Management Discussion and Analysis

This annual Management Discussion and Analysis ("MD&A") supplements the separate financial statements and contains financial highlights but does not reproduce the complete separate 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 separate 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 separate 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 (www.capitalregional.com) or SEDAR+ at www.sedarplus.com.

Interim financial information may be obtained in the same way.

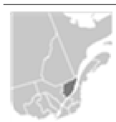
1.0 Highlights

1.1 Commitments throughout Québec

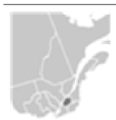
CRCD and its ecosystem[(1)] make a real contribution to the economic development of the regions. As at December 31, 2023, the funds committed per region were as follows:

ABITIBI-TÉMISCAMINGUE*
$31M → 41 companies
$0.5M → 1 cooperative

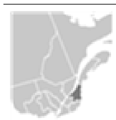
BAS-SAINT-LAURENT*
$71M → 39 companies
$0.1M → 1 cooperative



CAPITALE-NATIONALE
$196M → 77 companies
$7M → 7 cooperatives

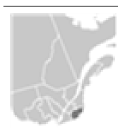


CENTRE-DU-QUÉBEC
$50M → 22 companies
$7M → 3 cooperatives



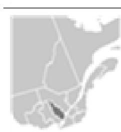
CHAUDIÈRE-APPALACHES
$269M → 71 companies
$1M → 3 cooperatives

CÔTE-NORD*
$6M → 8 companies

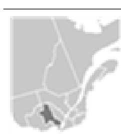


ESTRIE
$198M → 69 companies
$7M → 3 cooperatives

GASPÉSIE – ÎLES-DE-LA-MADELEINE*
$12M → 12 companies



LANAUDIÈRE
$60M → 23 companies
$5M → 2 cooperatives



LAURENTIDES
$40M → 16 companies

LAVAL
$104M → 16 companies

MAURICIE*
$29M → 15 companies
$0.3M → 1 cooperative

MONTÉRÉGIE
$276M → 70 companies
$39M → 1 cooperative

MONTRÉAL
$513M → 111 companies
$103M → 4 cooperatives

NORD-DU-QUÉBEC*
$7M → 20 companies

OUTAOUAIS
$11M → 14 companies

SAGUENAY–LAC-SAINT-JEAN*
$110M → 72 companies
$0.8M → 5 cooperatives

OUTSIDE QUÉBEC (ex Europe)
$16M → 4 companies

EUROPE
$30M → 11 companies

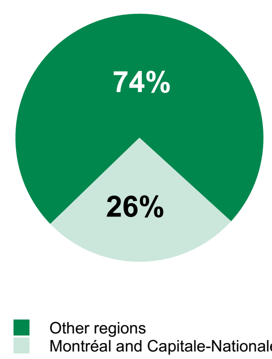
FUNDS
$82M → 17 funds

IN TOTAL

759
COMPANIES, COOPERATIVES AND FUNDS

$2,279M
BENEFITING SMEs

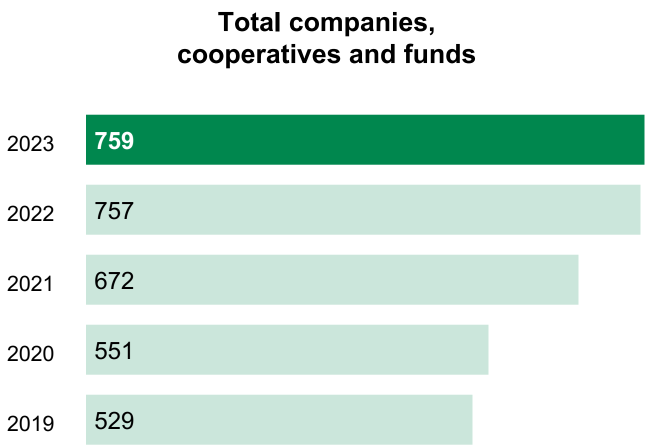
74%
OF COMPANIES AND COOPERATIVES ARE FROM REGIONS OTHER THAN MONTRÉAL AND CAPITALE-NATIONALE.

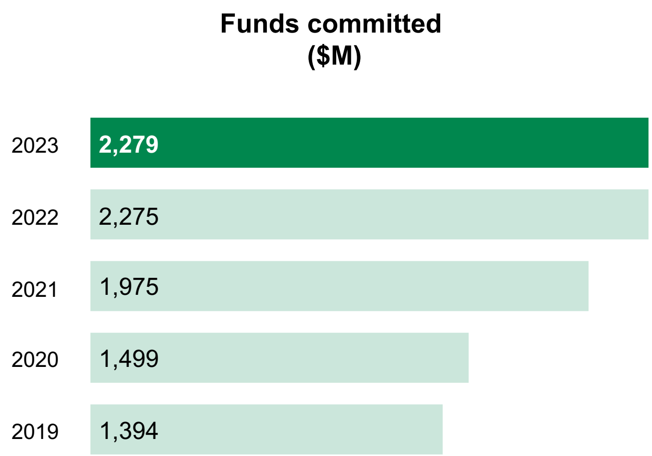


** Resource region*
[(1)]See the Entrepreneurial ecosystem section for a detailed description of the main features of the ecosystem.

1.2 CRCD and its ecosystem support companies and cooperatives

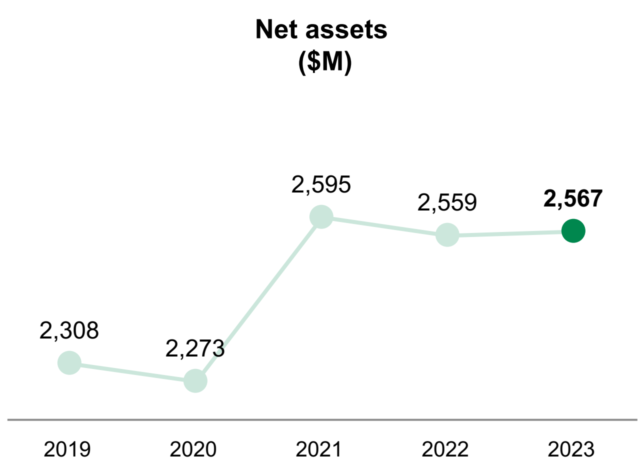
AS AT DECEMBER 31

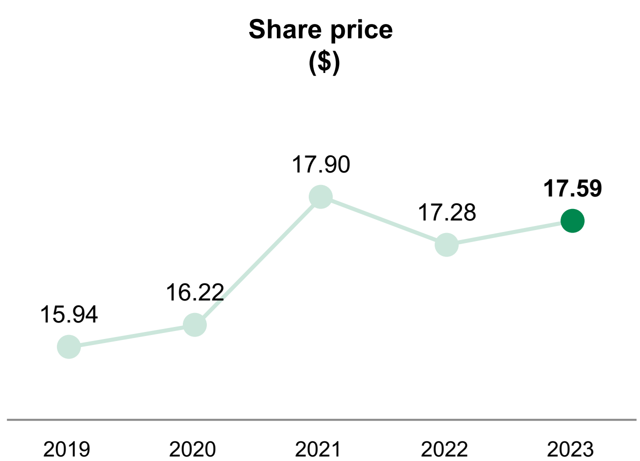


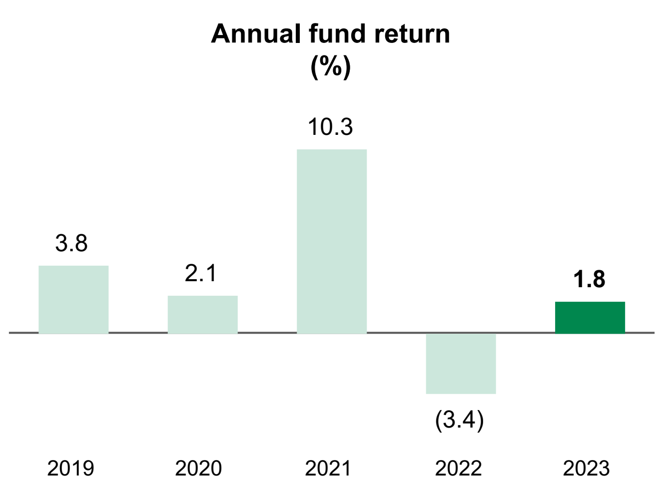


1.3 CRCD financial data

AS AT DECEMBER 31







2.0 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.

