

# GROWING YOU STRONGER

2016 ANNUAL  
FINANCIAL REPORT



**Desjardins**  
Capital régional  
et coopératif



**THE FINANCIAL REPORT INCLUDES:**

- MANAGEMENT DISCUSSION AND ANALYSIS
- MANAGEMENT'S REPORT
- COMPLETE AUDITED SEPARATE FINANCIAL STATEMENTS, INCLUDING THE NOTES AND THE INDEPENDANT AUDITOR'S REPORT
- AUDITED SCHEDULE OF COST OF INVESTMENTS IMPACTING THE QUÉBEC ECONOMY
- STATEMENT OF OTHER INVESTMENTS
- INDEX OF THE COMPANY'S SHARE IN INVESTMENTS MADE BY SPECIALIZED FUNDS AND PARTNER FUNDS, AT COST



# CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

*Copies of the annual financial statements may be obtained free of charge, on request, by calling 514 281-2322 or (toll free) 1 866 866-7000, extension 5552322, by writing to 2 Complexe Desjardins, P.O. Box 760, Desjardins Station, Montréal, Québec H5B 1B8, or from our website at [capitalregional.com](http://capitalregional.com) or SEDAR at [www.sedar.com](http://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 CRCD's financial results for the preceding five fiscal years. This information is derived from CRCD's audited separate annual financial statements. Financial information for fiscal years 2013 to 2016 is presented in accordance with International Financial Reporting Standards ("IFRS"). Financial information for fiscal year 2012 is presented in accordance with Canadian generally accepted accounting principles ("GAAP") then in effect.

## RATIOS AND SUPPLEMENTAL DATA

(in thousands of \$, unless indicated otherwise)

|   | 2016<br>(IFRS) | 2015<br>(IFRS) | 2014<br>(IFRS) | 2013<br>(IFRS) | 2012<br>(GAAP) |
|---|----------------|----------------|----------------|----------------|----------------|
| Revenue   | 44,449         | 45,269         | 44,422         | 51,982         | 53,491         |
| Gains on investments  | 78,869         | 64,035         | 42,884         | 10,670         | 42,376         |
| Net earnings  | 85,957         | 74,806         | 49,245         | 24,950         | 53,435         |
| Net assets  | 1,789,417      | 1,642,076      | 1,502,462      | 1,470,576      | 1,356,446      |
| Common shares outstanding (number, in thousands)                      | 134,944        | 130,183        | 124,665        | 126,165        | 118,243        |
| Total operating expense ratio <sup>(1)</sup> (%)                      | 2.0            | 1.9            | 2.1            | 2.0            | 2.4            |
| Total expense and common share issue expense ratio <sup>(1)</sup> (%) | 2.2            | 2.0            | 2.2            | 2.2            | 2.4            |
| Portfolio turnover rate:  |                |                |                |                |                |
| – Investments impacting the Québec economy (%)                        | 11             | 19             | 19             | 16             | 23             |
| – Other investments   | 126            | 131            | 102            | 108            | 67             |
| Trading expense ratio <sup>(2)</sup> (%)                              | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| Number of shareholders (number)                                       | 104,317        | 102,222        | 96,236         | 100,861        | 103,052        |
| Issues of common shares   | 133,401        | 149,882        | 62,906         | 149,995        | 149,994        |
| Common share issue expenses, net of related taxes                     | 1,579          | 1,750          | 764            | 1,739          | –              |
| Redemption of common shares   | 70,438         | 83,324         | 79,501         | 59,075         | 67,410         |
| Investments impacting the Québec economy at cost                      | 787,142        | 738,596        | 675,355        | 671,547        | 625,414        |
| Fair value of investments impacting the Québec economy                | 921,518        | 817,199        | 710,923        | 733,907        | 659,045        |
| Funds committed but not disbursed                                     | 189,121        | 171,082        | 193,764        | 227,593        | 142,350        |

<sup>(1)</sup> Total operating expense ratio is calculated by dividing total expenses (before income taxes) as shown on the separate statements of comprehensive income by average net assets for the fiscal year, pursuant to Section 68 of the Regulation respecting Development Capital Investment Fund Continuous Disclosure.

The total operating expense and common share issue expense ratio is computed on the same basis but adding the common share issue expenses as shown on the separate statements of changes in net assets to total expenses.

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

## CHANGES IN NET ASSETS PER COMMON SHARE

|   | 2016<br>(IFRS) | 2015<br>(IFRS) | 2014<br>(IFRS) | 2013<br>(IFRS) | 2012<br>(GAAP) |
|---|----------------|----------------|----------------|----------------|----------------|
|   | (\$)           | (\$)           | (\$)           | (\$)           | (\$)           |
| <b>Net assets per common share, beginning of year</b>                 | <b>12.61</b>   | <b>12.05</b>   | <b>11.66</b>   | <b>11.47</b>   | <b>11.02</b>   |
| <b>Increase attributable to operations</b>                            | <b>0.66</b>    | <b>0.59</b>    | <b>0.40</b>    | <b>0.20</b>    | <b>0.46</b>    |
| Interest, dividends and negotiation fees                              | 0.34           | 0.35           | 0.36           | 0.41           | 0.46           |
| Operating expenses  | (0.26)         | (0.23)         | (0.25)         | (0.23)         | (0.28)         |
| Income taxes  | (0.03)         | (0.03)         | (0.06)         | (0.07)         | (0.09)         |
| Realized gains (losses)   | 0.18           | 0.29           | 0.52           | 0.03           | 0.48           |
| Unrealized gains (losses)   | 0.43           | 0.21           | (0.17)         | 0.06           | (0.11)         |
| <b>Difference attributable to common share issues and redemptions</b> | <b>(0.01)</b>  | <b>(0.03)</b>  | <b>(0.01)</b>  | <b>(0.01)</b>  | <b>(0.01)</b>  |
| <b>Net assets per common share, end of year</b>                       | <b>13.26</b>   | <b>12.61</b>   | <b>12.05</b>   | <b>11.66</b>   | <b>11.47</b>   |

## OVERVIEW

CRCD closed fiscal 2016 with net earnings of \$86.0 million (\$74.8 million in 2015), representing a return of 5.3% (4.9% in 2015), resulting in an increase of net assets per share to \$13.26 based on the number of common shares outstanding at the end of the fiscal year, compared with \$12.61 at the end of fiscal 2015. CRCD aims to strike an appropriate balance between shareholder return and its mission of Québec economic development. The financial asset management strategy adopted by CRCD several years ago provides the benefits of strong complementarity between the Investments impacting the Québec economy and Other investments portfolios and limits volatility in periods of substantial market turbulence. In fact, CRCD has generated positive returns for the last eight years.

Investments impacting the Québec economy posted a return of 12.6% in 2016, compared with a return of 12.8% in 2015. As at December 31, 2016, the cost of Investments impacting the Québec economy disbursed totalled \$787.1 million and investments made during fiscal 2016 reached \$117.5 million. As at December 31, 2016, commitments made but not disbursed, which represent investments already agreed upon with companies, cooperatives or funds and that will be disbursed by CRCD at a later date, amounted to \$189.1 million. New commitments for the year came to \$135.5 million.

Other investments generated a return of 2.9% for fiscal 2016, compared with a return of 2.3% for fiscal 2015. During the year, issues of common shares totalled \$133.4 million, out of an authorized maximum of \$135 million. The \$1.6 million balance of the authorized issue has already been pre-subscribed by investors selected under the established process and the corresponding shares will be issued no later than February 28, 2017. Share redemptions totalled \$70.4 million. As at December 31, 2016, the balance of shares eligible for redemption totalled over \$620 million. Net assets stood at \$1,789.4 million, up 9.0% compared with the previous year. The number of shareholders as at December 31, 2016 was 104,317.

## CRCD'S VISION FOR QUÉBEC ENTREPRENEURSHIP

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

In carrying out its mission, CRCD aims to stand tall and play a unique role on these diverse issues that guide its actions every day.

## CRCD – STANDING TALL FOR OUR PARTNER COMPANIES

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

In response to a series of consultations carried out in 2015 with our partner companies, CRCD developed an innovative offering focused on simplifying and streamlining our approach and documentation to achieve enhanced flexibility.

A real catalyst in the business development process of its existing and potential partners, CRCD pays regular visits to entrepreneurs across Québec to apprise them of economic prospects in their region and gather feedback from local business people.

CRCD's partner companies had the opportunity to showcase their expertise and promote their products and services through activities or networking platforms aimed at broad spectrum target audiences. And the strategic use of such tools since 2015 has led to the creation of 80 highly profitable alliances or networks for all of the businesses involved.

Because governance contributes to building strong foundations for companies to grow on, CRCD has once again been very active in that field. We offer strategic support for our partner companies through our external directors. Rich in experience and carefully handpicked, these individuals provide support for companies in their business decisions. And to further enrich their roles within these companies, they received training sessions from either CRCD or our collaborators, such as the Collège des administrateurs de sociétés and the Institute of Corporate Directors. By the same token, several business leaders also benefit from the training provided free of cost by the École d'Entrepreneurship de Beauce, another key partner for CRCD.

# ECONOMIC ENVIRONMENT

## THE ECONOMIC CLIMATE IN 2016

Global economic growth in 2016 was modest. Estimated at only 2.9%, it scored lower than the 3.3% generated in 2015. The slowdown affected both some of the advanced economies and the main emerging countries.

But in spite of some concerning news, 2016 was upbeat for the financial markets. After a flurry of jitters early in the year, stock markets quickly began a strong upward trend. Advances were driven by significant support measures initiated by the central banks and the upturn in raw materials prices. Rather than putting a damper on market momentum, the Brexit win in the U.K., and Donald Trump's election as President of the United States seemed to put new wind in the sails. In Canada, the Toronto Stock Exchange in particular fared well with a 17.5% gain for 2016. After trending downward overall for the first quarters of 2016, bond rates began to rise in the second half of the year, picking up speed on the heels of the U.S. presidential election. The FED raised its key rates 25 basis points at the very end of 2016 while the Bank of Canada opted for the status quo throughout the year.

The first six months of 2016 were disappointing for the U.S. economy. Despite some improvement in the second half, the economy advanced only 1.6% in 2016 compared with 2.6% in 2015. After a few years of strong growth, job creation pulled back, although labour market trends remained healthy.

In Canada, after a promising start to the year, some disruptive events took place that put a crimp in economic growth in the spring. Forest fires in Alberta in May resulted in a significant slump in oil production by nonconventional methods. What's more, ex energy exports were impacted by a temporary softening in U.S. demand. Under these conditions, Canadian real GDP declined in the second half of the year, losing part of its first quarter gains. A gradual return to normal levels of oil production and a resumption of the upward trend in ex energy exports allowed Canada's economy to recover in the third quarter. Canadian real GDP is expected to grow 1.3% for 2016 as a whole, a similar advance to 2015. These results may appear disappointing at first glance, but in fact they are only slightly lower than the Canadian economy's growth potential, which is currently estimated by the Bank of Canada at about 1.5%.

Québec's economy picked up speed in 2016. In fact, real GDP growth is estimated at 1.7%, compared with the 1.2% growth posted in 2015, with the advance fuelled by consumer spending. Business investment remained lacklustre. Lastly, the export sector failed to see the expected recovery as international exports felt whiplash from the flat U.S. economy.

## ECONOMIC OUTLOOK FOR 2017

If President Trump's program manages to stimulate economic activity and inflation over the next few quarters, the FED will likely continue to gradually raise its key rates. North American bond rates are expected to continue their upward track in 2017, but remain relatively low from a historical point of

view. The Bank of Canada is in a tricky position — stronger U.S. demand could be favourable for the Canadian economy, but the possibility of obstacles complicating Canada/U.S. trade is a major risk. The Canadian dollar is expected to weaken slightly. The most likely scenario is that Canadian monetary policy will remain unchanged until at least 2018. The higher profits and lower taxes anticipated for households and businesses in the United States will likely see North American stock markets racking up more gains in 2017, in spite of upward trending interest rates.

Global economic growth is expected to be somewhat stronger in 2017. Some of the factors that have slowed growth in the emerging countries, in particular Brazil and Russia, have already partially abated. However, the Chinese economy is expected to lose steam once again, but only moderately. Britain's economy will likely be further hobbled by the uncertainty surrounding the Brexit, and it should be noted that negotiations with the European Union have yet to begin formally and are expected to continue for two years. World trade could be influenced by the protectionist bent of the Trump administration. But, in the short term, a temporary uptick in U.S. domestic demand could be a bright spot for the global economy.

The fate of economic growth in the United States will depend largely on the new President's plans. The proposed tax cuts and new infrastructure investments will likely drive short-term growth with higher disposable income and increased federal spending, but the net effect of these measures remains difficult to assess. Their budget costs, which imply — based on realistic assumptions — ballooning public debt along with deficits, could give taxpayers and investors cold feet and thereby minimize the positive spinoffs. Additionally, if the new administration and Congress move ahead with proposals to limit immigration and take a harder stance on international trade relations, economic growth will likely feel the pinch.

Canada's economic growth is expected to pick up steam in 2017 due to a number of positive factors. The upward trend in exports will likely continue in step with the anticipated uptick in international demand, in particular from the United States. And the dollar will likely remain under US\$0.80, which could further drive Canadian exports. Expectations are also that stabilizing oil prices will put the brakes on slumping investment in the energy sector. Furthermore, the federal government's recovery program could spur economic growth in 2017. On top of that, infrastructure spending will likely ramp up significantly during the year. In Alberta, rebuilding the homes destroyed by the forest fires in the Fort McMurray area is expected to expand residential investment. But Canada's economy could be impacted in 2017 by certain initiatives and concerns. On the one hand, the housing markets in British Columbia, Ontario and most other provinces are expected to cool, in particular due to the effects of the new federal measures imposing restrictions on mortgage lending. On the other hand, U.S. protectionism could become a stronger force with Donald Trump's election as President, which could harm Canadian exports to the United States. Given all of these factors, real GDP growth in Canada is expected to be 1.9% for 2017.

For Québec, 2017 looks promising. A weak Canadian dollar, expectations of stronger U.S. economic growth and sustained growth in Ontario are likely to favour exports. Like the rest of Canada however, if the new President's election ultimately means heightened U.S. protectionism — as he stated repeatedly during the campaign — Québec exports to the United States could feel the heat. Business investment is expected to pick up, as investment by public bodies could represent larger contributions since the province has achieved budgetary balance. In that respect, the Québec government's financial position has improved considerably. In fact, after balancing the budget during the 2015-2016 fiscal year, balanced budgets should continue through fiscal 2016-2017 to 2020-2021. And improvement in the labour market, where job creation and lower unemployment are expected, would encourage household spending. Accordingly, real GDP is expected to grow 1.7% in 2017.

## MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

### OPERATING RESULTS

#### CRCD NET RESULTS AND RETURNS

CRCD closed its fiscal year ended December 31, 2016 with net earnings of \$86.0 million, or a return of 5.3%, compared with net earnings of \$74.8 million (return of 4.9%) for the preceding year. Based on the number of common shares outstanding, this performance brings net assets per share to \$13.26 as at year-end, compared with \$12.61 at the end of fiscal 2015. For information purposes, at a price of \$13.26 effective February 16, 2017, shareholders who invested seven years earlier would obtain an annual after-tax return of more than 12.4%, taking into account the 50% income tax credit as per the rate applicable on February 18, 2010.

CRCD's performance is driven primarily by Investments impacting the Québec economy and Other investments, which generated returns of 12.6% and 2.9%,

respectively, while expenses, net of administrative charges received and income taxes had an impact of 2.5% on CRCD's performance.

CRCD's financial asset management strategy allows it to enjoy a more balanced overall long-term portfolio profile, while actively contributing to Québec's economic development. This should limit the volatility of CRCD's returns in periods of substantial market turbulence.

#### INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Investments of \$119.8 million and disposals of \$92.3 million were made for a net balance of \$27.5 million. Combined with realized and unrealized net gains of \$76.1 million, these net investments brought the fair value of the investment portfolio, including foreign exchange contracts, to \$921.2 million as at December 31, 2016 (\$817.6 million as at December 31, 2015). Investments in the funds comprising the entrepreneurial ecosystem, as described below, in the amount of \$35.9 million, and a \$58.8 million aggregate investment in four companies, mainly accounted for the investments of \$119.8 million made during the fiscal year.

Investments impacting the Québec economy should also be measured taking into account funds committed but not disbursed, which amounted to \$189.1 million as at December 31, 2016, compared with \$171.1 million as at December 31, 2015. Total commitments at cost as at December 31, 2016 amounted to \$976.3 million in 97 companies, cooperatives and funds, of which \$787.1 million was disbursed. As at December 31, 2016, backed by its entrepreneurial ecosystem, CRCD directly supported growth in 417 companies, cooperatives and funds.

Notes payable and financial liabilities with a fair value of \$25.2 million (\$26.3 million as at December 31, 2015) were largely attributable to the November 30, 2010 acquisition of certain investments from Desjardins Venture Capital L.P. Their fair value is adjusted according to changes in the fair value of these investments held by CRCD. During the year ended December 31, 2016, CRCD repaid \$0.5 million in notes and the fair value of notes and financial liabilities was adjusted downwards by \$0.6 million, arising from impairment losses on underlying investments.

| RETURN BY ACTIVITY   | 2016                                  |               |                   |                         | 2015                                  |               |                   |                         |
|--|---------------------------------------|---------------|-------------------|-------------------------|---------------------------------------|---------------|-------------------|-------------------------|
|  | Average assets under management (\$M) | Weighting (%) | Return 1 year (%) | Contribution 1 year (%) | Average assets under management (\$M) | Weighting (%) | Return 1 year (%) | Contribution 1 year (%) |
| Activities related to Investments impacting the Québec economy * | 872                                   | 51.4          | 12.6              | 6.4                     | 766                                   | 49.2          | 12.8              | 6.1                     |
| Other investments and cash                                       | 825                                   | 48.6          | 2.9               | 1.4                     | 792                                   | 50.8          | 2.3               | 1.2                     |
|  | <b>1,697</b>                          | <b>100.0</b>  | <b>7.8</b>        | <b>7.8</b>              | <b>1,558</b>                          | <b>100.0</b>  | <b>7.3</b>        | <b>7.3</b>              |
| Expenses, net of administrative charges                          |                                       |               | (2.3)             | (2.3)                   |                                       |               | (2.1)             | (2.1)                   |
| Income taxes   |                                       |               | (0.2)             | (0.2)                   |                                       |               | (0.3)             | (0.3)                   |
| Rendement de CRCD  |                                       |               | 5.3               | 5.3                     |                                       |               | 4.9               | 4.9                     |

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

During fiscal 2016, Investments impacting the Québec economy generated a contribution of \$102.6 million, for a return of 12.6%, compared with \$93.3 million in 2015 (a return of 12.8%).

| CONTRIBUTION GENERATED BY INVESTMENTS IMPACTING THE QUÉBEC ECONOMY (in thousands of \$) | 2016    | 2015   |
|---|---------|--------|
| Revenue   | 26,243  | 28,234 |
| Gains and losses  | 76,394  | 65,076 |
|   | 102,637 | 93,310 |

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. Negotiation fees, which amounted to \$2.8 million for fiscal 2016 (\$3.2 million in 2015), are earned by Desjardins Venture Capital Inc. (DVC), the manager, and a credit for that amount is applied against the management fees paid to DVC by CRCD. Negotiation fees are included in the contribution generated by the Investments impacting the Québec economy as they are included in the profitability analysis of the investments. The profile of the investments held by CRCD is changing over time and the amounts earmarked for the funds in its ecosystem are increasingly larger (refer to the following section for further information). Therefore, investments held by these ecosystem funds generate revenue in addition to the revenue generated by CRCD. This revenue, of which CRCD's share amounted to \$14.3 million for fiscal 2016 (\$11.8 million in 2015), is reported as Gains and losses as it makes a positive contribution to the fair value of CRCD's interest in these funds.

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

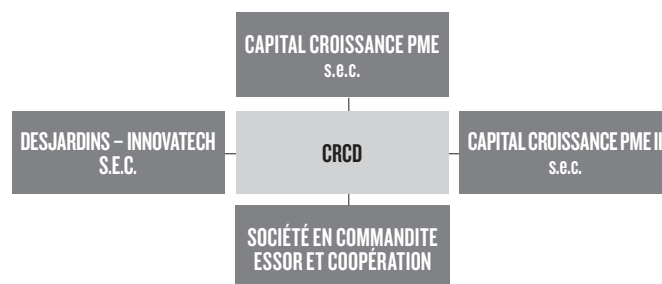
CRCD recorded a realized and unrealized gain of \$76.4 million in its results for the fiscal year compared with a gain of \$65.1 million for fiscal 2015. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at December 31, 2016, the overall risk level of the Investments impacting the Québec economy portfolio remained stable compared with its December 31, 2015 level, as discussed in the Credit and counterparty risk section.

## ENTREPRENEURIAL ECOSYSTEM

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

## Main funds of the entrepreneurial ecosystem



These funds, which are also managed by CRCD's manager, DVC, are:

- Capital croissance PME s.e.c. (CCPME), created on July 1, 2010, whose main goal is to invest in Québec's small- and medium-sized businesses, primarily in the form of subordinated debt securities for amounts not exceeding \$5 million. CRCD and the Caisse de dépôt et placement du Québec (CDPQ), as sponsors of the fund, agreed to invest equal amounts totalling a maximum of \$220 million. As at December 31, 2016, CRCD had disbursed \$104.2 million of its total commitment of \$110 million. As CCPME's investment period closed on December 31, 2013, funds committed but not disbursed totalling \$5.8 million will be used for reinvestment and to pay the fund's operating expenses until its scheduled winding up date of July 1, 2021. As at December 31, 2016, CCPME had committed \$75.1 million to support a total of 126 companies and funds. Since its inception, the Fund has committed a total of \$191.0 million in 184 companies.
- The renewal of the partnership agreement with CDPQ has created the Capital croissance PME II s.e.c. fund (CCPME II) as of January 1, 2014. An additional amount of \$230 million, most of which is invested over a three-year period, will allow the two partners to continue supporting small- and medium-sized enterprises in Québec. In 2016, an agreement between the two partners adding a further \$90 million provided for a maximum amount of \$320 million to extend the investment period until December 31, 2017. CRCD's interest in CCPME II is 50%. As at December 31, 2016, CRCD had disbursed \$91.5 million of its total commitment of \$160 million. As at that date, CCPME II had committed \$164.7 million to support a total of 170 companies and funds. Since its inception, the Fund has committed a total of \$183.2 million in 176 companies.
- CRCD is also the sponsor of the Desjardins–Innovatech S.E.C. fund (DI). DI has undertaken to inject a total of \$85 million to support Québec technology or innovation businesses through each stage of their development. DI has participated in the creation of innovative business accelerators in partnership with specialized organizations located in various regions of Québec, enabling it to support businesses from the embryonic stage through commercialization. As at December 31, 2016, DI had committed \$68.5 million to support a total of 54 companies and funds. CRCD's interest in DI is 54.5%.
- The objective of the Société en commandite Eссор et Coopération (Essor et Coopération), established on January 1, 2013, is to support the creation, growth and capitalization of cooperatives in Québec. In the second half of fiscal 2016, following amendment of the partnership agreement to include three limited partners from the cooperative sector, CRCD's interest for fiscal 2016 amounted to 94.6%. Since the inception of Eссор et Coopération, CRCD has disbursed \$26.6 million of its total commitment of \$85 million. As at December 31, 2016, Eссор et Coopération had committed \$30.0 million in 16 cooperatives.

In all, as at December 31, 2016, CRCD and its ecosystem supported the growth of 417 companies, cooperatives and funds in various industries spanning all Québec regions with commitments of \$1,016.2 million, while helping to create and retain over 71,300 jobs. Of that total, 21 cooperatives benefited from commitments of \$165.0 million by CRCD and its ecosystem.

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

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

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

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

### Entrepreneurial ecosystem performance

The entrepreneurial ecosystem's sound performance stems from the Equity and Debt investment profiles, which posted returns of 15.9% and 9.4%, respectively. These gains are attributable to the higher profitability of several portfolio companies and given the large amount of assets allocated to these profiles, they made a major contribution to the ecosystem's return of 12.6% for 2016. The External funds and Venture capital investment profiles also contributed positive returns but have a more limited impact on the portfolio's total return due to their volume.

### 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.

This portfolio, consisting primarily of bonds, money market instruments, real estate funds, global equity funds and preferred shares, provides stable current revenue for CRCD and ensures the necessary liquidity to fund common share redemptions and investments.

As at December 31, 2016, CRCD's Other investments portfolio, including cash but excluding foreign exchange contracts, totalled \$844.6 million compared with \$792.1 million as at December 31, 2015. This portfolio, consisting primarily of liquid assets including fixed-income securities and global equity funds, provides sound diversification. As at December 31, 2016, 68% of portfolio bond securities were government-guaranteed (70% as at December 31, 2015).

The Other investments portfolio accounted for 47% of total net assets as at the end of fiscal 2016 (49% as at December 31, 2015). Commitments already made but not disbursed of \$189.1 million, representing 11% of net assets, will eventually be covered from CRCD's Other investments portfolio and allocated to Investments impacting the Québec economy.

