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 or SEDAR at www.sedar.com.

Interim financial information may be obtained in the same way.

FINANCIAL HIGHLIGHTS AS AT DECEMBER 31

The following charts present key financial data and are intended to assist in understanding 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 2015, 2014 and 2013 is presented in accordance with International Financial Reporting Standards ("IFRS"). Financial information for fiscal years 2012 and 2011 is presented in accordance with Canadian generally accepted accounting principles ("GAAP") then in effect.

RATIOS AND SUPPLEMENTAL DATA

(in thousands of $, unless indicated otherwise)

	2015 (IFRS)	2014 (IFRS)	2013 (IFRS)	2012 (GAAP)	2011 (GAAP)
Revenue	**45,269**	44,422	51,982	53,491	46,894
Gains (losses) on investments	**64,035**	42,884	10,670	42,376	117,757
Net earnings	**74,806**	49,245	24,950	53,435	122,588
Net assets	**1,642,076**	1,502,462	1,470,576	1,356,446	1,220,427
Common shares outstanding (number, in thousands)	**130,183**	124,665	126,165	118,243	110,776
Total operating expense ratio[1] (%)	**1.9**	2.1	2.0	2.4	3.0
Total expense and common share issue expense ratio[1] (%)	**2.0**	2.2	2.2	2.4	3.0
Portfolio turnover rate:					
– Investments impacting the Québec economy (%)	**19**	19	16	23	28
– Other investments (%)	**131**	102	108	67	110
Trading expense ratio[2] (%)	**0.0**	0.0	0.0	0.0	0.0
Number of shareholders (number)	**102,222**	96,236	100,861	103,052	106,577
Issues of common shares	**149,882**	62,906	149,995	149,994	153,955
Common share issue expenses, net of related taxes	**1,750**	764	1,739	–	–
Redemption of common shares	**83,324**	79,501	59,075	67,410	75,962
Investments impacting the Québec economy at cost	**738,596**	675,355	671,547	625,414	498,984
Fair value of investments impacting the Québec economy	**817,199**	710,923	733,907	659,045	541,909
Funds committed but not disbursed	**171,082**	193,764	227,593	142,350	151,822

[1] 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.

[2] Trading expense includes brokerage fees and other portfolio transaction costs. These expenses are not material to CRCD.

CHANGES IN NET ASSETS PER COMMON SHARE

	2015 (IFRS)	2014 (IFRS)	2013 (IFRS)	2012 (GAAP)	2011 (GAAP)
	($)	($)	($)	($)	($)
Net assets per common share, beginning of year	**12.05**	**11.66**	**11.47**	**11.02**	**9.91**
Increase attributable to operations	**0.59**	**0.40**	**0.20**	**0.46**	**1.15**
Interest, dividends and negotiation fees	**0.35**	0.36	0.41	0.46	0.43
Operating expenses	**(0.23)**	(0.25)	(0.23)	(0.28)	(0.31)
Income taxes	**(0.03)**	(0.06)	(0.07)	(0.09)	(0.07)
Realized gains (losses)	**0.29**	0.52	0.03	0.48	0.20
Unrealized gains (losses)	**0.21**	(0.17)	0.06	(0.11)	0.90
Difference attributable to common share issues and redemptions	**(0.03)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.04)**
Net assets per common share, end of year	**12.61**	**12.05**	**11.66**	**11.47**	**11.02**

OVERVIEW

CRCD closed fiscal 2015 with net earnings of $74.8 million ($49.2 million in 2014), representing a return of 4.9% (3.4% in 2014), resulting in an increase of net assets per share to $12.61 based on the number of common shares outstanding at the end of the fiscal year, compared with $12.05 at the end of fiscal 2014. 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. CRCD has generated positive annual returns for the last seven years.

The Investments impacting the Québec economy portfolio posted a return of 12.8% in 2015, compared with a return of 7.3% in 2014, through increased contributions from most investment profiles. As at December 31, 2015, the cost of Investments impacting the Québec economy totalled $738.6 million and investments made during fiscal 2015 reached $199.7 million. As at December 31, 2015, 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, amount to $171.1 million. New commitments for the year came to $177.0 million.

Other investments generated a return of 2.3% for fiscal 2015, compared with a return of 5.4% for fiscal 2014. Lower return in 2015 resulted mainly from the decrease in value of preferred shares, mitigated by appreciation in the bond portfolio.

During the year, issues of common shares totalled $150 million, or the authorized maximum. Share redemptions totalled $83 million. The balance of shares eligible for redemption as at December 31, 2015 amounted to over $491 million. Net assets stood at $1,642.1 million, up 9.3% compared with the previous year. The number of shareholders as at December 31, 2015 was 102,222.

CRCD'S VISION FOR QUÉBEC ENTREPRENEURSHIP

A study[1] conducted in 2014 states that various indicators show Québec's performance lagging behind that of other Canadian provinces in terms of entrepreneurship. Among the reasons cited, a culture less inclined toward entrepreneurship and a heavy administrative burden are stressed in particular. Québec must devote significant effort to developing the entrepreneurial spirit and culture of Québecers.

Business transfers and the survival of existing businesses are also key issues. So deploying entrepreneurial energy to take over the helm for a business is crucial for Québec.

