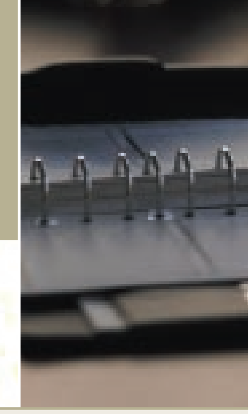
In this regard, the Company's overall operations and management were entrusted to Investissement Desjardins. The management fees incurred in 2002, which totalled $4.8 million, are the main item impacting on the Company's operating expenses.

As well, Desjardins Trust has been assigned the role of trustee. For all of fiscal 2002, the services it provided amounted to $1.17 million and accounted for 70% of expenses related to shareholder services.

Net earnings per common share: Net earnings for the Company's first full year totalled $2.39 million or $0.19 per share on a weighted average number of 12,473,600 outstanding shares, compared with $23,000 or $0.01 per share on a weighted average number of 3,952,725 shares outstanding in 2001.

Despite the glum climate overshadowing the financial markets for a third consecutive year, Capital régional et coopératif Desjardins managed to generate a return of 1.9% in 2002.





Management's Report

January 24, 2003

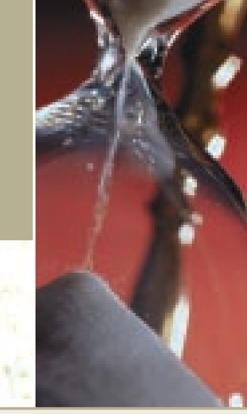
The financial statements and all the information contained in this annual report are the responsibility of management, and have been approved by the Board of Directors.

The financial statements have been prepared by management according to Canadian generally accepted accounting principles. While it was possible to apply other accounting methods, management chose those which were judged most appropriate for the circumstances. The financial statements include amounts based on the use of best estimates and judgments. Management has established these amounts in a reasonable manner in order to ensure that the financial statements are fairly presented in all material respects. Management has also prepared the financial information presented elsewhere in the annual report and has ensured that it agrees with the financial statements. The Company maintains control systems for internal accounting and administration. The objective of these systems is to provide a reasonable assurance that the financial information is pertinent, reliable and accurate and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors is entrusted with ensuring that management assumes its responsibilities with regard to the presentation of financial information and is ultimately responsible for the examination and approval of the financial statements. The Board discharges this responsibility principally through its Audit Committee whose members are external directors. This Committee meets periodically with management and the external auditors to discuss the internal controls exercised over the process of presentation of the financial information, questions of auditing and questions on the presentation of financial information in order to assure themselves that each party properly fulfills its function and also to examine the financial statements and the external auditors' report.

The financial statements have been audited on behalf of the shareholders by the external auditors. PricewaterhouseCoopers LLP. The auditors have free and full access to the Audit Committee.

Sherley Gough, CA
Chief Financial Officer



Auditors' Report

To the Shareholders

January 24, 2003

We have audited the balance sheet of **Capital régional et coopératif Desjardins** (the "Company") as at December 31, 2002 and the statements of earnings, shareholders' equity and cash flows for the year then ended and the schedule of unsecured investments impacting on the Quebec economy as at December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2001 and for the 57-day period then ended, before the restatements for the accounting change as described in note 2, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 21, 2002. We have audited the adjustments to the 2001 financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

PricewaterhouseCoopers LLP
Chartered Accountants

Balance Sheets

As at December 31

(in thousands of dollars, except the number of shares and the net value per common share)	*2002* $	*2001* $ (restated note 2)
Assets		
Unsecured investments impacting on the Quebec economy		
Investments (see schedule)	23,910	–
Funds committed but not disbursed (see schedule)	9,819	–
	33,729	–
Other investments (note 4)	179,104	70,545
Accounts receivable (note 5)	4,292	20,484
Cash and cash equivalents	1,101	5
Software (net of accumulated amortization of $420; December 31, 2001 – nil)	2,080	1,582
Future income taxes (note 9)	998	–
	221,304	92,616
Liabilities		
Deferred non-refundable grants (note 6)	5,015	8,008
Accounts payable and accrued liabilities (note 7)	4,192	5,510
Income taxes	1,358	21
	10,565	13,539
Net assets	210,739	79,077
Shareholders' Equity		
Share capital (note 8)	208,328	79,054
Retained earnings	2,902	23
Unrealized appreciation (depreciation)	(491)	–
	210,739	79,077
Number of outstanding common shares	20,832,862	7,905,450
Net value per common share	10.12	10.00

