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Caisse centrale
Desjardins



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Desjardins

The unbelievable power of cooperation.

MISSION

A cooperative financial institution within the Desjardins Group, Caisse centrale Desjardins (Caisse centrale) is committed to offering the Group, governments, as well as medium and large-scale businesses a full range of quality banking and financial services.

Caisse centrale is an integral part of the Desjardins network of caisses, federations and associated corporations. Its operations complement theirs and generate considerable financial spin-offs.

Fulfilling the financial requirements of the federations, their affiliated

caisses and other constituents of the Group is its first priority. In particular, it represents them in the Canadian Clearing and Payment System.

Caisse centrale is active in Canadian and international financial markets. Its focus is on both maintaining an efficient organization and encouraging its employees' professional development.

In a broader context, Caisse centrale shares the purpose that has inspired the Desjardins cooperative movement since its inception: to promote the social and economic development of the individual and the community.

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LA VERSION FRANÇAISE DE
CE RAPPORT ANNUEL EST
DISPONIBLE SUR DEMANDE.



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Desjardins The unbelievable power of cooperation.

FINANCIAL HIGHLIGHTS 1987 - 1991

AS AT DECEMBER 31

(in thousands of dollars)	1991	1990	1989	1988	1987
Operating Results					
Total income	436,851	523,301	473,241	359,999	257,581
Net income	46,284	54,017	58,798	45,173	36,571
Return on average assets	1.58%	1.86%	1.54%	1.28%	1.30%
Return on members' equity	10.35%	12.18%	13.66%	10.69%	8.74%
Financial Position					
Total Assets	5,087,096	4,073,490	3,906,799	4,007,223	2,846,895
Loans	4,017,961	3,258,845	3,003,447	3,068,044	1,761,006
Securities	893,536	688,373	695,281	806,147	1,001,553
Deposits	4,549,662	3,534,370	3,370,600	3,511,568	2,372,077
Members' equity	454,097	447,136	443,527	430,513	422,401
Capital ratio - BIS risk-based	12.28%	13.71%	N/A	N/A	N/A
Capital to assets ratio	11.20:1	9.11:1	8.82:1	9.32:1	6.75:1
Other Information					
Remuneration on capital stock	39,486	51,663	46,508	38,809	34,339
Other payments to members	7,327	8,254	7,779	6,012	5,405
Percentage of deposits issued on international markets	45.6%	45.0%	40.4%	30.6%	23.4%

RATINGS

STANDARD

& POOR'S:

A-1+ AND AA

MOODY'S:

P-1 AND Aa3

CANADIAN BOND

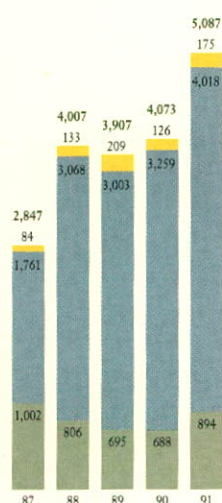
RATING SERVICE:

A-1+ AND A+

DOMINION BOND

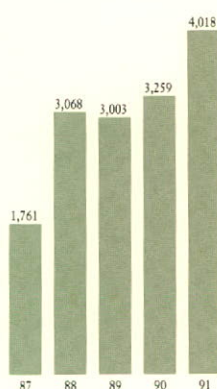
RATING SERVICE:

R-1M AND AA



ASSET MIX
(in millions of dollars)

■ Securities
■ Loans
■ Other



LOAN PORTFOLIO
(in millions of dollars)



TOTAL INCOME
(in millions of dollars)

MESSAGE TO MEMBERS



Claude Bélard, Chairman of the Board and Chief Executive Officer and Humberto Santos, President and Chief Operating Officer.

The recession lasting most of 1991 brought with it a marked decline in the Quebec economy and was responsible for the collapse of many major companies. Export firms were especially hit hard by the high Canadian dollar. The free trade agreement revealed the costly lack of competitiveness of Canadian businesses. Furthermore, uncertainty and poor economy slowed investments.

Despite these adverse conditions, Caisse centrale realized a very satisfactory net income of \$46.3 million in 1991, compared to \$54 million in 1990. The decline is mainly due to a decrease in the return on members' equity, since the majority of assets are in short-term investments and thus dependent on the interest rates of money market instruments. For example, the average rate for 90-day Canada Treasury Bills, was 8.9% in 1991, compared to 12.8% in 1990.

By the end of 1991, total assets stood at \$5 billion, up \$1 billion, or 24.9%,

from the previous year. Securities increased by \$205 million, and loans by \$759 million, including \$847 million from the federations.

Payments to the network generated by Caisse centrale's operations remained significant. They reached \$46.8 million, including \$39.5 million of remuneration on capital stock and \$7.3 million generated by banking and international services.

For a more detailed examination of the results, please see the Management's Discussion and Analysis of financial condition and results of operations.

Acquisition of funds proceeded normally despite the worldwide tightening of credit. As a result, we were easily able to fulfil the federations' requirements, which reached \$1,656 million at December 31, 1991. Two new Euro-Can issues totalling \$250 million were carried out. Supplementary liquidities exceeding the legally required amounts

S y n e

were maintained so that the network's needs for funds could be met at all times. Caisse centrale also maintained and strengthened its relationships with institutional investors, visiting with Canadian, American, Japanese and Swiss business representatives.

The quality of our loan portfolio remained high, even though results were affected by a few non-performing loans. The provisions for loan losses projected at the beginning of the year proved sufficient, and all necessary steps were taken to ensure stringent monitoring of the entire portfolio. A thorough review of its composition was carried out, and supervision over our financing operations was tightened. This detailed reevaluation of our credit policies will ensure that we are strategically positioned for the next economic recovery.

New products were introduced during the year. To maintain our competitive edge in the public and para-

public sectors, "Publi-privilège" was launched early in the year. A promissory note instrument attractive for lenders and investors, this new product was well received in the marketplace.

Interest rate swap contracts were made available to the federations to help sustain the offensive of the caisses in mortgage lending. Use of this new vehicle reached \$819 million of transactions as at December 31, 1991.

Our computerized cash management system was received enthusiastically by many clients in the private and public sectors.

Overall, fees from banking services continued to progress.

In close collaboration with the Desjardins Group, we continued to expand our international services in order to meet the new demands created by the globalization of trade. Our network of correspondents abroad expanded, and in July, we signed a cooperative agreement with the Caisse

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The members of the Management Committee (from left to right): Alfred Pfeiffer, Jean Claude Ducharme, Humberto Santos, Jean-Guy Langelier, Fernand Lafleur, Gilles Lapierre.

Centrale des Banques Populaires de France. Steps were also taken toward establishing a banking subsidiary in Florida that will enable us to meet the needs of a large number of Quebecers in that state.

Throughout the year, particular efforts were directed toward new business development in synergy with the Group's caisses, federations and associated corporations. The Management Committee conferred with members of the Boards of all of the federations in a move to further harmonize our respective activities. Efforts to promote cross sales involving constituents of the Group were intensified, targeting present and potential clients. In view of the vital role of medium-size businesses in the Quebec economy, Caisse centrale also enhanced its program to provide this sector with access to the expertise and range of services offered by the Group's corporations and Caisse centrale, through the local caisses and their federations.

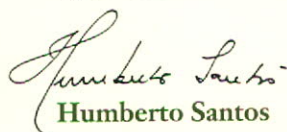
In all their activities, the members of the Caisse centrale team took a proactive approach in order to make the most of the unique competitive edge created by the combination of services offered by Caisse centrale and the entire Desjardins Group. This strategy required that effective and sustained channels of communication be set up.

Management also initiated regular quarterly meetings with employees in order to improve communication about the objectives set and the results achieved, thus ensuring that they are full participants in the organization's evolution. In addition, a program was established to highlight the efforts of groups of employees that have submitted suggestions to help Caisse centrale achieve its goals in terms of profits and efficiency.

Investments in employee training continued, thus ensuring that we have qualified personnel who can always adapt to the complex challenges in the financial field.

At this close of the year, we wish to thank all the members of the Board of Directors for their contribution to the growth of Caisse centrale. We are particularly grateful to Jacques Bertrand, Robert Routhier, G. Roger Roy and Welley Vézina, who have completed their terms.

Our sincere gratitude goes out as well to all the employees of Caisse centrale for their help in achieving our goals. More than ever, we are convinced that the solid commitment of our employees is what allows Caisse centrale to contribute so fully to the enormous force of cooperation.



Humberto Santos

President and Chief Operating Officer



Claude Béland

Chairman of the Board and Chief
Executive Officer

THE YEAR AT A GLANCE



Claude Béland, Chairman of the Board and Chief Executive Officer; Jacques Dalmas-Marsalet, President and General Manager, Caisse Centrale des Banques Populaires, Humberto Santos, President and Chief Operating Officer.

- DEVELOPMENT AND LAUNCHING OF "PUBLI-PRIVILEGE", AN ATTRACTIVE FINANCING INSTRUMENT TAILORED FOR PUBLIC AND PARAPUBLIC ENTERPRISES.
- IN A CO-LEAD MANAGER CAPACITY, PROCUREMENT OF FINANCING FOR LACTEL AND ACQUISITION OF THE FIRM'S OPERATING ACCOUNTS.
- LAUNCHING OF THE NEW COMPUTERIZED CASH MANAGEMENT SYSTEM.
- APPROVAL OF THE NEW OFFER OF SERVICES STRATEGY TARGETING MEDIUM-SIZE BUSINESSES, IN COLLABORATION WITH THE FEDERATIONS AND LOCAL CAISSES.
- PRESENTATION OF TWO NEW PRODUCTS TO THE FEDERATIONS - INTEREST RATE SWAPS AND FUTURE RATE AGREEMENTS - AND FREQUENT, SUBSTANTIAL USE OF THEM BY THE FEDERATIONS.
- APPLICATION TO FLORIDA AUTHORITIES FOR THE ESTABLISHMENT OF A SUBSIDIARY IN THAT STATE.
- SIGNING OF A COOPERATIVE AGREEMENT WITH THE CAISSE CENTRALE DES BANQUES POPULAIRES DE FRANCE.
- SHARP INCREASE OF LOANS TO MEMBERS WITH A CORRESPONDING RAISE OF DEPOSITS LIABILITIES.
- INCREASED CONTACTS WITH NATIONAL AND INTERNATIONAL INVESTORS.
- ISSUE OF \$250 MILLION IN MEDIUM-TERM EURO-CAN CERTIFICATES.



REVIEW OF OPERATIONS

SERVICES OFFERED TO THE DESJARDINS GROUP

Caisse centrale continued to represent the Desjardins' caisses in the daily settlement of payments with the Bank of Canada.

Pursuant to the new regulations introduced by the Bank of Canada governing implementation of its monetary policy in a voluntary system of reserve requirements, a number of changes were made in the conditions for remunerating the federations' accounts in order to bring them into line with those of the Bank of Canada and ensure greater synergy among the Group's constituents.

Projects such as recirculating cash within the regions and the reduction of surplus coins were undertaken to answer specific needs of the caisses, and at the same time minimize their costs.

Loans to the federations dropped early in the year because of surpluses in the network. The caisses' offensive in the mortgage field, combined with falling interest rates and the provincial government's "Deal Estate" incentive program, proved fruitful. Local caisses

increased their share of the mortgage lending market, which in turn led

Caisse centrale to increase sharply its loans to the federations, beginning in September. By year-end, the outstanding loans were \$847 million higher than last year.

To sustain the growth in their operations, Caisse centrale provided the network matching instruments, such as interest rate swaps and future rate agreements. These gave the caisses a competitive edge, particularly in medium-term mortgage lending. At year-end, outstanding interest rate swap contracts transacted with the federations totalled \$819 million.

The growing synergy between Caisse centrale and other constituents of the Desjardins Group continued to be productive. The many meetings held by Caisse centrale's Management Committee, the caisses and the federations generated fertile exchanges on action strategies and numerous transactions.

SERVICES OFFERED TO THE GROUP BY CAISSE CENTRALE

- REPRESENTING AFFILIATED CAISSES AND THEIR FEDERATIONS, IN THE CANADIAN CLEARING AND PAYMENT SYSTEM
- DAILY SETTLEMENT OF PAYMENTS FOR THE FEDERATIONS AND THE CAISSES DESJARDINS
- INSTITUTIONAL FUND RAISING ON NATIONAL AND INTERNATIONAL MARKETS, PARTICULARLY FOR LOANS TO THE GROUP
- BANKING AND INTERNATIONAL SERVICES OFFERED THROUGH THE CAISSES DESJARDINS
- FINANCIAL INSTRUMENTS TO THE FEDERATIONS, SUCH AS INTEREST RATE SWAPS AND FUTURE RATE AGREEMENTS
- FINANCIAL SERVICES FOR MEDIUM-SIZE BUSINESSES, IN PARTNERSHIP WITH THE NETWORK OF CAISSES DESJARDINS
- LIQUIDITY MANAGEMENT SERVICE FOR THE FEDERATIONS

A liquidity management service continued to be offered to the federations. To date, the federations in the Abitibi, Gaspé and Îles-de-la-Madeleine regions have taken advantage of it. The average yield was a full 1% higher than the 8.9% on 90-day Canada Treasury Bills.

In the area of financing operations, a number of loans made to large corporations were redistributed within the Group. Caisse centrale acted as “pinch hitter” for loans extended to medium-size Quebec businesses under this development program. Throughout the year, Caisse centrale had no trouble responding to the financing requirements of corporations affiliated with the Desjardins Group.