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

CRCD has implemented management strategies for the Other investments portfolio to optimize potential return while retaining the required liquid assets to meet liquidity needs arising from redemption requests from shareholders and Investments impacting the Québec economy it expects to make.

| RETURN BY<br>INVESTMENT PROFILE              | 2016   |                  |                         |                               | 2015   |                  |                         |                               |
|--|--|------------------|-------------------------|-------------------------------|--|------------------|-------------------------|-------------------------------|
|  | Average<br>assets under<br>management<br>(\$M) | Weighting<br>(%) | Return<br>1 year<br>(%) | Contribution<br>1 year<br>(%) | Average<br>assets under<br>management<br>(\$M) | Weighting<br>(%) | Return<br>1 year<br>(%) | Contribution<br>1 year<br>(%) |
| Debt   | 276  | 16.3             | 9.4                     | 1.6                           | 255  | 16.4             | 8.2                     | 1.3                           |
| Equity                                       | 486  | 28.6             | 15.9                    | 4.2                           | 397  | 25.5             | 10.0                    | 2.4                           |
| External funds                               | 66   | 3.9              | 11.9                    | 0.5                           | 51   | 3.2              | 96.3                    | 2.4                           |
| Venture capital                              | 26   | 1.5              | 4.3                     | 0.1                           | 29   | 1.9              | 0.6                     | 0.0                           |
| Investment profiles subtotal                 | 854  | 50.3             | 13.0                    | 6.4                           | 732  | 47.0             | 13.7                    | 6.1                           |
| Other asset items held by<br>ecosystem funds | 18   | 1.1              | (0.5)                   | 0.0                           | 34   | 2.2              | 0.9                     | 0.0                           |
| <b>Ecosystem total</b>                       | <b>872</b>                                     | <b>51.4</b>      | <b>12.6</b>             | <b>6.4</b>                    | <b>766</b>                                     | <b>49.2</b>      | <b>12.8</b>             | <b>6.1</b>                    |



| CONTRIBUTION GENERATED BY<br>OTHER INVESTMENTS (in thousands of \$) | 2016          | 2015    |
|---|---------------|---------|
| Revenue   | 20,489        | 19,457  |
| Gains and losses  | 2,475         | (1,041) |
|   | <b>22,964</b> | 18,416  |

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

Other investments made a contribution of \$23.0 million in fiscal 2016 compared with a contribution of \$18.4 million in 2015. Current revenue was up slightly compared with 2015, as distributions received in the global equity funds and real estate funds, which saw assets grow, more than offset lower interest income arising from reduced bond portfolio weight during the fiscal year.

For fiscal 2016, CRCD recorded a gain of \$2.5 million on its Other investments portfolio, with the global equity fund portfolio gaining \$2.5 million in a volatile and rising market. The real estate fund portfolio also returned solid performance, generating a \$1.2 million gain.

Conversely, the preferred share portfolio posted a loss of \$0.3 million and the sector experienced significant volatility during fiscal 2016. Given that the future outlook for this asset class appears less attractive, the portfolio will be gradually transferred into low-volatility Canadian equity funds late in fiscal 2017.

The bond portfolio recorded a \$0.9 million loss due mainly to higher bond rates during the year. Five-year Government of Canada benchmark bonds posted yield to maturity of 1.11% as at December 31, 2016, due to an increase of 38 basis points during fiscal 2016.

Over the last few years, the fair value of the bond portfolio benefited from repeated interest rate decreases. The current rise in rates had a negative impact on unrealized changes in value during the fiscal year. CRCD's financial asset management strategy aims to diversify the market risks associated with the Other investments portfolio through the use of Canadian and global securities that are not traded on bond markets. Furthermore, CRCD seeks to match the average maturity of the bond portfolio with the average maturity of expected cash outflows, thereby limiting the long-term effect of changes in bond rates on CRCD's results.

## CAPITAL RAISING

CRCD offers its common shares exclusively through the Desjardins caisse network in Québec.

CRCD reached its capitalization limit as of February 28, 2014. Despite the provisions of its constituting act, the Minister of Finance of Québec in his Budget Speech of March 17, 2016, authorized CRCD exceptionally to raise a maximum amount of \$135 million for each of the capitalization periods from March 1, 2016 to February 28, 2017 and from March 1, 2017 to February 28, 2018. The Québec government has set the rate for the tax credit it grants for purchasing shares at 40%.

To allow as many shareholders as possible to buy CRCD shares, the maximum annual amount allowable was capped at \$3,000 per investor, for a tax credit of \$1,200.

This tax credit was 45% for shares purchased from March 1, 2014 to February 29, 2016, inclusively, and 50% for shares purchased from November 10, 2007 to February 28, 2014, inclusively, and before March 24, 2006, and 35% for shares purchased from March 24, 2006 to November 9, 2007, inclusively.

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

Each 12-month capitalization period begins on March 1 of each year. A special tax is payable by CRCD if it fails to comply with the authorized issuance amounts, and it has implemented control mechanisms to ensure compliance. No special tax was paid for fiscal 2016 and 2015.

As at December 31, 2016, CRCD had \$1,434.7 million in share capital for 134,943,941 common outstanding shares.

During fiscal 2016, CRCD accepted subscriptions of \$133.4 million, or substantially all of the \$135 million authorized maximum for its 2016 issue. The \$1.6 million balance of the authorized issue has already been pre-subscribed by investors selected under the established process and the corresponding shares will be issued no later than February 28, 2017. For comparison purposes, in 2015, CRCD raised the authorized maximum of \$150 million for that year's issue.

During fiscal 2016, share redemptions totalled \$70.4 million (\$83.3 million in 2015).

As at December 31, 2016, the balance of shares eligible for redemption totalled over \$620 million. During the coming year, additional shares with an approximate value of \$244 million will also become eligible for redemption, bringing potential redemptions close to \$864 million for fiscal 2017. CRCD feels that the current economic conditions and low interest rates in particular are behind the low volume of redemptions in the last few years.

Subscriptions and redemptions for fiscal 2016 brought the number of shareholders to 104,317 as at December 31, 2016, compared with 102,222 as at December 31, 2015.

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

## EXPENSES AND INCOME TAXES

| EXPENSES (in thousands of \$) | 2016          | 2015   |
|-------------------------------|---------------|--------|
| Management fees               | 27,293        | 25,431 |
| Other operating expenses      | 4,989         | 2,690  |
| Shareholder services          | 2,144         | 2,099  |
|                               | <b>34,426</b> | 30,220 |

CRCD has entrusted DVC with its management and operations, in accordance with the strategies and objectives approved by the Board of Directors. The five-year management agreement is effective January 1, 2013. The agreement provides for the invoicing of separate fees for the Desjardins caisse network's contribution in distributing CRCD's shares. Negotiation fees, which amounted to \$2.8 million for the fiscal year ended December 31, 2016, are earned by DVC and a credit for that amount is applied against the management fees paid by CRCD.

For fiscal 2016, CRCD paid DVC annual management fees equivalent to 2.02% of CRCD's annual average assets' value, after deduction of any amounts payable related to Investments impacting the Québec economy and Other investments, less an adjustment of \$1.65 million. This adjustment, granted in connection with the fee negotiations currently underway for 2017 and subsequent years, in particular reflects the economies of scale achieved by DVC with regard to the growth of CRCD's assets and the increase in the balance of CRCD shares eligible for redemption over the last few years. An adjustment to the management fees charged to CRCD is also made to avoid double billing relative to CRCD's interest in some funds.

The \$2.3 million increase in other operating expenses resulted primarily from the fees related to CRCD's project to automate its share distribution processes, costs related to its three-year strategic planning process and investments in information technology.

CRCD has appointed Desjardins Trust Inc. as shareholder registrar and share transfer agent. Desjardins Trust also acts as an intermediary for various shareholder support services. Since CRCD began operations, Desjardins Trust has represented the largest component of shareholder service expenses. This agreement became effective on July 1, 2016 and will remain in force until December 31, 2020.

CRCD has appointed Fédération des caisses Desjardins du Québec to distribute its shares through the Desjardins caisse network. This agreement became effective on July 1, 2016 and will remain in force until December 31, 2020. CRCD has agreed, until December 31, 2017, to pay annual professional fees and, as needed, project fees to cover work required to upgrade the tools and applications supporting the share distribution processes.

Income taxes for fiscal 2016 amounted to \$2.9 million, compared with \$4.3 million for the previous fiscal year. Revenue type has a significant impact since, unlike interest income, dividends are generally not taxable and capital gains are eligible for deductions and mechanisms allowing for income tax refunds.

## LIQUIDITY AND CAPITAL RESOURCES

For fiscal 2016, cash inflows from subscriptions net of redemptions and share issue expense totalled \$63.0 million (cash inflows of \$62.4 million in 2015). Operating activities generated net cash outflows of \$76.4 million, compared with net cash outflows of \$82.3 million in 2015.

Cash outflows for Investments impacting the Québec economy amounted to \$117.5 million for fiscal 2016 (\$168.5 million in 2015). Net cash outflows for the Other investments portfolio totalled \$46.3 million for fiscal 2016 compared with net cash generated of \$63.9 million for fiscal 2015.

As at December 31, 2016, cash and cash equivalents totalled \$19.1 million (\$32.6 million as at December 31, 2015).

CRCD had an authorized line of credit of \$50 million as at December 31, 2016 (\$10 million as at December 31, 2015). In the event that liquidity needs exceed

expectations, this line of credit could be used on a temporary basis to cover CRCD's obligations. This additional flexibility optimizes the level of liquid assets held and reduces the risk of having to dispose of assets hastily under potentially less advantageous conditions. The line of credit was not used during fiscal 2016 and fiscal 2015.

Given the management approach for Other investments of matching the average maturity of bonds held with the average maturity of its expected cash outflows, CRCD does not anticipate any shortfall in 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.

## 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. DVC manages CRCD's activities.

### MISSION

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

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

### CRCD'S VISION AND STRATEGIC PRIORITIES

Strategic planning initiatives began in early 2016 and continued throughout the fiscal year. The work involved consulting with our wide range of stakeholders, and included taking the pulse of shareholders and partner entrepreneurs as well as a number of meetings between CRCD's Board of Directors and DVC's Management Committee. This approach allowed us to update CRCD's vision, identify issues as well as opportunities to be grasped and set our strategic priorities for the next three years. The new 2017–2019 strategic plan, in continuation of the 2013–2016 strategic plan, was approved by CRCD's Board of Directors in late fiscal 2016.

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

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

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

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

## STRATEGIES

DVC 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 discussed previously, to better manage and keep track of its operations, CRCD now monitors changes in asset allocation and performance by investment profile. Each investment profile includes the assets held by CRCD and similar assets held by the funds in its ecosystem according to their respective interests.

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

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

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

Last, CRCD must fulfil its mission within certain guidelines that include investing 61% of its average net assets in eligible Québec companies. This percentage is gradually increased by 1% per year to reach 65% for the fiscal years beginning after December 31, 2019. In addition, 35% of eligible investments must be made in Québec's resource regions or in eligible cooperatives. If these requirements are not met, the authorized issue of capital for the capitalization period following the end of the fiscal year could be reduced. As at December 31, 2016 and 2015, all of those rules were met.

## RISK MANAGEMENT

### RISK GOVERNANCE

The Board of Directors (the "Board") is made up of 13 members, the majority of whom are independent, and chaired by an independent director. The Board manages CRCD's business and oversees the fulfilment of its mission. To do so, its primary duties are twofold: guiding and overseeing all of CRCD's activities and the risks to which it is exposed.

Its guidance duties consist in particular of ensuring adherence to CRCD's mission and approving broad strategic directions. Its oversight duties involve, among others, ensuring that significant risks are managed by the different committees and monitoring strategic and reputational risks related to investment.

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

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

### Executive Committee

The Executive Committee is made up of six directors, a majority of whom are independent. The Committee is authorized to exercise all of the Board's powers, except those statutory powers that must be exercised exclusively by the Board and any powers expressly reserved to it.

The Committee's duties contemplate seven main areas: (i) governance and performance measurement, (ii) risk management, (iii) board and committee functions, (iv) subscriptions, (v) investment (credit and counterparty risk), (vi) share ownership (accountability to shareholders and disclosure) and (vii) other functions (operational risks).

More specifically, in addition to having responsibility for the overall risk management process, its duties include monitoring the following special risks: strategic, dependence related to partnership with Desjardins, litigation, reputational (general), non-compliance with laws and regulations, non-compliance in connection with subscriptions and redemptions and outsourcing, excluding Desjardins Global Asset Management (DGAM), securities advisor.

### Audit Committee

The Audit Committee currently consists exclusively of four independent directors who have sufficient financial literacy to discharge their duties and who collectively represent an appropriate range of expertise.

The Committee's general mandate is to assist the Board in its oversight and accountability roles with aspects relating to the quality, reliability and integrity of financial reporting and continuous disclosure. Its role also includes a component related to the work, performance, independence, appointment and compensation of the independent auditor.

More specifically, it oversees operational risks related to accountability to shareholders and public disclosure, transaction processing, internal and external fraud and information system malfunctions.

### Financial Asset Management Committee

The Financial Asset Management Committee is currently made up of six directors, a majority of whom are independent, who have a range of complementary expertise and sufficient literacy in finance, accounting and economics to properly understand the nature of the financial assets held by CRCD and the related financial risks.

The Committee's primary mandate is the coordination and matching of CRCD's financial assets to optimize overall risk/return ratio. The Committee monitors CRCD's performance and ensures its compliance with regulatory targets.

It also has oversight duties with respect to the following risks: market (interest rate, currency and stock market), credit and counterparty (Other investments), concentration (geographic and sector), liquidity and outsourcing to DGAM.

### Governance and Ethics Committee

The Governance and Ethics Committee is currently made up exclusively of three independent directors who represent a range of complementary expertise and experience in governance, ethics, professional conduct or law.

Its general mandate is to report to the Board concerning all matters pertaining to the application of CRCD's Code of Professional Conduct that the Board has submitted to it and takes an advocacy role with respect to such code towards the Board members, committee members and the manager's resources. With the Board, the Committee oversees compliance with CRCD's mission and values. It updates the governance policy and committee charters, assesses conflict of interest situations and monitors governance regulations and trends.

The Committee also oversees related party transaction risk (associates) and noncompliance risk related to governance and the independence of directors and committee members.

### Portfolio Valuation Committee

The Portfolio Valuation Committee is made up of five members, who include two of CRCD's independent directors, one of whom is the chair, and three external members. The majority of the members are qualified independent valuers collectively representing a range of expertise appropriate to their mandate.

The Committee's general mandate is to provide oversight of operational risk related to non-compliance with the portfolio valuation rules. Its role consists in reviewing all relevant information concerning valuation of CRCD's Investments impacting the Québec economy portfolio in order to provide reasonable assurance that the valuation process complies with the regulations applicable to CRCD.

### Investment committees

The Subordinated Debt Investment Committee is made up of seven members (two directors of CRCD and five external members), the Equity Investment Committee is made up of seven members (four directors of CRCD and three external members), and the Innovation Investment Committee is made up of five members (two directors of CRCD and three external members).

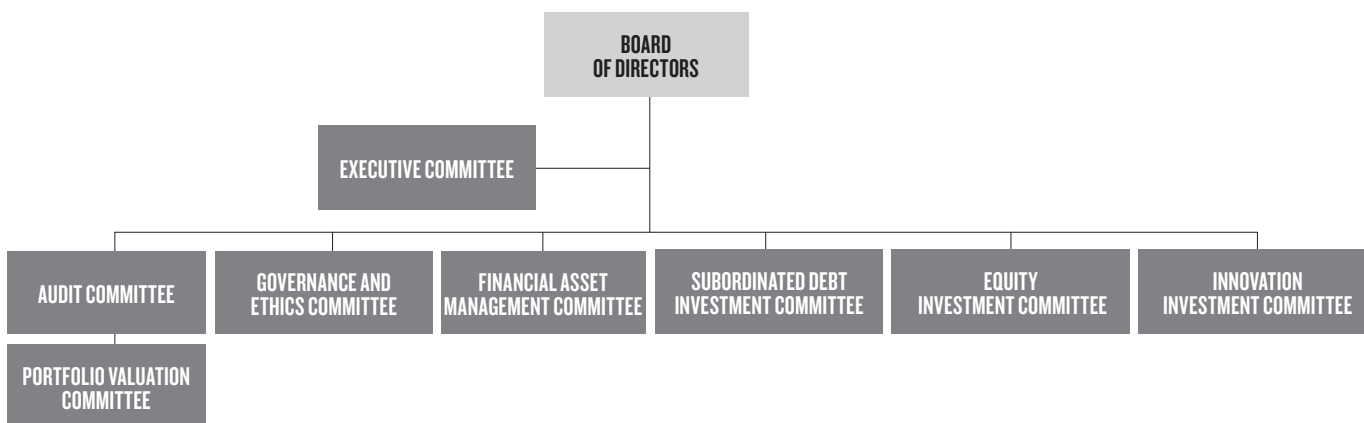
The Chair of each committee must be a director of CRCD and a majority of the members are independent. The members are appointed on the basis of their understanding and their knowledge of the sectors targeted under the various policies governing the investment activities, and for their ability to assess the quality of a transaction and detect any related risks.

The general mandate of these committees is, within the limits of the decision-making process approved by the Board, to authorize or make recommendations on the investment, re-investment or divestment transactions presented by CRCD's manager.

The Subordinated Debt Investment Committee reviews transactions requiring hybrid financing which combines equity and traditional financing. The Equity Investment Committee reviews companies requiring equity or a combination of equity and subordinated debt. The Innovation Investment Committee reviews the files of companies requiring equity or any file requiring a combination of equity and subordinated debt and which promote technological or industrial innovation or advance new uses for existing technologies.

These committees also have an oversight role with respect to the following risks: reputational (investment related), credit and counterparty (Investments impacting the Québec economy), selection and monitoring of directors of companies in which CRCD is a direct or indirect investor, environmental noncompliance, and operational (investment process related).

The governance structure for 2017 is as follows:



## ATTENDANCE RECORD AND COMPENSATION

The following table presents the attendance record and compensation of CRCD's directors and external committee members for fiscal 2016.

| NAME  | BOARD OF DIRECTORS | EXECUTIVE COMMITTEE | AUDIT COMMITTEE | FINANCIAL ASSET MANAGEMENT COMMITTEE | GOVERNANCE AND ETHICS COMMITTEE | PORTFOLIO VALUATION COMMITTEE | SUBORDINATED DEBT INVESTMENT COMMITTEE | EQUITY INVESTMENT COMMITTEE | INNOVATION INVESTMENT COMMITTEE | COMPENSATION   |
|---|--------------------|---------------------|-----------------|--------------------------------------|---------------------------------|-------------------------------|--|-----------------------------|---------------------------------|----------------|
| (Number of meetings and welcoming or training sessions) | 13                 | 7                   | 4               | 4                                    | 8                               | 3                             | 15                                     | 15                          | 9                               | (\$)           |
| Chantal Bélanger  | 13/13              | 6/7                 | 4/4             |                                      | 3/3                             | 3/3                           |  |                             |                                 | 46,600         |
| Ève-Lyne Biron  | 12/13              |                     |                 |                                      | 8/8                             |                               | 14/15                                  |                             |                                 | 34,400         |
| Joane Demers  | 11/13              |                     | 4/4             |                                      |                                 |                               |  |                             |                                 | 24,900         |
| Roger Demers  | 12/13              | 7/7                 |                 | 4/4                                  |                                 |                               |  | 14/15                       |                                 | 44,500         |
| Marlène Deveaux   | 13/13              | 7/7                 | 4/4             |                                      |                                 |                               | 15/15                                  |                             |                                 | 45,400         |
| Maurice Doyon   | 13/13              | 7/7                 |                 | 4/4                                  |                                 |                               |  |                             | 9/9                             | 45,700         |
| André Gabias  | 13/13              |                     |                 |                                      | 7/8                             |                               |  |                             |                                 | 31,800         |
| Jacques Jobin   | 12/12              |                     |                 |                                      | 5/5                             |                               |  |                             | 8/8                             | 28,217         |
| Jean-Claude Loranger                                    | 11/13              |                     |                 | 4/4                                  |                                 |                               |  | 7/9                         |                                 | 30,817         |
| Bruno Morin   | 12/13              | 7/7                 |                 | 4/4                                  |                                 |                               |  | 14/15                       |                                 | 60,000         |
| Jacques Plante  | 13/13              | 7/7                 |                 | 4/4                                  |                                 | 3/3                           |  |                             |                                 | 57,783         |
| Claudine Roy  | 13/13              |                     |                 | 4/4                                  |                                 |                               |  |                             |                                 | 24,900         |
| Xavier Simard   | 0/1                |                     | 0/1             |                                      |                                 |                               |  |                             |                                 | 2,500          |
| Louis-Régis Tremblay                                    | 12/13              |                     | 3/3             |                                      |                                 |                               |  | 13/15                       |                                 | 33,517         |
| Pierre Barnès *   |                    |                     |                 |                                      |                                 |                               |  | 7/11                        |                                 | 8,150          |
| Bernard Bolduc *  |                    |                     |                 |                                      |                                 |                               |  | 6/8                         |                                 | 8,600          |
| Marie-Claude Boulanger *                                |                    |                     |                 |                                      |                                 |                               | 13/15                                  |                             |                                 | 13,500         |
| Évangéliste Bourdages *                                 |                    |                     |                 |                                      |                                 |                               | 7/10                                   |                             |                                 | 8,000          |
| Guy Delisle *   |                    |                     |                 |                                      |                                 |                               | 15/15                                  |                             |                                 | 14,850         |
| Marc-André Dionne *                                     |                    |                     |                 |                                      |                                 |                               |  | 2/7                         |                                 | 3,450          |
| Michel Duchesne *                                       |                    |                     |                 |                                      |                                 |                               | 15/15                                  |                             |                                 | 14,850         |
| Marie-Claude Gévy *                                     |                    |                     |                 |                                      |                                 |                               |  | 15/15                       |                                 | 14,550         |
| Yves Lavoie *   |                    |                     |                 |                                      |                                 |                               | 4/5                                    |                             |                                 | 3,850          |
| Lynn McDonald *   |                    |                     |                 |                                      |                                 |                               |  | 14/15                       |                                 | 14,750         |
| Muriel McGrath *  |                    |                     |                 |                                      |                                 |                               |  |                             | 9/9                             | 12,250         |
| Sébastien Mailhot *                                     |                    |                     |                 |                                      |                                 | 3/3                           |  |                             |                                 | 7,600          |
| Michel Martineau *                                      |                    |                     |                 |                                      |                                 | 3/3                           |  |                             |                                 | 7,600          |
| Marcel Ostiguy *  |                    |                     |                 |                                      |                                 |                               |  | 6/7                         |                                 | 5,550          |
| George Rossi *  |                    |                     |                 |                                      |                                 | 3/3                           |  |                             |                                 | 7,600          |
| Michel Rouleau *  |                    |                     |                 |                                      |                                 |                               | 15/15                                  |                             |                                 | 14,850         |
| Thom Skinner *  |                    |                     |                 |                                      |                                 |                               |  |                             | 9/9                             | 11,950         |
| Normand Tremblay *                                      |                    |                     |                 |                                      |                                 |                               |  |                             | 9/9                             | 12,250         |
| <b>Total compensation</b>                               |                    |                     |                 |                                      |                                 |                               |  |                             |                                 | <b>695,234</b> |

\* External committee member

### EXPLANATORY NOTES TO TABLE:

Compensation includes retainers and fees paid to directors for attending meetings of the Board of Directors and the committees, welcoming sessions, training sessions and working meetings of the special committees.

Bruno Morin, General Manager, receives a fixed salary of \$60,000 per year.

Xavier Simard served as a Director and member of the Audit Committee and the Innovation Investment Committee until February 18, 2016.

Chantal Bélanger served as a member of the Governance and Ethics Committee until April 14, 2016.

Jacques Jobin has served as a Director since April 8, 2016, and as a member of the Governance and Ethics Committee and the Innovation Investment Committee since April 14, 2016.

Jean-Claude Loranger has served as a member of the Equity Investment Committee since April 14, 2016.

Louis-Régis Tremblay has served as a member of the Audit Committee since April 14, 2016.

Pierre Barnès served as an external member of the Equity Investment Committee until August 9, 2016.

Bernard Bolduc has served as an external member of the Equity Investment Committee since May 12, 2016.

Évangéliste Bourdages has served as an external member of the Equity Investment Committee since April 14, 2016.

Marc-André Dionne served as an external member of the Equity Investment Committee until May 10, 2016.

Yves Lavoie served as an external member of the Subordinated Debt Investment Committee until April 14, 2016.

Marcel Ostiguy served as a member of the Equity Investment Committee until May 10, 2016.

**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 16, 2017.

**MARKET RISKS**

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

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

**Interest rate risk**

Interest rate fluctuations have an impact on the market value of the fixed-income securities and real estate funds held in the portfolio for which fair value is determined based on market conditions. The fair value of these assets as at December 31, 2016 was \$899.7 million (\$970.1 million as at December 31, 2015). Fixed-income securities held in the Other investments portfolio include money market instruments, bonds and preferred shares. 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 \$22.2 million (\$37.6 million as at December 31, 2015) have not been valued based on fluctuations in the interest rates due to their very short term maturity and CRCD's intention to hold them until maturity.

Bonds with a fair value of \$580.3 million (\$664.5 million as at December 31, 2015) are directly affected by interest rate fluctuations. A 1% increase in interest rates would have resulted in a decrease of \$33.1 million in net results, representing a 1.9% decrease in CRCD's share price as at December 31, 2016 (\$33.8 million for 2.1% as at December 31, 2015). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a \$35.3 million increase in net results, representing a 2.1% increase in share price (\$35.9 million for 2.2% as at December 31, 2015). CRCD's financial asset management strategy aims to diversify the securities held in the portfolio, which will reduce exposure to long-term bond securities. Given that CRCD matches the maturities of bonds held in its portfolio with the average maturity of expected cash outflows, the long-term effect of interest rates on results should be limited.