2.1 Ratios and supplemental data

(in thousands of $, unless indicated otherwise)	**Dec. 31, 2023**	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2019**
Revenue	**118,104**	97,830	67,951	48,233	55,210
Gains (losses) on investments	**(15,986)**	(129,518)	212,275	38,471	63,703
Net earnings (loss)	**44,627**	(87,918)	234,476	46,429	81,302
Net assets	**2,566,618**	2,559,100	2,594,703	2,272,798	2,308,466
Common shares outstanding (number, in thousands)	**145,933**	148,099	144,959	140,110	144,849
Total operating expense ratio [1] (%)	**2.0**	2.0	1.8	1.8	1.6
Portfolio turnover rate:					
– Investments impacting the Québec economy (%)	**8**	8	15	13	10
– Other investments (%)	**51**	118	111	100	101
Trading expense ratio [2] (%)	**—**	—	—	—	—
Number of shareholders (number)	**111,433**	113,690	113,039	109,286	109,364
Issues of common shares – Class A "Issuance"	**59,654**	140,088	140,155	139,842	140,017
Exchanges of common shares – Class B "Exchange"	**49,885**	49,905	99,855	(92)	199,445
Redemption of common shares	**96,763**	87,773	52,726	221,939	81,657
Investments impacting the Québec economy at cost	**1,659,283**	1,658,473	1,440,623	1,108,055	1,014,864
Fair value of Investments impacting the Québec economy	**1,842,169**	1,938,022	1,796,083	1,298,331	1,249,967
Funds committed but not disbursed including guarantees and suretyships	**175,937**	222,262	199,130	238,226	237,009

[1] Total operating expense ratio is calculated by dividing total operating expenses as shown on the separate statements of comprehensive income by net assets as at the end of the fiscal year or by average net assets for the fiscal 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.

2.2 Changes in net assets per common share

(in $)	**Dec. 31, 2023**	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2019**
Net assets per common share, beginning of year	**17.28**	17.90	16.22	15.94	15.34
Increase (decrease) attributable to operations	**0.31**	(0.59)	1.67	0.34	0.58
Interest, dividends, distributions and negotiation fees	**0.81**	0.67	0.48	0.35	0.39
Operating expenses	**(0.36)**	(0.34)	(0.32)	(0.27)	(0.25)
Income taxes	**(0.03)**	(0.02)	—	(0.02)	(0.01)
Realized gains (losses)	**0.53**	(0.14)	0.34	0.56	0.25
Unrealized gains (losses)	**(0.64)**	(0.76)	1.17	(0.28)	0.20
Difference attributable to common share issues and redemptions	**—**	(0.03)	0.01	(0.06)	0.02
Net assets per common share, end of year	**17.59**	17.28	17.90	16.22	15.94

3.0 Overview

CRCD ended fiscal 2023 with net earnings of $44.6 million (net loss of $87.9 million in 2022), representing a return of 1.8% (negative return of 3.4% in 2022), resulting in an increase in net assets per share to $17.59 based on the number of shares outstanding as at December 31, 2023. 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 is designed to provide a balanced overall profile and limit volatility in periods of substantial market turbulence or due to unfavourable events at partner companies.

Investment impacting the Québec economy achieved a return of 4.0% in 2023, compared with a negative return of 0.1% in 2022. This portfolio was affected by the uncertain economic environment, although to a lesser extent than in 2022, which reduced, among other things, the profit margins of a number of portfolio companies and investor appetite for technology sector companies.

As at December 31, 2023, the cost of Investments impacting the Québec economy totalled $1,659.3 million, of which $161.1 million was disbursed during fiscal 2023. As at December 31, 2023, commitments made but not disbursed, including guarantees and suretyships granted to companies, cooperatives or funds, amounted to $175.9 million. New commitments for the year totalled $114.8 million.

The Other investments portfolio posted a return of 5.1%. All asset classes in this portfolio contributed positively to performance, except for real estate funds, which continued to feel the repercussions of higher financing costs, which put downward pressure on valuations in general. For 2022, the Other investments portfolio posted a negative return of 3.4%.

During fiscal 2023, subscriptions of Class A “Issuance” common shares totalled $59.7 million, or substantially all of the maximum authorized amount for the issue, with the balance sold in the first few days of 2024. Share redemptions totalled $96.8 million, compared with $87.8 million in 2022. As at December 31, 2023, the balance of shares eligible for redemption totalled $1,124.9 million, while net assets amounted to $2,566.6 and shareholders numbered 111,433. For more information, please see the Subscriptions section of this MD&A.

3.1 Our vision for Québec entrepreneurship

During the fiscal year, an overall slowdown in investment activities was observed. Some sectors were more affected than others by the inflationary economic environment. Meanwhile, some sectors had the wind in their sails even though for most organizations the period was more favourable to a tightening of controllable expenditures.

After a very active two-year period in terms of investment, the consultancy services offered to partner companies increased in fiscal 2023, in the areas of sound governance, succession planning and more sustainable business processes. This support translated into a significant number of reinvestments, in large part to support growth. The management team was also strengthened with the addition of due diligence resources specializing in human resources and governance to continue supporting portfolio companies. Business transfers remained essential for maintaining and developing the regions, making it necessary to encourage the next generation and business successions. These transactions required more time and effort since buyers were more cautious and sellers had to temper their expectations.

In addition to solidifying preferred relationships with partners, the investment teams were able to return to best practices in business development and on-site presence with the full resumption of business promotion activities. With economic uncertainty still looming, CRCD is there to help Québec entrepreneurs meet the challenges they face.

3.2 Growing businesses stronger

Building on nearly 50 years of expertise, Desjardins Capital, CRCD’s manager, is one of the most active players in development and venture capital in Québec. Together, we are an indispensable business partner, supporting over 759 businesses, cooperatives and funds in various industries spanning all Québec regions. In addition to maintaining and stimulating the productivity of Québec SMEs, we are a major economic leader for ensuring the province’s vitality.

We leverage our teams’ expertise and skills in investment, external funds management, business performance and business expertise and in finance and institutional services. In addition to our activities in investment and promoting Québec SMEs and cooperatives, we offer governance trainings and products adapted to their needs. They can also benefit from our vast business network to support their growth and from our synergy with the whole Desjardins Group, including nearly thirty Desjardins Business centres.

Our closeness with our partner companies, our well-established, trust-based relationships and our deep knowledge of regional issues enable us to play the key role of catalyst in the entrepreneurial ecosystem to support the start up, development, transfer and succession of Québec businesses and flagships.

We work together with entrepreneurs to support them in integrating environmental, social and governance (ESG) criteria, by advocating education and awareness. We perform ESG diagnostics to determine their maturity and areas of support required and then provide recommendations and monitor their progress.

Inspired by industry best practices in sound governance, we also support entrepreneurs in setting up advisory committees and boards of directors. We offer them support and tools adapted to their realities. Moreover, we recruit and recommend experienced independent directors who can offer expertise related to their company's ambitions. These directors have access to numerous tools and are regularly trained and evaluated to meet the highest standards of collaboration. Our skills in governance and our support, based on agility, simplicity, strategic thinking and alignment with business needs, sets us apart in the market.

Our closeness with the Québec entrepreneurial ecosystem and our specialized support ensures that we are actively contributing to the lasting prosperity of people and communities by investing in the growth and sustainability of local businesses.

3.3 Economic conditions

2023 ECONOMIC ENVIRONMENT

Global economy

In 2023, the global economy slowed after two strong years of post-pandemic growth. Global real GDP grew 3.0%, down from 3.5% in 2022 and 6.4% in 2021. There was also a marked drop in inflation. The causes of a period of sharply rising prices that peaked in 2022 – notably problems in supply chains and surging energy prices – eased significantly over the course of the year. In most countries, inflation came close to, but did not reach, central bank targets. However, some measures of inflation remained high after excluding food and energy. Rising interest rates caused activity in the major economies to slow during the year. The eurozone economy was virtually stagnant. The UK economy performed better at the start of 2023, but real GDP growth had dissipated completely by the third quarter. In China, the rally that followed the reopening of major cities at the end of 2022 proved to be short-lived. Growth in real GDP slowed starting in the second quarter of 2023, and inflation turned negative over the course of the year.

Under the weight of high interest rates, the global economy should continue to grow relatively slowly in the first half of 2024, allowing inflation to fall even further. The situation is expected to improve later in 2024, due in particular to the main central banks beginning to cut their key interest rates. Global real GDP is expected to grow by 2.8% in 2024. The world's main stock market indexes began 2024 on an upward trend, fuelled by falling inflation and a slower pace in rate hikes by central banks. The outlook for corporate earnings deteriorated slightly due to high interest rates and a more moderate pace of economic growth, but some sectors, such as technologies related to artificial intelligence, continue to generate optimism among investors. However, improved economic data, particularly in the United States, and a moderation in inflation drove stock markets up and government bond yields down at the end of the year.

United States

The US economy proved particularly resilient throughout 2023. A number of challenges, such as the rising cost of living, skyrocketing interest rates, tighter credit conditions (notably following a banking crisis in March), political pitfalls and labour unrest could have led to even greater problems. All the same, US GDP rose 2.5% in 2023. Certain measures taken by the Biden administration have had a positive impact, including some to encourage the construction of factories involved in the electrification of the transportation sector and high technology. The labour market managed to create over 3 million jobs in 2023, even though the unemployment rate rose slightly. The housing market experienced some difficulties due to high mortgage rates, but the decline in activity was nevertheless contained. Inflation slowed sharply from its peak in 2022, allowing the US Federal Reserve to stop raising rates in the second half of the year.