In addition to offering the entire Group a range of international products and services for its members, Caisse centrale continued its “linking” project with the Centre du Québec, Richelieu-Yamaska and L’Estrie federations, helping the caisses in these regions to provide better service for their corporate members doing busi-

ness abroad. Information sessions on international trade were organized for the caisses’ managers. A new connection with the Confederation’s computer network was completed, streamlining delivery of banking services and providing the caisses’ clients with access to additional services, particularly cheque reconciliation/consignment and computerized cash management.

Overall, income from banking and international services generated rebates of \$7.3 million for the network, while maintaining the Group’s competitive position in terms of services offered. As well, \$39.5 million were paid to members as remuneration on capital stock.

P a r t n e r



Interest Rate Swap partnership:

Gervais Leblanc, Financial Analyst, Fédération des caisses populaires Desjardins (Fédération) de l'Estrie

Gérard Guilbault, Vice-Président, Financial Markets, Fiducie Desjardins Inc.

Louis Lessard, Portfolio Manager, Fédération de Québec

Jacques Descôteaux, Trader, Caisse centrale Desjardins

Jacques Denommé, Manager, Portfolio Management, Fédération de Lanaudière

Jacques D'Aoust, Manager, Funds Management, Fédération de Montréal et de l'Ouest-du-Québec.

s b i p





Caisse centrale Desjardins is the financial partner of the Montréal Airports, a non-profit organization, which is responsible of the Montreal and Mirabel Airports

Richard Dupuis, Manager, National Banking Services, Caisse centrale Desjardins

Jacques Auger, President and Chief Operating Officer, Montreal Airports

Arthur Earle, Chairman of the Board, Montreal Airports

Nycole Lebrun, Major Accounts and Franchises, Info-Logik

Henri Bannout, Manager, Corporate Financing, Caisse centrale Desjardins

I n

**SERVICES TO PRIVATE
CORPORATIONS AND PUBLIC
INSTITUTIONS
FINANCING**

The poor economic conditions that persisted throughout the year compelled Caisse centrale and its partners to restructure many financing agreements. Nonetheless, Caisse centrale was still able to raise profit margins and to improve the overall return on its loan portfolio, while at the same time helping borrowers survive the difficult times.

In general, although the volume of non-performing loans increased, stringent monitoring ensured that the portfolio's quality remained high.

The policies governing lending operations were redefined to better reflect current economic conditions and Caisse centrale's medium-term development strategies.

Particular attention was given to introduction of a lending program

targeting medium-size businesses, a market still relatively untapped by the Desjardins Group. During the year, Caisse centrale prepared the groundwork for development of this sector, in close collaboration with the federations and the Group's associated corporations. The results were the establishment of policies for the program and the requisite structures for efficient delivery of services to this clientele.

The real estate financing strategy was also modified during the course of 1991, bringing it more in line with the medium-size business client development program.

Acting as agent and co-agent, Caisse centrale also secured financing for two major real estate developments in Montreal: the future head office of the Coopérative Fédérée de Québec, and the Fédération des travailleurs du Québec complex.

**FINANCING SERVICES
OFFERED BY CAISSE
CENTRALE DESJARDINS**

- OPERATING LINES OF CREDIT
- PROJECT FINANCING
- OPERATING TERM LOANS
- REAL ESTATE LOANS
- REVOLVING TERM CREDIT
- BRIDGE LOANS
- GUARANTEE LETTERS

**COMMERCIAL FINANCING
SERVICES OFFERED BY THE
CAISSES, FEDERATIONS
AND CORPORATIONS OF
THE DESJARDINS GROUP**

- OPERATING LOANS FOR SMALL AND MEDIUM-SIZE BUSINESSES
- TERM LOANS
- COMMERCIAL MORTGAGE LOANS
- BRIDGE FINANCING
- MEZZANINE LOANS
- LEASING
- DEVELOPMENT CAPITAL IN THE FORM OF COMMON OR CONVERTIBLE STOCK
- STRATEGIC SUPPORT FOR EXPANSION PROJECTS
- CONDITIONAL SALES CONTRACTS
- COMMERCIAL LETTERS OF CREDIT
- GUARANTEE LETTERS

n o v a t i o n

BANKING SERVICES**OFFERED BY****CAISSE CENTRALE
DESJARDINS**

- COMPUTERIZED CASH MANAGEMENT
- FUND CONSOLIDATION
- ACCOUNT COLLECTION
- CHEQUE ISSUING
- CHEQUE RECONCILIATION/ CONSIGNMENT
- CHEQUE DEPOSITING
- DIRECT DEPOSIT/ WITHDRAWAL

OTHER SERVICES**OFFERED BY THE****CAISSES, FEDERATIONS
AND AFFILIATED
CORPORATIONS OF THE
DESJARDINS GROUP**

- COMMERCIAL PROPERTY AND CASUALTY INSURANCE
- GROUP INSURANCE
- PERSONALIZED GROUP INSURANCE PLANS
- REGISTERED GROUP SAVINGS PLANS
- CORPORATE TRUSTEE SERVICES
- DESJARDINS GROUP RRSP

BANKING SERVICES

Notable throughout the year was the systematic development of synergy inside the Desjardins Group, with the ultimate aim of providing companies with the widest possible range of services meeting their requirements, either directly or through the caisses.

In addition to the usual services of collection, disbursement, control of operating credit and investment of funds, Caisse centrale offered its computerized cash management system to all its corporate and paragovernmental clients. As well, a pilot project of electronic data interchange (EDI) was prepared for implementation in April 1992.

Penetration of the medium-size business sector was intensified jointly with the federations and their affiliated caisses. While ensuring that banking services remain flexible enough to respond to the needs of enterprises, the integrated services puts the full range of products and services available from Caisse centrale and the Group's con-

stituents at the disposal of medium-size companies. Through its ongoing relations with the private and public sector, Caisse centrale proved, time and time again, to be an ideal instrument for generating new business, in collaboration with the caisses, federations and all affiliated corporations of the Desjardins Group.

Well-established with the federal government, Caisse centrale continued to gain ground with the government of Quebec. The permanent presence of Caisse centrale representative in Quebec City has been of enormous help in developing this clientele. Numerous new public and parapublic organizations were secured in association with the network of the caisses and federations already providing regional and local government agencies with basic services, which can be complemented, as the need arises, by some offered directly by Caisse centrale. Caisse centrale also responded to several requests for tenders in Quebec and thus entered into the hospital sector.

F l e x i b

Direct deposit services, particularly for the federal and provincial governments, increased steadily during the year.

Cooperation with the Fédération des caisses populaires de l'Ontario Inc., the Fédération of Manitoba Inc. and the Fédération des caisses populaires acadiennes Ltée., intensified and all the banking services were made available to them. These have given them in a more competitive position.

Caisse centrale's flexibility, rapid service and ability to accommodate its products to specific client requirements remain highly competitive advantages.

**OTHER SERVICES
OFFERED BY THE
CAISSES, FEDERATIONS
AND AFFILIATED
CORPORATIONS OF THE
DESJARDINS GROUP
(CONTINUED)**

- DEFERRED PROFIT
SHARING PLAN
- NON-REGISTERED SAVINGS
PLANS
- SUPPLEMENTAL RETIRE-
MENT ANNUITY PLANS
- PENSION FUND MANAGE-
MENT ON A GROUP BASIS
- TRANSPORT AND STORAGE
OF CASH AND SECURITIES
- SECURITY SERVICES
- ISSUE OF DESJARDINS-VISA
CORPORATE CREDIT CARDS
- VISA MERCHANT
AGREEMENTS
- ISSUE OF VISA TRAVELLERS'
CHEQUES
- POINT-OF-SALE TERMINALS
- PAYROLL PROCESSING
- DIRECT SALARY DEPOSIT
- ACCOUNT CONSOLIDATION

i l i t y

*Financing of the new Coopérative Fédérée de Québec building.
 Hoai Tan Nguyen, Manager, Corporate Financing, Caisse
 centrale Desjardins, Hervé Pomerleau, President-General
 Manager, Pomerleau Inc., Alphonse Roger Pelletier,
 President, Coopérative Fédérée de Québec*

**INTERNATIONAL SERVICES
 OFFERED BY CAISSE
 CENTRALE DESJARDINS**

- U.S. DOLLAR CURRENT ACCOUNTS
- DOCUMENTARY LETTERS OF CREDIT
- INTERNATIONAL LETTERS OF GUARANTEE
- STANDBY LINES
- LETTERS OF CONFIRMATION
- U.S. DOLLAR LINES OF CREDIT
- U.S. DOLLAR TERM LOANS
- CASH LETTERS
- COLLECTIONS
- DRAFTS AND MONEY ORDERS
- FUND TRANSFERS
- U.S. POSTAL DEPOSIT BOXES
- U.S. CONTROLLED DISBURSEMENT
- FINANCIAL INFORMATION ABROAD
- LETTERS OF REFERENCE

C o o

INTERNATIONAL SERVICES

During the year, Caisse centrale continued to fulfil the international banking requirements of the Desjardins Group, its clients and the caisses' members.

In response to highly competitive and ever-changing conditions, a concerted effort was made with the federations to develop products and services designed to meet these requirements.

To facilitate the Group's international transactions, Caisse centrale brought the number of its banking correspondents abroad to 350.

Special agreements have been established with financial institutions in countries that have taken on particular importance for the Group's clients. This policy continued in 1991 with the signing of an agreement between Caisse centrale and the Caisse Centrale des Banques Populaires de France. With this agreement, our two institutions will be developing jointly new products and services, and make foreign offices accessible to each other.

In synergy with other constituents of the Group, Caisse centrale intends to continue strengthening ties with various ethnic communities, a policy initiated in 1990. This policy recognizes the pluralism of our society and the strong desire of the whole Desjardins network to develop a mutually beneficial business relationship with these communities.

INTERNATIONAL SERVICES OFFERED BY THE CAISSES, FEDERATIONS AND CORPORATIONS OF THE DESJARDINS GROUP

- U.S. DOLLAR LOANS
- U.S. DOLLAR SAVINGS ACCOUNTS
- CURRENCY SWAP DEPOSITS
- ASSET SALES
- BUYING AND SELLING OF PRECIOUS METALS
- FOREIGN NOTES
- TRAVEL AGENCY SERVICES
- DESJARDINS TRAVEL INSURANCE
- DESJARDINS-VISA CARD
- INTERNATIONAL NETWORK OF "PLUS AUTOMATED TELLERS"

p e r a t i o n

SERVICES OFFERED TO INVESTORS BY CAISSES CENTRALE DESJARDINS

- DEPOSIT CERTIFICATES IN CANADIAN OR U.S. DOLLARS
- PUBLIC INSTITUTION PROMISSORY NOTES ("PUBLI-PRIVILÈGE")
- FOREIGN EXCHANGE CONTRACTS, SPOT OR FORWARD
- INTEREST RATE SWAPS AND FUTURE RATE AGREEMENTS
- FUND MANAGEMENT

FINANCIAL PRODUCTS AND SERVICES OFFERED TO INVESTORS BY THE CAISSES, FEDERATIONS AND CORPORATIONS OF THE DESJARDINS GROUP

- TERM DEPOSITS
- DESJARDINS INVESTMENT FUNDS
- PORTFOLIO MANAGEMENT
- SECURITY ADMINISTRATION AND SAFEKEEPING
- FIXED-INCOME SECURITIES
- "PAYING AGENT" COUPONS AND BONDS FOR INSTITUTIONAL SECURITIES

SERVICES OFFERED TO INVESTORS

Despite an uncertain political climate and a sluggish economy, Caisse centrale managed to stabilize its average cost of fund at a level comparable to that of chartered banks.

The diversification policy was maintained. Two Euro-Can issues totalling \$250 million, while active use of commercial paper programs, in London and New York, helped Caisse centrale raise the proportion of its funds from sources outside Canada to nearly 46% of its deposit liabilities. Further steps toward diversification will be taken during 1992, particularly the introduction in London of a Medium Term Notes Program (EMTN). The terms will be from one to ten years, a normal extension of the terms for deposit certificates issued under the current program.

Falling interest rates throughout the year also facilitated raising funds. At the same time, investors wanted to extend the term of their investments, so Caisse centrale's Treasury group had to seek other means of achieving the desired matching. Treasury group took

advantage of the decline in interest rates to improve profits on loans. However, to avoid a drop in the Canadian dollar, which would have compromised the success of its anti-inflation policy, the Bank of Canada repeatedly held rates on short-term deposits. This increased the cost of short-term funding and affected the profits on our operations.

To increase Caisse centrale's presence in the Quebec public sector and respond to the Group's needs, Treasury group introduced a new financing product. "Publi-privilège" allows public corporations to borrow directly from money market investors, backed by a guarantee from Caisse centrale. The product is equally advantageous for borrowers, who enjoy reduced financing costs, and for investors, who receive an attractive and secure return.

Finally, to facilitate matching of mortgage loans granted by the caisses, Treasury group sharply increased its off-balance sheet transactions with the federations, in particular with interest rate swap contracts.

S e c u r i

Caisse centrale Desjardins assured financing and all banking services for Commission de la construction du Québec.

Claude Pouliot, Manager, Treasury, Commission de la construction du Québec and Raymond Chamberland, Manager, Provincial Banking Services, Caisse centrale Desjardins.

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SOCIAL INVOLVEMENT

In line with the objectives established during the Orientation Congress of the Desjardins Group, Caisse centrale continued its strong encouragement of its employees' commitment to their community. Financial and personal support in various forms were offered to organizations working in the areas of health and aid to the needy.

