CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Company's annual compounded returns expressed in this MD&A are net of expenses and income taxes while returns by activity or asset class 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 the Company's operations, the associated risks and uncertainties could cause actual results to differ from those anticipated in forward-looking statements. The Company disclaims any intention or obligation to update or revise such statements based on any new information or new event that may occur after the reporting date.

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

Interim financial information may be obtained in the same way.

FINANCIAL HIGHLIGHTS AS AT DECEMBER 31

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

RATIOS AND SUPPLEMENTAL DATA

(in thousands of $, unless otherwise indicated)	2012	2011	2010	2009	2008
Revenue	53,491	46,894	44,970	39,900	39,520
Net income (net loss)	53,435	122,588	18,696	17,145	(29,347)
Net assets	1,356,446	1,220,427	1,019,846	905,921	812,606
Shares outstanding (number, in thousands)	118,243	110,776	102,908	93,142	85,159
Total operating expense ratio (%)	2.4	3.0	2.8	2.8	3.1
Portfolio turnover rate:					
– Investments impacting the Québec economy (%)	23	28	11	9	9
– Other investments (%)	67	110	112	84	83
Trading expense ratio[1] (%)	0.0	0.0	0.0	0.0	0.0
Number of shareholders (number)	103,052	106,577	111,476	118,119	122,128
Issues of shares	149,994	153,955	180,982	129,443	126,440
Redemptions of shares	67,410	75,962	85,753	53,273	17,016
Investments impacting the Québec economy at cost	625,414	498,984	473,331	475,785	412,828
Fair value of investments impacting the Québec economy	659,045	541,909	439,550	401,321	348,408
Funds committed but not disbursed	142,350	151,822	200,485	63,907	64,446

[1] Trading expense includes brokerage fees and other portfolio transaction costs. These expenses are not material to the Company.

CHANGES IN NET ASSETS PER SHARE

	2012	2011	2010	2009	2008
	($)	($)	($)	($)	($)
Net assets per share, beginning of year	11.02	9.91	9.73	9.54	9.89
Increase (decrease) attributable to operations	0.46	1.15	0.19	0.19	(0.35)
Interest, dividends and negotiation fees	0.46	0.43	0.45	0.43	0.47
Operating expenses	(0.28)	(0.31)	(0.27)	(0.27)	(0.30)
Income taxes and capital tax	(0.09)	(0.07)	(0.07)	(0.06)	0.04
Realized gains (losses)	0.48	0.20	(0.36)	0.13	(0.20)
Unrealized gains (losses)	(0.11)	0.90	0.44	(0.04)	(0.36)
Difference attributable to share issues and redemptions	(0.01)	(0.04)	(0.01)	0.00	0.00
Net assets per share, end of year	11.47	11.02	9.91	9.73	9.54

OVERVIEW

The Company closed fiscal 2012 with net income of $53.4 million ($122.6 million in 2011), representing a return of 4.2% (11.6% in 2011). Based on the number of shares outstanding, this brings net assets per share to $11.47 at year-end, compared with $11.02 at the end of fiscal 2011. For information purposes, taking into account their income tax credit of 50%, at the price of $11.47, shareholders who invested seven years earlier would obtain an annual after-tax return ranging between 10.0% and 11.7%.

Note that 2011 results were enhanced by the remeasurement at fair value of the interest in Enobia Pharma, following the purchase bid received by the Company at the end of fiscal 2011. The remeasurement had an impact of about $61.1 million on net income and of 5.8% on 2011 return.

The Company's return is mainly attributable to the contribution of Investments impacting the Québec economy and Other investments. Assets allocated to Investments impacting the Québec economy are focused on the Company's mission of promoting the economic development of Québec. Assets are allocated across five asset classes and consist mainly of equities and loans.

Investments impacting the Québec economy posted a return of 11.7% for 2012 compared with a return of 26.0% in 2011 (with Enobia Pharma representing a contribution of 13.9% in 2011). Company Buyouts and Major Investments made the largest contribution to return. The return recorded for 2012 exceeds the expected target based on established asset allocation. As at December 31, 2012, the cost of Investments impacting the Québec economy disbursed totalled $625.4 million. In addition, funds committed but not disbursed amounted to $142.4 million. A significant amount of investments were made during the fiscal year, totalling $237.6 million, including $29.3 million in the Capital croissance PME S.E.C fund and $20 million in the Desjardins – Innovatech S.E.C. fund. In addition, the Company disbursed significant amounts to seven businesses under the Company Buyouts and Major Investments asset class. The Company also fulfills its mission through several initiatives developed in collaboration with its manager, Desjardins Venture Capital Inc. (DVC) which are discussed under Investments impacting the Québec economy.

Other investments represents the balance of funds not invested in partner companies. This portfolio, consisting primarily of bonds, money market instruments and preferred shares, provides stable current revenue for the Company and ensures the necessary liquidity to fund share redemptions and investments. Other investments generated a return of 4.1% in fiscal 2012 compared with 7.4% in 2011. This performance results primarily from revenues generated by the portfolio since changes in interest rates had a lesser impact in 2012.

Capital subscriptions during the year reached $150.0 million while share redemptions totalled $67.4 million. As at December 31, 2012, the balance of shares eligible for redemption totalled $310.9 million. The 2012 issue, which began at the end of May 2012, sold out in under five days. Net assets amounted to $1,356.4 million, up 11.1% from December 31, 2011. The number of shareholders as at December 31, 2012 was 103,052.

ECONOMIC BACKGROUND

ECONOMIC ENVIRONMENT IN 2012

The economic recovery in 2012 was reined in by a number of factors. Growth slowed down in several world regions, particularly in the euro zone with the continuing sovereign debt crisis. But, this region also showed encouraging signs of progress. Greece obtained a reduction in its debt following considerable efforts made by its private creditors and its promise to stay the course with austerity measures. Furthermore, the European Central Bank (ECB) was more active, carrying out long-term refinancing operations, cutting its key interest rates and setting up a sovereign bond purchase program. European countries also implemented a financial stability mechanism, which amounts to a new bailout fund, and continued negotiations to improve efficiency in the euro zone, leading to plans for a banking union.

Many emerging countries were hurt by weak demand from industrialized countries. They also encountered difficulties in attracting capital given high risk aversion among investors. China's growth rate stabilized at below 8%, confirming the success of economic measures taken. The U.S. and Japan were among the rare countries to see real GDP grow faster in 2012. Accelerated growth in the U.S. was driven by the recovery in the real estate market. Japan's performance was bolstered by reconstruction efforts following the March 2011 earthquake.

Canada's growth slowed down somewhat between 2011 and 2012 with the Canadian dollar's strength and weak global demand continuing to affect exports. Québec and Ontario were directly impacted by these factors while the pullback in raw material prices hurt resource-rich provinces. At the domestic level, Canada's economy suffered from governmental measures aimed at reducing deficits and more moderate consumer spending by households. The real estate market also showed signs of losing steam after several years of price increases and sustained activity.

