




La Caisse centrale
Desjardins du Québec



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Highlights

	December 31 1983	December 31 1982	Increase (decrease)
Total assets	\$1,563,456,596	\$1,074,831,605	45.5 %
Total loans	539,149,985	218,955,049	146.2
Securities	943,347,200	830,258,598	13.6
Deposits	1,088,078,782	634,621,601	71.5
Capital and reserves	411,559,293	410,372,770	0.3
Total income	115,464,289	141,264,605	(18.3)
Income before remuneration of capital stock	47,484,152	60,596,958	(21.6)

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Complexe Desjardins,
Montréal, location of the
executive offices of the
Caisse Centrale.

La version française
est disponible sur demande

Report of the President



■ Raymond Blais, President

At the close of 1983, the Caisse Centrale reported excellent financial results, along with sustained and remarkable growth in its balance sheet for a fourth consecutive year. But its real performance must be assessed in terms of its continuing contribution to improving the services and overall profitability of the Desjardins Group.

In keeping with its mandate to ensure a major portion of the liquidity of the *caisses populaires* and *caisses d'économie* Desjardins, the Caisse Centrale invests at least the equivalent of its total capital stock in first-quality liquid securities. The stabilization of interest rates at low levels during 1983, following a sharp decline that had begun in the previous year, has decreased the total income generated by these investments without, however, reducing real return. Taking inflation into account, a comparison of the past two years indicates that the yield on the liquid assets portfolio remains satisfactory.

The leveling off of interest rates has sparked a moderate resurgence in the Canadian economy. Since companies have taken advantage of this situation to strengthen their balance sheet, the recovery has not translated into increased demand for credit from the financial sector as a whole. Despite this context, the Caisse Centrale succeeded in substantially increasing its volume of loans to the private sector, while preserving the high-quality of its credit portfolio.

The prime credit objective of the Caisse Centrale is to meet the needs of the Desjardins Group's member Federations and institutions. The secondary goal of its credit activities is to ensure the presence of the Desjardins Group in the Canadian lending market serving governments, institutions and major corporations. In line with these priorities, the Caisse Centrale has contributed to the significant progress made by the Federations and Caisses in credit to municipalities, school boards and institutions in the Quebec social service network. The results obtained in the public sector indicate that concerted action by the Desjardins Group can also be effective in expanding and diversifying its industrial and commercial credit operations. To this end, the Caisse centrale acquired equity in *Crédit Industriel Desjardins Inc.* during the year and is now represented on its board of directors.

Since September 20, 1983 the local Caisses of the Desjardins Group have assumed responsibility for settling their clearing operations with the other members of the Canadian Payments Association. As coordinator of this major operation, the Caisse Centrale managed, with the help of the Confederation and Federations of the Desjardins Group, to implement and operate an efficient system for daily settlement of payment items directly with the Bank of Canada.

The past year has also marked the successful conclusion of the Desjardins Group's lengthy negotiations to obtain its fair share of Canadian government deposits with financial institutions. The Caisse Centrale began receiving these major deposits last December on behalf of the Desjardins Group and is responsible for their day-to-day management.

Local Desjardins Caisses already hold a major share of the personal savings market in Quebec. To diversify the Desjardins Group's sources of funds, the Caisse Centrale has a mandate to obtain institutional deposits in the financial market. In this regard, a major new development occurred in 1983: debt securities issued by the Caisse Centrale became eligible investments for life insurance companies, pension funds and certain other Canadian financial institutions.

As agreed within the Desjardins Group, Caisse Centrale debt securities are now covered by a formal guarantee enabling it to satisfy the requirements of various Canadian laws governing investments by financial institutions. This "legal-for-life" status, which took effect in the third quarter of 1983, made it possible to increase the volume and average term of our securities issued on the Canadian market.

The Caisse Centrale is thus in a good position to meet its members' treasury needs and consolidate the national scope of its operations in 1984.

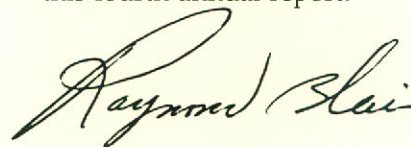
On the international scene, excellent business relations have already been established with many European financial institutions, in particular with major cooperative banks through our equity in the London and Continental Bankers of London, England. A number of legal and tax-related obstacles are still impeding the development of our international market operations; a major effort will be made in 1984 to eliminate these hindrances.

The Caisse Centrale's activities provided several other economic and financial benefits for the Desjardins Group. For example, with regard to the development of direct deposit and account collection services, there was a steady increase in the number of participating organizations and in the volume of transactions processed by the Caisse network during the past year. The expansion of these services is helping to reduce trans-

mit costs and administrative expenses borne by the Caisses. The Caisse Centrale's planned integration into the *inter-caisses* computer network will permit a wider array of services offered by Desjardins in this sector. The Caisse Centrale has already begun to offer a fund management service tailored to the needs of the member Federations.

In another development, the Caisse Centrale welcomed three new associate members in 1983: the Acadian Federation of Caisses Populaires, the Ontario Federation of Caisses Populaires and the Manitoba Federation of Caisses Populaires.

The record of achievement and the highly positive financial results reported by the Caisse Centrale in 1983 are fitting testimony to the day-in, day-out efforts of our directors, management and staff. Their competence, motivation and spirit of cooperation deserve much of the credit for the fact that the Caisse Centrale has now fully assumed its role as the financial agent of the Desjardins Group. I am therefore delighted to have them share in the presentation of this fourth annual report.



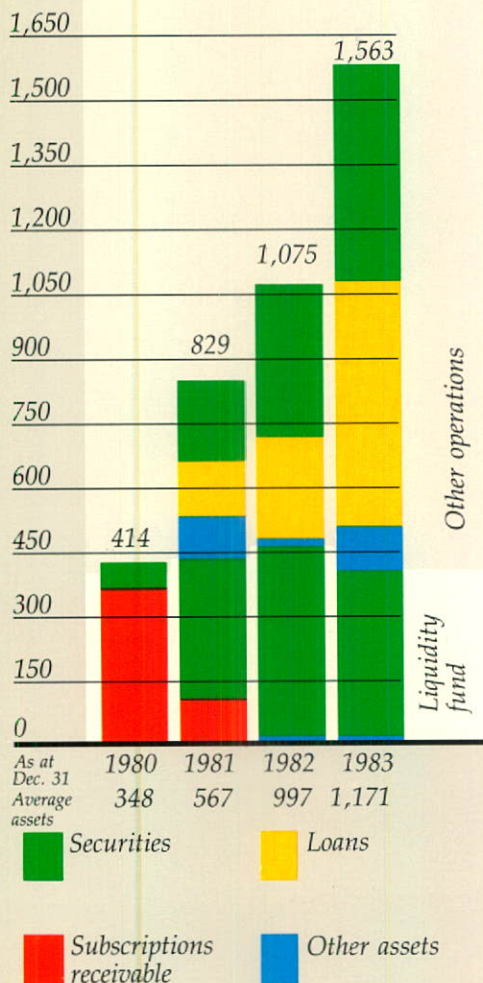
Raymond Blais
President

Financial Review



Bruno Riverin,
Executive Vice-President

Figure 1
Total assets
(in millions of \$)



In 1983, interest rates levelled off following the sharp decline begun in 1982, then remained stable through the end of the year. Due in part to the persistence of restrictive monetary policies, the average inflation rate dropped from 10.8% in 1982 to 5.8% in 1983. These improved conditions enabled the Canadian economy to enter a phase of moderate recovery.

