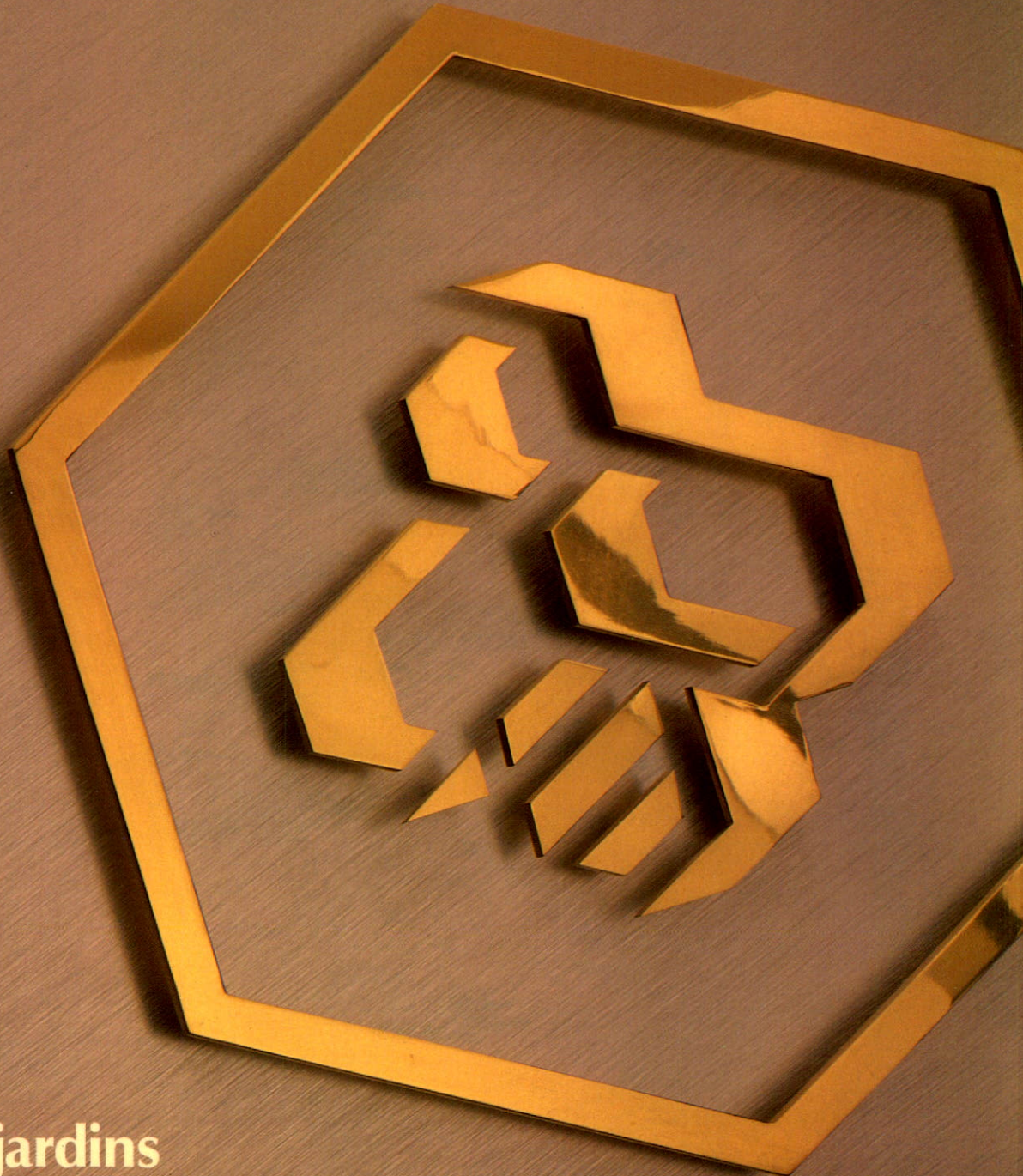


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Fiducie du Québec

Madame,
Monsieur,

Il nous fait plaisir
de vous faire parvenir
la documentation
que vous avez demandée.

Si vous désirez en savoir
davantage sur nos services
d'épargne et de placement,
de financement hypothécaire
ou sur nos services fiduciaires,
n'hésitez pas à communiquer avec nous.
Vous trouverez la liste
de nos succursales au verso.

Nous vous remercions
de la confiance que vous nous témoignez
et vous prions d'agréer l'expression
de nos sentiments les meilleurs.

***Le rendement, c'est important;
le service l'est tout autant.***



desjardins

Chicoutimi (418) 549-5746
1-800-463-9657
Place du Royaume

Laval (514) 668-5223
1-800-361-3803
1600, boul. Saint-Martin est

Longueuil (514) 679-2810
1-800-361-5058
370, chemin Chambly

Montréal (514) 286-3225
1-800-361-6840, poste 3225
Complexe Desjardins

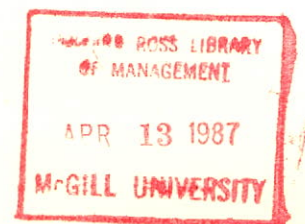
Québec (418) 653-6811
1-800-463-4792
2600, boul. Laurier, Sainte-Foy

Sherbrooke (819) 566-5667
1-800-567-6920
1640, rue King ouest

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*As momentum from
previous years was
maintained, 1986 was
another outstanding year
for Fiducie du Québec.*





REPORT OF THE PRESIDENT AND OF THE EXECUTIVE VICE-PRESIDENT

In many respects, 1986 proved to be another outstanding year for Fiducie du Québec as momentum from previous years was maintained. Business was up substantially in each sector, assets grew by 16% to \$1.3 billion and net earnings reached \$5.5 million, up 36% over 1985.

With a continued commitment to enhance efficiency and to provide unparalleled service to our customers, we pursued our efforts to improve profitability and ensure adequate asset growth through diversification of our customer base.

To reach these objectives, we increased our presence in our various markets and, among other things, opened three new branches, for a total of eleven. In addition, to continue our expansion and to enable us to achieve an increase in business volume, particularly with respect to institutional markets, a public share offering was undertaken.

Record financial results were achieved during the year. In our financial intermediation operations, lower interest rates compressed growth of investment income and interest paid, which amounted to \$128.5 million and \$106.5 million, respectively. Net investment income was \$22 million, or 16% higher than 1985.

Fees grew by 15% to \$18.2 million. This increase was mainly due to savings plans, investment funds, portfolio management and mortgage financing operations. Total net income including fees was up 15% to \$40.2 million.

As for operating expenses, they totalled \$34.6 million, up 14%. Salaries and employee benefits increased by 10% due to raises and hiring of new personnel. Business growth in each sector, especially mortgage financing, was the underlying reason for the rise of other expenditures which amounted to \$12.5 million. It is worth noting, however, that in 1986 Fiducie du Québec was able to decrease its provision for losses on mortgage loans as a result of favorable economic conditions.

Net earnings from operations in 1986 reached \$5.5 million, up 36% over 1985. Net earnings per share under our new capital stock structure were \$0.58 in 1986 compared to \$0.44 for the previous year. After paying dividends of \$1.4 million or \$0.15 per share, retained earnings increased from \$12 million to \$16 million.

On December 31, 1986, our balance sheet showed a 16% increase in assets to \$1.3 billion. Mortgage loans were up 11% over 1985 to \$955.4 million while money market securities, bonds and shares were up 39%. On the liabilities side, guaranteed deposits climbed 16% to \$1.2 billion.

Since 1980, Fiducie du Québec has maintained a sustained rate of growth as clearly demonstrated by the advances posted in each sector as well as by year-end results. With assets under administration of nearly \$12 billion, our Company fully deserves its position in our economy as well as in the Desjardins Group.

Fiducie du Québec's position is due to its faithful customers, the support of all those in the Desjardins Group and the dedication and involvement of its employees, this involvement being even more important now that a large number of them have become shareholders of the Company.