Last, 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 serious 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 for the tax base to maintain healthy public finances 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 PARTNERS

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 with particular focus on simplifying and streamlining our process and documentation to achieve enhanced flexibility.

A real catalyst in the business development process of our existing and potential partners, CRCD successfully completed an extensive tour of the province with the aim, among others, of providing entrepreneurs with an overview of the economic outlook for their regions and testimonials by local businesspeople. Close to 1,000 people took part in the activities surrounding the tour which visited some dozen cities across Québec in 2015.

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 strategic use of such tools in 2015 led to the creation of many 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 stepped up our efforts in 2015 with strategic support for our partner companies from 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 more than 15 training sessions from either CRCD or our collaborators, such as Collège des administrateurs de sociétés and the Institute of Corporate Directors. By the same token, several business leaders also benefited from the training provided free of cost by École d'Entrepreneurship de Beauce, another key partner for CRCD.

[1] Desjardins Group and CIRANO, *For a more entrepreneurial and prosperous Quebec*, April 2014 .

ECONOMIC ENVIRONMENT

THE ECONOMIC CLIMATE IN 2015

Global economic growth was weak in 2015. It is estimated to be only 3.1%. Real GDP in the main industrialized countries advanced more rapidly, but that performance was offset by slower GDP gains in the emerging economies. Inside the eurozone, lending activities started to move at a quicker pace in the wake of measures taken by the European Central Bank. A weak euro was favourable for net exports. Growth in Japan continued to be erratic, with GDP pulling back in the spring and then advancing later on. Imports of emerging countries shrink for the first time since the last financial crisis. In addition, the Chinese economy's lack of strength worried international capital markets even though the slowdown in China's real GDP was contained in 2015, with annual real GDP growing slightly less than 7%. Of the other main emerging economies, India turned in excellent results, while Brazil and Russia saw their economies contract in 2015.

The financial markets were volatile in 2015. After a first half of the year that was good to investors, growing concerns surrounding the emerging countries and a further decline in commodities prices caused most stock markets to pull back in the second half. The S&P 500 closed 2015 with a slight drop of 0.7% while the Toronto Stock Exchange, battered by a further pullback in commodities prices, posted a decline of 11.1%. The lack of inflationary pressure and expansionary monetary policies of the industrialized countries kept bond rates at very low levels. In Canada, the pullback in economic activity in the first half of the year prompted the Bank of Canada to lower its key rates in January and July of 2015, which resulted in a further significant decrease in the value of the Canadian dollar.

The United States was impacted by a hard winter in 2015. While the situation was temporary, in combination with a labour conflict in the west coast ports, a strong U.S. dollar and troubles in the oil industry, it contributed to slower growth early in the year. Consumption in the United States grew, visible mainly through sales of automobiles. Several economic indicators, including data for the manufacturing industry, which was left struggling due to the strength of the greenback and sagging investment in the oil industry, were soft at mid-year, prompting the Fed to delay before starting to raise its key rates in December. The housing sector continued to grow, driven mainly by multi-unit housing, but remained volatile.

In Canada, a technical recession occurred in the first half of 2015 as GDP pulled back slightly in the winter and spring. This recession was different from the other episodes of recession the country has been through. First, the scale of the pullback in real GDP was very low compared with the other recessions. And second, the troubles were not generalized, but were instead concentrated by region and in certain sectors. Triggered by the sharp drop in energy prices, the pullback was mainly confined to non-residential investments in the energy sector, where several expansion projects were cancelled or postponed. This resulted in some spinoff into other industries, primarily machinery and equipment manufacturers. The effects of the recession were felt particularly in the oil producing provinces of Alberta, Saskatchewan and Newfoundland and Labrador. The effect on the other provinces was weaker, and their economic growth was somewhat more robust. The summer of 2015 saw the Canadian economy rebound. Among others, stronger U.S. demand and the depreciation of the Canadian dollar were particularly favourable for foreign trade, which contributed positively to real GDP. However, a new round of falling commodities prices in tandem with temporary difficulties in the United States significantly slowed Canadian economic growth in late 2015. When the official data are released, we expect that Canadian real GDP will show growth of 1.2% in 2015. Last, the challenges facing Canada's economy and the two key rate reductions announced by the Bank of Canada resulted in significantly lower Canadian bond rates last year, unlike U.S. rates, which rose slightly in 2015.

In Québec, the year started out with higher than expected economic growth, but that weakened later on. The increase in economic activity was slightly over 1.0%, compared with 1.5% in 2014. Households showed caution when making purchases in spite of the headway opened up by soft gas prices. A heavy tax burden and high debt levels dampened spending. Retail sales in 2015 saw practically no growth. The period of adjustment in the residential sector continued. Housing starts declined, condo properties in particular, where the market is showing considerable oversupply. Tighter control over government spending also reined in economic growth in Québec. Exports, however, continued to rise, but businesses did not begin to step up their investments.

ECONOMIC OUTLOOK FOR 2016

Global economic growth is expected to be somewhat stronger in 2016, without picking up any real steam. The situation in the eurozone should continue to improve, helped along by a currency that will likely remain weak. The economy in the United Kingdom should be solid enough for the Bank of England to contemplate preliminary hikes in the key rates as the Fed has done. Japan's economy is expected to grow somewhat more quickly in 2015. In China, the slow shift of the economy will continue and real GDP for 2016 is expected to grow 6.5%, which is the Chinese government's new growth target. Global GDP growth should reach 3.3% in 2016.