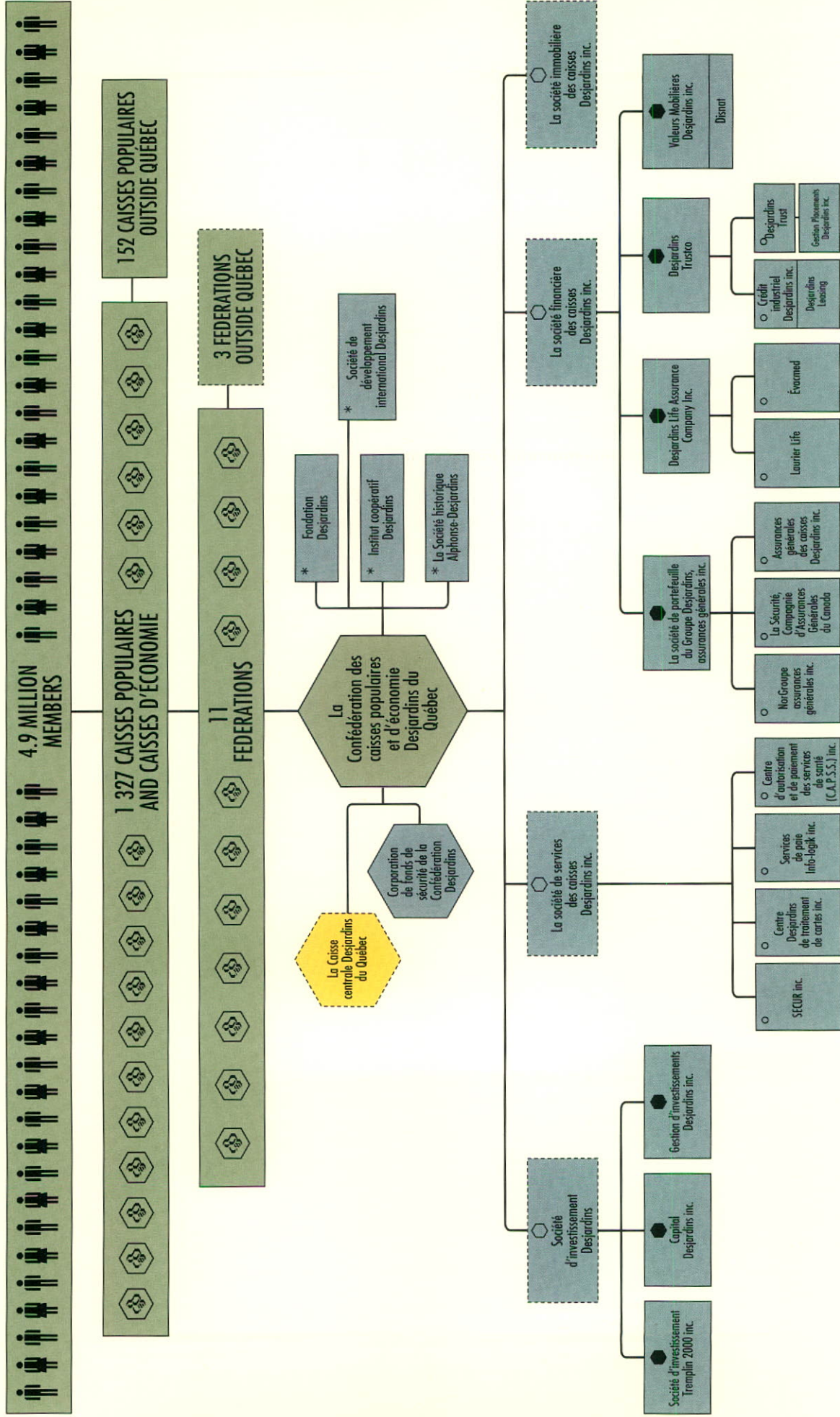
During 1991, a total of 88 agencies received donations and pledges, while 37 employees devoted more than 525 hours to volunteer work.

Despite difficult economic conditions, the average employee donation to the 1991 Centraide campaign topped \$100. The level of participation was over 90%, earning Caisse centrale a Platinum Seal Certificate.

Seventeen employees also participated in the Standard Life Marathon, collecting more than \$4,000.

A food and toy drive was also organized for the Christmas season and the proceeds were distributed by Sun Youth.

MOUVEMENT DES CAISSES DESJARDINS



THE DESJARDINS GROUP

A NETWORK OF FINANCIAL INSTITUTIONS BASED ON COOPERATIVE PRINCIPLES AND OFFERING A FULL RANGE OF FINANCIAL SERVICES, THE DESJARDINS GROUP HAS 4.9 MILLION MEMBERS BELONGING TO 1,327 CAISSES POPULAIRES AND CAISSES D'ÉCONOMIE IN QUEBEC, AS WELL AS 152 CAISSES POPULAIRES OUTSIDE QUEBEC. ITS CURRENT ASSETS STAND AT MORE THAN \$50 BILLION.

- THE CAISSES POPULAIRES ET D'ÉCONOMIE DESJARDINS OFFER A RANGE OF REGULAR AND SPECIALIZED FINANCIAL SERVICES: FINANCING, SAVINGS, INVESTMENT, COMPUTERIZED SERVICES, COMPLEMENTARY SERVICES AND INSURANCE.
- THE FÉDÉRATIONS REPRESENT THE CAISSES ON A REGIONAL BASIS, WITH THE PRIMARY ROLES OF CONSOLIDATION, COUNSELLING AND DEVELOPMENT.
- THE CONFÉDÉRATION DES CAISSES POPULAIRES ET D'ÉCONOMIE DESJARDINS DU QUÉBEC COORDINATES THE OPERATIONS OF ALL THE GROUP'S CONSTITUENTS. IT IS ALSO RESPONSIBLE FOR INSPECTING AND AUDITING THE OPERATIONS OF THE QUEBEC CAISSES AND FEDERATIONS.
- CAISSE CENTRALE DESJARDINS DU QUÉBEC REPRESENTS THE FEDERATIONS AND THEIR AFFILIATED CAISSES IN THE CANADIAN CLEARING AND PAYMENT SYSTEM. IT ISSUES SECURITIES AND LOANS TO PROVIDE THE FUNDS REQUIRED TO MEET THE GROUP'S LIQUIDITY NEEDS. IT PROVIDES THE GROUP, AS WELL AS MEDIUM AND LARGE-SIZE OPERATIONS IN THE PUBLIC, PARAPUBLIC AND PRIVATE SECTORS WITH FINANCING SERVICES AND A FULL RANGE OF BANKING AND INTERNATIONAL SERVICES.

- THE CORPORATION DE FONDS DE SÉCURITÉ DE LA CONFÉDÉRATION DESJARDINS ADMINISTERS A LIQUIDITY FUND TO AID TROUBLED LOCAL CAISSES. IT ALSO HELPS SUCH CAISSES PUT THEIR OPERATIONS BACK ON A SOUND FINANCIAL FOOTING, AND ASSISTS IN THE PAYMENT OF ANY LOSSES INCURRED BY MEMBERS IN THE EVENT OF A CAISSE'S LIQUIDATION.
- THE FONDATION DESJARDINS IS COMMITTED TO THE ADVANCEMENT OF EDUCATION, CULTURE AND SOCIAL ACTION. IT RAISES FUNDS AND REDISTRIBUTES THEM TO STUDENTS AND YOUNG ENTREPRENEURS IN A VARIETY OF FORMS.
- THE INSTITUT COOPÉRATIF DESJARDINS OPERATES A RESIDENTIAL TRAINING CENTRE FOR THE GROUP AND OTHER INTERESTED ORGANIZATIONS. THE CENTRE FEATURES MODERN FACILITIES DESIGNED FOR A VARIETY OF EDUCATIONAL ACTIVITIES.
- THE SOCIÉTÉ HISTORIQUE ALPHONSE-DESJARDINS ADMINISTERS THE PROPERTIES OF THE LATE FOUNDER OF THE GROUP, PROMOTES PUBLIC AWARENESS OF HIS NAME AND ACCOMPLISHMENTS AND DISSEMINATES INFORMATION ABOUT THE HISTORY AND DEVELOPMENT OF THE DESJARDINS GROUP.
- THE SOCIÉTÉ DE DÉVELOPPEMENT INTERNATIONAL DESJARDINS PROVIDES ORGANIZATIONAL AND MANAGEMENT CONSULTANCY SERVICES FOR INTERNATIONAL DEVELOPMENT PROJECTS.

ASSOCIATED CORPORATIONS

THE SOCIÉTÉ D'INVESTISSEMENT DESJARDINS

THE SOCIÉTÉ PARTICIPATES IN THE ECONOMIC ADVANCEMENT OF QUEBEC BY PROMOTING THE DEVELOPMENT OF INDUSTRIAL AND COMMERCIAL FIRMS.

- SOCIÉTÉ D'INVESTISSEMENT TREMLIN 2000 INC. INVESTS FROM \$250,000 TO \$1 MILLION IN DEVELOPING SMALL AND MEDIUM-SIZE BUSINESSES.
- CAPITAL DESJARDINS INC. ASSISTS MEDIUM-SIZE INDUSTRIAL AND COMMERCIAL FIRMS SEEKING FUNDING FOR ACQUISITION, EXPANSION OR DIVERSIFICATION PROJECTS. ITS INVESTMENTS RANGE FROM \$1 MILLION TO \$10 MILLION.
- GESTION D'INVESTISSEMENTS DESJARDINS INC. ACQUIRES INTERESTS WORTH \$10 MILLION AND OVER IN CORPORATIONS THAT ARE PACESETTERS IN THEIR FIELD.

THE SOCIÉTÉ DE SERVICES DES CAISSES DESJARDINS

THE SOCIÉTÉ IS RESPONSIBLE FOR COORDINATING THE ACTIVITIES OF THE GROUP'S SERVICE SUBSIDIARIES.

- SECUR INC. PROVIDES A RANGE OF SECURITY SERVICES INCLUDING CRIME PREVENTION, SECURITY GUARDS AND THE TRANSPORT AND STORAGE OF CASH, SECURITIES, RECORDS AND VALUABLE DOCUMENTS.
- CENTRE DESJARDINS DE TRAITEMENT DE CARTES INC. ISSUES DESJARDINS-VISA CARDS AND ADMINISTERS CARD ACCOUNTS AND RELATIONS WITH MERCHANTS. IT ALSO ISSUES INTERNATIONALLY RECOGNIZED VISA TRAVELLERS' CHEQUES TO THE PUBLIC.

- **SERVICES DE PAIE INFO-LOGIK INC.** PROVIDES COMPANIES WITH PAYROLL PROCESSING AND HUMAN RESOURCE MANAGEMENT SERVICES.
- **CENTRE D'AUTORISATION ET DE PAIEMENT DES SERVICES DE SANTÉ (C.A.P.S.S.) INC.** PROVIDES THE GENERAL PUBLIC WITH A COMPUTERIZED AUTHORIZATION AND PAYMENT SYSTEM FOR PHARMACEUTICAL SERVICES.

THE SOCIÉTÉ FINANCIÈRE DES CAISSES DESJARDINS INC.

AS AGENT FOR THE CAISSES AND FEDERATIONS IN ACTIVITIES INVOLVING SECURITIES, LIFE INSURANCE, GENERAL INSURANCE AND TRUSTEE SERVICES, THE SOCIÉTÉ CONTRIBUTES TO THE GROWTH AND DEVELOPMENT OF THE ENTIRE DESJARDINS GROUP.

- **THE SOCIÉTÉ DE PORTEFEUILLE DU GROUPE DESJARDINS, ASSURANCES GÉNÉRALES INC.** A LEADER IN THE GENERAL INSURANCE FIELD IN QUEBEC, THE SOCIÉTÉ PROVIDES PROPERTY AND CASUALTY INSURANCE PRODUCTS AND SERVICES FOR INDIVIDUALS AND COMPANIES.
 - **NORGROUPE, ASSURANCES GÉNÉRALES INC.** PROVIDES DAMAGE INSURANCE TO INDIVIDUALS AND COMPANIES THROUGH INDEPENDENT BROKERS.
 - **LA SÉCURITÉ, COMPAGNIE D'ASSURANCES GÉNÉRALES DU CANADA** IS THE LARGEST DISTRIBUTOR OF GROUP GENERAL INSURANCE IN QUEBEC.
 - **ASSURANCES GÉNÉRALES DES CAISSES DESJARDINS INC.** OFFERS AUTOMOBILE AND PROPERTY INSURANCE TO INDIVIDUALS THROUGH THE NETWORK'S CAISSES.

- **ASSURANCE-VIE DESJARDINS** QUEBEC'S LEADER IN THE AREA OF PERSONAL LIFE INSURANCE, ASSURANCE-VIE DESJARDINS OFFERS A WIDE RANGE OF INSURANCE PRODUCTS AND SERVICES FOR INDIVIDUALS AND GROUPS, OPERATING THROUGH ITS 25 OFFICES IN QUEBEC AND A NUMBER OF BROKERS AND GENERAL AGENTS. THE SOCIÉTÉ ALSO PROVIDES INSURANCE PROTECTION DESIGNED SPECIFICALLY FOR THE GROUP AND ITS MEMBERS, AS WELL AS MORTGAGES, FINANCIAL ANALYSIS AND CONSULTATION. IT HAS TWO SUBSIDIARIES:
 - **LAURIER LIFE**, WHICH CONTROLS THE LAURIER LIFE INSURANCE COMPANY IN ONTARIO;
 - **EVACMED**, A MONTREAL COMPANY SPECIALIZED IN MEDICAL TRAVEL ASSISTANCE SERVICES.

