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 annual separate 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

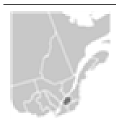
1.1 Commitments throughout Québec

CRCD and its ecosystem[1] make a real contribution to the economic development of the regions. As at December 31, 2024, the funds committed per region were as follows:

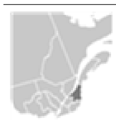
ABITIBI-TÉMISCAMINGUE
$31M → 37 companies
$0.5M → 1 cooperative

BAS-SAINT-LAURENT
$65M → 37 companies
$0.1M → 1 cooperative

CAPITALE-NATIONALE
$196M → 72 companies
$4M → 6 cooperatives

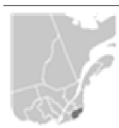


CENTRE-DU-QUÉBEC
$73M → 28 companies
$5M → 4 cooperatives



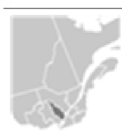
CHAUDIÈRE-APPALACHES
$260M → 69 companies
$0.6M → 3 cooperatives

CÔTE-NORD
$4M → 7 companies



ESTRIE
$196M → 66 companies
$7M → 4 cooperatives

GASPÉSIE – ÎLES-DE-LA-MADELEINE
$13M → 12 companies



LANAUDIÈRE
$52M → 21 companies
$5M → 2 cooperatives

LAURENTIDES
$43M → 18 companies

LAVAL
$100M → 14 companies
$0.2M → 1 cooperative

MAURICIE
$27M → 10 companies
$0.2M → 1 cooperative

MONTÉRÉGIE
$279M → 63 companies
$39M → 1 cooperative

MONTRÉAL
$515M → 104 companies
$66M → 3 cooperatives

NORD-DU-QUÉBEC
$6M → 17 companies

OUTAOUAIS
$10M → 14 companies
$0.4M → 1 cooperative

SAGUENAY–LAC-SAINT-JEAN
$101M → 64 companies
$2M → 5 cooperatives

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

EUROPE
$29M → 11 companies

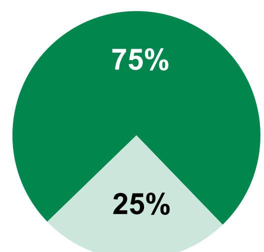
FUNDS
$88M → 26 funds

IN TOTAL

727
COMPANIES, COOPERATIVES AND FUNDS

$2,234M
BENEFITING SMEs

75%
OF COMPANIES AND COOPERATIVES ARE FROM REGIONS OTHER THAN MONTRÉAL AND CAPITALE-NATIONALE.



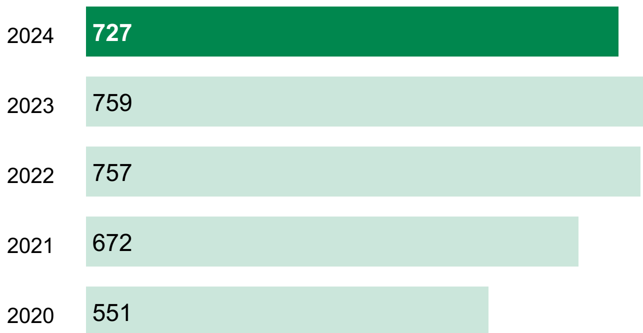
Other regions
Montréal and Capitale-Nationale

[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

Total companies, cooperatives and funds

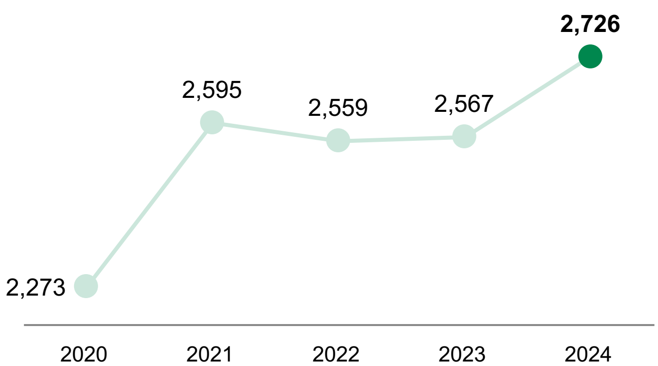


Funds committed ($M)

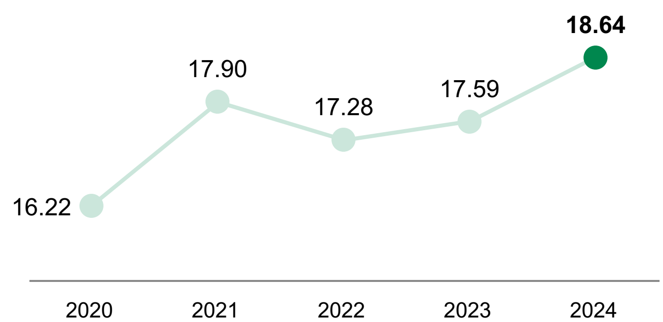
1.3 CRCD financial data

AS AT DECEMBER 31

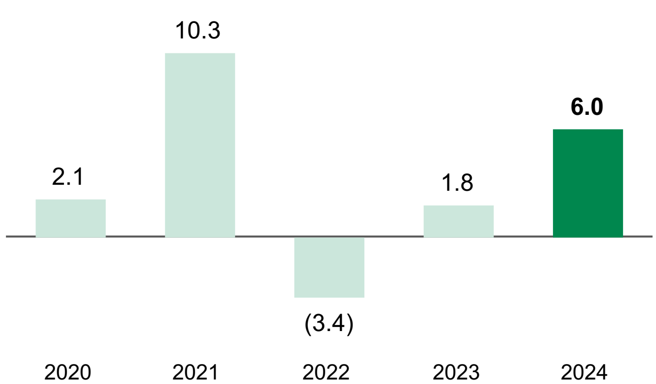
Net assets ($M)



Share price ($)



Annual fund return (%)



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 separate audited annual and annual financial statements.