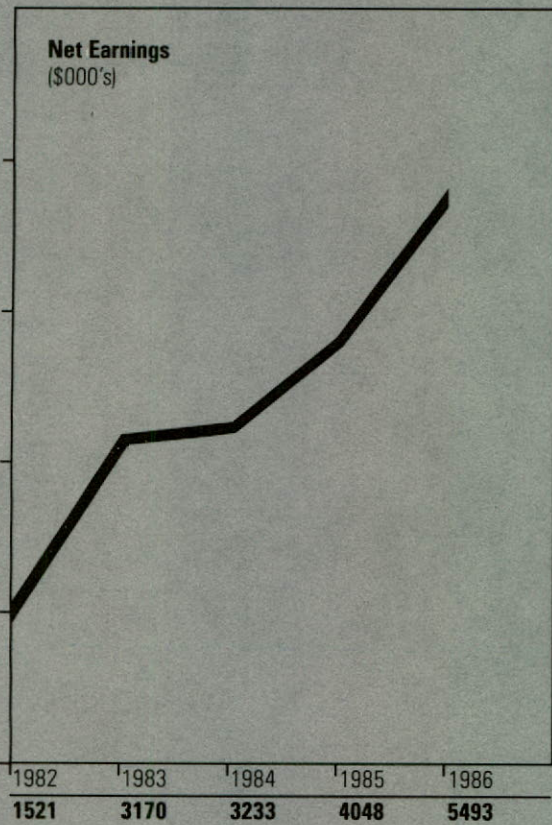
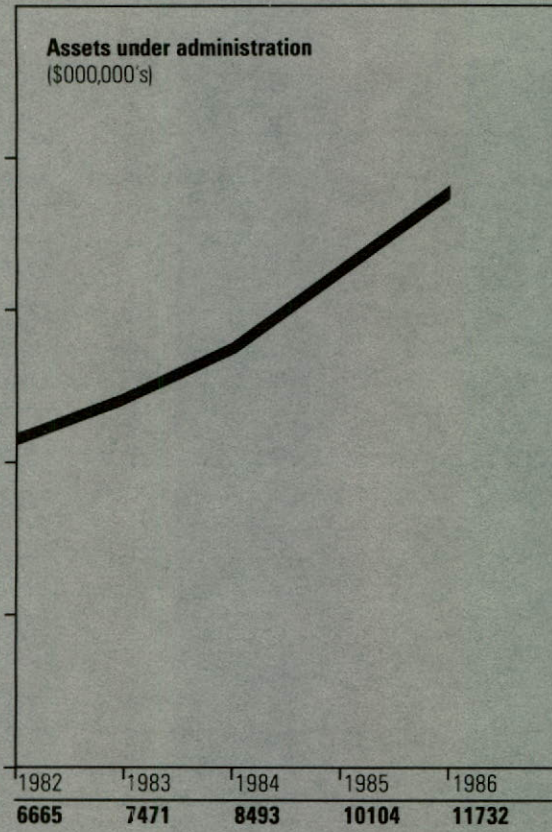
Economic growth, stable interest rates and our continued expansion program give us ample reasons to have a confident and optimistic outlook for 1987. As regulatory barriers between the various financial sectors continue to disappear, we will enjoy even closer ties with our partners in the Desjardins Group — the Caisses, Federations and Institutions — resulting in greater synergy, benefiting all those involved as well as our respective customers.



A. Hervé Hébert
President

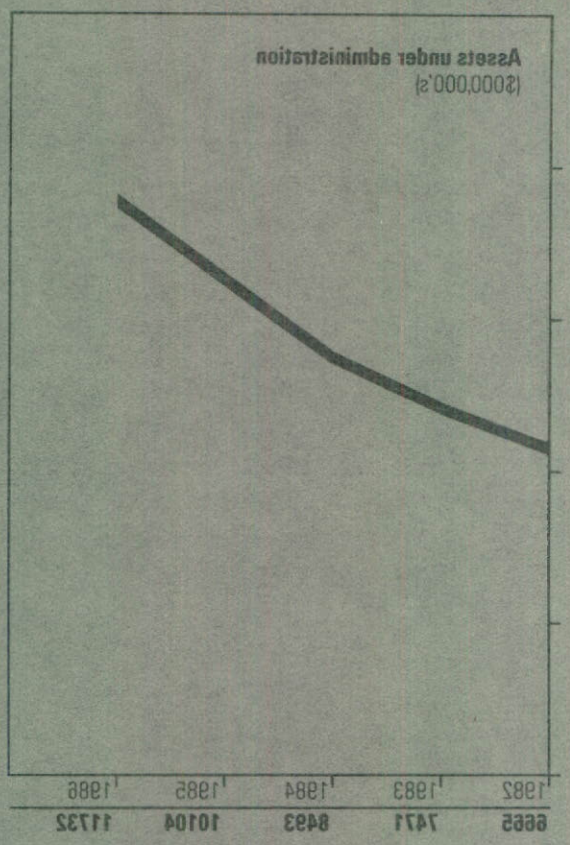
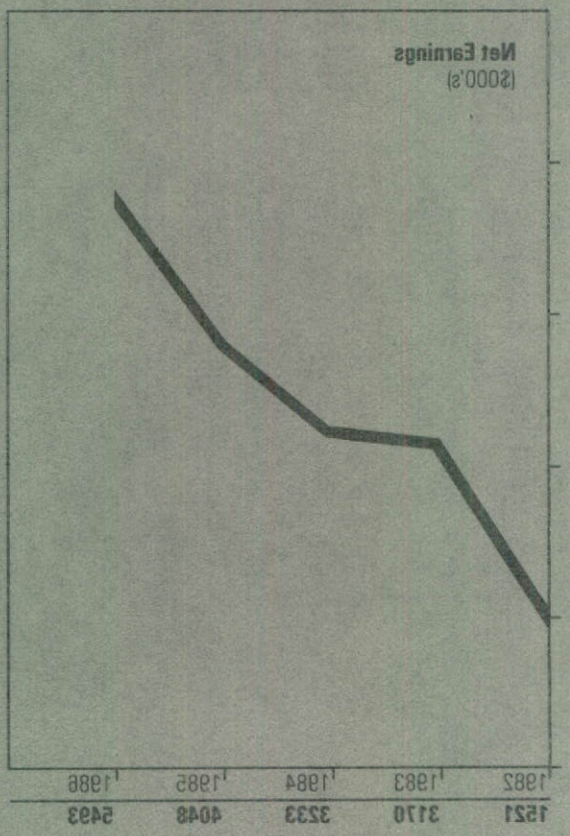


Raymond A. Reid
Executive Vice-President



Net earnings reached \$5.5 million, up 36%. Assets grew by 16% to \$1.3 billion.

Assets grew by 16%
 Net earnings reached
 \$2.7 million, up 36%





SAVINGS AND INVESTMENTS

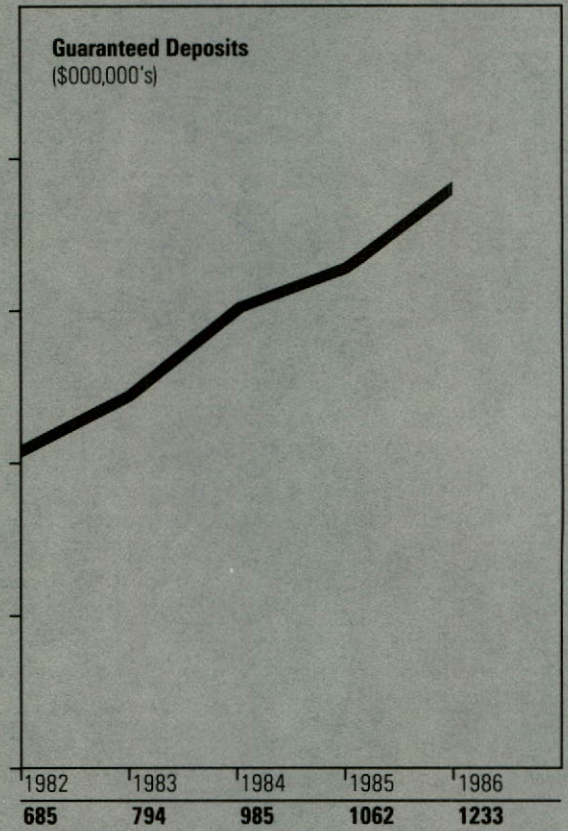
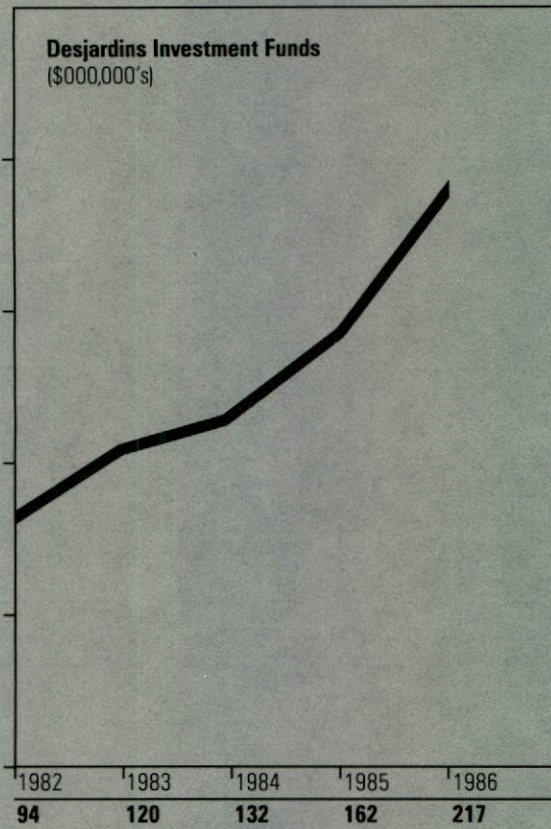
Our goal in 1986 was to firm up sales of our main savings and investment products, i.e. Guaranteed Deposits and Investment Funds. To this end, an expansion program for our branch network was developed for 1986 through 1989. Under this program, branches were opened in Hull, Brossard and LaSalle for a total of eleven branches including six in the Montréal area and five in the rest of the province. In addition, a marketing strategy was adopted for the distribution of our Guaranteed Deposits through intermediaries.

As far as the Desjardins Investment Funds are concerned, a Balanced Fund was added during the year to those already offered. This move was designed to better meet the needs of clients who, to ensure adequate investment diversification, prefer to entrust the management of their investments to professional managers rather than do it on their own. Also steps were taken to allow customers to switch their investments from one fund to another by phone.