Real estate funds and preferred shares with respective fair values of \$64.1 million (\$13.1 million as at December 31, 2015) and \$59.9 million (\$77.8 million as at December 31, 2015), 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 two classes of assets.

The loans and advances and preferred shares held in the Investments impacting the Québec economy portfolio, for which CRCD also holds participating shares in the same business as well as those that have been discounted, with a total fair value of \$153.3 million (\$114.0 million as at December 31, 2015), are not sensitive to fluctuations in interest rates. Conversely, the other loans and advances and preferred shares held in the portfolio with a total fair value of \$173.2 million (\$177.1 million as at December 31, 2015) are sensitive to interest rate fluctuations. However, the interest rate risk related to the other loans and advances and preferred shares held in the portfolio is limited given the amounts in question.

**Stock market risk**

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

As at December 31, 2016, global equity funds, valued at \$105.1 million (nil value as at December 31, 2015), which were managed by external managers and held in the Other investments portfolio, consisted primarily of listed equities. Accordingly, a 10% increase or decrease in the quoted market prices of listed equities would have resulted in a \$10.5 million increase or decrease in net results, representing a variation of 0.6% in CRCD's share price.

The Investments impacting the Québec economy portfolio included listed equities in the amount of \$0.6 million (\$0.8 million as at December 31, 2015). As a result, for these investments, any stock market fluctuations would not have a significant direct impact on CRCD's net results.

**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 Investments impacting the Québec economy portfolio, the assets, whose value varies in step with fluctuations in the value of a foreign currency, represent a fair value of \$111.1 million, or 6.2% of net assets as at December 31, 2016, compared with \$85.8 million, or 5.2% of net assets as at December 31, 2015.

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 \$5 million line of credit has been granted to CRCD for its foreign exchange contract transactions. As at December 31, 2016, CRCD held foreign exchange contracts under which it must deliver US\$82.3 million (US\$62.7 million as at December 31, 2015) at the rate of CAD/USD 1.3360 (CAD/USD 1.3927 as at December 31, 2015) on March 31, 2017.

As at December 31, 2016, the net exposure of CRCD's Investments impacting the Québec economy portfolio to foreign currencies is limited to \$1.2 million (\$1.0 million as at December 31, 2015). 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 global equity funds to foreign currencies amounted to \$95.8 million. Accordingly, a 10% decrease (increase) in value of the Canadian dollar relative to all of the other foreign currencies would have resulted in a \$9.6 million increase (decrease) in net income, representing a 0.5% increase (decrease) in CRCD's share price.

**CREDIT AND COUNTERPARTY RISKS**

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

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

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

In the second half of fiscal 2016, the Moody's RiskAnalyst rating system tool was modified pursuant to a corporate decision. Following this change, the risk rankings of some companies were amended and reclassified in the comparison table below.

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

Investments impacting the Québec economy made as funds are presented 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 stability of the Investments impacting the Québec economy portfolio. Ranked by risk, the percentage breakdown is as follows (fair value amounts):

| Rank                            | AS AT DECEMBER 31, 2016 |          | AS AT DECEMBER 31, 2015 * |          |
|---------------------------------|-------------------------|----------|---------------------------|----------|
|                                 | (in thousands of \$)    | (as a %) | (in thousands of \$)      | (as a %) |
| 1 to 6.5 Low to acceptable risk | 894,154                 | 97.0     | 786,449                   | 96.0     |
| 7 to 9 At risk                  | 20,161                  | 2.2      | 21,390                    | 2.8      |
| 10 High risk and insolvent      | 7,203                   | 0.8      | 9,360                     | 1.2      |

\* Comparative figures for 2015 have been adjusted to reflect the new risk ranking breakdown.

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

| Rank                            | AS AT DECEMBER 31, 2016 |          | AS AT DECEMBER 31, 2015 * |          |
|---------------------------------|-------------------------|----------|---------------------------|----------|
|                                 | (in thousands of \$)    | (as a %) | (in thousands of \$)      | (as a %) |
| 1 to 6.5 Low to acceptable risk | 188,721                 | 99.8     | 170,682                   | 99.8     |
| 7 to 9 At risk                  | 400                     | 0.2      | 400                       | 0.2      |

\* Comparative figures for 2015 have been adjusted to reflect the new risk ranking.

For the bond portfolio, which represents 69.8% of the fair value of the Other investments portfolio (83.7% as at December 31, 2015), credit risk is managed by diversification across numerous issuers with credit ratings as follows:

| Rank | AS AT DECEMBER 31, 2016 |                      | AS AT DECEMBER 31, 2015 |                      |
|------|-------------------------|----------------------|-------------------------|----------------------|
|      | (in thousands of \$)    | (in thousands of \$) | (in thousands of \$)    | (in thousands of \$) |
| AAA  | 269,452                 |                      | 336,401                 |                      |
| AA   | 194,174                 |                      | 122,857                 |                      |
| A    | 55,695                  |                      | 137,323                 |                      |
| BBB  | 57,966                  |                      | 64,781                  |                      |
| BB   | 3,049                   |                      | 3,181                   |                      |

Credit risk ratings are established by recognized credit agencies.

Consistent with the global financial asset management policy, preferred shares and money market instruments have respective minimum credit ratings of Pfd-2 (low), and A-2 or R-1 (low). Such high credit ratings limit 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 Caisse centrale Desjardins.

## CONCENTRATION RISKS

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

### Risk of concentration in an entity

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

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

|  | As at December 31, 2016 |                 | AS AT DECEMBER 31, 2015 |                 |
|--|-------------------------|-----------------|-------------------------|-----------------|
|  | % of portfolio          | % of net assets | % of portfolio          | % of net assets |
| Investments impacting the Québec economy | 38.0                    | 23.6            | 38.0                    | 22.9            |
| Other investments *                      | 44.5                    | 20.7            | 44.0                    | 22.0            |

\* Government issuers accounted for 86% (90% as at December 31, 2015) of the Other investments portfolio's five largest issuers or counterparties.

### Risk of concentration by region

In keeping with its mission of Québec economic development, the Investments impacting the Québec economy portfolio chiefly comprises businesses whose employees are, in the majority, residents of Québec. Furthermore, at least 35% of its investments must be made in companies located in the resource regions or in cooperatives. Portfolio performance therefore depends heavily on economic conditions in Québec and the resource regions. As at December 31, 2016, the Investments impacting the Québec economy portfolio represented 51.6% of net assets (50.0% as at December 31, 2015).

CRCD has adopted a global financial asset management and investment guidelines policy to govern the Other investments portfolio activities which currently limits the option of holding foreign securities. As at December 31, 2016, the Other investments portfolio includes a portion of foreign securities through its investment in global equity funds. Accordingly, the Other investments portfolio was made up of 88.7% of Canadian securities (100% as at December 31, 2015). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at December 31, 2016, the Other investments portfolio represented 47.2% of net assets (49.0% as at December 31, 2015).

### 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, 2016, bond securities represented 32.4% of net assets (40.5% as at December 31, 2015). The lower percentage allocated to this asset class aims to diversify the portfolio by adding new asset classes and to strike an overall balance for the portfolio between risk and return as well as meet CRCD's cash requirements.

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

### LIQUIDITY RISKS

CRCD must maintain sufficient liquid assets to fund share redemptions and committed Investments impacting the Québec economy. If it failed to do so, CRCD would be dependent on the markets and could be forced to carry out transactions under unfavourable conditions. With liquid investments that should represent approximately 30% of assets under management, and using a management approach that ensures that the average maturity of bonds is close to the average maturity of expected outflows, CRCD can confirm that liquidity risks are adequately covered. Furthermore, credit facilities have been put in place to provide greater cash management flexibility. The credit facilities were not used during fiscal 2016 and fiscal 2015.

Each year, stress testing to simulate extreme but plausible economic and financial scenarios is carried out to measure CRCD's exposure to liquidity risk. For fiscal 2016, this work took into account the expected higher balance of redeemable shares of CRCD. Initiatives will be implemented to encourage the redemption of shares and an increase in the existing line of credit has been granted, raising the authorized limit to \$50 million in 2016 from \$10 million in 2015.

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

### RECENT EVENTS

Following the 2016-2017 budget speech, the Québec government announced changes to CRCD's governance pertaining to the composition of its Board of Directors and the concept of independence. The proposed legislative amendments must be adopted by the National Assembly and will be implemented gradually.

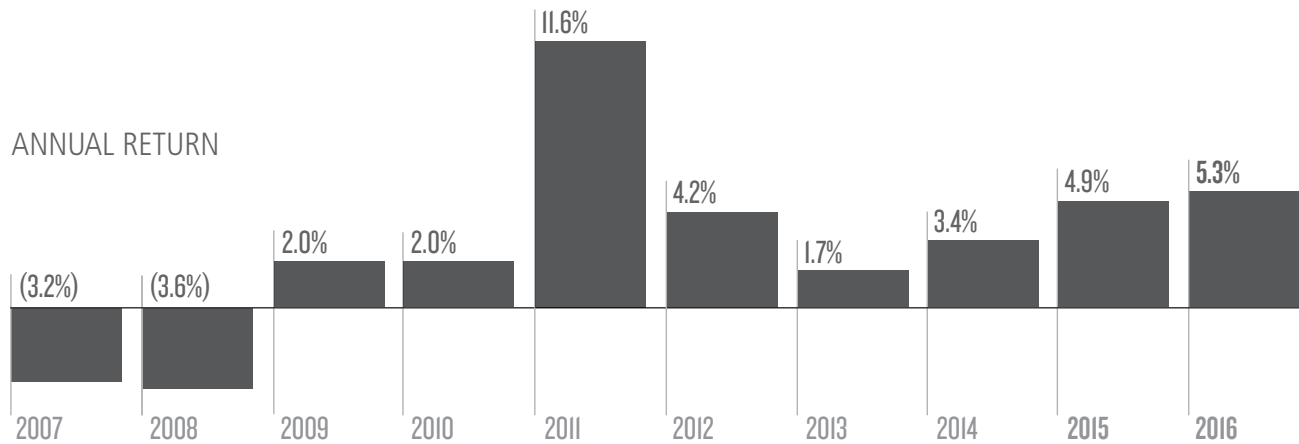
## PAST PERFORMANCE

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



## ANNUAL RETURNS

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



## COMPOUNDED RETURN OF THE COMMON SHARE AS AT DECEMBER 31, 2016

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

| 10 years | 7 years | 5 years | 3 years | 1 year |
|----------|---------|---------|---------|--------|
| 2.6%     | 4.5%    | 3.8%    | 4.4%    | 5.2%   |

## PORTFOLIO SUMMARY

### CORE INVESTMENT PROFILES

As at December 31, 2016, 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 |
|---|-----------------|
| <b>Investments impacting the Québec economy *</b>       |                 |
| Debt  | 15.6            |
| Equity  | 30.0            |
| External funds  | 3.8             |
| Venture capital   | 1.4             |
| Other asset items held by ecosystem funds               | 0.8             |
| <b>Total – Investments impacting the Québec economy</b> | <b>51.6</b>     |
| <b>Other investments</b>                                |                 |
| Cash and money market instruments                       | 2.0             |
| Bonds   | 32.4            |
| Preferred shares  | 3.3             |
| Global equity   | 5.9             |
| Real estate funds                                       | 3.6             |
| <b>Total – Other investments</b>                        | <b>47.2</b>     |

\* Including foreign exchange contracts

## MAIN INVESTMENTS HELD

As at December 31, 2016, on a fair value basis, the issuers of the 25 main investments held by CRCD were as follows:

| ISSUER   | % OF NET ASSETS |
|--|-----------------|
| Investments impacting the Québec economy – 14 issuers *            | 33.7            |
| Merrill Lynch Canada, Inc.   | 5.8             |
| Hydro-Québec   | 4.4             |
| Canada Housing Trust   | 3.8             |
| Government of Canada   | 3.8             |
| Desjardins IBrix Low Volatility Global Equity Fund (I-Class Units) | 3.0             |
| Desjardins Global Dividend Fund (I-Class Units)                    | 2.9             |
| Bentall Kennedy Prime Canadian Property Fund                       | 2.3             |
| Royal Bank of Canada   | 1.8             |
| Province of Alberta  | 1.4             |
| Province of Ontario  | 1.4             |
| Fiera Properties CORE Fund   | 1.3             |

\* The 14 issuers who collectively represent 33.7% of CRCD's net assets are:

- ACCEO Solutions Inc.
- Agropur Coopérative
- Avjet Holding Inc.
- Camso Inc.
- Capital croissance PME s.e.c.
- Capital croissance PME II s.e.c.
- Congebec Logistic Inc.
- Desjardins-Innovatech S.E.C.
- Exo-s Inc.
- Fonds d'investissement MSBI, s.e.c.
- Gecko Alliance Group Inc.
- La Coop fédérée
- Société en commandite Essor et Coopération
- Telecon Group

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

February 16, 2017

February 16, 2017

## MANAGEMENT'S REPORT

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

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

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

The Board of Directors fulfils its responsibility for the financial statements principally through its Audit 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 16, 2017. These statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board and audited by PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.

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

(signed) Yves Calloc'h, CPA, CA

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Chief Financial Officer

# **Capital régional et coopératif Desjardins**

Separate Financial Statements  
**December 31, 2016 and 2015**  
(in thousands of Canadian dollars)



February 16, 2017

## **Independent Auditor's Report**

### **To the Shareholders of Capital régional et coopératif Desjardins**

We have audited the accompanying separate financial statements of Capital régional et coopératif Desjardins (the financial statements), which comprise the balance sheets as at December 31, 2016 and 2015 and the statements of comprehensive income, changes of net assets and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the separate financial statements**

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

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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T: +1 514 205 5000, F: +1 514 876 1502*



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

**Opinion**

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Capital régional et coopératif Desjardins as at December 31, 2016 and 2015, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP<sup>1</sup>*

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A111799

# Capital régional et coopératif Desjardins

## Separate Balance Sheets

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

|  | Note | As at<br>December 31,<br>2016<br>\$ | As at<br>December 31,<br>2015<br>\$ |
|--|------|-------------------------------------|-------------------------------------|
| <b>Assets</b>                              |      |                                     |                                     |
| Investments impacting the Québec economy   | 7    | 921,518                             | 817,199                             |
| Other investments                          | 8    | 831,130                             | 793,604                             |
| Income taxes recoverable                   | 18   | 19,634                              | 13,737                              |
| Accounts receivable                        | 10   | 35,414                              | 36,145                              |
| Cash                                       | 11   | 13,021                              | 12,244                              |
|  |      | <u>1,820,717</u>                    | <u>1,672,929</u>                    |
| <b>Liabilities</b>                         |      |                                     |                                     |
| Notes payable and financial liabilities    | 12   | 25,233                              | 26,309                              |
| Accounts payable                           | 13   | 6,067                               | 4,544                               |
|  |      | <u>31,300</u>                       | <u>30,853</u>                       |
| <b>Net assets</b>                          | 15   | <u>1,789,417</u>                    | <u>1,642,076</u>                    |
| <b>Number of common shares outstanding</b> |      | <u>134,943,941</u>                  | <u>130,182,509</u>                  |
| <b>Net asset value per common share</b>    |      | 13.26                               | 12.61                               |

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

Jacques Plante, CPA, CA, Director

Chantal Bélanger, FCPA, FCGA, Director

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

# Capital régional et coopératif Desjardins

## Separate Statements of Comprehensive Income

For the years ended December 31

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

|   | Note | 2016<br>\$         | 2015<br>\$         |
|---|------|--------------------|--------------------|
| <b>Revenue</b>                                  |      |                    |                    |
| Interest  | 7    | 25,528             | 30,284             |
| Dividends                                       |      | 18,451             | 14,167             |
| Administrative charges                          |      | 470                | 818                |
|   |      | <u>44,449</u>      | <u>45,269</u>      |
| <b>Gains on investments</b>                     |      |                    |                    |
| Realized  |      | 23,095             | 37,242             |
| Unrealized                                      |      | 55,774             | 26,793             |
|   |      | <u>78,869</u>      | <u>64,035</u>      |
| <b>Total revenue and gains on investments</b>   |      | <u>123,318</u>     | <u>109,304</u>     |
| <b>Expenses</b>                                 |      |                    |                    |
| Management fees                                 |      | 27,293             | 25,431             |
| Other operating expenses                        | 17   | 4,989              | 2,690              |
| Shareholder services                            | 17   | 2,144              | 2,099              |
|   |      | <u>34,426</u>      | <u>30,220</u>      |
| <b>Earnings before income taxes</b>             |      | <u>88,892</u>      | <u>79,084</u>      |
| <b>Income taxes</b>                             | 18   | <u>2,935</u>       | <u>4,278</u>       |
| <b>Net earnings for the year</b>                |      | <u>85,957</u>      | <u>74,806</u>      |
| <b>Weighted average number of common shares</b> |      | <u>129,268,010</u> | <u>127,500,449</u> |
| <b>Net earnings per common share</b>            |      | <u>0.66</u>        | <u>0.59</u>        |

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

## Capital régional et coopératif Desjardins

### Separate Statements of Changes in Net Assets

For the years ended December 31

(in thousands of Canadian dollars)

|   | Share capital (note 15) |                  | Retained earnings<br>\$ | Net assets<br>\$ |
|---|-------------------------|------------------|-------------------------|------------------|
|   | Number                  | \$               |                         |                  |
| <b>Balance – December 31, 2015</b>            | 130,182,509             | 1,357,689        | 284,387                 | 1,642,076        |
| <b>Net earnings for the year</b>              | -                       | -                | 85,957                  | 85,957           |
| <b>Share capital transactions*</b>            |                         |                  |                         |                  |
| Issuance of common shares                     | 10,317,231              | 133,401          | -                       | 133,401          |
| Share issue expenses, net of \$1,015 in taxes | -                       | (1,579)          | -                       | (1,579)          |
| Redemption of common shares                   | (5,555,799)             | (54,843)         | (15,595)                | (70,438)         |
| <b>Balance – December 31, 2016</b>            | <b>134,943,941</b>      | <b>1,434,668</b> | <b>354,749</b>          | <b>1,789,417</b> |
| <b>Balance – December 31, 2014</b>            | 124,664,633             | 1,278,650        | 223,812                 | 1,502,462        |
| <b>Net earnings for the year</b>              | -                       | -                | 74,806                  | 74,806           |
| <b>Share capital transactions*</b>            |                         |                  |                         |                  |
| Issuance of common shares                     | 12,425,691              | 149,882          | -                       | 149,882          |
| Share issue expenses, net of \$1,162 in taxes | -                       | (1,750)          | -                       | (1,750)          |
| Redemption of common shares                   | (6,907,815)             | (69,093)         | (14,231)                | (83,324)         |
| <b>Balance – December 31, 2015</b>            | <b>130,182,509</b>      | <b>1,357,689</b> | <b>284,387</b>          | <b>1,642,076</b> |

\* This data does not include the redemption requests made within 30 days of subscription.

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



# Capital régional et coopératif Desjardins

## Separate Statements of Cash Flows

For the years ended December 31

(in thousands of Canadian dollars)

|  | 2016<br>\$      | 2015<br>\$      |
|--|-----------------|-----------------|
| <b>Cash flows from (used in) operating activities</b>                      |                 |                 |
| Net earnings for the year  | 85,957          | 74,806          |
| Non-cash items:  |                 |                 |
| Losses (gains) on investments  | (78,869)        | (64,035)        |
| Amortization of premiums and discounts on other investments                | (1,101)         | 2,002           |
| Deferred taxes   | 707             | (924)           |
| Capitalized interest and other non-cash items                              | (2,126)         | (1,440)         |
| Changes in operating assets and liabilities:                               |                 |                 |
| Income taxes recoverable   | (5,589)         | 5,167           |
| Accounts receivable  | (646)           | 799             |
| Income taxes payable   | -               | (3,336)         |
| Accounts payable   | (1,086)         | 308             |
| Acquisitions of investments impacting the Québec economy                   | (117,454)       | (168,525)       |
| Proceeds from disposals of investments impacting the Québec economy        | 90,045          | 136,776         |
| Acquisitions of other investments  | (1,015,343)     | (1,071,912)     |
| Proceeds on disposal of other investments                                  | 969,064         | 1,007,986       |
|  | <u>(76,441)</u> | <u>(82,328)</u> |
| <b>Cash flows from (used in) financing activities</b>                      |                 |                 |
| Issuance of common shares  | 133,401         | 145,699         |
| Redemption of common shares  | (70,438)        | (83,324)        |
|  | <u>62,963</u>   | <u>62,375</u>   |
| <b>Net change in cash and cash equivalents during the year</b>             | (13,478)        | (19,953)        |
| <b>Cash and cash equivalents – Beginning of year</b>                       | <u>32,595</u>   | <u>52,548</u>   |
| <b>Cash and cash equivalents – End of year</b>                             | <u>19,117</u>   | <u>32,595</u>   |
| <b>Supplemental information about cash flows from operating activities</b> |                 |                 |
| Interest received  | 22,437          | 30,771          |
| Dividend and distribution received   | 17,855          | 14,020          |
| Income taxes paid  | 7,817           | 3,371           |

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

# Capital régional et coopératif Desjardins

## Notes to Separate Financial Statements

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

### 1 Governing statute, administration and investments

#### Governing statute

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

#### Administration

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

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

#### Investments

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

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

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

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

# Capital régional et coopératif Desjardins

## Notes to Separate Financial Statements

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

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

Beginning in 2016, penalties are no longer payable if these targets are not met but have been replaced by a reduction of the authorized issue of capital for the capitalization period following the end of the fiscal year. For the fiscal year ended December 31, 2015, which was the last fiscal year for which the penalty was in effect, no amount was payable under those rules.

## 2 Basis of presentation

### Statement of compliance

CRCD has prepared its separate financial statements (the “financial statements”) in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements were approved by the Board of Directors on February 16, 2017.

### Basis of measurement

These financial statements have been prepared on a fair value basis, except with respect to the financial instruments classified as loans and receivables and other financial liabilities, as well as taxes, which are measured at amortized cost and at cost.

### Investment entity

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

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

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## Notes to Separate Financial Statements

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

### 3 Significant accounting policies

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

#### Financial instruments

CRCD accounts for its financial instruments at fair value on initial recognition. Purchases and sales of financial assets are recognized at the trade date. Financial assets and financial liabilities are classified into various categories based on their characteristics and CRCD's intention upon their acquisition and issuance.

Investments impacting the Québec economy, other investments, amounts receivable on disposal of investments impacting the Québec economy and notes payable and financial liabilities are designated at fair value through profit or loss. Those financial instruments are part of a portfolio managed in accordance with a documented investment management strategy and whose performance is evaluated on a fair value basis. In addition, information about the portfolio is provided internally on that basis to CRCD's key management personnel.

Cash and accounts receivable are classified in loans and receivables, and accounts payable, in other financial liabilities. Those financial instruments are recognized at amortized cost, which approximates their fair value.

Financial liabilities are derecognized when the liability is extinguished, that is when the obligation specified in the contract is discharged or cancelled, or expires.

#### Fair value measurement

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

#### *Fair value of assets and liabilities traded in a market*

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

# Capital régional et coopératif Desjardins

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

### *Fair value of assets and liabilities not traded in a market*

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

### *Loans and advances, non-participating shares*

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

### *Participating shares*

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

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

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

### *Global equities and real estate funds*

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

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### *Guarantee*

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

### *Notes payable and financial liabilities*

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

### *Amounts receivable on disposal of investments impacting the Québec economy*

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

## **Cash and cash equivalents**

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

## **Share capital**

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

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

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

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## Notes to Separate Financial Statements

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

### **Revenue recognition**

#### *Interest*

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

#### *Dividends and distributions*

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

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

#### *Administrative charges*

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

#### *Gains and losses*

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

### **Functional currency and foreign currency translation**

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

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## Notes to Separate Financial Statements

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

### Taxes

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

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

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

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

### Net earnings per common share

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

## 4 Significant judgments, estimates and assumptions

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

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



# Capital régional et coopératif Desjardins

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

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

### 5 Accounting standards issued but not yet adopted

The accounting standards to be applied by CRCD that have been issued by the IASB but were not yet effective on December 31, 2016 are discussed below.

#### **IFRS 15, *Revenue from Contracts with Customers***

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which establishes a single comprehensive accounting model for all contracts with customers except for contracts within the scope of other standards, such as insurance contracts and financial instruments. IFRS 15 supersedes the two main revenue recognition standards, IAS 18, *Revenues*, and IAS 11, *Construction Contracts*, as well as the related interpretations. The core principle of this new standard is that revenue recognition should depict the transfer of goods or services in an amount that reflects the value of the consideration received or expected to be received in exchange for those goods or services. The new standard also provides more guidance on certain types of transactions and will result in enhanced revenue disclosures.

In April 2016, the IASB issued amendments to IFRS 15 to further clarify revenue recognition and transition provisions with respect to the initial application.

CRCD assessed the impact of adopting IFRS 15, which will be effective for annual periods beginning on or after January 1, 2018. Only administrative charges under revenue could be affected. The impact would be limited as the amount of the item is immaterial.

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## Notes to Separate Financial Statements

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### **IFRS 9, *Financial Instruments***

In July 2014, the IASB issued the complete and final version of IFRS 9, *Financial Instruments*, which will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 covers requirements related to the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and general hedge accounting requirements.

IFRS 9 establishes a new classification and measurement model for financial assets to determine whether a financial asset must be classified as measured at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income. This model is based on the characteristics of the contractual cash flows of the financial asset and on the business model under which it is held. For the classification and measurement of financial liabilities, the new standard essentially follows the current requirements under IAS 39.