2.1 Ratios and supplemental data

(in thousands of $, unless indicated otherwise)	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020
Revenue	**92,079**	118,104	97,830	67,951	48,233
Gains (losses) on investments	**119,251**	(15,986)	(129,518)	212,275	38,471
Net earnings (loss)	**153,542**	44,627	(87,918)	234,476	46,429
Net assets	**2,725,998**	2,566,618	2,559,100	2,594,703	2,272,798
Common shares outstanding (number, in thousands)	**146,226**	145,933	148,099	144,959	140,110
Total operating expense ratio [(1)] (%)	**2.0**	2.0	2.0	1.8	1.8
Portfolio turnover rate:					
– Investments impacting the Québec economy (%)	**6**	8	8	15	13
– Other investments (%)	**79**	51	118	111	100
Trading expense ratio [(2)] (%)	**—**	—	—	—	—
Number of shareholders (number)	**110,546**	111,433	113,690	113,039	109,286
Issues of common shares – Class A "Issuance"	**123,424**	59,654	140,088	140,155	139,842
Exchanges of common shares – Class B "Exchange"	**—**	49,885	49,905	99,855	(92)
Redemption of common shares	**117,586**	96,763	87,773	52,726	221,939
Investments impacting the Québec economy at cost	**1,622,832**	1,659,283	1,658,473	1,440,623	1,108,055
Fair value of investments impacting the Québec economy	**1,905,412**	1,842,169	1,938,022	1,796,083	1,298,331
Funds committed but not disbursed including suretyships	**311,804**	175,937	222,262	199,130	238,226

(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, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020
Net assets per common share, beginning of year	**17.59**	17.28	17.90	16.22	15.94
Increase (decrease) attributable to operations	**1.06**	0.31	(0.59)	1.67	0.34
Interest, dividends, distributions and negotiation fees	**0.64**	0.81	0.67	0.48	0.35
Operating expenses	**(0.37)**	(0.36)	(0.34)	(0.32)	(0.27)
Income taxes	**(0.03)**	(0.03)	(0.02)	—	(0.02)
Realized gains (losses)	**0.04**	0.53	(0.14)	0.34	0.56
Unrealized gains (losses)	**0.78**	(0.64)	(0.76)	1.17	(0.28)
Difference attributable to common share issues and redemptions	**(0.01)**	—	(0.03)	0.01	(0.06)
Net assets per common share, end of year	**18.64**	17.59	17.28	17.90	16.22

3.0 Overview

CRCD ended fiscal 2024 with net earnings of $153.5 million (net earnings of $44.6 million for the same period in 2023), representing a return of 6.0% (return of 1.8% in 2023), resulting in an increase in net assets per share to $18.64 based on the number of shares outstanding as at December 31, 2024. 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.

Investments impacting the Québec economy achieved a return of 9.5% in 2024, compared with a return of 4.0% in 2023. The recovery that began in the second half of the year offset the impact on profit margins of some portfolio companies that continue to be affected by the economic environment of the past years.

As at December 31, 2024, the cost of investments impacting the Québec economy totalled $1,622.8 million, of which $113.9 million was disbursed during fiscal 2024. As at December 31, 2024, commitments made but not disbursed, including the suretyship granted to companies, cooperatives or funds, amounted to $311.8 million. New commitments for the year totalled $249.8 million.

The other investments portfolio recorded a return of 6.0% in 2024. Even though most asset classes contributed positively to performance, real estate funds and the bond portfolio were affected by the rise in long-term interest rates during the year. In 2023, the other investments portfolio posted a return of 5.1%.

During fiscal year 2024, subscriptions of Class A “Issuance” common shares totalled $123.4 million, or substantially all of the maximum authorized amount for the issue. Share redemptions totalled $117.6 million, compared with $96.8 million in 2023. As at December 31, 2024, the balance of shares eligible for redemption totalled $1,253.3 million, while net assets amounted to $2,726.0 and shareholders numbered 110,546. For more information, please see the Subscriptions section of this MD&A.

3.1 Our vision for Québec entrepreneurship

In 2024, the Québec economy showed signs of recovery, particularly in the second half of the year, but it nevertheless remained fragile. A number of SMEs encountered difficulties related to rising operating costs and corporate rates. Despite a gradual decline in these rates over the last few months, uncertain economic and geopolitical conditions engendered some caution in the business community, leading entrepreneurs to exercise more care in their investment and spending decisions, thus prompting companies to improve efficiency and tighten cost management. The post-pandemic awakening has given rise to complex situations, including repayments of government assistance, changing consumer habits and delays in modernization initiatives during downturns. Some companies will need to focus on innovating and diversifying their activities, and others on digital transformations and automation to achieve sustainable growth.

In a market environment conducive to divestitures, 2024 was marked by a sustained pace of exit transactions. Successful companies are highly prized and in great demand. The exit values obtained produced attractive returns. However, the market remained competitive, with considerable investors with large amounts of capital, leading to the phenomenon of a scarcity of new investments. Given the fragile market and high valuations in the technology sector, a rigorous selection process is required when selecting venture capital opportunities. Nevertheless, we have continued to actively support innovative startups with significant direct investments and dedicated funds.

Always on the lookout for favourable business opportunities, we maintained our sound and prudent management. For over 50 years, support has been at the heart of what we do, and 2024 was no exception.

3.2 Growing businesses stronger

Building on 50 years of expertise, CRCD’s manager, Desjardins Capital, is ranked one of the most active investors in development and venture capital in Québec. Together, we are an indispensable business partner, supporting 727 companies, cooperatives and funds in various industries in all corners of Québec. In addition to maintaining and stimulating the productivity of Québec SMEs, we are a major socio-economic leader for ensuring the regions’ 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 SME 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 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 startup, 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.

The *Fighting Against Forced Labour and Child Labour in Supply Chains Act* came into effect on January 1, 2024. This new law requires entities to disclose in a detailed public report, as at May 31 of each year, the measures taken during the previous fiscal year to prevent and reduce the risk of forced labour or child labour being used by the entities or in their supply chain. To meet this requirement, we have shared this report in the Documentation section of www.capitalregional.com. We have also worked with a number of our partner companies to ensure they fulfill their obligations in this regard.

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. Moreover, regarding diversity, equity and inclusion in the governance of our SMEs, we are proud to have achieved our targets for women's representation on committees and boards.

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

2024 ECONOMIC ENVIRONMENT AND 2025 ECONOMIC OUTLOOK

Global economy

Once again in 2024, growth in the global economy was relatively modest. The economy nevertheless overcame a number of obstacles, including a deterioration in the geopolitical situation in the Middle East, a further rise in maritime shipping costs and generally high interest rates, particularly at the start of the year. In the advanced economies, there was even an improvement in GDP growth compared to 2023, while the eurozone, despite the problems faced by industry in Germany, and the United Kingdom managed to emerge from a period of stagnation. Inflation rates also continued to decline, and price changes trended back close to the targets of central banks, which were able to begin a gradual easing of their monetary policies over the course of the year. In China, the economy proved rather fragile as difficulties in the property market continued and spread to other sectors, affecting confidence and domestic demand in particular. Inflation was very low in China throughout the year, even approaching deflationary conditions. The Chinese government announced a number of assistance measures that were not entirely successful, although real GDP growth had accelerated enough by the end of the year to reach the government's official target.