In this climate, the Caisse Centrale increased its growth rate, produced highly satisfactory financial results, and achieved a number of breakthroughs for the Desjardins Group. The results can best be appreciated by considering the Caisse Centrale's liquidity management activities separately from its other operations.

The Caisse Centrale manages a liquidity fund for the benefit of its member Federations. To this end, its policy is to keep in its portfolio at all times the equivalent of its total capital stock in liquid assets, mainly in the form of money market investments. Since this fund essentially consists of short-term securities with less than one year maturity, its performance in 1983 reflected the movement of interest rates during the year.

The other activities of the Caisse Centrale, which include treasury and credit operations, are responsible for the growth shown on the balance sheet. Performance is reflected by the spreads realized on operating volume.

Though interest rate fluctuations can effect these spreads, their influence may be minimized by carefully matching assets with liabilities. Because the law governing the Caisse Centrale defines it as a wholesale financial institution which cannot receive deposits from private individuals, it must obtain its funds from financial markets, which results in generally narrow spreads.

In assessing the year's results, it should be borne in mind that several major additions were made to the balance sheet in the last few months of 1983; these contributed to income for only a relatively short portion of the year. Finally, since debt securities issued by the Caisse Centrale rank equally with the deposits it receives, they are accounted for as deposits in the financial statements.

Summary

Total assets grew from \$1.1 billion to \$1.6 billion during the year, an increase of 45.5% (Figure 1). This was caused mainly by a 146.2% jump in the loan portfolio to a year-end total of \$539 million. The securities portfolio rose by 13.6% to \$943 million. Certain assets reported substantial increases in the last quarter of 1983, with average total assets rising by 17.5%, from \$997 million to a year-end total of \$1,171 million. Outstanding loans averaged \$397 million, while the average volume of securities reached \$694 million.

Deposit liabilities increased by \$453 million to exceed the \$1 billion mark at year-end (Figure 2). The average volume of deposit liabilities rose from \$563 million to \$734 million, reflecting a 38.8% growth in average outstanding debt securities. The growth in payable demand deposits is mainly attributable to deposits in the final month of 1983, by the Canadian government, in keeping with the Receiver General of Canada's practice of distributing its cash deposits among Canadian financial institutions.

While capital stock remained stable at \$409 million, the general reserve rose to \$2.2 million following a transfer of \$1.2 million from retained earnings (Figure 3).

Total income for the year amounted to \$115 million, 18.3% less than 1982's record result (Figure 4). Securities generated \$76 million in income, compared with \$110 million the preceding year, a 30.9% decline. These decreases correspond to a drop in interest levels that were on average 32.3% lower in 1983. (Calculated on the basis of the variation in the Bank of Canada's interest rate.) By contrast, proceeds from loans rose 30.5%, from \$29 to \$38 million. Loan income accounted for 32.9% of the Caisse Centrale's total income, compared with 20.6% in 1982. Other income, consisting of fees and commissions, represented 1.1% of total revenue (1.2% in 1982).

Income, after deducting interest costs and other expenses but before remuneration of capital stock amounted to \$48 million, compared with \$61 million in 1982 (Figure 5). This decrease was due to the same factors that accounted for the decline in total income. Non-interest expenses, including salaries and employee benefits, furniture and occupancy costs, and miscellaneous operating expenses, were kept below \$5 million. Expressed as a percentage of average total assets, these costs remained stable at 0.4%.

Remuneration of capital stock for fiscal 1983 amounted to \$46 million, for an annualized yield of 11.85% on invested capital compared with 17.2% in 1982. After accounting for inflation, however, the real return in 1983 is comparable to that of the previous year.

Figure 2
Deposits at year end
(in millions of \$)

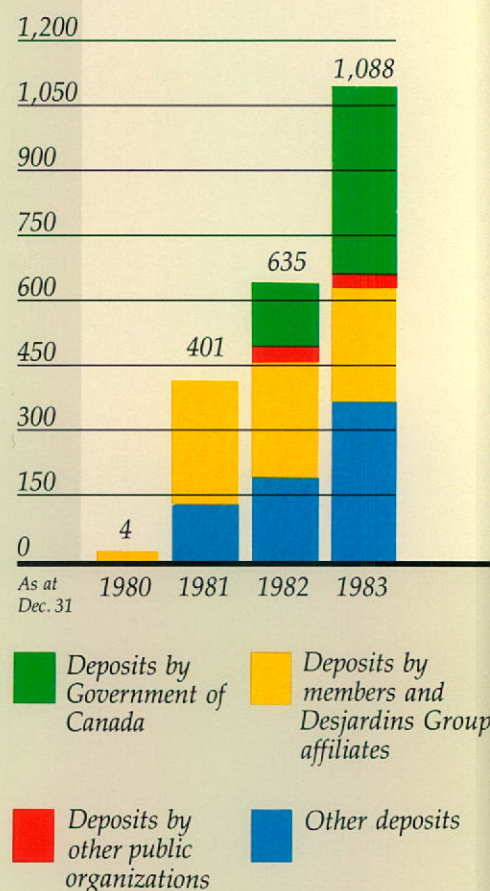


Figure 3
Capital and reserve
(in millions of \$)

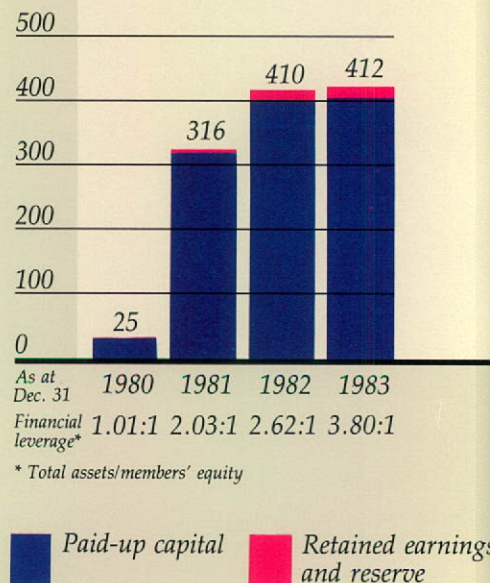
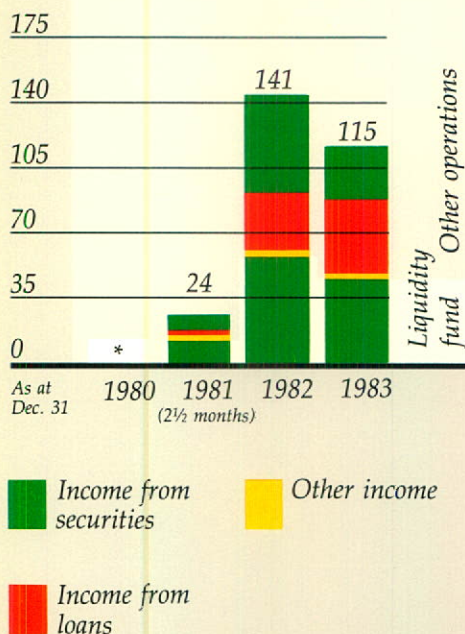


