

1992



Caisse centrale
Desjardins



LIBRARY USE ONLY



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 spinoffs.

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 employee's 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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Desjardins

The unbelievable power of cooperation

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS 1988-1992
as at December 31 (in thousands of dollars)

	1992	1991	1990	1989	1988
Operating Results					
Total income	429,671	436,927	523,301	473,241	359,999
Net income	4,259	46,284	54,107	58,798	45,173
Return on average assets	0.08%	1.10%	1.32%	1.54%	1.28%
Return on members' equity	0.94%	10.35%	12.18%	13.66%	10.69%
Financial Position					
Total Assets	6,440,169	5,087,096	4,073,490	3,906,799	4,007,223
Loans	5,198,530	4,017,961	3,258,845	3,003,447	3,068,044
Securities	1,088,605	893,536	688,373	695,281	806,147
Deposits	5,808,226	4,549,662	3,534,370	3,370,600	3,511,568
Subordinated debentures	58,594	—	—	—	—
Members' equity	438,343	454,097	447,136	443,527	430,513
Capital ratio - BIS risk-based	15.98%	15.39%	14.31%	N/A	N/A
Other Information					
Remuneration of capital stock	17,621	39,486	51,663	46,508	38,809
Other payments to members	6,540	7,327	8,254	7,779	6,012
Percentage of funds issued on international markets	50.0%	45.6%	45.0%	40.4%	30.6%

RATINGS

STANDARD & POOR'S:
MOODY'S:

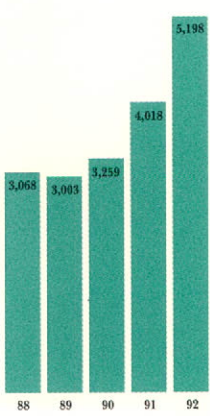
A-1+ & AA
P-1 & Aa3

CANADIAN BOND RATING SERVICE: A-1+ & A+
DOMINION BOND RATING SERVICE: R-1M & AA

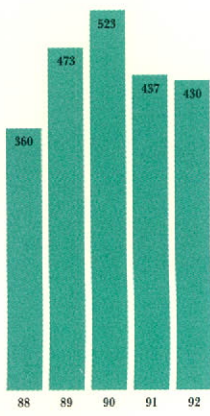
ASSET MIX
(in millions of dollars)



LOAN PORTFOLIO
(in millions of dollars)



TOTAL INCOME
(in millions of dollars)



MESSAGE TO MEMBERS

The last two years have been the hardest in decades for the Canadian and Québec economies, with many businesses finding themselves in serious financial straits. These difficult times have also affected the performance of Caisse centrale and the financial institutions it deals with.

As at December 31, 1992, total assets stood at \$6.4 billion, up \$1,353 million, or 26.6%, from 1991. The increase is essentially due to loans to members, which grew by \$1,215 million. Loans to the private sector dropped by \$261 million, reflecting the reorientation and tighter control of our financing operations started two years ago. Total financing available to large companies was reduced and new financing was targeted towards medium-sized businesses, in partnership with the network of federations and their affiliated caisses. Caisse centrale continues to give priority to corporations doing business with other affiliates within Desjardins Group.

Due to unforeseen developments of certain loans during the year, Caisse centrale deemed it prudent to significantly increase its provisions for loan losses. As at December 31, 1992, non-performing loans, net of provisions, totalled \$58.8 million, or 13.4% of members' equity, which compares favorably with the average of the major Canadian banks. Under these adverse conditions, combined with the substantial drop in interest rates, Caisse centrale's net income in 1992 totalled \$4.3 million.

Caisse centrale's contributions to the Desjardins Group in the last 11 years came to \$512 million in the form of remuneration of capital stock and other payments to members and, \$29 million were transferred to the general reserve, representing return on investment of 11.55%. In 1992, a total of \$24.1 million was paid to members, \$17.6 million in remuneration of capital stock and \$6.5 million in other payments.

Despite the adverse economic conditions, numerous major projects were completed during the year. Several borrowings were arranged to meet an increased demand for funds (\$1,215 million) by the federations and their affiliated caisses. There were five public issues on international markets for a total of \$596 million, including subordinated debentures of \$59 million. Outstanding in the short-term commercial paper program in Europe and United States were \$719 million. A new European multi-currency medium-term note program with an authorized limit of US \$750 million was introduced in the first half of the year, and at year end we had concluded 12 transactions for a total outstanding of \$216 million. A similar funding program is being planned for the United States. These transactions were done despite the uncertainty created by Canada's constitutional debate, the reduced rating of many government agencies and financial institutions, the fall of the Canadian dollar and the strong fluctuations of some European currencies. In spite of this difficult period Caisse centrale maintained its credit ratings assigned by Canadian and American rating agencies, confirming our financial strength and that of the Desjardins Group.