Real GDP growth in the United States for 2016 is expected to be slightly higher than for 2015, coming in at 2.5% against 2.4%. Certain factors that weighed on growth in 2015 are expected to continue exerting an adverse effect. Growth in consumption should remain relatively fast-paced, supported by strong job creation, lower prices for imported goods, high household confidence and continuing low gas prices. Despite the fact that rate hikes have begun, investments in housing should be able to grow at a good pace, although less rapidly than in 2015. Corporate investment is expected to pick up some strength. That being said, exports will likely suffer due to a strong greenback. Last, the budget agreement in the fall of 2015 means that the public sector should keep up with growth during 2016. That would mark the first increase in real federal spending since 2010. Inflation will likely grow by 0.9% in 2016. The hikes in the U.S. key rates begun in December 2015 are expected to be made gradually, with two 25-basis point increases forecast for 2016. In conjunction with an unstable international environment, that will likely strongly inhibit increases in bond rates.

In Canada, after disappointing growth estimated at only 1.2% in 2015, the economy is expected to advance slightly more strongly in 2016, with a forecast gain of 1.5%. Oil prices should eventually become more stable so that the adverse effects of adjustments in the energy sector will gradually taper off. Foreign trade will likely contribute positively to real GDP as stronger U.S. demand and a weaker Canadian dollar are expected to provide a favourable climate. Growth in consumer spending is expected to keep pace with income growth. After slowing down in Atlantic Canada, Québec and the Prairies, investments in housing could also begin to slow down in Ontario and British Columbia. Governments are also likely to contribute more to economic growth in 2016, in particular starting in the middle of the year, as the first federal government budget is expected to include a boost in public investment. An income tax rate rollback for the middle class has also been announced, which should be beneficial for consumer spending. Given the conditions, the Bank of Canada will likely leave its key rates unchanged throughout 2016. A further reduction in Canadian key rates is also possible and could come ahead of gradually tighter money towards the end of 2017. That means a low interest rate environment is likely to prevail in Canada for quite some time, which will keep bond rates relatively low. The Canadian dollar is expected to remain weak and could even pull back further over the short term. It will likely rise somewhat starting in mid-2016 mirroring oil prices. Looking at the stock market, after the 11.1% decline the S&P TSX Index posted in 2015 and a very difficult start to 2016, the expected resurgence in energy prices in the second half of the year together with stronger demand and a downward adjustment in supply, the Toronto Stock Exchange should be in a position to regain its lost ground and show a positive return at the close of 2016.

For Québec, 2016 is expected to be somewhat more favourable. Growth in the U.S. and Ontario economies and a Canadian dollar, which will likely remain around US$0.70, should drive exports and stimulate renewed industrial investments. An improved job market and certain tax changes could provide some relief for households and thereby promote spending. Injecting public funds into infrastructures and contributions from foreign trade could drive real GDP growth of 1.3% in 2016, compared with the 1.1% estimated for 2015.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

OPERATING RESULTS

CRCD NET RESULTS AND RETURNS

CRCD closed its fiscal year ended December 31, 2015 with net earnings of $74.8 million, or a return of 4.9%, compared with net earnings of $49.2 million (return of 3.4%) for the preceding year. Based on the number of common shares outstanding, this performance brings net assets per share to $12.61 as at year-end, compared with $12.05 at the end of fiscal 2014. For information purposes, at a price of $12.61 effective February 18, 2016, shareholders who invested seven years earlier would obtain an annual after-tax return of more than 12.6%, taking into account the 50% income tax credit as per the rate applicable on February 18, 2009.

CRCD's performance is driven primarily by Investments impacting the Québec economy and Other investments, which generated returns of 12.8% and 2.3%, respectively, while expenses, net of administrative charges and income taxes had an impact of 2.4% on CRCD's performance.

CRCD's financial asset management 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 CRCD's returns in periods of substantial market turbulence.

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Investments of $199.7 million and disposals of $162.1 million were made for a net balance of $37.6 million. Combined with realized and unrealized net gains of $69.1 million, these net investments brought the fair value of the investment portfolio, including foreign exchange contracts, to $817.6 million as at December 31, 2015 ($710.9 million as at December 31, 2014). Investments in the funds comprising the entrepreneurial ecosystem, as described below, in the amount of $35.9 million, and a $108.5 million aggregate investment in four companies, mainly accounted for the investments of $199.7 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 $171.1 million as at December 31, 2015, compared with $193.8 million as at December 31, 2014. Total commitments at cost as at December 31, 2015 amounted to $909.7 million in 110 companies, cooperatives and funds, of which $738.6 million was disbursed. As at December 31, 2015, backed by its entrepreneurial ecosystem, CRCD directly supported growth in 402 companies, cooperatives and funds.

Notes payable and financial liabilities with a fair value of $26.3 million ($22.1 million as at December 31, 2014) were mainly 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, 2015, CRCD repaid $0.1 million in notes and the fair value of notes and financial liabilities was adjusted upwards by $4.2 million, arising from gains generated on underlying investments.

