CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

MANAGEMENT DISCUSSION AND ANALYSIS

This interim Management Discussion and Analysis ("MD&A") supplements the financial statements and contains financial highlights but does not reproduce the complete interim 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 and compounded returns expressed in this MD&A are net of expenses and income taxes while returns by activity or investment profile represent returns before expenses and income taxes.

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

Copies of the interim 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 www.capitalregional.com or SEDAR at www.sedar.com.

Annual financial information may be obtained in the same way.

FINANCIAL HIGHLIGHTS

The following charts present key financial data and are intended to assist in understanding CRCD's financial results for the preceding five fiscal years and for the six-month period ended June 30, 2017.

RATIOS AND SUPPLEMENTAL DATA (1)

(in thousands of $, unless indicated otherwise)

	JUNE 30, 2017 (IFRS)	DEC. 31, 2016 (IFRS)	DEC. 31, 2015 (IFRS)	DEC. 31, 2014 (IFRS)	DEC. 31, 2013 (IFRS)	DEC. 31, 2012 (GAAP)
Revenue	**25,417**	44,449	45,269	44,422	51,982	53,491
Gains on investments	**60,001**	78,869	64,035	42,884	10,670	42,376
Net earnings	**68,700**	85,957	74,806	49,245	24,950	53,435
Net assets	**1,811,480**	1,789,417	1,642,076	1,502,462	1,470,576	1,356,446
Common shares outstanding (number, in thousands)	**131,412**	134,944	130,183	124,665	126,165	118,243
Total operating expense ratio(2) (%)	**1.6**	2.0	1.9	2.1	2.0	2.4
Total expense and common share issue expense ratio(2) (%)	**1.6**	2.2	2.0	2.2	2.2	2.4
Portfolio turnover rate:						
– Investments impacting the Québec economy (%)	**7**	11	19	19	16	23
– Other investments (%)	**42**	126	131	102	108	67
Trading expense ratio(3) (%)	**0.0**	0.0	0.0	0.0	0.0	0.0
Number of shareholders (number)	**101,289**	104,317	102,222	96,236	100,861	103,052
Issues of common shares	**1,523**	133,401	149,882	62,906	149,995	149,994
Common share issue expenses, net of related taxes	**18**	1,579	1,750	764	1,739	–
Redemption of common shares	**48,142**	70,438	83,324	79,501	59,075	67,410
Investments impacting the Québec economy at cost	**847,799**	787,142	738,596	675,355	671,547	625,414
Fair value of investments impacting the Québec economy	**1,022,414**	921,518	817,199	710,923	733,907	659,045
Funds committed but not disbursed	**148,962**	189,121	171,082	193,764	227,593	142,350

(1) This information is derived from CRCD's separate audited annual and interim financial statements. Financial information for the first six months of fiscal 2017 and 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.

(2) Total operating expense ratio is calculated by dividing total expenses (before income taxes) as shown on the separate statements of comprehensive income by net assets as at the end of the period or by average net assets for the financial 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.

(3) Trading expense includes brokerage fees and other portfolio transaction costs. These expenses are not material to CRCD.

CHANGES IN NET ASSETS PER COMMON SHARE

($)

	JUNE 30, 2017 (IFRS)	DEC. 31, 2016 (IFRS)	DEC. 31, 2015 (IFRS)	DEC. 31, 2014 (IFRS)	DEC. 31, 2013 (IFRS)	DEC. 31, 2012 (GAAP)
Net assets per common share, beginning of period/year	**13.26**	**12.61**	**12.05**	**11.66**	**11.47**	**11.02**
Increase attributable to operations	**0.52**	**0.66**	**0.59**	**0.40**	**0.20**	**0.46**
Interest, dividends, negotiation fees and distributions	**0.19**	0.34	0.35	0.36	0.41	0.46
Operating expenses	**(0.11)**	(0.26)	(0.23)	(0.25)	(0.23)	(0.28)
Income taxes	**(0.01)**	(0.03)	(0.03)	(0.06)	(0.07)	(0.09)
Realized gains (losses)	**0.04**	0.18	0.29	0.52	0.03	0.48
Unrealized gains (losses)	**0.41**	0.43	0.21	(0.17)	0.06	(0.11)
Difference attributable to common share issues and redemptions	**0.00**	**(0.01)**	**(0.03)**	**(0.01)**	**(0.01)**	**(0.01)**
Net assets per common share, end of of period / year	**13.78**	**13.26**	**12.61**	**12.05**	**11.66**	**11.47**

OVERVIEW

CRCD closed the first six months of fiscal 2017 with net earnings of $68.7 million ($40.0 million for the same period in 2016), representing a non-annualized return of 3.9% (2.5% as at June 30, 2016), resulting in an increase in net assets per share to $13.78 based on the number of shares outstanding as at June 30, 2017, compared with $13.26 at the end of fiscal 2016. 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 favourable returns for over eight years.

Investments impacting the Québec economy posted a non-annualized return of 7.3% for the six-month period ended June 30, 2017, compared with a return of 5.0% for the same period a year earlier. As at June 30, 2017, the cost of Investments impacting the Québec economy totalled $847.8 million, of which $110.6 million was disbursed during the first six months of fiscal 2017. As at June 30, 2017, funds committed but not disbursed, which represent investments already agreed upon with companies, cooperatives or funds to be disbursed by CRCD at a later date, amounted to $149.0 million. New commitments for the period were $70.4 million.