ECONOMIC OUTLOOK FOR 2013

Economic conditions are expected to remain weak in several world regions in 2013, particularly in the euro zone with austerity measures reining in growth for several more quarters. To shore up the economy and financial system, the ECB could intervene again by cutting its key interest rates for the last time and by buying sovereign bonds of struggling countries. To benefit from the bond purchase program, countries will have to make an official request for assistance to the European Stability Mechanism and this could be the case for Spain. Greece could still disrupt markets as more and more stakeholders are calling for a second restructuring of its debt, with the public sector bearing the cost this time.

Elsewhere in the world, emerging countries are expected to recover gradually as the situation in Europe and the U.S. improves. The outcome of fiscal cliff negotiations at the end of 2012 should trim U.S. economic growth by about 1.0% in 2013, while the raising of the debt ceiling remains a significant source of concern. The government's dampening impact on growth will be offset by other drivers. Improved household financial health and lower unemployment will support consumer spending. The real estate market is also expected to sustain its recent upward trend. But, overall growth in the U.S. economy is expected to slow down slightly in 2013, prompting the U.S. Federal Reserve to hold steady its key interest rates at a rock bottom level until mid-2015 and extend its quantitative easing program at least untill fall.

Canada's economy should benefit from growing world demand and the slight rise in raw material prices. However, the Canadian dollar is expected to stay above parity with the U.S. dollar, continuing to hurt exports, particularly manufacturers, mainly in Québec and Ontario. The bulk of public spending cuts and tax increases seems to be behind us. While consumer spending is expected to track the positive trend in the job market and growth in income, caution will remain the watchword given already high levels of indebtedness. Meanwhile, the real estate market should continue to stabilize gradually. Overall, economic growth is forecast at nearly 2% in 2013 for both Canada and Ontario and at approximately 1.5% for Québec. Since economic growth will not be strong enough to push inflation above the Bank of Canada's target range, the central bank should not be inclined to increase its key interest rates.

These economic conditions and, in particular, changes in interest rates, affect the fair value of the Other investments portfolio while the portfolio of Investments impacting the Québec economy reacts to more local factors.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

On the initiative of the Desjardins Group, the Company was founded on July 1, 2001, following adoption of the *Act constituting Capital régional et coopératif Desjardins* by Québec's National Assembly on June 21, 2001. DVC manages the Company's activities.

COMPANY VISION, MISSION, OBJECTIVES AND STRATEGIES

VISION AND MISSION

The Company strives to value and nurture the best of Québec entrepreneurship as part of the collective wealth that is ours to have and to hold. Accordingly, the Company has defined its vision as follows:

> Making our economic future take root, here and now.
> That's... capital.

With that in mind, the Company's mission will be to:

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

OBJECTIVES

To fulfil its mission, the Company pursues three main objectives:

- Offering financial packages and development strategies tailored to new business needs such as transfers or buyouts to keep jobs and retain business ownership in Québec;
- Growing its partner companies;
- Ensuring integrated management of financial assets to generate reasonable shareholder return.

The Company expects to meet its investment objectives, in particular by maintaining a presence in all Québec regions via its manager's twenty-some business offices, and by supporting the growing need for business transfers.

STRATEGIES

Fulfilment of the Company's mission and vision is driven by the following four strategic goals:

- Strengthen regional economic development;
- Ensure reasonable return on capital;
- Ensure adequate capitalization to meet our business objectives;
- Optimize the impact of our distribution network.

The Company's manager organizes its teams to optimize efficiency and management fee control. This administrative organization aims to appropriately fulfil our mandate of driving regional and cooperative development and Québec's economic development in general. As a result, the manager allocates its Investments impacting the Québec economy activities across four lines of business, mainly according to company size and asset class:

- **Development Capital** to consolidate regional activities such as the resource regions and cooperatives;
- **Company Buyouts and Major Investments** to cover major investments such as company buyouts and their related employee-shareholder cooperatives, and investments in information technologies;
- **Venture Capital – Health** to consolidate the few investments in life sciences;
- **Funds** for all investment activities carried out through funds.

Each business line represents one asset class except for Company Buyouts and Major Investments that, given its varied profile, is made up of two asset classes – Company Buyouts and Major Investments, and Technological Innovations. The Company has five asset classes in its Investments impacting the Québec economy portfolio.

In keeping with its strategic orientation of support for the cooperative movement, the Company's manager encourages the establishment of employee-shareholder cooperatives, an initiative that allows employees to become co-owners in their companies together with the existing management team and the Company. This gives employees the opportunity to participate in the economic development of their regions, and to enjoy a share of the resources of their respective environments.

The Company also has the mandate to maximize total shareholder returns while maintaining their capital value. Using a global approach to managing its financial assets, the Company manages its portfolio of Investments impacting the Québec economy jointly with its Other investments portfolio. This allows the Company to balance its overall investment portfolio and limit volatility in share value due to changing economic conditions over the entire holding period.

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

- The Company 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 the Company's financial assets in compliance with its role as an economic development agent, to limit six-month fluctuations in the value of its shares and secure reasonable returns for shareholders.
- A sufficient portion of the Company's financial assets must be invested in liquid securities to meet any share redemption requests that exceed issues of shares.
- A sufficient portion of the Company's financial assets must be invested in securities that generate current income to meet the Company's expenses.

Last, the Company must fulfil its mission within certain guidelines that include investing 60% of its average net assets in eligible Québec companies while 35% of those investments must be in Québec's resource regions or in eligible cooperatives. If these criteria were not met, the Company could be subject to penalties. As at December 31, 2012, no amount was owing by the Company under these criteria.

RISK MANAGEMENT

RISK GOVERNANCE

The Board of Directors ensures that the significant risks related to the Company's operations are identified and prioritized, and that control mechanisms are in place to manage and monitor such risks. Responsibility for monitoring and controlling various risks are allocated among the different committees, which regularly report to the Board of Directors and make appropriate recommendations. Also, the manager reports on outsourced activities through its executives who attend all committee and Board meetings.

The majority of Board members are independent of the Company according to generally accepted principles for determining independence, i.e. by assessing whether the business or personal relationships between a director and the Company give rise to doubts as to his/her impartiality. The Board of Directors also assesses the relationship of each director with Desjardins. Accordingly, a director of the Company is not considered independent if he/she is a director, officer or employee of a legal entity that has a business relationship with the Company and is also part of the Desjardins Group. A director serving on the Board of Directors of a Desjardins caisse is considered independent of the Company. According to these principles, two directors are considered as being non-independent of the Company as of December 31, 2012.

Other than specific mandates given to them by the Board of Directors from time to time, the main responsibilities of the committees are presented below:

Executive Committee

The majority of members of the Executive Committee are independent. In accordance with the General Bylaws of the Company, the committee is authorized to exercise all of the Board's powers, except those statutory powers that must be exercised by the Board and any powers reserved exclusively to it. The Committee is responsible for governance and manages the annual review process of the effectiveness of the Board and its committees. The Committee also has responsibility to interpret and apply the Purchase-by-Agreement policy and make recommendations to the Board in that regard. Furthermore, it holds quarterly discussions with the Company's manager concerning high-risk files and the corrective measures taken.