RETURN BY ACTIVITY	2015				2014			
	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 *	**766**	**49.2**	**12.8**	**6.1**	704	48.5	7.3	3.6
Other investments and cash	**792**	**50.8**	**2.3**	**1.2**	746	51.5	5.4	2.6
	1,558	**100.0**	**7.3**	**7.3**	1,450	100.0	6.2	6.2
Expenses, net of administrative charges			**(2.1)**	**(2.1)**			(2.3)	(2.3)
Income taxes			**(0.3)**	**(0.3)**			(0.5)	(0.5)
CRCD return			**4.9**	**4.9**			3.4	3.4

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

During fiscal 2015, Investments impacting the Québec economy generated a contribution of $93.3 million, a 12.8% return, compared with $51.6 million in 2014 (a return of 7.3%).

CONTRIBUTION GENERATED BY INVESTMENTS IMPACTING THE QUÉBEC ECONOMY (in thousands of $)	2015	2014
Revenue	**28,234**	26,720
Gains and losses	**65,076**	24,832
	93,310	51,552

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 $3.2 million for fiscal 2015 ($2.5 million in 2014), 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 $11.8 million for fiscal 2015 ($10.8 million in 2014), 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.

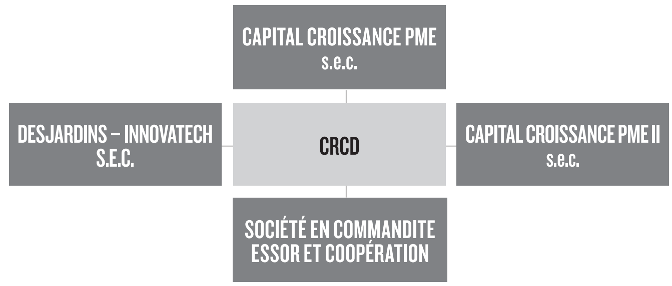
CRCD recorded a realized and unrealized gain of $65.1 million in its results for the fiscal year compared with a gain of $24.8 million for fiscal 2014. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at December 31, 2015, the overall risk level of the Investments impacting the Québec economy portfolio had improved compared with its December 31, 2014 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, 2015, CRCD had disbursed $102.5 million of its total commitment of $110 million. As CCPME's investment period closed on December 31, 2013, funds committed but not disbursed totalling $7.5 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, 2015, CCPME had committed $101.6 million to support a total of 146 companies and funds. Since its inception, the fund has disbursed $189.1 million to support a total of 183 companies.

- In 2013, CRCD announced the renewal of the partnership agreement with CDPQ, establishing the Capital croissance PME II s.e.c. fund (CCPME II) as of January 1, 2014. A maximum additional amount of $230 million, most of which will be invested over a three-year period, will allow the two partners to continue supporting small- and medium-sized enterprises in Québec. CRCD's interest in CCPME II is 50%. As at December 31, 2015, CRCD had disbursed $65.5 million of its total commitment of $115 million. As at that date, CCPME II had committed $130.5 million to support a total of 131 companies and funds. Since its inception, the fund has disbursed $124.3 million to support a total of 127 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, 2015, DI had committed $61.6 million to support a total of 41 companies and funds. CRCD's interest in DI is 54.5%.

- The objective of the Société en commandite Essor et Coopération (Essor et Coopération) is to support the creation, growth and capitalization of cooperatives in Québec. In 2013, CRCD and another partner made commitments to invest $40 million and $4 million, respectively. Furthermore, during the year, CRCD confirmed its commitment of an additional amount of $45 million, raising total capitalization to $89 million. Since inception of the Essor et Coopération fund on January 1, 2013, CRCD has disbursed $20.3 million of its total commitment of $85 million to support the developpement of cooperatives. As at December 31, 2015, Essor et Coopération had committed $23.4 million in 13 cooperatives.

As at December 31, 2015, CRCD and its ecosystem supported the growth of 402 companies, cooperatives and funds in various industries spanning all Québec regions with commitments of $940.4 million, while helping to create and retain 67,500 jobs.

The investments earmarked for these funds are increasing over time. To better manage and keep track of its operations, CRCD 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.

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 primarily from the Equity and Debt investment profiles, which posted gains of 10.0% and 8.2%, respectively. These returns are due to the sound performance of a number of portfolio companies, some of which benefited from a weak Canadian dollar and increased exports. Furthermore, as CRCD's portfolio has little exposure to commodities and financials, the difficulties those sectors encountered in 2015 had limited impact on CRCD's results. This year, the External funds profile also contributed to returns through gains on transactions involving investments held by certain specialized funds.

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 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, 2015, CRCD's Other investments portfolio, including cash but excluding foreign exchange contracts, totalled $792.1 million compared with $778.7 million as at December 31, 2014. These funds were invested mainly in the fixed-income securities market in highly liquid, low-credit risk instruments. As at December 31, 2015, 70% of portfolio bond securities were government-guaranteed (66% as at December 31, 2014).