- **TRUSTCO DESJARDINS INC.** THIS CORPORATION OFFERS A WIDE RANGE OF FINANCIAL AND TRUSTEE SERVICES TO INDIVIDUALS, COMPANIES AND OTHER ORGANIZATIONS THROUGH ITS TWO SUBSIDIARIES:
 - **CRÉDIT INDUSTRIEL DESJARDINS** PROVIDES TAILORED TERM FINANCING FOR SMALL AND MEDIUM-SIZE BUSINESSES IN QUEBEC AND EASTERN ONTARIO, FOR AMOUNTS OF \$100,000 AND MORE. AN ASSOCIATED FIRM, **LOCATION DESJARDINS**, OFFERS LEASING SERVICES TO COMPANIES AND INDIVIDUALS.

- **FIDUCIE DESJARDINS INC.** OFFERS INDIVIDUALS, COMPANIES AND OTHER ORGANIZATIONS A RANGE OF SPECIALIZED FINANCIAL AND TRUSTEE SERVICES THROUGH ITS 15 BRANCHES IN MAJOR CITIES ACROSS QUEBEC AND IN ONTARIO. ITS SUBSIDIARY **GESTION PLACEMENT DESJARDINS INC.**, PROVIDES PROFESSIONAL PORTFOLIO MANAGEMENT SERVICES FOR INDIVIDUALS AND A VARIETY OF ORGANIZATIONS.

- **VALEURS MOBILIÈRES DESJARDINS INC.** AN INTERMEDIARY HOLDING COMPANY, THE CORPORATION IS WHOLLY OWNED BY THE SOCIÉTÉ FINANCIÈRE DES CAISSES DESJARDINS. IT OWNS INTERESTS IN **LES INVESTISSEMENTS DISNAT INC.**, THE FIRST BROKERAGE FIRM TO OFFER DISCOUNTS ON U.S. TRANSACTIONS IN CANADA AND ON CANADIAN TRANSACTIONS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

The following pages contain a detailed analysis of the financial position and operating results of Caisse centrale for the year ended December 31, 1991.

REVIEW OF THE ECONOMY

The year 1991 was a trying one for the Canadian economy.

From the very start, most companies performed poorly, still struggling with a recession that had dragged on since mid-1990.

In the spring, however, several indicators showed signs of improvement and a possible end to the recession: housing starts picked up, consumer spending rebounded and exports rose sharply, to such an extent that the domestic product increased at an annual rate of 5.7%. With the end of the Gulf War and stabilization of consumer prices following the January shock waves from the Goods and Services Tax, recovery seemed well on the way, buoyed by a general decline in interest rates.

Public confidence faded quickly, however, with the drop in employment and uncertainty over incomes. Consumer demand faltered once again, sending retail sales tumbling to a level lower than the previous year. Foreign demand declined as well in response to a slowdown in the U.S. economy,

which was also unable to restore and sustain spending levels. Canadian companies thus found themselves forced to decrease production, reduce inventories and limit capital spending. Profits fell sharply, while the number of bankruptcies soared. By August, production and employment figures confirmed that the economy was stagnating again.

Several factors contributed to undermine confidence and abort the recovery. High on the list was the lack of government intervention. In a free economy, relying entirely on consumers or business to rekindle economic activity is a risky strategy. During previous recessions, governments invariably spurred recovery by stimulating the economy with public works programs, tax incentives, aid for research and development and support for residential construction. Unfortunately, governments no longer have the financial resources to do this. On the contrary, the excesses of the past decade now force them to pay interest on borrowed money, cut back on existing programs and raise taxes in an effort to stabilize debt levels, and eventually lighten their burden.

Another complicating factor was the tightening of the monetary policy which has focused the attention of labor and business on the fight against

inflation. No doubt the economy would be healthier if observed and expected levels of inflation were brought under control smoothly. However, under the existing circumstances, calls for wage moderation and balance sheet rationalization have made it difficult to sustain a climate of optimism and confidence.

The third factor was the continuous rise in the Canadian dollar. By January, it was trading at \$US 0.86, following a gain of \$US 0.03 in 1990. In October, it climbed above \$US 0.89. The strength of the Canadian dollar is due not so much to higher interest rates in Canada than in the U.S. and other countries, since the gap decreased during the year, as it is to the rigidity and credibility of current monetary policy. Foreigners, particularly Europeans, perceive Canada as a haven from the political problems now plaguing Eastern Europe, and one where there is little risk of erosion in the value of investments. As a result, massive buying of Canadian bond issues played a major role in keeping the dollar high.

Finally, mention must be made of some trends that are important to the future of Canadian companies: free trade with the U.S., and the resulting need to rationalize operations; environmental regulations, which hamper new investments or raise production costs;

the restructuring mechanisms essential to restore the vitality of some of our most important industries, mainly automobile production and pulp and paper, now grappling with intense foreign competition and production below capacity; the limited markets of financial institutions, such as trust companies, which had to increase their lending instead of concentrating on trustee operations in order to progress in the 1980s. Such problems are certainly not new, but our troubled economy has only made them more obvious. And, under conditions such as these, it is hardly surprising that a disturbing number of bad loans are showing up on the balance sheets of financial institutions.

Fortunately, it appears that the worst is behind us. Inflation is no longer the menace it was, and interest rates are at their lowest level in 18 years. There are practically no more new highly-leveraged transactions, and companies have been concentrating on solidifying their financial positions and building up capital. Consumers are adjusting to the new taxes and will soon shake off their lethargy. Provisions for bad debts have been made, and financial institutions are improving their balance sheets. In short, the prerequisites for recovery are in place. By the end of 1992, the "lean

and mean” remedies should pay off, resulting in a more prosperous economy and healthier companies.

FINANCIAL HIGHLIGHTS

Despite a troubled economy, Caisse centrale’s net income in 1991 was a very satisfactory \$46.3 million, compared to \$54 million the previous year. The decline can be attributed primarily to a decrease in the return on members’ equity, the bulk of which is maintained in short-term liquid securities and thus dependent on the interest rates on money market instruments. For example, the average rate for 90-day Canada Treasury Bills, was 8.87% in 1991, compared to 12.80% in 1990.

As at December 31, 1991, total assets were \$5 billion, up \$1 billion, or 24.9%, from 1990. Securities increased by \$205 million to reach \$894 million. The loan portfolio stood at \$4 billion, an increase of \$759 million compared to the previous year. Loans to members totalled \$1.7 billion, up \$847 million from a year ago. At the close of 1991, outstanding deposits were \$4.5 billion, compared to \$3.5 billion in 1990.

Canadian markets supplied \$535 million of this increase, with the balance derived from international markets.

Given the current economic uncertainty, Caisse centrale will remain cautious in its operations. The quality of its assets will be closely monitored, and risk management policies will continue to emphasize high quality loans. Strict cost controls will also be maintained.

TOTAL INCOME

Caisse centrale recorded total income of \$436.9 million in 1991, compared to \$523.3 million in 1990. The steady fall in interest rates throughout 1991 was responsible for the decrease.

Income from loans totalled \$348.8 million, down from \$403.1 million in 1990. The securities portfolio generated revenues of \$74.2 million, compared to \$105.8 million in 1990. Other sources of income totalled \$13.9 million, down slightly from one year ago. The first graph shows the changes in Caisse centrale’s total income over the last five years, by category of income.

NET INTEREST INCOME

Net interest income is the difference between the interest generated by loans and securities and interest paid on deposits. Caisse centrale derives most of its revenues from this type of income. However, net interest income is affected by the volume of operations and fluctuations in interest rates.

When interpreting these results, it should be noted that a large portion of the members' equity is invested in liquid short-term money market instruments that are subject to interest rate fluctuations. As at December 31, 1991, the rate for 90-day Canada Treasury Bills was 7.24%, compared to 11.37% the previous year.

Interest spreads on prime-rate loans declined compared to 1990, the result of a rapid drop in prime rates coupled with an increase in the cost of short-term deposits. In 1991, the average net interest spread was 0.90%, down 42 basis points from 1.32% in 1990.

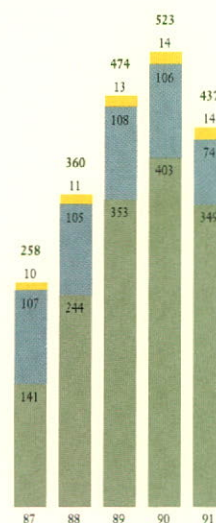
In 1991, due to non-performing loans and securities, Caisse centrale's income was reduced by \$5.3 million. In addition, \$3 million was deducted from interest income on securities on account of a permanent impairment.

These factors explain the decline in net interest income, shown in Table I.

Net interest income in 1991 was \$66.8 million, or 1.58% of average assets, compared to 1.86% in 1990.

Financing operations concluded with associated corporations are carried out at arm's length, in compliance with the provisions of the Savings and Credit Unions Act that govern transactions with interested parties. Under Caisse centrale's constituent legislation and its mandate to supply funds, member federations are not considered interested parties in transactions with Caisse centrale and can thus benefit from more favorable rates. Short-term loans are granted to members at Caisse centrale's cost of funds rate, while medium-term loans generate a net spread of 0.30%. In 1991, the average volume of loans to members increased to \$950 million from \$852 million in 1990. Average volume of loans to associated corporations climbed by \$31 million to reach \$361 million in 1991. The average volume of loans to the private sector in 1991 was \$1,561 million, an increase of \$125 million over 1990.

In 1992, the expected decline in interest rates will continue to have a negative effect on Caisse centrale's net interest income, particularly with regard to income on members' equity.



TOTAL INCOME BY CATEGORY
(in millions of dollars)

Loans
Securities
Other income



NET INTEREST INCOME
(in millions of dollars)

TABLE I
NET INTEREST INCOME ON AVERAGE ASSETS AND LIABILITIES
FOR THE YEARS ENDED DECEMBER 31

	1991			1990		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Securities	733,849	74,216	10.11%	831,384	105,788	12.72%
Loans						
Members and associated corporations	1,310,802	139,607	10.65%	1,181,615	144,181	12.20%
Public and parapublic	518,923	57,076	11.00%	543,608	67,620	12.44%
Other	1,560,743	152,085	9.74%	1,435,408	191,311	13.33%
	3,390,468	348,768	10.29%	3,160,631	403,112	12.75%
Total interest-bearing assets	4,124,317	422,984	10.26%	3,992,015	508,900	12.75%
Other assets	102,378	—	—	115,569	—	—
TOTAL ASSETS	4,226,695	422,984	10.01%	4,107,584	508,900	12.39%
LIABILITIES						
Deposits						
Demand deposits	76,011	4,405	5.80%	76,481	6,135	8.02%
Fixed-term deposits	3,607,061	351,791	9.75%	3,486,487	426,482	12.23%
Total interest-bearing liabilities	3,683,072	356,196	9.67%	3,562,968	432,617	12.14%
Other liabilities	92,326	—	—	95,230	—	—
Members' equity	451,297	—	—	449,386	—	—
TOTAL LIABILITIES	4,226,695	356,196	8.43%	4,107,584	432,617	10.53%
NET INTEREST INCOME/						
TOTAL ASSETS	4,226,695	66,788	1.58%	4,107,584	76,283	1.86%

OTHER INCOME

Other income refers to non-interest income derived from services and administration fees generated by domestic and international banking services, as well as foreign exchange and loan fees.

Other income was \$13.9 million in 1991, which represents 17.20% of the combined total of net interest income and other income, compared to 15.88% in 1990. Other income diversifies Caisse centrale's income sources and necessitates less capital than loans.

Fees from foreign exchange transactions and international services increased by nearly 17% to reach \$1.6 million in 1991. Agreements reached with foreign correspondents in 1991 have positioned us advantageously for the coming years. In addition, Caisse centrale's correspondent relationships with over 350 banks in 56 countries have increased its presence on international financial markets. Administration and service fees totalled \$12 million in 1991, down 5% from 1990 mainly because of lower float revenues due to the drop in interest rates in 1991. During the year, Caisse centrale introduced new products, notably a computerized cash management system adopted by a number of federal and provincial parapublic bodies. In 1992

Caisse centrale will continue to broaden its product range to better respond to client requirements, with particular emphasis on increasing other income.

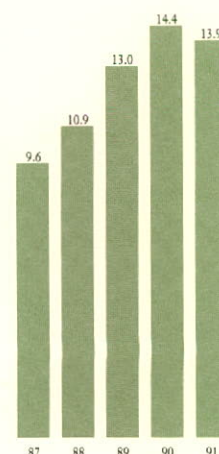
REMUNERATION ON CAPITAL STOCK AND OTHER PAYMENTS TO MEMBERS

On January 1, 1991, Caisse centrale, with authorization from the Board of Directors, began using the value of its capital stock to finance its current operations. Notwithstanding that, Caisse centrale remunerated members at 5 basis points above 90-day bankers' acceptance bill rates.

A total of \$39.5 million was paid out as remuneration on capital stock in 1991, representing an average return of 9.64%.

TABLE II
OTHER INCOME
FOR THE YEARS ENDED DECEMBER 31

(in thousands of dollars)	1991	1990	Change %
Fees on foreign exchange transactions and international services	1,612	1,381	16.73
Administration fees	8,441	8,961	(5.80)
Service fees	3,536	3,654	(3.23)
Loan fees	203	289	(29.76)
Other	75	116	(35.34)
TOTAL	13,867	14,401	(3.71)



OTHER INCOME
(in millions of dollars)

Together with the Desjardins Group, Caisse centrale offers large public and private Canadian corporations a wide range of national and international banking services. Other payments redistributed to members from the income generated by these services totalled \$7.3 million, compared to \$8.3 million in 1990.

Caisse centrale foresees a decrease in remuneration on capital stock and other payments to members in 1992 as a result of an expected further decline in interest rates.

NON-INTEREST EXPENSES

Non-interest expenses include staff, premises, equipment and computer costs and all other operating expenses.

Caisse centrale continues to emphasize close ties with its clients and is constantly upgrading its services and human and material resources to meet their needs.