The standard also introduces a single impairment model for financial assets that requires recognizing expected credit losses instead of incurred losses, which is the requirement under the current impairment model. The model provides for recognition of 12-month expected credit losses from the date of the initial recognition of the financial asset and to recognize lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

Lastly, IFRS 9 includes a new hedge accounting model to align hedge accounting more closely with risk management activities. However, IFRS 9 allows the existing hedge accounting requirements under IAS 39 to continue in place of the hedge accounting requirements under IFRS 9.

Based on the analysis of IFRS 9 currently underway, CRCO does not expect any significant impact on the results following adoption of this standard.

## **6 Risks associated with financial instruments**

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

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

### 7 Investments impacting the Québec economy

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

|                    |                    |  | <b>As at<br/>December 31,<br/>2016</b> |
|--------------------|--------------------|--|--|
|                    | <b>Cost<br/>\$</b> | <b>Unrealized<br/>gain (loss)<br/>\$</b> | <b>Fair<br/>value<br/>\$</b>           |
| Unsecured          |                    |  |  |
| Common shares      | 294,646            | 49,675                                   | 344,321                                |
| Preferred shares   | 198,285            | 22,062                                   | 220,347                                |
| Fund units         | 188,398            | 62,354                                   | 250,752                                |
| Loans and advances | 100,899            | 2,135                                    | 103,034                                |
| Secured            |                    |  |  |
| Loans and advances | 4,914              | (1,850)                                  | 3,064                                  |
|                    | <b>787,142</b>     | <b>134,376</b>                           | <b>921,518</b>                         |
|                    |                    |  |  |
|                    |                    |  | <b>As at<br/>December 31,<br/>2015</b> |
|                    | <b>Cost<br/>\$</b> | <b>Unrealized<br/>gain (loss)<br/>\$</b> | <b>Fair<br/>value<br/>\$</b>           |
| Unsecured          |                    |  |  |
| Common shares      | 269,092            | 21,041                                   | 290,133                                |
| Preferred shares   | 169,966            | 10,888                                   | 180,854                                |
| Fund units         | 188,195            | 47,715                                   | 235,910                                |
| Loans and advances | 104,455            | (416)                                    | 104,039                                |
| Secured            |                    |  |  |
| Loans and advances | 6,888              | (625)                                    | 6,263                                  |
|                    | <b>738,596</b>     | <b>78,603</b>                            | <b>817,199</b>                         |

Investments impacting the Québec economy include investments measured in U.S. dollars with a fair value of \$85.6 million (\$58.4 million as at December 31, 2015).

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

Loans and advances bear interest at a weighted average rate of 10.4% (11.1% as at December 31, 2015). The interest rate is fixed for substantially all interest-bearing loans and advances. For the year ended December 31, 2016, interest income recognized at the contractual rate amounted to \$12.1 million (\$13.9 million for the year ended December 31, 2015). Substantially all of the change in the fair value of loans and advances resulted from changes in credit risk.

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Loans and advances have an annual residual maturity of 3.7 years (4.0 years as at December 31, 2015) and the fair market value of the current portion is \$6.51 million (\$4.0 million as at December 31, 2015).

### Allocation of investments and funds committed by segment

Investments and funds committed are allocated by segment as follows:

| Segment                   | Investments<br>at cost<br>\$ | Unrealized<br>gain (loss)<br>\$ | Fair<br>value<br>\$ | Funds<br>committed<br>but not<br>disbursed*<br>\$ | As at<br>December 31,<br>2016 |
|---------------------------|------------------------------|---------------------------------|---------------------|---|-------------------------------|
|                           |                              |                                 |                     |   | Total<br>commitment<br>\$     |
| Manufacturing             | 366,817                      | 62,437                          | 429,254             | 25,966  | 455,220                       |
| Services                  | 206,303                      | 33,836                          | 240,139             | 1,900   | 242,039                       |
| Technological innovations | 25,624                       | (24,251)                        | 1,373               | -   | 1,373                         |
| Funds                     | 188,398                      | 62,354                          | 250,752             | 161,255   | 412,007                       |
| <b>Total</b>              | <b>787,142</b>               | <b>134,376</b>                  | <b>921,518</b>      | <b>189,121</b>                                    | <b>1,110,639</b>              |

| Segment                   | Investments<br>at cost<br>\$ | Unrealized<br>gain (loss)<br>\$ | Fair<br>value<br>\$ | Funds<br>committed<br>but not<br>disbursed*<br>\$ | As at<br>December 31,<br>2015 |
|---------------------------|------------------------------|---------------------------------|---------------------|---|-------------------------------|
|                           |                              |                                 |                     |   | Total<br>commitment<br>\$     |
| Manufacturing             | 328,212                      | 57,078                          | 385,290             | 7,947   | 393,237                       |
| Services                  | 196,540                      | (1,863)                         | 194,677             | 9,400   | 204,077                       |
| Technological innovations | 25,649                       | (24,327)                        | 1,322               | -   | 1,322                         |
| Funds                     | 188,195                      | 47,715                          | 235,910             | 153,735   | 389,645                       |
| <b>Total</b>              | <b>738,596</b>               | <b>78,603</b>                   | <b>817,199</b>      | <b>171,082</b>                                    | <b>988,281</b>                |

\* Funds committed but not disbursed are not included in CRCD's assets.

### Funds committed but not disbursed

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

| 2017<br>\$ | 2018<br>\$ | 2019<br>\$ | 2020<br>\$ | 2021 and<br>thereafter<br>\$ | Total<br>\$ |
|------------|------------|------------|------------|------------------------------|-------------|
| 83,466     | 17,931     | 12,050     | 25,283     | 50,391                       | 189,121     |

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### Investments in subsidiaries and associates

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

|                     | As at<br>December 31,<br>2016 |                     | As at<br>December 31,<br>2015 |                     |
|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|
|                     | Number                        | Fair<br>value<br>\$ | Number                        | Fair<br>value<br>\$ |
| <b>Subsidiaries</b> |                               |                     |                               |                     |
| Partner companies   | 10                            | 262,075             | 10                            | 197,018             |
| <b>Associates</b>   |                               |                     |                               |                     |
| Partner companies   | 20                            | 160,078             | 18                            | 140,217             |
| Funds               | 7                             | 225,304             | 7                             | 211,194             |

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

The increase in the number of partner companies as at December 31, 2016 resulted from the acquisition of two associates, the decrease in equity securities of a subsidiary that became an associate, the acquisition of a new subsidiary and the disposal of an associate.

Interests in the share capital of these partner companies comprise common shares and preferred shares. The percentage of equity securities held by CRCD in each of the partner companies is equal to or over 50% for the subsidiaries, and between 15% and 49% for associates. Except for a subsidiary (one subsidiary as at December 31, 2015), the voting rights for these partner companies are equivalent to the proportion of interests held.

As sponsor, CRCD has invested in certain funds over which it exercises significant influence. As at December 31, 2016, the interests are made up of units and the holding percentage varies from 20.0% to 94.6% (20.0% to 90.9% as at December 31, 2015).

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### 8 Other investments

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

|   | <b>As at<br/>December 31,<br/>2016</b> |  |                              |
|---|--|--|------------------------------|
|   | <b>Cost<br/>\$</b>                     | <b>Unrealized<br/>gain (loss)<br/>\$</b> | <b>Fair<br/>value<br/>\$</b> |
| Bonds                                     |  |  |                              |
| Federal or guaranteed                     | 252,129                                | (2,008)                                  | 250,121                      |
| Provincial, municipal or guaranteed       | 160,693                                | (1,750)                                  | 158,943                      |
| Financial institutions                    | 108,897                                | 650                                      | 109,547                      |
| Companies                                 | 60,932                                 | 793                                      | 61,725                       |
|   | 582,651                                | (2,315)                                  | 580,336                      |
| Money market instruments <sup>(1)</sup>   | 22,169                                 | -  | 22,169                       |
| Foreign exchange contracts <sup>(2)</sup> | -                                      | (433)                                    | (433)                        |
| Global equity funds                       | 102,540                                | 2,546                                    | 105,086                      |
| Real estate funds                         | 62,552                                 | 1,566                                    | 64,118                       |
| Preferred shares                          | 64,413                                 | (4,559)                                  | 59,854                       |
| <b>Total</b>                              | <b>834,325</b>                         | <b>(3,195)</b>                           | <b>831,130</b>               |

#### Breakdown of bonds by maturity date

|                                     | <b>As at<br/>December 31,<br/>2016</b> |                                |                                |                     |
|-------------------------------------|--|--------------------------------|--------------------------------|---------------------|
|                                     | <b>Under<br/>1 year<br/>\$</b>         | <b>1 to 5<br/>years<br/>\$</b> | <b>Over<br/>5 years<br/>\$</b> | <b>Total<br/>\$</b> |
| Cost                                | 1,049                                  | 229,734                        | 351,868                        | 582,651             |
| Par value                           | 1,000                                  | 228,827                        | 371,068                        | 600,895             |
| Fair value                          | 1,045                                  | 230,145                        | 349,146                        | 580,336             |
| Average nominal rate <sup>(3)</sup> | 6.50%                                  | 2.10%                          | 2.14%                          | 2.13%               |
| Average effective rate              | 6.50%                                  | 1.94%                          | 2.20%                          | 2.11%               |

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

|   | As at<br>December 31,<br>2015 |                                 |                     |
|---|-------------------------------|---------------------------------|---------------------|
|   | Cost<br>\$                    | Unrealized<br>gain (loss)<br>\$ | Fair<br>value<br>\$ |
| Bonds                                     |                               |                                 |                     |
| Federal or guaranteed                     | 304,466                       | 2,670                           | 307,136             |
| Provincial, municipal or guaranteed       | 155,934                       | 1,112                           | 157,046             |
| Financial institutions                    | 136,165                       | 1,939                           | 138,104             |
| Companies                                 | 61,232                        | 1,025                           | 62,257              |
|   | 657,797                       | 6,746                           | 664,543             |
| Preferred shares                          | 37,607                        | -                               | 37,607              |
| Money market instruments <sup>(1)</sup>   | -                             | 562                             | 562                 |
| Real estate funds                         | 12,790                        | 346                             | 13,136              |
| Global equity funds                       | 87,935                        | (10,179)                        | 77,756              |
| Foreign exchange contracts <sup>(2)</sup> |                               |                                 |                     |
| <b>Total</b>                              | <b>796,129</b>                | <b>(2,525)</b>                  | <b>793,604</b>      |

### Breakdown of bonds by maturity date

|                                     | As at<br>December 31,<br>2015 |                       |                       |             |
|-------------------------------------|-------------------------------|-----------------------|-----------------------|-------------|
|                                     | Under<br>1 year<br>\$         | 1 to 5<br>years<br>\$ | Over<br>5 years<br>\$ | Total<br>\$ |
| Cost                                | 6,694                         | 325,056               | 326,047               | 657,797     |
| Par value                           | 6,634                         | 320,614               | 339,960               | 667,208     |
| Fair value                          | 6,756                         | 328,289               | 329,498               | 664,543     |
| Average nominal rate <sup>(3)</sup> | 3.64%                         | 2.52%                 | 2.45%                 | 2.49%       |
| Average effective rate              | 2.66%                         | 2.05%                 | 2.34%                 | 2.20%       |

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

<sup>(2)</sup> Foreign exchange contracts to sell US\$82.3 million have three-month maturities (US\$62.7 million as at December 31, 2015).

<sup>(3)</sup> Substantially all bonds bear interest at a fixed rate.

Other investments include global equity funds which represent foreign currency exposure with a fair value of \$95.8 million (nil as at December 31, 2015).

# Capital régional et coopératif Desjardins

## Notes to Separate Financial Statements

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### Funds committed but not disbursed

Funds committed but not disbursed represent investments in the real estate funds that have been agreed upon and for which amounts have been committed by CRCD but not yet disbursed at the reporting date. The estimated instalments over the coming years ended December 31 are as follows:

| 2017   | 2018 | 2019 | 2020 | 2021 and thereafter | Total  |
|--------|------|------|------|---------------------|--------|
| \$     | \$   | \$   | \$   | \$                  | \$     |
| 18,067 | -    | -    | -    | -                   | 18,067 |

## 9 Fair value of financial instruments

### Hierarchy levels of financial instruments measured at fair value

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

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

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

|   | As at<br>December 31,<br>2016 |                |                  |                  |
|---|-------------------------------|----------------|------------------|------------------|
|   | Level 1<br>\$                 | Level 2<br>\$  | Level 3<br>\$    | Total<br>\$      |
| <b>Financial assets</b>   |                               |                |                  |                  |
| Investments impacting the Québec economy                                      | 576                           | -              | 920,942          | 921,518          |
| Other investments   | 534,359                       | 232,653        | 64,118           | 831,130          |
| Amounts receivable on disposal of investments<br>impacting the Québec economy | -                             | -              | 27,469           | 27,469           |
| <b>Total financial assets</b>   | <b>534,935</b>                | <b>232,653</b> | <b>1,012,529</b> | <b>1,780,117</b> |
| <b>Financial liabilities</b>  |                               |                |                  |                  |
| Notes payable and financial liabilities                                       | -                             | -              | 25,233           | 25,233           |



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

|   |                |                |                | As at<br>December 31,<br>2015 |
|---|----------------|----------------|----------------|-------------------------------|
|   | Level 1<br>\$  | Level 2<br>\$  | Level 3<br>\$  | Total<br>\$                   |
| <b>Financial assets</b>   |                |                |                |                               |
| Investments impacting the Québec economy                                      | 826            | -              | 816,373        | 817,199                       |
| Other investments   | 525,929        | 254,539        | 13,136         | 793,604                       |
| Amounts receivable on disposal of investments<br>impacting the Québec economy | -              | -              | 28,846         | 28,846                        |
| <b>Total financial assets</b>   | <b>526,755</b> | <b>254,539</b> | <b>858,355</b> | <b>1,639,649</b>              |
| <b>Financial liabilities</b>  |                |                |                |                               |
| Notes payable and financial liabilities                                       | -              | -              | 26,309         | 26,309                        |

Transfers between hierarchy levels of financial instruments measured at fair value are made at the reporting date. No transfers between hierarchy levels took place during the year ended December 31, 2016 and 2015.

### Level 3 financial instruments

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

|   |   |                            |  | As at<br>December 31,<br>2016                       |
|---|---|----------------------------|--|---|
|   | Investments<br>impacting<br>the Québec<br>economy<br>\$ | Other<br>investments<br>\$ | Amounts<br>receivable on<br>disposal of<br>investments<br>impacting<br>the Québec<br>economy<br>\$ | Notes payable<br>and financial<br>liabilities<br>\$ |
| <b>Fair value as at December 31, 2015</b>   | 816,373   | 13,136                     | 28,846   | (26,309)  |
| Realized gains (losses)   | 18,128  | -                          | (243)  | (87)  |
| Unrealized gains (losses)   | 56,022  | 1,221                      | -  | 670   |
| Acquisitions/issuances  | 119,580   | 49,761                     | 1,883  | -   |
| Disposals/repayments  | (89,161)  | -                          | (3,017)  | 493   |
| <b>Fair value as at December 31, 2016</b>   | <b>920,942</b>  | <b>64,118</b>              | <b>27,469</b>  | <b>(25,233)</b>                                     |
| Unrealized gains (losses) in comprehensive<br>income on investments and notes<br>payable and financial liabilities as at<br>December 31, 2016 | 64,061  | 1,221                      | -  | 658   |

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

|   | As at<br>December 31,<br>2015                           |                            |  |   |
|---|---|----------------------------|--|---|
|   | Investments<br>impacting<br>the Québec<br>economy<br>\$ | Other<br>investments<br>\$ | Amounts<br>receivable on<br>disposal of<br>investments<br>impacting<br>the Québec<br>economy<br>\$ | Notes payable<br>and financial<br>liabilities<br>\$ |
| <b>Fair value as at December 31, 2014</b>   | 710,029   | 2,986                      | 22,134   | (22,148)  |
| Realized gains (losses)   | 22,971  | -                          | 13,853   | (3,390)   |
| Unrealized gains (losses)   | 43,104  | 337                        | -  | (833)   |
| Acquisitions/issuances  | 169,965   | 10,186                     | 5,392  | -   |
| Disposals/repayments  | (129,696)   | (373)                      | (12,533)   | 62  |
| <b>Fair value as at December 31, 2015</b>   | <b>816,373</b>  | <b>13,136</b>              | <b>28,846</b>  | <b>(26,309)</b>                                     |
| Unrealized gains (losses) in comprehensive<br>income on investments and notes<br>payable and financial liabilities as at<br>December 31, 2015 | 56,948  | 337                        | -  | (976)   |

# Capital régional et coopératif Desjardins

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

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

|   |                     |                              |   | As at<br>December 31,<br>2016           |
|---|---------------------|------------------------------|---|---|
|   | Fair<br>value<br>\$ | Main valuation<br>techniques | Unobservable<br>inputs                        | Input value range<br>(weighted average) |
| <b>Investments impacting the Québec economy</b>                                   |                     |                              |   |   |
| Loans and advances  | 38,094              | Discounted cash flows        | Required return                               | 5.3% to 19.1% (8.6%)                    |
| Non-participating shares  | 136,159             | Discounted cash flows        | Required return                               | 4.6% to 7.8% (5.2%)                     |
| Participating controlling shares  | 225,183             | Capitalized cash flows       | Capitalization rate                           | 7.4% to 10.0% (8.8%)                    |
|   |                     |                              | % of representative cash flows <sup>(1)</sup> | 7.5% to 25.4% (13.3%)                   |
|   | 28,498              | Recent transactions and bids | Paid/bid price                                | -                                       |
|   | 8,394               | Restated net assets          | Entity's net assets                           | -                                       |
| Participating non-controlling shares  | 144,159             | Capitalized cash flows       | Capitalization rate                           | 6.9% to 16.1% (10.0%)                   |
|   |                     |                              | % of representative cash flows <sup>(1)</sup> | 6.0% to 39.6% (15.9%)                   |
|   | 64,132              | Recent transactions and bids | Paid/bid price                                | -                                       |
|   | 21,659              | Restated net assets          | Entity's net assets                           | -(2)                                    |
|   | 3,912               | Other <sup>(3)</sup>         | -   | -                                       |
| Fund units  | <u>250,752</u>      | Restated net assets          | Fund's net assets                             | -(2)                                    |
|   | <u>920,942</u>      |                              |   |   |
| <b>Other investments – Real estate fund</b>                                       | 64,118              | Restated net assets          | Fund's net assets                             | -(2)                                    |
| <b>Amounts receivable on disposal of investments impacting the Québec economy</b> | 27,469              | Discounted cash flows        | Required return                               | 0.4% to 10.0% (5.4%)                    |
| <b>Notes payable and financial liabilities</b>                                    | (25,233)            | Miscellaneous                | -   | -                                       |

# Capital régional et coopératif Desjardins

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

|   |                     |                              |   | As at<br>December 31,<br>2015           |                     |
|---|---------------------|------------------------------|---|---|---------------------|
|   | Fair<br>value<br>\$ | Main valuation<br>techniques | Unobservable<br>inputs                        | Input value range<br>(weighted average) |                     |
| <b>Investments impacting the Québec economy</b>                                   |                     |                              |   |   |                     |
| Loans and advances  | 49,283              | Discounted cash flows        | Required return                               | 7.3% to 26.3% (11.2%)                   |                     |
| Non-participating shares  | 129,168             | Discounted cash flows        | Required return                               | 5.2% to 10.2% (5.8%)                    |                     |
| Participating controlling shares  | 165,286             | Capitalized cash flows       | Capitalization rate                           | 8.5% to 12.1% (9.6%)                    |                     |
|   |                     |                              | % of representative cash flows <sup>(1)</sup> | 8.4% to 17.4% (10.9%)                   |                     |
| Participating non-controlling shares  | 31,733              | Recent transactions and bids | Paid/bid price                                | -                                       |                     |
|   |                     |                              | Capitalization rate                           | 7.2% to 16.4% (9.8%)                    |                     |
|   |                     |                              | % of representative cash flows <sup>(1)</sup> | 1.4% to 28.5% (12.1%)                   |                     |
|   |                     |                              | Paid/bid price                                | -                                       |                     |
| Fund units  | 17,973              | Restated net assets          | Entity's net assets                           | -(2)                                    |                     |
|   |                     |                              | 2,775   | Other <sup>(3)</sup>                    | -                   |
|   |                     |                              |   |   | Restated net assets |
|   | <u>235,911</u>      |                              |   |   |                     |
|   | <u>816,373</u>      |                              |   |   |                     |
| <b>Other investments – Real estate fund</b>                                       | 13,136              | Restated net assets          | Fund's net assets                             | -(2)                                    |                     |
| <b>Amounts receivable on disposal of investments impacting the Québec economy</b> | 28,846              | Discounted cash flows        | Required return                               | 0.5% to 12.0% (6.2%)                    |                     |
| <b>Notes payable and financial liabilities</b>                                    | (26,309)            | Miscellaneous                | -   | -                                       |                     |

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

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

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

# Capital régional et coopératif Desjardins

## Notes to Separate Financial Statements

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

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

### *Sensitivity of fair value to unobservable inputs*

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

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

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

#### *Participating shares – Capitalized cash flows*

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

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

|                                      | <b>As at<br/>December 31,<br/>2016</b> | <b>As at<br/>December 31,<br/>2015</b> |
|--------------------------------------|--|--|
| Participating controlling shares     | +/- 0.5%                               | +/- 0.3%                               |
| Participating non-controlling shares | +/- 0.4%                               | +/- 0.4%                               |

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

# Capital régional et coopératif Desjardins

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### *Participating shares – Recent transactions and bids*

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

### *Fund units – Restated net assets*

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

### *Other valuation techniques*

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

## 10 Accounts receivable

|   | <b>As at<br/>December 31,<br/>2016<br/>\$</b> | <b>As at<br/>December 31,<br/>2015<br/>\$</b> |
|---|---|---|
| Interest, dividends and distributions receivable on investments               | 7,945   | 7,299   |
| Amounts receivable on disposal of investments impacting<br>the Québec economy | 27,469  | 28,846  |
|   | <u>35,414</u>                                 | <u>36,145</u>                                 |

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The change in fair value of amounts receivable on disposal of investments impacting the Québec economy is not attributable to changes in credit risk. These amounts receivable include amounts denominated in U.S. dollars for \$25.6 million (\$27.3 million as at December 31, 2015).

Based on the information available as at the reporting date and the assumptions made as to the timing of collection, CRCD expects to collect accounts receivable with a fair value of \$21.0 million (\$26.9 million as at December 31, 2015) no later than 12 months after the reporting date.

### 11 Cash and cash equivalents

|                          | As at<br>December 31,<br>2016<br>\$ | As at<br>December 31,<br>2015<br>\$ |
|--------------------------|-------------------------------------|-------------------------------------|
| Cash                     | 13,021                              | 12,244                              |
| Money market instruments | 6,096                               | 20,351                              |
|                          | 19,117                              | 32,595                              |

### 12 Notes payable and financial liabilities

On November 30, 2010, CRCD acquired from Desjardins Venture Capital L.P., a subsidiary of Fédération des caisses Desjardins du Québec, investments impacting the Québec economy with a fair value of \$17.6 million as consideration for notes of an equal initial value. Each note payable is related to one of the acquired investments and contains a provision under which the amount payable shall be adjusted based on the amounts received by CRCD on the sale of the related investment. If the amount received by CRCD at the time of sale is less than the initial cost of the investment, the amount of the note will be adjusted based on the amount received. However, if the amount received by CRCD at the time of disposal is more than the initial cost of the investment, the amount of the note will be increased by 70% of the realized gain. Management fees assumed by CRCD in respect of investments between their dates of acquisition and their dates of disposal are deducted from the amount of the related note.

Notes payable had an initial maturity of three years and were renewed up to May 31, 2017.

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

As at December 31, 2016, notes payable and financial liabilities with a fair value of \$23.1 million were related to investments impacting the Québec economy measured in U.S. dollars (\$24.1 million as at December 31, 2015).

## Capital régional et coopératif Desjardins

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

### 13 Accounts payable

|  | As at<br>December 31,<br>2016<br>\$ | As at<br>December 31,<br>2015<br>\$ |
|--|-------------------------------------|-------------------------------------|
| Trade payables and accrued liabilities | 4,571                               | 1,817                               |
| Other                                  | 1,496                               | 2,727                               |
|  | 6,067                               | 4,544                               |

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

### 14 Line of credit

CRCD has an authorized line of credit of \$50 million with Caisse centrale Desjardins (\$10 million as at December 31, 2015), bearing interest at the operating credit rate of Caisse centrale Desjardins plus 0.5%. This line of credit is secured by a portion of the money market instruments and bonds recorded in other investments and is renewable annually. As at December 31, 2016 and 2015, the line of credit was undrawn and was not used during the year then ended.

### 15 Share capital

#### Authorized

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

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



# Capital régional et coopératif Desjardins

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

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

On February 28, 2014, CRCD reached its capitalization limit. Despite the provisions of its constituting act, the Minister of Finance of Québec in his Budget Speech of March 17, 2016, authorized CRCD exceptionally to raise a maximum amount of \$135 million for each of the capitalization periods from March 1, 2016 to February 28, 2017 and from March 1, 2017 to February 28, 2018. The provincial tax credit granted by the Québec government for purchasing shares was set at 40%.

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

CRCD is required to pay share issuance costs. Those costs are presented net of taxes, as a deduction from share capital. For the year ended December 31, 2016, share issuance costs amounted to \$1.6 million (\$1.7 million for the year ended December 31, 2015).