Somewhat slower growth in US real GDP on an annualized basis is anticipated in 2024 as households and businesses continue to adapt to high interest rates. Quarterly changes in real GDP are expected to reflect a slowdown in the first half of the year, but not enough to cause major job losses. The inflation rate will also continue to fall. This will allow the Federal Reserve to begin cutting its key interest rates over the summer. Growth in US real GDP of 2.1% is forecast in 2024.

Canada

The restrictive effects of interest rate hikes continued to accumulate throughout 2023, so Canadian real GDP growth slowed markedly in 2023. Particularly affected were those sectors most sensitive to interest rate hikes, such as the housing market and consumer spending on certain durable goods. These problems should culminate in a mild recession in Canada at the start of 2024. This should bring supply and demand into better balance, allowing inflation to continue to fall. It should be recalled that the inflation rate was 6.3% at the end of 2022, and all indications are that it was approximately 3.4% at the end of 2023. This downward trend is set to continue, with inflation expected to return close to the median target (2%) toward the end of 2024. The Bank of Canada has left its key interest rate at 5.00% since July 2023, so it may begin to gradually ease monetary policy beginning in the second quarter of 2024. For 2023 as a whole, Canadian real GDP is expected to grow by just 1.1%, with inflation averaging 3.9%. After a brief period of contraction, Canadian real GDP should begin growing again in the second half of 2024. For 2024 as a whole, Canadian real GDP is expected to grow by approximately 0.2%, with inflation averaging 2.6%.

The risks, however, remain high. The interest rate hikes could prove more constraining, especially since many households will be renewing their mortgages at higher rates over the next few years. This is true even if a gradual reduction in interest rates should begin in 2024. Inflation could also be harder to tame if the upward pressure on some prices is slow to abate. Geopolitical tensions could also have major economic repercussions, particularly if the price of oil were to rise sharply.

Québec

Québec's economy has been much weaker than Canada's since the start of 2023. The province’s annualized real GDP grew 1.7% in the first quarter, compared with 2.5% nationally. In the second quarter, the 1.5% decline in economic activity in Québec was much more pronounced than the 1.4% contraction in Canada, and the province recorded another decline in real GDP, which was down 0.8% in the third quarter. Québec is expected to be among the provinces with the weakest economic growth in 2023. However, the gap between Québec and the country as a whole should narrow in 2024 as the economic problems in some other provinces intensify.

Two factors in particular explain the weakness of Québec’s economy in 2023. First, despite the fact that the province has experienced its fastest population growth in 50 years, it still falls short of that in almost all the other provinces. The economy is therefore less supported by households. Second, the pace of residential construction has fallen by almost 40% since the start of 2023, for one of the sharpest declines in Canada. Until last year, rental apartments accounted for close to 60% of new housing starts in Québec. This sector has been particularly hard hit by rising interest rates, as builders of rental apartments have had more difficulty securing financing. The cycle of interest rate cuts that we expect to begin in 2024, combined with $1.8 billion of federal and provincial investments in social and affordable housing over the next five years, should help to revive housing starts in Québec. Ultimately, after falling by 0.2% in 2023, Québec's real GDP could grow 0.7% in 2024.

4.0 Management's discussion of financial performance

4.1 Operating results

CRCD'S NET RESULTS AND RETURNS

CRCD closed its fiscal year ended December 31, 2023, with net earnings of $44.6 million, or a return of 1.8%, compared with a net loss of $87.9 million (return of 3.4%) in 2022. Based on the number of common shares outstanding, this performance brings net assets per share to $17.59 as at year-end, compared with $17.28 as at the end of fiscal 2022. For illustrative purposes, at the current price of $17.59, shareholders who invested seven years ago, on February 15, 2017, would obtain an annual after-tax return of more than 10.8%, taking into account the 40% income tax credit as per the rate applicable at that time.

CRCD's results stem primarily from Investments impacting the Québec economy and Other investments, which generated returns of 4.0% and 5.1%, respectively. For 2022, Investments impacting the Québec economy and Other investments posted negative returns of 0.1% and 3.4%, respectively. Expenses, net of administrative charges and income taxes had an impact of 2.4% on CRCD's return, compared to a 2.2% impact in 2022. Financial expenses relating to the use of the operating credit facility had a negligeable impact on CRCD's return, compared with 0.1% in 2022. This line of credit was undrawn as at December 31, 2023 ($4.5 million as at December 31, 2022). Refer to the Liquidity and capital resources section for details on the credit facility used.

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

	2023			
	Average assets under management ($M)	**Weighting (%)**	**Return 1 year (%)**	**Contribution 1 year (%)**
Activities related to Investments impacting the Québec economy [(1)]	**1,903**	**75.4**	**4.0**	**3.1**
Other investments and cash	**622**	**24.6**	**5.1**	**1.1**
Financial expenses			**—**	**—**
	2,525	**100.0**	**4.2**	**4.2**
Expenses, net of administrative charges			**(2.2)**	**(2.2)**
Income taxes			**(0.2)**	**(0.2)**
CRCD's return			**1.8**	**1.8**

	2022			
	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Activities related to Investments impacting the Québec economy [(1)]	1,880	74.0	(0.1)	(0.1)
Other investments and cash	659	26.0	(3.4)	(1.0)
Financial expenses			(0.1)	(0.1)
	2,539	100.0	(1.2)	(1.2)
Expenses, net of administrative charges			(2.1)	(2.1)
Income taxes			(0.1)	(0.1)
CRCD's return			(3.4)	(3.4)

(1) Includes Investments impacting the Québec economy, amounts receivable on disposal of investments, financial liabilities and foreign exchange contracts.

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Investments of $179.0 million and disposals of $259.0 million (including non-cash items) were made for a negative net balance of $80.0 million. Combined with realized and unrealized net losses of $16.7 million, these net divestments brought the fair value of the

Investments impacting the Québec economy portfolio, including foreign exchange contracts, to $1,842.7 million as at December 31, 2023 ($1,938.3 million as at December 31, 2022).

Investments impacting the Québec economy should also be measured taking into account funds committed but not disbursed, including guarantees and suretyships, which amounted to $175.9 million as at December 31, 2023, compared with $222.3 million as at December 31, 2022. Commitments already made but not disbursed of $166.2 million, representing 6.5% of net assets, could eventually be made from the Other investments portfolio and credit facilities and allocated to Investments impacting the Québec economy.

Total commitments at cost as at December 31, 2023, amounted to $1,835.2 million in 413 companies, cooperatives and funds, of which $1,659.3 million was disbursed. As at December 31, 2023, backed by its entrepreneurial ecosystem, CRCD supported growth in 759 companies, cooperatives and funds.

During fiscal 2023, Investments impacting the Québec economy generated a contribution of $77.5 million, for a return of 4.0%, compared with a negative contribution of $1.4 million for fiscal 2022 (negative return of 0.1%). Despite stronger performance than in the previous year, the Investments impacting the Québec economy portfolio was affected by the uncertain economic environment, which reduced, among other things, the profit margins of a number of portfolio companies and investor appetite for technology sector companies.

Contribution generated by Investments impacting the Québec economy

(in thousands of $)	**2023**	2022
Revenue	**94,207**	75,648
Gains and losses	**(16,747)**	(77,066)
Total	**77,460**	(1,418)

Revenue includes interest, dividends and negotiation fees related to Investments impacting the Québec economy. Negotiation fees, which amounted to $4.1 million for the year ended December 31, 2023 ($4.8 million in 2022), were earned by Desjardins Capital, the manager, and a credit for that amount is applied against the management fees paid to Desjardins Capital 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 places significant importance on the amounts injected into its ecosystem funds (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 $23.1 million for fiscal 2023 ($20.7 million for fiscal 2022), 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 in its results for the fiscal year a realized and unrealized loss of $16.7 million compared with a loss of $77.1 million for fiscal 2022. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at December 31, 2023, the overall risk level of the Investments impacting the Québec economy portfolio had deteriorated compared with its December 31, 2022 level, as discussed in the Credit and counterparty risk section.

ENTREPRENEURIAL ECOSYSTEM

CRCD invests directly in Québec companies and also fulfills 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

CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

Desjardins Capital PME, s.e.c.

Desjardins Capital Transatlantic, L.P.

Capital croissance PME II, s.e.c.

Desjardins – Innovatech, s.e.c.

Société en commandite Essor et coopération

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

- The main goal of Desjardins Capital PME s.e.c. fund (DCPME), created on January 1, 2018, is to invest in Québec's small- and medium-sized businesses. This sustainable fund is an open-ended limited partnership, allowing the number of limited partners to vary. The limited partners' commitments are generally made on an annual basis. As at December 31, 2023, CRCD's interest in the DCPME fund was 37.7%, while the interests of the other three limited partners, namely the DIM Private Completion Strategy Fund, Desjardins Holding Financier Inc., and Desjardins Québec Balanced Fund, were 62.3%, collectively. As at December 31, 2023, CRCD has disbursed $198.4 million ($185.6 million as at December 31, 2022) allowing a total of 265 companies to benefit from $597.5 million committed by the DCPME fund.