Approved by the Board of Directors,

______________________, director

______________________, director

Statements of Shareholders' Equity

For the years ended December 31

(in thousands of dollars)				*2002*
	Share capital $	***Retained earnings*** $	***Unrealized appreciation (depreciation)*** $	***Shareholders' equity*** $
Balance – Beginning of year	79,054	23	–	79,077
Shares issued	129,274	–	–	129,274
Realized net earnings for the year	–	2,879	–	2,879
Change in unrealized appreciation (depreciation) for the year	–	–	(491)	(491)
Net change for the year	129,274	2,879	(491)	131,662
Balance – End of year	208,328	2,902	(491)	210,739

			2001
	Share capital $	***Retained earnings*** $	***Shareholders' equity*** $ (57 days) (note 2)
Balance – Beginning of year	–	–	–
Shares issued	79,054	–	79,054
Net earnings for the year	–	23	23
Share issue expenses less non-refundable grants of $144,000	–	–	–
Net change for the year	79,054	23	79,077
Balance – End of year	79,054	23	79,077

Statements of Earnings

For the years ended December 31

(in thousands of dollars, except number of shares and net earnings per common share)	2002 $	2001 $ (57 days) (restated note 2)
Revenue		
Realized revenue		
Interest on other investments	4,336	71
Gain on disposal of other investments	1,698	–
Membership dues	1,589	1,537
Negotiation fees	497	–
Interest on debentures	279	–
Change in unrealized appreciation (depreciation)	(491)	–
	7,908	1,608
Expenses		
Operating expenses	5,265	2,749
Shareholder services	1,684	548
Capital tax	63	85
Amortization	420	–
Non-refundable grants (note 6)	(2,993)	(1,848)
	4,439	1,534
Earnings before income taxes	3,469	74
Income taxes (note 9)	1,081	51
Net earnings for the year	2,388	23
Weighted average number of common shares	12,473,600	3,952,725
Net earnings per common share	0.19	0.01

Capital régional et coopératif Desjardins

Statements of Cash Flows

For the years ended December 31

(in thousands of dollars)	2002 $	2001 $ (57 days) (restated note 2)
Cash flows from		
Operating activities		
Net earnings for the year	2,388	23
Non-cash items		
Gain on disposal of other investments	(1,698)	–
Change in unrealized appreciation (depreciation)	491	–
Amortization	420	–
Non-refundable grants	(2,993)	(1,848)
Future income taxes	(998)	–
	(2,390)	(1,825)
Change in non-cash operating working capital balances (note 10)	16,211	(14,953)
	13,821	(16,778)
Investing activities		
Unsecured investments impacting on the Quebec economy	(24,401)	–
Acquisition of other investments	(1,349,346)	(70,545)
Proceeds from disposal of other investments	1,232,666	–
Software	(918)	(1,582)
	(141,999)	(72,127)
Financing activities		
Issuance of common shares	129,274	79,054
Non-refundable grants	–	10,000
Share issue expenses	–	(144)
	129,274	88,910
Net change in cash and cash equivalents during the year	1,096	5
Cash and cash equivalents – Beginning of year	5	–
Cash and cash equivalents – End of year	1,101	5
Supplementary information		
Income taxes paid	333	–

Schedule of Unsecured Investments

Impacting on the Quebec Economy / As at December 31, 2002

(in thousands of dollars)