Our interest rate swap program with the federations continued in 1992, climbing from \$819 million at December 31, 1991 to \$1,428 million by the end of 1992, an increase of more than 74%.

One of the highlights of 1992 was the opening of the Desjardins Federal Savings Bank in Hallandale, Florida. As a wholly-owned subsidiary of Caisse centrale and the Desjardins Group, it offers a full range of financial products and services similar to those offered by the caisses, while complying with the legal requirements of the United States regulatory bodies. The official opening took place on November 14, 1992, and proved to be a big success. The Desjardins Federal Saving Bank's

MESSAGE TO MEMBERS

popularity clearly reflects that we are satisfying the needs of our members in Florida.

In 1992, there was also a marked increase in our international operations. Caisse centrale became the settlement agent in Canada for CERA SPAARBANK, Belgium's foremost banking cooperative. Closer ties were developed between Caisse centrale and Banques Populaires de France through technological exchanges, treasury operations and business relationships with the different affiliates of this major French cooperative group. Finally, several commercial projects were carried out working closely with Rabobank Nederland.

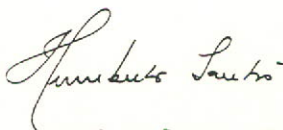
In April, Caisse centrale changed its organizational structure to better fulfil its clients' needs. All business development activities in Canada were grouped together. To maximize communications with the federations, we created a service unit dedicated to them. Given the financial orientations of the Desjardins Group and the increased responsibilities it has delegated to Caisse centrale, we established a Finance and Administration division. The new structure is better adapted to the structure of the federations and the Confederation and improves our efficiency in serving all our clients. Finally, despite the increase in our volume of activity, the work with the new subsidiary and the organizational restructuring, the number of staff remained unchanged at 154 employees.

Our communications programs introduced in 1991 were carried on to improve communication with the federations and other affiliates of the Desjardins Group, as well as with employees, corporate clients and financial partners. Training programs also continued, with more than 50 employees taking part. The employees of Caisse centrale maintained their involvement and

commitment to charitable agencies and organizations like Centraide, Marathon Standard Life, YMCA and Sun Youth.

Despite the more or less promising signs of a recovery in 1993, we cannot tell how strong or extensive it will be. In this context, we forecast another difficult year for the private sector and we will continue to manage our risks very prudently.

We would like to thank the members of the Board of Directors and the employees of Caisse centrale for helping us achieve our objectives. Special thanks go to Lise Julien, Rosaire Raymond, Paul-Roch Charbonneau and André René, who left our Board of Directors during the year. We also deeply regret the passing of Yvan Guérin in 1992.



Humberto Santos
President and Chief Operating Officer



Claude Béland
Chairman of the Board and Chief Executive Officer

1992 AT A GLANCE

- OPENING OF THE DESJARDINS FEDERAL SAVINGS BANK IN HALLANDALE, FLORIDA, A SUBSIDIARY OF THE DESJARDINS GROUP.
- CREDIT RATING BY CANADIAN BOND RATING SERVICE, DOMINION BOND RATING SERVICE, MOODY'S AND STANDARD & POOR'S WERE MAINTAINED.
- SIGNIFICANT INCREASE OF LOANS AND INTEREST RATE SWAP CONTRACTS TO FEDERATIONS.
- COMPLETION SIGNING OF A US \$750-MILLION EUROPEAN MULTI-CURRENCY, MEDIUM-TERM NOTE PROGRAM.
- FIVE PUBLIC ISSUES AND ONE PRIVATE ISSUE ON INTERNATIONAL MARKETS IN CANADIAN DOLLARS, FRENCH FRANCS AND LUXEMBOURG FRANCS, FOR A TOTAL OF \$660 MILLION.
- EXPANSION IN OUR INTERNATIONAL BUSINESS.
- INCREASED SYNERGY OPERATIONS BETWEEN THE NETWORK AND CAISSE CENTRALE.
- INTERNAL RESTRUCTURING TO MEET THE NETWORK'S NEEDS MORE EFFICIENTLY AND QUICKLY.
- IMPLEMENTATION OF EQUATION, A NEW OPERATIONS SOFTWARE PROGRAM.
- CONTINUATION OF STAFF TRAINING PROGRAM.