- Jointly with France-based Groupe Siparex, on July 4, 2018, Desjardins Capital created two funds: 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 $110 million to the two funds. DC Transatlantic's investment period, initially for a period of five years, was extended for one additional year ending July 9, 2024. CRCD has a 60.7% interest in DC Transatlantic. As at December 31, 2023, CRCD had disbursed $30.8 million ($25.4 million as at December 31, 2022) of its total commitment of $33.3 million (€22.8 million), allowing 16 companies to benefit from $42.2 million committed by the fund.

- The objective of the Société en commandite Essor et Coopération (Essor et Coopération), established on January 1, 2013, and whose investment period had ended, was to support the creation, growth and capitalization of cooperatives in Québec. CRCD and other partners, including three from the cooperative sector, had 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 $55.2 million of its total commitment of $85 million. As at December 31, 2023, despite the close of the investment period, CRCD maintained a commitment of $15.7 million which will be used for reinvestment and to pay the fund's operating expenses until its winding-up. As at December 31, 2023, Essor et Coopération had committed $33.9 million in 24 cooperatives.

- CRCD is also the joint sponsor of the Desjardins-Innovatech S.E.C. fund (DI) with the Economic Development Fund. Initially. DI undertook 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 $0.3 million was disbursed during fiscal 2023 for a total disbursement of $3.8 million. This note does not affect the units held by CRCD in this fund. DI continues to support companies, especially those that use technological innovations or that capitalize on new uses of technologies. As at December 31, 2023, DI had committed $51.5 million to support a total of 39 companies and funds.

- The Capital croissance PME s.e.c. (CCPME) and Capital croissance PME II s.e.c. (CCPME II) funds, created in 2010 and 2014, respectively, and whose investment periods have closed, had an investment policy similar to that of the DCPME fund, which is to make capital available to Québec companies. CRCD and the Caisse de dépôt et placement du Québec (CDPQ), as sponsors of the funds, had agreed to invest, on a 50/50 basis, a total amount of $540 million. During fiscal 2023, CCPME transferred all its investments and the balance of its undisbursed committed funds to CCPME II. As at December 31, 2023, the CCPME fund was wound up. As at December 31, 2023, CRCD had disbursed $256.6 million of its total commitment of $270 million to the CCPME and CCPME II funds. Since their inception, the funds have committed $462.7 million to 376 companies. The funds committed but not disbursed will be used for reinvestment and to pay the operating expenses of CCPME II until its scheduled winding-up. A total of 86 companies and funds benefited from $56.7 million committed by the CCPME II fund as at December 31, 2023.

In total, as at December 31, 2023, CRCD and its ecosystem supported the growth of 759 companies, cooperatives and funds in various industries spanning all Québec regions with commitments of $2,279.4 million. Of that total, 31 cooperatives benefited from commitments of $170.8 million. In this way, CRCD and its ecosystem have helped to create and retain many thousands of jobs.

Given the size of the amounts allocated to these 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 as follows:

- Debt: investments in the form of advances and/or mainly unsecured loans and/or non-participating preferred shares;

- Equity: investments comprising common shares and limited partnership units that may be combined with advances and/or mainly unsecured loans and preferred shares in companies other than those included under the Startup and technology innovation profile;

- External funds: investments in funds outside CRCD's entrepreneurial ecosystem; and

- Startups and technological innovations: investments in companies specializing in the pre-startup, startup or post-startup stages.

Return by investment profile

	2023			
	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Debt	**559**	**22.1**	**7.1**	**1.5**
Equity	**1,004**	**39.8**	**7.0**	**2.9**
External funds	**61**	**2.4**	**(12.4)**	**(0.3)**
Startups and technological innovations	**270**	**10.7**	**(10.1)**	**(1.0)**
Investment profiles subtotal	**1,894**	**75.0**	**4.0**	**3.1**
Other asset items held by ecosystem funds	**9**	**0.4**	**0.6**	**—**
Ecosystem total	**1,903**	**75.4**	**4.0**	**3.1**

	2022			
	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Debt	533	21.0	2.1	0.4
Equity	1,007	39.6	1.3	0.5
External funds	52	2.1	10.0	0.2
Startups and technological innovations	271	10.7	(11.4)	(1.2)
Investment profiles subtotal	1,863	73.4	(0.2)	(0.1)
Other asset items held by ecosystem funds	17	0.6	2.5	—
Ecosystem total	1,880	74.0	(0.1)	(0.1)

The 4.0% return of the Investments impacting the Québec economy portfolio for fiscal 2023 stemmed mainly from the Equity and Debt investment profiles. The Equity profile benefited from significant monetization, which limited the negative impact of the recent decline in profit margins on the valuations of several holdings. As for the Debt profile, despite changes in credit risk that negatively affected performance, changes in corporate bond rates contributed positively during the year, rates had increased significantly in 2022, resulting in lower returns for corporate bonds. Finally the Startups and technological innovations and External funds profiles continued to experience reduced investor appetite for technology sector companies.

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, Canadian equity funds, real estate funds, an infrastructure fund, a market neutral equity fund as well as various equity holdings and short sale positions. The latter are managed on a discretionary basis as part of a market-neutral equity strategy overlayed on the bond portfolio. The Other investments portfolio provides stable current revenue for CRCD and ensures sound diversification.

As at December 31, 2023, CRCD's Other investments portfolio, including cash, but excluding foreign exchange contracts, totalled $677.4 million ($566.7 million as at December 31, 2022) and consisted of the following:

Other investments portfolio

	As at December 31, 2023		As at December 31, 2022	
	Fair value ($M)	**% of portfolio**	Fair value ($M)	% of portfolio
Cash and money market instruments	**77.2**	**11.4**	6.6	1.1
Bonds	**293.4**	**43.3**	274.1	48.4
Canadian equity funds	**56.3**	**8.3**	57.7	10.2
Real estate funds	**106.2**	**15.7**	126.9	22.4
Infrastructure funds	**63.9**	**9.4**	28.9	5.1
Market neutral equity funds	**80.4**	**11.9**	72.5	12.8
Market neutral equity strategy				
Listed securities	**15.4**	**2.3**	—	—
Obligations related to securities sold short	**(15.4)**	**(2.3)**	—	—
Portfolio total	**677.4**	**100.0**	566.7	100.0

As at December 31, 2023, 99.4% of portfolio bond securities were government guaranteed (99.7% as at December 31, 2022).

The Other investments portfolio accounted for 26.4% of total net assets as at the end of fiscal 2023 (22.1% as at December 31, 2022). This increase was mainly due to the investment of excess liquidity generated by the Investments impacting the Québec economy portfolio in the money market. The commitment of $60 million to the infrastructure funds was completed during the fiscal year with an investment of $33.8 million, while the Canadian equity funds and one of the real estate funds saw divestments of $6.0 million and $12.0 million, respectively. In fiscal 2023, a new market-neutral equity strategy was introduced to overlay the bond portfolio. This strategy, which aims to generate returns through capital appreciation, involves investing in long and short positions in order to neutralize market movements and thus limit the volatility of returns. CRCD aims to maintain an overall asset allocation of approximately 30% in fixed-income securities and market-neutral equity strategy funds. Changes are made to the Other investments portfolio from time to time to adjust to changes in the Investments impacting the Québec economy portfolio.

Contribution generated by Other investments

(in thousands of $)	**2023**	2022
Revenue	**27,847**	26,669
Gains and losses	**761**	(52,451)
Total	**28,608**	(25,782)

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

The $1.2 million increase in revenue for fiscal 2023 compared with 2022 resulted mainly from a higher effective interest rate on bonds in 2023, partially offset by lower distributions from Canadian equity funds and the market-neutral equity fund.

Gains of $0.8 million in fiscal 2023 stemmed mainly from the following financial assets:

- Bonds recorded a gain of $8.3 million, mainly due to lower Canadian bond rates during the fiscal year, combined with narrowing credit spreads of provincial securities.

- Canadian equity funds closed the year with a gain of $3.4 million.

- The market-neutral equity strategy fund generated a loss of $3.1 million, offset by a distribution received of $9.5 million.

- Infrastructure funds generated a gain of $2.4 million during the fiscal year.

- Real estate funds recorded a loss of $10.2 million during the fiscal year, mainly due to higher financing costs impacting the sector's valuations. This loss was partially offset by distributions received of $4.9 million.

The financial asset management strategy is designed to use the Other investments portfolio to provide a balanced overall profile and limit volatility in periods of substantial market turbulence or unfavourable events at partner companies.

SUBSCRIPTION

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

Under its constituting act, share issues are limited to an amount equal to the cost of the preceding issue period's redemptions, up to a maximum of $150 million, unless the Québec government grants CRCD exceptional measures altering the authorized capitalization amount. Each issue period lasts 12 months and runs from March 1 to the last day of February of the following year.