Concretely, our Guaranteed Deposits portfolio rose 16% to \$1.2 billion. The value of the Desjardins Funds increased by 34%, reaching \$217 million.

With respect to our operations as trustee for Registered Retirement Savings Plans of Caisses' members, the number of accounts increased to 426,000, up 18%. In addition, the large number of RRSP transfers between financial institutions led us to develop a transfer system for prompt processing of this type of operation. Finally, we were involved in the development of a new Group Registered Retirement Savings Plan, which is now being offered by a number of Caisses populaires and Caisses d'économie.

In 1987 and in the coming years, we will continue to implement various strategies to enlarge our market share in the trust services industry. Expansion of our branch network will continue with two new branch openings per year until 1989. Finally, the new Guaranteed Deposits management system to be introduced in 1987 will result in improved efficiency and enable our customers to keep better track of their portfolios.

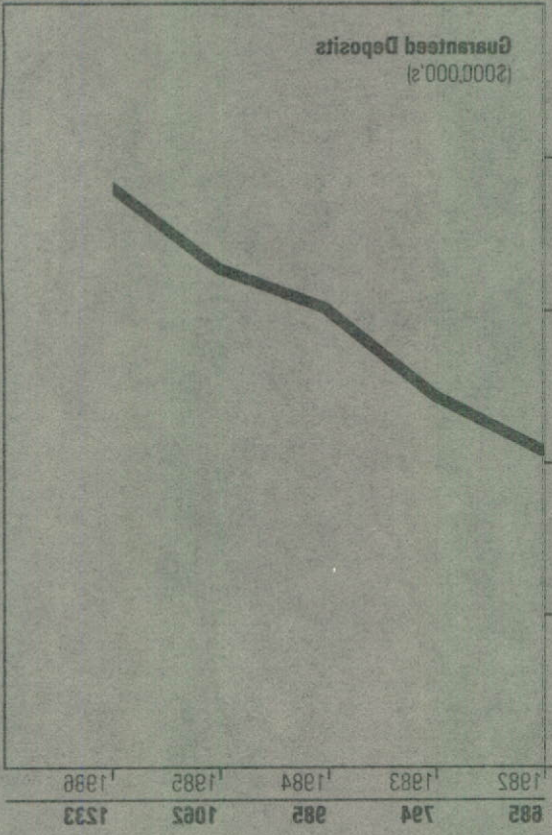
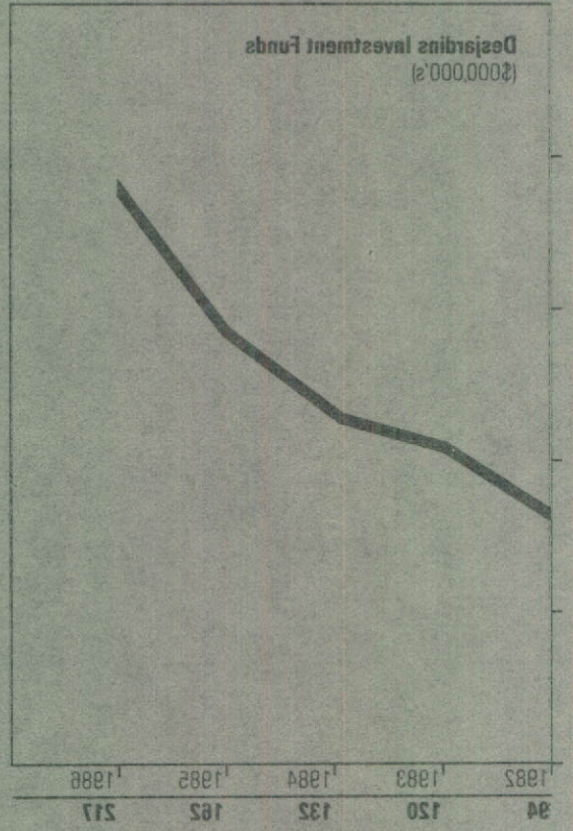


Guaranteed Deposits rose 16% to \$1.2 billion. The Desjardins Funds increased 34% reaching \$217 million.

Jacques V. Goyer
Vice-President
Financial Services

Guaranteed Deposits
 rose 16% to \$1.2 billion.
 The Desjardins Funds
 increased 34% reaching
 \$217 million.

Jacques V. Goyer
 Vice-President
 Financial Services





MORTGAGE LENDING

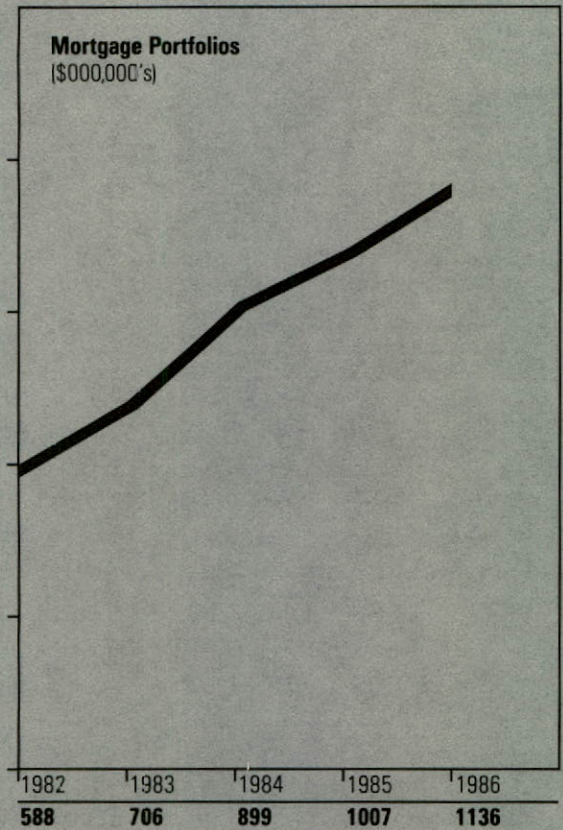
Fiscal 1986 was an outstanding year for our mortgage lending operations. Despite strong competition, housing starts reached record levels and even exceeded the most optimistic forecasts. In addition, the resale market rebounded strongly.

Starting in the first quarter, we took several steps to make our products more competitive and to increase our presence in various sectors of the mortgage market. Our mortgage fees for certain types of buildings were revised, among other things. We also implemented a subrogation loan transfer procedure and signed various agreements with major players on the mortgage lending scene. Also, our greater number of branches enabled us to obtain a higher regional profile.

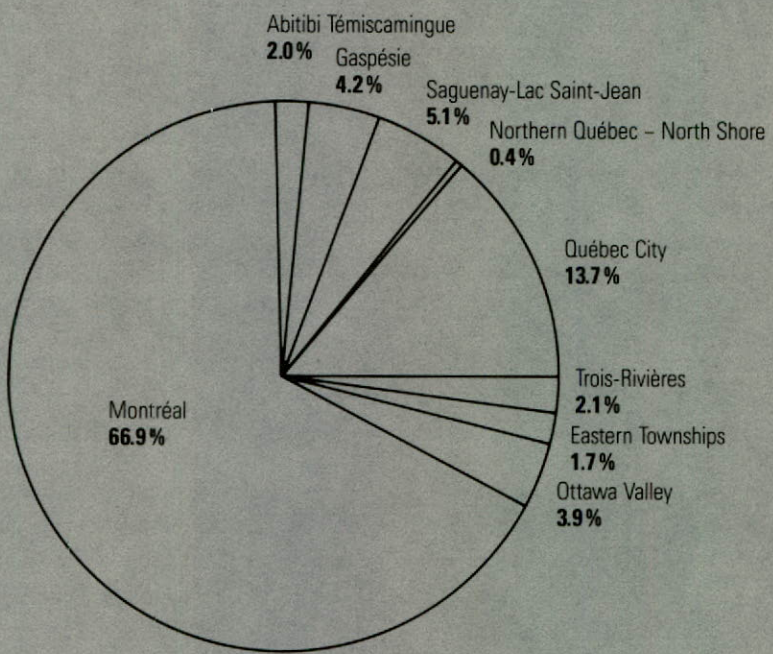
These initiatives were very positive, as new loans totalled \$355 million, up 46%. This growth has resulted in a 13% gain in our loan portfolios, which now stand at \$1.1 billion. It is noteworthy however that loan quality has remained excellent since loans outstanding by more than one instalment remained at 1%, unchanged from 1985.

New market trends emerged in 1986. Today's borrower demands increased mortgage repayment flexibility and expects a high level of service. Moreover, it is now just as easy for him to transfer his mortgage from one institution to another as to renew it with the original institution. As a result we must, more than ever, be attuned to the needs of our borrowers and mindful of our competitors' strategies. Incidentally, our results over the last few years reflect the efforts that we have invested to offer one of the most comprehensive ranges of products on the lending market and to be strongly positioned to face any change in activity.

As far as 1987 is concerned, we believe the real estate market will maintain its momentum and the competition will remain strong. However, with the support of such initiatives as the expansion of our sales network and the implementation of new computerized systems, among others, in the property valuation field, our market penetration thrust should be successful and enable us to report positive results.