Audit Committee

The Audit Committee consists exclusively of independent members. Its general 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. The Audit Committee ensures the existence and effectiveness of the manager's internal controls over financial reporting, and verifies that the manager implements and maintains adequate compliance mechanisms relating to legal and statutory requirements likely to have a material effect on financial reporting. Its role also includes a component related to the work, performance, independence, appointment and recommendation of the independent auditor.

Financial Asset Management Committee

The majority of members of the Financial Asset Management Committee are independent. The Committee's primary mandate is the coordination and matching of the Company's financial assets to optimize overall risk/return ratio. To do this, it ensures that the Company maintains all the policies, guidelines and appropriate procedures relating to financial assets and sees that they are reviewed and updated annually. The Committee monitors the Company's performance and ensures its compliance with the legislation and regulations relating to financial assets.

Ethics and Professional Conduct Committee

The Ethics and Professional Conduct Committee consists exclusively of independent members. Its general mandate is to report to the Board of Directors concerning all matters pertaining to the application of the Company's Code of Ethics and Professional Conduct that the Board has submitted to it. The Committee also ensures compliance with the Ethics and Professional Conduct guidelines and takes a prevention and advocacy role with respect to these guidelines towards the members of the Board of Directors, its committees, and the manager's resources. Primarily, the Committee assists the Board of Directors in its oversight role with regard to conflicts of interest, complaints and whistle blowing on conduct in violation of the guidelines and related-party transactions to the Company.

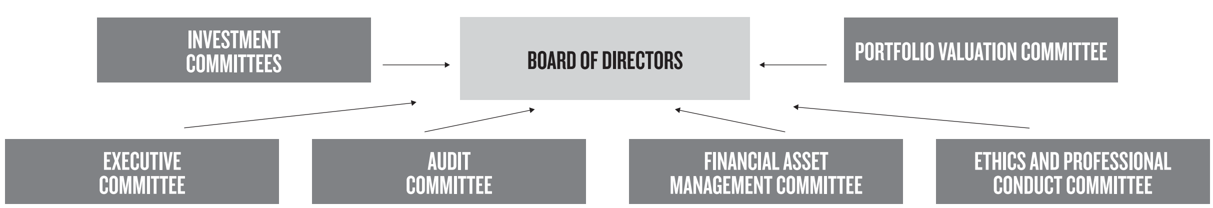
Investment committees

The general mandate of the investment committees consists in evaluating and approving transactions related to investments impacting the Québec economy presented by the Company's manager through its lines of business. These transactions are authorized within parameters set by the Board of Directors according to the approved decision-making process. These committees are made up of two of the Company's directors, one of whom is the chair, and external members selected according to their knowledge and their experience of the sectors targeted under the various policies governing the investments impacting the Québec economy activities, and for their ability to detect risks related to a transaction.

Portfolio Valuation Committee

The general mandate of the Portfolio Valuation Committee consists in reviewing, every six months, all relevant information concerning valuation of the Company's Investments impacting the Québec economy portfolio in order to provide reasonable assurance that the valuation process complies with the regulations applicable to the Company. This Committee is also made up of two of the Company's independent directors, one of whom is the chair, and external members. The majority of the members are qualified independent valuators, collectively representing a range of expertise appropriate to their mandate.

The governance framework in 2012 was as follows:



With a concern for continuous improvement, the Board of Directors revised corporate governance in 2012 to incorporate integrated risk management. The resulting outcomes will be implemented during fiscal 2013.

ATTENDANCE RECORD AND COMPENSATION

The following table presents the attendance record and compensation of the Company's directors for fiscal 2012.

NAME	BOARD OF DIRECTORS	EXECUTIVE COMMITTEE	AUDIT COMMITTEE	FINANCIAL ASSET MANAGEMENT COMMITTEE	ETHICS AND PROFESSIONAL CONDUCT COMMITTEE	AD HOC COMMITTEE	COMPENSATION
(Number of meetings, and welcoming or training sessions)	(11 meetings)	(10 meetings)	(5 meetings)	(4 meetings)	(7 meetings)	(4 meetings)	($)
Chantal Bélanger	6/6		2/2				11,367
Évangéliste Bourdages	9/11	9/10			3/4	1/3	22,000
Marlène Deveaux	11/11		5/5				20,800
Michael Dorosz	5/5			2/2			9,433
Maurice Doyon	11/11	10/10		4/4			25,000
Francine Ferland	11/11		5/5		7/7		23,600
Josée Fortin	11/11				6/6		27,900
Pierre Gauvreau	11/11	10/10		4/4		4/4	28,200
André Lachapelle	11/11	10/10		4/4		1/1	43,700
Steeve Lepage	11/11		3/3	2/2		3/3	22,300
Jean-Claude Loranger	11/11			3/4			19,300
Bruno Morin	11/11	10/10	5/5	4/4		4/4	28,400
Jacques Plante	10/11		5/5				27,100
Claudine Roy	10/11			2/2	4/4		19,900
Total compensation							329,000

EXPLANATORY NOTES TO TABLE: In addition to the retainer and the fees paid to directors for attending meetings and welcoming or training sessions, the General Manager receives an additional lump-sum amount of $10,000 which is not included in the table. Bruno Morin has held this position since May 5, 2005. Michael Dorosz completed his mandate on August 1, 2012. Chantal Bélanger was appointed as director on August 1, 2012, replacing Michael Dorosz and became a member of the Audit Committee on the same date, replacing Steeve Lepage. Évangéliste Bourdages became a member of the Ethics and Professional Conduct Committee on August 1, 2012, replacing Claudine Roy. Claudine Roy and Steeve Lepage became members of the Financial Asset Management Committee on August 1, 2012.

The following table presents the attendance record and compensation of the Company's directors and the external members of the Investment and Portfolio Valuation committees. In 2012, the manager, DVC, assumed responsibility for paying this compensation, from the management fees paid by the Company.