	Industry segment	Common shares $	Preferred shares $	Debentures and advances $	Total $
			Unsecured investments		
Bas-Saint-Laurent					
Aqua-Biokem BSL inc.	I	–	200	–	200
Coopérative funéraire du Bas-Saint-Laurent	C	–	–	183	183
Gestion Arnold Gauthier inc.	I	–	80	160	240
Les Diamants du Saint-Laurent inc.	I	292	–	–	292
Total Bas-Saint-Laurent		292	280	343	915
Estrie					
2754-1564 Québec inc. (Groupe Beaudry)	I	–	101	–	101
9116-4509 Québec inc. (Plastiques Anchor Ltée)	I	–	400	–	400
Bois BissBeau inc. (Groupe Beaudry)	I	–	139	240	379
Camoplast inc.	I	2,698	–	–	2,698
Fivetracks inc.	I	–	120	160	280
IPS Thérapeutique inc.	S	–	40	120	160
TPI Plastics Inc.	I	–	–	400	400
Total Estrie		2,698	800	920	4,418
Montréal					
Aegera Therapeutiques inc.	S	–	1,000	–	1,000
Artificial Mind & Movement Inc.	IT	694	–	972	1,666
BioAxone Thérapeutique inc.	S	–	522	–	522
Coencorp Consultant Corporation Inc.	IT	–	112	–	112
Coopérative Forestière des Hautes-Laurentides	C	–	–	950	950
Groupe Documens inc.	IT	–	667	–	667
IndustryHub Inc.	IT	–	400	–	400
KM Technologies inc.	IT	–	–	267	267
Lipso Systems Inc.	TC	–	300	–	300
LxSix Photonics Inc. (formerly Viamode Photoniques inc.)	TC	–	1,067	–	1,067
Neks Technologies Inc.	I	200	400	–	600
Opendesk Inc.	IT	–	400	–	400
Phytobiotech inc.	S	2,000	–	–	2,000
Ryschco Média Inc.	IT	–	–	200	200
SDP Components Inc.	I	–	1,778	–	1,778
Silonex inc.	IT	800	–	–	800
StormMaker Software Inc.	IT	–	533	–	533
Technologies 20-20 inc.	IT	–	–	1,000	1,000
Technique d'usinage Sinlab inc.	I	–	–	181	181
Technologies Miranda inc.	TC	–	833	–	833
Total Montréal		3,694	8,012	3,570	15,276

	Industry segment	Common shares $	Preferred shares $	Debentures and advances $	Total $
			Unsecured investments		
Québec					
CO2 Solution inc.	S	–	–	80	80
DuponTrolley Industries inc.	I	–	–	280	280
Les Logiciels Dynagram inc.	IT	–	364	–	364
Matiss inc.	I	400	–	240	640
MayaTeck inc.	I	240	–	60	300
Usital Canada inc.	I	–	240	–	240
Viridis Biotech inc.	S	–	–	8	8
Total Québec		640	604	668	1,912
Richelieu-Yamaska					
Cogiscan inc.	IT	–	560	–	560
Rovibec inc.	I	–	160	160	320
Total Richelieu-Yamaska		–	720	160	880
Saguenay–Lac-Saint-Jean					
9020-4983 Québec inc. (Institut d'échafaudage du Québec)	I	236	–	–	236
Groupe Nova inc.	I	320	–	–	320
Les Luzernes Belcan du Lac-St-Jean inc.	C	160	–	120	280
Nature 3M inc.	I	100	–	60	160
Noxxent inc. (Institut d'échafaudage du Québec)	I	4	–	–	4
Total Saguenay–Lac-Saint-Jean		820	–	180	1,000
Total at cost		8,144	10,416	5,841	24,401
Unrealized appreciation (depreciation)					(491)
					23,910
Funds committed but not disbursed					9,819
Fair value					33,729

Industry segment legend : C: Cooperatives, I: Industrial, H: Health and Biotechnology, TC: Telecommunications, IT: Information Technology

Agreements related to unsecured investments impacting on the Quebec economy may include clauses providing for options as to conversion and redemption. These investments were all carried out during the year ended December 31, 2002. The debentures and advances bear interest at a weighted average rate of 13.73% and have an average residual term of 4.25 years.