Global economic growth is expected to accelerate moderately in 2025. The major economies will benefit from lower interest rates as central banks continue to trim their key interest rates. Real incomes will also benefit from lower inflation. Over the next few years, international economic conditions, and those in China in particular, could be affected by higher tariffs in the United States, and possibly by retaliatory policies. However, the positive effects of increased trade with the United States could appear in early 2025, while the negative effects of a new US tariff policy may mostly be felt later in 2025 or in 2026. Global real GDP is expected to grow by 2.9% in 2025.

The world's main stock market indices posted very good gains in 2024, buoyed first by moderating inflation and then by cuts to key interest rates. The election of Donald Trump to the White House lifted US equities, but the effects elsewhere were more modest. Although some of the policies proposed by the new president-elect could have inflationary and negative effects on the global economy, the prospect of tax cuts for businesses and individuals means that investors can expect better returns in the short term. Later in 2025, however, US and global equity market returns could suffer from the detrimental effects of measures such as import tariffs and reduced immigration to the US.

United States

The US economy remained relatively strong in 2024, although hurricanes, labour disputes and tough elections disrupted the economic news. Following a 1.6% annualized gain in real GDP in the first quarter, increases of 3.0% and 3.1% were recorded in the second and third quarters. Consumption performed particularly well, and residential investment veered toward growth due to lower interest rates. The labour market slowed, from being overheated to a more balanced environment. Even so, over two million jobs were created in 2024. The inflation rate also fell, allowing the US Federal Reserve to begin cutting its key interest rates in September.

Donald Trump's new administration will undoubtedly want to press ahead with its program of new tax cuts. Tariff hikes, immigration cuts and deregulation measures have already been announced. Some positive effects on growth could become apparent in early 2025. GDP growth will continue to be good in the first quarter of 2025, and US real GDP growth should reach 2.3% for the year as a whole. The more negative effects, due in particular to higher tariffs, should lead to more adverse consequences that could begin in the second quarter of 2025. But they should be felt mainly in 2026, in addition to leading to higher inflation.

Canada

After rising considerably in 2022 and 2023, the Bank of Canada's key interest rates began to fall in June 2024. This easing of conditions was made possible by a normalization of inflation, which approached the median target of 2% in the summer of 2024. Despite the start of rate cuts, Canadian demand in 2024 continued to show the restrictive effects of the hikes made in 2022 and 2023. Real GDP growth thus remained relatively moderate, with an estimated average gain of 1.3% for 2024 as a whole, compared with 1.5% for 2023. The benefits of interest rate cuts should become more apparent beginning in 2025. This being said, the Canadian economy will still need to overcome a number of problems over the next few years. These include the slowdown in immigration announced by the federal government and the many mortgages being renewed at higher rates, even if rates have fallen since June 2024. In addition, the re-election of Donald Trump to the White House brings new limits on trade between Canada and the United States, which will significantly curb Canadian exports and, as a result, economic growth in Canada. Canadian real GDP may grow by 1.4% in 2025 and just 1.3% in 2026.

Québec

The Québec economy staged a strong comeback at the start of 2024, following a period of decline the previous year due to forest fires and strikes in the health and education sectors. By the spring, real GDP had even fully recovered the ground lost. However, the province’s economy grew more modestly in the second half of 2024. The labour market therefore deteriorated slightly during the year, with the unemployment rate rising. Despite the cumulative beneficial effect of interest rate cuts, the Québec economy, like that of the rest of Canada, will need to contend with a number of obstacles. This will undoubtedly slow the recovery in 2025 and 2026. Such obstacles include the Trump administration imposing tariffs as well as new restrictions on immigration, which will slow population growth. As a result, following an estimated gain of 1.3% in 2024, Québec's real GDP could grow 1.2% in 2025.

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, 2024, with net earnings of $153.5 million, or a return of 6.0%, compared with net earnings of $44.6 million (return of 1.8%) in 2023. Based on the number of common shares outstanding, this performance brings net assets per share to $18.64 as at year-end, compared with $17.59 at the end of fiscal 2023. For illustrative purposes, at the current price of $18.64, shareholders who invested seven years ago, on February 13, 2018, would obtain an annual after-tax return of more than 10.7%, 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 portfolio, which generated returns of 9.5% and 6.0%, respectively. In 2023, investments impacting the Québec economy and other investments posted returns of 4.0% and 5.1%, respectively. Expenses, net of administrative charges and income taxes, had an impact of 2.5% on CRCD's return, compared to a 2.4% in 2023. Financial expenses relating to the use of the operating credit facility had a negligible impact on CRCD's return. This line of credit was undrawn as at December 31, 2024 and as at December 31, 2023. 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

	2024			
	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Activities related to investments impacting the Québec economy [1]	**1,880**	**72.2**	**9.5**	**6.9**
Other investments and cash	**723**	**27.8**	**6.0**	**1.6**
	2,603	**100.0**	**8.5**	**8.5**
Expenses, net of administrative charges			**(2.3)**	**(2.3)**
Income taxes			**(0.2)**	**(0.2)**
CRCD's return			**6.0**	**6.0**

	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
	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

[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 $126.2 million and disposals of $172.4 million (including non-cash items) were made for a negative net balance of $46.2 million. Combined with realized and unrealized net gains of $109.3 million, these net divestments brought the fair value of the investments impacting the Québec economy portfolio, including foreign exchange contracts, to $1,905.9 million as at December 31, 2024 ($1,842.7 million as at December 31, 2023).

Investments impacting the Québec economy should also be measured taking into account funds committed but not disbursed, including the suretyship, which amounted to $311.8 million as at December 31, 2024 ($175.9 million as at December 31, 2023). Commitments already made but not disbursed of $305.6 million, representing 11.2% of net assets, could eventually be made from the other investments portfolio or the credit facility and allocated to investments impacting the Québec economy.

Total commitments at cost as at December 31, 2024, amounted to $1,934.6 million in 412 companies, cooperatives and funds, of which $1,622.8 million was disbursed. As at December 31, 2024, backed by its entrepreneurial ecosystem, CRCD supported growth in 727 companies, cooperatives and funds.