In March 2021, CRCD had obtained the right to issue $140 million in Class A "Issuance" shares for the 2021 and 2022 issues and allocate a 30% tax credit rate for the purchase of such shares. To allow as many shareholders as possible to buy such shares, the maximum annual subscription amount allowable was capped at $3,000 per investor, for a tax credit of $900.

In the same announcement, the provincial government also extended CRCD's share exchange program, which offers a shareholder who defers the redemption of eligible shares for seven years the option to take advantage of a new tax credit. CRCD was authorized, for the 2021 and 2022 issue periods, to exchange shares up to an annual maximum of $50 million. The program allowed CRCD shareholders who had never redeemed shares to exchange their current eligible Class A "Issuance" shares, up to a value of $15,000 annually, for new Class B "Exchange" shares that they would also be required to hold for seven years, as consideration for a provincial tax credit of 10% of the amounts exchanged.

These exceptional capitalization measures came to an end on February 28, 2023. Thus, for the 2023 issue, CRCD is authorized to raise almost $59.8 million, an amount equivalent to the cost of redemptions made during the 2022 issue, with a provincial 30% tax credit. The share exchange program was not renewed in 2023.

Accordingly, CRCD’s share capital now comprises two classes of shares: Class A “Issuance” and Class B “Exchange”. Class A shares are issued to raise capital, while Class B shares are designed to be exchanged for Class A shares.

The minimum holding period for CRCD shares, regardless of their class, before a shareholder would normally be eligible for a redemption is seven years to the day from the date of purchase or exchange. 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 or exchange 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 or exchange amounts, and control mechanisms have been implemented by CRCD to ensure compliance. No special tax was paid for fiscal 2023 or 2022.

As at December 31, 2023, CRCD had $1,979.2 million in share capital ($1,963.9 million as at December 31, 2022) for 145,932,757 common shares outstanding (148,098,572 as at December 31, 2022).

During fiscal 2023, CRCD raised $59.7 million in Class A “Issuance” shares, or substantially all of the maximum authorized amount for the 2023 issue, with the balance sold in the first few days of 2024.

The exchange registration period for the 2022 taxation year took place in the fall of 2022 and acceptance of applications was completed and recorded in January 2023 for an authorized amount of $50 million.

In fiscal 2023, redemptions of common shares totalled $96.8 million compared with $87.8 million in 2022.

As at December 31, 2023, the balance of shares eligible for redemption totalled $1,124.9 million. During fiscal 2024, additional shares valued at $169.7 million will also become eligible for redemption bringing total potential redemptions to $1,294.6 million. This amount will be reduced by the number of shares that may be redeemed in fiscal 2024.

As at December 31, 2023, shareholders numbered 111,433 compared with 113,690 as at December 31, 2022.

CRCD’s policy is to reinvest income from operations and proceeds from disposals 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 $)	**2023**	2022
Management fees	**28,500**	27,791
Other operating expenses	**11,692**	9,518
Shareholder services	**12,085**	12,373
Total	**52,277**	49,682

CRCD has entrusted the management of its operations, including the management of its Investments impacting the Québec economy and Other investments portfolios, to Desjardins Capital, pursuant to the terms of a management agreement concluded between them. Under this agreement, CRCD pays Desjardins Capital management fees equivalent to a maximum rate of 1.75% of CRCD’s annual average assets’ value, after deduction of any amounts payable related to Investments impacting the Québec economy and Other investments. An adjustment is made to the management fees to avoid double billing relative to CRCD’s interest in other investment funds, whether in the Investments impacting the Québec economy portfolio or in Other investments. Desjardins Capital 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 Desjardins Capital in particular in relation to the growth in CRCD’s assets. Such a downward adjustment of $8.5 million was made for the year ended December 31, 2023. The trading fees from the portfolio companies are earned by Desjardins Capital, and the management fees CRCD is required to pay are reduced by an equivalent amount. In 2023, management fees remained stable compared with 2022, in line with the slight change in CRCD's average assets under management.

The $2.2 million increase in operating expenses compared with fiscal 2022 was mainly due to higher costs related to the IT master plan.

Expenditures on shareholder services remained relatively stable compared with the same period in fiscal 2022. The main expense regarding shareholder services is the compensation paid by CRCD to the caisses for all shareholder advisory services, determined annually based on CRCD's net assets.

The majority of the services provided to CRCD are provided by Desjardins Group entities, namely the management and operation of CRCD, management and distribution of shares, registrar services and custodial services. With the exception of the management agreement with Desjardins Capital, these agreements have been amended and recast with an agreement date of January 1, 2023. The impact of these renewals on expenses was not material.

Income tax expense amounted to $4.4 million for fiscal 2023 compared with a $3.5 million expense for fiscal 2022. The nature of the income has a significant impact on the income tax expense (recovery) since, unlike interest income, dividends are generally not taxable and capital gains are eligible for tax deductions and refund mechanisms. CRCD's strategy is to optimize the after-tax return taking into account these rules.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 2023, cash outflows from share issues net of redemptions amounted to $37.1 million (net cash inflows of $52.3 million in 2022). For fiscal 2023, operating activities combined with fees for the development of intangible assets generated net cash inflows of $97.8 million (net cash outflows of $77.2 million in 2022). After including disbursements and proceeds from disposals from Investments impacting the Québec economy, CRCD reported net cash inflows of $102.3 million in fiscal 2023 (net cash outflows of $180.2 million in fiscal 2022). Other investments reported net cash outflows of $49.2 million in fiscal 2023 (net cash inflows of $108.2 million for fiscal 2022).

As at December 31, 2023, cash and cash equivalents totalled $62.2 million ($1.5 million as at December 31, 2022).

CRCD had an authorized line of credit of $300 million as at December 31, 2023. This line of credit was used during fiscal 2023 to bridge the gap between cash inflows and outflows, especially for Investments impacting the Québec economy. This line of credit was undrawn as at December 31, 2023 ($4.5 million as at December 31, 2022). For fiscal 2023, the average balance for the operating credit facility was $29.5 million ($128.5 million in 2022). Although CRCD could have disposed of sufficient other investments to avoid using the credit facility, CRCD plans to draw on it, as needed, to maintain a sound allocation of its assets, and to avoid having to make disposals under potentially unfavourable conditions.

CRCD does not anticipate any shortfall in liquidity in the short or medium term and expects to be able to redeem eligible shares for those shareholders who make such a request.

4.2 CRCD's mission, vision, 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. Its affairs are managed by its manager, Desjardins Capital.

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 is to:

> *Energize our entrepreneurship. Prioritize Québec ownership. Grow our collective wealth and make it last for generations to come. By building bridges to the future, we're working together to energize our economy.*

CRCD'S VISION AND STRATEGIC PRIORITIES

In 2022, the Board of Directors approved a strategic plan setting out CRCD's ambitions and priorities for the coming years. Each year, the Board establishes an implementation plan and monitors its progress and key performance indicators quarterly to realize its goals.

CRCD aims to be the #1 choice of investors wishing to contribute to the regional vitality of Québec and to remain a beacon to entrepreneurs and SMEs, by prioritizing:

- The sustainability of its business model;
- The growth of its capitalization; and
- A greater impact on the Québec economy.

CRCD's strategic plan is aligned with that of Desjardins Capital and Desjardins Group, each of which includes relevant goals for CRCD. Together, we are there for investors and entrepreneurs, supporting the growth of SMEs and cooperatives across all regions of Québec.

STRATEGIES

Desjardins Capital organizes its teams to optimize efficiency and control management fees. This administrative organization aims to appropriately fulfill 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 management approach allows CRCD to benefit from a balanced overall profile and limit volatility in periods of substantial market turbulence or due to unfavourable events at partner companies.

To do this, the strategy based on the *Global Financial Asset Management Policy* 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, ensuring that the shares remain attractive to shareholders with due consideration to the tax credit they enjoy.
- A sufficient portion of CRCD's financial assets must be invested in liquid securities to meet any share redemption requests that exceed issues and agreed upon commitments in the Investments impacting the Québec economy portfolio, while taking into account available credit facilities.
- A sufficient portion of CRCD's financial assets must be invested in securities that generate current income to meet its expenses.

Under its constituting act, CRCD is required to fulfill its mission within certain guidelines, which include investing 65% of its average net assets in eligible Québec companies as at December 31, 2023. In addition, 35% of eligible investments must be made in Québec's resource regions or in eligible cooperatives. If these requirements are not met as at December 31, 2023, the authorized issue of capital for the capitalization period following the end of the fiscal year could be reduced. As at December 31, 2023, and December 31, 2022, all of those rules were met.

Finally, in its 2023-2024 budget, the Québec government announced a review of the intervention frameworks and investment requirements for tax-advantaged funds in order to change the eligibility rules, effective January 1, 2024. For more information, please see the Recent events section of this MD&A.