Other investments generated a non-annualized return of 2.5% for the first six months of 2017, compared with a non-annualized return of 2.6% for the same period in 2016. During the six-month period, issues of common shares totalled $1.5 million, that is, the balance of the 2016 issue which was completed as scheduled on February 28, 2017, reaching the authorized maximum of $135 million. The subscription period for the 2017 issue will begin in the fall. For more information, please see the Subscriptions section of this MD&A. Share redemptions totalled $48.1 million. Net assets amounted to $1,811.5 million. There were 101,289 shareholders as at June 30, 2017. The balance of shares eligible for redemption as at June 30, 2017 amounted to nearly $749 million.

CRCD'S VISION FOR QUÉBEC ENTREPRENEURSHIP

Québec faces a huge challenge: developing and growing existing businesses. Businesses in Québec 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.

GROWING BUSINESSES STRONGER

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.

CRCD has developed an innovative offering focused on simplifying and streamlining our 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 also have the opportunity to showcase their expertise and promote their products and services through activities or networking platforms aimed at broad spectrum target audiences.

This proximity in the field sparks rewarding discussions and gives CRCD the opportunity to consistently better target and meet entrepreneurs' needs. Accordingly, CRCD helps the different players in our entrepreneur and professional networks build bridges and forge alliances to promote business relationships, create business partnerships or initiate acquisitions.

Our support goes beyond sharing our vast internal network and external business relationships. Various agreements have been negotiated, with Desjardins Group as well as other specialized external firms, to offer value-added services to our entrepreneurs in achieving their objectives.

Furthermore, CRCD offers tailored support for implementing and monitoring sound SME governance practices and delivers entrepreneurs positive value added. Very active in this area, CRCD has a pool of some 200 directors with experience and skills unequalled in the industry. Their role is to help entrepreneurs set up a governance forum to support business growth. They receive training on a regular basis and are provided with work tools, and are evaluated to ensure they can effectively meet the needs of companies they work with. Our entrepreneurial governance model, based on agility, simplicity, strategic thinking and alignment with business needs, is a unique type of support greatly appreciated by partner entrepreneurs.

ECONOMIC BACKGROUND

ECONOMIC ENVIRONMENT AND OUTLOOK

In general, the world's stock indices continued to climb in the second quarter of 2017. Stock markets were sustained by the good performance of the world economy and higher corporate earnings, particularly in the U.S. Investors' optimism around the world can be traced to the election of Emmanuel Macron in France. However, the last few months have been a difficult time for oil prices, which briefly fell below US$45 per barrel due to a sharp rise in U.S. production, which has raised fears of a continued surplus on the global market. This situation, as well as renewed concerns about the Canadian financial system, weighed on the Toronto Stock Exchange. Long-term bond yields generally fell; it appears that certain investors who still have doubts about the health of the global economy revised their inflation expectations downward.

But in spite of it all, even though investors appear to be relatively cautious, the central banks seem to be very encouraged by the signs of accelerating economic activity and the good performance of labour markets in many economies. In the U.S., the Federal Reserve raised its federal funds rate by 0.25% in mid-June, for a third consecutive quarter, and is expected to begin gradually reducing its bond holdings in the second half of 2017. Europe's central banks also continued to adopt a more positive tone. In Canada we saw a shift in rhetoric, as the monetary authorities openly wondered whether the time had come to reverse the two rate cuts made in 2015. The Canadian economy's excess capacity was quickly disappearing, so Canadian key interest rates began to rise in July 2017. Such expectations of monetary tightening drove the Canadian dollar up to approximately US$0.77 at the end the quarter, despite weak oil prices. The gradual implementation of monetary tightening policies in North America suggests an upward trend in bond rates over the next few quarters. Rates are nevertheless expected to remain low in historical terms, and inflation should remain subdued.

Conditions are improving in the world economy. The Organisation for Economic Co-operation and Development's leading indicators for the industrialized countries and the BRICS countries (Brazil, Russia, India, China and South Africa) are decidedly positive. There has also been a relatively broad-based improvement in the consumer and business confidence indices. Global trade appears to be on a better track. In addition, political risks that had weighed heavily on the economic outlook have been mitigated.

Good news continues to flow from the U.S., including from the labour market. The unemployment rate fell to 4.3% in May 2017, a level slightly below the trough of the last economic cycle. Consumer and business confidence indices have improved since the fall of 2016. The results for real GDP in the latest quarter of 2017 were nevertheless disappointing, although there was a rebound in the spring, even if certain indicators fell short of expectations. It is worth noting that business investment is now on a better footing. The political problems faced by the Trump administration have led to a reappraisal of certain assumptions regarding the measures to be taken by the new administration. Forecasts of real U.S. GDP growth are 2.3% for 2017 and 2.4% for 2018.