Mortgage loans by region



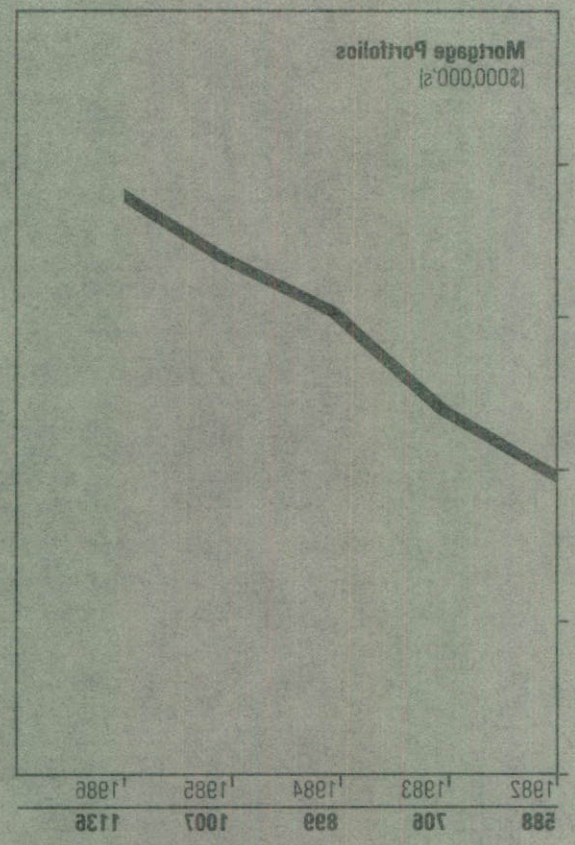
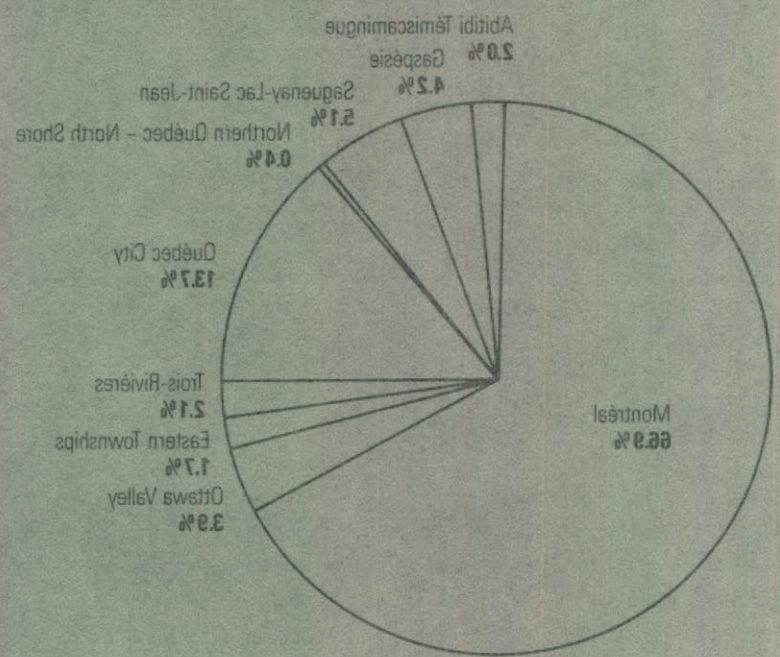
New loans totalled \$355 million, for a record 46% increase. Our loan portfolios gained 13% to \$1.1 billion.

Bernard Larue
 Vice-President
 Finance
 and Treasurer

Bernard Larue
 Vice-President
 Finance
 and Treasurer

New loans totalled
 \$375 million, for a record
 46% increase. Our loan
 portfolios gained 13%
 to \$1.1 billion.

Mortgage loans by region





INVESTMENT MANAGEMENT SERVICES

Our investment management services continued to enjoy rapid growth in 1986, with portfolios under administration climbing from \$887 million in 1985 to \$1.1 billion in 1986, an increase of 27%. This is another milestone in the evolution of this sector. Such an achievement, influenced by the favorable climate in financial markets in 1986, underscores the level of expertise that we have acquired.

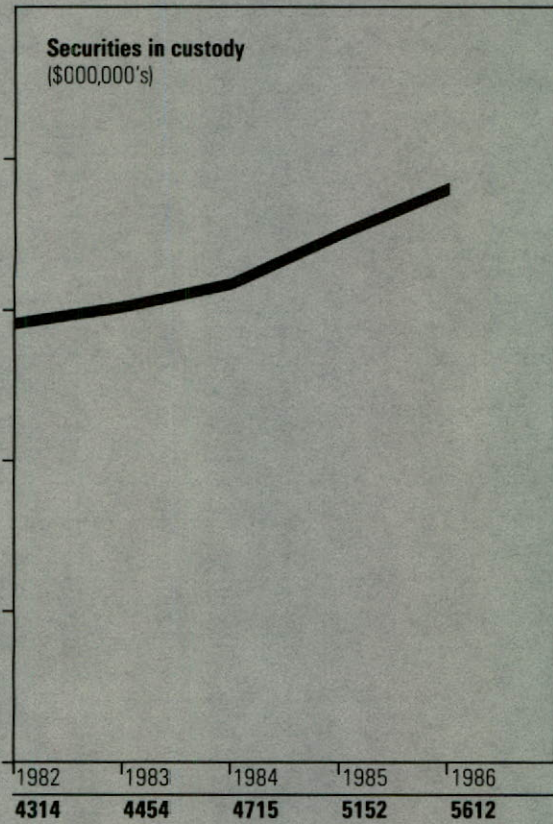
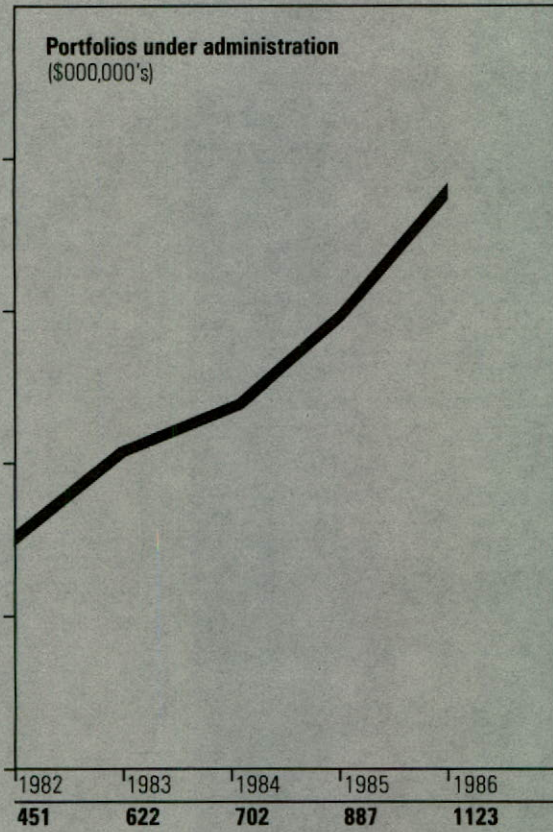
In that respect, it is interesting to note that our Integrated Investment Policy has been published for 11 years now and is highly appreciated by our clients as a valuable source of reference. Our expertise also translates into increased market shares. For pension funds only, assets under administration increased substantially during the same period.

Regarding securities administration and safekeeping, the amount of values held grew by 9%, rising from \$5.2 billion in 1985 to \$5.6 billion in 1986. Our faithful customers and our successful market broadening efforts undoubtedly reflect the importance we give to personalized customer service and continuous information management updating.

In addition, our participation in Canadian, American and European securities clearing systems will enable us to operate efficiently on all markets and to offer even more complete services to our clients. Obviously, this service is also extended to our clients in the securities administration and safekeeping sector.

Finally, we completely redefined our benefit system in order to provide our clients with faster and more complete information. This new system, which was implemented on January 1, 1987, also ensures that pensions are paid on time to retirees for those plans managed or administered by us.

For 1987, the strong markets at the beginning of the year and the various improvements in our services will allow us to consolidate our position.