NAME	REGIONS AND COOPERATIVES INVESTMENT COMMITTEE	VENTURE CAPITAL AND BUYOUTS INVESTMENT COMMITTEE	PORTFOLIO VALUATION COMMITTEE	COMPENSATION
(Number of meetings, and welcoming or training sessions)	(20 meetings)	(9 meetings)	(3 meetings)	($)
Pierre Barnès		9/9		9,200
Chantal Bélanger *			2/2	2,500
Marc Dallaire	6/10			4,900
Marlène Deveaux *	19/20			9,700
Guy Delisle	8/8			4,767
Marc-André Dionne		8/9		8,700
Maurice Doyon, Chair *	20/20			16,400
Michel Duchesne	20/20			12,900
Josée Fortin *		9/9		6,200
Pierre Gauvreau *			1/1	1,000
Yves Lavoie	19/20			12,700
Sébastien Mailhot			2/2	3,500
Michel Martineau			3/3	5,000
Gilles Metcalfe		9/9		9,200
Bruno Morin, Chair *		9/9		12,700
Guy Morin	15/20			11,000
Marcel Ostiguy		8/9		8,700
Jacques Plante, Chair *			3/3	9,500
George Rossi			3/3	5,000
Michel Rouleau	19/20			12,400
Nancy Wilson	18/20			11,900
Total compensation				177,867

* Directors of Capital régional et coopératif Desjardins

EXPLANATORY NOTES TO TABLE: Chantal Bélanger attended a meeting of the Portfolio Valuation Committee as an observer before becoming a member of the said Committee on August 1, 2012. Sébastien Mailhot became a member of the Portfolio Valuation Committee on May 31, 2012. Guy Delisle became a member of the Regions and Cooperatives Investment Committee on August 16, 2012, replacing Marc Dallaire who stepped down on June 26, 2012.

NOTE TO THE READER

The following sections regarding market risks, credit and counterparty risks and liquidity risks have been reviewed by the Company's independent auditor as part of the audit of the financial statements concerning which an independent auditor's report was issued on February 13, 2013.

MARKET RISKS

Market risks pertain to the Company'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 the Company's assets. The various market risks directly impacting the Company are listed below.

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

Interest rate risk

Interest rate fluctuations have a significant impact on the market value of fixed-income securities held in the portfolio for which fair value is determined based on market conditions. Fixed-income securities held in the Other investments portfolio include money market instruments, bonds and preferred shares with a total fair value of $670.8 million ($667.6 million as at December 31, 2011).

Money market instruments with a fair value of $13.5 million ($63.4 million as at December 31, 2011) are not valued based on fluctuations in the interest rates due to their very short term maturity and the Company's intention to hold them until maturity.

Bonds with a fair value of $592.6 million ($562.1 million as at December 31, 2011) are directly affected by fluctuations in interest rates. A 1% increase in interest rates would have resulted in a decrease of $27.8 million in net income, a 2.1% decrease in the Company's share price as at December 31, 2012 ($28.0 million for 2.4% as at December 31, 2011). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $29.4 million increase in net income, a 2.2% increase in share price ($29.7 million for 2.5% as at December 31, 2011). Given that the Company matches the maturities of bonds held in its portfolio with the average maturity of expected cash outflows, the long-term effect of interest rates on results should be limited.

Preferred shares with a fair value of $64.7 million ($42.1 million as at December 31, 2011) may also be affected by interest rate fluctuations. However, unlike bonds, there is no perfect correlation between interest rate fluctuations and changes in the fair value of preferred shares. Also, the interest rate risk related to preferred shares is limited given the amounts in question.

Stock market risk

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

As at December 31, 2012, the Investments impacting the Québec economy portfolio included three traded companies with a value of $2.0 million, representing 0.1% of net assets (four companies with a value of $5.6 million as at December 31, 2011, representing 0.5% of net assets). As a result, any stock market fluctuations would not have had a significant direct impact on the Company's net income.

Currency risk

Changes in currency values have an impact on the business of a number of the Company'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. These assets, whose value varies in step with fluctuations in the value of a foreign currency, represent a fair value of $116.7 million, or 8.6% of net assets as at December 31, 2012, compared with $157.3 million, or 12.9% of net assets as at December 31, 2011. This decrease primarily reflects amounts received on disposal of the investment in Enobia Pharma in the first quarter of 2012.

The Company aims to systematically hedge currency risk for assets valued in foreign currency. A $5 million line of credit was granted to the Company for its foreign exchange contract transactions. As at December 31, 2012, the Company held foreign exchange contracts under which it must deliver US$114.0 million at the rate of CAD/USD 0.9946 and AU$1.4 million (Australian dollars) at the rate of CAD/AUD 1.0294 on March 28, 2013.

As at December 31, 2012, the Company's net exposure to foreign currencies is limited to $1.9 million ($0.1 million as at December 31, 2011). Any fluctuation in the Canadian dollar will therefore not have a significant impact on the Company's results.

CREDIT AND COUNTERPARTY RISKS

In pursuing its Investments impacting the Québec economy mission, the Company 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 asset class and financial instrument type and by limiting the potential risk of each partner company, the Company has limited portfolio volatility due to negative events.

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

Investments impacting the Québec economy, except those carried out through funds, are first ranked by risk from 1 to 9 based on the criteria defined by Moody's RiskAnalyst tool. Companies with a ranking of 7 and above are reviewed on a monthly basis to spread them across ranks 7 to 12.

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

Ranked by risk, the breakdown of Investments impacting the Québec economy is as follows (fair value amounts):

		AS AT DECEMBER 31, 2012		AS AT DECEMBER 31, 2011	
Rank		(in thousands of $)	(%)	(in thousands of $)	(%)
1 to 6.5	Low to acceptable risk	643,223	97.6	434,950	80.3
7 to 9	At risk	11,963	1.8	96,713	17.8
10 to 12	High risk and insolvent	3,859	0.6	10,246	1.9

The reduced weight attributed to the At risk category is largely due to disposal of the Company's investment in Enobia Pharma at the start of fiscal 2012. Moreover, the significant volume of new investments made in 2012, which are generally considered to be Low to acceptable risk, helped improve overall portfolio credit risk compared with the previous year.

Other investments portfolio risks are managed by diversification across numerous issuers with a credit rating of BBB from Standard & Poor's or DBRS or better. Counterparty risks arising from cashtransactions and repurchase agreements are limited to the immediate short term.

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):

	AS AT DECEMBER 31, 2012		AS AT DECEMBER 31, 2011	
	% of portfolio	% of net assets	% of portfolio	% of net assets
Investments impacting the Québec economy	39.2	19.0	39.1	17.4
Other investments*	52.0	25.8	50.7	27.8

* Government issuers accounted for 90.4% (100.0% as at December 31, 2011) of the Other investments portfolio's five largest issuers or counterparties.

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

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

LIQUIDITY RISKS

The Company must maintain sufficient liquid assets to fund share redemptions and committed Investments impacting the Québec economy. If it failed to do so, the Company would be dependent on the markets and could be forced to carry out transactions under unfavourable conditions. With liquid investments that should represent approximately 40% of assets under management once the Company's capitalization reaches maximum limits and the pace of redemptions has stabilized at the expected level, and using a management approach that ensures that the average maturity of bonds is close to the average maturity of expected outflows, the Company can confirm that liquidity risks are adequately covered. Furthermore, credit facilities have also been put in place to provide greater cash management flexibility.

OPERATING RESULTS

COMPANY NET RESULTS AND RETURNS

The Company closed its fiscal year ended December 31, 2012 with net income of $53.4 million, or a return of 4.2%, compared with net income of $122.6 million (return of 11.6%) for the preceding year.