In Canada, the economy has performed well since mid-2016. Following gains of 4.2% and 2.7% (annual rates) in the third and fourth quarters, respectively, of 2016, real GDP grew 3.7% in the first quarter of 2017. Moreover, domestic demand rose 4.7% in the winter of 2017 due to strong growth in household consumption, a rebound in capital investments in machinery and equipment, and sustained growth in residential investment. Even if certain risks remain, the outlook for growth in the Canadian economy in 2017 is rather good, with an expected 2.7% increase in real GDP. Growth of 2.0% is forecast for 2018.

In Quebec, the strength of the economy in the first quarter of 2017 produced 4.3% growth in real GDP (annual rate). The fact that every component of domestic demand posted positive growth, with households playing a leading role, confirms that economic growth is on sound foundations. Consumption is strong, the residential sector has performed well, and business and government spending are both growing. Exports were weak in the first quarter due to tepid growth in the U.S. economy during the period, even if the Canadian dollar hovered around US$0.75. It remains unclear whether international exports will rebound any time soon. Rising protectionism in the U.S. raises uncertainties over the future of Quebec's international exports. Strong domestic demand has however amply offset the problems in external trade. This spring's results could be negatively affected by the difficult climate that has delayed several seasonal activities, in particular, buying for the summer. However, growth in real GDP should exceed 2% in 2017.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

OPERATING RESULTS

CRCD'S NET RESULTS AND RETURNS

CRCD ended the first half of the year on June 30, 2017 with net earnings of $68.7 million, or a non-annualized return of 3.9%, compared with net earnings of $40.0 million (non-annualized return of 2.5% for the same period in 2016). Based on the number of common shares outstanding, net assets per share increased to $13.78 as at the end of the six-month period, compared with $13.26 at the end of fiscal 2016. For illustrative purposes, at a price of $13.78 effective August 17, 2017, shareholders who invested seven years earlier would obtain an annual after-tax return of more than 13.3%, taking into account the 50% income tax credit as per the rate applicable on August 17, 2010.

CRCD's performance is driven primarily by Investments impacting the Québec economy and Other investments, which generated non-annualized returns of 7.3% and 2.5%, respectively, while expenses, net of administrative charges and income taxes had an impact of 1.1% on CRCD's non-annualized return.

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

RETURN BY ACTIVITY	**JUNE 30, 2017**				JUNE 30, 2016			
	Average assets under management ($M)	**Weighting (%)**	**Non-annualized return 6 months (%)**	**Non-annualized contribution 6 months (%)**	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Activities related to Investments impacting the Québec economy *	**971**	**54.8**	**7.3**	**3.8**	845	52.0	5.0	2.5
Other investments and cash	**802**	**45.2**	**2.5**	**1.2**	780	48.0	2.6	1.3
	1,773	**100.0**	**5.0**	**5.0**	1,625	100.0	3.8	3.8
Expenses, net of administrative charges			**(1.0)**	**(1.0)**			(1.1)	(1.1)
Other investments and cash			**(0.1)**	**(0.1)**			(0.2)	(0.2)
CRCD's return			**3.9**	**3.9**			2.5	2.5

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

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Investments of $111.6 million and disposals of $57.7 million were made for a net balance of $53.9 million. Combined with realized and unrealized net gains of $48.2 million, these net investments brought the fair value of the investment portfolio, including foreign exchange contracts, to $1,023.3 million as at June 30, 2017 ($921.2 million as at December 31, 2016). Investments in the funds comprising the entrepreneurial ecosystem, as described below, in the amount of $111.6 million, and an $80.1 million aggregate investment in five companies, mainly accounted for the investments of $25.2 million made during the first half of the year.

Investments impacting the Québec economy should also be measured taking into account funds committed but not disbursed, which amounted to $149.0 million as at June 30, 2017, compared with $189.1 million as at December 31, 2016. Total commitments at cost as at June 30, 2017, amounted to $996.8 million in 91 companies, cooperatives and funds, of which $847.8 million was disbursed. As at June 30, 2017, backed by its entrepreneurial ecosystem, CRCD supported growth in 430 companies, cooperatives and funds.

Notes payable and financial liabilities with a fair value of $24.0 million ($25.2 million as at December 31, 2016) 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 six months ended on June 30, 2017, CRCD repaid financial liabilities in the amount of $1.5 million and the fair value of notes and financial liabilities was adjusted upward by $0.3 million, arising from gains recognized on the underlying investments.

During the first six months of fiscal 2017, Investments impacting the Québec economy generated a positive contribution of $66.4 million, for a return of 7.3%, compared with $40.4 million for the same period of 2016 (a return of 5.0%).

CONTRIBUTION GENERATED BY INVESTMENTS IMPACTING THE QUÉBEC ECONOMY (in thousands of $)	**SIX MONTHS ENDED JUNE 30, 2017**	SIX MONTHS ENDED JUNE 30, 2016
Revenue	**18,570**	13,192
Gains and losses	**47,870**	27,196
	66,440	40,388

Revenue, consisting of interest, dividends and negotiation fees related to Investments impacting the Québec economy, provides a solid income base that promotes overall portfolio profitability. The $5.4 million increase in revenue between the two six-month periods stemmed primarily from higher dividends. Negotiation fees, which amounted to $2.0 million for the six-month period ended June 30, 2017 ($1.4 million for the same period in 2016), are earned by the manager, Desjardins Venture Capital (DVC), 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 $6.7 million for the first six months of fiscal 2017 ($6.2 million for the same period in 2016), is reported as "Gains and losses" as it makes a positive contribution to the fair value of CRCD's interest in these funds.