# Capital régional et coopératif Desjardins

## Notes to Separate Financial Statements

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### Issued

The net assets of CRCD as at December 31, 2016 totalled \$1,789.4 million broken down by issue as follows:

| Issue             | Issue price<br>\$        | Balance*<br>\$M | Eligible for<br>redemption |
|-------------------|--------------------------|-----------------|----------------------------|
| 2001              | 10.00                    | 28.1            | 2008                       |
| 2002              | 10.00                    | 77.8            | 2009                       |
| 2003              | 10.12<br>and 10.24       | 39.2            | 2010                       |
| 2004              | 10.25                    | 48.6            | 2011                       |
| 2005              | 10.25                    | 53.8            | 2012                       |
| 2006              | 10.37<br>and 10.21       | 52.4            | 2013                       |
| 2007              | 10.21<br>and 9.92        | 73.3            | 2014                       |
| 2008              | 9.89<br>9.83<br>and 9.54 | 122.2           | 2015                       |
| 2009              | 9.54<br>9.62<br>and 9.73 | 173.7           | 2016                       |
| 2010              | 9.73<br>and 9.80         | 200.3           | 2017                       |
| 2011              | 9.91<br>and 10.02        | 198.0           | 2018                       |
| 2012              | 11.02                    | 178.8           | 2019                       |
| 2013              | 11.47                    | 172.3           | 2020                       |
| 2014              | 11.92                    | 69.8            | 2021                       |
| 2015              | 12.05                    | 164.3           | 2022                       |
| 2016              | 12.93                    | 136.8           | 2023                       |
| <b>Net assets</b> |                          | <b>1,789.4</b>  |                            |

\* Calculated as net asset value per share as at December 31, 2016

### Redemption criteria

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

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

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

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

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

### **Tax credit**

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

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

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

## **16 Capital disclosures**

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

CRCD is not subject to any external capital requirements other than those governing the issuance and redemption of its shares, as indicated in note 15.

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

# Capital régional et coopératif Desjardins

## Notes to Separate Financial Statements

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

### 17 Expenses

|   | 2016<br>\$ | 2015<br>\$ |
|---|------------|------------|
| <b>Other operating expenses</b>   |            |            |
| Audit fees  | 189        | 201        |
| Compensation of members of the Board of Directors and<br>its committees | 695        | 679        |
| Professional services fees  | 441        | 120        |
| Custodial and trustee fees  | 111        | 134        |
| IT expenses   | 1,369      | 889        |
| Share distribution automation fees                                      | 1,030      | 259        |
| Other expenses  | 1,154      | 408        |
|   | 4,989      | 2,690      |
| <b>Shareholder services</b>   |            |            |
| Trustee fees  | 1,656      | 1,553      |
| Reporting to shareholders   | 249        | 343        |
| Other expenses  | 239        | 203        |
|   | 2,144      | 2,099      |

### 18 Income taxes

#### Income tax expense

Income tax expense is detailed as follows:

|          | 2016  |  | 2015  |  |
|----------|---|--|---|--|
|          | Statement of<br>Comprehensive<br>Income<br>\$ | Statement of<br>Changes in<br>Net Assets<br>\$ | Statement of<br>Comprehensive<br>Income<br>\$ | Statement of<br>Changes in<br>Net Assets<br>\$ |
| Current  | 2,228   | (778)  | 5,202   | (578)  |
| Deferred | 707   | (237)  | (924)   | (584)  |
|          | 2,935   | (1,015)  | 4,278   | (1,162)  |

# Capital régional et coopératif Desjardins

## Notes to Separate Financial Statements

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

### Reconciliation of the income tax rate

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

|   | 2016<br>\$   | 2015<br>\$   |
|---|--------------|--------------|
| Income taxes at the combined basic tax rate of 39.9%  | 35,468       | 31,555       |
| Permanent differences between earnings before income taxes and taxable income and other items |              |              |
| Realized and unrealized losses (gains) on investments   | (27,287)     | (21,614)     |
| Non-taxable dividends   | (6,557)      | (5,653)      |
| Other   | 1,311        | (10)         |
|   | <u>2,935</u> | <u>4,278</u> |

### Income tax balance

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

|                                       | As at<br>December 31,<br>2016<br>\$ | As at<br>December 31,<br>2015<br>\$ |
|---------------------------------------|-------------------------------------|-------------------------------------|
| <b>Assets</b>                         |                                     |                                     |
| Deferred taxes – Share issue expenses | 1,939                               | 1,702                               |
| Deferred taxes – Other                | (1,482)                             | (775)                               |
| Refundable tax on hand                | 13,505                              | 12,119                              |
| Income taxes recoverable              | 5,672                               | 691                                 |
|                                       | <u>19,634</u>                       | <u>13,737</u>                       |

CRCD expects to recover \$7.6 million (\$2.4 million recoverable as at December 31, 2015) in income taxes no later than 12 months after the reporting date.

## 19 Related party transactions

Related parties include Desjardins Venture Capital (“DVC”), CRCD’s manager, which is a subsidiary of Fédération des caisses Desjardins du Québec and is part of Desjardins Group. CRCD is therefore indirectly related to Desjardins Group. Related parties also include CRCD’s key management personnel.

- CRCD has entrusted DVC with its management and operations, in accordance with the strategies and objectives approved by the Board of Directors. The five-year management agreement is effective January 1, 2013. The agreement provides for the invoicing of separate fees for the Desjardins caisse network’s contribution in distributing the CRCD shares. Under the management agreement, certain governance expenses are allocated to CRCD. Negotiation fees are earned by DVC with a credit of an equal amount applied against CRCD’s management fees.

## Capital régional et coopératif Desjardins

### Notes to Separate Financial Statements

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

Under this agreement, CRCD was committed until December 31, 2015 to pay management fees equal to 2.02% of CRCD's annual average asset value, less any amounts payable related to Investments impacting the Québec economy and Other investments. A downward adjustment of \$1.65 million was made for fiscal 2016. This adjustment, granted in connection with the fee negotiations currently underway for 2017 and subsequent years, in particular reflects the economies of scale achieved by DVC with regard to the growth of CRCD's assets and the increase in the balance of CRCD shares eligible for redemption over the last few years. An adjustment is made to the management fees charged to CRCD to avoid double billing relative to CRCD's interest in some funds. The rate of 2.02% will remain the same or be revised downward as of fiscal 2016, as any upward revision has been ruled out.

- CRCD has appointed Desjardins Trust Inc. as shareholder registrar and share transfer agent. Desjardins Trust also acts as an intermediary for various shareholder support services. Since CRCD began operations, Desjardins Trust has represented the largest component of CRCD's shareholder service expenses. This agreement came into effect on July 1, 2016 and will remain in force until December 31, 2020. The fee structure remains unchanged.
- CRCD has entrusted Desjardins Trust with custody services for its assets. The custody and administration agreement became effective on May 1, 2009. Its term is indefinite unless one or the other of the parties, on prior written notice of at least 90 days, decides to terminate it.
- CRCD has appointed Fédération des caisses Desjardins du Québec to distribute its shares through the Desjardins caisse network. This agreement came into effect on July 1, 2016 and will remain in force until December 31, 2020. Under this agreement, CRCD agreed to pay \$325,000 in annual fees until December 31, 2017. These fees could be subject to a revision in fiscal 2018 or subsequent years. CRCD further agreed to pay project fees, as needed, to cover work required to upgrade the tools and applications supporting the CRCD share distribution processes.
- CRCD has entrusted the Desjardins caisse network with issuing its shares.
- CRCD has entrusted Caisse centrale Desjardins, which was amalgamated with the Fédération des caisses Desjardins du Québec on January 1, 2017, with the banking operations related to its day-to-day activities and its role as counterparty in foreign exchange contracts.
- CRCD has appointed Desjardins Securities as its full service broker, to serve as an intermediary for buying and selling shares traded on public markets.
- CRCD has entrusted Groupe Technologies Desjardins with its IT development strategy (IT master plan), particularly the implementation and upgrading of a new investment management software.
- CRCD holds securities issued by Caisse centrale Desjardins in its Other investments portfolio.

# Capital régional et coopératif Desjardins

## Notes to Separate Financial Statements

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

### Related party transactions

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

|  | As at<br>December 31,<br>2016 |                                    |             | As at<br>December 31,<br>2015 |                                    |             |
|--|-------------------------------|------------------------------------|-------------|-------------------------------|------------------------------------|-------------|
|  | DVC<br>\$                     | Other<br>related<br>parties*<br>\$ | Total<br>\$ | DVC<br>\$                     | Other<br>related<br>parties*<br>\$ | Total<br>\$ |
| <b>Balance Sheets</b>                            |                               |                                    |             |                               |                                    |             |
| <b>Assets</b>                                    |                               |                                    |             |                               |                                    |             |
| Other investments                                | -                             | 4,968                              | 4,968       | -                             | 9,653                              | 9,653       |
| Interest and dividends receivable on investments | -                             | 31                                 | 31          | -                             | 73                                 | 73          |
| Cash   | -                             | 13,213                             | 13,213      | -                             | 12,387                             | 12,387      |
| <b>Liabilities</b>                               |                               |                                    |             |                               |                                    |             |
| Notes payable and financial liabilities          | -                             | 19,850                             | 19,850      | -                             | 20,556                             | 20,556      |
| Accounts payable                                 | 1,496                         | 3,031                              | 4,527       | 2,727                         | 397                                | 3,124       |
| <hr/>  |                               |                                    |             |                               |                                    |             |
|  | 2016                          |                                    |             | 2015                          |                                    |             |
|  | DVC<br>\$                     | Other<br>related<br>parties*<br>\$ | Total<br>\$ | DVC<br>\$                     | Other<br>related<br>parties*<br>\$ | Total<br>\$ |
| <b>Statements of Comprehensive Income</b>        |                               |                                    |             |                               |                                    |             |
| Revenue  |                               |                                    |             |                               |                                    |             |
| Interest   | -                             | 110                                | 110         | -                             | 166                                | 166         |
| Gains (losses) on investments                    | -                             | 2,339                              | 2,339       | -                             | (12,134)                           | (12,134)    |
| Expenses   |                               |                                    |             |                               |                                    |             |
| Management fees                                  | 27,293                        | -                                  | 27,293      | 25,431                        | -                                  | 25,431      |
| Other operating expenses                         | -                             | 2,374                              | 2,374       | -                             | 1,466                              | 1,466       |
| Shareholder services                             | -                             | 1,656                              | 1,656       | -                             | 1,553                              | 1,553       |
| <b>Statements of Changes in Net Assets</b>       |                               |                                    |             |                               |                                    |             |
| Share issue expenses                             | -                             | 2,535                              | 2,535       | -                             | 2,845                              | 2,845       |

\* Other related parties include Fédération des caisses Desjardins du Québec and its subsidiaries, namely Caisse centrale Desjardins, Capital Desjardins, Desjardins Securities, Desjardins Venture Capital L.P., Groupe Technologies Desjardins and Desjardins Trust. They also include Desjardins caisse network and the Desjardins Group Pension Plan.

### Key management personnel compensation

CRCD's key management personnel are the members of the Board of Directors. For the year ended December 31, 2016, compensation of key management personnel comprised solely short-term benefits in the amount of \$511,000 (\$495,000 for the year ended December 31, 2015).

## **Capital régional et coopératif Desjardins**

Audited schedule of cost of investments impacting  
the Québec economy

**As at December 31, 2016**



February 16, 2017

**To the Shareholders of  
Capital régional et coopératif Desjardins**

We have audited the accompanying schedule of cost of investments impacting the Quebec economy (the schedule) of Capital régional et coopératif Desjardins as at December 31, 2016. The financial information has been prepared by management of Capital régional et coopératif Desjardins based on the dispositions of article 18 of the Regulation respecting development capital investment fund continuous disclosure.

**Management's responsibility for the schedule**

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

**Auditor's responsibility**

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to management's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

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



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

**Opinion**

In our opinion, the schedule of cost of investments impacting the Quebec economy of Capital régional et coopératif Desjardins as at December 31, 2016 is prepared, in all material respects, in accordance with the dispositions of article 18 of the Regulation respecting development capital investment fund continuous disclosure.

*PricewaterhouseCoopers LLP<sup>1</sup>*

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A111799

# Capital régional et coopératif Desjardins

## Audited schedule of cost of investments impacting the Québec economy

### As at December 31, 2016

(in thousands of dollars)

|  | Initial investment year | Industry segment | Unsecured investments                       |                    | Secured investments | Total \$      |
|--|-------------------------|------------------|---|--------------------|---------------------|---------------|
|  |                         |                  | Common and preferred shares and funds units | Loans and advances | Loans and advances  |               |
|  |                         |                  |   |                    |                     |               |
| <b>Abitibi-Témiscamingue</b>                   |                         |                  |   |                    |                     |               |
| Norbell Électrique inc.                        | 2010                    | S                | -   | 74                 | -                   | 74            |
| Trim Line de l'Abitibi inc.                    | 2009                    | S                | 125   | 12                 | -                   | 137           |
| Vézeau et frères inc.                          | 2009                    | S                | -   | 110                | -                   | 110           |
| <b>Total Abitibi-Témiscamingue</b>             |                         |                  | <b>125</b>                                  | <b>196</b>         | <b>-</b>            | <b>321</b>    |
| <b>Bas-Saint-Laurent</b>                       |                         |                  |   |                    |                     |               |
| Fonderie BSL inc.                              | 2010                    | M                | -   | 6                  | -                   | 6             |
| Télécommunications Denis Gignac inc.           | 2010                    | S                | -   | 500                | -                   | 500           |
| <b>Total Bas-Saint-Laurent</b>                 |                         |                  | <b>-</b>                                    | <b>506</b>         | <b>-</b>            | <b>506</b>    |
| <b>Capitale-Nationale</b>                      |                         |                  |   |                    |                     |               |
| Boutique Le Pentagone inc.                     | 2008                    | S                | 3,261                                       | -                  | 184                 | 3,445         |
| Congébec Logistique II inc.                    | 2015                    | S                | 26,589                                      | 5,301              | -                   | 31,890        |
| Frima Studio inc.                              | 2008                    | S                | -   | -                  | 300                 | 300           |
| Gecko Alliance Group inc.                      | 2016                    | M                | 14,772                                      | 13,073             | -                   | 27,845        |
| Groupe conseil NOVO SST inc.                   | 2013                    | S                | 750   | 1,689              | -                   | 2,439         |
| Groupe Humagade inc. (Bandsintown Canada inc.) | 2006                    | TI               | 11,190                                      | 38                 | -                   | 11,228        |
| Jobillico inc.                                 | 2015                    | S                | 1,020                                       | 5,580              | -                   | 6,600         |
| Obzerv Technologies inc.                       | 2010                    | M                | 1,500                                       | -                  | -                   | 1,500         |
| OptoSecurity inc.                              | 2007                    | TI               | -   | 939                | -                   | 939           |
| Simard Suspensions inc.                        | 2009                    | M                | -   | 95                 | -                   | 95            |
| <b>Total Capitale-Nationale</b>                |                         |                  | <b>59,082</b>                               | <b>26,715</b>      | <b>484</b>          | <b>86,281</b> |
| <b>Centre-du-Québec</b>                        |                         |                  |   |                    |                     |               |
| Avjet Holding inc.                             | 2009                    | S                | 3,732                                       | 3,383              | -                   | 7,115         |
| CBR Laser inc.                                 | 2012                    | M                | -   | 12,680             | -                   | 12,680        |
| Citadelle, Maple Syrup Producers' Cooperative  | 2016                    | M                | 4,500                                       | -                  | -                   | 4,500         |
| Farinart inc.                                  | 2010                    | M                | 250   | -                  | -                   | 250           |
| Groupe Anderson inc.                           | 2007                    | M                | 3,586                                       | -                  | -                   | 3,586         |
| Industries ACM Canada inc.                     | 2013                    | M                | -   | -                  | 1,494               | 1,494         |
| <b>Total Centre-du-Québec</b>                  |                         |                  | <b>12,068</b>                               | <b>16,063</b>      | <b>1,494</b>        | <b>29,625</b> |
| <b>Chaudière - Appalaches</b>                  |                         |                  |   |                    |                     |               |
| C.I.F. Métal Itée                              | 2005                    | M                | 1,497                                       | -                  | -                   | 1,497         |
| Fournier Industries Group inc.                 | 2013                    | M                | 17,000                                      | 2,821              | -                   | 19,821        |
| Groupe Filgo inc.                              | 2012                    | S                | 13,961                                      | -                  | -                   | 13,961        |
| Horisol Coopérative de travailleurs            | 2008                    | M                | -   | 131                | -                   | 131           |
| Hortau inc.                                    | 2010                    | M                | 1,605                                       | -                  | -                   | 1,605         |
| Marquis Book Printing inc.                     | 2007                    | M                | 2,970                                       | 1,098              | -                   | 4,068         |
| Produits de plancher Finitec inc.              | 2007                    | M                | -   | 198                | -                   | 198           |
| <b>Total Chaudière - Appalaches</b>            |                         |                  | <b>37,033</b>                               | <b>4,248</b>       | <b>-</b>            | <b>41,281</b> |

# Capital régional et coopératif Desjardins

## Audited schedule of cost of investments impacting the Québec economy

### As at December 31, 2016

(in thousands of dollars)

|   | Initial investment year | Industry segment | Unsecured investments                       |                    | Secured investments | Total \$      |
|---|-------------------------|------------------|---|--------------------|---------------------|---------------|
|   |                         |                  | Common and preferred shares and funds units | Loans and advances | Loans and advances  |               |
|   |                         |                  |   |                    |                     |               |
| <b>Côte-Nord</b>  |                         |                  |   |                    |                     |               |
| 9274-4192 Québec inc. (Boisaco)                                     | 2013                    | M                | 464   | -                  | -                   | 464           |
| <b>Total Côte-Nord</b>  |                         |                  | <b>464</b>                                  | <b>-</b>           | <b>-</b>            | <b>464</b>    |
| <b>Eastern Townships</b>  |                         |                  |   |                    |                     |               |
| Balances M. Dodier inc. (Les)                                       | 2011                    | S                | -   | 183                | -                   | 183           |
| Camsco inc.   | 2002                    | M                | 8,935                                       | -                  | -                   | 8,935         |
| Coopérative de travailleurs actionnaire Filage Sherbrooke (FilSpec) | 2004                    | M                | -   | 289                | -                   | 289           |
| Coopérative funéraire de l'Estrie                                   | 2006                    | S                | -   | 538                | -                   | 538           |
| Éco-Pak inc. (2948-4292 Québec inc.)                                | 2008                    | S                | -   | 138                | -                   | 138           |
| Électro-5 inc.  | 2009                    | S                | -   | 22                 | -                   | 22            |
| Engrenages Sherbrooke inc. (Les)                                    | 2013                    | M                | -   | 363                | -                   | 363           |
| Exo-s-inc.  | 2012                    | M                | 20,572                                      | 8,444              | -                   | 29,016        |
| FilSpec inc.  | 2004                    | M                | 1,366                                       | -                  | -                   | 1,366         |
| Imprimerie Précis-Grafik inc.                                       | 2009                    | M                | 1,500                                       | 610                | -                   | 2,110         |
| Kemestrie inc.  | 2010                    | TI               | 528   | -                  | -                   | 528           |
| L.P. Royer inc.   | 2010                    | M                | -   | 1,505              | -                   | 1,505         |
| Ocera Therapeutics inc.   | 2003                    | TI               | 10,569                                      | -                  | -                   | 10,569        |
| <b>Total Eastern Townships</b>                                      |                         |                  | <b>43,470</b>                               | <b>12,092</b>      | <b>-</b>            | <b>55,562</b> |
| <b>Gaspésie-Îles-de-la-Madeleine</b>                                |                         |                  |   |                    |                     |               |
| Éocycle Technologies inc.   | 2004                    | M                | 2,403                                       | -                  | -                   | 2,403         |
| <b>Total Gaspésie-Îles-de-la-Madeleine</b>                          |                         |                  | <b>2,403</b>                                | <b>-</b>           | <b>-</b>            | <b>2,403</b>  |
| <b>Lanaudière</b>   |                         |                  |   |                    |                     |               |
| Groupe Composites VCI inc.  | 2007                    | M                | 2,250                                       | -                  | -                   | 2,250         |
| <b>Total Lanaudière</b>   |                         |                  | <b>2,250</b>                                | <b>-</b>           | <b>-</b>            | <b>2,250</b>  |
| <b>Mauricie</b>   |                         |                  |   |                    |                     |               |
| Classement Luc Beaudoin inc. (9289-8907 Qc inc.)                    | 2013                    | S                | -   | 461                | -                   | 461           |
| Groupe Telecon  | 2011                    | S                | 48,390                                      | 5,588              | -                   | 53,978        |
| Innovations Voltflex inc.   | 2006                    | M                | 17  | -                  | -                   | 17            |
| Louiseville Specialty Products inc.                                 | 2004                    | M                | -   | 891                | -                   | 891           |
| <b>Total Mauricie</b>   |                         |                  | <b>48,407</b>                               | <b>6,940</b>       | <b>-</b>            | <b>55,347</b> |

# Capital régional et coopératif Desjardins

## Audited schedule of cost of investments impacting the Québec economy

### As at December 31, 2016

(in thousands of dollars)

|   | Initial investment year | Industry segment | Unsecured investments                          |                       | Secured investments   | Total \$       |
|---|-------------------------|------------------|--|-----------------------|-----------------------|----------------|
|   |                         |                  | Common and preferred shares and funds units \$ | Loans and advances \$ | Loans and advances \$ |                |
|   |                         |                  |  |                       |                       |                |
| <b>Montréal</b>                                   |                         |                  |  |                       |                       |                |
| 9523383 Canada inc. (C.A.T.)                      | 2016                    | S                | 7,224  | -                     | -                     | 7,224          |
| A. & D. Prévost inc.                              | 2011                    | M                | 10,880   | 7,318                 | -                     | 18,198         |
| A.T.L.A.S. Aéronautique inc.                      | 2010                    | M                | 6,000  | -                     | -                     | 6,000          |
| Agropur Coopérative                               | 2014                    | M                | 74,947   | -                     | -                     | 74,947         |
| Atis Group inc.                                   | 2015                    | M                | 28,000   | 1,828                 | -                     | 29,828         |
| Câbles Ben-Mor inc. (Les)                         | 2009                    | M                | -  | 2,577                 | -                     | 2,577          |
| Complexe sportif Interplus                        | 2007                    | S                | -  | 278                   | -                     | 278            |
| Groupe Dagenais M.D.C. inc.                       | 2010                    | S                | -  | 75                    | -                     | 75             |
| Investissements Brasco inc.                       | 2009                    | M                | -  | 809                   | -                     | 809            |
| Knowlton Development Corporation inc.             | 2006                    | M                | 3,478  | -                     | -                     | 3,478          |
| Mirazed inc.                                      | 2007                    | M                | -  | -                     | 1,319                 | 1,319          |
| NSE Automatech inc.                               | 2013                    | M                | 3,000  | -                     | -                     | 3,000          |
| Spectra Premium Industries inc.                   | 2006                    | M                | 1,794  | -                     | -                     | 1,794          |
| Urecon ltée                                       | 2012                    | M                | 4,087  | 3,527                 | -                     | 7,614          |
| <b>Total Montréal</b>                             |                         |                  | <b>139,410</b>                                 | <b>16,412</b>         | <b>1,319</b>          | <b>157,141</b> |
| <b>Montréal</b>                                   |                         |                  |  |                       |                       |                |
| 360 Media Solutions inc.                          | 2016                    | S                | 8,750  | -                     | -                     | 8,750          |
| 8973822 Canada inc. (ex-Vision Globale A.R. ltée) | 2012                    | S                | 9,860  | -                     | -                     | 9,860          |
| ACCEO Solutions inc.                              | 2012                    | S                | 15,000   | 5,313                 | -                     | 20,313         |
| Alithya Group inc.                                | 2015                    | S                | 13,750   | -                     | -                     | 13,750         |
| Arbell Electronics inc.                           | 2008                    | S                | 1,254  | 642                   | 141                   | 2,037          |
| Courchesne, Larose ltée                           | 2015                    | M                | -  | 10,728                | -                     | 10,728         |
| Elfiq inc.  | 2013                    | M                | -  | 169                   | -                     | 169            |
| Emballages Deltapac inc. (Les)                    | 2005                    | M                | 356  | -                     | 120                   | 476            |
| Groupe API inc.                                   | 2009                    | S                | -  | 100                   | -                     | 100            |
| Groupe Solotech inc.                              | 2013                    | S                | 21,250   | -                     | -                     | 21,250         |
| La Coop fédérée                                   | 2005                    | M                | 50,000   | -                     | -                     | 50,000         |
| Philippe Dandurand Wines Ltd                      | 2015                    | M                | 8,250  | -                     | -                     | 8,250          |
| SPB Solutions inc.                                | 2016                    | M                | -  | -                     | 1,000                 | 1,000          |
| Textiles Amalgamated inc.                         | 2015                    | M                | 8,944  | -                     | -                     | 8,944          |
| Totem recruiting inc.                             | 2013                    | S                | -  | 78                    | -                     | 78             |
| <b>Total Montréal</b>                             |                         |                  | <b>137,414</b>                                 | <b>17,030</b>         | <b>1,261</b>          | <b>155,705</b> |
| <b>Outside of Canada</b>                          |                         |                  |  |                       |                       |                |
| Pharmaxis Ltd.                                    | 2010                    | TI               | 2,360  | -                     | -                     | 2,360          |
| <b>Total Outside of Canada</b>                    |                         |                  | <b>2,360</b>                                   | <b>-</b>              | <b>-</b>              | <b>2,360</b>   |

## Capital régional et coopératif Desjardins

### Audited schedule of cost of investments impacting the Québec economy

#### As at December 31, 2016

(in thousands of dollars)

|   | Initial investment year | Industry segment | Unsecured investments                       |                    | Secured investments | Total \$       |
|---|-------------------------|------------------|---|--------------------|---------------------|----------------|
|   |                         |                  | Common and preferred shares and funds units | Loans and advances | Loans and advances  |                |
|   |                         |                  |   |                    |                     |                |
| <b>Saguenay-Lac-Saint-Jean</b>                        |                         |                  |   |                    |                     |                |
| Démolition et excavation Démex inc.                   | 2008                    | S                | -   | 157                | -                   | 157            |
| Groupe Canmec inc.                                    | 2004                    | M                | 7,014                                       | -                  | -                   | 7,014          |
| Groupe Nokamic inc.                                   | 2005                    | S                | -   | 45                 | -                   | 45             |
| Nokamic inc.  | 2010                    | M                | -   | -                  | 356                 | 356            |
| Produits sanitaires Lépine inc. (Les)                 | 2010                    | M                | 1,431                                       | -                  | -                   | 1,431          |
| Senneco inc.  | 2013                    | S                | -   | 495                | -                   | 495            |
| <b>Total Saguenay-Lac-Saint-Jean</b>                  |                         |                  | <b>8,445</b>                                | <b>697</b>         | <b>356</b>          | <b>9,498</b>   |
| <b>Funds</b>  |                         |                  |   |                    |                     |                |
| Capital croissance PME s.e.c.                         | 2010                    | F                | 18,311                                      | -                  | -                   | 18,311         |
| Capital croissance PME II s.e.c.                      | 2014                    | F                | 71,632                                      | -                  | -                   | 71,632         |
| Desjardins - Innovatech S.E.C.                        | 2005                    | F                | 52,890                                      | -                  | -                   | 52,890         |
| FIER Partenaires, s.e.c.                              | 2005                    | F                | 7,890                                       | -                  | -                   | 7,890          |
| Fonds d'investissement MSBI, s.e.c.                   | 2004                    | F                | 5,035                                       | -                  | -                   | 5,035          |
| Fonds d'investissement pour la relève agricole (FIRA) | 2011                    | F                | 6,167                                       | -                  | -                   | 6,167          |
| Fonds Relève Québec, s.e.c.                           | 2011                    | F                | 3,284                                       | -                  | -                   | 3,284          |
| Novacap Industries III, s.e.c.                        | 2007                    | F                | -   | -                  | -                   | -              |
| Novacap Technologies III, s.e.c.                      | 2007                    | F                | -   | -                  | -                   | -              |
| Société en commandite Essor et Coopération            | 2013                    | F                | 23,189                                      | -                  | -                   | 23,189         |
| <b>Total Funds</b>                                    |                         |                  | <b>188,398</b>                              | <b>-</b>           | <b>-</b>            | <b>188,398</b> |
| <b>Total cost</b>                                     |                         |                  | <b>681,329</b>                              | <b>100,899</b>     | <b>4,914</b>        | <b>787,142</b> |

**Industry segment legend**

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

This audited schedule of cost of investments impacting the Québec economy provides details, per entity, of the sums invested by Capital régional et coopératif Desjardins. This amount appears in note 7 to the financial statements of the CRCQ, as at December 31, 2016.