Allocation of investments by industry segment:

Industry segment	***Unsecured investments*** $	***Funds committed but not disbursed*** $	***Total*** $
Cooperatives	1,413	–	1,413
Industrial	10,049	2,534	12,583
Health and Biotechnology	3,770	4,330	8,100
Telecommunications	2,200	1,475	3,675
Information Technology	6,969	1,480	8,449
Total at cost	24,401	9,819	34,220
Unrealized appreciation (depreciation)	(491)	–	(491)
Fair value	23,910	9,819	33,729

Notes to Financial Statements

December 31, 2002 and 2001

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

1 Governing statutes, mission, administration and investments

Governing statutes and mission

Capital régional et coopératif Desjardins (the "Company") is constituted by an Act of the Quebec National Assembly (S.Q. 2001, c. 36) and is deemed to have been incorporated by the filing of statutes on July 1, 2001. The Company started its activities on November 5, 2001 and is a legal person with share capital whose mission is to:

- raise venture capital for the benefit of Quebec resource regions (Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie – Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay – Lac-Saint-Jean) and the cooperative sector;
- promote economic development in the resource regions through investments in eligible entities operating in those regions;
- support the cooperative movement throughout Quebec by investing in eligible cooperatives;
- support eligible entities in their start-up phase and their development; and
- stimulate the Quebec economy through investments in all parts of the territory of Quebec.

Administration

The affairs of the Company are administered by a Board of Directors composed of 13 members, as follows:

- 8 persons appointed by the President of the Mouvement des caisses Desjardins;
- 2 persons elected by the General Meeting of shareholders of the Company;
- 2 persons appointed by the above-mentioned 10 members selected from a group of persons that they deem to be representative of eligible entities as described in the Act; and
- the President and General Manager of the Company.

Investments

The Company may invest in eligible entities, with or without a guarantee or security. Eligible entities include eligible cooperatives and partnerships or a legal person actively operating an enterprise, the majority of whose employees are resident in Quebec and with less than $50,000,000 of assets and net equity of not more than $20,000,000.

The Company may invest up to 5% of its assets (as established on the basis of the last accountants' valuation) in the same eligible enterprise or cooperative and the investment is generally planned for a period of five to eight years. This percentage may be increased to 10% to allow the Company to acquire titles of an entity operating in Quebec but which is not an eligible entity. In such case, the Company may, directly or indirectly, acquire or hold shares representing up to a maximum of 30% of the voting rights, which can be exercised in all circumstances.

During each fiscal year, from the fiscal year beginning on January 1, 2006, the portion of the Company's investments in eligible entities which does not entail any security or hypothec must represent on average at least 60% of the average net assets of the Company for the preceding year. Furthermore, a portion representing at least 35% of that percentage must be invested in entities situated in resource regions of Quebec or in eligible cooperatives.

2 Accounting change

During the year ended December 31, 2001, an amount of $1,582,000 representing the cost of software development was recorded as an expense and an equivalent portion of the deferred grants was recorded against this expense, resulting in a nil effect on the net earnings. During the year ended December 31, 2002, the Company changed the accounting treatment of these items retroactively with restatement of the comparative figures. The restatement consisted in capitalizing the expense mentioned above and increasing the deferred non-refundable grants for the same amount. These changes did not affect any of the Company's net assets, net earnings or cash flows for the years ended December 31, 2001 and 2002.

3 Significant accounting policies

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they are known.

Unsecured investments impacting on the Quebec economy

Unlisted shares and debentures and advances

Unlisted shares and debentures and advances are valued at their fair value, determined in accordance with appropriate methods of valuation, including primarily comparison to arm's-length transactions or takeover bids, and the capitalization of representative earnings before interest, taxes, amortization and capitalization or discounting of cash flows.

Significant assumptions used in the determination of fair value can include discount or capitalization rate, rate of return and the weighting of forecasted earnings.

Funds committed but not disbursed

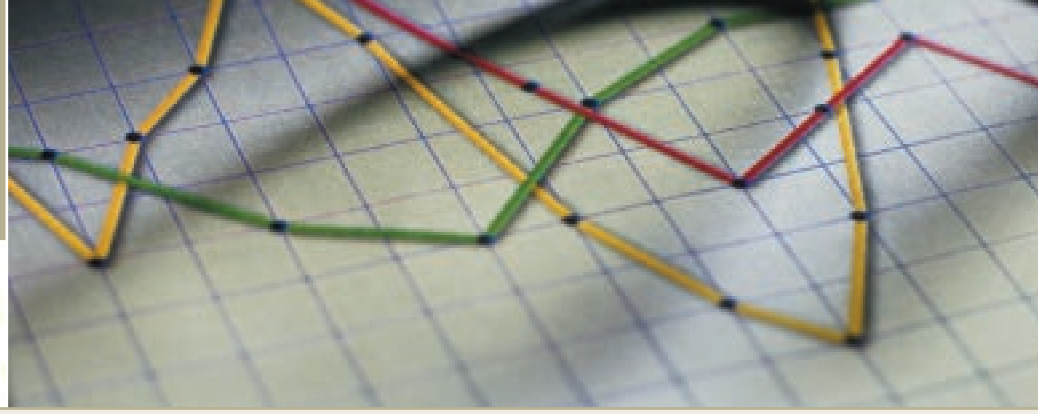
Funds committed but not disbursed represent investments that have been agreed upon and where funds have been committed but not disbursed at the end of the year.