4.3 Governance

BOARD OF DIRECTORS

In accordance with CRCD's constituting act, the Board of Directors (the "Board") is made up of 13 directors, the majority of whom are independent persons. Furthermore, the Board must be chaired by an independent director. The following is a snapshot of the Board as of the date of this report:

Bernard Bolduc
BBA Finance, ICD.D

Chair of the Board, CRCD
President, Altrum inc.

Muriel McGrath
BA, ICD.D

Vice-Chair of the Board, CRCD
President, MC^2 Consilium inc.

Marc Barbeau
CPA, MTax

Secretary of the Board, CRCD
President and CEO, Ovivo inc.

Linda Labbé
CPA

Director, Desjardins Group Relations
Corporate Director

Charles Auger
BBA Finance

Vice-President of Operations, Chocolats Favoris

Alexandra Champagne
LLB

Lawyer and Corporate Director

Éric Charron
BBA Finance, C.Adm, F.Pl.

General Manager, Caisse Desjardins de Gatineau

Annie Demers
CPA

Organizational Transformation and Performance Advisor, Ville de Québec

Marinella Ermacora
BCompSc, MBA, ICD.D

Corporate Director

Gilles Mourette
MSc, ASC

Corporate Director

Anne-Marie Renaud
BSc, ICD.D, CEC, PCC

Corporate Director and Executive Coach

Louis Roy
BAA, MBA, DAE

Director of Transaction Solutions and Special Projects, Revenu Québec

Jean-Guy Senécal
FCPA

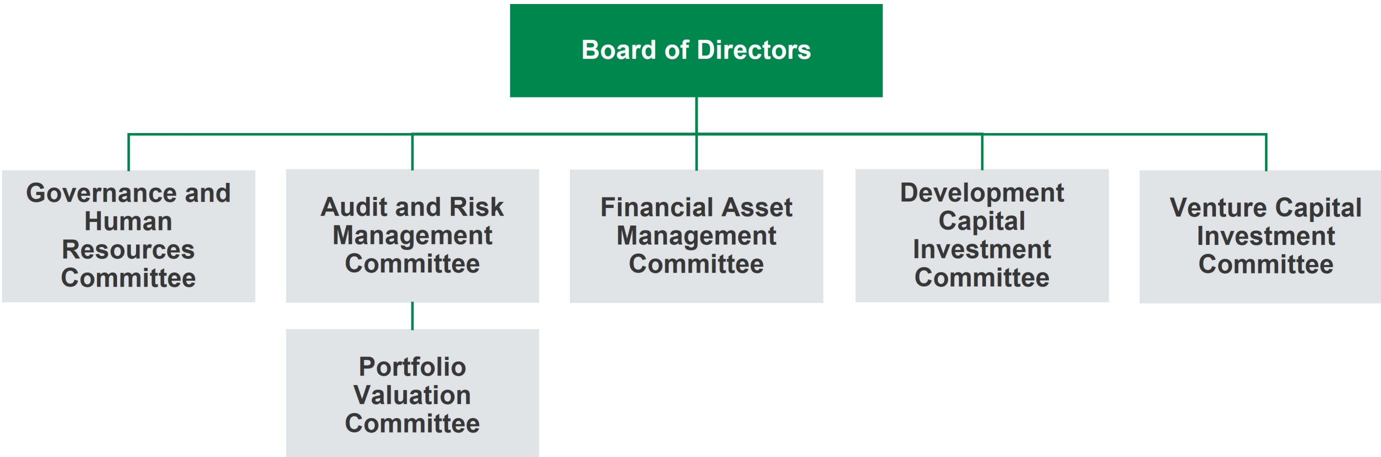
Corporate Director

The Board has the general authority to manage the affairs of CRCD and oversee the fulfillment 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, investments, financial reporting, financial asset management, risk management, capitalization, shareholder relations and contracts.

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

CRCD's 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 Governance and Human Resources Committee's mandate is to provide oversight of the application of the rules relating to governance, independence, conflict of interest management, ethics and professional conduct. It is in particular responsible for drawing up skills and experience profiles for the Desjardins Group Relations Director and Board members. It also recommends to the Board an evaluation process for the performance of directors and committee members, the Board and its chair, the committees and their chairs, the Desjardins Group Relations Director and the manager. Furthermore, the Committee ensures that a succession plan is in place for the Desjardins Group Relations Director.

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

Audit and Risk Management Committee

The Audit and Risk Management Committee's mandate is to assist the Board of Directors in its oversight and accountability roles with aspects relating to the quality, reliability and integrity of financial reporting and continuous disclosure. It ensures that the manager has implemented and maintains effective internal control over financial reporting, safeguarding of assets and fraud detection. It receives annual certification of the manager's internal control environment in connection with the operations outsourced by CRCD. It verifies that the manager implements and maintains adequate compliance mechanisms relating to 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, recommendation of appointment and compensation of the independent auditor.

The Committee is also responsible for monitoring CRCD's overall integrated risk management process, recommending to the Board changes to *CRCD's Risk Management Policy*, and more specifically monitors all operational and regulatory risks. It is informed of market risks related to interest rates, foreign currencies and stock markets, which are monitored by the Financial Asset Management Committee.

Financial Asset Management Committee

The Financial Asset Management 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 is also responsible for recommending to the Board the appointment of portfolio advisors. The Committee is made up of individuals 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.

The Committee also monitors market risks related to interest rates, foreign currencies and stock markets, geographic and sector concentration risk related to net assets and liquidity risk. It is informed of the sector concentration risk of Investments 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 Valuation 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 the *Regulation respecting Development Capital Investment Fund Continuous Disclosure*. 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. The majority of this committee's members are independent qualified valuators in accordance with the above Regulation.

Investment committees

The general mandate of the Development Capital and Venture Capital investment committees is to evaluate, authorize or recommend 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 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 Development Capital Investment Committee reviews investments in sectors other than the technological and industrial innovation sectors for companies that have demonstrated financial results that satisfy the criteria established in the applicable policies and guidelines, and that require capital, especially for growth projects or others, as well as for those in the startup or post-startup stages. It also reviews investments in external private funds that qualify as strategic performing development capital funds.

The Venture Capital Investment Committee reviews investment requests to support companies in the technological and industrial innovation sectors with high value creation potential, that are generally in the pre-startup, startup or post-startup stage. It also reviews investments in external private funds that qualify as strategic performing venture capital funds.

These committees also have a role in overseeing investment-related reputation risk, sector concentration risk related to Investments impacting the Québec economy, and credit and counterparty risk related to Investments impacting the Québec economy. They are informed of the strategic risk associated with the investment eligibility requirements set out in CRCD's constituting act, 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 2023.

Names	Board of Directors	Governance and Human Resources Committee	Audit and Risk Management Committee	Financial Asset Management Committee	Portfolio Valuation Committee	Development Capital Investment Committee	Venture Capital Investment Committee	Compensation ($)
Number of meetings	**10**	**5**	**5**	**4**	**2**	**23**	**10**	
Directors and external committee members active as at the date of this MD&A								
Charles Auger	9/10	-	4/5	-	-	-	10/10	$45,500
Marc Barbeau**	7/10	-	4/4	4/4	-	18/23	-	$31,503
Bernard Bolduc	8/10	5/5	-	-	-	-	-	$70,000
Alexandra Champagne	7/9	-	-	-	-	13/17	-	$38,349
Éric Charron	8/10	-	-	4/4	-	-	-	$26,000
Annie Demers	8/10	-	-	-	2/2	-	-	$27,500
Marinella Ermacora	10/10	5/5	5/5	-	-	-	-	$34,000
Linda Labbé	9/10	5/5	-	4/4	-	-	-	$66,000
Muriel McGrath	10/10	5/5	-	-	-	-	10/10	$37,000
Gilles Mourette	9/9	-	-	-	-	-	7/7	$24,075
Anne-Marie Renaud	10/10	-	-	-	-	23/23	-	$55,562
Louis Roy	9/10	3/3	-	-	-	-	3/3	$26,938
Jean-Guy Senécal	10/10	-	5/5	-	2/2	22/23	-	$74,500
Jean-François Brault*	-	-	-	-	2/2	-	-	$9,900
Marco Champagne *	-	-	-	-	2/2	-	-	$9,900
René Delsanne*	-	-	-	4/4	-	-	-	$11,000
Lucie Demers*	-	-	-	-	2/2	-	-	$9,900
Sophie Fortin *	-	-	-	-	-	18/23	-	$23,000
Claudia Gagné*	-	-	-	4/4	-	-	-	$11,000
François Gervais*	-	-	-	-	-	23/23	-	$26,750
Sébastien Mailhot *	-	-	-	-	2/2	-	-	$9,900
Francis Trudeau*	-	-	-	-	2/2	-	-	$9,900
Directors and external committee members no longer in office as at the date of this MD&A								
Louis-Régis Tremblay	1/1	1/1	-	1/1	-	-	-	$7,277
Mario Gosselin *	-	-	-	-	-	5/6	-	$5,399
Jean Lavigueur*	-	-	-	-	-	-	2/4	$4,221
Normand Tremblay *	-	-	-	-	-	-	3/3	$3,899
Paul Vokaty *	-	-	-	-	-	-	3/3	$3,899
TOTAL COMPENSATION								**$702,873**

* External committee member

** Marc Barbeau waived his remuneration with effect from July 1, 2023, until further notice.

EXPLANATORY NOTES TO TABLE:

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

As at the date of this MD&A, the Chair of the Board of Directors and the Desjardins Group Relations Director receive annual retainers of $70,000 and $60,000, respectively. They receive no additional compensation, unless the Desjardins Group Relations director chairs a committee of which they are not the ex officio chair. They will then receive a supplementary annual retainer equivalent to the difference between the chair of the committee's expected annual retainer and that of a member director of the committee.