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

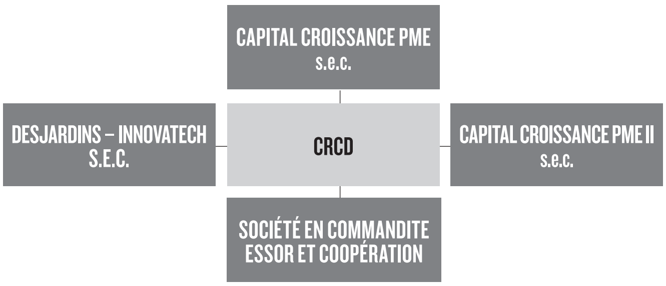
CRCD recorded in its results for the six-month period a realized and unrealized gain of $47.9 million compared with a gain of $27.2 million for the same period in 2016. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at June 30, 2017, the overall risk level of the Investments impacting the Québec economy portfolio was stable compared with its December 31, 2016 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 DVC, CRCD's manager, 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 June 30, 2017, CRCD had disbursed $104.7 million of its total commitment of $110 million. As CCPME's investment period closed on December 31, 2013, funds committed but not disbursed totalling $5.3 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 June 30, 2017, CCPME had made disbursements of $63.2 million to support a total of 113 companies and funds. Since its inception, the Fund has made commitments totalling $191.0 million to 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 was 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 has a 50% interest in CCPME II. As at June 30, 2017, CRCD had disbursed $114.5 million of its total commitment of $160 million. As at that date, CCPME II had made commitments of $191.7 million to support a total of 199 companies and funds. Since its inception, the Fund has made commitments totalling $220.0 million to 207 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. CRCD's interest in DI is 54.5%. 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 June 30, 2017, DI had made commitments of $59.1 million to support a total of 58 companies and funds.

- The objective of the Société en commandite Essor et Coopération fund (Essor et Coopération), founded on January 1, 2013 is to support the creation, growth and capitalization of cooperatives in Québec. CRCD and other partners, including three from the cooperative sector, have made commitments totalling $89.9 million. CRCD has a 94.6% interest in the Essor fund. Since the inception of this fund, CRCD has disbursed $28.1 million of its total commitment of $85 million. As at June 30, 2017, Essor et Coopération had made commitments totalling $29.7 million to support 15 cooperatives.

In total, as at June 30, 2017, CRCD and its ecosystem supported the growth of 430 companies, cooperatives and funds in various industries spanning all Québec regions with commitments of $1,064.5 million, while helping to create and retain over 68,800 jobs. Of that total, 20 cooperatives benefited from commitments of $194.3 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 and preferred shares 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

RETURN BY INVESTMENT PROFILE	JUNE 30, 2017				JUNE 30, 2016			
	Average assets under management ($M)	**Weighting (%)**	**Non-annualized return 6 months (%)**	**Non-annualized contribution 6 months (%)**	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Debt	**285**	**16.0**	**3.5**	**0.5**	273	16.8	4.0	0.7
Equity	**584**	**33.0**	**10.7**	**3.2**	465	28.6	7.0	1.8
External funds	**55**	**3.1**	**(16.4)**	**(0.6)**	61	3.7	(0.2)	(0.0)
Venture capital	**31**	**1.8**	**42.2**	**0.7**	24	1.5	(2.4)	(0.0)
Investment profiles subtotal	**955**	**53.9**	**7.5**	**3.8**	823	50.6	5.1	2.5
Other asset items held by ecosystem funds	**16**	**0.9**	**(1.3)**	**(0.0)**	22	1.4	1.5	0.0
Ecosystem total	**971**	**54.8**	**7.3**	**3.8**	845	52.0	5.0	2.5

The entrepreneurial ecosystem's sound performance stems from the Equity investment profile, which posted a non-annualized return of 10.7%. This gain is mainly attributable to the higher profitability of several portfolio companies, and given the large amount of assets allocated to this profile, it made a major contribution to the ecosystem's return of 7.3% for the first six months of 2017. Debt investment profile return was slightly lower than for the same period of 2016, owing to less favourable financial positions of certain portfolio companies. The respective returns of the External funds and Venture capital investment profiles were primarily influenced by the values of two specific securities. Due to their volume, these two profiles have a limited impact on the portfolio's total return.

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 liquid assets, includes fixed-income securities, real estate funds, global equity funds, and Canadian equity funds. This portfolio provides stable current revenue for CRCD, ensures the necessary liquidity to fund common share redemptions and investments and ensures sound diversification.

As at June 30, 2017, CRCD's Other investments portfolio, including cash but excluding foreign exchange contracts, totalled $758.9 million compared with $844.6 million as at December 31, 2016. As at June 30, 2017, 68% of portfolio bond securities were government-guaranteed (68% as at December 31, 2016).

Other investments accounted for 42% of the portfolio's total net assets as at the end of the first six months of 2017 (47% as at December 31, 2016). Commitments made but not disbursed in an amount of $149.0 million, representing 8% of net assets, will eventually be covered from CRCD's Other investments and allocated to Investments impacting the Québec economy.