Non-interest expenses totalled \$15.5 million, 2.8% higher than the previous year. This can be considered a minor increase in view of the introduction of the Goods and Services Tax on January 1, 1991.

Caisse centrale will continue to exercise stringent controls on operating expenses in 1992.

SALARIES, PENSIONS

AND OTHER EMPLOYEE BENEFITS

Salaries and employee benefits represented Caisse centrale's largest expenditure in 1991, accounting for 55.6% of all non-interest expenses. Personnel administration expenses were \$8.6 million, up 7%, or \$565,000 from the previous year. This increase was mainly due to the filling of positions authorized in 1990 and the 1991 indexation of salary scales.

Pension and other employee benefits increased by \$221,000 to total \$1.5 million in 1991 as a result of higher premiums paid on medical, retirement, unemployment insurance and health care plans.

EXPENSES FOR PREMISES, EQUIPMENT AND FURNITURE

The total of these expenses was \$83,000 higher than the previous year. The increase was partly attributable to sub-contracting expenses due to growth in operations which were fully offset by income from fee-based services,

and partly to a rise in rental costs. A decrease in depreciation expenses resulted from the write-off of obsolete assets in 1990.

OTHER EXPENSES

Other expenses decreased by \$221,000 in 1991, a reflection of Caisse centrale's on-going cost-control programs.

Table III shows non-interest expenses broken down into major components.

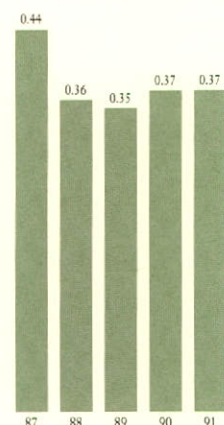
TABLE III
NON-INTEREST EXPENSES
FOR THE YEARS ENDED DECEMBER 31

(in thousands of dollars)	1991	1990	Change %
Salaries, pension benefits and other employee benefits	8,610	8,045	7.0
Premises, equipment and furniture			
Rental and taxes	1,297	1,088	19.2
Depreciation	399	748	(46.7)
Sub-contracting expenses	1,499	1,229	22.0
Other expenses	373	420	(11.2)
	3,568	3,485	2.4
Other expenses			
Advertising, promotion and publications	522	675	(22.7)
Business development	625	515	21.4
Telecommunications, mailing and couriers	648	715	(9.4)
Insurance	136	133	2.3
Supplies, stationery and printing	312	333	(6.3)
Fees for professional services	760	920	(17.4)
Other	312	245	27.4
	3,315	3,536	(6.3)
TOTAL	15,493	15,066	2.8
Non-interest expenses on average assets	0.37%	0.37%	-

INCOME AND OTHER TAXES

The provision for income taxes is derived directly from operating results. Current and deferred income taxes are detailed in Note 11 to the financial statements.

The provision for income taxes was \$9.9 million in 1991, compared to \$11.1 million for the previous year. This includes \$892,000 (\$768,000 in



NON-INTEREST EXPENSES
(as a % of average assets)

1990) payable as a result of an increase in the federal tax on large corporations (capital tax).

COMMENTS ON THE BALANCE SHEET

As at December 31, 1991, total assets of Caisse centrale stood at \$5 billion, up \$1 billion from 1990. The increase was due mainly to loans, principally loans to members.

Average assets reached \$4.2 billion in 1991, an increase of 2.9%, or \$119 million, over 1990.

In keeping with the guidelines in its credit risk management policies, Caisse centrale plans to be cautious yet benefit from the business opportunities which will occur in 1992.

Table IV shows the asset mix of Caisse centrale.

TABLE IV
ASSET MIX
AS AT DECEMBER 31

(in millions of dollars)	1991	1990	1989	1988	1987
Securities	894	688	695	806	1,002
Loans	4,018	3,259	3,003	3,068	1,761
Other assets	175	126	209	133	84
TOTAL	5,087	4,073	3,907	4,007	2,847
Average assets	4,227	4,108	3,811	3,523	2,810

LOANS

At year-end 1991, the loan portfolio stood at \$4 billion, up \$759 million from the previous year. The increase resulted solely from loans to members, which climbed by 105%, or \$847 million, mainly in the fourth quarter. Private sector loans totalled \$1.5 billion at December 31, essentially the same as one year earlier.

Caisse centrale foresees no significant changes in the mix or maturity dates of its loan portfolio in 1992, except for a major increase in loans to members.

CREDIT RISK MANAGEMENT

Management of the loan portfolio was governed by strict application of a highly selective risk management policy and the pursuit of well-defined risk diversification objectives. In 1991, Caisse centrale carried out a comprehensive review of its lending policies. To minimize risk, the policies impose restrictions on the value of loan authorizations to an individual borrower or a single group of borrowers. There are also guidelines to ensure diversification by geographical region and industry. Caisse centrale also limits its commit-

TABLE V**LOAN PORTFOLIO****AFTER PROVISION FOR LOAN LOSSES AS AT DECEMBER 31**

(in millions of dollars)	1991	1990	1989	1988	1987
Composition					
Day to day	15	—	—	—	—
Members	1,656	809	935	1,457	624
Other associated corporations	330	384	299	278	194
Public and parapublic sectors	530	570	430	395	378
Banks	5	—	—	—	8
Others – private sector	1,482	1,496	1,339	938	557
TOTAL	4,018	3,259	3,003	3,068	1,761
Geographic distribution					
Quebec	3,294	2,458	2,278	2,729	1,423
Ontario	518	566	593	330	278
Other canadian provinces	201	235	132	9	60
France	5	—	—	—	—
TOTAL	4,018	3,259	3,003	3,068	1,761
Average Loans	3,390	3,161	2,848	2,353	1,509

TABLE VI**BREAKDOWN OF LOANS TO PRIVATE SECTOR****BEFORE PROVISION FOR LOAN LOSSES AS AT DECEMBER 31**

(in thousands of dollars)	1991		1990	
	\$	%	\$	%
Primary industries	135,650	9.0	123,266	8.1
Manufacturing industries	596,058	39.4	580,319	38.2
Real estate	274,624	18.2	286,318	18.9
Transportation and communications	139,266	9.2	164,475	10.8
Wholesale and retail businesses	167,492	11.1	148,412	9.8
Financial intermediaries and insurance	145,637	9.6	184,372	12.1
Other service corporations	53,319	3.5	32,417	2.1
TOTAL	1,512,046	100.0	1,519,579	100.0

ments in highly-leveraged transactions and real estate lending.

Applications for credit are authorized in accordance with their particular limits by Caisse centrale's credit committees. Each authorization is then submitted to the Executive Committee for approval. When the borrower is an interested party, the authorization is also reviewed by the Ethics Committee to ensure that the rules of proper conduct have been respected.

Credit records are periodically reviewed to quickly detect problems and to ensure that appropriate action is initiated to rectify the situation. Records are then examined by the Executive Committee and approved by the Board of Directors. The quality of the loan portfolio remained high.

COMMERCIAL REAL ESTATE LOANS

Commercial real estate loan commitments totalled \$376 million at year-end 1991, compared to \$463 million in 1990, a drop of 18.8%. Outstanding

loans were \$274.6 million as at December 31, 1991, a decrease of \$11.7 million from last year.

Canada's real estate sector has been hard hit by the recession. Despite market weakness, Caisse centrale had only \$1.1 million in non-performing loans in this category.

LOANS CATEGORIZED AS "HIGHLY-LEVERAGED TRANSACTIONS"

Caisse centrale has not authorized loans in this category since 1990 and does not expect to do so in 1992, given the maximum limits it has adopted. As at December 31, 1991, outstanding loans were \$172 million compared to \$270 million a year ago, a decrease of \$98 million.

Commitments for this category totalled \$243 million as at December 31, 1991, compared to \$347 million in 1990, a decrease of \$104 million. At year-end 1991, the total of non-accrual loans in this category, net of provisions, was \$20 million.

NON-PERFORMING LOANS

Non-performing loans, net of provisions, reached \$36.3 million by December 31, 1991, an indication of the recession's serious repercussions on Canadian businesses. The accounting policies for non-accrual loans are explained in Note 2 to the financial statements.

Non-accrual loans, net of provisions, represent 0.9% of the total portfolio as at December 31, 1991. This ratio compares favorably with that of other Canadian financial institutions.

Caisse centrale foresees very slow economic recovery in 1992, and thus, any significant improvement in the level of non-accrual loans is unlikely.

PROVISION FOR LOAN LOSSES AND CUMULATIVE PROVISION FOR LOAN LOSSES

The provision for loan losses charged to the statement of income in 1991 was \$9 million (\$10.5 million in 1990). A sum of \$3 million (\$5 million in 1990) was charged against income on securities as a permanent impairment.

At year-end 1991, the cumulative provision for loan losses totalled \$30.1 million. This represented 1.99% of outstanding private-sector loans, compared to 1.60% at the close of 1990. The cumulative provision for loan losses comprised \$22.3 million of specific provisions and \$7.8 million of provisions for doubtful debts. In addition, Caisse centrale's 1991 net income of \$7 million after remuneration on capital stock and other payments to members was transferred to the general reserve as provision for contingencies.

With the recession dragging on, Caisse centrale does not expect any significant improvement in the provision for loan losses in 1992.

LIQUIDITY MANAGEMENT

The objective of liquidity management is to coordinate the movements of funds in order to ensure that Caisse centrale has sufficient liquidities to meet its financial commitments at all times.

Besides diversifying its sources of funds (which are discussed in the next section), Caisse centrale uses other methods to ensure optimum liquidity management, such as careful coordination of loan and term deposit maturity dates. Furthermore, as a direct clearer of the Canadian Payments Association, Caisse centrale is also entitled to borrow from the Bank of Canada.

Caisse centrale maintains a securities portfolio with a high level of liquidity. At year-end 1991, it totalled \$894 million, with 70.6% of the holdings, or \$631 million, maturing in less than one year. As at December 31, 1991, the securities portfolio represented 17.6% of total assets.

The instructions regarding liquidity standards issued in 1990 by the Inspector General of Financial Institutions was finalized in 1991. Caisse centrale complies fully with all the statutory requirements for liquidity.

In 1991, Caisse centrale maintained sufficient liquid assets for its own operations. In addition, it held supplementary liquidities – \$300 million on average – exceeding the legally required amounts, in order to fulfil its role as prime supplier of funds for the Desjardins Group. Caisse centrale will continue to maintain sufficient liquid assets in 1992 to meet the needs of the members.

TABLE VII
BREAKDOWN OF THE SECURITIES PORTFOLIO
AS AT DECEMBER 31

(in millions of dollars)	1991	1990	1989	1988	1987
Canada	177	190	231	368	443
Provinces	330	114	53	48	65
Members and associated corporations	41	53	39	33	27
Other Canadian issuers	346	331	372	357	467
TOTAL	894	688	695	806	1,002
Average securities	734	831	849	1,080	1,000

SOURCES OF FUNDS

Maintenance of a deposit base that is diversified in terms of geography and maturity dates is at the core of Caisse centrale's funding policy. The policy is designed to ensure safe fund procurement at the lowest possible cost. The breakdown of deposits appears in Note 6 to the financial statements.

At year-end 1991, outstanding deposits totalled \$4.5 billion, compared to \$3.5 billion in 1990. Canadian markets supplied \$535 million of this increase, with the balance derived from international markets.

Deposits payable on demand were \$195 million as at December 31, 1991, up \$115 million from the previous year.

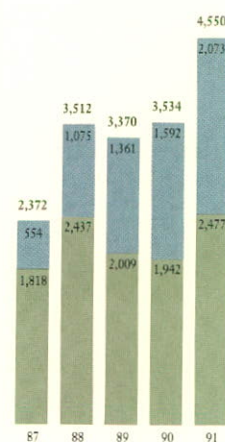
Deposits from members and associated corporations reached \$563 million at the end of the current year, or 12.4% of total deposits, compared to 10.0% one year earlier. Other deposits increased by \$806 million and totalled \$4 billion at year-end.

Caisse centrale complements and diversifies funding sources with public and private issues on international markets. It began its international program of fund procurement in 1985. In 1988, it launched a US \$400 million short-

term European commercial paper program. This was followed by a US \$400 million American short-term commercial paper program in 1989. Total outstanding short-term commercial paper issued through these programs rose by \$244 million to reach \$671 million as at December 31, 1991.

In 1991, to fulfil the members' funding requirements, Caisse centrale capitalized on its high credit rating to proceed with two Euro-Can public issues totalling \$250 million at favorable conditions. At year-end 1991, Caisse centrale had a total of \$2 billion outstanding on international markets, which \$781 million were in US dollars, \$647 million in Canadian dollars, \$473 million in Japanese yens and \$172 million in Swiss Francs. Total amounts raised on the international market accounted for 45.6% of total deposits this year compared to 45.0% in 1990.

Public issues maturing in 1992 will be \$228 million, or 5% of all deposits, at the end of 1991. In 1992, Caisse centrale will continue to pursue its goals of minimizing the cost of funding while diversifying its sources. A major increase in additional members



SOURCE OF DEPOSITS
(in millions of dollars)

■ Canada
■ Foreign

TABLE VIII
DEPOSITS
AS AT DECEMBER 31

(in millions of dollars)	1991	1990	1989	1988	1987
Composition					
Canada	507	200	92	119	256
Public agencies	96	8	77	47	36
Members	400	231	177	80	36
Other associated corporations	163	123	115	73	72
Other deposits	3,384	2,972	2,909	3,193	1,972
TOTAL	4,550	3,534	3,370	3,512	2,372
Geographic distribution					
Canada	2,477	1,942	2,009	2,437	1,818
International	2,073	1,592	1,361	1,075	554
TOTAL	4,550	3,534	3,370	3,512	2,372
Average deposit liabilities	3,683	3,563	3,277	3,043	2,343

requirements is projected for 1992. To meet these needs and replace issues maturing in 1992, Caisse centrale plans to step up its commercial paper programs, both in Canada and abroad. We will also proceed with new public issues on international markets and introduce a medium-term note program in Europe. Caisse centrale foresees no significant changes regarding its funding capabilities in 1992.