4.4 Risk management

PRACTICES AND POLICIES

Sound risk management practices are critical to the success of CRCD. The *Risk Management Policy* adopted by CRCD provides 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 15, 2024.

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 rates 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, real estate funds and infrastructure 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, 2023, was $907.2 million ($829.4 million as at December 31, 2022). 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 $41.9 million ($0.8 million as at December 31, 2022) are not valued based on changes in interest rates, given their short maturities.

Bonds with a fair value of $293.4 million ($274.1 million as at December 31, 2022) are directly affected by changes in interest rates. A 1% increase in interest rates would have resulted in a $41.7 million decrease in net earnings, representing a 1.6% decrease in CRCD's share price as at December 31, 2023 ($32.6 million for 1.3% as at December 31, 2022). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $50.4 million increase in net earnings, representing a 2.0% increase in the share price ($37.6 million for 1.5% as at December 31, 2022). CRCD's financial asset management strategy aims to diversify the portfolio securities, thereby limiting exposure to long-term bonds. Given that the duration of the bond portfolio is based on CRCD's tolerance of the impact of a rise in interest rates on its financial results, this limits the loss in such a situation.

Real estate funds and infrastructure funds with fair values of $106.2 million and $63.9 million, respectively, as at December 31, 2023 ($126.9 million and $28.9 as at December 31, 2022) may also be affected by interest rate fluctuations. However, unlike bonds, there is no direct correlation between interest rate fluctuations and changes in the fair value of these classes of assets.

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 $410.3 million ($508.3 million as at December 31, 2022), 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 $401.8 million ($398.8 million as at December 31, 2022), are sensitive to changes in interest rates. As a result, for those interest-rate-sensitive loans and advances and preferred shares, a 1% increase in interest rates would have resulted in a $7.5 million decrease in net earnings, representing a 0.3% decrease in CRCD's share price ($8.7 million for 0.3% as at December 31, 2022). A 1% decrease in interest rates would have had the opposite effect, resulting in a $7.8 million increase in net earnings, representing a 0.3% increase in CRCD's share price ($9.0 million for 0.4% as at December 31, 2022).

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 and the obligations associated with securities sold short, the valuations of private portfolio companies may also be affected by changes in stock prices.

As at December 31, 2023, Canadian equity funds, valued at $56.3 million ($57.7 million as at December 31, 2022), 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 $5.6 million increase or decrease in net earnings, representing a 0.2% increase or decrease in CRCD's share price ($5.8 million for 0.2% as at December 31, 2022).

The market-neutral equity fund, valued at $80.4 million as at December 31, 2023 ($72.5 million as at December 31, 2022), does not have a significant exposure to stock market fluctuations as they minimize market risk. As such, any stock market fluctuations would not have a significant direct impact on CRCD's net earnings. The same applies for listed shares valued at $15.4 million as well as for the obligations related to securities sold short valued at $15.4 million as part of the market-neutral equity strategy implemented during fiscal 2023.

The Investments impacting the Québec economy portfolio included listed equities in the amount of $19.3 million ($16.1 million as at December 31, 2022). Accordingly, for these investments, a 10% increase or decrease in the quoted market prices of listed equities would have resulted in a $1.9 million increase or decrease in net earnings, representing a 0.1% increase or decrease in CRCD's share price ($1.6 million for 0.1% as at December 31, 2022).

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, assets whose values fluctuate due to changes in foreign exchange rates represented a fair value of $107.0 million or 4.2% of net assets as at December 31, 2023, compared with $115.6 million or 4.5% of net assets as at December 31, 2022.

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, 2023, CRCD held a foreign exchange contract under which it will be required to deliver US$58.1 million (US$80.0 million as at December 31, 2022), at the rate of CAD/USD 1.3306 (CAD/USD 1.3586 as at December 31, 2022), as well as a foreign exchange contract under which it will be required to deliver €18.7 million (€18.7 million as at December 31, 2022) at the rate of CAD/EUR 1.4719 (CAD/EUR 1.4523 as at December 31, 2022) on June 28, 2024. As at December 31, 2023, CRCD had nil collateral on its foreign exchange contracts ($3.8 million as at December 31, 2022).

As at December 31, 2023, the net exposure of CRCD's Investments impacting the Québec economy portfolio and accounts receivable to foreign currencies was thus $2.8 million ($19.8 million as at December 31, 2022). 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 $76.9 million ($62.6 million as at December 31, 2022). Accordingly, a 10% decrease (increase) in value of the Canadian dollar relative to all other foreign currencies would have resulted in a $7.7 million increase (decrease) in net earnings, representing a 0.3% increase (decrease) in CRCD's share price ($6.3 million for 0.3% as at December 31, 2022).

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.

To comply with eligibility requirements for Investments impacting the Québec economy, CRCD generally does not require collateral to limit the credit risk on its loans.

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, including guarantees and securities. As at December 31, 2023, the breakdown of risk ratings showed an increase in the proportion of Investments impacting the Québec economy and funds committed but not disbursed including guarantees and securities ranked "High risk and insolvent". As at December 31, 2023, the negative impacts of the uncertain economic context on Investments impacting the Québec economy and funds committed but not disbursed, including guarantees and suretyships, are reflected in the risk ratings. Since these risk ratings are generated through an internal monitoring process and updates from annual financial reports of our portfolio companies, there is therefore a lag between the current economic reality and the risk ratings. The negative impacts were only partly reflected as at December 31, 2022, which largely explains the changes in portfolio breakdown by risk rating at the end of this year.

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 CreditLens tool. Subsequently, all the investments are reviewed every quarter to identify those that meet the criteria for a ranking of 10.

Risk ratings for Investments impacting the Québec economy in the form of funds are based on a number of criteria specific to this asset class. Most of these investments 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 table below shows the movement in the Investments impacting the Québec economy, ranked by risk (fair value amounts):

		As at December 31, 2023		As at December 31, 2022	
Rating		**(in thousands of $)**	**(in %)**	(in thousands of $)	(in %)
1 to 6.5	Low to acceptable risk	**1,611,513**	**87.5**	1,741,466	89.9
7 to 9	At risk	**168,308**	**9.1**	169,194	8.7
10	High risk and insolvent	**62,348**	**3.4**	27,362	1.4

Furthermore, CRCD is exposed to credit risk on financial instruments not recognized in assets, which are funds committed but not disbursed, including guarantees and suretyships, 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, including guarantees and suretyships, as at the reporting date:

		As at December 31, 2023		As at December 31, 2022	
Rating		**(in thousands of $)**	**(in %)**	(in thousands of $)	(in %)
1 to 6.5	Low to acceptable risk	**141,464**	**80.4**	179,836	80.9
7 to 9	At risk	**21,685**	**12.3**	36,093	16.2
10	High risk and insolvent	**12,788**	**7.3**	6,233	2.8

For the bonds, which represented 45.7% of the fair value of the Other investments portfolio (48.8% as at December 31, 2022), credit risk is managed by diversification across numerous issuers with credit ratings as follows:

	As at December 31, 2023	As at December 31, 2022
Rating (1)	**(in thousands of $)**	(in thousands of $)
AAA	**126,474**	131,891
AA	**160,514**	127,225
A	**6,456**	14,946

(1) 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 Fédération des caisses Desjardins du Québec.

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, industry, region or financial product, which could render CRCD vulnerable to any financial difficulties experienced by such entity, industry, 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, including guarantees and suretyships):

	As at December 31, 2023		As at December 31, 2022	
	% of portfolio	% of net assets	% of portfolio	% of net assets
Investments impacting the Québec economy (1)	**29.1**	**22.8**	28.0	23.7
Other investments (2)	**64.3**	**16.9**	65.5	14.4

(1) CRCD's interest in the ecosystem funds accounted for 48% (46% as at December 31, 2022) of the five largest Investments impacting the Québec economy.
(2) Government issuers and issues guaranteed by government entities, as well as diversified investment funds, represented 49% and 51% respectively (46% and 54% as at December 31, 2022) 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, as at December 31, 2023, 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, 2023, the Investments impacting the Québec economy portfolio represented 72.1% of net assets (76.3% as at December 31, 2022).

Note that in its 2023-2024 budget, the Quebec government announced a review of the intervention frameworks and investment requirements for tax-advantaged funds in order to change the eligibility rules, with effect from January 1, 2024. For more information, please see the Recent events section of this MD&A.