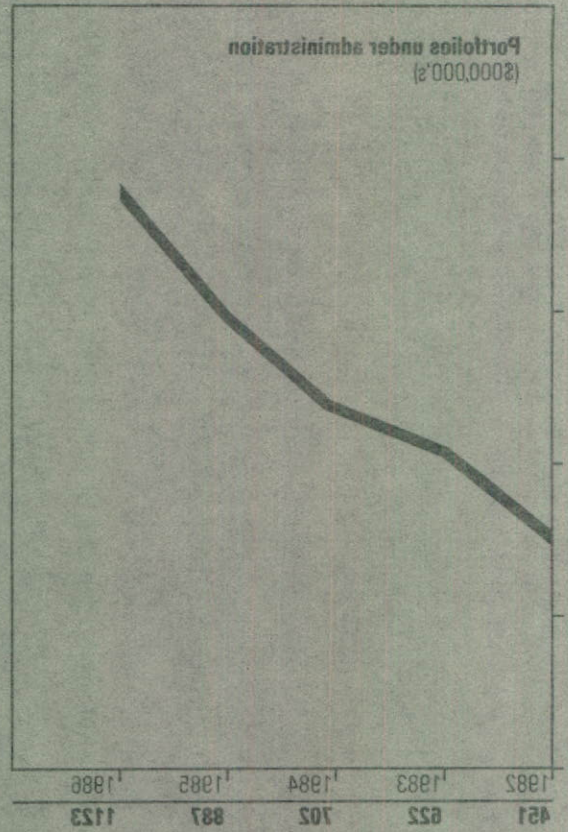
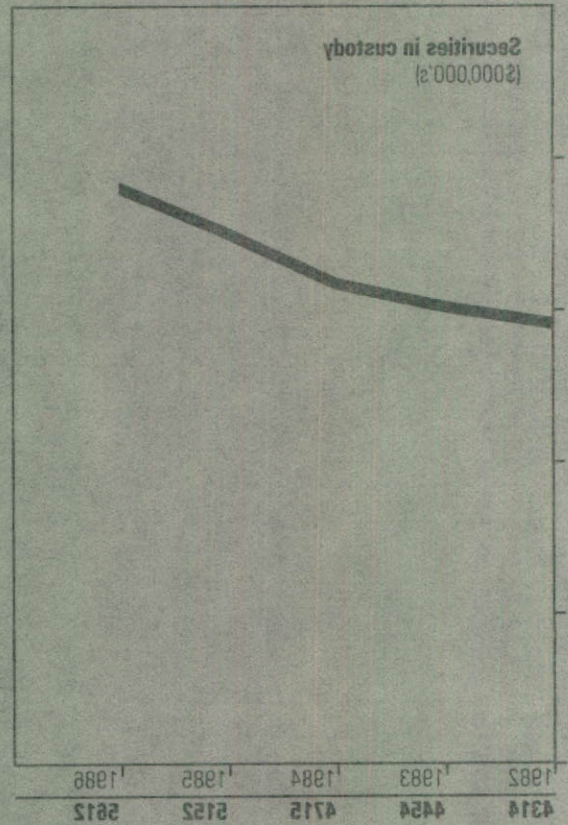


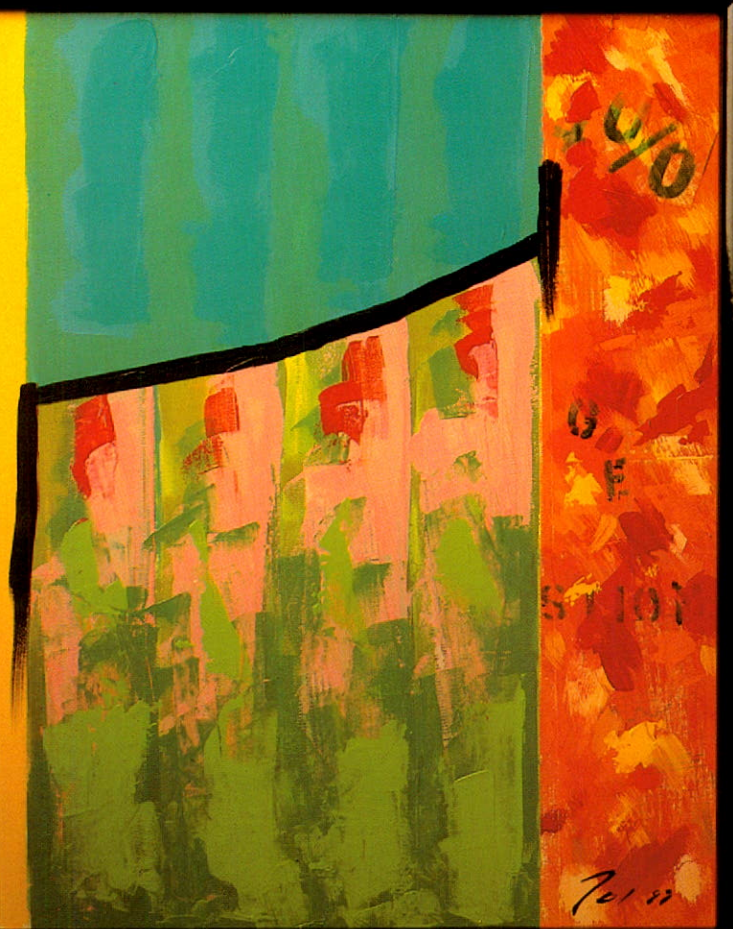
Portfolios under administration past the billion dollars mark, up 27%, while securities held for safekeeping reached \$5.6 billion.

Denis Jodoin
Vice-President
Investments

Portfolios under administration post the billion dollar mark, up 27% while securities held for safekeeping reached \$2.6 billion.

Dennis Jodoin
Vice-President
Investments





TRUST SERVICES

Our operations in trust services over the past year increased considerably. In our capacity as a trustee, we were involved in 214 new corporate and institutional financings for a total of over \$813 million. The number of our mandates as registrar for debt securities and debenture issues, including financings maturing during the year, went from 1,300 in 1985 to 1,440 in 1986.

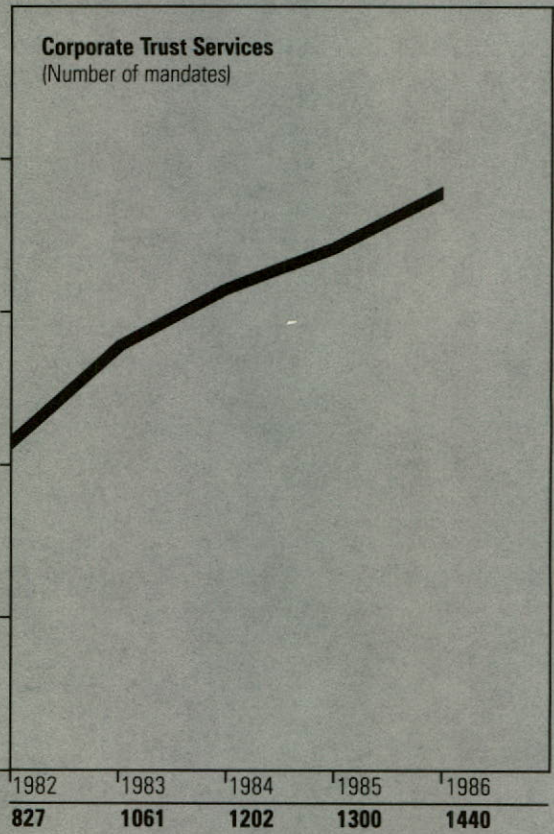
During the year just ended, our services were retained as depository for take-over bids, subscriptions for limited partnerships and flow-through shares in such varied sectors as agriculture and mining.

As a transfer agent and registrar, our new mandates increased twofold in 1986. Our lead in this market, established in 1985, has been maintained since a high proportion of corporations going public have chosen our company, thereby contributing to the improvement of our enviable position in that market.

The growth rates that we have enjoyed over the past few years evidence how important quality of service is to us. In that respect, we have a team of professionals on staff, including experienced consultants, computer experts and analysts with extensive and diversified experience acquired in the securities business to provide custom-tailored service to our clients.

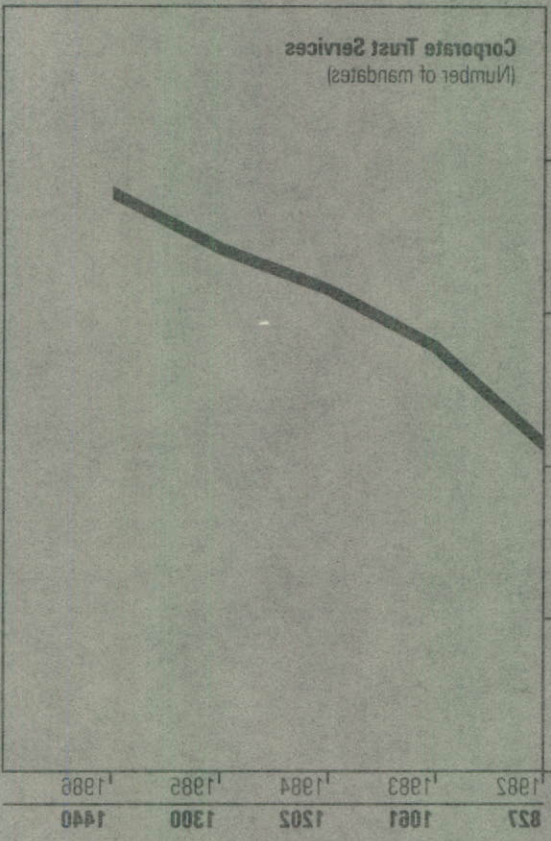
In 1986, we particularly stressed personal service, which constitutes a distinctive asset in our industry. In addition, we kept our computer system updated with the latest technology. This system is a key element in the management of our financing services, and our mandates as a transfer agent, registrar and depository of all types of securities, as it gives us a high level of efficiency and security for both small and large mandates. It enables us to perform, among other operations, on-line data entry, transaction validation, specific inquiries and other specialized tasks.

For 1987, we will continue to increase our market share by constantly fine-tuning our strategies.