Figure 4

Income for the period

(in millions of \$)

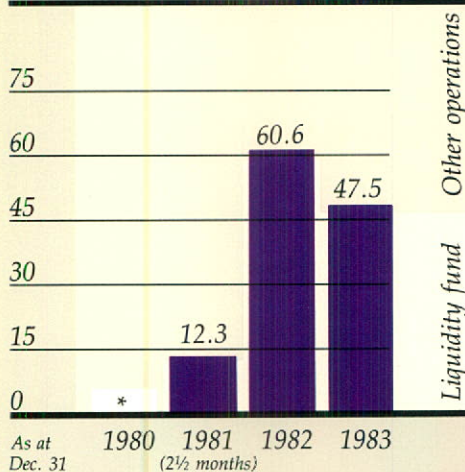


*See note 1 to the financial statements

Figure 5

Income before remuneration of capital stock

(in millions of \$)



*See note 1 to the financial statements

Liquidity management

One of the mandates of the Caisse Centrale is to contribute to the financial security of the *caisses populaires* and *caisses d'économie* Desjardins by managing a liquidity fund and by increasing and diversifying its sources of financing. The liquidity fund consists of money market securities equivalent in total value to the capital stock. As at December 31, 1983, the average term of this portfolio's securities was 153 days.

The Caisse Centrale also maintains cash and liquidity reserves required by its Constituting Act to cover deposits and borrowings payable on demand or within 100 days.

To increase and diversify the sources of funding for the Desjardins Group, the Caisse Centrale has developed a number of instruments to obtain capital on Canadian financial markets. In this regard it offers, on a continuing basis, bearer discount notes and short and medium term certificates of deposit, under a prospectus registered in all ten Canadian provinces.

As of August 31, 1983, these debt securities qualified as eligible investments for life insurance companies, pension funds and certain other Canadian financial institutions. This "legal-for-life" status allowed the Caisse Centrale to increase the volume and maturity of its debt securities and expand its institutional market. The average volume of outstanding debt securities rose by 38.8%, reaching \$663 million. At year-end, average maturity had increased by 40 days; funds obtained outside of the

Desjardins Group amounted to \$849 million, representing 78.0% of all deposits compared with 57.2% at year-end 1982.

The Caisse Centrale applies a policy of matching assets with liabilities in order to ensure controlled, dynamic management of treasury operations. For example, most of its credit operations are based on a predetermined margin added to the cost of funds, which protects the interest margin against interest rate fluctuations for the duration of the loan.

In sum, the various means instituted by the Caisse Centrale in its liquidity management provide it with a safety margin beyond its actual needs. Moreover, these operations are enabling the Caisse Centrale to establish a strategic, continuous presence in Canadian financial markets.

Loan portfolio and credit policy

In 1983, the Caisse Centrale's loan portfolio grew by a record 146.2% over the previous year, reflecting major progress in each area of credit operations (Figure 7).

The objective of credit activities is twofold: first, to meet the needs of members and affiliates of the Desjardins Group; and second, to create a superior-quality loan portfolio in public and private sectors not already covered by other Desjardins institutions. Acting alone or in concert with Federations and local Caisses, the Caisse Centrale grants loans in the public sector when the amounts required by borrowers exceed the available funds of the Federations and Caisses.

Loan demand from members and affiliates of the Desjardins Group increased in 1983. At year-end, their borrowings totalled \$114 million, or 21.8% of the Caisse Centrale's loan portfolio. Loans outstanding to the public sector amounted to \$146 million, while loans to the private sector stood at \$261 million.

Large and medium size Canadian businesses in sound financial health are the Caisse Centrale's target clientele in the private sector. Credit policy sets limits on concentration, per borrower and per sector, to ensure maximum diversification of risk in Canada.

The loan portfolio did not include any sovereign risk. Strict adherence to high standards of credit management resulted in zero loan losses, with no non-performing loans outstanding at year-end. Despite this record, management considered it advisable to make a provision for potential loan losses and set aside an initial \$0.2 million for this purpose.

Analysis of the treasury forecasts of the Desjardins Federations indicates that although different regions will have varying needs, overall demand will be higher than in recent years. The Caisse Centrale is well-positioned to respond to this demand while meeting the stiff competition from other financial institutions for high-quality credit. In 1984, the Caisse Centrale may be expected to continue making solid progress in the credit sector and consolidate its position in the Canadian market.

Figure 6

Composition of the securities portfolio

(in millions of \$)

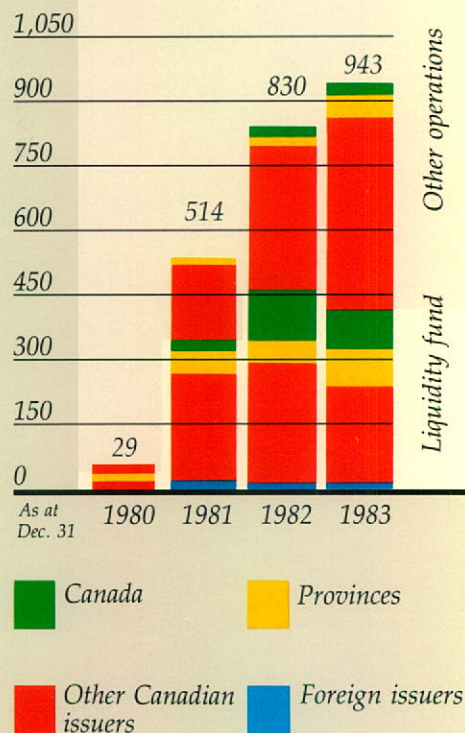
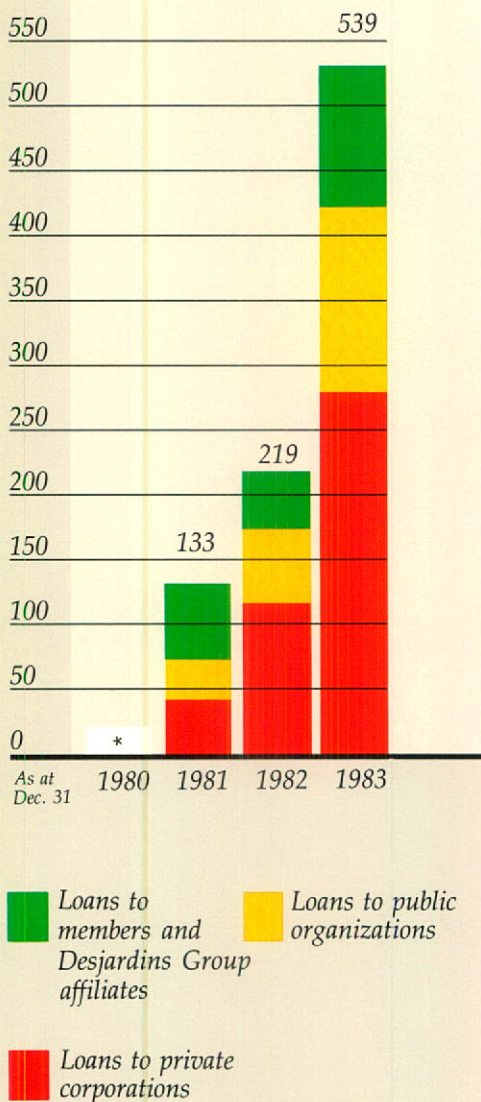