CRCD has adopted a *Global Financial Asset Management Policy* and investment guidelines to govern the holding of foreign securities within the Other investments portfolio. As at December 31, 2023, the Other investments portfolio included a portion of foreign securities resulting primarily from its interest in real estate and infrastructure funds and comprised 88.7% of Canadian securities (89.0% as at December 31, 2022). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at December 31, 2023, the Other investments portfolio represented 26.4% of net assets (22.1% as at December 31, 2022).

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, 2023, bond securities represented 11.4% of net assets (10.7% as at December 31, 2022).

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 target liquid investments that should represent approximately 23% of assets under management, CRCD can confirm that liquidity risks are adequately covered. Furthermore, a credit facility has been put in place to provide greater leeway in cash management in order to maintain some flexibility for CRCD's current operating financing requirements. This credit facility was used in fiscal 2023 to bridge the gap between disbursements and disposals of Investments impacting the Québec economy.

During fiscal 2023, CRCD implemented a new market-neutral equity strategy consisting mostly of borrowing securities for short sales. The equities held as part of this strategy and the overlay on the bond portfolio limit the liquidity risk associated with borrowing these securities. As at December 31, 2023, the amount of collateral drawn amounted to $18.1 million (nil as at December 31, 2022).

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

5.0 Recent events

The uncertain economy described in this MD&A could affect performance in CRCD’s next six-month periods. CRCD is continuing to actively monitor the situation and the impacts on its operations.

In the 2023-2024 budget tabled on March 21, 2023, the Québec government announced amendments to the Act that will take effect on January 1, 2024, simplifying the applicable investment requirements.

Among these changes, the calculation of the minimum requirement of 65% (average net asset value) will now take into account an additional year to establish the average. This calculation takes into account three years rather than two by considering eligible investments at the beginning of the year and assets at the beginning of the second preceding fiscal year.

The changes also aim to increase from 35% to 50% the proportion of investments that must be made in eligible cooperatives or in entities located in the resource regions of Québec and to provide that going forward the regions eligible for the calculation of this investment requirement specific to the fund will include all regions of Québec, with the exception of municipalities in the Montréal and Québec metropolitan communities.

To ensure better governance of the investment requirements, the current eligible investment categories are now grouped into three new investment categories.

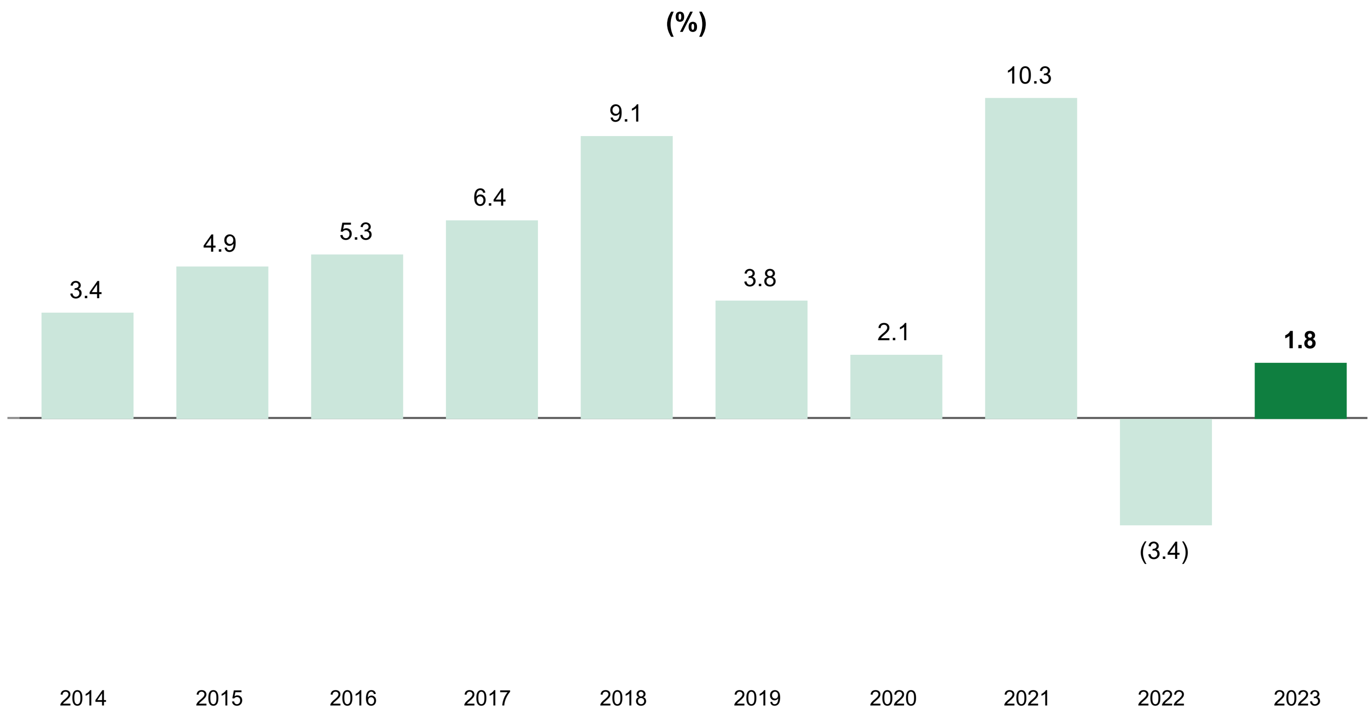
The amendments, in effect since January 1, 2024, are included in the *Policy on the application of certain provisions of the Act* adopted by CRCD and approved by the Minister of Finance.

6.0 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.

6.1 Annual return

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 earnings (loss) per share for the period by the share price at the beginning of the period.



6.2 Compounded return of the common share as at December 31, 2023

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

10 YEARS	7 YEARS	5 YEARS	3 YEARS	1 YEAR
4.2%	4.1%	2.8%	2.7%	1.8%

7.0 Portfolio summary

7.1 Core investment profiles

As at December 31, 2023, assets in CRCD's Investments impacting the Québec economy and Other Investments portfolios were allocated, on a fair value basis, as follows:

Investment profile	% of net assets
INVESTMENTS IMPACTING THE QUÉBEC ECONOMY *	
Debt	22.1
Equity	37.0
External funds	2.4
Startup and technology innovation	10.3
Other asset items held by ecosystem funds	0.3
Total - Investments impacting the Québec economy	**72.1**
OTHER INVESTMENTS	
Cash and money market instruments	3.0
Bonds	11.5
Canadian equity funds	2.2
Real estate funds	4.1
Infrastructure funds	2.5
Market neutral equity funds	3.1
Market neutral equity strategy	
Listed securities	0.6
Obligations related to securities sold short	(0.6)
Total - Other investments	**26.4**

* Including foreign exchange contracts

Net assets are made up of 98.5% investment profiles listed above, and 1.5% of other asset items.

7.2 Main investments held

As at December 31, 2023, on a fair value basis, the issuers of the 25 main investments held by CRCD were as follows:

Issuers as at December 31, 2023	% of net assets
Investments impacting the Québec economy – 18 issuers*	41.7
Province of Ontario	4.4
Government of Canada	3.9
CC&L market neutral funds	3.1
Fiera Properties CORE Fund	3.0
DGAM Global Private Infrastructure Fund	2.5
Invesco Global Direct Real Estate Feeder Fund	1.2
Fidelity Canadian Low Volatility Equity Institutional Trust	1.1

* The 18 issuers which collectively represent 41.7% of CRCD's net assets are as follows:
9388-7628 Québec inc.
Agropur Coopérative
Avjet Holding inc.
Capital croissance PME II s.e.c.
DC Immo 1ère S.E.C.
Desjardins Capital PME s.e.c.
Exo-s-inc.
Fonds Qscale s.e.c.
Technic-Eau Drillings Inc.
Fournier Group Holding inc.
Gestion Jérico inc.
Groupe Canmec inc.
Groupe Filgo inc.
Norbec Group Inc.
SJM Group Inc.
Groupe Solotech inc.
Investissement Groupe Champlain RPA, S.E.C
Sollio Cooperative Group

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

February 15, 2024

8.0 Management's report

February 15, 2024

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 separate 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 separate financial statements and that the assets are properly accounted for and safeguarded.

Furthermore, the Desjardins Group Relations director and the CRCD’s 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 *Regulation respecting Development Capital Investment Fund Continuous Disclosure* and have confirmed the reasonableness of the aggregate fair value of the portfolio of Investments impacting the Québec economy.

The Board of Directors fulfills its responsibility for the separate 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 separate 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 separate financial statements.

The separate financial statements present the financial information available as at December 31, 2023 and for the year then ended. Prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) issued by the International Accounting Standards Board, these statements have been 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) Frédéric Deschênes

Chief Financial Officer

Desjardins
Capital régional
et coopératif

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

Investor Relations
1 888 522-3222

capitalregional.com