The 2011 results include the remeasurement at fair value of the investment in Enobia Pharma, which had an impact of about $61.1 million on net income and of 5.8% on 2011 return. The remeasurement at fair value of the investment in Enobia Pharma also had a positive impact of 13.9% on the 2011 return for Investments impacting the Québec economy.

The Company's performance results primarily from Investments impacting the Québec economy and Other investments, which generated contributions of 5.2% and 2.3% respectively while expenses, net of administrative charges, and income taxes had an impact of 3.3% on Company performance.

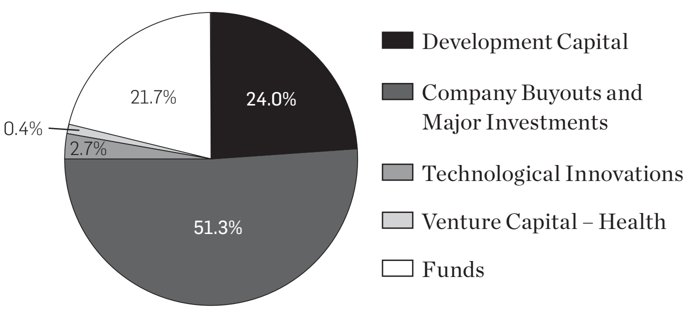
The Company's asset allocation strategy allows it to enjoy a more balanced overall portfolio profile, while actively contributing to Québec's economic development. This should limit the volatility of the Company's returns in periods of substantial market turbulence.

RETURN BY ACTIVITY	2012				2011			
	Average assets under management (M$)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)	Average assets under management (M$)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Investments impacting the Québec economy	601	46.9	11.7	5.2	492	43.8	26.0	11.3
Other investments and cash	680	53.1	4.1	2.3	638	56.2	7.4	4.2
	1,281	100.0	7.5	7.5	1,122	100.0	15.5	15.5
Expenses, net of administrative charges			(2.5)	(2.5)			(3.2)	(3.2)
Income taxes			(0.8)	(0.8)			(0.7)	(0.7)
Company's return			4.2	4.2			11.6	11.6

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Portfolio composition

The Company's manager has allocated its Investments impacting the Québec economy activities across five asset classes. As at December 31, 2012, the fair value of the portfolio was broken down by asset class as follows:



Development Capital is made up primarily of unsecured investments in the form of non-controlling interests in share capital, advances or loans. These financing packages are designed for companies that are in their growth phase or have reached maturity. They may also be applicable for start-up businesses located in resource regions. The size of investments in this class ranges generally between $200,000 and $10 million. However, since July 2010, investments of $3 million or less in new partner companies have normally been carried out through the Capital croissance PME S.E.C. (CCPME) fund and are therefore presented in the Funds class. A description of CCPME appears later in this text.

Company Buyouts and Major Investments has a dual mandate. First, the Company aims to acquire companies to ensure their continuity or to strengthen promising sectors. In addition, it supports the growth of profitable companies in all Québec business sectors through interests in their share capital or as an unsecured creditor for amounts ranging between $10 million and $50 million.

The Technological Innovations and Venture Capital – Health portfolios are made up of direct investments in companies specializing in the information technology and life sciences sectors. The Company aims to optimize the value of the investments it holds but has made no further new investments in these asset classes since 2008. As at December 31, 2012, these portfolios comprised only nine companies (fair value of $17.7 million) and three companies (fair value of $2.4 million), respectively.

In addition to investing directly in Québec companies, the Company holds interests in specialized funds and partner funds. These investments are grouped in the Funds class. As its capitalization is limited, the Company constantly seeks innovative ways to increase its contribution to the development of Québec's economy. To achieve this, it fulfills its mission by using several levers that it develops together with its manager, DVC.

- CCPME, whose main goal is to provide subordinated debt financing of $3 million or less to small and medium enterprises in Québec, was created on July 1, 2010. The Company and the Caisse de dépôt et placement du Québec (CDPQ), as sponsors of the fund, agreed to invest equal shares totalling a maximum of $200 million, most of which will be disbursed over a period of three years. The manager of the limited partnership is DVC, which also manages the Company. As at December 31, 2012, the Company had disbursed $62.1 million of its total commitment of $100 million, allowing CCPME to support the development of 125 companies.
- The Company is also the majority sponsor of the Desjardins – Innovatech S.E.C. fund (DI). In the last quarter of 2012, Société Innovatech Québec et Chaudière-Appalaches transferred most of its assets to DI. The Company also injected an additional $20 million into DI to support companies in the existing portfolio and provide financing for new projects. With its increased capitalization, DI has made a commitment to inject a total of $65 million into an ecosystem made up of various funds and partners to support Québec technology or innovation businesses through each stage of their development.

- The Fonds Relève Québec provides business transfer loans at favourable conditions to Québec business successors to finance a portion of their capital funding. The Québec government and two other partners share in financing the Fund. The Company has made a commitment in the amount of $10 million.
- In December 2012, the Company created the Essor et Coopération limited partnership to support the creation and growth of cooperatives in Québec. This new fund managed by DVC will have a capitalization of $45 million while the Company and other partners made commitments of $40 million and $5 million, respectively. The new partnership also entered into an agreement with the Business Development Bank of Canada and the Société d'aide au développement des collectivités and Centre d'aide aux entreprises network to make joint investments into projects, thereby making available a total amount of $60 million to Québec cooperatives. The initial investments are slated for 2013.
- Last, in November 2012, the Company partnered with the government of Québec, the CDPQ, Desjardins Group, the Fédération des chambres de commerce du Québec, the Fondation de l'entrepreneurship and Quebecor to create the Fonds Prêt à Entreprendre s.e.c. This initiative targets and supports the most promising new entrepreneurs from the four corners of Québec. The program provides comprehensive assistance for entrepreneurs by extending unsecured, interest-free loans to a maximum value of $30,000, combined with mentoring and technical support. The program budget is approximately $7 million. The Company committed to contributing $1 million through CCPME. The initial investments are slated for the first quarter of 2013.

Activities relating to Investments impacting the Québec economy

Investments of $237.6 million made during fiscal 2012, sale proceeds of $154.7 million and realized and unrealized net gains of $33.7 million brought the total fair value of the Company's investment portfolio, including foreign exchange contracts, to $658.8 million as at December 31, 2012 ($542.2 million as at December 31, 2011). The significant amount of investments made during the fiscal year was primarily attributable to the Company Buyouts and Major Investments asset class, which accounted for a total amount of $130.4 million.

Investment activities should also be measured taking into account funds committed but not disbursed, which stood at $142.4 million as at December 31, 2012, compared with $151.8 million as at December 31, 2011. Total commitments at cost as at December 31, 2012 amounted to $767.8 million in 186 companies, cooperatives and funds, of which $625.4 million was disbursed.