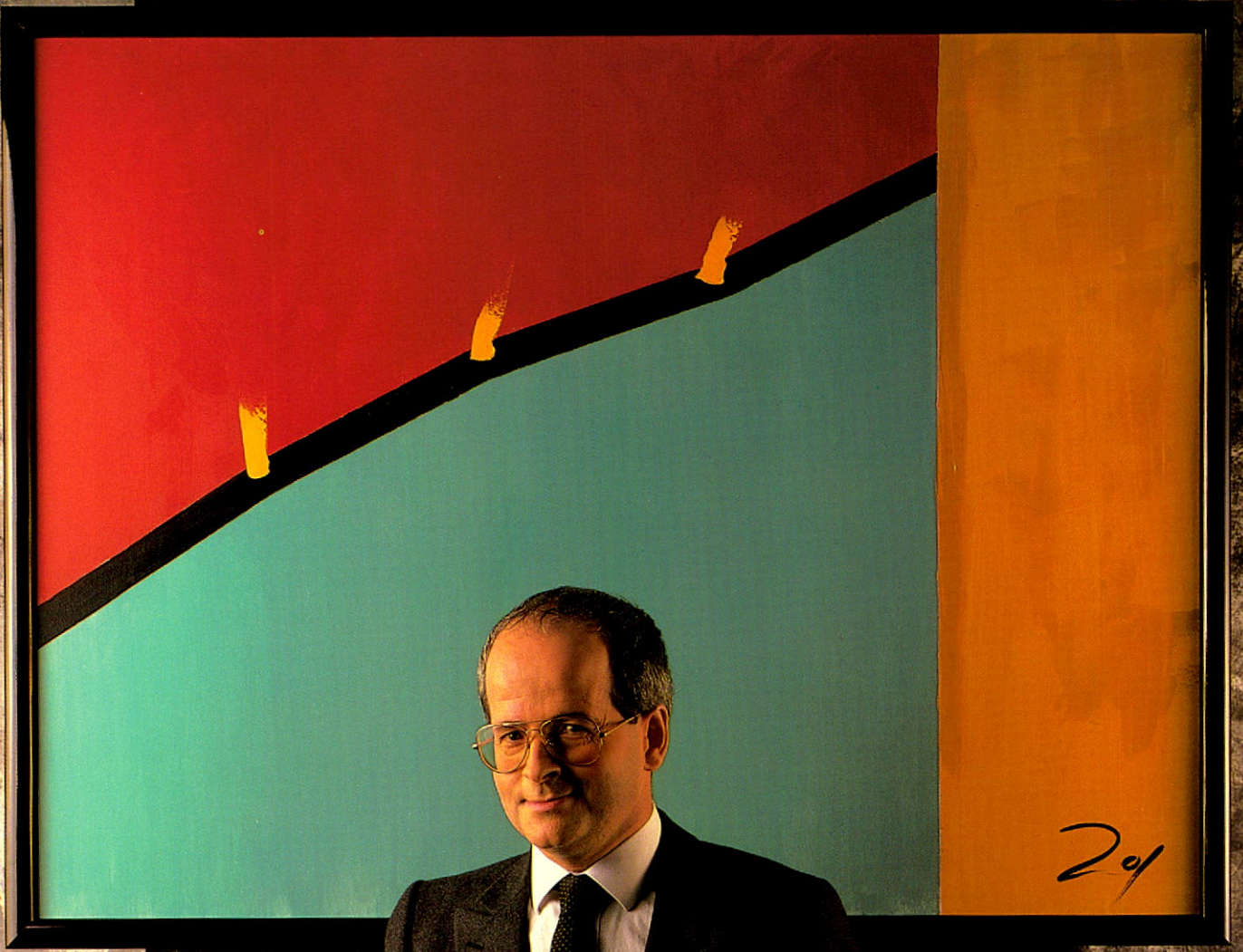
We were involved in 214 new financings, for a total of \$813 million. The number of our mandates went from 1,300 to 1,440.

Guy Vallée
Vice-President
Corporate Services



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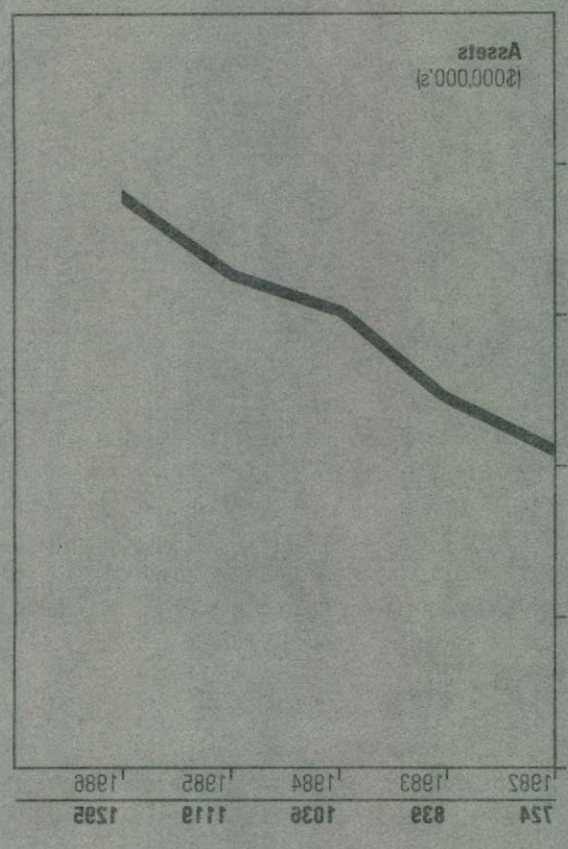
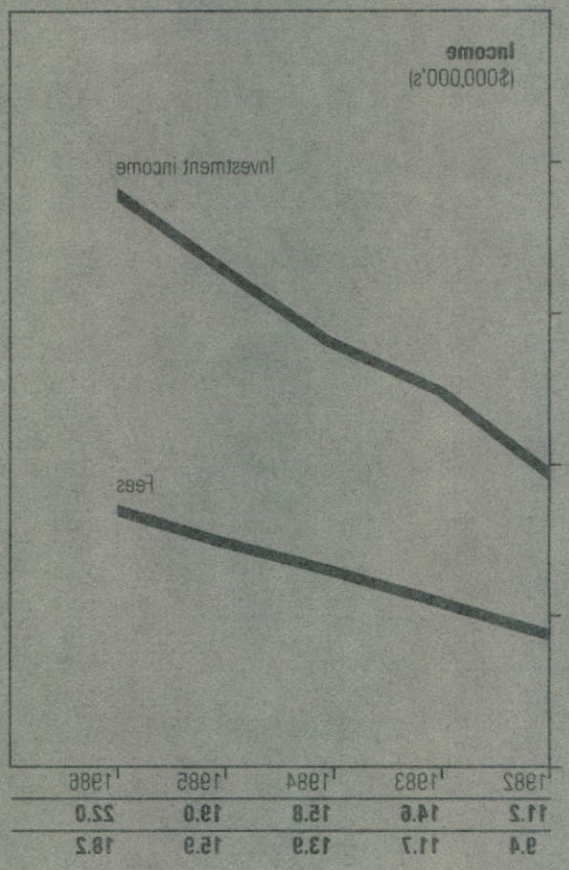
Guy Vallée
Vice-President
Corporate Services

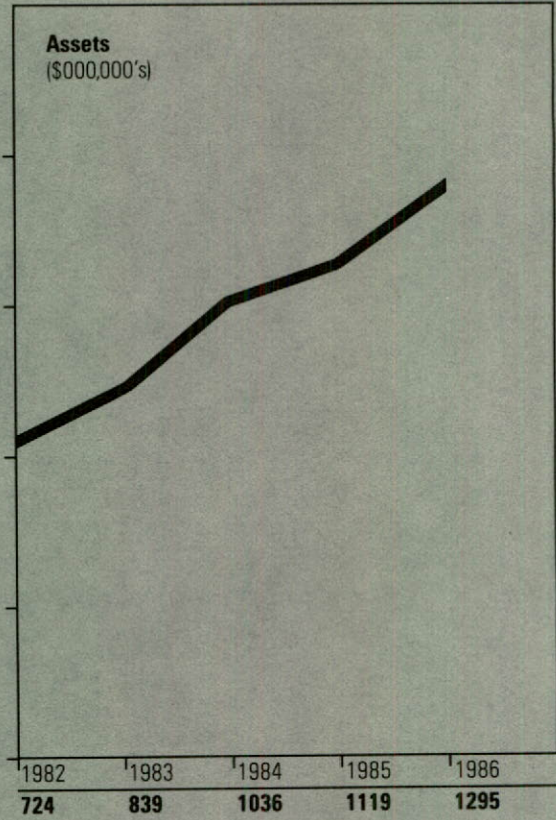
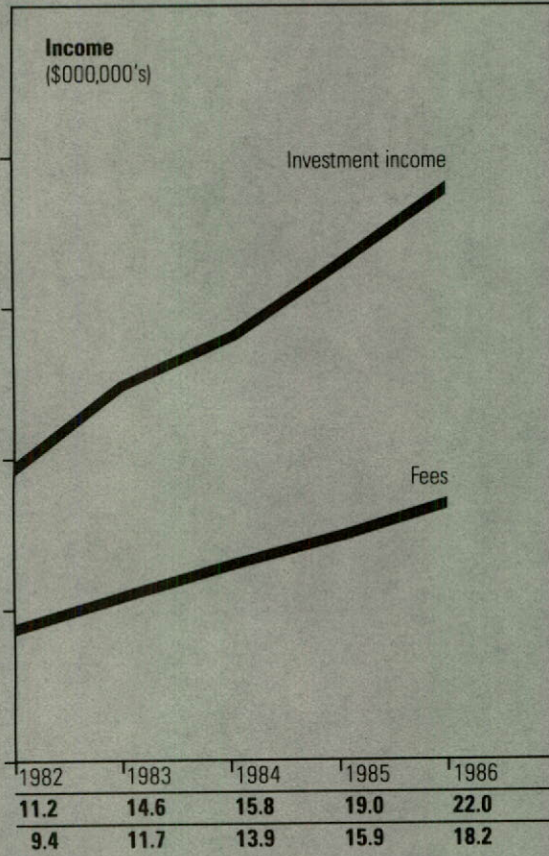




Yvan Drovin
 Vice-President
 Control Services

Net income rose 15%
 to \$40.2 million while
 expenses totaled
 \$34.6 million, up 14%.