CRCD expects Other investments to represent nearly 35% of total net assets over the long term. 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 returns while retaining the required liquidities to meet liquidity needs arising from redemption requests from shareholders and Investments impacting the Québec economy it expects to make.

CONTRIBUTION GENERATED BY OTHER INVESTMENTS (in thousands of $)	**SIX MONTHS ENDED JUNE 30, 2017**	SIX MONTHS ENDED JUNE 30, 2016
Revenue	**8,737**	9,097
Gains and losses	**12,131**	11,189
	20,868	20,286

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 $20.9 million in the first six months of 2017 compared with a contribution of $20.3 million a year earlier. Current revenue was down slightly compared with the same period of 2016.

For the first six months of 2017, CRCD recorded a net gain of $12.1 million on its Other investments portfolio. The global equity fund portfolio gained $5.1 million in a strongly rising market while the Canadian equity fund generated a gain of $1.8 million amid favourable economic conditions. The preferred share portfolio also posted a gain of $1.8 million for the current six-month period. Given that the future outlook for this asset class appears less attractive, the gradual transfer of this portfolio into low-volatility Canadian equity funds will be completed by the end of fiscal 2017.

The bond portfolio recorded a gain of $2.5 million owing primarily to the timely sales made during the first quarter, even though bonds such as five-year Government of Canada bonds posted a yield to maturity of 1.38% as at June 30, 2017 following an increase of 27 basis points since December 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 past six-month period. 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 not unrelated to bond markets. Moreover, CRCD aims to match the average maturity of the bond portfolio with the average maturity of expected cash outflows, thereby limiting the long-term effect of bond rates on CRCD's results.

CAPITAL RAISING

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

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, 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 CRCD shares 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 control mechanisms have been implemented by CRCD to ensure compliance.

As at June 30, 2017, CRCD had $1,400.3 million in share capital for 131,411,796 outstanding common shares.

During the six-month period, issues of common shares totalled $1.5 million, or the balance of the 2016 issue which was completed as scheduled on February 28, 2017, reaching the authorized maximum of $135 million. The subscription period for the 2017 issue will begin in the fall. The pre-subscription period will run from September 5 to September 25, 2017. The issue expense will be 2.9% for fiscal 2017 as presented in the prospectus for the 2017 issue.

During the first six months of 2017, share redemptions totalled $48.1 million ($39.5 million for the same period of 2016).

The balance of shares eligible for redemption amounted to nearly $749 million as at June 30, 2017. During the second half of 2017, additional shares valued at approximately $100 million will also become eligible for redemption, bringing total potential redemptions to some $849 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 during the first six months of 2017 brought the number of shareholders to 101,289 as at June 30, 2017, compared with 104,317 as at December 31, 2016.

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 $)	**SIX MONTHS ENDED JUNE 30, 2017**	SIX MONTHS ENDED JUNE 30, 2016
Management fees	**10,986**	13,621
Other operating expenses	**2,659**	2,021
Shareholder services	**1,198**	983
	14,843	16,625

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. For the year ending December 31, 2017, management fees will equal a maximum 1.95% of CRCD's annual average asset value (2.02% for the year ended December 31, 2016), less any amounts payable related to Investments impacting the Québec economy and Other investments. An adjustment is made to the management fees charged to CRCD to avoid double billing relative to CRCD's interest in some funds. An adjustment could also be made to allow CRCD to benefit from 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. Such a downward adjustment of $1.65 million was made for the year ended December 31, 2016. Negotiation fees earned by DVC are applied against the management fees paid by CRCD. A new agreement for the fiscal years 2018 to 2020 is currently under negotiation.

The $0.6 million increase in other operating expenses resulted primarily from 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's inception, Desjardins Trust has represented the largest component of CRCD's shareholder service expenses. This agreement is effective from July 1, 2016 to December 31, 2020.

CRCD has appointed Fédération des caisses Desjardins du Québec to distribute its shares through the Desjardins caisse network. For the year ended December 31, 2016, CRCD paid fees in the amount of $325,000 for these services. The agreement, which is currently under review, will be effective as of fiscal 2017 for a four-year period. CRCD has further agreed to pay project fees, as needed, to cover work required to upgrade the tools and applications supporting the CRCD share distribution processes.

Income taxes for the first six months of fiscal 2017 amounted to $1.9 million, compared with $2.8 million for the same period in 2016. Revenue type has a significant impact since, unlike interest income, dividends are typically non-taxable and capital gains are eligible for deductions and mechanisms allowing for income tax refunds.

LIQUIDITY AND CAPITAL RESOURCES

For the six-month period ended June 30, 2017, cash outflows from redemptions net of issues amounted to $46.7 million (cash outflows from redemptions totalled $39.5 million in 2016). Operating activities generated net cash inflows of $51.4 million, compared with cash inflows of $38.2 million in 2016.

Cash outflows related to Investments impacting the Québec economy amounted to $110.6 million for the first six months of 2017 ($68.1 million in 2016). The Other investments portfolio recorded net sale proceeds of $104.7 million, compared with net sales proceeds of $67.4 million for the same period in 2016.

As at June 30, 2017, cash and cash equivalents totalled $23.9 million ($19.1 million as at December 31, 2016).