Figure 7

Breakdown of loan portfolio

(in millions of \$)



*Credit operations commenced in 1981

Clearing operations

Another mandate of the Caisse Centrale is to guarantee and settle payment items drawn on the local Caisses, which represent about 6.0% of the volume in Canada.

Payment items were once cleared solely through chartered banks that were members of the Canadian Bankers Association. Then, in conjunction with the last revision of the Bank Act the Government of Canada founded the Canadian Payments Association (CPA), thereby establishing a national clearing and settlements system. The Desjardins Group is a direct clearing member of the CPA, because of the large volume of cheques drawn on the Caisses. The Caisse Centrale acts as the Group's financial agent.

The Caisse Centrale played an active role in laying the groundwork for the start-up of the CPA. With the cooperation of the Confederation and member Federations of the Desjardins Group, it also developed and set up the infrastructure required for the Group to settle payment items directly with the Bank of Canada. As planned, this major operation was completed during the year.

Thus, on September 20, 1983, the Caisse Centrale began managing all financial operations related to clearing directly with the Bank of Canada on behalf of the Desjardins Group. The Caisse Centrale now benefits from a line of credit on the same basis as the banks and other CPA direct clearing members.

Benefits for the Desjardins Group

In 1983, the Caisse Centrale continued to develop its complementary role within the Desjardins Group. In this respect, its activities focussed on: reducing float costs and administrative expenses incurred in handling payment items within the Caisse network; broadening the array of Desjardins financial services; supporting the development efforts of the Federations and their affiliated Caisses, particularly in the field of credit to public organizations; and helping to enhance the network's image and improve its efficiency.

The benefits to the Desjardins Group of these activities can be evaluated in both quantitative and qualitative terms.

Quantitative benefits

Quantitative benefits can be linked to the new services offered by the Caisse Centrale to its members and institutional clients. These include direct deposit, account collection, deposits by Quebec Government representatives and agents, cashing of bonds and coupons, management of the liquidity fund and management of the Receiver General of Canada's account. These services produced direct benefits through a real reduction in float costs and an increase in income from commissions and management fees; they also produced indirect benefits by reducing the administrative expenses borne before the services were set up. The table below gives the estimated benefits of Caisse Centrale activities for 1982 and 1983 as well as those projected for 1984 and 1985.

Quantitative benefits to the Desjardins Group

(in millions of \$)

	Direct	Indirect	Total
1982	0.17	0.22	0.39
1983	1.40	3.60	5.00
1984P	1.90	5.50	7.40
1985P	2.40	6.40	8.80

P = Projected

Qualitative benefits

The Caisse Centrale has helped to strengthen the position of the Desjardins Group as a major financial force in a number of ways. It has obtained high credit ratings from both Canadian rating agencies, become a direct clearing member of the Canadian Payments Association, and acquired direct access to the Bank of Canada. It now publishes a prime rate, and its debt securities qualify as eligible investments for major Canadian institutional investors. Further, it has opened promising new horizons for the Desjardins Group on the international market.

Figure 8

The Caisse Centrale's prime rate 90-day deposit rate





The Desjardins data processing center, heart of the *inter-caisses* network.



Funding operations on the Canadian money market, one of the major activities of the Caisse Centrale.

Through centralized management of a liquidity fund and the development and diversification of new sources of financing, the Caisse Centrale is improving the Group's liquidity and financial security. It has also increased the Group's overall efficiency by facilitating the flow of funds between member institutions. Finally, the Caisse Centrale makes a valuable contribution to the network by providing advice on investment, credit, clearing and new services.

To efficiently manage and develop the Caisse Centrale's financial resources demands a great deal of its human resources. The sound judgment and ready availability of the directors, coupled with the dedication, teamwork and professionalism of the staff, go a long way in explaining the Caisse Centrale's success. I wish to thank them all for their continued support and invaluable collaboration throughout the year.

Bruno Riverin
Executive Vice-President

Management's Report

Management is responsible for the preparation of the financial statements and related information appearing in this annual report and for ensuring their reliability and accuracy. The statements have been prepared in accordance with generally accepted accounting principles in Canada, and include estimates based on the best judgment of management. Financial information included elsewhere in this annual report is consistent with these financial statements.

The accounting system of the Caisse Centrale and the 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 of employees, an organizational structure with clearly defined lines of responsibility, written policies and procedures, planning and follow-up of activity programs, budget controls by allocation centers and divisional performance accountability.

The Inspector General of Financial Institutions annually makes an examination of the affairs of Caisse Centrale for the purpose of satisfying himself that the provisions of the Constituting Act, having reference to the safety of the interests of the depositors, are being duly observed and that the Caisse Centrale is in a sound financial condition.

The Board of Directors has formed an Audit Committee composed solely of non-management directors to review the responsibilities of management with respect to the financial statements and internal controls.

The independent auditors appointed by the general meeting of members, the firms Raymond, Chabot, Martin, Paré & Associés and Touche Ross & Co., have examined the financial statements in accordance with generally accepted auditing standards and have prepared a report thereon, which appears hereinafter. They have met with the Audit Committee to discuss the results of their audit work and other related matters.