The November 30, 2010 acquisition of certain investments from Desjardins Venture Capital L.P. gave rise to notes payable with a fair value of $10.9 million ($14.3 million as at December 31, 2011). Their fair value is adjusted according to changes in the fair value of these investments held by the Company. During the year ended December 31, 2012, the Company repaid $2.4 million in notes and the fair value of the notes was written down by $1.0 million, thereby generating a net gain of $1.0 million for the Company.

Portfolio return

RETURN BY ASSET CLASS	2012				2011			
	Average assets under management (M$)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)	Average assets under management (M$)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Development Capital	153	12.0	11.9	1.4	159	14.2	8.9	1.5
Company Buyouts and Major Investments	264	20.6	23.0	3.6	152	13.5	21.9	2.5
Technological Innovations	21	1.6	8.8	0.2	42	3.7	35.1	2.0
Venture Capital – Health	44	3.4	(3.9)	(0.3)	59	5.2	157.2	5.0
Funds	119	9.3	3.8	0.3	80	7.2	4.6	0.3
	601	46.9	11.7	5.2	492	43.8	26.0	11.3

During fiscal 2012, the Investments impacting the Québec economy portfolio generated a positive contribution of $66.0 million, for a return of 11.7%, compared with $119.5 million in 2011 (a return of 26.0%). This year again, Company Buyouts and Major Investments posted a solid return of 23.0% due to the improved profitability of a number of companies in the portfolio.

Contribution generated by Investments impacting the Québec economy

(in thousands of $)

	2012	2011
Revenue	31,784	27,052
Gains and losses	34,259	92,423
	66,043	119,475

Revenue, consisting of interest, dividends and negotiation fees related to Investments impacting the Québec economy, provides a solid income base that promotes overall portfolio profitability.

The Company 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.

The Company recorded a realized and unrealized gain of $34.3 million in its results for the fiscal year compared with a gain of $92.4 million in 2011. Performance for the fiscal year stems primarily from the growth in value of two companies in the Company Buyouts and Major Investments asset class. The significant gain in 2011, resulted partly from the remeasurement at fair value of the Company's investment in Enobia Pharma.

As at December 31, 2012, the overall risk level of the Investments impacting the Québec economy portfolio had improved compared with its December 31, 2011 level, as shown in the Credit and counterparty risk section.

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.

As at December 31, 2012, the Company's Other investments portfolio, including cash but excluding foreign exchange contracts, totalled $678.2 million compared with $682.5 million as at December 31, 2011. These funds were invested mainly in the fixed-income securities market in highly liquid, low-credit risk instruments. As at December 31, 2011 and 2012, 70% of portfolio bond securities were government-guaranteed.

Other investments accounted for 49% of the portfolio's total net assets as at the end of fiscal 2012, compared with 56% as at December 31, 2011. Commitments already made but not disbursed of $142.4 million, representing 10% of net assets, will eventually be covered from the Company's Other investments portfolio and allocated to Investments impacting the Québec economy.

The Company anticipates that the percentage of the Other investments portfolio to total net assets will gradually decrease in coming years to around 40% as capitalization reaches maximum limits and the pace of redemptions levels off as expected. In keeping with its core mission, this will result in an increase in funds allocated to Investments impacting the Québec economy.

Following the slowdown in pace of share redemptions and the success of the 2012 issue, the Company is in the process of developing new liquidity management strategies for the Other investments portfolio. The goal is to optimize return potential while maintaining the required liquidities to meet liquidity needs arising from redemption requests from shareholders and investments impacting the Québec economy it expects to make.

To enhance total portfolio returns, the securities advisor mandated by the Company's manager is also authorized to take market positions using repurchase agreements. Such trades are made in an overlay portfolio and their potential risk limits are defined and overseen by the Company's Financial Asset Management Committee and tracked daily by the securities advisor. This activity generated a gain of $1.3 million for fiscal 2012 ($1.0 million in 2011). As at December 31, 2012, the Company had no market positions.

Contribution generated by Other investments

(in thousands of $)

	2012	2011
Revenue	21,108	19,155
Gains and losses	8,118	25,334
	29,226	44,489

Revenue consists of interest, dividends and trading activities related to Other investments. Interest income (primarily from bonds) is recognized at the effective bond rate at the acquisition date.

Other investments continues to generate significant operating revenue for the Company even though interest rates are low. Other investments contributed $29.2 million in fiscal 2012, compared with $44.5 million in 2011. Current revenue was up compared with the same period of 2011, due mainly to a higher average investment volume in 2012.

Lastly, for fiscal 2012, the Company recorded a net gain of $8.1 million on its Other investments portfolio. The realized gain resulted primarily from the portfolio's positions in mortgage-backed securities guaranteed by the Government of Canada, and corporate and provincial bonds. Typical returns on 5-year Canadian government bonds were 1.38% as at December 31, 2012 (1.27% as at December 31, 2011).

Over the last few years, the fair value of the bond portfolio benefited from repeated interest rate decreases. A potential rise in rates will have a negative impact on unrealized changes in value. The Company's financial asset management strategy is to match the average maturity of Other investments with the average maturity of expected cash outflows, thereby limiting the long-term effect of interest rates fluctuations on the Company's results.

CAPITAL RAISING

The Company offers its shares exclusively through the Desjardins caisse network. As at December 31, 2012, this distribution network consisted of 378 Desjardins caisses and 939 service centres, for a total of 1,317 points of sale.

Subscription of shares of the Company entitles the shareholder to receive a non-refundable tax credit, which applies only to Québec tax, for an amount equal to 50% of all amounts subscribed, up to a maximum tax credit of $2,500 per capitalization period. The minimum holding period for shares of the Company is seven years to the day from the date of purchase before the shareholder would normally be eligible for a redemption. Note however that shareholders who withdraw some or all of their shares as part of a redemption 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.

The Company may raise a maximum of $150 million per capitalization period until its share capital reaches the Company's $1,250 million capitalization limit for the first time by the end of a capitalization period.

Beginning with the capitalization period following the period in which the limit is reached for the first time, per capitalization period, the Company may raise the lesser of $150 million and the amount of the reduction in share capital attributable to the Company's redemptions or purchases by agreement during the preceding capitalization period. Each 12-month capitalization period begins on March 1 of each year. A special tax is payable by the Company if it fails to comply with these limits, and control mechanisms have been implemented by the Company to ensure compliance.

As at December 31, 2012, the Company had $1,189.7 million in share capital for 118,243,301 outstanding shares.

Subscriptions totalled $150.0 million during fiscal 2012 compared with $154.0 million in 2011.

The 2012 issue that went on sale at the end of May met with unprecedented success as the $150 million maximum available amount for the current capitalization period entirely sold out in under five days.

During fiscal 2012, redemptions and purchases by agreement totalled $67.4 million ($76.0 million in 2011). The Company believes that the current economic conditions and weak interest rates are behind the low volume of redemptions.

As at December 31, 2012, the balance of shares eligible for redemption totalled $310.9 million. During fiscal 2013, additional shares with an approximate value of $90.4 million will also become eligible for redemption, bringing potential redemptions close to $401.3 million for fiscal 2013.