CRCD has an authorized line of credit of $50 million as at June 30, 2017. 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 the first six months ended June 30, 2017 or during fiscal 2016.

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 VISION, MISSION, STRATEGIC PRIORITIES AND STRATEGIES

On the initiative of Desjardins Group, 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. DVC manages its operations.

CRCD's vision, mission, objectives and strategies remain substantially similar to those described in its most recent annual MD&A.

RISK MANAGEMENT

GOVERNANCE

The Board of Directors (the "Board") is made up of 13 directors, the majority of whom are independent, and chaired by an independent director. The Board has the general authority to manage the affairs of CRCD and oversee the fulfilment of its mission. To do so, it is responsible for directing and overseeing all of CRCD's activities and the risks to which it is exposed.

To do this, the Board is supported by 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.

Governance and Human Resources Committee

The Governance and Human Resources Committee is made up of five directors, four of whom are independant, and is chaired by the Chair of the Board.

This Committee's mandate is to provide oversight of the application of the rules relating to governance, independence, conflicts of interest, ethics and professional conduct. It is in particular responsible for drawing up skills and experience profiles for the General Manager and Board members. It also recommends to the Board an evaluation process for the performance of the Chair of the Board, the General Manager of CRCD, the Board, the Committees and the manager, DVC.

Audit Committee
The Audit Committee is made up four independent directors.

The Committee's mandate is to assist the Board in its oversight and accountability roles on aspects relating to the quality, reliability and integrity of financial reporting and continuous disclosure. It ensures the existence and effectiveness of DVC's internal controls over financial reporting, and verifies that DVC implements and maintains adequate compliance mechanisms relating to legal and statutory requirements likely to have a material effect on financial reporting. It also has responsibility for the oversight of CRCD's overall integrated risk management process. Its role also includes a component related to the work, performance, independence, appointment and recommendation of the independent auditor.

Financial Asset Management Committee
The Financial Asset Management Committee is made up of five directors, three of whom are independent.

The Committee's mandate is to coordinate and match CRCD's financial assets to optimize overall risk/return ratio. The Committee monitors CRCD's performance and ensures its compliance with the legislation and regulations relating to financial assets. It also oversees the implementation of and compliance with the *Global Financial Asset Management Policy* and related guidelines.

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

Effective September 30, 2017, the Subordinated Debt and Equity Investment Committees will be merged to form the Debt/Equity Investment Committee, made up of seven members (four directors and three external members).

The majority of members of the Debt/Equity Investment Committee and the Innovation Investment Committee are independent with six and five independent members, respectively.

The general mandate of the investment committees is to evaluate, authorize and oversee transactions related to investments impacting the Québec economy within the limits of the decision-making process approved by the Board.

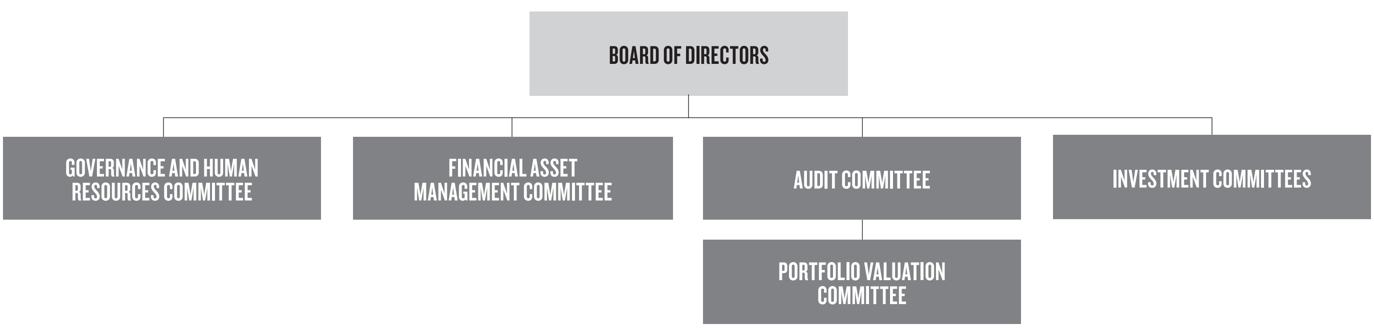
The Debt/Equity Investment Committee reviews financing requests for subordinated debt, equity or a combination of subordinated debt and equity.

The Innovation Investment Committee reviews financing requests for equity or a combination of subordinated debt and equity which promote technological or industrial innovation or advance new uses for existing technologies.

Portfolio Valuation Committee
The Portfolio Valuation Committee is made up of two independent directors and three external members who are independent qualified valuators. The majority of members must be independent qualified valuators in accordance with the *Regulation respecting development capital investment fund continuous disclosure* (the "Regulation").

This Committee's mandate is to review all relevant information concerning valuation of CRCD's Investments impacting the Québec economy portfolio on a semi-annual basis to provide reasonable assurance that the valuation process complies with the requirements of the Regulation and to report to the Audit Committee and the Board.