The Other investments portfolio accounted for 49% of total net assets as at the end of fiscal 2015 (52% as at December 31, 2014). This percentage is expected to decrease as CRCD identifies new and attractive investment opportunities. Commitments already made but not disbursed of $171.1 million, representing 10% 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 around 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 liquidities to meet liquidity needs arising from redemption requests from shareholders and Investments impacting the Québec economy it expects to make.

RETURN BY INVESTMENT PROFILE	**2015**				2014			
	Average assets under management ($M)	**Weighting (%)**	**Return 1 year (%)**	**Contribution 1 year (%)**	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Debt	**255**	**16.4**	**8.2**	**1.3**	212	14.6	5.5	0.7
Equity	**397**	**25.5**	**10.0**	**2.4**	395	27.3	9.3	2.8
External funds	**51**	**3.2**	**96.3**	**2.4**	34	2.4	0.8	0.0
Venture capital	**29**	**1.9**	**0.6**	**0.0**	17	1.1	(4.8)	0.0
Investment profiles Subtotal	**732**	**47.0**	**13.7**	**6.1**	658	45.4	7.5	3.5
Other asset items held by ecosystem funds	**34**	**2.2**	**0.9**	**0.0**	46	3.1	4.4	0.1
Ecosystem Total	**766**	**49.2**	**12.8**	**6.1**	704	48.5	7.3	3.6

CONTRIBUTION GENERATED BY OTHER INVESTMENTS (in thousands of $)	2015	2014
Revenue	**19,457**	19,778
Gains and losses	**(1,041)**	18,052
	18,416	37,830

Revenue consists mainly of interest, dividends 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 $18.4 million in fiscal 2015 compared with a contribution of $37.8 million in 2014. Current revenue was comparable with 2014.

For fiscal 2015, CRCD recorded a loss of $1.0 million on its Other investments portfolio. On the one hand, the preferred share portfolio posted a loss of $10.0 million as a result of a massive market sell-off of adjustable rate securities as a result of the anticipated reduction in bond interest rates and the downgrading of the credit rating of one of the portfolio issuers. On the other, the bond portfolio recorded a solid gain of $8.8 million due mainly to lower bond rates during the year. Five-year Government of Canada benchmark bonds posted yields of 0.73% as at December 31, 2015, due to a sharp decline of 61 basis points during fiscal 2015.

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

Given the low bond yield environment, CRCD has reviewed its asset allocation strategy and intends to broaden the diversification of its Other investments portfolio with the addition of global equities in particular, starting in fiscal 2016.

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. Consistent with the new provisions of its constituting act, CRCD was entitled to raise a maximum of $150 million for the 2015 issue. The Québec government set the rate for the tax credit it grants for purchasing shares at 45%.

To allow as many shareholders as possible to buy CRCD shares, the maximum annual allowable was capped at $3,000 per investor for the 2015 issue, for a tax credit of $1,350.

This tax credit was 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 2015 and 2014.

As at December 31, 2015, CRCD had $1,357.7 million in share capital for 130,182,509 common outstanding shares.

For fiscal 2015, CRCD has accepted subscriptions of $150 million, or the authorized maximum for its 2015 issue. For comparison purposes, in 2014, CRCD also raised the authorized maximum of $63 million for that year's issue.

During fiscal 2015, share redemptions totalled $83 million ($80 million in 2014).

As at December 31, 2015, the balance of shares eligible for redemption totalled over $491 million. During fiscal 2016, additional shares with an approximate value of $167 million will also become eligible for redemption, bringing potential redemptions close to $658 million for fiscal 2016. 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 2015 brought the number of shareholders to 102,222 as at December 31, 2015, compared with 96,236 as at December 31, 2014.

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 $)	2015	2014
Management fees	**25,431**	24,623
Other operating expenses	**2,690**	4,008
Shareholder services	**2,099**	2,155
	30,220	30,786

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 issuing CRCD's shares. Negotiation fees, which amounted to $3.2 million for the fiscal year ended December 31, 2015, are earned by DVC and a credit for that amount is applied against the management fees paid by CRCD.

Under this agreement, CRCD is 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. An adjustment is made to the management fees charged to CRCD to avoid double billing relative to CRCD's interest in some funds. These fees will be renegotiated between CRCD and its manager for 2016.

The $1.3 million decrease in Other operating expenses results mainly from the reduction in investment-related professional fees compared with 2014. The difference also stems from the reduction in costs for implementing new investment management software. This system, implemented in November 2014, manages increases in direct and indirect investments.

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. The agreement, which expired on December 31, 2015, was renewed at the same conditions until June 30, 2016 except for the fee rate, which was adjusted on January 1, 2015 and will continue to apply to any renewal or new agreement until December 31, 2019.

CRCD has appointed Fédération des caisses Desjardins du Québec to distribute its shares through the Desjardins caisse network. The term of the agreement is one year, unless terminated by agreement of the parties. It will be renewed from year to year, unless written notice is given by one or the other of the parties three months in advance. Moreover, share issue expenses of $1.7 million payable to the Desjardins caisse network for the 2015 issue have been recognized as a reduction of share capital.

Income taxes for fiscal 2015 amounted to $4.3 million, compared with $7.3 million for the same period in 2014. 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 2015, cash inflows from subscriptions net of redemptions and share issue expense totalled $62.4 million (cash outflows from redemptions net of subscriptions totalled $16.6 million in 2014). Operating activities generated net cash outflows of $82.3 million, compared with net cash inflows of $48.9 million for the same period in 2014.