Bruno Riverin
Executive Vice-President

Auditors' Report

To the Members of
La Caisse centrale Desjardins du Québec

We have examined the statement of assets and liabilities of La Caisse centrale Desjardins du Québec as at December 31, 1983 and the statements of income, retained earnings and general reserve and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of La Caisse centrale Desjardins du Québec as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Raymond, Chabot, Martin,
Paré & Associés
Chartered Accountants

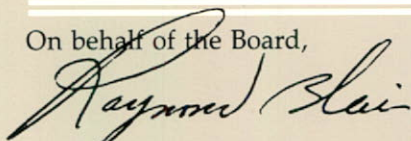
Touche Ross & Co.
Chartered Accountants

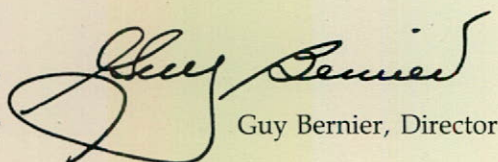
Montreal
January 20, 1984

Statement of Assets and Liabilities As at December 31

Assets	1983	1982
Cash Resources		
Cash and deposits with Bank of Canada	\$ 61,165,998	\$ —
Securities (note 3)		
Issued or guaranteed by Canada	134,190,910	136,023,470
Issued or guaranteed by provinces and municipal or school corporations	153,991,479	74,040,424
Other securities	655,164,811	620,194,704
	943,347,200	830,258,598
Loans		
Day, call and short loans to investment dealers and brokers, secured	18,100,000	—
Other loans (note 4)	521,049,985	218,955,049
	539,149,985	218,955,049
Other Assets		
Fixed assets, less accumulated depreciation	498,468	401,711
Other assets (note 5)	19,294,945	25,216,247
	19,793,413	25,617,958
	\$1,563,456,596	\$1,074,831,605
Liabilities		
Deposits (note 6)		
Payable on demand	\$ 435,661,589	\$ 6,783,138
Payable on a fixed date	652,417,193	627,838,463
	1,088,078,782	634,621,601
Other Liabilities		
Cheques and other items in transit, net	42,204,446	—
Other liabilities (note 7)	21,614,075	29,837,234
	63,818,521	29,837,234
Capital and Reserves		
General Reserve	2,156,293	972,770
Capital Stock (note 8)		
Issued and fully paid:		
409,403 shares	409,403,000	409,400,000
(409,400 as at December 31, 1982)		
Retained Earnings (note 9)	—	—
	411,559,293	410,372,770
	\$1,563,456,596	\$1,074,831,605

On behalf of the Board,


 Raymond Blais, Director


 Guy Bernier, Director

Statement of Income Year Ended December 31

	1983	1982
Interest and Other Income		
Loans	\$ 37,998,909	\$ 29,117,085
Securities	76,251,446	110,392,760
Other income	1,213,934	1,754,760
Total interest and other income	115,464,289	141,264,605
Interest Expense	63,048,828	77,038,069
Net Interest Income	52,415,461	64,226,536
Provision for loan losses	200,000	—
Net Interest Income After Provision for Loan Losses	52,215,461	64,226,536
Non-Interest Expenses		
Salaries	2,160,926	1,573,695
Pension and other staff benefits	350,801	207,504
Premises, equipment and furniture, including amortization of deferred charges	1,167,788	628,299
Other expenses	1,051,794	1,220,080
Total non-interest expenses	4,731,309	3,629,578
Income Before Remuneration of Capital Stock	47,484,152	60,596,958
Remuneration of capital stock (Note 10)	46,040,629	59,669,217
Income Before Provision for Deferred Income Taxes	1,443,523	927,741
Provision for deferred income taxes	260,000	175,000
Net Income	\$ 1,183,523	\$ 752,741

Statement of Retained Earnings and General Reserve Year Ended December 31

	1983	1982
Retained Earnings		
Balance at beginning of year	\$ —	\$220,029
Net income for the year	1,183,523	752,741
Transfer to general reserve	1,183,523	972,770
Balance at end of year	\$ —	\$ —
General Reserve		
Balance at beginning of year	\$ 972,770	\$ —
Transfer from retained earnings	1,183,523	972,770
Balance at end of year	\$2,156,293	\$972,770

Statement of Changes in Financial Position

Year Ended December 31

	1983	1982
Sources of Funds		
Net income	\$ 1,183,523	\$ 752,741
Items not affecting funds:		
Provision for loan losses	200,000	—
Depreciation expense	89,464	50,977
Amortization of preliminary expenses	345,993	345,993
Amortization of integrated computer system development costs	133,632	—
Deferred income taxes	260,000	175,000
Funds provided from operations	2,212,612	1,324,711
Increase in deposits	453,457,181	233,610,127
Increase in other liabilities	33,721,287	10,841,224
Proceeds from subscriptions receivable	—	93,150,000
Issue of capital stock	3,000	50,000
Decrease in other assets	5,441,677	—
Total Sources of Funds	494,835,757	338,976,062
Applications of Funds		
Increase in securities	113,088,602	316,010,961
Increase in loans	320,394,936	85,784,443
Purchase of fixed assets	186,221	83,166
Increase in other assets	—	17,149,026
Total Applications of Funds	433,669,759	419,027,596
Cash resources at beginning of year	—	80,051,534
Increase (decrease)	61,165,998	(80,051,534)
Cash resources at end of year	\$ 61,165,998	\$ —

1. Incorporation

La Caisse centrale Desjardins du Québec was established on June 22, 1979, by an Act of the Quebec Legislature (an Act to amend the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec (S.Q. 1971 c. 80 - S.Q. 1979 c. 46 and amendments)). La Caisse centrale Desjardins du Québec is a cooperative institution that is also governed by the Savings and Credit Unions Act of Quebec. Operations began on October 14, 1981.

2. Significant Accounting Policies and Principles

a) Securities:

Securities other than those of a foreign issuer are shown at amortized cost. Premiums and discounts are amortized over the terms of the related securities on a straight-line basis. Any permanent impairment in the value of securities is charged to income. Gains and losses on the disposal of securities are included in income when incurred.

Amortization of premiums and discounts, gains or losses incurred on the disposal of securities and adjustments in the value of securities are included in "Interest income from securities" in the statement of income.

Investments in securities of a foreign issuer are shown at cost.

b) Loans:

Loans are recorded net of unamortized discounts and, when applicable, less specific provisions for losses. Accrued interest on loans is included in "Other assets" in the statement of assets and liabilities.

Interest income is recorded on the accrual basis. Loans are placed on a nonaccrual basis whenever (a) there is doubt regarding the collectibility of principal or interest or (b) when payment of interest is ninety days past due unless management determines that the collectibility of principal and interest is not reasonably in doubt. Upon classification of a loan to a nonaccrual basis any previously accrued but unpaid interest thereon is reversed against income of the current period. In subsequent periods, amounts received on nonaccrual loans are recorded as interest income on the date of receipt.

The provision for loan losses for the year is charged to the statement of income. The provision for loan losses is determined as a result of an evaluation of each outstanding loan.

c) 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 of Fixed Assets	Depreciation Methods	Rates
Office furniture and equipment	Diminishing balance	20%
Computer equipment	Diminishing balance	30%
Leasehold improvements	Straight-line	4% to 35%

d) Deferred Charges:

The integrated computer system development costs are amortized on a straight-line basis over a ten year period from the beginning of operations of the various applications.