The shareholders' equity of the Company as at December 31, 2012 totalled $1,356.4 million broken down by issue as follows:

ISSUE	ISSUE PRICE ($)	BALANCE* (M$)	ELIGIBLE FOR REDEMPTION
2001	10.00	33.8	2008
2002	10.00	97.9	2009
2003	10.12 and 10.24	48.0	2010
2004	10.25	60.5	2011
2005	10.25	70.7	2012
2006	10.37 and 10.21	90.4	2013
2007	10.21 and 9.92	110.9	2014
2008	9.89 9.83 and 9.54	162.6	2015
2009	9.54 9.62 and 9.73	177.7	2016
2010	9.73 and 9.80	175.1	2017
2011	9.91 and 10.02	172.8	2018
2012	11.02	156.0	2019
Shareholders' equity		1,356.4	

* Calculated at net asset value per share as at December 31, 2012.

During fiscal 2012, the Company gained 5,240 new shareholders which, taking redemptions into account, brought the number of shareholders to 103,052 as at December 31, 2012, compared with 106,577 as at December 31, 2011. Despite this decline in the number of shareholders, the Company's share capital is up as the average investment per shareholder has increased, with current shareholders subscribing for new shares year after year. Note that until 2007, each shareholder was limited to an annual subscription of $2,500, compared with the current limit of $5,000.

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

EXPENSES AND INCOME TAXES

Expenses

(in thousands of $)

	2012	2011
Management fees	27,529	27,283
Other operating expenses	3,376	5,137
Shareholder services	1,611	1,774
	32,516	34,194

Since January 1, 2012, the annual management fees paid to DVC amount to 2.25% of the Company's annual average assets' net value, less any amounts payable related to Investments impacting the Québec economy and Other investments. The rate was previously 2.5%. Management fees for fiscal 2012 amounted to $27.5 million compared with $27.3 million in 2011. As in the past, the management fees incurred by the Company are adjusted to avoid double billing as regards the Company's holdings in certain investment funds.

A new management contract came into effect on January 1, 2013. Certain governance-related expenses previously assumed by DVC as well as share issue expenses will now be borne by the Company. As a result, annual management fees will be reduced to 2.02%.

The $1.8 million decrease in Other operating expenses is due partly to non-recurring professional fees recorded in 2011 with respect to the gain on the Company's investment in Enobia Pharma. Also, a $1.0 million increase resulted from fees related to the implementation process for new investment software to manage higher volumes of direct and indirect investments.

The Company has appointed Desjardins Trust Inc. as shareholder registrar and share transfer agent. Desjardins Trust also acts as an intermediary for various shareholder support services. Since the Company began operations, Desjardins Trust has represented the largest component of the Company's shareholder service expenses. This contract was renewed at the same terms and conditions until June 30, 2013.

The Company has entrusted the Fédération des caisses Desjardins du Québec with the activities related to the distribution of the Company's shares across the Desjardins caisse network. Other than the reimbursement of certain direct expenses, no commissions or other forms of compensation are payable by the Company for the distribution of its shares in fiscal 2012. The contract is renewable from year to year at market conditions, unless written notice is given by one or the other of the parties three months in advance.

Shareholder service expenses for fiscal 2012 are comparable to the level in 2011.

Total operating expense ratio decreased to 2.4% due to the growth in average assets combined with the lower management fee and non-recurring fees recorded in 2011 relating to the investment in Enobia Pharma.

Income taxes for fiscal 2012 amounted to $9.9 million, compared with $7.9 million for the same period in 2011. Revenue type has a significant impact since, unlike business income, capital gains are eligible for deductions and mechanisms exist for claiming income tax refunds.

Due to the harmonization of consumption taxes, the Company expects its operating expenses to rise in 2013.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from capital raising initiatives net of redemptions for fiscal 2012 totalled $82.6 million ($78.0 million in 2011). Operating activities generated liquidities of $4.9 million, down from $19.4 million in 2011.

The Company's investment activities resulted in cash outflows of $109.0 million in fiscal 2012, compared with $153.0 million in 2011. Cash outflows in Investments impacting the Québec economy amounted to $228.0 million for fiscal 2012, compared with $138.4 million for 2011. In accordance with the Company's financial asset management strategy, a portion of the excess liquidities generated by operating and financing activities was allocated to the Other investments portfolio, which posted net investments of $8.4 million for fiscal 2012 compared with net investments of $137.0 million for fiscal 2011.

As at December 31, 2012, cash and cash equivalents totalled $11.0 million ($32.5 million as at December 31, 2011).

The Company has an authorized line of credit of $10 million. In the event that liquidity needs exceeded expectations, this line of credit could be used on a temporary basis to cover the Company's obligations. This additional flexibility optimizes cash levels held and reduces the risk of having to dispose of assets hastily under potentially less advantageous conditions. The line of credit was not used during fiscal 2012.

Given the management approach for Other investments of matching the average maturity of the Company's total assets with the average maturity of its expected cash outflows, the Company does not anticipate any shortfall in liquidities in the short or medium terms and expects to be able to repurchase shares issued at least seven years earlier from those shareholders who make such a request.

RECENT EVENTS

ACCOUNTING POLICIES – INTERNATIONAL FINANCIAL REPORTING STANDARDS

Background

In 2008, the Accounting Standards Board of Canada (AcSB) confirmed that as of January 1, 2011, the International Financial Reporting Standards (IFRS) would replace Canadian generally accepted accounting principles (GAAP) currently in effect for certain companies, including public companies.

In the first half of 2010, the International Accounting Standards Board ("IASB"), the organization responsible for IFRS, began a review of the standards on consolidation and financial instruments that investment companies must apply. The review led, in August 2011, to the publication of an exposure draft, *Investment Entities*. Finally, in October 2012, the IASB published *Investment Entities* (amendments to IFRS 10, IFRS 12 and IAS 27), which specifies the criteria required to qualify as an investment entity and provides an exception from the principle of consolidation for such entities. The key impacts of the amendments to IFRS 10, IFRS 12 AND IAS 27 on the Company are discussed in the subsequent section *Main impacts of transition to IFRS*.

In January 2011, to allow investment companies to wait until these revised standards take effect before converting to IFRS, the AcSB approved mandatory deferral to January 1, 2013 of the IFRS adoption date for investment companies currently subject to Accounting Guideline AcG-18 *Investment Companies*. Following the IASB's publication of the exposure draft, the AcSB decided in December 2011 to grant an additional year's deferral. Accordingly, the Company will adopt IFRS for its interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. Until that time, the Company will continue to apply the current Canadian standards.

Work completed to date

The Company has drawn up a three-stage conversion plan: Step 1 – Analysis; Step 2 – Planning and Design; and Step 3 – Implementation. Throughout these stages, the Company will benefit from the support and expertise of a specialized Desjardins Group team, as well as assistance from external experts.