## **Capital régional et coopératif Desjardins**

Statement of other investments  
**As at December 31, 2016**

# Capital régional et coopératif Desjardins

## Statement of other investments (unaudited)

As at December 31, 2016

(in thousands of dollars)

| Description  |                   | Par value<br>\$ | Cost<br>\$     | Fair Value<br>\$ |
|--|-------------------|-----------------|----------------|------------------|
| <b>Bonds (69.8%)</b>                                     |                   |                 |                |                  |
| <b>Federal and guaranteed bonds (30.1%)</b>              |                   |                 |                |                  |
| Canada Housing Trust                                     | 12-15-2025, 1.95% | 625             | 610            | 615              |
|  | 12-15-2025, 2.25% | 35,000          | 35,878         | 35,295           |
|  | 09-15-2026, 1.90% | 32,985          | 32,359         | 32,072           |
| Government of Canada                                     | 03-01-2022, 0.50% | 26,000          | 25,602         | 25,095           |
|  | 06-01-2026, 1.50% | 18,125          | 17,777         | 17,782           |
|  | 06-01-2027, 1.00% | 22,900          | 21,193         | 21,094           |
| NHA Laurentian Bank of Canada <sup>1</sup>               | 10-01-2021, 1.30% | 11,898          | 11,786         | 11,689           |
| NHA Merrill Lynch Canada Inc. <sup>1</sup>               | 09-01-2019, 1.85% | 959             | 967            | 969              |
|  | 05-01-2020, 1.35% | 20,980          | 20,907         | 20,902           |
|  | 12-01-2020, 1.25% | 24,717          | 24,658         | 24,473           |
|  | 03-01-2021, 1.25% | 39,176          | 39,000         | 38,707           |
|  | 08-01-2021, 1.30% | 8,851           | 8,794          | 8,727            |
|  | 11-01-2021, 1.37% | 9,468           | 9,362          | 9,343            |
| PSP Capital  | 04-04-2024, 3.29% | 3,150           | 3,235          | 3,358            |
| <b>Total federal and guaranteed bonds</b>                |                   | <b>254,834</b>  | <b>252,128</b> | <b>250,121</b>   |
| <b>Provincial, municipal or guaranteed bonds (19.1%)</b> |                   |                 |                |                  |
| City of Montreal   | 09-01-2025, 3.00% | 2,500           | 2,511          | 2,544            |
| City of Toronto  | 06-27-2018, 4.95% | 3,000           | 3,085          | 3,167            |
| Hydro-Québec   | 02-15-2023, 2.21% | 20,000          | 17,488         | 17,424           |
|  | 08-15-2023, 2.28% | 10,000          | 8,604          | 8,547            |
|  | 02-15-2024, 2.28% | 48,800          | 41,525         | 40,886           |
|  | 08-15-2024, 2.02% | 14,040          | 12,046         | 11,541           |
| Municipal Finance Authority of British Columbia          | 06-01-2021, 4.15% | 2,000           | 2,106          | 2,198            |
|  | 10-14-2024, 2.95% | 2,000           | 2,114          | 2,063            |
|  | 10-02-2025, 2.65% | 3,000           | 3,007          | 3,002            |
| OPB Finance  | 02-24-2022, 1.88% | 3,650           | 3,600          | 3,621            |
|  | 02-02-2026, 2.95% | 2,000           | 1,999          | 2,023            |
| Province of Alberta                                      | 06-01-2026, 2.20% | 26,700          | 26,477         | 25,917           |
| Province of New Brunswick                                | 06-02-2023, 2.85% | 600             | 590            | 625              |
| Province of Nova Scotia                                  | 06-01-2025, 2.15% | 2,500           | 2,426          | 2,431            |
| Province of Ontario                                      | 12-03-2018, 1.05% | 845             | 845            | 848              |
|  | 12-02-2022, 1.98% | 21,800          | 19,400         | 19,181           |
|  | 06-02-2025, 2.53% | 6,000           | 4,853          | 4,806            |
| Province of Québec                                       | 06-01-2024, 2.46% | 3,000           | 2,503          | 2,488            |
|  | 09-01-2026, 2.50% | 4,000           | 3,977          | 3,994            |
| Regional Municipality of York                            | 06-30-2021, 4.00% | 1,500           | 1,537          | 1,637            |
| <b>Total provincial, municipal or guaranteed bonds</b>   |                   | <b>177,935</b>  | <b>160,693</b> | <b>158,943</b>   |

<sup>1</sup>This security is guaranteed by the Canada Mortgage and Housing Corporation.



# Capital régional et coopératif Desjardins

## Statement of other investments (unaudited)

### As at December 31, 2016

(in thousands of dollars)

| Description  |                   | Par value<br>\$ | Cost<br>\$     | Fair Value<br>\$ |
|--|-------------------|-----------------|----------------|------------------|
| <b>Financial institutions bonds (13.2%)</b>          |                   |                 |                |                  |
| Bank of Montreal                                     | 10-28-2021, 1.61% | 5,000           | 4,974          | 4,901            |
|  | 03-16-2022, 2.12% | 5,300           | 5,278          | 5,294            |
| Caisse centrale Desjardins                           | 03-02-2020, 1.75% | 5,400           | 5,376          | 5,401            |
| Canadian Imperial Bank of Commerce                   | 06-06-2018, 6.00% | 2,000           | 2,062          | 2,121            |
|  | 07-14-2020, 1.85% | 2,155           | 2,152          | 2,160            |
| Canadian Tire Real Estate Investment Trust           | 03-09-2025, 3.53% | 900             | 900            | 902              |
|  | 03-01-2026, 3.29% | 1,000           | 1,000          | 968              |
| Choice Properties REIT                               | 02-08-2021, 3.50% | 2,000           | 2,071          | 2,084            |
|  | 06-20-2022, 3.60% | 1,175           | 1,201          | 1,222            |
| CI Financial   | 10-25-2021, 2.78% | 1,700           | 1,700          | 1,698            |
| Cominar REIT   | 06-21-2019, 3.62% | 1,725           | 1,739          | 1,755            |
| Crombie Real Estate Investment Trust                 | 06-01-2021, 3.96% | 160             | 161            | 162              |
| Daimler Canada Finance                               | 03-26-2018, 2.27% | 385             | 385            | 389              |
|  | 10-02-2018, 1.42% | 4,600           | 4,590          | 4,590            |
| First Capital Realty                                 | 10-30-2023, 3.90% | 1,700           | 1,728          | 1,773            |
| Ford Credit Canada                                   | 05-07-2020, 2.45% | 2,950           | 2,946          | 2,944            |
| Granite Real Estate Investment Trust                 | 09-30-2023, 3.87% | 1,000           | 1,000          | 1,001            |
| Great-West Lifeco                                    | 03-21-2018, 6.14% | 1,500           | 1,508          | 1,584            |
| IGM Financial  | 04-08-2019, 7.35% | 1,850           | 1,966          | 2,070            |
| Industrial Alliance Insurance and Financial Services | 02-23-2022, 2.64% | 300             | 300            | 297              |
| Intact Financial Corporation                         | 08-18-2021, 4.70% | 1,000           | 1,082          | 1,111            |
| John Deere Canada Funding                            | 07-13-2020, 1.60% | 2,250           | 2,247          | 2,230            |
|  | 09-17-2020, 2.05% | 750             | 757            | 754              |
| Manufacturers Life Insurance Company                 | 11-29-2018, 2.93% | 400             | 400            | 406              |
|  | 02-21-2019, 2.81% | 2,500           | 2,539          | 2,539            |
| Manulife Financial                                   | 04-08-2019, 7.77% | 2,200           | 2,357          | 2,480            |
| National Bank of Canada                              | 03-03-2020, 1.74% | 1,300           | 1,300          | 1,300            |
| NBC Capital Trust                                    | 06-30-2020, 7.45% | 250             | 273            | 287              |
| RBC Trust Capital Securities                         | 06-30-2018, 6.82% | 1,000           | 1,041          | 1,072            |
| Riocan Real Estate Investment Trust                  | 05-30-2022, 3.75% | 775             | 775            | 808              |
| Royal Bank of Canada                                 | 12-11-2018, 2.77% | 2,800           | 2,859          | 2,871            |
|  | 04-26-2019, 1.40% | 8,500           | 8,509          | 8,496            |
|  | 07-17-2020, 1.92% | 3,350           | 3,349          | 3,363            |
|  | 03-02-2022, 1.97% | 1,900           | 1,900          | 1,880            |
| Scotiabank   | 12-05-2023, 2.33% | 2,500           | 2,500          | 2,480            |
|  | 03-22-2018, 2.24% | 75              | 75             | 76               |
|  | 05-01-2018, 1.33% | 9,179           | 9,178          | 9,188            |
| Sunlife Financial                                    | 12-02-2021, 1.90% | 1,700           | 1,700          | 1,686            |
|  | 12-02-2026, 2.62% | 1,400           | 1,400          | 1,384            |
|  | 07-02-2019, 5.70% | 1,000           | 1,027          | 1,098            |
| Toronto-Dominion Bank                                | 08-23-2021, 4.57% | 400             | 400            | 442              |
|  | 07-09-2018, 5.83% | 4,000           | 4,138          | 4,247            |
| Toyota Credit Canada                                 | 06-08-2021, 1.68% | 3,600           | 3,604          | 3,572            |
|  | 12-22-2021, 2.62% | 6,000           | 6,101          | 6,159            |
|  | 07-18-2023, 1.91% | 1,800           | 1,801          | 1,750            |
|  | 02-19-2020, 1.80% | 2,450           | 2,450          | 2,452            |
|  | 05-20-2020, 2.05% | 1,400           | 1,400          | 1,410            |
|  | 07-21-2021, 1.75% | 700             | 699            | 690              |
| <b>Total financial institutions bonds</b>            |                   | <b>107,979</b>  | <b>108,898</b> | <b>109,547</b>   |

# Capital régional et coopératif Desjardins

## Statement of other investments (unaudited)

As at December 31, 2016

(in thousands of dollars)

| Description                       |                   | Par value<br>\$ | Cost<br>\$ | Fair Value<br>\$ |
|-----------------------------------|-------------------|-----------------|------------|------------------|
| <b>Corporate bonds (7.4%)</b>     |                   |                 |            |                  |
| Algonquin Power & Utilities Corp. | 02-15-2022, 4.65% | 750             | 776        | 796              |
| Alimentation Couche-Tard          | 03-02-2025, 3.60% | 1,625           | 1,625      | 1,662            |
| Alliance Pipeline                 | 12-16-2019, 4.93% | 1,000           | 1,044      | 1,050            |
| Atagas                            | 10-15-2024, 3.84% | 1,000           | 1,043      | 1,036            |
|                                   | 01-07-2026, 4.12% | 300             | 300        | 313              |
| AltaLink                          | 11-06-2023, 3.67% | 1,000           | 1,024      | 1,086            |
|                                   | 02-28-2026, 2.75% | 1,625           | 1,634      | 1,618            |
| Bell Canada                       | 09-03-2022, 3.00% | 3,200           | 3,192      | 3,282            |
|                                   | 12-22-2022, 3.35% | 2,700           | 2,855      | 2,807            |
|                                   | 05-12-2026, 2.90% | 3,000           | 2,960      | 2,895            |
| BMW Canada                        | 11-26-2018, 2.27% | 2,000           | 2,016      | 2,028            |
|                                   | 06-15-2021, 1.83% | 400             | 400        | 396              |
| Brookfield Asset Management       | 03-31-2023, 4.54% | 1,053           | 1,071      | 1,132            |
|                                   | 12-08-2023, 5.04% | 1,700           | 1,699      | 1,869            |
| Brookfield Renewable Energy       | 03-02-2025, 3.75% | 750             | 750        | 757              |
| BRP Finance                       | 11-05-2018, 5.25% | 2,425           | 2,545      | 2,570            |
| Bruce Power LP                    | 06-23-2021, 2.84% | 300             | 300        | 304              |
| Canadian Natural Resources        | 08-14-2020, 2.89% | 2,000           | 2,027      | 2,024            |
| Canadian Utilities                | 11-09-2022, 3.12% | 775             | 754        | 817              |
| Dollorama                         | 11-05-2018, 3.10% | 220             | 222        | 225              |
| Enbridge                          | 02-22-2019, 4.10% | 1,000           | 1,022      | 1,046            |
|                                   | 09-02-2019, 4.77% | 60              | 63         | 64               |
|                                   | 12-05-2022, 3.19% | 400             | 389        | 410              |
| Enbridge Gas Distribution         | 05-05-2026, 2.50% | 1,250           | 1,259      | 1,212            |
| Enbridge Pipelines                | 05-10-2026, 3.00% | 1,500           | 1,487      | 1,481            |
| Enercare Solutions                | 02-03-2020, 4.60% | 400             | 419        | 419              |
| Fortis                            | 10-12-2023, 2.85% | 1,030           | 1,030      | 1,029            |
| FortisAlberta                     | 06-30-2024, 3.30% | 250             | 250        | 261              |
| Hydro One                         | 11-18-2019, 1.48% | 500             | 500        | 499              |
|                                   | 04-30-2020, 1.62% | 2,000           | 1,992      | 1,998            |
|                                   | 02-24-2021, 1.84% | 600             | 600        | 601              |
| Inter Pipeline                    | 07-13-2023, 2.61% | 125             | 125        | 123              |
|                                   | 12-24-2024, 3.17% | 1,000           | 1,000      | 1,005            |
| Loblaw Companies                  | 06-12-2023, 4.86% | 2,200           | 2,384      | 2,462            |
| Lower Mattagami Energy            | 05-18-2021, 4.33% | 300             | 316        | 330              |
| Magna International Inc.          | 11-15-2022, 3.10% | 1,000           | 1,000      | 1,023            |
| North West Redwater Partnership   | 01-23-2022, 2.10% | 1,000           | 985        | 997              |
| Pembina Pipeline Corporation      | 10-24-2022, 3.77% | 900             | 915        | 942              |
|                                   | 05-11-2026, 3.71% | 250             | 250        | 251              |
| Reliance                          | 03-15-2019, 5.19% | 1,600           | 1,661      | 1,666            |
|                                   | 09-15-2020, 3.81% | 700             | 702        | 702              |
| Rogers Communications             | 12-13-2023, 4.00% | 800             | 797        | 860              |
| Saputo                            | 09-21-2023, 2.83% | 1,500           | 1,500      | 1,498            |
| Sobeys                            | 08-08-2018, 3.52% | 400             | 402        | 404              |
| Superior Plus                     | 12-09-2017, 6.50% | 1,000           | 1,049      | 1,045            |
| TELUS Corporation                 | 02-28-2022, 2.35% | 4,750           | 4,725      | 4,715            |
|                                   | 01-02-2024, 3.35% | 1,000           | 1,016      | 1,024            |
| Teranet Income Fund               | 12-16-2020, 4.81% | 550             | 587        | 594              |
| Toronto Hydro Corporation         | 01-10-2023, 2.91% | 1,000           | 1,022      | 1,036            |
| TransAlta                         | 11-18-2019, 6.40% | 250             | 250        | 266              |
|                                   | 11-25-2020, 5.00% | 500             | 504        | 513              |

# Capital régional et coopératif Desjardins

## Statement of other investments (unaudited)

As at December 31, 2016

(in thousands of dollars)

| Description   |                            | Par value<br>\$        | Cost<br>\$     | Fair Value<br>\$ |
|---|----------------------------|------------------------|----------------|------------------|
| <b>Corporate bonds (cont.)</b>                                      |                            |                        |                |                  |
| Videotron   | 03-15-2025, 5.63%          | 1,950                  | 1,934          | 2,004            |
| West Coast Energy Inc.  | 09-08-2025, 3.77%          | 559                    | 560            | 578              |
| <b>Total corporate bonds</b>  |                            | <b>60,147</b>          | <b>60,932</b>  | <b>61,725</b>    |
| <b>Total bonds</b>  |                            | <b>600,895</b>         | <b>582,651</b> | <b>580,336</b>   |
| <b>Money market instruments (2.7%)</b>                              |                            |                        |                |                  |
| Bank of Montreal  | 05-15-2017, 0.93%          | 900                    | 898            | 898              |
|   | 05-31-2017, 0.88%          | 1,000                  | 996            | 996              |
| Canadian Imperial Bank of Commerce                                  | 07-06-2017, 1.05%          | 900                    | 896            | 896              |
|   | 11-17-2017, 1.02%          | 1,000                  | 991            | 991              |
| Gaz Métro   | 03-14-2017, 0.84%          | 1,900                  | 1,897          | 1,897            |
| Government of Canada  | 01-04-2017, 0.50%          | 3,200                  | 3,200          | 3,200            |
| Honda Canada Finance  | 05-03-2017, 0.87%          | 1,500                  | 1,496          | 1,495            |
| National Bank of Canada   | 01-27-2017, 0.76%          | 1,000                  | 999            | 999              |
|   | 03-30-2017, 0.81%          | 900                    | 898            | 898              |
| Province of Ontario   | 12-06-2017, 0.74%          | 600                    | 596            | 596              |
| Royal Bank of Canada  | 05-01-2017, 0.89%          | 552                    | 550            | 550              |
|   | 09-08-2017, 0.95%          | 1,200                  | 1,192          | 1,192            |
| Scotiabank  | 06-07-2017, 0.95%          | 800                    | 797            | 797              |
|   | 08-14-2017, 0.97%          | 1,100                  | 1,093          | 1,093            |
| Société de transport de Montréal                                    | 04-17-2017, 0.90%          | 1,900                  | 1,895          | 1,895            |
| Toronto-Dominion Bank   | 11-06-2017, 1.03%          | 1,900                  | 1,883          | 1,883            |
| Toyota Credit Canada  | 05-26-2017, 1.03%          | 1,900                  | 1,893          | 1,893            |
| <b>Total money market instruments</b>                               |                            | <b>22,252</b>          | <b>22,169</b>  | <b>22,169</b>    |
| <b>Foreign exchange contracts (0.0%)</b>                            |                            |                        |                |                  |
| Caisse centrale Desjardins  | 03-31-2017, 1,3360 CAD/USD | 82,300                 | 0              | -433             |
| <b>Total foreign exchange contracts</b>                             |                            | <b>82,300</b>          | <b>0</b>       | <b>-433</b>      |
|   |                            | <b>Number of units</b> |                |                  |
| <b>Global Equity Funds (12.6%)</b>                                  |                            |                        |                |                  |
| Fonds Desjardins IBrix Actions mondiales à faible volatilité cat. I |                            | 4,641                  | 51,797         | 53,100           |
| Fonds Desjardins Mondial de dividendes cat. I                       |                            | 2,692                  | 50,743         | 51,986           |
| <b>Total global equity funds</b>                                    |                            |                        | <b>102,540</b> | <b>105,086</b>   |
|   |                            | <b>Number of units</b> |                |                  |
| <b>Real Estate Funds (7.7%)</b>                                     |                            |                        |                |                  |
| Fonds CORE Fiera Immobilier   |                            | 21                     | 22,427         | 23,145           |
| Fonds immobilier canadien de prestige Bentall Kennedy               |                            | 5,402                  | 40,125         | 40,973           |
| <b>Total real estate funds</b>                                      |                            |                        | <b>62,552</b>  | <b>64,118</b>    |

# Capital régional et coopératif Desjardins

## Statement of other investments (unaudited)

As at December 31, 2016

(in thousands of dollars)

| Description  |                  | Number of shares | Cost<br>\$ | Fair Value<br>\$ |
|--|------------------|------------------|------------|------------------|
| <b>Preferred shares (7.2%)</b>                       |                  |                  |            |                  |
| Bank of Montreal                                     | Perpetual, 3.39% | 173,400          | 4,439      | 4,295            |
| Brookfield Asset Management                          | Perpetual, 4.40% | 30,000           | 480        | 619              |
|  | Perpetual, 4.50% | 112,860          | 2,890      | 2,457            |
|  | Perpetual, 4.75% | 23,800           | 466        | 507              |
|  | Perpetual, 4.80% | 20,000           | 519        | 413              |
| Canadian Utilities                                   | Perpetual, 4.50% | 50,000           | 1,245      | 1,356            |
|  | Perpetual, 4.90% | 40,000           | 1,018      | 934              |
| Fortis   | Perpetual, 3.88% | 6,300            | 138        | 118              |
|  | Perpetual, 4.75% | 52,300           | 1,132      | 1,183            |
| Great-West Lifeco                                    | Perpetual, 2.18% | 40,000           | 629        | 572              |
|  | Perpetual, 4.50% | 45,000           | 1,084      | 969              |
|  | Perpetual, 4.85% | 50,000           | 1,185      | 1,134            |
| Husky Energy   | Perpetual, 4.60% | 100,000          | 2,471      | 2,295            |
| Industrial Alliance Insurance and Financial Services | Perpetual, 4.60% | 15,000           | 243        | 330              |
| Intact Financial Corporation                         | Perpetual, 3.33% | 45,600           | 1,119      | 962              |
| Manulife Financial                                   | Perpetual, 2.18% | 107,500          | 2,746      | 1,537            |
|  | Perpetual, 3.90% | 56,300           | 1,274      | 1,126            |
|  | Perpetual, 4.00% | 9,100            | 225        | 196              |
|  | Perpetual, 4.40% | 13,300           | 354        | 299              |
|  | Perpetual, 4.50% | 35,900           | 867        | 777              |
|  | Perpetual, 4.60% | 36,300           | 761        | 864              |
|  | Perpetual, 5.60% | 15,000           | 375        | 404              |
| National Bank of Canada                              | Perpetual, 3.80% | 25,000           | 606        | 616              |
| Power Financial Corporation                          | Perpetual, 2.70% | 77,800           | 1,970      | 949              |
|  | Perpetual, 4.20% | 29,700           | 757        | 621              |
|  | Perpetual, 6.00% | 95,000           | 2,528      | 2,447            |
| Royal Bank of Canada                                 | Perpetual, 3.52% | 131,100          | 3,352      | 3,251            |
|  | Perpetual, 4.45% | 61,000           | 1,562      | 1,534            |
|  | Perpetual, 4.50% | 118,600          | 2,965      | 2,980            |
|  | Perpetual, 4.60% | 92,100           | 2,346      | 2,317            |
|  | Perpetual, 4.70% | 15,700           | 394        | 396              |
|  | Perpetual, 5.50% | 30,000           | 750        | 808              |
| Scotiabank   | Perpetual, 2.06% | 130,000          | 3,267      | 2,724            |
|  | Perpetual, 3.61% | 50,000           | 1,270      | 1,227            |
|  | Perpetual, 5.25% | 16,000           | 412        | 400              |
|  | Perpetual, 5.60% | 170,000          | 4,458      | 4,296            |
| Sunlife Financial                                    | Perpetual, 4.45% | 10,000           | 223        | 214              |
|  | Perpetual, 4.50% | 25,000           | 565        | 535              |
|  | Perpetual, 4.75% | 137,500          | 3,050      | 3,128            |
|  | Perpetual, 4.80% | 60,300           | 1,482      | 1,380            |
| Toronto-Dominion Bank                                | Perpetual, 3.60% | 40,000           | 963        | 892              |
|  | Perpetual, 3.70% | 2,100            | 41         | 48               |
|  | Perpetual, 3.75% | 93,600           | 2,200      | 1,814            |
|  | Perpetual, 4.90% | 50,000           | 1,123      | 1,240            |
| TransCanada  | Perpetual, 3.80% | 47,200           | 862        | 1,038            |
|  | Perpetual, 4.25% | 83,600           | 1,607      | 1,652            |
| <b>Total preferred shares</b>                        |                  |                  | 64,413     | 59,854           |
| <b>Total other investments (100.0%)</b>              |                  |                  | 834,325    | 831,130          |