The governance structure is as follows:



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 August 17, 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 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 June 30, 2017 was $755.4 million ($899.7 million as at December 31, 2016). 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 $26.7 million ($22.2 million as at December 31, 2016) 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 $435.0 million ($580.3 million as at December 31, 2016) are directly affected by interest rate fluctuations. A 1% increase in interest rates would have resulted in a decrease of $24.9 million in net earnings, representing a 1.4% decrease in CRCD's share price as at June 30, 2017 ($33.1 million for 1.9% as at December 31, 2016). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $26.6 million increase in net earnings, representing a 1.5% increase in share price ($35.3 million for 2.1% as at December 31, 2016). CRCD's financial asset management strategy aims to diversify the portfolio securities which will lead to a reduced exposure to long-term bonds. 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 $84.9 million ($64.1 million as at December 31, 2016) and $20.8 million ($59.9 million as at December 31, 2016), 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 $188.5 million ($153.3 million as at December 31, 2016), 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 $188.0 million ($173.2 million as at December 31, 2016) 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 June 30, 2017, global and Canadian equity funds, valued at $172.8 million ($105.1 million as at December 31, 2016), 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 $17.3 million increase or decrease, respectively, in net results, representing a 0.9% change in CRCD's share price.

The Investments impacting the Québec economy portfolio included listed equities in the amount of $0.4 million ($0.6 million as at December 31, 2016). As a result, for these investments, any stock market fluctuations would not have a significant direct impact on CRCD's net income

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 $82.7 million, or 4.6% of net assets as at June 30, 2017, compared with $111.1 million, or 6.2% of net assets as at December 31, 2016.

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 June 30, 2017, CRCD held foreign exchange contracts under which it must deliver US$64.1 million (US$82.3 million as at December 31, 2016) at the rate of CAD/USD 1.3135 (CAD/USD 1.3360 as at December 31, 2016) on September 30, 2017.

As at June 30, 2017, the net exposure of CRCD's Investments impacting the Québec economy portfolio to foreign currencies is limited to $0.4 million ($1.2 million as at December 31, 2016). Any fluctuation in the Canadian dollar will therefore not have a significant impact on CRCD's results.

For the Other investments portfolio, the net exposure of investments to foreign currencies amounted to $104.3 million. Accordingly, a 10% decrease (increase) in value of the Canadian dollar relative to all of the other foreign currencies would have a $10.4 million increase (decrease) in net results representing a 0.6% change 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.

Investments impacting the Québec economy, except those carried out through funds, are first ranked by risk from 1 to 9 based on the criteria defined by Moody's RiskAnalyst tool. 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 reported in the Low to acceptable risk category due to the structure of this type of product, and because they generally involve no leverage.

The table below shows the stability in the Investments impacting the Québec economy portfolio, ranked by risk (fair value amounts):

		AS AT JUNE 30, 2017		AS AT DECEMBER 31, 2016	
Rating		**(in thousands of $)**	**(in %)**	(in thousands of $)	(in %)
1 to 6.5	Low to acceptable risk	**997,894**	**97.6**	894,154	97.0
7 to 9	At risk	**17,586**	**1.7**	20,161	2.2
10	High risk and insolvent	**6,934**	**0.7**	7,203	0.8

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, by risk rating, of funds committed but not disbursed as at the reporting date:

		AS AT JUNE 30, 2017		AS AT DECEMBER 31, 2016	
Rating		**(in thousands of $)**	**(in %)**	(in thousands of $)	(in %)
1 to 6.5	Low to acceptable risk	**148,562**	**99.7**	188,721	99.8
7 to 9	At risk	**400**	**0.3**	400	0.2

For the bond portfolio, which represents 58.7% of the fair value of the Other investments portfolio (69.8% as at December 31, 2016), credit risk is managed by diversification across numerous issuers with credit ratings as follows:

	AS AT JUNE 30, 2017	AS AT DECEMBER 31, 2016
Rating *	**(in thousands of $)**	(in thousands of $)
AAA	**165,777**	269,452
AA	**172,557**	194,174
A	**51,739**	55,695
BBB	**41,107**	57,966
BB	**3,865**	3,049

*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 Fédération des caisses Desjardins du Québec.

CONCENTRATION RISKS

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

Risk of concentration in an entity

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

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

	AS AT JUNE 30, 2017		AS AT DECEMBER 31, 2016	
	% of portfolio	**% of net assets**	% of portfolio	% of net assets
Investments impacting the Québec economy*	**40.4**	**26.2**	38.0	23.6
Other investments**	**42.5**	**17.4**	44.5	20.7

* CRCD's interest in the ecosystem fund accounted for 47% (55% as at December 31, 2016) of the five largest Investments impacting the Québec economy.
** Government issuers accounted for 65% (86% as at December 31, 2016) 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 June 30, 2017, the Investments impacting the Québec economy portfolio represented 56.2% of net assets (51.6% as at December 31, 2016).

CRCD has adopted a global financial asset management and investment guidelines policy to govern the Other investments portfolio activities which currently limit the option of holding foreign securities. As at June 30, 2017, the Other investments portfolio includes a portion of foreign securities resulting primarily from its interest in global equity funds and comprises 86.3% of Canadian securities (88.7% as at December 31, 2016). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at June 30, 2017, the Other investments portfolio represented 41.8% of net assets (47.2% as at December 31, 2016).