Table VIII shows the breakdown of deposits at year-end 1991.

RISK-BASED CAPITAL

The Bank for International Settlements (BIS) has established a framework for measuring the capital of banks with sizeable operations on inter-

national markets. Caisse centrale has no statutory obligation to comply with the standards, but in view of its international activities wishes to compare itself with other financial institutions involved on international markets.

RISK-ADJUSTED ASSETS AND OFF-BALANCE SHEET COMMITMENTS

The BIS framework calls for calculation of "risk-adjusted amounts" for off-balance sheet commitments and on-balance sheet items, and weighing of the aggregate values against a common definition of capital.

All off-balance sheet commitments are initially converted to "credit equivalent amounts" by multiplying the nominal values by "credit conversion

factors" established by the BIS framework. The credit conversion factors vary depending on whether the commitments are guarantees and standby letters of credit, commitments to extend credit, currency or interest rate swaps, or foreign exchange forward contracts.

The credit equivalent amounts for off-balance sheet commitments and on-balance sheet assets are then multiplied by the appropriate "risk weights" to determine the risk-adjusted amounts. These risk weights are based on the

relative credit risk of the counter-party and range from 0% for categories such as claims on or guaranteed by the Canadian or provincial governments, to 100% for categories such as claims on or guaranteed by the private sector. Caisse centrale has used a risk-weighting factor of 100% for all transactions without recourse involving members and associated corporations.

As Table IX shows, Caisse centrale's risk-adjusted assets and off-balance sheet commitments stood at \$3.7 billion as at December 31, 1991.

TABLE IX
RISK-ADJUSTED ASSETS AND OFF-BALANCE SHEET COMMITMENTS
AS AT DECEMBER 31, 1991

(in thousands of dollars)	Balance Sheet Amount	Principal Risk Weights	Risk- Adjusted Amount
ASSETS			
Cash and deposits with Bank of Canada	86,594	0%	0
Securities issued or guaranteed by Canada, provinces, municipalities and school corporations	507,668	0-20%	8,347
Securities issued by banks	218,903	20%	43,781
Securities issued by members and associated corporations	40,441	100%	40,441
Other securities	126,524	100%	126,524
Loans granted or guaranteed by Canada, provinces, municipalities, school boards and public agencies	529,994	0-20%	80,814
Loans to members and associated corporations	1,985,888	0-100%	1,385,043
Other loans	1,502,079	20-100%	1,487,968
Other assets	89,005	100%	89,005
	<u>5,087,096</u>		<u>3,261,923</u>

TABLE IX

RISK-ADJUSTED ASSETS AND OFF-BALANCE SHEET COMMITMENTS (cont.)**AS AT DECEMBER 31, 1991**

(in thousands of dollars)

OFF-BALANCE SHEET COMMITMENTS	Amount of Contract	Credit Conversion Factor	Credit Equivalent Amount	Principal Risk Weights	Risk- Adjusted Amount
Credit instruments					
Guarantees and standby letters of credit	84,098	0-100%	81,698	0-100%	58,798
Commitments to extend credit:					
original term to maturity					
Greater than one year	729,886	50%	364,944	0-100%	275,022
One year or less and conditional	2,817,880	0%	0	0%	0
Commitments to buy assets	7,324	100%	7,324	20-100%	1,465
Foreign exchange and interest rate contracts					
Currency and interest rate contracts	4,079,701	(1)	307,047	0-100%	95,298
Foreign exchange forward contracts	1,239,709	(2)	20,839	0-100%	4,366
	<u>8,958,598</u>		<u>781,852</u>		<u>434,949</u>
TOTAL RISK-ADJUSTED ASSETS AND OFF-BALANCE SHEET COMMITMENTS					<u>3,696,872</u>

(1) Remaining term to maturity and original term to maturity as per prescribed factors.

(2) Replacement cost plus mark-up.

CAPITAL RATIO

As at December 31, 1991, members' equity totalled \$454 million. Determined according to standards established by the Bank for International

Settlements, Caisse centrale's risk-adjusted capital ratio was 12.28%, compared to 13.71% one year earlier. The primary reason for the decline in the ratio was an increase in both on-

and off-balance sheet transactions with members. This is well above the 8% ratio. Moreover, Caisse centrale's capital is all of Tier I.

OFF-BALANCE SHEET TRANSACTIONS

Caisse centrale offers its clients a number of off-balance sheet instruments to help them meet their liquidity requirements and protect themselves against fluctuations in interest and exchange rates. Caisse centrale itself uses some of these instruments to manage risks stemming from rate variations. All off-balance sheet instruments are subject to Caisse centrale's usual credit standards, financial controls, risk ceilings and monitoring procedures.

The off-balance sheet activities fall for the most part into two categories: credit instruments, and foreign exchange and interest rate contracts.

CREDIT INSTRUMENTS

Products in this category provide clients with funds for which they anticipate a need, and include guarantees and standby letters of credit, as well as commitments to extend credit.

General commitments to extend credit are subject to client compliance

with particular credit standards. As a result, the risk associated with such commitments is considerably reduced.

Firm commitments require a duly signed offer, including confirmation of acceptance by the client. In such cases, Caisse centrale is obliged to pay out the funds stipulated in the commitment.

FOREIGN EXCHANGE

AND INTEREST RATE CONTRACTS

Transactions of this nature enable Caisse centrale and its clients to transfer, modify or reduce their foreign exchange or interest rate risks.

Interest rate and currency contracts are transactions in which two parties swap currencies and related interest flows, that is, fixed rates for floating rates, or vice versa, on a given principal and for a specific period of time.

With the exception of hedging contracts, Caisse centrale's commitments to buy a fixed amount of one currency are generally offset by forward contracts to sell an equal amount of the same currency. The majority of interest rate, currency and forward contracts are transacted with major Canadian and international banks.

In the case of interest rate contracts, Caisse centrale used the par value on which interest is paid, recorded in Canadian dollars at the disclosure date.

For currency contracts, it quantified the par value of the contracts to be disbursed, recorded in Canadian dollars at the disclosure date.

TABLE X
OFF-BALANCE SHEET ACTIVITIES

(in millions of dollars)

	December 31, 1991			December 31, 1990		
	Related Party	Other	Total	Related Party	Other	Total
Commitments to extend credit						
Guarantees and standby letters of credit	2	82	84	4	52	56
Commitments to extend credit						
– firm	1,350	1,549	2,899	1,801	1,661	3,462
– conditional	–	656	656	–	630	630
	<u>1,350</u>	<u>2,205</u>	<u>3,555</u>	<u>1,801</u>	<u>2,291</u>	<u>4,092</u>
	<u>1,352</u>	<u>2,287</u>	<u>3,639</u>	<u>1,805</u>	<u>2,343</u>	<u>4,148</u>
Foreign exchange and interest rate contracts						
Foreign exchange forward contracts	55	1,185	1,240	10	2,315	2,325
Currency and interest rate contracts	945	3,135	4,080	138	2,407	2,545
	<u>1,000</u>	<u>4,320</u>	<u>5,320</u>	<u>148</u>	<u>4,722</u>	<u>4,870</u>
TOTAL	<u>2,352</u>	<u>6,607</u>	<u>8,959</u>	<u>1,953</u>	<u>7,065</u>	<u>9,018</u>

TABLE XI
INTEREST RATE CONTRACTS IN CANADIAN DOLLARS
AS AT DECEMBER 31

(in millions of dollars)

	1991	1990
Caisse centrale pays floating rates and receives fixed rates	1,698	1,094
Caisse centrale pays fixed rates and receives floating rates	1,426	606
TOTAL	<u>3,124</u>	<u>1,700</u>

There was a marked increase in the number and amount of interest rate contracts in 1991 in order to meet the matching requirements of members.

The net amount of interest rate contracts declined in 1991, due to an increase in the cost of floating rate medium-term issues. Until now, Caisse centrale converted at floating rates the majority of the proceeds of its medium-term issues on international markets, as a means of financing its floating rate loans to members and clients. However, changes in interest rate market conditions in 1991 prevented the execution of such operations at favorable conditions. As a result, the net amount diminished as issues matured during the year.

MEMBERS' EQUITY

The capital stock amount, \$409.4 million, remained unchanged from the previous year. After the total transfer of retained earnings for the year, which were \$7 million, the general reserve amounted to \$44.7 million at year-end. Members' equity totalled \$454 million, all of which in Tier 1 capital.

The draft instructions regarding capital adequacy tabled by the Inspector General of Financial Institutions in 1990 was finalized in 1991. Caisse centrale fulfils all the statutory requirements. As at December 31, 1991, the capital-to-assets ratio, at 11.20:1, was well below the allowable 20:1.

TABLE XII
CAPITAL RATIO
AS AT DECEMBER 31

(in millions of dollars)	1991	1990	1989	1988	1987
TOTAL ASSETS	5,087	4,073	3,907	4,007	2,847
Capital					
Capital stock	409	409	409	409	409
General reserve	45	38	34	21	13
TOTAL CAPITAL	454	447	443	430	422
Capital-to-assets ratio	11.20:1	9.11:1	8.82:1	9.32:1	6.75:1

**SUPPLEMENT TO THE MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

Tables XIII and XIV show the variations in assets and liabilities and income over the past five fiscal years.

TABLE XIII
STATEMENTS OF ASSETS AND LIABILITIES
AS AT DECEMBER 31

(in thousands of dollars)	1991	1990	1989	1988	1987
ASSETS					
Cash and deposits with					
Bank of Canada	86,594	36,837	108,210	71,648	48,000
Securities	893,536	688,373	695,281	806,147	1,001,553
Loans	4,017,961	3,258,845	3,003,447	3,068,044	1,761,066
Other Assets	89,005	89,435	99,861	61,384	36,276
TOTAL ASSETS	<u>5,087,096</u>	<u>4,073,490</u>	<u>3,906,799</u>	<u>4,007,223</u>	<u>2,846,895</u>
LIABILITIES					
Deposits					
Payable on demand	195,203	79,889	179,906	171,392	182,185
Payable on a fixed date	4,354,459	3,454,481	3,190,693	3,340,176	2,189,892
Other Liabilities	83,337	91,984	92,673	65,142	52,417
	<u>4,632,999</u>	<u>3,626,354</u>	<u>3,463,272</u>	<u>3,576,710</u>	<u>2,424,494</u>
Members' equity					
General reserve	44,694	37,733	34,124	21,110	12,998
Capital stock	409,403	409,403	409,403	409,403	409,403
	<u>454,097</u>	<u>447,136</u>	<u>443,527</u>	<u>430,513</u>	<u>422,401</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>5,087,096</u>	<u>4,073,490</u>	<u>3,906,799</u>	<u>4,007,223</u>	<u>2,846,895</u>

TABLE XIV
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31

(in thousands of dollars)	1991	1990	1989	1988	1987
Interest income					
Loans	348,768	403,112	352,541	244,526	140,817
Securities	74,216	105,788	107,721	104,607	107,148
	<u>422,984</u>	<u>508,900</u>	<u>460,262</u>	<u>349,133</u>	<u>247,965</u>
Interest expense					
Deposits	356,196	432,617	387,152	288,697	198,266
Net interest income	<u>66,788</u>	<u>76,283</u>	<u>73,110</u>	<u>60,436</u>	<u>49,699</u>
Provision for loan losses	9,000	10,500	2,500	4,016	2,250
Net interest income after provision for loan losses	57,788	65,783	70,610	56,420	47,449
Other income	13,867	14,401	12,979	10,866	9,616
Net interest income and other income	<u>71,655</u>	<u>80,184</u>	<u>83,589</u>	<u>67,286</u>	<u>57,065</u>
Non-interest expenses					
Salaries	7,078	6,734	6,133	5,553	5,212
Pension benefits and other employee benefits	1,532	1,311	1,208	1,037	949
Premises, equipment and furniture, including depreciation	3,568	3,485	3,096	3,436	3,758
Other	3,315	3,536	2,967	2,627	2,464
TOTAL	<u>15,493</u>	<u>15,066</u>	<u>13,404</u>	<u>12,653</u>	<u>12,383</u>
Net income before income taxes	56,162	65,118	70,185	54,633	44,682
Provision for income taxes	9,878	11,101	11,387	9,460	8,111
NET INCOME	<u>46,284</u>	<u>54,017</u>	<u>58,798</u>	<u>45,173</u>	<u>36,571</u>

FINANCIAL STATEMENTS
DECEMBER 31, 1991 AND 1990

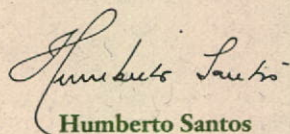
MANAGEMENT REPORT

Management is responsible for preparing financial statements and related information appearing in the Annual Report and for ensuring its reliability and accuracy. The financial statements have been prepared in accordance with generally accepted accounting principles and include estimates based on the best judgment of management. Financial information appearing elsewhere in the Annual Report is consistent with the financial statements.