Other investments

Other investments consist of temporary investments recorded at the lower of cost and fair value and bonds recorded at their unamortized cost net of the provision for losses, if necessary. The fair value is calculated according to the market value, presented in note 4, which is the stock quotation closing price at the date of the balance sheet.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand. In accordance with sector practice, short-term investments with original terms to maturity of three months or less are not included in cash and cash equivalents but in other investments.



Notes to Financial Statements

December 31, 2002 and 2001

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

3 Significant accounting policies (continued)

Software

Software is recorded at cost and amortized on a straight-line basis over a period of three to five years.

Income taxes

The Company uses the liability method in accounting for income taxes. According to this method, future income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. The tax rate in effect when these differences are expected to reverse is used to calculate future income taxes at the balance sheet date. Future income tax assets are recognized when it is more likely than not that the assets will be realized.

Revenue recognition

Gains and losses on disposal of investments

Gains and losses on disposal of unsecured investments impacting on the Quebec economy are recorded at the date of sale and represent the difference between the sale proceeds and the cost, without taking into consideration the unrealized appreciation (depreciation) recorded in previous years, which is reversed and taken into account in change in unrealized appreciation (depreciation) for the year.

Gains and losses on disposal of other investments are recorded at the date of sale and represent the difference between the sale proceeds and the cost.

Membership dues

Membership dues are recorded at the time of a shareholder's initial subscription and on the closure of that shareholder's account.

Negotiation fees

Negotiation fees are recorded when collection is considered probable.

Premiums and discounts

Premiums and discounts on determined maturity portfolio investments are amortized using the internal rate of return method up to the maturity date of these investments.

Non-refundable grants

The non-refundable grants received from the ministère de l'Industrie et du Commerce du Québec and the Mouvement des caisses Desjardins are allocated to net earnings when the related expenses are committed.

4 Other investments

a) Other investments include the following:

	2002 ***$***	***2001*** ***$***
Bonds	187,206	–
Temporary investments		
Term deposits	500	70,545
Bankers' acceptance	1,217	–
	188,923	70,545
Less: Funds committed but not disbursed	9,819	–
	179,104	70,545

b) Allocation of investments by maturity date

Bonds			***2002***
Maturity	***1 to 5 years*** ***$***	***More than 5 years*** ***$***	***Total*** ***$***
Unamortized cost	103,430	83,776	187,206
Par value	100,000	78,500	178,500
Fair value	105,475	85,435	190,910
Average effective rate	4.75%	5.49%	5.04%
Average nominal rate	5.44%	6.58%	5.94%

The term deposit and the bankers' acceptance mature in January 2003 and bear interest at the rate of 2.70% and 2.77% respectively.

The fair value of temporary investments as at December 31, 2002 was approximately equal to their book value.

5 Accounts receivable

	2002 ***$***	***2001*** ***$***
Subscriptions and membership dues receivable	1,450	10,272
Non-refundable grants receivable		
Mouvement des caisses Desjardins	–	5,000
Ministère de l'Industrie et du Commerce du Québec	–	5,000
Interest receivable on other investments	1,879	71
Sales taxes receivable	481	141
Other accounts receivable	482	–
	4,292	20,484

Notes to Financial Statements

December 31, 2002 and 2001

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

6 Non-refundable grants

To accelerate the start-up of the Company and the development of its activities in various regions of Quebec, the ministère de l'Industrie et du Commerce du Québec and the Mouvement des caisses Desjardins granted the Company, in equal shares, non-refundable grants totalling $10,000,000. These grants will allow the Company to pay its organization and start-up costs and set up a sectoral know-how allowing the support of the companies and cooperatives in their start-up phase and with their development. For the year ended December 31, 2002, $2,993,000 (2001 – $1,992,000, including $1,848,000 recorded in earnings and $144,000 in retained earnings) of these grants has been used. The balance of $5,015,000 (2001 – $8,008,000) has been deferred and presented in liabilities on the balance sheet.