## **Capital régional et coopératif Desjardins**

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

**As at December 31, 2016**

## Capital régional et coopératif Desjardins

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

As at December 31, 2016

(in thousands of dollars)

| Information from Annual<br>Financial Report dated | Equity Interest<br>of the Company<br>%                       | Unsecured<br>investments                |                             | Secured<br>investments      | Total<br>\$  |
|---|--|---|-----------------------------|-----------------------------|--------------|
|   |  | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |              |
| 31/12/2016  | <b>Capital croissance PME s.e.c.</b>                         | <b>50.00</b>                            |                             |                             |              |
|   | <b>Abitibi-Témiscamingue</b>                                 |   |                             |                             |              |
|   | 2637-1914 Québec inc. (Télévision J.R.)                      | -                                       | -                           | 41                          | 41           |
|   | 9207-6553 Québec inc. (Pizzeria Noranda)                     | -                                       | 37                          | -                           | 37           |
|   | 9265-0381 Québec inc. (Barbin Sport)                         | -                                       | 50                          | -                           | 50           |
|   | Abitibi Géophysique inc.                                     | -                                       | 224                         | -                           | 224          |
|   | Cartier Resources inc.                                       | 83                                      | -                           | -                           | 83           |
|   | Centre du ressort Lamarche inc.                              | -                                       | 17                          | -                           | 17           |
|   | Groupe Minier CMAC - Thyssen Mining Group                    | -                                       | 97                          | -                           | 97           |
|   | Hôtel Forestel Val d'Or inc.                                 | -                                       | 840                         | -                           | 840          |
|   | Integra Gold Corp.   | 45                                      | -                           | -                           | 45           |
|   | Location Lauzon inc.   | -                                       | 120                         | -                           | 120          |
|   | <b>Total Abitibi-Témiscamingue</b>                           | <b>128</b>                              | <b>1,385</b>                | <b>41</b>                   | <b>1,554</b> |
|   | <b>Bas-Saint-Laurent</b>                                     |   |                             |                             |              |
|   | 9048-3538 Québec inc. (Matane Honda) (9244-9396 Québec inc.) | -                                       | 119                         | -                           | 119          |
|   | Autobus Dionne inc. (Transport A.S.D.)                       | -                                       | -                           | 10                          | 10           |
|   | Entreprises d'Auteuil & fils inc. (Les)                      | -                                       | -                           | 62                          | 62           |
|   | Gestion Rima 2013 inc. (Sani-Manic inc.)                     | -                                       | -                           | 342                         | 342          |
|   | Impressions Soleil (Les) - 3089-8522 Québec inc.             | -                                       | -                           | 65                          | 65           |
|   | <b>Total Bas-Saint-Laurent</b>                               | <b>-</b>                                | <b>119</b>                  | <b>479</b>                  | <b>598</b>   |
|   | <b>Capitale-Nationale</b>                                    |   |                             |                             |              |
|   | 9101-2492 Québec inc. (Centre médical Le Mesnil)             | -                                       | 97                          | -                           | 97           |
|   | Alimentation Francis Gravel inc.                             | -                                       | 43                          | -                           | 43           |
|   | Collection Papillon Gemme inc.                               | -                                       | -                           | 20                          | 20           |
|   | Éditions Gladius International inc.                          | -                                       | -                           | 37                          | 37           |
|   | LA VUE par Laforce inc.                                      | -                                       | -                           | 90                          | 90           |
|   | LA VUE Pierre-Bertrand inc.                                  | -                                       | -                           | 43                          | 43           |
|   | LA VUE Thetford Mines inc.                                   | -                                       | -                           | 35                          | 35           |
|   | Pavages Nordie inc.  | -                                       | 275                         | -                           | 275          |
|   | Planifika inc.   | -                                       | -                           | 162                         | 162          |
|   | Radio-Onde inc.  | 750                                     | -                           | -                           | 750          |
|   | <b>Total Capitale-Nationale</b>                              | <b>750</b>                              | <b>415</b>                  | <b>387</b>                  | <b>1,552</b> |
|   | <b>Centre-du-Québec</b>                                      |   |                             |                             |              |
|   | 2543-6205 Québec inc. (Groupe MBI)                           | -                                       | -                           | 510                         | 510          |
|   | 2681871 Canada inc. (Voyages Escapades Victoriaville)        | -                                       | 111                         | -                           | 111          |
|   | 9224-7519 Québec inc. (Peinture Can-Lak inc.)                | -                                       | -                           | 365                         | 365          |
|   | Fromagerie L'Ancêtre inc.                                    | -                                       | 214                         | -                           | 214          |
|   | <b>Total Centre-du-Québec</b>                                | <b>-</b>                                | <b>325</b>                  | <b>875</b>                  | <b>1,200</b> |

# Capital régional et coopératif Desjardins

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

As at December 31, 2016

(in thousands of dollars)

| Information from Annual<br>Financial Report dated | Equity Interest<br>of the Company<br>%              | Unsecured<br>investments          |                       | Secured<br>investments |          | Total<br>\$  |
|---|---|-----------------------------------|-----------------------|------------------------|----------|--------------|
|   |   | Common and<br>Preferred<br>shares | Loans and<br>advances | Loans and<br>advances  |          |              |
|   |   | \$                                | \$                    | \$                     |          |              |
| 31/12/2016  | <b>Capital croissance PME s.e.c. (cont.)</b>        | <b>50.00</b>                      |                       |                        |          |              |
|   | <b>Chaudière - Appalaches</b>                       |                                   |                       |                        |          |              |
|   | 3R Com inc. (8580430 Canada inc.)                   | -                                 | 129                   | -                      | -        | 129          |
|   | Autobus Fleur de Lys inc.                           | -                                 | -                     | 132                    | -        | 132          |
|   | Décoplex inc.                                       | -                                 | -                     | 308                    | -        | 308          |
|   | Entreprises de services BCE Pharma inc. (Les)       | -                                 | -                     | 81                     | -        | 81           |
|   | Fenêtres Sélection inc.                             | -                                 | 71                    | -                      | -        | 71           |
|   | Gesdix inc.   | -                                 | 167                   | -                      | -        | 167          |
|   | Humaco Acoustique inc. (ex Gyptech Acoustique inc.) | -                                 | 158                   | -                      | -        | 158          |
|   | Investissements Mika inc. (Les)                     | -                                 | -                     | 279                    | -        | 279          |
|   | Plomberie Ste-Croix inc.                            | -                                 | -                     | 10                     | -        | 10           |
|   | Productions Horticoles Demers (Les)                 | 250                               | -                     | -                      | -        | 250          |
|   | Serres Demers inc. (Les)                            | -                                 | -                     | 350                    | -        | 350          |
|   | Ultima Fenestration inc.                            | -                                 | -                     | 110                    | -        | 110          |
|   | Umano Medical inc.                                  | -                                 | 110                   | -                      | -        | 110          |
|   | <b>Total Chaudière - Appalaches</b>                 | <b>250</b>                        | <b>635</b>            | <b>1,270</b>           | <b>-</b> | <b>2,155</b> |
|   | <b>Côte-Nord</b>                                    |                                   |                       |                        |          |              |
|   | 9160-7671 Québec inc. (Pétroles MB)                 | 600                               | -                     | -                      | -        | 600          |
|   | 9304-8254 Québec inc.                               | 404                               | -                     | -                      | -        | 404          |
|   | Benoit Vigneault ltée                               | -                                 | -                     | 62                     | -        | 62           |
|   | Carrosserie Baie-Comeau inc.                        | -                                 | -                     | 94                     | -        | 94           |
|   | Centre des congrès de Sept-Iles                     | -                                 | -                     | 96                     | -        | 96           |
|   | Construction Leclerc et Pelletier inc.              | -                                 | -                     | 62                     | -        | 62           |
|   | Entreprises G.M. Mallet inc. (les)                  | -                                 | -                     | 110                    | -        | 110          |
|   | Express Havre St-Pierre Ltd.                        | -                                 | -                     | 93                     | -        | 93           |
|   | Hôtel Motel Le Q'Artier des Îles inc.               | -                                 | 156                   | -                      | -        | 156          |
|   | Santerre Électrique inc.                            | -                                 | 26                    | 193                    | -        | 219          |
|   | Sécurgence inc.                                     | -                                 | 203                   | -                      | -        | 203          |
|   | <b>Total Côte-Nord</b>                              | <b>1,004</b>                      | <b>385</b>            | <b>710</b>             | <b>-</b> | <b>2,099</b> |
|   | <b>Eastern Townships</b>                            |                                   |                       |                        |          |              |
|   | 6358331 Canada inc. (Sherbrooke OEM Ltd.)           | 459                               | -                     | -                      | -        | 459          |
|   | Certi Auto inc.                                     | -                                 | -                     | 235                    | -        | 235          |
|   | Innotex inc.  | -                                 | 228                   | -                      | -        | 228          |
|   | L.P. Royer inc.                                     | -                                 | 752                   | -                      | -        | 752          |
|   | Pieux Vistech - Postech inc.                        | -                                 | 500                   | -                      | -        | 500          |
|   | Plastech inc.                                       | -                                 | -                     | 60                     | -        | 60           |
|   | S.E.2 inc.  | 125                               | -                     | -                      | -        | 125          |
|   | <b>Total Eastern Townships</b>                      | <b>584</b>                        | <b>1,480</b>          | <b>295</b>             | <b>-</b> | <b>2,359</b> |
|   | <b>Funds</b>  |                                   |                       |                        |          |              |
|   | Fonds Prêt à Entreprendre, s.e.c.                   | 582                               | -                     | -                      | -        | 582          |
|   | <b>Total Funds</b>                                  | <b>582</b>                        | <b>-</b>              | <b>-</b>               | <b>-</b> | <b>582</b>   |

## Capital régional et coopératif Desjardins

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As at December 31, 2016

(in thousands of dollars)

| Information from Annual<br>Financial Report dated | Equity Interest<br>of the Company<br>%             | Unsecured<br>investments                |                             | Secured<br>investments      | Total<br>\$ |
|---|--|---|-----------------------------|-----------------------------|-------------|
|   |  | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |             |
| 31/12/2016  | <b>Capital croissance PME s.e.c. (cont.)</b>       | <b>50.00</b>                            |                             |                             |             |
|   | <b>Gaspésie-Îles-de-la-Madeleine</b>               |   |                             |                             |             |
|   | Ateliers CFI Metal inc. (Les)                      | -                                       | 138                         | -                           | 138         |
|   | <b>Total Gaspésie-Îles-de-la-Madeleine</b>         | -                                       | 138                         | -                           | 138         |
|   | <b>Laval</b>                                       |   |                             |                             |             |
|   | 8376905 Canada inc. (Paramedic)                    | -                                       | 231                         | -                           | 231         |
|   | <b>Total Laval</b>                                 | -                                       | 231                         | -                           | 231         |
|   | <b>Mauricie</b>                                    |   |                             |                             |             |
|   | 9210-3563 Québec inc. (Groupe E. Morel)            | -                                       | -                           | 189                         | 189         |
|   | Ateliers de l'électro-ménager R. Vallée inc.       | 75                                      | -                           | 105                         | 180         |
|   | Investissements Bédard-Hallé inc.                  | -                                       | -                           | 659                         | 659         |
|   | Louis Lafrance & fils ltée                         | -                                       | 17                          | -                           | 17          |
|   | Louiseville Specialty Products inc.                | -                                       | 421                         | -                           | 421         |
|   | Résidence Le Soleil Levant inc.                    | -                                       | 82                          | -                           | 82          |
|   | <b>Total Mauricie</b>                              | 75                                      | 520                         | 953                         | 1,548       |
|   | <b>Montérégie</b>                                  |   |                             |                             |             |
|   | 3087-9894 Québec inc. (Habitations Trigone)        | -                                       | -                           | 770                         | 770         |
|   | 4304047 Canada inc. (RX Santé)                     | -                                       | 75                          | -                           | 75          |
|   | 9008-7826 Québec inc. (Habitations Trigone)        | -                                       | -                           | 770                         | 770         |
|   | 9120-6094 Québec inc. (Lanla)                      | -                                       | 90                          | -                           | 90          |
|   | 9223-5845 Québec inc. (Autobus Dufresne)           | -                                       | -                           | 285                         | 285         |
|   | C.R.S./Vamic inc.                                  | -                                       | 4                           | -                           | 4           |
|   | Câbles Ben-Mor inc. (Les)                          | -                                       | -                           | 1,100                       | 1,100       |
|   | Comax, coopérative agricole                        | 1,400                                   | -                           | -                           | 1,400       |
|   | Fibres Serden inc. (Les)                           | -                                       | 58                          | -                           | 58          |
|   | Galenova inc. et Gentes et Bolduc Pharmaciens inc. | -                                       | -                           | 1,016                       | 1,016       |
|   | Hygie Canada inc.                                  | -                                       | -                           | 483                         | 483         |
|   | Industries M.R. inc. (Les)                         | -                                       | -                           | 131                         | 131         |
|   | P38 Energy inc.                                    | -                                       | -                           | 150                         | 150         |
|   | Plomberie St-Luc inc.                              | -                                       | 480                         | -                           | 480         |
|   | Pneus Langelier inc.                               | -                                       | 4                           | -                           | 4           |
|   | <b>Total Montérégie</b>                            | 1,400                                   | 711                         | 4,705                       | 6,816       |



## Capital régional et coopératif Desjardins

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As at December 31, 2016

(in thousands of dollars)

| Information from Annual<br>Financial Report dated | Equity Interest<br>of the Company<br>%       | Unsecured<br>investments                |                             | Secured<br>investments      | Total<br>\$   |
|---|--|---|-----------------------------|-----------------------------|---------------|
|   |  | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |               |
|   |  |   |                             |                             |               |
| 31/12/2016  | <b>Capital croissance PME s.e.c. (cont.)</b> | <b>50.00</b>                            |                             |                             |               |
|   | <b>Montréal</b>                              |   |                             |                             |               |
|   | 9106-7645 Québec inc. (Vidéo MTL)            | -                                       | 1,223                       | -                           | 1,223         |
|   | 9228-6384 Québec inc. (Sid Lee Technologies) | -                                       | -                           | 900                         | 900           |
|   | 9273-3443 Québec inc. (CLS Info)             | -                                       | 32                          | -                           | 32            |
|   | Aéronav inc.                                 | -                                       | 72                          | -                           | 72            |
|   | Alta Précision inc.                          | 1,250                                   | -                           | 850                         | 2,100         |
|   | Balcon Idéal inc.                            | -                                       | 289                         | -                           | 289           |
|   | Cime Décor inc.                              | -                                       | -                           | 351                         | 351           |
|   | CTA de Negotium                              | -                                       | 903                         | -                           | 903           |
|   | DEK Canada inc.                              | -                                       | 722                         | -                           | 722           |
|   | Ge-ber Transport inc.                        | -                                       | -                           | 127                         | 127           |
|   | GME Experts en sinistres inc.                | -                                       | -                           | 57                          | 57            |
|   | LVL Studio inc.                              | 625                                     | -                           | 756                         | 1,381         |
|   | M.C. Crystal inc.                            | -                                       | -                           | 35                          | 35            |
|   | Senez & Associés CPA inc.                    | -                                       | -                           | 167                         | 167           |
|   | Sid Lee inc.                                 | -                                       | -                           | 576                         | 576           |
|   | Source Évolution inc.                        | 358                                     | -                           | 494                         | 852           |
|   | STC Footwear inc.                            | 250                                     | -                           | 741                         | 991           |
|   | <b>Total Montréal</b>                        | <b>2,483</b>                            | <b>3,241</b>                | <b>5,054</b>                | <b>10,778</b> |
|   | <b>Nord-du-Québec</b>                        |   |                             |                             |               |
|   | 9223-3196 Québec inc. (Rona)                 | -                                       | 156                         | -                           | 156           |
|   | Critical Elements Corporation                | 13                                      | -                           | -                           | 13            |
|   | Geomega Resources inc.                       | 20                                      | -                           | -                           | 20            |
|   | Midland Exploration inc.                     | 77                                      | -                           | -                           | 77            |
|   | Némaska Lithium inc.                         | 9                                       | -                           | -                           | 9             |
|   | <b>Total Nord-du-Québec</b>                  | <b>119</b>                              | <b>156</b>                  | <b>-</b>                    | <b>275</b>    |
|   | <b>Outaouais</b>                             |   |                             |                             |               |
|   | Gestion S. Kelly (Métro Kelly)               | 300                                     | -                           | 500                         | 800           |
|   | Jacques Poirier et Fils Ltée                 | -                                       | -                           | 142                         | 142           |
|   | <b>Total Outaouais</b>                       | <b>300</b>                              | <b>-</b>                    | <b>642</b>                  | <b>942</b>    |

## Capital régional et coopératif Desjardins

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As at December 31, 2016

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|---|--|---|-----------------------------|-----------------------------|---------------|
|   |  | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |               |
| 31/12/2016  | <b>Capital croissance PME s.e.c. (cont.)</b>             | <b>50.00</b>                            |                             |                             |               |
|   | <b>Saguenay-Lac-Saint-Jean</b>                           |   |                             |                             |               |
|   | 2737-2895 Québec Inc. (Distribution Fromagerie Boivin)   | -                                       | -                           | 363                         | 363           |
|   | 4145275 Canada inc. (Chlorophylle)                       | 600                                     | -                           | 167                         | 767           |
|   | 8439117 Canada inc. ( Récupère Sol )                     | -                                       | 481                         | -                           | 481           |
|   | 9244-7770 Québec inc. (Voie Maltée)                      | -                                       | -                           | 158                         | 158           |
|   | Ambulance Médilac inc.                                   | -                                       | 89                          | -                           | 89            |
|   | Cervo-Polygaz inc.                                       | -                                       | -                           | 51                          | 51            |
|   | Clinique médicale privée Opti-Soins inc.                 | 150                                     | 460                         | -                           | 610           |
|   | Cuisines G.B.M. inc. (Les)                               | -                                       | 56                          | -                           | 56            |
|   | Denis Lavoie & fils ltée                                 | -                                       | -                           | 281                         | 281           |
|   | Garage Georges Beaudoin inc.                             | -                                       | -                           | 79                          | 79            |
|   | Institut d'échafaudage du Québec (9020-4983 Québec inc.) | -                                       | -                           | 292                         | 292           |
|   | Location A.L.R. inc.                                     | 198                                     | -                           | -                           | 198           |
|   | Matelas Lion d'or inc.                                   | -                                       | 24                          | -                           | 24            |
|   | Messagerie du Fjord inc.                                 | -                                       | 312                         | -                           | 312           |
|   | Métatube (1993) inc.                                     | -                                       | 169                         | -                           | 169           |
|   | Sécuor inc.  | -                                       | 172                         | -                           | 172           |
|   | Sports Guy Dumas inc.                                    | 36                                      | -                           | -                           | 36            |
|   | Théka Industries inc.                                    | -                                       | 180                         | -                           | 180           |
|   | <b>Total Saguenay-Lac-Saint-Jean</b>                     | <b>984</b>                              | <b>1,943</b>                | <b>1,391</b>                | <b>4,318</b>  |
|   |  | <b>8,659</b>                            | <b>11,684</b>               | <b>16,802</b>               | <b>37,145</b> |
|   | Funds committed but not disbursed                        |   |                             |                             | 386           |
|   | <b>Total Capital croissance PME s.e.c.</b>               |   |                             |                             | <b>37,531</b> |

# Capital régional et coopératif Desjardins

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(in thousands of dollars)

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|---|--|---|-----------------------------|-----------------------------|--------------|
|   |  | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |              |
| 31/12/2016  | <b>Capital croissance PME II s.e.c.</b>                | <b>50.00</b>                            |                             |                             |              |
|   | <b>Abitibi-Témiscamingue</b>                           |   |                             |                             |              |
|   | 9063-7547 Québec inc. (Usinage Laquerre)               | 800                                     | 896                         | -                           | 1,696        |
|   | 9207-6553 Québec inc. (Pizzeria Noranda)               | -                                       | -                           | 23                          | 23           |
|   | 9222-0201 Québec inc. (Location Dumco)                 | -                                       | 165                         | -                           | 165          |
|   | 9308-7294 Québec inc. (Service Mécanique Gilbert inc.) | -                                       | -                           | 86                          | 86           |
|   | Abitibi Géophysique inc.                               | -                                       | 146                         | -                           | 146          |
|   | Ace services mécaniques inc.                           | -                                       | 86                          | -                           | 86           |
|   | Agence de sécurité Mirado inc.                         | -                                       | 92                          | -                           | 92           |
|   | Autobus Maheux ltée (Les)                              | -                                       | 1,200                       | -                           | 1,200        |
|   | Cartier Resources inc.                                 | 38                                      | -                           | -                           | 38           |
|   | Centre du ressort Lamarche inc.                        | -                                       | 53                          | -                           | 53           |
|   | Construction Gaston Proulx et Frères inc.              | -                                       | 75                          | 170                         | 245          |
|   | Falco Resources Ltd.                                   | 61                                      | -                           | -                           | 61           |
|   | Gestion Martin Dandurand inc.                          | -                                       | 93                          | -                           | 93           |
|   | Groupe Minier CMAC - Thyssen Mining Group              | -                                       | 217                         | -                           | 217          |
|   | Menuiserie Jalbert inc.                                | -                                       | 125                         | -                           | 125          |
|   | Probe Metals inc. (ex Adventure Gold inc.)             | 88                                      | -                           | -                           | 88           |
|   | Ressources minières Radisson inc.                      | 52                                      | -                           | -                           | 52           |
|   | Yorbeau Ressources inc.                                | 52                                      | -                           | -                           | 52           |
|   | <b>Total Abitibi-Témiscamingue</b>                     | <b>1,091</b>                            | <b>3,148</b>                | <b>279</b>                  | <b>4,518</b> |
|   | <b>Bas-Saint-Laurent</b>                               |   |                             |                             |              |
|   | 9164-1134 Québec inc. (Kia Matane)                     | -                                       | -                           | 174                         | 174          |
|   | 9188-1441 Québec inc. (Caravane Rimouski)              | -                                       | 159                         | -                           | 159          |
|   | Bouffard Sanitaire inc.                                | -                                       | -                           | 368                         | 368          |
|   | Gestion AFM-Séma inc.                                  | 512                                     | 250                         | -                           | 762          |
|   | Gestion Brasa inc.                                     | -                                       | 298                         | 1,500                       | 1,798        |
|   | Gestion Rima 2013 inc. (Sani-Manic inc.)               | -                                       | -                           | 99                          | 99           |
|   | Location Jesna inc.                                    | -                                       | -                           | 190                         | 190          |
|   | <b>Total Bas-Saint-Laurent</b>                         | <b>512</b>                              | <b>707</b>                  | <b>2,331</b>                | <b>3,550</b> |