During fiscal 2024, investments impacting the Québec economy generated a contribution of $174.1 million, for a return of 9.5%, compared with a contribution of $77.5 million for fiscal 2023 (return of 4.0%). Despite the good performance of some companies in the portfolio and the easing of corporate rates during the year, which had positive impacts on returns, the effects of economic conditions in recent years are still being felt in the investments impacting the Québec economy portfolio.

Contribution generated by investments impacting the Québec economy

(in thousands of $)	**2024**	2023
Revenue	**64,806**	94,207
Gains and losses	**109,309**	(16,747)
Total	**174,115**	77,460

Revenue includes interest, dividends and negotiation fees related to investments impacting the Québec economy. Negotiation fees, which amounted to $3.2 million for the year ended December 31, 2024 ($4.1 million in 2023), are earned by the manager, Desjardins Capital, and a credit for that amount is applied against the management fees paid to Desjardins Capital by CRCD. These 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 $24.5 million for fiscal 2024 ($23.1 million for fiscal 2023), 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 gain of $109.3 million compared with a loss of $16.7 million for fiscal 2023. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at December 31, 2024, the overall risk level of the investments impacting the Québec economy portfolio had deteriorated compared with its December 31, 2023 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, 2024, CRCD's interest in the DCPME fund was 37.8%, 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 62.2%, collectively. As at December 31, 2024, CRCD has disbursed $198.4 million ($198.4 million as at December 31, 2023) allowing a total of 272 companies to benefit from $633.9 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 $112 million to the two funds. CRCD has a 60.7% interest in DC Transatlantic. As the investment period of DC Transatlantic ended on July 9, 2024, the funds committed but not disbursed will be used to make reinvestments and pay the fund's ongoing expenses until dissolution. As at December 31, 2024, CRCD had disbursed $32.5 million ($30.8 million as at December 31, 2023) of its total commitment of $33.9 million (€22.8 million), allowing 15 companies to benefit from $40.0 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 $56.5 million of its total commitment of $85 million. As at December 31, 2024, despite the close of the investment period, CRCD maintained a commitment of $14.3 million which will be used for reinvestment and to pay the fund's operating expenses until its winding-up. As at December 31, 2024, Essor et Coopération had committed $29.5 million in 22 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 $0.1 million was disbursed during fiscal 2024 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, 2024, DI had made commitments of $41.9 million to support a total of 30 companies and funds.

- The Capital croissance PME II s.e.c. (CCPME II) fund, created in 2014 and whose investment period has 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 fund, had originally agreed to invest, on a 50/50 basis, a total amount of $320 million. During fiscal 2023, the original fund, Capital croissance PME s.e.c. (CCPME), transferred all its investments and the balance of its undisbursed committed funds to CCPME II and was subsequently wound up. As at December 31, 2024, CRCD had disbursed $154.6 million of its total commitment of $165 million to the CCPME II fund. Since its inception, the CCPME II fund has committed $275.4 million to 240 companies. The funds committed but not disbursed will be used for reinvestments and to pay the operating expenses of CCPME II until its scheduled winding-up. A total of 53 companies and funds benefited from $35.6 million committed by the CCPME II fund as at December 31, 2024.

In total, as at December 31, 2024, CRCD and its ecosystem supported the growth of 727 companies, cooperatives and funds in various industries spanning all Québec regions with commitments of $2,233.8 million. Of that total, 33 cooperatives benefited from commitments of $130.1 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

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

Return by investment profile

	2024			
	Average assets under management ($M)	**Weighting (%)**	**Return 1 year (%)**	**Contribution 1 year (%)**
Debt	**539**	**20.7**	**5.3**	**1.2**
Equity	**992**	**38.1**	**13.2**	**4.9**
External funds	**63**	**2.4**	**(0.9)**	**—**
Startups and technological innovations	**277**	**10.7**	**8.0**	**0.8**
Investment profiles subtotal	**1,871**	**71.9**	**9.5**	**6.9**
Other asset items held by ecosystem funds	**9**	**0.3**	**1.0**	**—**
Ecosystem total	**1,880**	**72.2**	**9.5**	**6.9**

	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

The 9.5% return of the investments impacting the Québec economy portfolio for fiscal 2024 stemmed mainly from the Equity investment profile, which posted a 13.2% return. Although some companies continue to be affected by the economic conditions of the past years, the recording of significant appreciation in some investments has been beneficial. Despite the positive impact on returns of falling corporate rates, the Debt profile posted poorer performance than in 2023, mainly due to unfavourable changes in the credit risk of certain companies. To a lesser extent, the Startups and technological innovations category followed the same trends as the Equity profile.

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 funds, a market neutral equity funds 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 overlaid on the bond portfolio. The other investments portfolio provides stable current revenue for CRCD and ensures sound diversification.

As at December 31, 2024, CRCD's other investments portfolio, including cash but excluding foreign exchange contracts, totalled $767.8 million ($677.4 million as at December 31, 2023) and consisted of the following:

Other investments portfolio

	As at December 31, 2024		As at December 31, 2023	
	Fair value ($M)	**% of portfolio**	Fair value ($M)	% of portfolio
Cash and money market instruments	**83.7**	**10.8**	77.2	11.4
Bonds	**352.2**	**45.9**	293.4	43.3
Canadian equity funds	**64.2**	**8.4**	56.3	8.3
Real estate funds	**111.3**	**14.5**	106.2	15.7
Infrastructure funds	**70.5**	**9.2**	63.9	9.4
Market neutral equity funds	**85.9**	**11.2**	80.4	11.9
Market neutral equity strategy				
Listed securities	**4.1**	**0.5**	15.4	2.3
Obligations related to securities sold short	**(4.1)**	**(0.5)**	(15.4)	(2.3)
Portfolio total	**767.8**	**100.0**	677.4	100.0

As at December 31, 2024, 83.7% of portfolio bond securities were government guaranteed (99.4% as at December 31, 2023). This decrease as at December 31, 2024 compared to the previous year was due to the temporary holding of corporate securities without a government guarantee intended for investment in the investments impacting the Québec economy portfolio.

The other investments portfolio accounted for 28.2% of total net assets as at December 31, 2024 (26.4% as at December 31, 2023). 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 $)	**2024**	2023
Revenue	**30,209**	27,847
Gains and losses	**9,942**	761
Total	**40,151**	28,608

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 $2.4 million increase in revenue for fiscal 2024 compared with 2023 resulted mostly from additional investments in the bond portfolio, combined with an increase in interest income in this portfolio following the rise in effective rates during the year.