Net income rose 15% to \$40.2 million while expenses totalled \$34.6 million, up 14%.

Yvan Drouin
Vice-President
Control Services

FINANCIAL HIGHLIGHTS

	1986	1985
Assets	\$1,294,997,000	\$1,119,286,000
Net earnings	5,493,000	4,048,000
Dividends paid	1,429,000	1,093,000
Assets under administration	11,731,918,000	10,103,553,000
Net earnings per share	0,58	0,44

MANAGEMENT'S REPORT

The Board of Directors is responsible for the financial statements prepared for the shareholders of the Company. The Board delegates responsibility for financial reporting to Management and detailed review of the financial statements to the Audit Committee. To ensure the reliability of the financial statements, Management maintains a system of internal controls and the Internal Audit Department monitors the control system on an ongoing basis. The financial statements are prepared according to generally accepted accounting principles which recognize the necessity of relying on the estimates and judgments of management.

The report of Raymond, Chabot, Martin, Paré, chartered accountants, who were appointed external auditors of Fiducie du Québec for the year, is presented below. This report expresses an opinion on the financial statements taken as a whole and on their conformity with generally accepted accounting principles.

The Audit Committee and the external auditors meet periodically, with or without Management being present, to discuss auditing and financial reporting matters. The members of the Audit Committee are unrelated to the Company except as directors. On the recommendation of the Audit Committee, the Board of Directors has approved Fiducie du Québec's financial statements.

A. Hervé Hébert,
President

Raymond A. Reid,
Executive Vice-President

Montréal, February 11, 1987

AUDITORS' REPORT

We have examined the consolidated balance sheet of Fiducie du Québec as at December 31, 1986 and the consolidated statements of earnings, retained earnings and changes in cash resources for the year then ended, and have obtained all the information and explanations we have required. 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, and to the best of the information and explanations given to us and as shown by the accounting records of the Company, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1986 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
Chartered Accountants

Montréal, February 11, 1987

CONSOLIDATED EARNINGS

Year ended December 31	1986	1985
Income		
Investment income	\$128,539,000	\$125,434,000
Fees	18,244,000	15,861,000
	146,783,000	141,295,000
Expenses		
Interest	106,525,000	106,407,000
Salaries and employee benefits	20,162,000	18,254,000
Other expenses	12,543,000	9,901,000
Provision for losses on mortgage loans	658,000	943,000
Amortization and depreciation	1,275,000	1,171,000
	141,163,000	136,676,000
Earnings before income taxes	5,620,000	4,619,000
Income Taxes (Note 2)	127,000	571,000
Net earnings	\$ 5,493,000	\$ 4,048,000
Net earnings per share	\$0.58	\$0.44

CONSOLIDATED RETAINED EARNINGS

Year ended December 31	1986	1985
Balance, beginning of year	\$ 11,956,000	\$ 9,001,000
Net Earnings	5,493,000	4,048,000
	17,449,000	13,049,000
Dividends	1,429,000	1,093,000
Balance, end of year	\$ 16,020,000	\$ 11,956,000

CONSOLIDATED BALANCE SHEET
As at December 31

ASSETS	1986	1985
Investments		
Cash and money market securities	\$ 134,933,000	\$ 96,785,000
Mortgage loans	955,436,000	861,253,000
Notes receivable	44,444,000	40,614,000
Bonds (Note 3)	82,822,000	59,426,000
Stocks (Note 3)	43,103,000	31,055,000
Accrued Interest	18,151,000	14,884,000
	1,278,889,000	1,104,017,000
Other		
Accounts receivable and sundry	4,503,000	4,578,000
Long-term intercorporate investment	5,771,000	4,549,000
Fixed assets (Note 4)	4,624,000	4,846,000
Goodwill	1,210,000	1,296,000
	16,108,000	15,269,000
	\$1,294,997,000	\$1,119,286,000

LIABILITIES	1986	1985
Guaranteed Deposits (Note 5)		
Deposits	\$1,184,598,000	\$1,014,776,000
Accrued interest and sundry	48,036,000	47,384,000
	1,232,634,000	1,062,160,000
Other		
Accounts payable and sundry	4,570,000	3,479,000
Subordinated loans granted by shareholders (Note 6)	12,465,000	12,465,000
Deferred income taxes	3,941,000	3,859,000
	20,976,000	19,803,000
	1,253,610,000	1,081,963,000
SHAREHOLDERS' EQUITY		
Capital Stock (Note 7)	23,811,000	23,811,000
Contributed surplus	1,556,000	1,556,000
Retained earnings	16,020,000	11,956,000
	41,387,000	37,323,000
	\$1,294,997,000	\$1,119,286,000

Georges-O. Langlois
A. Hervé Hébert

CONSOLIDATED CHANGES IN CASH RESOURCES

Year ended December 31	1986	1985
Operations		
Net earnings	\$ 5,493,000	\$ 4,048,000
Items not affecting funds:		
Amortization and depreciation	1,275,000	1,171,000
Deferred income taxes	82,000	651,000
Income from a long-term intercorporate investment less dividends received	(1,222,000)	(204,000)
Net change in non-cash working capital balances	1,166,000	70,000
Cash flow from operations	6,794,000	5,736,000
Dividends paid	(1,429,000)	(1,093,000)
Net cash flow from operations	5,365,000	4,643,000
Financing		
Increase in guaranteed deposits	170,474,000	77,591,000
Subordinated loan	—	1,000,000
Issue of common shares	—	2,000,000
	170,474,000	80,591,000
Cash generated before investments	175,839,000	85,234,000
Investments		
Mortgage loans	94,183,000	91,462,000
Notes receivable	3,830,000	(12,508,000)
Bonds	23,396,000	(28,410,000)
Stocks	12,048,000	(9,367,000)
Accrued interest	3,267,000	(1,998,000)
Net additions to fixed assets	967,000	907,000
	137,691,000	40,086,000
Increase in Funds	38,148,000	45,148,000
Cash and money market securities, beginning of year	96,785,000	51,637,000
Cash and money market securities, end of year	\$134,933,000	\$96,785,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and of its wholly-owned subsidiaries.

Investments

Bonds and preferred stocks are stated at amortized cost while common stocks and loans are stated at cost.

Deferred Expenses

The costs of opening new branches are now recorded as deferred expenses and amortized over a five-year period using the straight-line method as a result of the adoption of a development plan providing for the opening of new branches.

Long-Term Intercorporate Investment

The long-term intercorporate investment is composed of shares in Cr dit Industriel Desjardins Inc. in which the Company holds 23.1% of voting rights. This investment is recorded under the equity method.

Fixed Assets

Fixed assets are recorded at historical cost, less accumulated depreciation. Depreciation is calculated by using the straight-line method at annual rates of 10% to 20% for furniture and office equipment and over the terms of the leases or ten years for the major leasehold improvements, whichever is lower.

Goodwill

Goodwill is represented by the excess of the cost of investments over the book value of the shares of subsidiaries at their acquisition dates and is amortized under the straight-line method over a period of 25 years. This amortization represents an amount of \$86,000 per year.

Deferred Income Taxes

The Company provides for income taxes on the tax allocation basis. Deferred income taxes arise principally from claiming reserves on mortgage loans in excess of expenses recorded in the accounts.

Provision for Losses on Mortgage Loans

The Company computes a provision for probable losses on specifically identified mortgage loans as well as for unforeseeable losses. The portion of the provision related to unforeseeable losses, based on past experience, is intended to provide for losses on loans which have not been specifically identified.

Swap facilities agreements

The Company has signed swap facilities agreements with other financial institutions in order to obtain a better matching of assets and liabilities. Income and expenses resulting from these transactions are recorded over the term of the agreements.

Net earnings per share

Earnings per share were calculated according to the weighted average number of shares outstanding. Earnings per share for 1985 were restated to reflect the common share split in 1986 on the basis of 40 class B for each outstanding share.

Assets under administration

The assets under administration are not included in the consolidated balance sheet but are kept separate from company funds. They are earmarked in the Company's accounting records to show the accounts to which they belong.