In 1992, Caisse centrale focused on four broad fields of activity: network support, funding, international development and operating efficiency.

NETWORK SUPPORT • Caisse centrale continued to represent the Desjardins caisses in the daily settlement of payments with the Bank of Canada. To do this, it kept abreast of developments in Canada's payment system and made representations to the different regulatory bodies to ensure that consideration was given to the network's needs and concerns.

The Bank of Canada completed implementation of its monetary policy in a voluntary system of reserve requirements halfway through 1992 with adoption of a new bank act. Accordingly, the process required several modifications in the conditions for remunerating the federations' settlement accounts.

Introduced changes ensure transparency between the modalities of the federations' settlement accounts and that of Caisse centrale at the Bank of Canada. Furthermore, we have eliminated the superior limits on the remunerated accounts in order that they are always bearing interests.

Loans granted to federations increased by \$1,215 million in 1992, reaching \$2,871 million by December 31. The increase is due to strong gains by the Desjardins caisses in credit activities, especially in the personal mortgage sector, as the interest rates were favorable to borrowers.

Loan participations with the caisses grew significantly, especially in the public sector (school boards and municipalities). An indication of Caisse centrale's willingness to join in the caisses' initiatives is in the num-

ber of borrowers in this sector of activity being from all regions. This is a result of the cooperation between the federations and the caisses' general managers. We also maintained a presence in government circles and state corporations in order to preserve, and even increase, the Desjardins Group's market share.

Caisse centrale stepped up its support in favor of the caisses, providing them with financial instruments to help them better manage the mismatch risks associated with increased loans. Thus, interest rate swap contracts helped keep the caisses competitive, especially in the mortgage market, and allowed for safe expansion of assets. At year-end, \$1,428 million was outstanding with the federations, up \$609 million from 1991. This sharp increase clearly reflects the popularity of this product among the caisses. Given the need for this product and the current level of interest rates, we expect a sustained demand from the federations next year.

The liquidity portfolio management service remained available to the federations. The federations in the Abitibi, Gaspésie and Îles-de-la-Madeleine regions took advantage of this service, and in 1992, the average yield of these portfolios was 7.4%, a rate comparing favorably with the 6.51% rate of interest of 90-day Canada Treasury bills.

The development program for loans to medium-sized businesses chalked up its first successes, and with the contacts that have been established between Caisse centrale representatives and their federation counterparts, program growth is likely to accelerate. Many joint visits were made to potential borrowers and solicitations were started. These will be monitored in the months ahead.

FUNDING ACTIVITIES • In 1992, Caisse centrale's funding activities were successful despite the uncertain political climate and unstable financial environment. Indeed, the economic hardships of many financial institutions and scores of commercial bankruptcies have made it difficult to rely on institutional markets, since the holders of capital required on higher-quality securities and higher yields.

The excellent financial health of the Desjardins Group, as confirmed by the ratings Caisse centrale has secured from different credit agencies, has allowed Caisse centrale to borrow more than Cdn \$800 million on international markets for terms ranging between two and ten years, including three issues of Euro Can totalling \$300 million, a first issue in French francs and in Luxembourg francs for amounts equivalent to Cdn \$237 million and Cdn \$59 million, respectively. The Luxembourg francs issue is subordinated to the other debts of Caisse centrale and as such increases its capital in accordance with the standards of the Bank for International Settlements (BIS).

Access to overseas markets included the use of our commercial paper programs introduced in recent years and a new medium-term note program for an authorized amount of US \$750 million. This medium-term program was launched in April and outstanding deposits reached the equivalent of Cdn \$216 million by the end of December. The two short-term programs in London and New York were used for average amounts equivalent to Cdn \$600 million. At the end of 1992, 50% of Caisse centrale's funding liabilities come from outside Canada. Currency risk associated to these transactions were fully covered by foreign exchange transaction.

At year-end, Caisse centrale had \$5 billion in deposit liabilities held by institutional investors in Canada and abroad, or about 11% of the Desjardins Group's total deposit liabilities. This compares favorably with the "purchased funds" ratio of the major Canadian banks.

The strong rise in Caisse centrale's deposit liabilities in 1992 (more than \$1 billion) was due to the high demand for funds by the Desjardins caisses and federations in order to satisfy their members' needs. To increase their presence on the residential mortgage market, they offered three- and five-year terms, a move favorably received by caisses' members. But savers turned their backs on medium-term maturities, preferring shorter terms. Caisse centrale's contribution reduced the resulting mismatches by borrowing mid term funds and lending these funds to our members through loans or interest rate swaps.