The accounting system of Caisse centrale Desjardins and related internal controls and procedures are designed to ensure the reliability of financial information and, to a reasonable degree, the safeguard of assets against loss or unauthorized use. These procedures include quality standards in hiring and training employees, an organizational structure with clearly defined lines of responsibility, written and up-dated policies and procedures, planning and follow-up of projects, budget controls by cost centres and divisional performance accountability. The internal control procedures are supplemented by regular independent reviews of Caisse centrale Desjardins' major areas of operation. In addition, in the course of his duties, the Controller may confer at any time with the Board of Directors' Audit Committee. Composed entirely of Directors who are neither officers nor employees of Caisse centrale, this Committee ensures that management has fulfilled its responsibilities with respect to financial information and the application of internal controls.

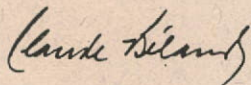
The Inspector General of Financial Institutions examines the affairs of Caisse centrale annually to ensure that the provisions of its constituent legislation, particularly with respect to the protection of depositors, are duly observed and that Caisse centrale Desjardins is in a sound financial condition. The independent auditors appointed by the general meeting of members, Raymond, Chabot, Martin, Paré and Samson Bélair/Deloitte & Touche, have the responsibility of auditing the financial statements in accordance with generally accepted auditing standards, and their report follows. They may, at any time, confer with Caisse centrale Desjardins' Audit Committee on all matters concerning the nature and execution of their mandate, particularly with respect to the accuracy of financial information provided by Caisse centrale Desjardins and the reliability of its internal control procedures.

President and Chief
Operating Officer



Humberto Santos

Chairman of the Board
and Chief Executive Officer



Claude Béland

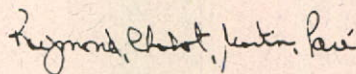
AUDITORS' REPORT

To the Members of
Caisse centrale Desjardins

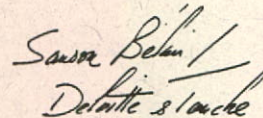
We have audited the statements of assets and liabilities of Caisse centrale Desjardins as at December 31, 1991 and 1990 and the statements of income, retained earnings and general reserve and changes in financial position for the years then ended. These financial statements are the responsibility of Caisse centrale Desjardins' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Caisse centrale Desjardins as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Raymond, Chabot,
Martin, Paré
Chartered Accountants



Samson Bélair/
Deloitte & Touche
Chartered Accountants

Montreal
January 31, 1992

STATEMENTS OF ASSETS AND LIABILITIES

AS AT DECEMBER 31

(in thousands of dollars)	1991	1990
ASSETS		
Cash Resources		
Cash and deposits with Bank of Canada	\$ 86,594	\$ 36,837
	<u>86,594</u>	<u>36,837</u>
Securities (note 3)		
Issued or guaranteed by Canada	177,227	189,689
Issued or guaranteed by provinces and municipal or school corporations	330,441	113,796
Other securities	385,868	384,888
	<u>893,536</u>	<u>688,373</u>
Loans		
Day, call and short loans to investment dealers and brokers, secured	15,000	-
Other loans (note 4)	4,002,961	3,258,845
	<u>4,017,961</u>	<u>3,258,845</u>
Other Assets		
Fixed assets, less accumulated depreciation	1,524	1,761
Other assets (note 5)	87,481	87,674
	<u>89,005</u>	<u>89,435</u>
	<u>\$5,087,096</u>	<u>\$4,073,490</u>
LIABILITIES		
Deposits (note 6)		
Payable on demand	\$ 195,203	\$ 79,889
Payable on a fixed date	4,354,459	3,454,481
	<u>4,549,662</u>	<u>3,534,370</u>
Other Liabilities		
Cheques and other items in transit, net	5,229	3,468
Other liabilities (note 7)	78,108	88,516
	<u>83,337</u>	<u>91,984</u>
MEMBERS' EQUITY		
General Reserve	44,694	37,733
Capital Stock Issued (note 8)	409,403	409,403
409,403 shares		
Retained Earnings (note 9)	-	-
	<u>454,097</u>	<u>447,136</u>
	<u>\$5,087,096</u>	<u>\$4,073,490</u>

On behalf of the Board,

Claude Bélant

Director

John P. ...

Director

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31

(in thousands of dollars)	1991	1990
Interest Income		
Loans	\$348,768	\$403,112
Securities	74,216	105,788
Total interest income	<u>422,984</u>	<u>508,900</u>
Interest Expense	<u>356,196</u>	<u>432,617</u>
Net Interest Income	<u>66,788</u>	<u>76,283</u>
Provision for loan losses	<u>9,000</u>	<u>10,500</u>
Net Interest Income After Provision for Loan Losses	<u>57,788</u>	<u>65,783</u>
Other income	<u>13,867</u>	<u>14,401</u>
Net Interest and Other Income	<u>71,655</u>	<u>80,184</u>
Non-Interest Expenses		
Salaries	7,078	6,734
Pension and other staff benefits	1,532	1,311
Premises, equipment and furniture, including depreciation	3,568	3,485
Other expenses	<u>3,315</u>	<u>3,536</u>
Total non-interest expenses	<u>15,493</u>	<u>15,066</u>
Net Income Before Provision for Income Taxes	<u>56,162</u>	<u>65,118</u>
Provision for income taxes (note 11)	<u>9,878</u>	<u>11,101</u>
Net Income	<u>\$ 46,284</u>	<u>\$ 54,017</u>

STATEMENTS OF RETAINED EARNINGS AND GENERAL RESERVE
FOR THE YEARS ENDED DECEMBER 31

(in thousands of dollars)	1991	1990
Retained Earnings		
Balance at beginning of year	\$ -	\$ -
Net income for the year	46,284	54,017
Remuneration of capital stock and other payments to members	(46,813)	(59,917)
Recovery of income taxes related to the remuneration of capital stock and other payments to members (note 11)	7,490	9,509
Transfer to general reserve	<u>(6,961)</u>	<u>(3,609)</u>
Balance at end of year	<u>\$ -</u>	<u>\$ -</u>
General Reserve		
Balance at beginning of year	\$ 37,733	\$ 34,124
Transfer from retained earnings	6,961	3,609
Balance at end of year	<u>\$ 44,694</u>	<u>\$ 37,733</u>

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31

(in thousands of dollars)	1991	1990
Operations		
Net income	\$ 46,284	\$ 54,017
Provision for losses on loans and devaluation of securities	12,000	15,500
Depreciation of fixed assets	399	748
Net change in other assets	193	10,743
Net change in other liabilities	(45)	2,361
Funds generated by operations	58,831	83,369
Remuneration of capital stock and other payments to members, net of related recovery of income taxes	47,925	53,458
Net funds provided by operations	10,906	29,911
Financing activities		
Net increase of deposits	1,015,292	163,770
Funds provided by financing activities	1,015,292	163,770
Investment activities		
Net increase (decrease) of:		
Securities	208,163	(1,909)
Loans	768,116	265,898
Fixed assets	162	1,065
Funds used in investment activities	976,441	265,054
Net increase (decrease) in a cash resources	49,757	(71,373)
Cash resources at beginning of year	36,837	108,210
Cash resources at end of year	\$ 86,594	\$ 36,837

Cash resources correspond to "Cash and deposits with Bank of Canada".

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1991 AND 1990

(All tabular figures are in thousands of dollars)

1. INCORPORATION

Caisse centrale Desjardins was established on June 22, 1979, by an Act of the Quebec Legislature (An Act to amend the Act relating to La Confédération des caisses populaires et d'économie Desjardins du Québec), which Act was replaced on June 22, 1989 by an Act relating to the Mouvement des caisses Desjardins (1989 S.Q., chap. 113). Caisse centrale Desjardins is a cooperative institution that is also governed by the provisions of the Savings and Credit Unions Act relating to credit unions and federations (1988 S.Q., chap. 64).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Caisse centrale Desjardins are prepared in accordance with accounting principles generally accepted in Canada. Certain comparative figures have been reclassified to conform with the presentation adopted in the current year. The significant accounting policies are summarized below:

a) Securities:

Securities are recorded at amortized cost. Premiums and discounts are amortized over the terms of the related securities on the straight-line basis.

Amortization of premiums and discounts, gains and losses realized on the disposal of securities as well as write-downs in the value of securities to reflect permanent impairment in value are included in income in the period in which they occur and recorded in "Interest income from securities" in the statement of income.

b) Loans:

Loans are stated at their principal value, net of unamortized discounts and any provisions for losses, as applicable.

Interest income is recorded on the accrual basis. Loans are placed on a non-accrual basis whenever: a) there is doubt regarding the collectibility of principal or interest or, b) when payment of interest is ninety days past due. Upon classification of a loan to a non-accrual basis, any previously accrued but unpaid interest thereon is reversed against interest income of the current period. Subsequently, amounts received on non-accrual loans are recorded as interest income only if management has determined that the loan does not require a specific provision for loss; otherwise interest received is credited to capital.

Non-accrual loans are restored to an accrual basis when principal and interest payments are current and there is no longer any reasonable doubt regarding collectibility.

Fees received on new loans, restructured or renegotiated loans are considered as adjustments to loan yield and recognized as "Interest Income" over the expected term of such loans. Where there is a reasonable expectation that a loan will result, commitment and standby fees are also recognized as "Interest Income" over the expected term of the resulting loan. Otherwise, such fees are recognized as "Other Income" over the commitment or standby period.

c) Provision for loan losses:

A provision for loan losses is maintained at a level which is considered adequate to absorb losses. The provision for loan losses is determined as a result of an evaluation of each outstanding loan. The provision for loan losses is increased by the provisions charged to the statement of income and reduced by the write-offs net of recoveries. The provision includes specific provisions and provisions for doubtful accounts necessary to reduce the carrying value of loans to their estimated realizable values.

Loans are written off after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote.

d) Interest rate and cross currency swaps:

Caisse centrale Desjardins enters into interest rate and cross currency swaps as a principal in order to manage interest rate and foreign currency exposure. Income or expenses associated with interest rate and cross currency swaps is recorded over the life of the agreements.

e) Fixed assets:

Fixed assets are recorded at historical cost and depreciated over their estimated useful lives in accordance with the following methods and annual rates:

Classes	Depreciation Methods	Rates
Office furniture and equipment	Diminishing balance	20%
Computer equipment	Diminishing balance	30%
Computer software	Straight-line	20%
Leasehold improvements	Remaining term of leases	

f) Foreign currency translation:

Assets and liabilities denominated in foreign currencies are translated at rates prevailing on the balance sheet date; income and expenses are translated at the average rates prevailing during the year.

Foreign exchange trading positions, including spot and forward contracts, are valued monthly at prevailing market rates and the resulting gains and losses are included in "Other income".

g) Income taxes:

Caisse centrale Desjardins provides for income taxes using the tax allocation method.

The recovery of income taxes shown in the statement of retained earnings relates to the remuneration of capital stock and other payments to members which, for income tax purposes, are deductible.

Deferred income taxes resulting from cumulative timing differences as well as income taxes recoverable or payable are included either in "Other assets" or "Other liabilities", as applicable.

3. SECURITIES

	1991				1990			
	Maturity				Carrying Value	Estimated Market Value	Carrying Value	Estimated Market Value
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years				
Securities issued or guaranteed by								
Canada	\$127,327	\$ 6,226	\$ -	\$43,674	\$177,227	\$178,506	\$189,689	\$189,748
Provinces, municipal or school corporations in Canada	233,886	55,819	3,785	36,951	330,441	332,203	113,796	110,019
Other Securities								
Securities of Canadian issuers:								
Banks	218,903	-	-	-	218,903	218,910	88,541	88,671
Members	5,516	-	-	-	5,516	5,638	19,936	19,884
Associated corporations	11,849	23,076	-	-	34,925	35,413	33,578	33,782
Other issuers	33,630	56,013	31,687	5,194	126,524	127,629	242,833	236,135
Total	\$631,111	\$141,134	\$35,472	\$85,819	\$893,536	\$898,299	\$688,373	\$678,239

4. OTHER LOANS

	1991	1990
Public and parapublic institutions	\$ 529,994	\$ 570,116
Banks	5,152	380
Members	1,655,806	808,668
Other associated corporations	330,082	384,467
Other - private sector	1,512,046	1,519,579
	4,033,080	3,283,210
Provision for loan losses	(30,119)	(24,365)
	<u>\$4,002,961</u>	<u>\$3,258,845</u>

5. OTHER ASSETS

	1991	1990
Accrued interest	\$ 65,849	\$ 73,557
Income taxes recoverable	-	982
Other assets	21,632	13,135
	<u>\$ 87,481</u>	<u>\$ 87,674</u>

6. DEPOSITS

	1991	1990
Canada	\$ 506,697	\$ 200,003
Provinces	95,875	7,742
Banks	470,026	431,330
Members – for clearing purposes	30,585	21,246
– for other purposes	369,718	209,360
Other associated corporations	163,147	123,492
Other deposits	2,913,614	2,541,197
	<u>\$4,549,662</u>	<u>\$3,534,370</u>

7. OTHER LIABILITIES

	1991	1990
Remuneration of capital stock payable	\$ 7,136	\$ 15,738
Accrued interest	53,951	62,988
Income taxes payable	3,232	–
Deferred income taxes	322	666
Other liabilities	13,467	9,124
	<u>\$ 78,108</u>	<u>\$ 88,516</u>

8. CAPITAL STOCK

The capital stock of Caisse centrale Desjardins is composed of the shares subscribed for by its members. The par value of each share is \$1,000 and no share can be issued without having been fully paid for.

Except with the prior written approval of the Inspector General of Financial Institutions, Caisse centrale Desjardins shall not redeem the shares held by a member applying therefor; the redemption of shares shall be made at par value and must not leave Caisse centrale Desjardins with an insufficient capital base to meet its requirements.

Caisse centrale Desjardins shall not, however, redeem more than 10% of its shares during any one fiscal year.