Cash acquisitions in Investments impacting the Québec economy amounted to $168.5 million for fiscal 2015 ($132.8 million in 2014) while proceeds on disposals totalled $136.8 million ($189.4 million in 2014). The Other investments portfolio, which posted net investments of $63.9 million for fiscal 2015 compared with net investments of $16.8 million for fiscal 2014.

As at December 31, 2015, cash and cash equivalents totalled $32.6 million ($52.5 million as at December 31, 2014).

CRCD has an authorized line of credit of $10 million. 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 cash levels held and reduces the risk of having to dispose of assets hastily under potentially less advantageous conditions. The line of credit was not used during fiscal 2015 and fiscal 2014.

Given the management approach for Other investments of matching the average maturity of CRCD's total assets 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 VISION, MISSION, OBJECTIVES AND STRATEGIES

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

VISION AND 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. Accordingly, CRCD has defined its vision as follows:

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

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.

OBJECTIVES

To fulfil its mission, CRCD pursues three main objectives:

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

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

CRCD'S STRATEGIES

Carrying out CRCD's mission and vision is driven by the following four strategic goals:

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

To achieve this, CRCD's manager organizes its teams to optimize efficiency and management fee control. This administrative organization aims to appropriately fulfil our mandate of driving regional and cooperative development and Québec's economic development in general.

As 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 60% of its average net assets in eligible Québec companies while 35% of those investments must be in Québec's resource regions or in eligible cooperatives. If these criteria were not met, CRCD could be subject to penalties. As at December 31, 2015 and 2014, no amount was owing under these criteria.

The eligibility criteria were amended as of January 1, 2016. For further information, see Recent Events.

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 consists of four exclusively 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 non-compliance 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 valuators 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 eight members (three directors of CRCD and five external members), and the Innovation Investment Committee is made up of five members (two directors of CRCD and three external members).

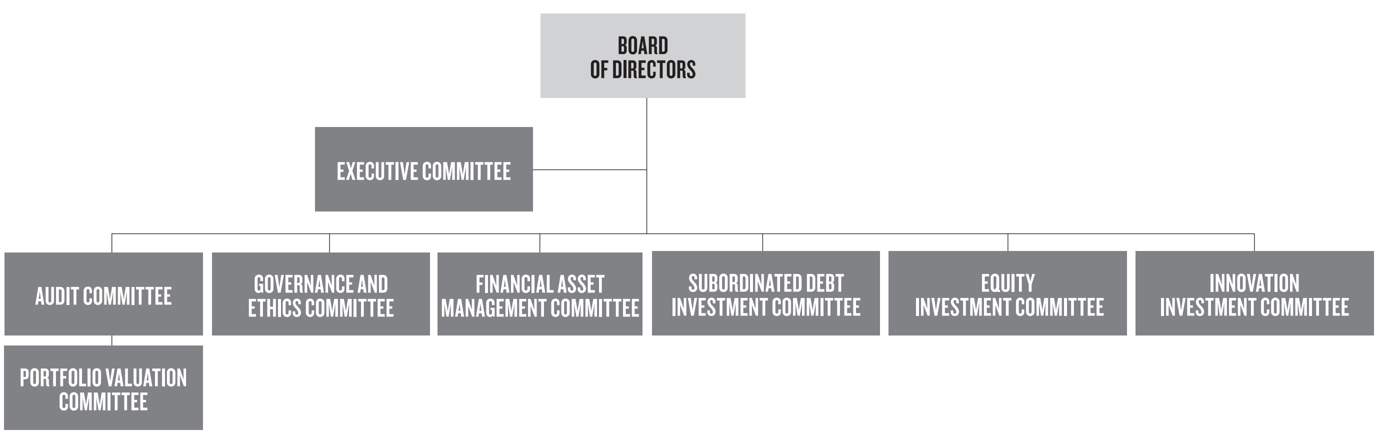
The Chair of each committee must be a director of CRCD and a majority of the members are independent. The members are appointed on the basis of their understanding and their knowledge of the sectors targeted under the various policies governing the investment activities, and for their ability to assess 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 disinvestment 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 non-compliance, and operational (investment process related).

The governance framework for 2016 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 2015.