Gains of $9.9 million in fiscal 2024 stemmed mainly from the following financial assets:

- Bonds recorded a decline of $8.5 million, essentially due to higher long-term Canadian bond rates during the period.
- Canadian equity and infrastructure funds generated gains of $6.9 million and $6.6 million, respectively, during the fiscal year.
- Real estate funds recorded a gain of $2.1 million, up from 2023, but were nevertheless affected by long-term interest rates during the year.
- The $1.4 million gain in market-neutral equity strategies was in addition to $9.3 million in distribution income recorded under Revenues.
- A $1.4 million gain was recorded in the market-neutral equity strategy.

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 to alter 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. CRCD's share capital 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. For the 2023 issue of Class A "Issuance" shares, CRCD issued an amount equivalent to the cost of redemptions of the 2022 issue, or $59.7 million. In June 2024, CRCD obtained the right to issue $125 million in Class A "Issuance" shares for the 2024 issue, which will begin in the fall. The tax credit rate for the purchase of such shares remains at 30%. To allow as many shareholders as possible to buy such shares, the maximum annual subscription amount allowable is capped at $3,000 per investor, for a tax credit of $900. Note that the exchange program for Class B "Exchange" shares, which offers a shareholder who defers the redemption of eligible shares for seven years the option to take advantage of a new tax credit, ended on February 28, 2023.

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 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 2024 or 2023.

As at December 31, 2024, CRCD had $2,024.2 million in share capital ($1,979.2 million as at December 31, 2023) for 146,225,674 common shares outstanding (145,932,757 as at December 31, 2023).

During fiscal 2024, CRCD raised $123.4 million in Class A “Issuance” shares, or substantially all of the maximum authorized amount for the 2024 issue.

In fiscal 2024, redemptions of common shares totalled $117.6 million compared with $96.8 million in 2023.

As at December 31, 2024, the balance of shares eligible for redemption amounted to $1,253.3 million. During fiscal 2025, additional shares valued at $176.8 million will become eligible for redemption, bringing total potential redemptions to $1,430.1 million. This balance will be reduced by the amount of shares that may be redeemed in fiscal 2025.

As at December 31, 2024, shareholders numbered 110,546 compared with 111,433 as at December 31, 2023.

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 $)	**2024**	2023
Management fees	**30,897**	28,500
Other operating expenses	**11,203**	11,692
Shareholder services	**10,692**	12,085
Total	**52,792**	52,277

CRCD has entrusted the management of its operations, including the management of its investments impacting the Québec economy portfolio and its other investments portfolio, 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 deducting 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 interests 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 $4.1 million was made for the year ended December 31, 2024. The negotiation 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. Management fees increased by $2.4 million compared with fiscal 2023, mainly due to lower negotiation fee income, which is deducted from management fees, as a result of lower investment volumes and an increase in the value of average assets under management compared with 2023.

Expenses related to shareholder services decreased by $1.4 million from fiscal 2023, a decline that was mainly due to lower expenditures on developing applications for service provision. The main expense related to shareholder services was the compensation paid by CRCD to the Desjardins 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.

Income tax expense amounted to $5.0 million for fiscal 2024 compared with a $4.4 million expense for fiscal 2023. The nature of the income has a significant impact on the income tax expense since, unlike interest income, dividends are generally not taxable and capital gains are eligible for tax deductions and refund mechanisms. For the purposes of the *Québec Taxation Act*, CRCD is not taxed on its capital gains since, in calculating its tax payable, it benefits from a deduction to its taxable income corresponding to its taxed capital gains for the year. 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, 2024, cash inflows from share issues net of redemptions amounted to $5.8 million (net cash outflows of $37.1 million in 2023). For fiscal 2024, operating activities combined with investing activities generated net cash outflows of $24.3 million (net cash inflows of $97.8 million in fiscal 2023). After including disbursements and proceeds from disposals from investments impacting the Québec economy, CRCD reported net cash outflows of $66.5 million in fiscal 2024 (net cash inflows of $102.3 million in fiscal 2023). Other investments reported net cash outflows of $103.4 million in fiscal 2024 (net cash outflows of $49.2 million for fiscal 2023).

As at December 31, 2024, cash and cash equivalents totalled $43.7 million ($62.2 million as at December 31, 2023).

CRCD had an authorized line of credit of $300 million as at December 31, 2024. This line of credit was used during fiscal 2024 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, 2024 and December 31, 2023. For fiscal 2024, the average balance for the operating credit facility was $4.4 million ($29.5 million in 2023). 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 AND VISION

As part of our recent strategic planning exercise, the team reflected on how to give greater impetus to the acquisition of investor clients who want to see Québec businesses get ahead.

To better represent the strength of our shareholder base, CRCD's mission is now stated as follows: to invest our collective capital in Québec companies to stimulate wealth creation for all regions and future generations.

With this in mind and in order to better demonstrate our investment ambitions, our vision is as follows: to be a high-performance investor acting as a catalyst for productivity and sustainable growth for the benefit of Québec businesses.

This approach is in line with the ongoing modernization of CRCD's positioning.

CRCD’S STRATEGIC PRIORITIES

In February 2025, the Board of Directors approved its 2025-2027 strategic plan setting out CRCD's ambitions and priorities for the coming years. Each year, the Board establishes an implementation plan, monitoring its progress and key performance indicators quarterly.

In order to achieve its vision and objectives, CRCD has established the following priorities:

- Optimization of its capitalization and return to shareholders;
- A stronger impact on the Québec economy; and
- A higher profile.

The strategic plans of Desjardins Capital and Desjardins Group are aligned with CRCD’s own strategic plan and include 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

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.

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 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 receive.

- 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 had to be made in Québec's resource regions or in eligible cooperatives.

As part of its 2023-2024 budget, the Québec government announced amendments to the Act, in part to simplify the applicable investment standards. These changes have been in force since January 1, 2024. Among these changes, the calculation of the minimum standard of 65% (average net asset value) now takes into account an additional year when establishing the average. This calculation takes three years into account 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 seek to increase, from 35% to 50%, the proportion of investments eligible for the investment standard that must be made in eligible cooperatives or in entities located in Québec's resource regions, as well as to provide that the regions now eligible for the calculation of this fund-specific investment standard include all of Québec's regions, with the exception of the Montréal and Québec metropolitan communities. To ensure better governance of the investment standards, the current eligible investment categories are now grouped into three new investment categories.