Preliminary expenses represent operating expenses incurred during the period of establishment of La Caisse centrale Desjardins du Québec. They are amortized on a straight-line basis over a five-year period beginning October 14, 1981.

e) Foreign Currency Translation:

Long-term assets acquired in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction dates. Other assets and liabilities are translated into Canadian dollars at rates prevailing at the balance sheet date. Income and expenses in foreign currencies are translated using average exchange rates for the year.

Foreign exchange positions are hedged as much as practicable by forward exchange contracts. Realized or unrealized gains and losses on these exchange positions are included in "Other income" in the statement of income.

f) Income Taxes:

La Caisse centrale Desjardins du Québec provides for income taxes using the tax allocation method. Deferred income taxes arise from claiming preliminary expenses and integrated computer system development costs for tax purposes, whereas they are amortized for book purposes over periods of five and ten years respectively.
que ceux-ci sont amorcés sur une période de cinq ans et de dix ans respectivement.

3. Securities

	Maturity				1983		1982	
	Within 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Carrying Amount	Market Value	Carrying Amount	Market Value
Securities issued or guaranteed by								
Canada	\$ 94,036,036	\$40,154,874	—	—	\$134,190,910	\$134,061,434	\$136,023,470	\$138,049,442
Provinces, municipal or school corporations in Canada	152,949,242	693,502	348,735	—	153,991,479	154,094,622	74,040,424	74,376,078
Other Securities								
Securities of Canadian issuers								
Banks*	600,897,090	9,646,430	—	—	610,543,520	610,762,341	509,959,284	511,771,227
Associated corporation	5,000,000	—	—	—	5,000,000	5,000,000	—	—
Other issuers	37,684,075	—	699,880	—	38,383,955	38,833,849	109,198,130	110,815,130
Shares of a Canadian and a foreign issuer**	—	—	—	1,237,336	1,237,336	1,237,336	1,037,290	1,037,290
Total	\$890,566,443	\$50,494,806	\$1,048,615	\$1,237,336	\$943,347,200	\$943,989,582	\$830,258,598	\$836,049,167

* Includes all deposits with banks.

** These securities have no stated maturity and include \$200,046 of an associated corporation.

4. Other Loans

	1983	1982
Public and parapublic institutions	\$ 146,037,116	\$ 58,493,060
Banks	468,350	234,460
Members	56,150,000	14,120,000
Other associated corporations	57,646,301	27,223,878
Others - private sector	260,748,218	118,883,651
	\$ 521,049,985	\$218,955,049

5. Other Assets

	1983	1982
Accrued interest	\$ 15,730,917	\$ 14,574,541
Integrated computer system development costs, less amortization	2,190,881	2,288,215
Preliminary expenses, less amortization	966,611	1,312,604
Other assets	406,536	7,040,887
	\$ 19,294,945	\$ 25,216,247

6. Deposits

	1983	1982
Canada	\$ 457,022,372	\$131,035,000
Provinces	16,426,854	2,445,826
Banks	24,488,907	41,197,084
Members -		
for clearing purposes	37,620,216	6,783,138
for other purposes	181,087,773	250,681,013
Other associated corporations	20,864,375	14,348,037
Other deposits	350,568,285	188,131,503
	<u>\$1,088,078,782</u>	<u>\$634,621,601</u>

7. Other Liabilities

	1983	1982
Remuneration of capital stock payable	\$ 11,912,450	\$ 20,910,138
Accrued interest	8,385,835	5,649,422
Other liabilities	815,790	3,037,674
Deferred income taxes	500,000	240,000
	<u>\$ 21,614,075</u>	<u>\$ 29,837,234</u>

8. Capital Stock

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

La Caisse centrale Desjardins du Québec may redeem the shares held by a member applying therefore. Such a redemption shall be made at par value but must not leave La Caisse centrale Desjardins du Québec with insufficient capital stock to meet its requirements. La Caisse centrale Desjardins du Québec cannot redeem more than 10% of its capital stock during the same financial year. No redemption can be made if it would result in reducing the capital stock to less than \$25,000,000. During the year ended December 31, 1983, La Caisse centrale Desjardins du Québec issued 3 shares for a cash consideration of \$3,000.

9. Retained Earnings

The directors of La Caisse centrale Desjardins du Québec have approved the transfer of the full amount of retained earnings as at December 31, 1983 to the general reserve as a provision for contingencies.

10. Remuneration of Capital Stock

The act incorporating La Caisse centrale Desjardins du Québec stipulates that the Board of Directors can declare interest on the capital stock; it then fixes the date of payment. It cannot declare or pay interest on capital stock if this would render La Caisse centrale Desjardins du Québec insolvent or decrease the paid-up capital stock.

11. Commitment and Letter of Guarantee

La Caisse centrale Desjardins du Québec guarantees the payment of the debts of clients. Such amounts, not reflected in the statement of assets and liabilities, are as follows:

	1983	1982
Commitment	\$10,000,000	\$ —
Letter of guarantee for a member	3,000,000	3,225,000
	<u>\$13,000,000</u>	<u>\$3,225,000</u>

12. Other Related Party Transactions

Transactions with members and other associated corporations of the Desjardins Group are concluded on terms similar to those with unrelated parties. Loans to members are fully guaranteed by securities.

	1983	1982
Cheques and other items in transit, debit balance	\$12,877,751	\$ —
Other assets	2,173,429	956,846
Other liabilities	18,006,996	25,650,170
Interest income	8,245,550	8,357,206
Interest expense	26,348,262	40,890,470
Remuneration of capital stock	46,040,629	59,669,217
Other income	474,000	1,200,000

13. Long-Term Leases

La Caisse centrale Desjardins du Québec is committed under long-term leases expiring up to April 30, 2005 to pay total basic rent of \$2,407,695 for office space. The annual rental payments for the next five years are as follows:

1984 - \$212,481;	1985 - \$224,328;	1986 - \$144,779;
1987 - \$103,312;	1988 - \$100,192.	

14. Pension Plan

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

An actuarial valuation of the pension plan is performed at least every three years. As at January 1, 1983, the date of the latest valuation, the pension plan was fully funded.

The total pension expense, arising from employer contributions, aggregated \$170,541 for the year ended December 31, 1983 (1982 — \$96,299).

15. Contingency

In 1981, La Caisse centrale Desjardins du Québec acquired 1.5% of the capital stock of a foreign bank. At the time of this acquisition, La Caisse centrale Desjardins du Québec agreed by way of a support letter to assume, in proportion to its equity, certain obligations in accordance with the Bank of England's requirements for foreign-owned banks in Great Britain.

16. Segmented Information

La Caisse centrale Desjardins du Québec has a dominant industry segment consisting of deriving income from interest on loans and securities and other related activities in Canada.

17. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

Executive Committee



■ Guy Bernier

■ Claude Béland

■ Jacques Bertrand

■ Raymond Blais , président

■ Denis Frenière

Directors



Chairman of the Board
Raymond Blais (1986)
President, La Confédération des caisses populaires et d'économie Desjardins du Québec



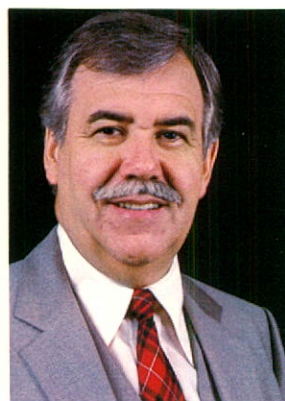
Vice Chairman of the Board
Guy Bernier (1985)
President, Fédération des caisses populaires Desjardins de Montréal et de l'Ouest-du-Québec



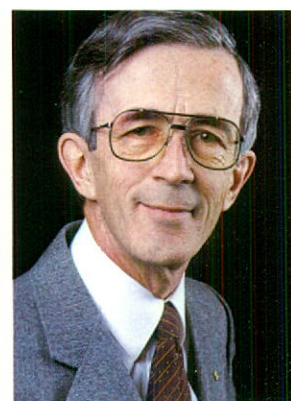
Secretary of the Board
Jean-Marie Ouellet (1985)
President, Fédération des caisses populaires Desjardins de Québec



Claude Béland (1986)
Senior Vice-President and General Manager, Fédération des caisses d'économie Desjardins du Québec



Jean-Eudes Bergeron (1986)
General Manager, Fédération des caisses populaires Desjardins du Saguenay-Lac Saint-Jean



Jacques Bertrand (1985)
Senior Vice-President and General Manager, Fédération des caisses populaires Desjardins de Québec



Laurent Bisson (1986)
Senior Vice-President and General Manager, Fédération des caisses populaires Desjardins de la Péninsule et des Îles



Paul-R. Charbonneau (1986)
General Manager, Fédération des caisses populaires Desjardins de Lanaudière



Raymond Comtois (1984)
Senior Vice-President and General Manager, Fédération des caisses populaires Desjardins de l'Estrie



Denis Frenière (1984)
President and General Manager, Fédération des caisses populaires Desjardins de Richelieu-Yamaska



A. Hervé Hébert (1985)
President, Quebec Trust



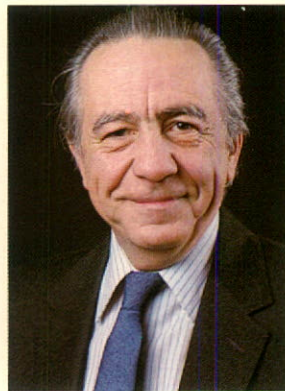
Wesley Hogg (1984)
Senior Vice-President and General Manager, Fédération des caisses populaires Desjardins du Bas Saint-Laurent



Serge Limoges (1984)
General Manager, Fédération des caisses populaires Desjardins de l'Abitibi



François Richard (1984)
Senior Vice-President and General Manager, Fédération des caisses populaires Desjardins de Montréal et de l'Ouest-du-Québec



Henri-Paul Trudel (1985)
President, Fédération des caisses populaires Desjardins du centre du Québec



Associate Director
René Croteau (1984)
Assistant to the President, Affiliates Relations, La Confédération des caisses populaires et d'économie Desjardins du Québec.

Committees of the board of directors

An executive committee and an audit committee assist the Board of Directors in discharging its responsibilities.

The **Executive Committee** may act on behalf of the Board, except for matters reserved to the Board under the constituting act and major corporate matters such as general policies, planning and budget. It authorizes loans and reviews various operational matters. During 1983, the Executive Committee held twenty meetings. All actions taken by the Committee must be reported at the Board's next meeting. The members of the Executive Committee are:

Messrs **Raymond Blais**
(Chairman),
Claude Béland,
Guy Bernier,
Jacques Bertrand and
Denis Frenière.

The **Audit Committee** assists the Board in discharging its responsibilities concerning the financial information released by the Caisse Centrale, the results of the audit of the independent auditors, and compliance with legal and regulatory requirements. The Committee reports its findings and conclusions to the Board. It was appointed on August 15, 1983 and has met three times since. The members of the Audit Committee are:

Messrs **François Richard**
(Chairman),
Paul-R. Charbonneau and
Raymond Comtois.

Members

Fédération des caisses d'économie
Desjardins du Québec

Fédération des caisses populaires
Desjardins de l'Abitibi

Fédération des caisses populaires
Desjardins du Bas St-Laurent

Fédération des caisses populaires
Desjardins du centre du Québec

Fédération des caisses populaires
Desjardins de l'Estrie

Fédération des caisses populaires
Desjardins de Lanaudière

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

Fédération des caisses populaires
Desjardins de la Péninsule et des Îles

Fédération des caisses populaires
Desjardins de Québec

Fédération des caisses populaires
Desjardins de Richelieu-Yamaska

Fédération des caisses populaires
Desjardins du Saguenay Lac St-Jean

Desjardins Mutual Life Assurance
Company

Le Groupe Desjardins,
Assurances générales

Quebec Trust

The Safeguard Life
Assurance Company

Fédération des caisses populaires
acadiennes*

Fédération des caisses populaires du
Manitoba*

Fédération des caisses populaires de
l'Ontario*

*associated member

Corporations and Institutions affiliated with the Desjardins Group

Centre Desjardins de traitement de
cartes Inc.

Crédit Industriel Desjardins Inc.

Desjardins Mutual Life Assurance
Company**

Le Groupe Desjardins,
Assurances générales

Quebec Trust

Société d'investissement Desjardins

The Safeguard Life Assurance
Company

** The Desjardins Mutual Life Assurance
Company is owned by the members of
the Desjardins Caisses. The Federations
have subscribed to the entire reserve
fund of the Desjardins Mutual Life
Assurance Company.