The analysis stage began in 2009 and continued throughout the fiscal year ended December 31, 2010. This stage allowed the Company to identify those areas that would be most impacted by IFRS application. In 2011 and 2012, the Company continued to keep itself abreast of the IASB's work relating to changes in IFRS, particularly those relating to investment entities. During the last quarter of 2011, the Company carried out a primary analysis of the standards proposed in the exposure draft to determine their impacts on its accounting, its financial reporting, its management and its information systems.

With the publication of the new standards on investment entities at the end of 2012, the Company will be in a position to complete the analysis stage. In recent weeks, the Company carried out a preliminary analysis of the new IFRS published in the amendments to determine their impacts on its accounting, its financial reporting, its management and its information systems. As part of this analysis, the Company will study the possible impacts of new items that were included in the financial statements of the Company since the initial analysis. The recognition of refundable capital gains tax on hand has already been identified as an item for analysis.

In the first half of the year, the Company intends to complete the analysis stage and will start the planning and design stage, followed by the implementation stage.

Main impacts of transition to IFRS

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) issued by the IASB defines on investment entity and sets out an exception to the principle of consolidation for such entities. Under this exception, investment entities may measure their investments in entities under their control at fair value – instead of consolidating them – with changes in fair value recognized through income. Based on the work completed to date, the Company is of the opinion that it meets the definition of an investment entity as presented in the amendments, which reflects the spirit of AcG-18 standard currently in force in Canada. Accordingly, the Company does not anticipate any significant impact on the recognition of its controlling interests. The amendments also specify certain disclosure obligations for these investments in controlled entities. The Company is assessing the potential impacts on disclosure in its financial statements.

Last, the application of IAS 12, *Income Taxes* regarding the recognition of refundable capital gains tax on hand is likely to have an impact on the financial statements of the Company. The Company is still assessing this issue.

Quantification of impacts

Following the publication of amendments to IFRS 10, IFRS 12 and IAS 27, the Company does not expect any more impacts on its results and financial position related to the recognition of its controlling interests.

The Company has to complete its analyses to determine the potential impacts related to the recognition of income taxes.

Based on the work completed to date, the Company does not expect any significant impacts on its results and financial position during the transition to IFRS.

RELATED PARTY TRANSACTIONS

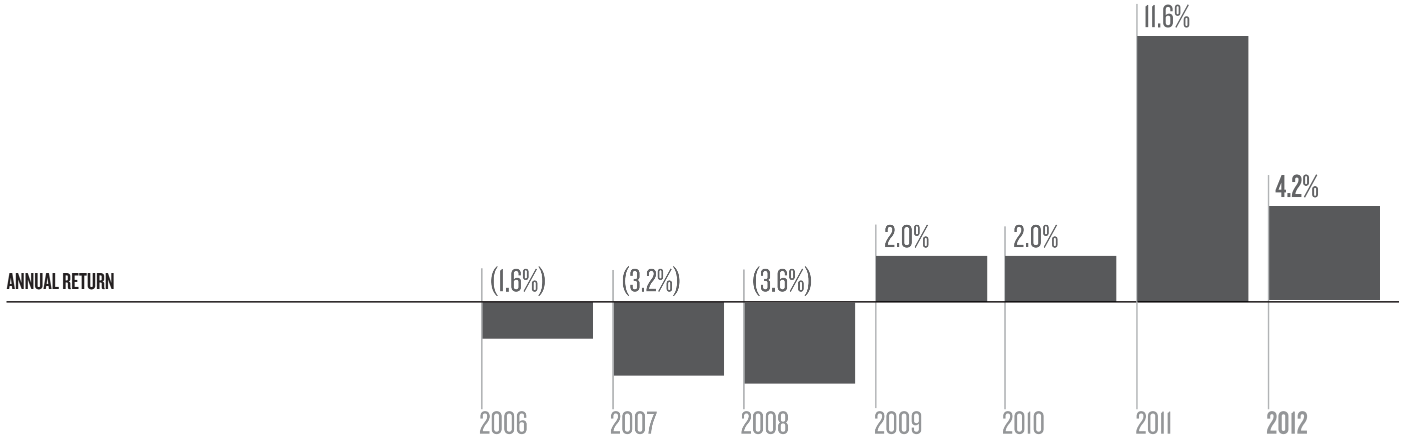
The Company enters into certain transactions with related companies in the normal course of business. These transactions are described in note 16 to the financial statements of the Company.

PAST PERFORMANCE

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

ANNUAL RETURNS

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



COMPOUNDED RETURN OF THE SHARE AS AT DECEMBER 31, 2012

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

7 years	5 years	3 years	1 year
1.5%	3.0%	5.6%	4.1%

PORTFOLIO SUMMARY

MAIN ASSET CLASSES

As at December 31, 2012, on a fair value basis, assets in the Investments impacting the Québec economy and Other investments portfolios were allocated as follows.

ASSET CLASSES	% OF NET ASSETS
Investments impacting the Québec economy*	
Development Capital	11.6
Company Buyouts and Major Investments	24.9
Technological Innovations	1.3
Venture Capital – Health	0.2
Funds	10.5
Total – Investments impacting the Québec economy	48.5
Other investments	
Cash and money market instruments	1.5
Bonds	43.7
Preferred shares	4.8
Total – Other investments	50.0

* Including foreign exchange contracts

MAIN INVESTMENTS HELD

As at December 31, 2012, on a fair value basis, the issuers of the 25 main investments held by the Company were as follows:

ISSUER	% OF NET ASSETS
Investments impacting the Québec economy (14 issuers)*	32.7
Financement-Québec	8.4
Canada Housing Trust	8.1
Toronto-Dominion Bank NHA (CMHC guaranteed)	3.5
Province of Québec	3.3
Bank of Montreal	2.5
CDP Financial	2.4
The Toronto-Dominion Bank	1.9
Royal Bank	1.7
Canadian Imperial Bank of Commerce	1.4
Bank of Nova Scotia	1.4
Bank of Nova Scotia NHA (CMHC guaranteed)	1.0

* The 14 issuers who collectively represent 32.7% of the Company's net assets are:

- A & D Prévost inc.
- ACCEO Solutions Inc.
- Avjet Holding Inc.
- Camoplast Solideal Inc.
- Capital croissance PME S.E.C.
- CBR Laser Inc.
- Desjardins – Innovatech S.E.C.
- Exo-s Inc.
- Groupe Filgo inc.
- Knowlton Development Corporation Inc.
- La Coop fédérée
- TELECON Group
- Urecon Ltd.
- Vision Globale A.R. Ltée

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

February 13, 2013

February 13, 2013

MANAGEMENT'S REPORT

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

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

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

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

The financial statements present the financial information available as at February 13, 2013. These statements have been prepared in accordance with Canadian generally accepted accounting principles and audited by PricewaterhouseCoopers LLP.

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

(signed) Yves Calloc'h, CPA, CA

Chief Financial Officer