9. RETAINED EARNINGS

The Directors of Caisse centrale Desjardins have approved the transfer of the full amount of retained earnings as at December 31, 1991 and 1990 to the general reserve as a provision for contingencies.

10. REMUNERATION OF CAPITAL STOCK

The Act incorporating Caisse centrale Desjardins stipulates that the Board of Directors can declare interest on shares; it then determines the modalities of payment thereof. It cannot declare or pay interest on shares if this would render Caisse centrale Desjardins insolvent or decrease the paid-up capital stock.

11. PROVISION FOR INCOME TAXES

The provision for income taxes as shown in the financial statements is detailed as follows:

	1991	1990
Statements of income	\$ 9,878	\$ 11,101
Statements of retained earnings		
Recovery of income taxes related to the remuneration of capital stock and other payments to members	(7,490)	(9,509)
Total provision for income taxes	\$ 2,388	\$ 1,592
The provision for current and deferred income taxes is as follows:		
Current	\$ 2,732	\$ 2,272
Deferred	(344)	(680)
Total provision for income taxes	\$ 2,388	\$ 1,592

The effective income tax rate is similar to the statutory rate.

12. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, Caisse centrale Desjardins has various contracts and contingent liabilities such as forward rate agreements, interest rate swaps and undrawn lines of credit. These items are not reflected in the statements of assets and liabilities. In the opinion of management, there are no material commitments or contingencies which represent unusual risks and no material losses are anticipated as a result of these transactions.

In addition, Caisse centrale Desjardins guarantees the payment of liabilities and issues letters of credit on behalf of customers; in the event of a call, Caisse centrale Desjardins has recourse against the customers.

The guarantees and letters of credit, which are not reflected in the statement of assets and liabilities, are as follows:

	1991	1990
Guarantees	\$ 82,368	\$ 54,390
Letters of credit	1,730	1,203
	\$ 84,098	\$ 55,593

Future rental commitments for long term leases expiring up to April 30, 2005 amount to \$9,993,000. The annual rental payments for the next five years are as follows:

1992 - \$823,000; 1993 - \$828,000; 1994 - \$827,000; 1995 - \$825,000; 1996 - \$717,000.

13. OTHER RELATED PARTY TRANSACTIONS

These transactions with members and other associated corporations of the Desjardins Group represent those not disclosed elsewhere in the financial statements.

	1991	1990
Other assets	\$ 40,814	\$ 40,098
Other liabilities	13,182	22,645
Interest income	142,776	149,904
Interest expenses	31,133	31,647
Other income	1,185	1,083
Non-interest expenses	1,494	1,408

14. PENSION PLAN

Caisse centrale Desjardins has an employee pension plan with which all employees are registered automatically at age 25 on a joint contributory basis.

An actuarial valuation of the pension plan is performed at least every three years. As at January 1st, 1991, the date of the latest valuation, the pension plan was fully funded.

The total pension expense, arising from employer contributions aggregated \$768,000 for the year ended December 31, 1991 (1990 - \$577,000).

15. SEGMENTED INFORMATION

Caisse centrale Desjardins has a dominant industry segment whose income is from interest on loans and securities and other related activities in Canada.

BOARD OF DIRECTORS

Claude Béland*

La Confédération des caisses
populaires et d'économie
Desjardins du Québec

Pierre Barnès

Fédération des caisses populaires
Desjardins de Montréal et de
l'Ouest-du-Québec

Jean-Eudes Bergeron

Fédération des caisses populaires
Desjardins du Saguenay-Lac St-Jean

François Brien

Fédération des caisses populaires
Desjardins de l'Abitibi

Simon Caron

Fédération des caisses populaires
Desjardins du Bas St-Laurent

Yvan Caron*

Fédération des caisses populaires
Desjardins de Québec

Gérard Chabot

Fédération des caisses populaires
Desjardins de Montréal et de
l'Ouest-du-Québec

Paul-Roch Charbonneau

Fédération des caisses populaires
Desjardins de Lanaudière

Gilles Clément

Fédération des caisses populaires
Desjardins de Montréal et de
l'Ouest-du-Québec

Alain Contant**

Fédération des caisses populaires
Desjardins de Montréal et de
l'Ouest-du-Québec

Yvon Cormier

Fédération des caisses populaires
Desjardins du Centre du Québec

Raymond Gagné

Fédération des caisses populaires
Desjardins de la Gaspésie et des
Îles-de-la-Madeleine

Yvan Guérin

Fédération des caisses populaires
Desjardins de Montréal et de
l'Ouest-du-Québec

Raymond Hainse

Fédération des caisses populaires
Desjardins de Québec

Wesley Hogg*

Fédération des caisses populaires
Desjardins du Bas St-Laurent

Marc Jean

Fédération des caisses populaires
Desjardins de Québec

Lise Julien**

Fédération des caisses populaires
Desjardins de Québec

Gilles Lafleur*

Fédération des caisses d'économie
Desjardins du Québec

Michel Latour

Fédération des caisses populaires
Desjardins de Richelieu-Yamaska

Marc Lemieux

Fédération des caisses populaires
Desjardins de Québec

Guy Ménard

Fédération des caisses populaires
Desjardins de Montréal et de
l'Ouest-du-Québec

Robert O'Farrell*

Fédération des caisses populaires
Desjardins du Centre du Québec

Albert Ouellet

Fédération des caisses populaires
Desjardins de l'Estrie

Michel Parent

Fédération des caisses d'économie
Desjardins du Québec

Jean-Guy Pilon

Fédération des caisses populaires
Desjardins du Saguenay-Lac St-Jean

Jocelyn Proteau*

Fédération des caisses populaires
Desjardins de Montréal et de
l'Ouest-du-Québec

Rosaire Raymond*

Fédération des caisses populaires
Desjardins de Richelieu-Yamaska

André René

Fédération des caisses populaires
Desjardins du Centre du Québec

Réal Rioux

Fédération des caisses populaires
Desjardins de la Gaspésie et des
Îles-de-la-Madeleine

Yvon Roberge

Fédération des caisses populaires
Desjardins de Montréal et de
l'Ouest-du-Québec

André Roy

Fédération des caisses populaires
Desjardins de l'Estrie

Michel Roy**

Fédération des caisses populaires
Desjardins de Lanaudière

André Talbot

Fédération des caisses populaires
Desjardins de l'Abitibi

* Member of the Executive Committee

** Member of the Audit Committee

OFFICERS

Humberto Santos*

President and Chief Operating Officer

Jean-Guy Langelier*

Senior Vice-President, Administration and Banking Services

Fernand Lafleur*

Senior Vice-President, Corporate Financing

Alfred Pfeiffer*

Senior Vice-President, Treasury and Investment

Jacques Luys

Group Vice-President, Operations

Jacques Lapierre

Vice-President, Corporate Financing

Jim McLeod

Vice-President, Domestic Banking Services

Trung H. Nguyen

Vice-President, International Services

Kenneth G. Spurling

Vice-President, Treasury

Bernard Venne

Vice-President, Treasury and Investment

Jacques Aubry

Manager, Corporate Financing

Geoffrey H. Godard

Vice-President, Corporate Financing

Henri Bannout

Manager, Medium-Size Businesses

Raymond Chamberland

Manager, Provincial Banking Services

Paul Charron

Manager, Domestic Operations

Jean-Claude Ducharme*

Manager, Human Resources and Communications

Richard Dupuis

Manager, National Banking Services

Sylvain Gascon

Manager, Corporate Financing

René Gouin

Manager, Audit and Analysis

Yves Grimard

Manager, International Services

Maurice Guay

Manager, Desjardins Banking Services

Jean Héon

Controller

Pierre Labelle

Manager, Desjardins

Banking Services

Gilles Lapierre*

General Counsel, Legal and Corporate Affairs

Roger Michaud

Manager, Corporate Financing

Hoai Tan Nguyen

Manager, Real Estate Financing

Michel Paradis

Manager, Credit

Rodrigue Potvin

Manager, System Services

Pierre Toth

Manager, Corporate Financing

* Member of the Management Committee

GENERAL INFORMATION

Members

- Eleven Fédérations des caisses populaires et d'économie du Québec, members of the Confédération
- La Fédération des caisses populaires de l'Ontario Inc.
- La Fédération des caisses populaires du Manitoba Inc.
- La Fédération des caisses populaires acadiennes Ltée.
- Assurance-vie Desjardins Inc.
- La Société de portefeuille du Groupe Desjardins, Assurances générales Inc.
- Fiducie Desjardins Inc.

Auditors

Raymond, Chabot, Martin, Paré
Montreal, Quebec
Samson, Bélair/Deloitte & Touche
Montreal, Quebec

Head Office

1 Complexe Desjardins
South Tower, Suite 2822
Montreal, Quebec
H5B 1B3
Telephone: (514) 281-7070
Telex: 055-61688
Facsimile: (514) 281-7083

Quebec City Office

2954 Laurier Blvd.
Suite 340
Ste-Foy, Quebec
G1V 4T2
Telephone: (418) 653-6366

Toronto Office

150 King Street West
Toronto, Ontario
M5H 1J9
Telephone: (416) 599-9301
Facsimile: (416) 599-5172

Desjardins Federal Savings Bank

1001 Hallandale Blvd.
Hallandale, Florida
33009, U.S.A.
Telephone: (305) 454-1001
(Jean-Pierre Gagnon, C.E.O.)

Issuing and Paying Agent, Transfer Agent

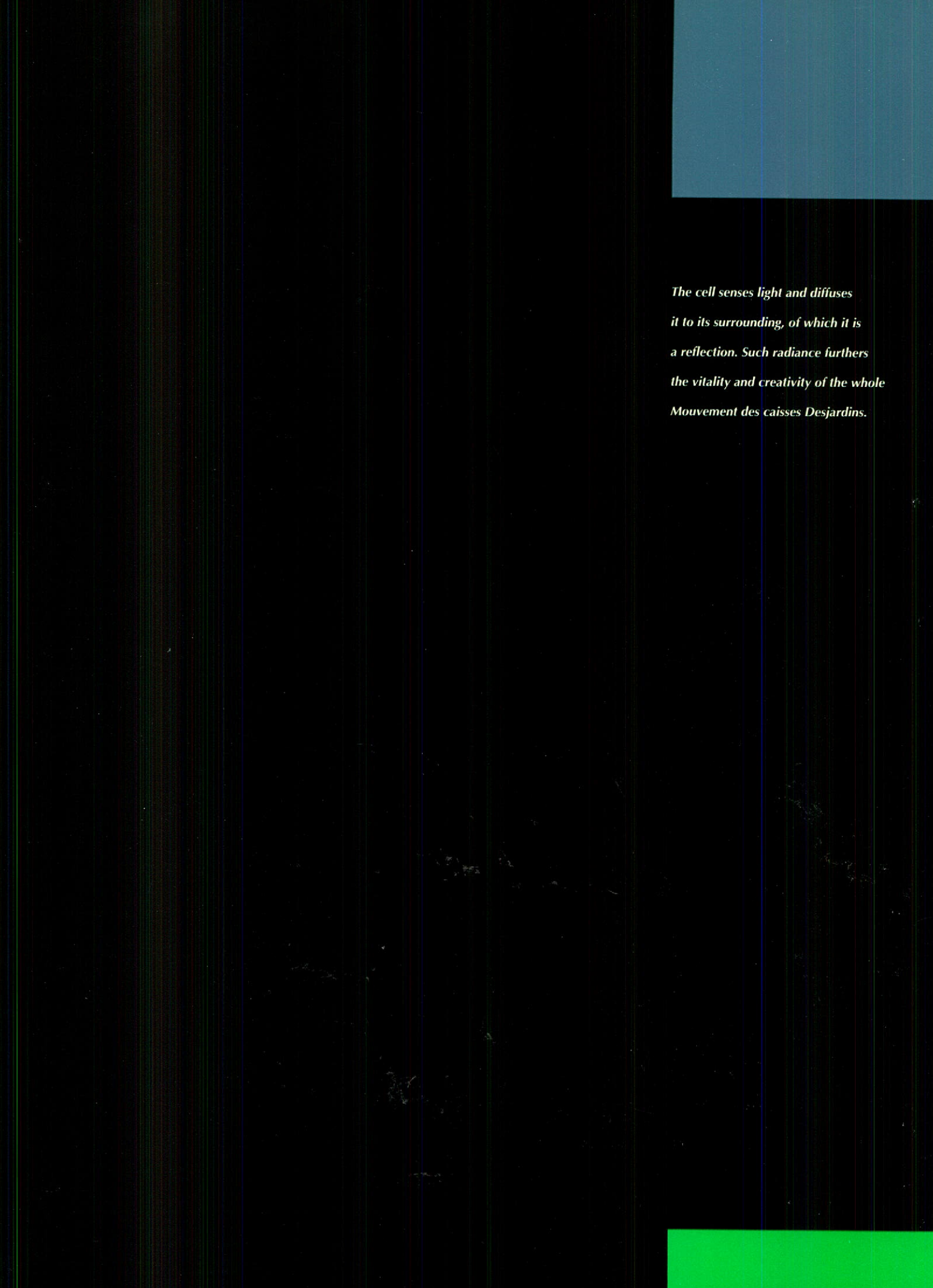
National Bank of Canada: Quebec
City, Vancouver, Calgary, Edmonton,
Winnipeg, Toronto and Halifax.

Prospectus

A copy of the Canadian Prospectus of Caisse centrale Desjardins can be obtained from Caisse centrale or through its brokers.

Caisse centrale is a direct clearing member of the Canadian Payments Association.

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*The cell senses light and diffuses
it to its surrounding, of which it is
a reflection. Such radiance furthers
the vitality and creativity of the whole
Mouvement des caisses Desjardins.*