Nature of Business

VISA credit card
and travelers cheques

term loans and leasing to
small and medium size businesses

life insurance

general insurance

trust company

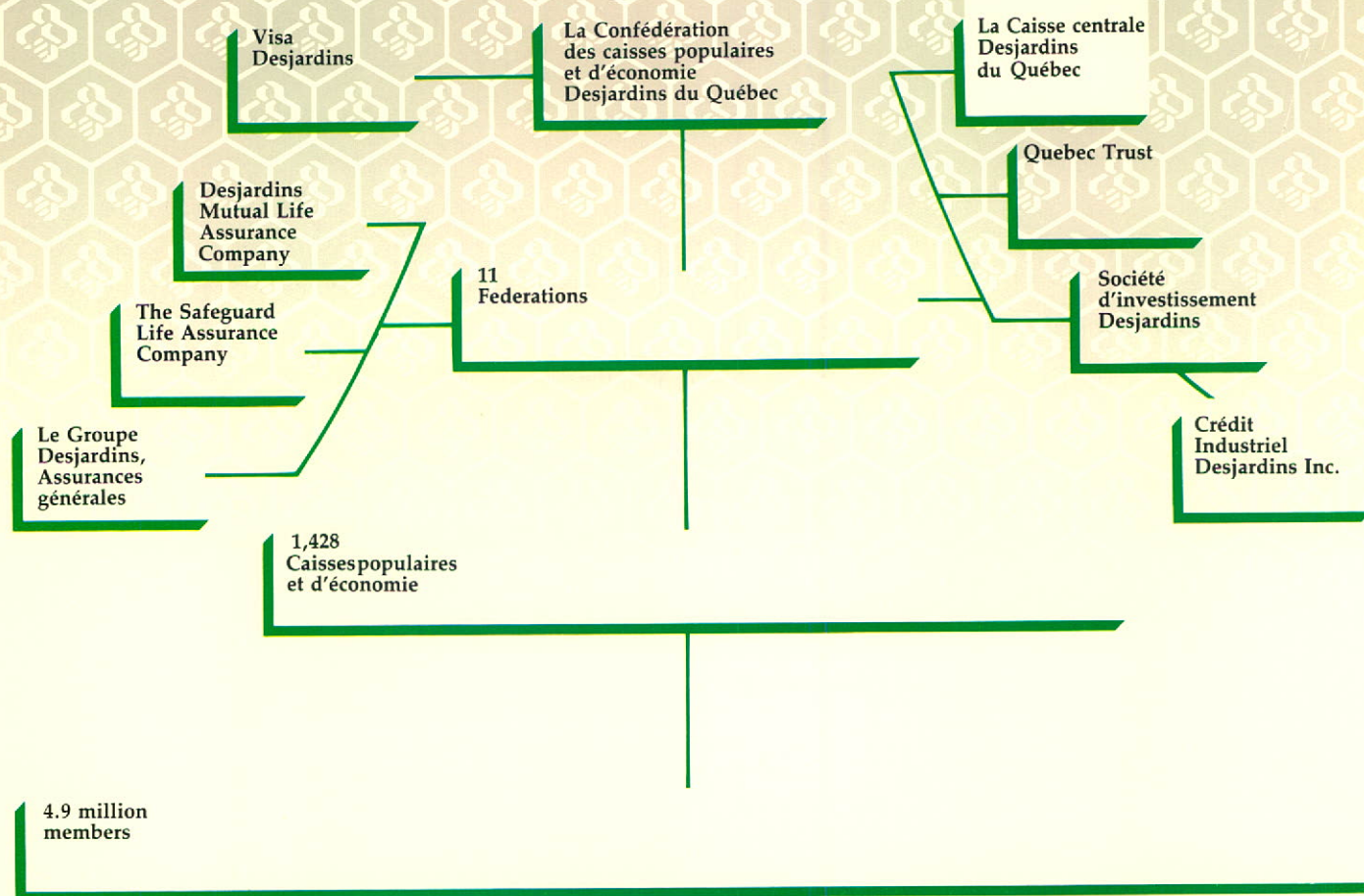
holding company

life insurance

Other affiliates of the Desjardins
Group are: Corporation de fonds de
sécurité de la Confédération Desjar-
dins, Corporation Desjardins de
traitement informatique, La Fonda-
tion Girardin-Vaillancourt, L'Insti-
tut Coopératif Desjardins, La Société
d'habitation Alphonse Desjardins,
Sécurité Desjardins Ltée et Société
de développement international
Desjardins.

The Desjardins Group is also, direc-
tly or indirectly, a majority sharehol-
der of Culinar Inc., Place Desjardins
Inc. and Sico Inc.

Composition of the Desjardins Group*



* See the section "Corporations and Institutions affiliated with the Desjardins Group" on the preceding page.

Growth of the Caisses, the Federations and the Caisse Centrale*

Combined position (in millions of dollars)

As at December 31	1979	1980	1981	1982	1983
Assets	\$10,204	\$11,543	\$13,264	\$15,772	\$17,788
Savings deposits	8,986	10,273	11,941	14,306	16,210
Loans	7,530	8,569	9,405	10,780	13,279
Securities	1,972	2,072	2,823	3,909	3,273
Caisse membership (in thousands)**	3,949	4,285	4,500	4,800	4,950
Number of service outlets	1,633	1,639	1,673	1,735	1,743

* Data for the Caisse Centrale are included from 1980.

** A person may be a member of more than one Caisse; it is estimated that the actual number of persons with at least one Caisse membership is about 3.8 million.

Management Committee



■ André Couture ■ Michel Thérien ■ Michel Côté
■ Bruno Riverin ■ Jean Laflamme

Officers

Executive officers

Bruno Riverin
Executive Vice-President

Michel Côté
Vice-President, Administration

André Couture
Vice-President, Legal Affairs

Jean Laflamme
Vice-President, Finance

Michel Thérien
Director, Planning and Development

Finance

Jean Laflamme
Vice-President

Mario Lavoie
Manager, Financial Services

Credit Division

Fernand Lafleur
Manager

Robert Filion
Assistant Manager

Jean Longpré
Assistant Manager

Treasury Division

Daniel Leclair
Manager

Alfred Pfeiffer
Assistant Manager and Chief Trader

Investment Division

Michel Lanouette
Manager

Administration

Michel Côté
Vice-President

Accounting and Internal Control

Raymond Laurin
Comptroller

Paul Charron
Assistant Comptroller

Operations Division

Jean-Guy Langelier
Manager

Jean Héon
Assistant Manager, Financial Operations

Huu Trung Nguyen*
Assistant Manager, Commercial Operations

Clearing and Systems

Robert Proulx
Manager

Gaétan Leduc*
Assistant Manager, Clearing

Michel Tétrault
Assistant Manager, Systems

* as of February 1984

General information

■ Head Office

100, avenue des Commandeurs
Lévis, Québec G6V 7N5

■ Executive Office

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

■ Corporate video tape

A videocassette containing a profile of the Caisse Centrale is available upon request: (514) 281-2399

■ Auditors

Raymond, Chabot, Martin, Paré
& Associés
Montreal, Québec

Touche Ross & Co.
Montreal, Québec

■ Registrar

Quebec Trust
Montreal, Québec

■ Issuing and Paying Agents, Transfer Agents

Quebec Trust
Montreal and Québec City

The Royal Bank of Canada: Vancouver, Calgary, Edmonton, Winnipeg, Toronto and Halifax

■ Securities Brokers

Merrill Lynch Canada Incorporated
Wood Gundy Ltd.
Burns Fry Ltd.
Dominion Securities Ames Ltd.
Lévesque, Beaubien Inc.
McLeod Young Weir Ltd.

■ Prospectus

A copy of the Canadian Prospectus of the Caisse Centrale may be obtained through the Caisse Centrale or its brokers.

La Caisse centrale Desjardins du Québec is a direct clearing member of the Canadian Payments Association.

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