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 June 30, 2017, bond securities represented 24.0% of net assets (32.4% as at December 31, 2016). The lower percentage allocated to this asset class stems from the increase in the weighting for Investments impacting the Québec economy and aims to diversify the portfolio by adding new asset classes, strike an overall balance for the portfolio between risk and return and 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 remained undrawn for the first six months of fiscal 2017 and fiscal 2016.

This work takes into account the expected higher balance of redeemable shares of CRCD. Initiatives have been implemented to encourage the redemption of shares and a $50 million increase in the line of credit has been granted, since 2016.

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

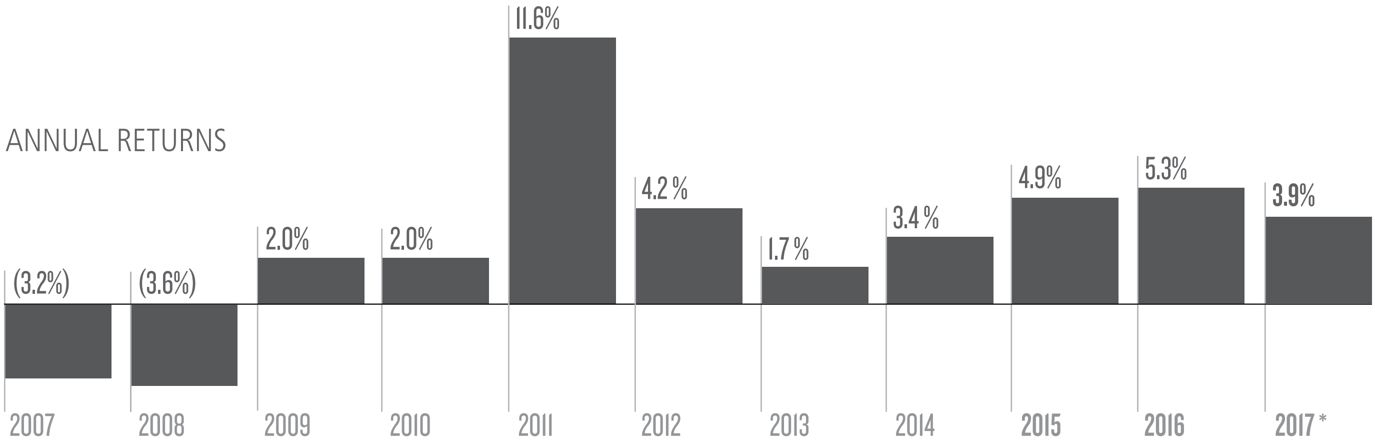
Following the 2016-2017 budget speech, the Québec government announced changes to CRCD's governance pertaining to the composition of its Board of Directors and the concept of independence. The proposed legislative amendments must be adopted by the National Assembly and will be implemented gradually.

PAST PERFORMANCE

This section presents 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 and for the six-month period ended June 30, 2017. Annual return is calculated by dividing income (loss) per share for the period by the share price at the beginning of the period.



* Non-annualized return for the six-month period ended June 30, 2017.

COMPOUNDED RETURN OF THE COMMON SHARE AS AT JUNE 30, 2017

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
3.3%	5.0%	4.1%	4.9%	6.6%

PORTFOLIO SUMMARY

CORE INVESTMENT PROFILES

As at June 30, 2017, assets in CRCD's Investments impacting the Québec economy and Other investments portfolios were allocated, on a fair value basis, as follows:

INVESTMENT PROFILE	% OF NET ASSETS
Investments impacting the Québec economy *	
Debt	16.2
Equity	34.7
External funds	2.4
Venture capital	1.9
Other asset items held by ecosystem funds	1.0
Total – Investments impacting the Québec economy	**56.2**
Other investments	
Cash and money market instruments	2.5
Bonds	24.0
Preferred shares	1.1
Global equity funds	6.1
Canadian equity funds	3.4
Real estate funds	4.7
Total – Other investments	**41.8**

* Including foreign exchange contracts

Net assets are made up of 98.0% investment profiles and 2% other asset items.

MAIN INVESTMENTS HELD

As at June 30, 2017, on a fair value basis, the issuers of the 25 main investments held by CRCD were as follows:

ISSUERS	% OF NET ASSETS
Investments impacting the Québec economy – 13 issuers *	35.7
Hydro-Québec	4.4
Government of Canada	3.6
Merrill Lynch Canada, Inc.	3.3
Desjardins IBrix Low Volatility Global Equity Fund (I-Class Units)	3.1
Desjardins Global Dividend Fund (I-Class Units)	3.1
Province of Ontario	2.5
Fiera Properties CORE Fund	2.4
Bentall Kennedy Prime Canadian Property Fund	2.3
Canada Housing Trust	2.0
BMO Low Volatility Canadian Equity ETF	1.7
Fidelity Canadian Low Volatility Equity Institutional Trust	1.7
Royal Bank of Canada	1.4

* The 13 issuers who collectively represent 35.7% 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.
- Fournier Industries Group Inc.
- La Coop fédérée
- Société en commandite Essor et Coopération
- Telecon Inc.

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

August 17, 2017

August 17, 2017

MANAGEMENT'S REPORT

CRCD's separate financial statements together with the financial information contained in this interim 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 August 17, 2017. These statements have been prepared in accordance with International Financial Reporting Standards 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

Chief Financial Officer