7 Accounts payable and accrued liabilities

	2002 ***$***	***2001*** ***$***
Entity members of the Mouvement des caisses Desjardins		
Management fees	2,015	–
Other operating expenses	556	984
Shareholder services	1,178	324
Software	313	1,701
Start-up fees	–	2,141
	4,062	5,150
Other	130	360
	4,192	5,510

8 Share capital

Authorized

The Company is authorized to issue common shares and fractions of common shares, participating, voting, with the right to elect two representatives to the Board of Directors, without par value, so that its capital increases by a maximum of $150,000,000 annually to a maximum of $1,500,000,000, redeemable subject to certain conditions provided under the Act.

Issued and fully paid	***2002*** ***$***	***2001*** ***$***
20,832,862 Common shares (2001 – 7,905,450)	208,328	79,054

During the year, the Company issued 12,927,412 common shares (2001 – 7,905,450) for a cash consideration of $129,274,120 (2001 – $79,054,500).

Redemption criteria

The Company 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 the Company 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 the Company if the person applies to the Company therefore in writing within 30 days after subscribing it;
- at the request of a person who acquired it from the Company if that person is declared to have a severe and permanent mental or physical disability which makes this person incapable of pursuing his or her work.

8 Share capital (continued)

However, the Company may purchase a common share or a fractional 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 Quebec Minister of Finance.

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

9 Income taxes

For purposes of calculating taxable income in Quebec, the Company is authorized to deduct, for a given taxation year, an amount that is not more than its taxable income for the year. Accordingly, the Company's income will be exempt from Quebec income tax.

The Company is subject to Federal income taxes. Moreover, Federal income taxes include the large corporations tax.

a) The income tax expense is detailed as follows:

	2002 ***$***	***2001*** ***$*** (57 days)
Current income taxes	2,079	51
Future income taxes	(998)	–
	1,081	51

b) The actual income tax rate differs from the combined basic income tax rate and is explained as follows:

	2002 ***$***	***2001*** ***$*** (57 days)
Income taxes by applying the combined basic income tax rate of 29.12%	1,018	21
Large corporations tax*	88	30
Permanent differences between earnings before income taxes and taxable income and other	(25)	–
	1,081	51

* The large corporations tax is based on capital employed in Canada by the Company.

c) Future income taxes relate to the following items:

	2002 ***$***	***2001*** ***$***
Future income tax assets		
Deferred non-refundable grants	1,460	–
Other items	143	–
	1,603	–
Future income tax liabilities		
Software	(605)	–
Future income tax assets, net	998	–

Notes to Financial Statements

December 31, 2002 and 2001

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

9 Income taxes (continued)

d) The purchase of shares of the Company provides the right to the investor to reduce its taxes in Quebec only by an amount equal to 50% of the amount invested annually, up to a tax credit of $1,250.

10 Cash flows

The change in non-cash operating working capital balances consists of the following:

	2002 $	2001 $ (57 days)
Decrease (increase) in accounts receivable	16,192	(20,484)
Increase (decrease) in accounts payable and accrued liabilities	(1,318)	5,510
Increase in income taxes	1,337	21
	16,211	(14,953)

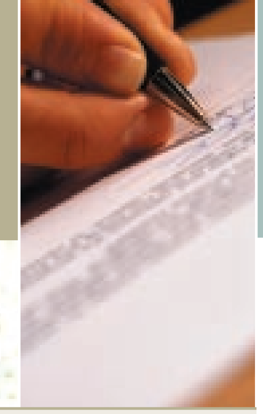
11 Related party transactions

The Company is a member of the Mouvement des caisses Desjardins. In the normal course of its operations, the Company carried out transactions with other members of the Mouvement des caisses Desjardins. All of these transactions are measured at the exchange amount:

	2002 $	2001 $ (57 days)
Earnings		
Caisse centrale Desjardins		
Interest on term deposits	1,161	71
Fédération des caisses Desjardins du Québec		
Paid expenses	–	2,096
Operating expenses	440	–
Desjardins Trust Inc.		
Paid expenses	–	1,217
Shareholder services	1,171	302
Investissement Desjardins inc.		
Paid expenses	–	978
Management fees	4,827	–
Mouvement des caisses Desjardins		
Non-refundable grant	1,497	924
Valeurs mobilières Desjardins		
Interest on other investments	3,175	–
Gain on disposal of other investments	1,698	–
Retained earnings		
Mouvement des caisses Desjardins		
Non-refundable grant	–	72

11 Related party transactions (continued)

	2002 $	2001 $ (restated)
Balance sheet		
Caisse centrale Desjardins		
Bankers' acceptances	1,217	–
Term deposits	500	70,545
Accounts receivable	78	71
Cash	1,018	5
Capital Desjardins inc.		
Bonds	15,485	–
Fédération des caisses Desjardins du Québec		
Accounts receivable	–	5,000
Software	701	–
Accounts payable and accrued liabilities	742	2,253
Desjardins Trust Inc.		
Accounts receivable	1,450	10,272
Software	1,379	1,532
Accounts payable and accrued liabilities	1,204	1,633
Fonds d'investissement Desjardins régionaux		
Accounts receivable	223	–
Investissement Desjardins inc.		
Accounts receivable	117	–
Accounts payable and accrued liabilities	2,116	1,264
Mouvement des caisses Desjardins		
Deferred non-refundable grant	2,508	4,004



Notes to Financial Statements

December 31, 2002 and 2001

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

12 Commitments

The Company has entrusted the management of its operations, including management of its portfolio, to Investissement Desjardins inc., a member of the Mouvement des caisses Desjardins, in accordance with strategies and objectives approved by the Board of Directors. The management contract signed by Investissement Desjardins inc. and the Company is in effect for an initial ten-year period, unless the parties agree to terminate it by mutual agreement. Thereafter, it shall be automatically renewed for a five-year period unless either party decides to terminate the contract by giving notice of at least 18 months.

Under this contract, the Company is required to pay an annual management fee equal to 3% of its annual average net asset value reduced by any amount payable for the acquisition of investments and by the remaining balance of the deferred non-refundable grants. This percentage is reduced to 2.5% from the fiscal year following that in which the Company's net asset value reaches $750,000,000.

The Company has appointed Desjardins Trust Inc., a Mouvement des caisses Desjardins corporation, to act as its registrar and transfer agent with respect to shareholder transactions. The term of this contract is three years and two months effective November 1, 2001 and is renewable annually under the same terms and conditions unless either party gives written notice to the contrary 180 days before the end of a year.

13 Financial instruments

The fair value of accounts receivable, cash and cash equivalents, and accounts payable and accrued liabilities approximates their carrying value given their current maturities.

Credit risk for the other investments relates to the possibility that the counterparty to the transaction does not meet its obligations. The Company reduces this risk by dealing solely with Caisse centrale Desjardins and Valeurs mobilières Desjardins, entities that are members of the Mouvement des caisses Desjardins.

14 Comparative figures

Grouping and presentation of comparative figures may vary from prior years in order to conform with the new presentation for the current year.

Shareholder Information

2nd Annual General Meeting of Capital régional et coopératif Desjardins

Palais des Congrès de Montréal
Friday, March 28, 2003, at 2 p.m., room 517

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Chartered Accountants

Financial Institutions
Caisse centrale Desjardins
Valeurs mobilières Desjardins

Sales of Shares in Capital régional et coopératif Desjardins
Desjardins caisses network

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Nine other locations will be opened before the end of 2003 for better coverage of Québec's territory.

This second Annual Report of Capital régional et coopératif Desjardins was produced under the direction of the Vice-President, Corporate Affairs, and the Vice-President, Finance and Administration of Investissement Desjardins.

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Des exemplaires de la version française de ce rapport annuel sont disponibles sur demande.

Offering our

shareholders

a rate of return

that will encourage

reinvestment.

Desjardins

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