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)	11	10	6	4	8	3	15	17	7	($)
Chantal Bélanger	9/11	6/6	6/6		8/8	2/3				41,450
Ève-Lyne Biron	10/11			1/1	5/6		10/12			31,200
Évangéliste Bourdages	3/3	1/1			2/2					8,325
Joane Demers	8/8		4/4							19,200
Roger Demers	11/11	6/6		2/3				16/17		42,375
Marlène Deveaux	11/11	9/10	5/6				15/15			43,175
Maurice Doyon	11/11	10/10		4/4			2/3		7/7	43,900
André Gabias	11/11				7/8					29,775
André Lachapelle	3/3	3/4		2/2						22,850
Jean-Claude Loranger	11/11			4/4						24,600
Bruno Morin	11/11	10/10		4/4				16/17		60,000
Jacques Plante	11/11	10/10	2/2	3/3		3/3				53,800
Claudine Roy	10/11			4/4						23,400
Xavier Simard	9/11		6/6						6/7	26,100
Louis-Régis Tremblay	8/8							11/11		24,900
Pierre Barnès*								15/17		14,700
Marie-Claude Boulanger*							13/15			11,400
Guy Delisle*							13/15			12,000
Marc-André Dionne*								16/17		14,400
Michel Duchesne*							14/15			12,300
Marie-Claude Gévry*								15/17		15,000
Yves Lavoie*							15/15			12,900
Lynn McDonald*								17/17		16,200
Muriel McGrath*									7/7	8,700
Sébastien Mailhot*						3/3				6,700
Michel Martineau*						3/3				6,700
Marcel Ostiguy*								17/17		15,900
George Rossi*						3/3				6,700
Michel Rouleau*							15/15			13,200
Thom Skinner*									7/7	8,700
Normand Tremblay*									7/7	8,700
Total compensation										**679,250**

* 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, has received a fixed salary of $60,000 per year since January 1, 2014.

Évangéliste Bourdages served as a Director until March 27, 2015.

André Lachapelle served as Chairman of the Board until March 27, 2015.

Jacques Plante has served as Chairman of the Board since March 27, 2015.

Louis-Régis Tremblay et Joane Demers have served as Directors since March 27, 2015.

Muriel McGrath, Normand Tremblay and Thom Skinner have served as external members of the Innovation Investment Committee since April 9, 2015.

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 18, 2016.

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. Fixed-income securities held in the Other investments portfolio include money market instruments, bonds and preferred shares with a total fair value of $779.9 million ($766.5 million as at December 31, 2014). Fixed-income securities held in the Investments impacting the Québec economy portfolio include loans and advances and preferred shares with a fair value of $291.2 million ($257.7 million as at December 31, 2014).

Money market instruments with a fair value of $37.6 million ($46.4 million as at December 31, 2014) 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 $664.5 million ($648.1 million as at December 31, 2014) are directly affected by fluctuations in the interest rates. A 1% increase in interest rates would have resulted in a decrease of $33.8 million in net income, a 2.1% decrease in CRCD's share price as at December 31, 2015 ($24.5 million for 1.6% as at December 31, 2014). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $35.9 million increase in net earnings, representing a 2.2% increase in share price ($25.7 million for 1.7% as at December 31, 2014). 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 a fair value of $13.1 million ($3.0 million as at December 31, 2014) and $77.8 million ($72.1 million as at December 31, 2014), respectively, may also be affected by interest rate fluctuations. However, unlike bonds, there is not necessarily a 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 $114.0 million ($105.4 million as at December 31, 2014), 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 $177.1 million ($152.3 million as at December 31, 2014) 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, 2015, the Investments impacting the Québec economy portfolio included listed equities in the amount of $0.8 million ($0.9 million as at December 31, 2014). As a result, stock market fluctuations did 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. These assets, whose value varies in step with fluctuations in the value of a foreign currency, represent a fair value of $85.8 million, or 5.2% of net assets as at December 31, 2015, compared with $78.6 million, or 5.2% of net assets as at December 31, 2014.

CRCD aims to systematically hedge currency risk for assets measured in foreign currency. A $5 million line of credit has been granted to CRCD for its foreign exchange contract transactions. As at December 31, 2015, CRCD held foreign exchange contracts under which it must deliver US$62.7 million (US$70.5 million as at December 31, 2014) at the rate of CAD/USD 1.3927 (CAD/USD 1.1629 as at December 31, 2014) on March 31, 2016.

As at December 31, 2015, CRCD's net exposure to foreign currencies is limited to $1.0 million ($3.2 million as at December 31, 2014). Any fluctuation in the Canadian dollar will therefore not have a significant impact on CRCD's results.

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. Companies with a ranking of 7 and above are reviewed on a monthly basis to spread them across ranks 7 to 12.

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

The table below shows an overall improvement in the Investments impacting the Québec economy portfolio. Ranked by risk, the percentage breakdown is as follows (fair value amounts):

		AS AT DECEMBER 31, 2015		AS AT DECEMBER 31, 2014	
Rank		(in thousands of $)	(as a %)	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	**798,758**	**97.7**	671,168	94.4
7 to 9	At risk	**9,081**	**1.1**	17,265	2.4
10 to 12	High risk and insolvent	**9,360**	**1.2**	22,490	3.2

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:

		AS AT DECEMBER 31, 2015		AS AT DECEMBER 31, 2014	
Rank		(in thousands of $)	(as a %)	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	**171,082**	**100.0**	193,764	100.0

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

	AS AT DECEMBER 31, 2015	AS AT DECEMBER 31, 2014
Rank	(in thousands of $)	(in thousands of $)
AAA	**336,401**	301,901
AA	**122,857**	100,851
A	**137,323**	190,205
BBB	**64,781**	51,878
BB	**3,181**	3,238

Credit risk ratings are established by recognized credit agencies.