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(in thousands of dollars)

| Information from Annual<br>Financial Report dated | Equity Interest<br>of the Company<br>%                    | Unsecured<br>investments                |                             | Secured<br>investments      | Total<br>\$  |
|---|---|---|-----------------------------|-----------------------------|--------------|
|   |   | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |              |
| 31/12/2016  | <b>Capital croissance PME II s.e.c. (cont.)</b>           | <b>50.00</b>                            |                             |                             |              |
|   | <b>Capitale-Nationale</b>                                 |   |                             |                             |              |
|   | 9265-1934 Québec inc. (Centurion Fondation)               | -                                       | -                           | 271                         | 271          |
|   | 9295-4874 Québec inc. (Maison de l'homéopathie de Québec) | -                                       | 196                         | -                           | 196          |
|   | 9348-0648 Québec inc. (Gestion C.C. Blouin inc.)          | -                                       | -                           | 175                         | 175          |
|   | Capilex-Beauté Itée                                       | -                                       | -                           | 547                         | 547          |
|   | DMB Distribution alimentaire inc.                         | 1,313                                   | 300                         | -                           | 1,613        |
|   | Lasertech industries inc.                                 | -                                       | 300                         | -                           | 300          |
|   | Matériaux Blanchet inc.                                   | -                                       | -                           | 2,017                       | 2,017        |
|   | Menuiserie R. Légaré inc.                                 | -                                       | -                           | 192                         | 192          |
|   | Multi Options Nursing inc.                                | -                                       | 196                         | -                           | 196          |
|   | Panthera Dental inc.                                      | -                                       | 200                         | -                           | 200          |
|   | Pol R Entreprises inc.                                    | 2,363                                   | -                           | -                           | 2,363        |
|   | Ruchers Promiel inc. (Les)                                | -                                       | 412                         | -                           | 412          |
|   | <b>Total Capitale-Nationale</b>                           | <b>3,676</b>                            | <b>1,604</b>                | <b>3,202</b>                | <b>8,482</b> |
|   | <b>Centre-du-Québec</b>                                   |   |                             |                             |              |
|   | 9324-9605 Québec inc. (Préscolaire Vision)                | 83                                      | -                           | -                           | 83           |
|   | Advantag Canada inc.                                      | -                                       | 100                         | 447                         | 547          |
|   | Davinci Compass inc.                                      | -                                       | -                           | 443                         | 443          |
|   | Distribution Pro-Excellence                               | -                                       | 450                         | -                           | 450          |
|   | Fromagerie L'Ancêtre inc.                                 | -                                       | 147                         | -                           | 147          |
|   | Lacal Technologie inc.                                    | -                                       | 345                         | -                           | 345          |
|   | NMédia Solutions inc.                                     | -                                       | 119                         | -                           | 119          |
|   | Reflec inc.   | -                                       | 419                         | -                           | 419          |
|   | Sipromac II inc.  | -                                       | -                           | 341                         | 341          |
|   | <b>Total Centre-du-Québec</b>                             | <b>83</b>                               | <b>1,580</b>                | <b>1,231</b>                | <b>2,894</b> |
|   | <b>Chaudière - Appalaches</b>                             |   |                             |                             |              |
|   | 9333-1460 Québec inc. (Résidence intermédiaire Fortier)   | -                                       | 144                         | -                           | 144          |
|   | Acriart inc.  | -                                       | -                           | 110                         | 110          |
|   | Équipements Supérieurs inc.                               | -                                       | 614                         | -                           | 614          |
|   | F. Charest Itée   | -                                       | 858                         | -                           | 858          |
|   | Groupe Audaz  | -                                       | 150                         | -                           | 150          |
|   | Humaco Acoustique inc. (ex-Gyptech Acoustique inc.)       | -                                       | 196                         | -                           | 196          |
|   | I. Thibault Inc.  | -                                       | 225                         | -                           | 225          |
|   | Industries et équipements Laliberté (Les)                 | -                                       | 642                         | -                           | 642          |
|   | Productions Horticoles Demers (Les)                       | 187                                     | -                           | -                           | 187          |
|   | Techno-Moules P.L.C. inc.                                 | -                                       | -                           | 75                          | 75           |
|   | <b>Total Chaudière - Appalaches</b>                       | <b>187</b>                              | <b>2,829</b>                | <b>185</b>                  | <b>3,201</b> |

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(in thousands of dollars)

| Information from Annual<br>Financial Report dated | Equity Interest<br>of the Company<br>%                    | Unsecured<br>investments                |                             | Secured<br>investments      |   | Total<br>\$ |
|---|---|---|-----------------------------|-----------------------------|---|-------------|
|   |   | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |   |             |
| 31/12/2016  | <b>Capital croissance PME II s.e.c. (cont.)</b>           | <b>50.00</b>                            |                             |                             |   |             |
|   | <b>Côte-Nord</b>  |   |                             |                             |   |             |
|   | 9074-9664 Québec inc.                                     | -                                       | -                           | 114                         | - | 114         |
|   | 9160-7671 Québec inc. (Pétroles MB)                       | -                                       | 200                         | -                           | - | 200         |
|   | Caroline Tremblay, CPA inc.                               | -                                       | -                           | 147                         | - | 147         |
|   | Construction Leclerc et Pelletier inc.                    | -                                       | -                           | 125                         | - | 125         |
|   | <b>Total Côte-Nord</b>                                    | -                                       | 200                         | 386                         | - | 586         |
|   | <b>Eastern Townships</b>                                  |   |                             |                             |   |             |
|   | 2731-1471 Québec inc. (Les Fruits et légumes de l'Estrie) | -                                       | 184                         | -                           | - | 184         |
|   | 6358331 Canada inc. (Sherbrooke OEM Ltd.)                 | -                                       | 240                         | -                           | - | 240         |
|   | Éco-Pak inc. (9316-3251 Québec inc.)                      | -                                       | -                           | 600                         | - | 600         |
|   | Industries C.P.G. Gagné ltée                              | -                                       | 127                         | -                           | - | 127         |
|   | Innotex inc.  | -                                       | 225                         | -                           | - | 225         |
|   | Khrome Product - Transport (KPT) inc.                     | -                                       | 381                         | -                           | - | 381         |
|   | Nautic & Art inc.   | -                                       | -                           | 422                         | - | 422         |
|   | Perron Pallets inc.                                       | -                                       | 250                         | -                           | - | 250         |
|   | Pieux Vistech - Postech inc.                              | -                                       | 125                         | -                           | - | 125         |
|   | Réparations SOS Lift inc.                                 | -                                       | -                           | 100                         | - | 100         |
|   | S.E.2 inc.  | 25                                      | -                           | -                           | - | 25          |
|   | Sherlic inc.  | 350                                     | -                           | -                           | - | 350         |
|   | Spécialités industrielles Sherbrooke inc.                 | -                                       | 123                         | -                           | - | 123         |
|   | <b>Total Eastern Townships</b>                            | 375                                     | 1,655                       | 1,122                       | - | 3,152       |
|   | <b>Gaspésie-Îles-de-la-Madeleine</b>                      |   |                             |                             |   |             |
|   | 9088-6086 Québec inc. (Subaru New Richmond)               | -                                       | -                           | 198                         | - | 198         |
|   | <b>Total Gaspésie-Îles-de-la-Madeleine</b>                | -                                       | -                           | 198                         | - | 198         |
|   | <b>Lanaudière</b>   |   |                             |                             |   |             |
|   | 9350 -9776 Québec inc. (Cryos Technologies Inc.)          | 732                                     | 418                         | -                           | - | 1,150       |
|   | Artotech Integration inc.                                 | -                                       | 122                         | -                           | - | 122         |
|   | Centre Nouvelle-Vie (Pavillon Lanaudière)                 | -                                       | -                           | 292                         | - | 292         |
|   | Produits de Métal Pointech inc.                           | -                                       | -                           | 250                         | - | 250         |
|   | <b>Total Lanaudière</b>                                   | 732                                     | 540                         | 542                         | - | 1,814       |
|   | <b>Laurentians</b>  |   |                             |                             |   |             |
|   | 9317-5602 Québec inc. (Marché Leblanc inc.)               | -                                       | 500                         | -                           | - | 500         |
|   | Alimenteurs Orientech inc.                                | -                                       | 187                         | -                           | - | 187         |
|   | Jean-Jacques Campeau inc.                                 | 2,000                                   | -                           | -                           | - | 2,000       |
|   | Technoflex ESR Entreprise inc.                            | 350                                     | 413                         | -                           | - | 763         |
|   | <b>Total Laurentians</b>                                  | 2,350                                   | 1,100                       | -                           | - | 3,450       |

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|---|--|---|-----------------------------|-----------------------------|-------------|
|   |  | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |             |
| 31/12/2016  | <b>Capital croissance PME II s.e.c. (cont.)</b>    | <b>50.00</b>                            |                             |                             |             |
|   | <b>Laval</b>                                       |   |                             |                             |             |
|   | Groupe Lumain inc.                                 | -                                       | -                           | 2,140                       | 2,140       |
|   | Marina Del Rey Foods inc.                          | -                                       | 444                         | -                           | 444         |
|   | Norseco inc.                                       | -                                       | 484                         | -                           | 484         |
|   | <b>Total Laval</b>                                 | -                                       | 928                         | 2,140                       | 3,068       |
|   | <b>Mauricie</b>                                    |   |                             |                             |             |
|   | 9256-9037 Québec inc.                              | -                                       | -                           | 128                         | 128         |
|   | Maison Isabelle inc.                               | -                                       | 225                         | -                           | 225         |
|   | Placements Le Belvédère inc.                       | -                                       | 1,043                       | 375                         | 1,418       |
|   | Premont Foods Inc.                                 | -                                       | 291                         | -                           | 291         |
|   | <b>Total Mauricie</b>                              | -                                       | 1,559                       | 503                         | 2,062       |
|   | <b>Montérégie</b>                                  |   |                             |                             |             |
|   | 3087-9894 Québec inc. (Habitations Trigone)        | -                                       | -                           | 525                         | 525         |
|   | 9008-7826 Québec inc. (Habitations Trigone)        | -                                       | -                           | 525                         | 525         |
|   | 9020-5758 Québec inc. (AVRIL)                      | -                                       | 1,500                       | -                           | 1,500       |
|   | 9120-6094 Québec inc. (Lanla)                      | -                                       | 250                         | -                           | 250         |
|   | Acema Importations inc.                            | -                                       | 162                         | -                           | 162         |
|   | Alarme S.P.P. inc.                                 | -                                       | -                           | 129                         | 129         |
|   | Autobus Dufresne inc.                              | -                                       | 150                         | -                           | 150         |
|   | Brosses Lacasse inc. (Les)                         | -                                       | -                           | 192                         | 192         |
|   | Constructions 3P inc.                              | -                                       | 430                         | -                           | 430         |
|   | Contek Shilstone inc.                              | -                                       | 525                         | -                           | 525         |
|   | Éclairages Électroniques C.B.M. inc. (Les)         | -                                       | 240                         | -                           | 240         |
|   | Galenova inc. et Gentes et Bolduc Pharmaciens inc. | -                                       | -                           | 1,000                       | 1,000       |
|   | Groupe Bertrand éditeurs inc.                      | -                                       | -                           | 262                         | 262         |
|   | Groupe Grégor inc.                                 | -                                       | -                           | 1,250                       | 1,250       |
|   | Habitations Deschênes et Pépin inc. (Les)          | -                                       | 302                         | -                           | 302         |
|   | Helios Group inc.                                  | 1,500                                   | 984                         | -                           | 2,484       |
|   | Industries B. Rainville inc.                       | -                                       | -                           | 400                         | 400         |
|   | Logicmed inc.                                      | -                                       | -                           | 325                         | 325         |
|   | MTL Technologies inc.                              | -                                       | 448                         | -                           | 448         |
|   | Placements F.I. inc.                               | -                                       | 442                         | -                           | 442         |
|   | Pro Action Diesel inc.                             | -                                       | -                           | 255                         | 255         |
|   | Rotoplast inc.                                     | -                                       | 550                         | -                           | 550         |
|   | <b>Total Montérégie</b>                            | 1,500                                   | 5,983                       | 4,863                       | 12,346      |

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|---|---|---|-----------------------------|-----------------------------|--------------|---------------|
|   |   | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |              |               |
| 31/12/2016  | <b>Capital croissance PME II s.e.c. (cont.)</b>               | <b>50.00</b>                            |                             |                             |              |               |
|   | <b>Montréal</b>   |   |                             |                             |              |               |
|   | 3236013 Canada inc. (Planète Mobile)                          | -                                       | -                           | 500                         | -            | 500           |
|   | 9041-9680 Québec inc. (Alco Transport)                        | -                                       | 125                         | -                           | -            | 125           |
|   | 9168-5909 Québec inc. (Piknic Électronik inc.)                | -                                       | -                           | 238                         | -            | 238           |
|   | 9303-6408 Québec inc. (Atelier d'usinage de précision Innova) | -                                       | -                           | 169                         | -            | 169           |
|   | Azimut Exploration inc.                                       | 100                                     | -                           | -                           | -            | 100           |
|   | C.R.H. Oral Design inc.                                       | -                                       | 425                         | -                           | -            | 425           |
|   | C.T.M. Adhesive inc.  | -                                       | 707                         | -                           | -            | 707           |
|   | Datsit Studios inc.   | -                                       | 230                         | -                           | -            | 230           |
|   | Éditions Info Presse inc.                                     | -                                       | 394                         | -                           | -            | 394           |
|   | Faspac Plastiks inc.  | -                                       | 500                         | -                           | -            | 500           |
|   | Gorski Group Ltd.   | -                                       | 1,000                       | -                           | -            | 1,000         |
|   | Groupe Bugatti inc. (Le)                                      | -                                       | 1,500                       | -                           | -            | 1,500         |
|   | Hibernum Créations inc.                                       | -                                       | 1,650                       | -                           | -            | 1,650         |
|   | JSS Medical Research inc.                                     | 2,000                                   | 467                         | -                           | -            | 2,467         |
|   | Khalkos Exploration inc.                                      | 50                                      | -                           | -                           | -            | 50            |
|   | Leeza Distributing inc.                                       | 500                                     | 1,000                       | -                           | -            | 1,500         |
|   | Masdel inc.   | 725                                     | 1,338                       | -                           | -            | 2,063         |
|   | Oboxmedia inc.  | -                                       | 381                         | -                           | -            | 381           |
|   | Reftech international inc.                                    | -                                       | -                           | 293                         | -            | 293           |
|   | TV5 Québec Canada   | -                                       | -                           | 1,075                       | -            | 1,075         |
|   | <b>Total Montréal</b>   |   | <b>3,375</b>                | <b>9,717</b>                | <b>2,275</b> | <b>15,367</b> |
|   | <b>Nord-du-Québec</b>   |   |                             |                             |              |               |
|   | Beaufield Resources inc.                                      | 17                                      | -                           | -                           | -            | 17            |
|   | Dios Exploration inc.   | 16                                      | -                           | -                           | -            | 16            |
|   | Geometa Resources inc.  | 164                                     | -                           | -                           | -            | 164           |
|   | Midland Exploration inc.                                      | 75                                      | -                           | -                           | -            | 75            |
|   | Monarques Gold Corporation                                    | 32                                      | -                           | -                           | -            | 32            |
|   | Nouveau Monde Mining Enterprises                              | 111                                     | -                           | -                           | -            | 111           |
|   | Sirios Resources inc.   | 144                                     | -                           | -                           | -            | 144           |
|   | Tomagold Corporation  | 80                                      | -                           | -                           | -            | 80            |
|   | <b>Total Nord-du-Québec</b>                                   |   | <b>639</b>                  | <b>-</b>                    | <b>-</b>     | <b>639</b>    |

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|---|--|---|-----------------------------|-----------------------------|---------------|
|   |  | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |               |
| 31/12/2016  | <b>Capital croissance PME II s.e.c. (cont.)</b>        | <b>50.00</b>                            |                             |                             |               |
|   | <b>Saguenay-Lac-Saint-Jean</b>                         |   |                             |                             |               |
|   | 130395 Canada Inc. (Nordex Inc.)                       | 1,875                                   | -                           | -                           | 1,875         |
|   | 2526-0100 Qc inc. (Terrassement J. Fortin)             | -                                       | -                           | 442                         | 442           |
|   | 2737-2895 Québec Inc. (Distribution Fromagerie Boivin) | -                                       | -                           | 191                         | 191           |
|   | 2956-7062 Québec inc. (NAPA La Baie)                   | -                                       | 88                          | -                           | 88            |
|   | 9165-8021 Québec inc. (Transport R.C.I.)               | -                                       | 200                         | -                           | 200           |
|   | 9216-3146 Québec inc. (Micro Brasserie du Saguenay)    | -                                       | -                           | 111                         | 111           |
|   | 9244-7770 Québec inc. (La Voie Maltée)                 | -                                       | -                           | 56                          | 56            |
|   | 9283-9034 Québec inc. (Pexal Tecalum Canada )          | -                                       | 182                         | -                           | 182           |
|   | 9328-9486 Québec inc.                                  | 390                                     | 309                         | -                           | 699           |
|   | Cervo-Polygaz inc.                                     | -                                       | -                           | 246                         | 246           |
|   | Clinique médicale privée Opti-Soins inc.               | -                                       | 135                         | -                           | 135           |
|   | Communications Télésignal inc.                         | 338                                     | -                           | -                           | 338           |
|   | DERYtelecom inc.                                       | -                                       | -                           | 2,500                       | 2,500         |
|   | Fenêtres Réjean Tremblay inc. (Les)                    | -                                       | 340                         | -                           | 340           |
|   | Flash Néon inc. - Enseignes Ste-Marie                  | -                                       | -                           | 183                         | 183           |
|   | Foresco Holding inc.                                   | -                                       | 250                         | -                           | 250           |
|   | Gestion R. et G.G. inc.                                | 2,000                                   | -                           | -                           | 2,000         |
|   | Imprimeurs Associés ICLT-Commerciale inc. (Les)        | -                                       | 150                         | -                           | 150           |
|   | Industries G.R.C. inc. (Les)                           | -                                       | 151                         | -                           | 151           |
|   | Mermax inc.  | -                                       | -                           | 186                         | 186           |
|   | Messagerie du Fjord inc.                               | -                                       | 40                          | -                           | 40            |
|   | Sécur inc.   | -                                       | 210                         | -                           | 210           |
|   | Taimi R & D inc.                                       | -                                       | 257                         | -                           | 257           |
|   | Transport Réal Villeneuve inc.                         | -                                       | 275                         | -                           | 275           |
|   | Villeneuve Equipements inc.                            | -                                       | 500                         | -                           | 500           |
|   | <b>Total Saguenay-Lac-Saint-Jean</b>                   | <b>4,603</b>                            | <b>3,087</b>                | <b>3,915</b>                | <b>11,605</b> |
|   |  | <b>19,123</b>                           | <b>34,637</b>               | <b>23,172</b>               | <b>76,932</b> |
|   | Funds committed but not disbursed                      |   |                             |                             | 5,429         |
|   | <b>Total Capital croissance PME II s.e.c.</b>          |   |                             |                             | <b>82,361</b> |



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|---|--|---|-----------------------------|-----------------------------|-----|-------------|
|   |  | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |     |             |
|   |  |   |                             |                             |     |             |
| 31/12/2016  | <b>Desjardins – Innovatech S.E.C.</b>          | <b>54.49</b>                            |                             |                             |     |             |
|   | 7525443 Canada inc. (Inflotrolix)              |   | 362                         | 197                         | -   | 559         |
|   | 9088-9148 Québec inc. (Usage SM)               |   | -                           | 71                          | -   | 71          |
|   | 9274-4192 Québec inc. (Boisaco)                |   | 758                         | -                           | -   | 758         |
|   | 9493662 Canada inc (Ananda Devices)            |   | -                           | 70                          | -   | 70          |
|   | Achronix Semiconductor Corporation             |   | -                           | -                           | -   | -           |
|   | Airex Énergie inc.                             |   | 545                         | -                           | 204 | 749         |
|   | Alaya Care inc.                                |   | -                           | 70                          | -   | 70          |
|   | Albert Perron inc.                             |   | 695                         | -                           | -   | 695         |
|   | AxesNetwork Solutions inc.                     |   | 1,933                       | -                           | -   | 1,933       |
|   | Biocean Canada inc.                            |   | 273                         | 54                          | -   | 327         |
|   | Biomomentum inc.                               |   | -                           | 79                          | -   | 79          |
|   | Bouffard Sanitaire inc. et Acier Bouffard inc. |   | -                           | 38                          | -   | 38          |
|   | CmLabs Simulations inc.                        |   | 817                         | -                           | -   | 817         |
|   | Delve Laboratories inc.                        |   | -                           | 209                         | -   | 209         |
|   | E2Metrix inc.                                  |   | 272                         | -                           | 50  | 322         |
|   | Ecotierra project management inc.              |   | -                           | 147                         | -   | 147         |
|   | EMeision International inc.                    |   | -                           | 70                          | -   | 70          |
|   | Emerillon Capital s.e.c.                       |   | 5,120                       | -                           | -   | 5,120       |
|   | Emovi inc.                                     |   | -                           | 71                          | -   | 71          |
|   | Éocycle Technologies inc.                      |   | 1,305                       | -                           | -   | 1,305       |
|   | Fonds Entrepria Nord, s.e.c. (Le)              |   | 305                         | -                           | -   | 305         |
|   | Global LVL inc.                                |   | 191                         | -                           | 368 | 559         |
|   | Groupe Icible inc.                             |   | -                           | 163                         | -   | 163         |
|   | Groupe Minier CMAC - Thyssen Mining Group      |   | -                           | 236                         | -   | 236         |
|   | Gullivert Technologies inc.                    |   | 109                         | -                           | -   | 109         |
|   | Hortau inc.                                    |   | -                           | -                           | 318 | 318         |
|   | Imagia Cybernetics Inc.                        |   | 648                         | -                           | 637 | 1,285       |
|   | Indalo Studio inc.                             |   | -                           | 35                          | -   | 35          |
|   | Innomalt inc.                                  |   | -                           | 170                         | -   | 170         |
|   | Innovative Imaging Technologies inc.           |   | 817                         | -                           | -   | 817         |
|   | Inocucor Technologies inc.                     |   | 768                         | -                           | 681 | 1,449       |
|   | Ionodes inc.                                   |   | 316                         | -                           | -   | 316         |
|   | Laboratoire M2 inc.                            |   | -                           | 545                         | -   | 545         |
|   | Laserax inc.                                   |   | -                           | 654                         | -   | 654         |
|   | LeeddarTech inc.                               |   | 831                         | -                           | 136 | 967         |
|   | Mayer Integration inc.                         |   | -                           | 97                          | -   | 97          |
|   | nGUVU Technologies inc.                        |   | 817                         | -                           | -   | 817         |
|   | Nippon Dragon Resources inc.                   |   | 255                         | -                           | -   | 255         |
|   | Ocera Therapeutics inc.                        |   | 94                          | -                           | -   | 94          |
|   | Optina Diagnostics inc.                        |   | -                           | 70                          | -   | 70          |
|   | OptoSecurity inc.                              |   | -                           | 100                         | -   | 100         |
|   | Prevtee Microbia inc.                          |   | 1,174                       | 136                         | -   | 1,310       |
|   | Produits forestiers LAMCO inc.                 |   | 311                         | -                           | -   | 311         |
|   | Rekruti Solutions inc.                         |   | -                           | 138                         | -   | 138         |
|   | Solutions Interactives de validation 88 inc.   |   | 272                         | 180                         | -   | 452         |
|   | SweetIQ Analytics Corp.                        |   | 545                         | -                           | 545 | 1,090       |

## Capital régional et coopératif Desjardins

Index of the Company's share in investments made by specialized funds and partner funds, at cost (unaudited)  
As at December 31, 2016

(in thousands of dollars)

| Information from Annual<br>Financial Report dated | Equity Interest<br>of the Company<br>%        | Unsecured<br>investments                |                             | Secured<br>investments      | Total<br>\$   |
|---|---|---|-----------------------------|-----------------------------|---------------|
|   |   | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |               |
| 31/12/2016  | <b>Desjardins – Innovatech S.E.C. (cont.)</b> | <b>54.49</b>                            |                             |                             |               |
|   | Technologies Intelia inc.                     | 234                                     | -                           | -                           | 234           |
|   | Thorasys Thoracic Medical Systems inc.        | -                                       | 141                         | -                           | 141           |
|   | TSO3 inc.                                     | 772                                     | -                           | -                           | 772           |
|   | Vantrix Corporation                           | -                                       | -                           | -                           | -             |
|   | VIMAC Early Stage Fund L.P.                   | 610                                     | -                           | -                           | 610           |
|   |   | 21,149                                  | 3,741                       | 2,939                       | 27,829        |
|   | Funds committed but not disbursed             |   |                             |                             | 9,484         |
|   | <b>Total Desjardins - Innovatech S.E.C.</b>   |   |                             |                             | <b>37,313</b> |

## Capital régional et coopératif Desjardins

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

As at December 31, 2016

(in thousands of dollars)

| Information from Annual<br>Financial Report dated | Equity Interest<br>of the Company<br>%                        | Unsecured<br>investments                |                             | Secured<br>investments      | Total<br>\$   |
|---|---|---|-----------------------------|-----------------------------|---------------|
|   |   | Common and<br>Preferred<br>shares<br>\$ | Loans and<br>advances<br>\$ | Loans and<br>advances<br>\$ |               |
| 31/12/2016  | <b>Société en commandite Essor et Coopération</b>             | <b>94.55</b>                            |                             |                             |               |
|   | Agropur Coopérative   | 4,727                                   | -                           | -                           | 4,727         |
|   | Central Café - Coop de solidarité                             | 189                                     | -                           | -                           | 189           |
|   | Citadelle, Maple Syrup Producers' Cooperative                 | 4,727                                   | -                           | -                           | 4,727         |
|   | Club coopératif de consommation d'Amos                        | 946                                     | -                           | -                           | 946           |
|   | Coopérative Actionnaire Les Paramédics d'Urgence Bois-Francis | -                                       | 829                         | -                           | 829           |
|   | Coopérative de travailleurs actionnaire de TEC                | -                                       | 245                         | -                           | 245           |
|   | Coopérative forestière de Petit Paris                         | -                                       | 946                         | -                           | 946           |
|   | Coopérative Vision-Éducation                                  | 756                                     | -                           | -                           | 756           |
|   | Fédération des coopératives funéraires du Québec              | 419                                     | -                           | -                           | 419           |
|   | La Coop fédérée   | 4,727                                   | -                           | -                           | 4,727         |
|   | La Coop Uniforce  | 946                                     | -                           | -                           | 946           |
|   | Magasin Général Saint-Fidèle, Coop de solidarité              | -                                       | 54                          | -                           | 54            |
|   | Québec Federation of Forestry Cooperatives                    | 364                                     | -                           | -                           | 364           |
|   | Unicoop Coopérative agricole                                  | 1,418                                   | -                           | -                           | 1,418         |
|   | Vivaco Groupe coopératif                                      | 946                                     | -                           | -                           | 946           |
|   |   | <b>20,165</b>                           | <b>2,074</b>                | <b>-</b>                    | <b>22,239</b> |
|   | Funds committed but not disbursed                             |   |                             |                             | <b>6,132</b>  |
|   | <b>Total Société en commandite Essor et Coopération</b>       |   |                             |                             | <b>28,371</b> |

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