If these requirements are not met as at December 31, 2024, the authorized issue of capital for the capitalization period following the end of the fiscal year could be reduced. As at December 31, 2024, and December 31, 2023, all of those rules were met.

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.

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

Vice-Chair of the Board, CRCD, Corporate Director and Executive Coach

Jean-Guy Senécal
FCPA

Secretary of the Board, CRCD and Corporate Director

Linda Labbé
CPA

Director, Desjardins Group Relations and 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

René Delsanne
MSc, FCIA, CFA

President, Delsanne Conseil

Annie Demers
CPA

Organizational Transformation and Performance Advisor, Ville de Québec

Souad Elmallem
BBA., ICD.D

Executive partner, 6temik and Corporate Director

Marinella Ermacora
BCompSc, MBA, ICD.D

Corporate Director

Gilles Mourette
MSc, ASC

Corporate Director

Louis Roy
BAA, MBA, DAE

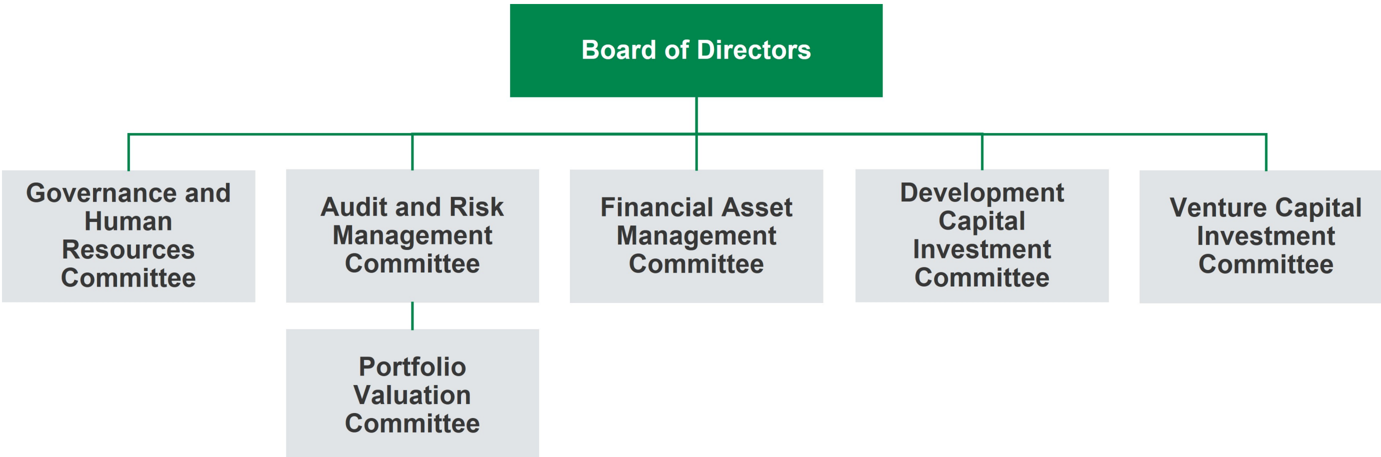
Director of Transaction Solutions and Special Projects, Revenu Québec

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 2024.

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	**11**	**7**	**5**	**4**	**2**	**22**	**10**	
Directors and external committee members active as at the date of this MD&A								
Charles Auger	10/11	-	4/5	-	-	-	10/10	$47,000
Bernard Bolduc	10/11	7/7	-	-	-	-	-	$70,000
Alexandra Champagne	7/10	-	-	-	-	5/8	-	$25,909
Éric Charron	11/11	-	-	4/4	-	-	-	$26,000
René Delsanne	9/9	-	3/4	4/4	-	-	-	$28,694
Annie Demers	9/11	3/3	-	-	1/1	-	-	$25,858
Souad Elmallem	8/9	-	-	-	-	-	7/8	$24,526
Marinella Ermacora	9/11	6/6	5/5	-	-	-	-	$34,000
Linda Labbé	10/11	7/7	-	4/4	-	-	-	$66,000
Gilles Mourette	11/11	-	-	2/3	-	-	9/10	$36,599
Anne-Marie Renaud	10/11	-	-	-	-	22/22	-	$58,000
Louis Roy	11/11	6/7	-	-	-	-	-	$26,000
Jean-Guy Senécal	10/11	-	5/5	-	2/2	20/22	-	$77,000
Jean-François Brault*	-	-	-	-	2/2	-	-	$11,400
Marco Champagne*	-	-	-	-	2/2	-	-	$11,400
Albert Dang-Vu*	-	-	-	-	-	-	5/6	$8,132
Sophie Fortin*	-	-	-	-	-	16/22	-	$20,727
Claudia Gagné*	-	-	-	4/4	-	-	-	$11,000
Robi Guha*	-	-	-	-	-	-	6/6	$8,882
Robert Héroux*	-	-	-	-	-	11/11	-	$14,250
Sébastien Mailhot*	-	-	-	-	2/2	-	-	$11,400
Marie-Josée Privyk*	-	-	-	-	-	10/11	-	$13,500
Francis Trudeau*	-	-	-	-	2/2	-	-	$11,400
Directors and external committee members no longer in office as at the date of this MD&A								
Marc Barbeau**	1/2	-	1/1	1/1	-	5/6	-	$—
Muriel McGrath	2/2	1/1	-	-	-	-	2/2	$8,875
Lucie Demers*	-	-	-	-	1/1	-	-	$3,302
François Gervais*	-	-	-	-	-	11/11	-	$14,250
TOTAL COMPENSATION								**$694,104**

* External committee member

** Mr. Marc Barbeau waived his remuneration with effect from July 1, 2023, until the end of his mandate on March 26, 2024.

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 13, 2025.

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, 2024, was $921.9 million ($907.2 million as at December 31, 2023). 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 $74.1 million ($41.9 million as at December 31, 2023) are not valued based on changes in interest rates, given their very short maturities.