2 INCOME TAXES

Income taxes have been calculated as follows:		1986	1985
Earnings before income taxes		\$5,620,000	\$4,619,000
Items affecting taxable income:			
Non-taxable dividend income		(3,908,000)	(3,117,000)
Income from a long-term intercorporate investment		(1,265,000)	(279,000)
Other items		(156,000)	124,000
Taxable income		291,000	1,347,000
Statutory income tax rate		43.6%	42.4%
Income Taxes		\$ 127,000	\$ 571,000

3 SECURITIES

	1986		1985	
	Book Value	Market Value	Book Value	Market Value
Bonds				
Governments	\$ 32,309,000	\$ 34,636,000	\$23,922,000	\$25,973,000
Municipalities and school boards	37,097,000	38,545,000	31,239,000	33,380,000
Other corporations	13,416,000	13,490,000	4,265,000	4,361,000
	82,822,000	86,671,000	59,426,000	63,714,000
Stocks	43,103,000	43,962,000	31,055,000	32,175,000
	\$125,925,000	\$130,633,000	\$90,481,000	\$95,889,000

4 FIXED ASSETS

	1986			1985
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and office equipment	\$5,010,000	\$2,583,000	\$2,427,000	\$2,571,000
Leasehold improvements	4,324,000	2,127,000	2,197,000	2,275,000
	\$9,334,000	\$4,710,000	\$4,624,000	\$4,846,000

5 GUARANTEED DEPOSITS

The assets held for the guaranteed deposits are as follows:

	1986	1985
Cash and money market securities	\$ 115,414,000	\$74,968,000
Mortgage loans	955,380,000	861,136,000
Notes receivable	40,981,000	40,015,000
Bonds	72,018,000	49,682,000
Stocks	30,706,000	21,248,000
Accrued interest	17,751,000	14,462,000
Accounts receivable	384,000	649,000
	\$1,232,634,000	\$1,062,160,000

The maturities of these deposits are as follows:

	1986	1985
Less than one year	61%	61%
From one to five years	38	38
Over five years	1	1

6 SUBORDINATED LOANS GRANTED BY SHAREHOLDERS

The subordinated loans bear interest at the prime rate of a chartered bank plus 1/2 of 1% and the instalments for the next years are as follows:

	1987	\$9,465,000
	1988	1,000,000
	1989	1,000,000
	1990	1,000,000

7 CAPITAL STOCK

Authorized

15,000,000 class B participating shares, ten votes per share of a par value of \$2.50 each.

5,000,000 subordinate class A participating shares, one vote per share of a par value of \$2.50 each. In some cases of a take-over bid relating to the class B shares, the subordinate class A shares can, at the holder's option, be converted into class B shares, but only so as to allow the holder to accept such offer.

1,200,000 preferred shares of a par value of \$25 each.

Issued and fully paid	1986	1985
9,524,560 class B shares	\$23,811,000	\$23,811,000

By decree issued on December 16, 1986, the Québec Government approved and confirmed Special By-Law A (1986) of the company. This By-Law authorized the following modifications:

- i) The conversion on the basis of 40 class B shares for each common share having a par value of \$100 each, of the 238,114 issued and outstanding common shares into 9,524,560 class B shares;
- ii) The conversion of the 11,886 unissued common shares into 475,440 unissued class B shares;
- iii) The creation of 5,000,000 additional class B shares;
- iv) The creation of 5,000,000 class A subordinated shares;
- v) The creation of 1,200,000 preferred shares.

The supplementary letters patent dated January 13, 1987 confirmed Special By-Law A (1986).

8 RELATED PARTY TRANSACTIONS

Fiducie du Québec is a member company of the Mouvement des caisses populaires et d'économie Desjardins. In the normal course of its operations during the year, the Company concluded transactions with other member companies of the Desjardins Group or with other related organizations according to usual business practices.

These transactions resulted in income of \$7,242,000 (\$6,224,000 in 1985) and expenses of \$11,811,000 (\$13,000,000 in 1985). The income is composed of investment income and fees while the expenses are composed of rental expenses and of interest paid on guaranteed deposits and subordinated loans.

Furthermore, life insurance premiums totalling approximately \$565,000 (\$484,000 in 1985) were collected in connection with mortgage loans and remitted to another member institution of the Desjardins Group.

As at December 31, 1986, the balance sheet included investments of approximately \$21,682,000 (\$25,569,000 in 1985) in member companies of the Desjardins Group, principally composed of short-term deposits and mortgages. The balance sheet also included \$47,460,000 (\$80,200,000 in 1985) of guaranteed deposits held by these companies.

9 COMMITMENTS

The Company has a commitment to pay a total amount of \$53,778,000 for the rental of office space and computer equipment under long-term leases until their expiry dates. The lease payments for the next five years are as follows:

1987	\$4,199,000
1988	4,143,000
1989	3,397,000
1990	3,034,000
1991	2,844,000

Outstanding commitments for mortgages not yet disbursed amounted to \$83,787,000 as of December 31, 1986.

10 COMPARATIVE FIGURES

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

11 SUBSEQUENT EVENTS

Issue of shares

On February 10, 1987, the Company issued 2,600,000 class A subordinate shares for \$18,200,000. The Company paid share issue expenses and underwriters fees of approximately \$1,225,000; this amount will be presented as a deduction from retained earnings in 1987.

Reserved shares

The Company has reserved 257,000 class A subordinate shares for exercise by Brault, Guy, O'Brien Inc. of an option to purchase 257,000 additional class A subordinate shares at the price of \$7 per share.

Furthermore, the Company has reserved 2,857,000 class B shares for conversion of the class A subordinate shares into class B shares.

MATCHING OF ASSETS AND LIABILITIES

(Interest rate sensitivity basis)
in thousands of \$, as at December 31

	Total	Floating rate	1987	1988	1989	1990 and subsequent years
Investments						
Cash and money market securities	134,933	65,379	69,554	—	—	—
Bonds						
Federal and Provincial Governments and para-public organizations	32,309	—	14,349	5,052	1,047	11,861
Municipalities and school boards	37,097	3,000	15,871	9,313	2,851	6,062
Corporations	13,416	2,500	100	9,905	11	900
Stocks	43,103	13,758	17,979	1,702	8,081	1,583
Mortgage loans	955,436	42,881	409,151	156,916	157,905	188,583
Notes receivable	44,444	30,754	5,305	6,132	1,403	850
	1,260,738	158,272	532,309	189,020	171,298	209,839
Deposits						
Demand deposits	64,961	64,961	—	—	—	—
Term deposits and annuities	1,119,637	—	605,614	176,683	145,608	191,732
Subordinated loans granted by shareholders	12,465	12,465	—	—	—	—
	1,197,063	77,426	605,614	176,683	145,608	191,732

SIX-YEAR SUMMARY
in millions of \$, as at December 31

	1986	1985	1984	1983	1982	1981
Income						
Fees	18.2	15.9	13.9	11.7	9.4	7.8
Net investment income	22.0	19.0	15.8	14.6	11.2	8.5
	40.2	34.9	29.7	26.3	20.6	16.3
Expenses						
Salaries and employee benefits	20.2	18.3	16.4	12.5	10.4	8.6
Other operating expenses	14.4	12.0	10.4	9.2	7.7	6.3
	34.6	30.3	26.8	21.7	18.1	14.9
Earnings before income taxes	5.6	4.6	2.9	4.6	2.5	1.4
Income taxes (recovered)	0.1	0.6	(0.3)	1.4	1.0	0.6
Net earnings	5.5	4.0	3.2	3.2	1.5	0.8
Net earnings per share (in \$)	0.58	0.44	0.38	0.40	0.21	0.12

**GROWTH IN VOLUME OF MAIN
SECTORS OF ACTIVITY**
in millions of \$, as at December 31

	1986	1985	1984	1983	1982	1981
Mortgage loans	1,136	1,007	899	706	588	560
Desjardins Investment Funds	217	162	132	120	94	75
Guaranteed Deposits	1,233	1,062	985	794	685	611
Portfolio management	1,123	887	702	622	451	334
Securities in custody	5,612	5,152	4,715	4,454	4,314	3,459

BOARD OF DIRECTORS

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Vice-Chairman,
Fédération des caisses
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de Québec

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Actuary
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Yves R. Léonard

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First Vice-Chairman

First Vice-Chairman,
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populaires Desjardins
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Pharmacyst
Second Vice-Chairman

Chairman,
Fédération des caisses
populaires Desjardins
de l'Estrie

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Centre d'accueil de la Baie
Member of the
Supervisory Board,
Fédération des caisses
populaires Desjardins
de la Péninsule et des Îles

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Caisse populaire
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Vice-Chairman,
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First Vice-Chairman,
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populaires Desjardins
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Jean-Paul Fiset & Fils Ltée,
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agrées
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Caisse populaire
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Groupe Olympia Ltée
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Desmarais & Malo
Director,
Fédération des caisses
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Robert Soupras

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Caisse populaire
Sainte-Anne-
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Director,
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*Member of the
Executive Committee

**Member of the
Audit Committee

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Executive Vice-President

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Vice-President,
Control Services

Jacques V. Goyer
Vice-President,
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Denis Jodoin
Vice-President,
Investments

Bernard Larue
Vice-President,
Finance,
and Treasurer

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Vice-President,
Corporate and
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and Secretary

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