Consistent with the global financial asset management policy, preferred shares and money market instruments have a minimum credit rating of Pfd-2 (low), and A-2 or R-1 (low), respectively. 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, 2015		AS AT DECEMBER 31, 2014	
	% of portfolio	% of net assets	% of portfolio	% of net assets
Investments impacting the Québec economy	**38.0**	**22.9**	37.4	22.5
Other investments*	**44.0**	**22.0**	41.2	22.1

* Government issuers accounted for 90% (100% as at December 31, 2014) 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, 2015, the Investments impacting the Québec economy profile represented 50.0% of net assets (47.3% as at December 31, 2014).

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, 2015, the Other investments portfolio was made up 100% of Canadian securities (100% as at December 31, 2014). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at December 31, 2015, the Other investments profile represented 49.0% of net assets (51.8% as at December 31, 2014).

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, 2015, bond securities represented 40.5% of net assets (43.1% as at December 31, 2014). The high percentage of holdings in this asset class aims 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 which over the long term should represent nearly 30% of assets under management and using a management approach which 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 2015 and fiscal 2014.

RECENT EVENTS

Investments - eligibility

At the end of each fiscal year, the portion of CRCD's investments in eligible entities and other eligible investments which do not entail any security or hypothec and are made as first purchaser, must represent on average at least 60% of the average adjusted net assets of CRCD for the preceding year. Furthermore, a portion representing at least 35% of that percentage must be invested in entities situated in resource regions of Québec or in eligible cooperatives.

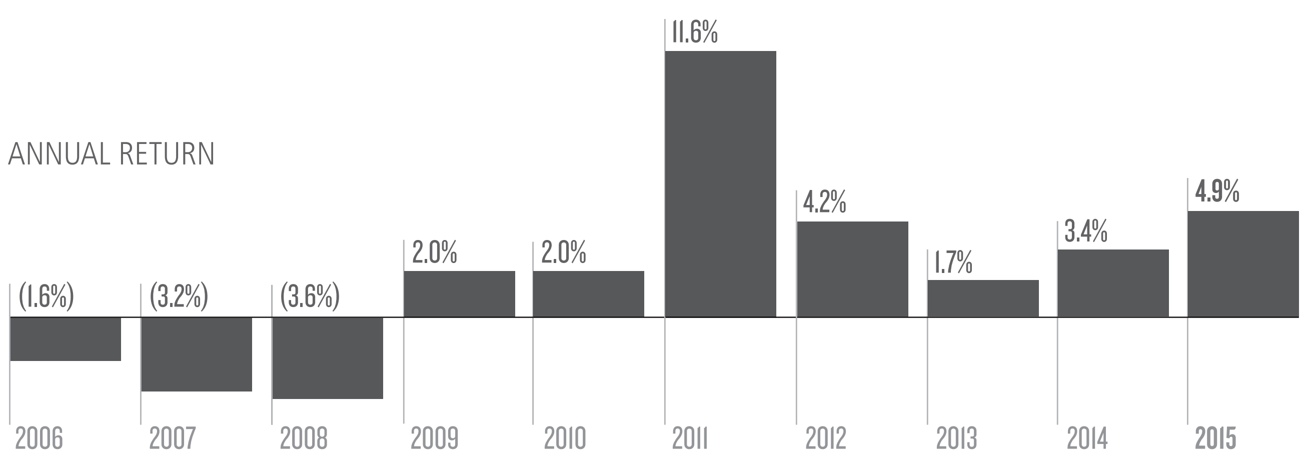
Pursuant to the provincial budget of March 2015, beginning in 2016, penalties will no longer be payable if these targets are not met. They will be replaced by a reduction of the authorized issue of capital for the capitalization period following the end of the fiscal year. The budget also stipulated an annual 1% increase in the current target of 60% for each of the next five years to reach 65% in 2020. The target for entities located in Québec's resource regions and in eligible cooperatives must remain at 35% of that percentage as it rises from 60% to 65% by 2020.

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, 2015

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
2.0%	4.1%	4.9%	3.2%	4.6%

PORTFOLIO SUMMARY

CORE INVESTMENT PROFILES

As at December 31, 2015, 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	16.7
Equity	26.6
External funds	3.9
Venture capital	1.5
Other asset items held by ecosystem funds	1.3
Total – Investments impacting the Québec economy	**50.0**
Other investments	
Cash and money market instruments	3.0
Bonds	40.5
Preferred shares	4.7
Real estate funds	0.8
Total – Other investments	**49.0**

* Including foreign exchange contracts

MAIN INVESTMENTS HELD

As at December 31, 2015, 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 – 15 issuers *	34.5
Canada Housing Trust	7.4
Toronto – Dominion Bank NHA (CMHC guaranteed)	5.5
Hydro-Québec	3.6
Merrill Lynch Canada, Inc. NHA	3.2
Royal Bank of Canada	2.2
The Toronto-Dominion Bank	2.0
Scotiabank	1.8
Province of Ontario	1.4
Province of Alberta	1.3
Government of Canada	1.2

* The 15 issuers who collectively represent 34.5% of CRCD's net assets are:

- A. & D. Prévost inc.
- ACCEO Solutions inc.
- Agropur Coopérative
- Atis Group Inc.
- 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.
- Fournier Industries Inc.
- La Coop fédérée
- TELECON Group

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

February 18, 2016

February 18, 2016

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 18, 2016. 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 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 financial statements.

(signed) Yves Calloc'h, CPA, CA

Chief Financial Officer