Bonds with a fair value of $352.2 million ($293.4 million as at December 31, 2023) are directly affected by changes in interest rates. A 1% increase in interest rates would have resulted in a decrease of $45.9 million in net earnings, representing a 1.7% decrease in CRCD's share price as at December 31, 2024 ($41.7 million for 1.6% as at December 31, 2023). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $54.3 million increase in net earnings, representing a 2.0% increase in the share price ($50.4 million for 2.0% as at December 31, 2023). 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 $111.3 million and $70.5 million, respectively, as at December 31, 2024 ($106.2 million and $63.9 million as at December 31, 2023) 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 $468.1 million ($410.3 million as at December 31, 2023), 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 $313.7 million ($401.8 million as at December 31, 2023), 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 $5.9 million decrease in net earnings, representing a 0.2% decrease in CRCD's share price ($7.5 million for 0.3% as at December 31, 2023). A 1% decrease in interest rates would have had the opposite effect, resulting in a $6.1 million increase in net earnings, representing a 0.2% increase in CRCD's share price ($7.8 million for 0.3% as at December 31, 2023).

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 stock market trends.

As at December 31, 2024, Canadian equity funds, valued at $64.2 million ($56.3 million as at December 31, 2023), 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 $6.4 million increase or decrease in net earnings, representing a 0.2% increase or decrease in CRCD’s share price ($5.6 million for 0.2% as at December 31, 2023).

The market-neutral equity funds, valued at $85.9 million at December 31, 2024 ($80.4 million as at December 31, 2023), does not have a significant exposure to stock market fluctuations as it minimizes 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 $4.1 million ($15.4 million as at December 31, 2023) as well as for the obligations related to securities sold short valued at $4.1 million ($15.4 million as at December 31, 2023) as part of the market-neutral equity strategy.

The investments impacting the Québec economy portfolio included listed equities in the amount of $14.2 million ($19.3 million as at December 31, 2023). Accordingly, for these investments, a 10% increase or decrease in the quoted market prices of listed equities would have resulted in a $1.4 million increase or decrease in net earnings, representing a 0.1% increase or decrease in CRCD’s share price ($1.9 million for 0.1% as at December 31, 2023).

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 portfolio, assets whose values fluctuate due to changes in foreign exchange rates represented a fair value of $121.8 million or 4.5% of net assets as at December 31, 2024, compared with $107.0 million or 4.2% of net assets as at December 31, 2023.

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, 2024, CRCD held a foreign exchange contract under which it will be required to deliver US$57.5 million (US$58.1 million as at December 31, 2023), at the rate of CAD/USD 1.4308 (CAD/USD 1.3306 as at December 31, 2023), as well as a foreign exchange contract under which it will be required to deliver €20.4 million (€18.7 million as at December 31, 2023) at the rate of CAD/EUR 1.5066 (CAD/EUR 1.4719 as at December 31, 2023) on June 30, 2025. As at December 31, 2024, CRCD had $2 million in collateral on its foreign exchange contracts (nil as at December 31, 2023).

As at December 31, 2024, the net exposure of CRCD’s investments impacting the Québec economy portfolio and accounts receivable to foreign currencies was thus limited to $8.8 million ($2.8 million as at December 31, 2023). 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 $76.0 million ($76.9 million as at December 31, 2023). Accordingly, a 10% decrease (increase) in value of the Canadian dollar relative to all other foreign currencies would have resulted in a $7.6 million increase (decrease) in net earnings, representing a 0.3% increase (decrease) in CRCD’s share price ($7.7 million for 0.3% as at December 31, 2023).

CREDIT AND COUNTERPARTY RISK

In pursuing its investments impacting the Québec economy activities, 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 the suretyship. As at December 31, 2024, the breakdown of risk ratings showed an increase in the proportion of investments impacting the Québec economy ranked "High risk and insolvent". This increase was due to the negative impacts of the uncertain economic conditions in the last year on investments impacting the Québec economy, with such impacts reflected in the risk ratings. Since there is a certain lag between the current economic reality and the risk ratings in the portfolio, these negative impacts were only partly reflected in prior periods, which largely explains the changes in portfolio breakdown by risk rating.

Investments impacting the Québec economy, except those carried out through funds, are updated regularly and ranked by risk from 1 to 10, mostly based on the criteria defined by Moody's CreditLens tool.

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 investments impacting the Québec economy, ranked by risk (fair value amounts):

		As at December 31, 2024		As at December 31, 2023	
Rating		**(in thousands of $)**	**(in %)**	(in thousands of $)	(in %)
1 to 6.5	Low to acceptable risk	**1,625,301**	**85.3**	1,611,513	87.5
7 to 9	At risk	**195,242**	**10.2**	168,308	9.1
10	High risk and insolvent	**84,869**	**4.5**	62,348	3.4
Total		**1,905,412**	**100.0**	1,842,169	100.0

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

		As at December 31, 2024		As at December 31, 2023	
Rating		**(in thousands of $)**	**(in %)**	(in thousands of $)	(in %)
1 to 6.5	Low to acceptable risk	**285,643**	**91.6**	141,464	80.4
7 to 9	At risk	**20,666**	**6.6**	21,685	12.3
10	High risk and insolvent	**5,495**	**1.8**	12,788	7.3
Total		**311,804**	**100.0**	175,937	100.0

For the bonds, which represented 46.4% of the fair value of the other investments portfolio (45.7% as at December 31, 2023), credit risk is managed by diversification across numerous issuers with credit ratings as follows:

	As at December 31, 2024	As at December 31, 2023
Rating (1)	**(in thousands of $)**	(in thousands of $)
AAA	**116,633**	126,474
AA	**206,198**	160,514
A	**29,353**	6,456
Total	**352,184**	293,444

(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 values of assets and funds committed but not disbursed, including the suretyship):

	As at December 31, 2024		As at December 31, 2023	
	% of portfolio	**% of net assets**	% of portfolio	% of net assets
Investments impacting the Québec economy [1]	**35.4**	**28.8**	29.1	22.8
Other investments [2]	**58.9**	**16.5**	64.3	16.9

[1] CRCD's interest in the ecosystem funds accounted for 59% (48% as at December 31, 2023) 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 48% and 52%, respectively (49% and 51% as at December 31, 2023) 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, 2024, at least 50% of its investments must be made in eligible cooperatives or in companies located in Québec regions, outside the Montréal and Québec metropolitan communities. The performance of this portfolio therefore depends heavily on economic conditions in Québec. As at December 31, 2024, the investments impacting the Québec economy portfolio represented 70.1% of net assets (72.1% as at December 31, 2023).

Note that 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, with effect from January 1, 2024. For more information, see the Strategies 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, 2024, the other investments portfolio included a portion of foreign securities resulting primarily from its interest in real estate and infrastructure funds and comprised 90.1% of Canadian securities (88.7% as at December 31, 2023). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at December 31, 2024, the other investments portfolio represented 28.2% of net assets (26.4% as at December 31, 2023).

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, 2024, bond securities represented 12.9% of net assets (11.4% as at December 31, 2023).

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

LIQUIDITY RISK

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 20% 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 2024 to bridge the gap between disbursements and disposals of investments impacting the Québec economy.

Shares held as part of this strategy in the market-neutral equity portfolio and the overlay on the bond portfolio limit the liquidity risk associated with borrowing these securities. As at December 31, 2024, the amount of collateral drawn amounted to $4.7 million ($18.1 million as at December 31, 2023).

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

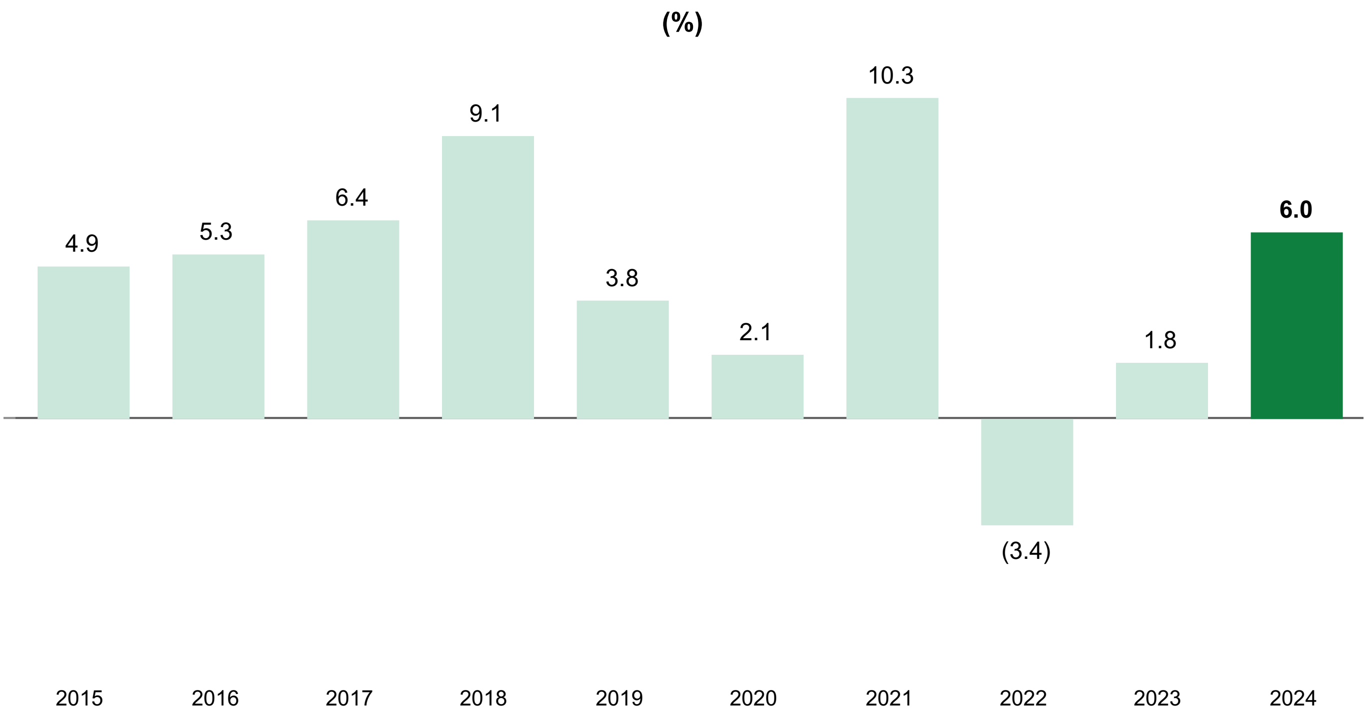
The imposition of certain customs tariffs on Canadian products by the American administration could have a negative impact on our partner companies over the longer term, affecting CRCD's financial condition, profitability and results of operations. In addition to closely monitoring developments, analyses are currently underway to assess the risks and potential impacts. However, it is too early to have a precise estimate of the direct and indirect consequences given the rapid changes in the situation.

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, 2024

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
4.5%	4.1%	3.2%	1.4%	6.0%

7.0 Portfolio summary

7.1 Core investment profiles

As at December 31, 2024, 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	18.8
Equity	37.9
External funds	2.4
Startup and technology innovation	10.6
Other asset items held by ecosystem funds	0.4
Total - Investments impacting the Québec economy	**70.1**
OTHER INVESTMENTS	
Cash and money market instruments	3.0
Bonds	12.9
Canadian equity funds	2.4
Real estate funds	4.1
Infrastructure funds	2.6
Market neutral equity funds	3.2
Market neutral equity strategy	
Listed securities	0.1
Obligations related to securities sold short	(0.1)
Total - Other investments	**28.2**

* Including foreign exchange contracts

Net assets are made up of 98.3% of investment profiles listed above and 1.7% of other asset items.

7.2 Main investments held

As at December 31, 2024, on a fair value basis, the issuers of the 25 main investments held by CRCD were as follows:

Issuers as at December 31, 2024	% of net assets
Investments impacting the Québec economy – 16 issuers*	39.2
Province of Ontario	4.3
Government of Canada	3.6
CC&L Q Market Neutral Fund	3.2
Fiera Properties CORE Fund	2.9
DGAM Global Private Infrastructure Fund	2.6
Province of Québec	1.9
Fidelity Canadian Low Volatility Equity Institutional Trust	1.3
Invesco Global Direct Real Estate Feeder Fund	1.1
BMO Low Volatility Equity ETF	1.1

* The 16 issuers which collectively represent 39.2% of CRCD's net assets are as follows:
9388-7628 Québec inc.
Agropur Coopérative
Avjet Holding inc.
DC Immo 1ère S.E.C.
Desjardins Capital PME s.e.c.
Exo-s inc.
Fonds Qscale s.e.c.
Fournier Group Holding inc.
Gestion Jérico inc.
Groupe Filgo inc.
Groupe Solotech inc.
Investissement Groupe Champlain RPA, S.E.C.
Norbec Group inc.
SJM Group inc.
Sollio Groupe Coopératif
Technic-Eau Drillings inc.

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

February 13, 2025

8.0 Management's report

February 13, 2025

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 investments impacting the Québec economy portfolio.

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’s 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, 2024 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’s 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