The steady drop in interest rates was suddenly reversed at the end of September as the referendum approached. There was heavy speculation on the Canadian dollar, already under pressure since the beginning of the year, and monetary authorities were forced to raise interest rates quickly. This made the Canadian dollar and interest rates highly volatile in the last quarter of 1992. Caisse centrale worked closely with the federations to deal with the situation and maintain a high level of liquidity.

Caisse centrale continued its drive to sell the "Publi-privilege" program to public and parapublic corporations. The volume was large and, based on the experience in 1992, a new expansion is likely to occur in 1993.

Caisse centrale has changed its policy on rates charged for medium-term loans granted to federations in order

to improve the Desjardins caisses' profit margin. Thus, all loans to the federations bear interest at a rate similar to Caisse centrale's cost of funds.

INTERNATIONAL DEVELOPMENT • The highlight of our international operations in 1992 was the opening of the first Desjardins Group institution outside Canada. Located in Hallandale, Florida, the Desjardins Federal Savings Bank offers a full range of financial products and services similar to those offered by the caisses while complying with the legal requirements of the regulatory bodies of the United States. This presence will help the Desjardins Group meet the needs of its members in Florida.

Also, together with ten of our European partners, we are setting up a computerized international payment transfer system, scheduled to go into operation in 1993. The new system will substantially enhance the Desjardins network's ability to distribute a large volume of international operations electronically between North America and Europe, and do so at a lower cost.

While developing our business overseas operations, we focused on a selected number of countries in participation with our banking partners, especially France. We also pursued our relationship with Vietnam, a country with development potential, together with other Desjardins affiliates, such as the Société de développement international Desjardins and federal and provincial government agencies. With these initiatives Caisse centrale promoted harmonious development of the commercial activities of the Desjardins network and its corporate clients.

On the domestic scene, working closely with the federations, the Department of International Affairs and the Department of Industry, Trade and Technology, we

organized throughout the year information sessions on international trade for the caisses and their commercial clients. These sessions focused on foreign trade practices in order to improve the distribution of our international products and services.

With the strong volatility in currency markets in 1992, the foreign exchange department played a major role on the spot and forward markets.

OPERATING EFFICIENCY • Caisse centrale prepared a technological development plan two years ago to increase its productivity and the efficiency of its operations. Its projects for 1992 have been completed, including the introduction of the Equation software, consisting of five integrated modules that handle most of our operations. Equation also enabled us to create a new accounting structure that will allow us to better evaluate the profitability of our different operations units. We also installed a local network and set up an EDI (electronic document interchange) service to meet the needs of our corporate clients.

Moreover, in line with our quality program, we totally reviewed the administrative tasks of our operations, thus increasing our productivity while offering better services more suited to our clients needs.

We continued to promote team work via sustained internal communications and a suggestions program aimed at soliciting employee commitment using team projects. Six projects were submitted in 1992. Results: greater efficiency and financial spin-offs for Caisse centrale. Aware of the importance of training, Caisse centrale has allocated the funds and time, to allow employees to participate in various programs.

REVIEW OF OPERATIONS

SOCIAL INVOLVEMENT • Caisse centrale continued to encourage its employees' commitment to their community, especially in the areas of health and aid to the needy. During 1992, more than 29 agencies received support from Caisse centrale employees through more than 1,320 hours of volunteer work.

Donations and pledges were made to 79 agencies, mainly in four areas: health and social services, education, culture and family, improving the condition of women, and humanitarian work.

The Centraide campaign was a resounding success. Nearly 90% of employees contributed to it, with the average donation reaching \$126, for a grand total of \$14,430, or 20% more than our target. Many employees took part in the Standard Life Marathon, collecting more than \$4,000, which were given at the Telethon of Stars for research into children's diseases.

Also, on their own initiative, the employees set up a program to encourage people to "Buy Local". They also organized a non-perishable goods, toys and clothes drive for the Christmas season, and the proceeds were distributed by Sun Youth.

LE MOUVEMENT DES CAISSES DESJARDINS

5 MILLION MEMBERS

1,325 CAISSES POPULAIRES
AND CAISSES D'ÉCONOMIE

151 CAISSES POPULAIRES
OUTSIDE QUÉBEC

11 FEDERATIONS

3 FEDERATIONS
OUTSIDE QUÉBEC

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

* Société de
développement
international Desjardins

* Fondation
Desjardins

* Centre de formation
Desjardins

* La Société historique
Alphonse-Desjardins

La Caisse
centrale
Desjardins
du Québec

Corporation
de fonds de
sécurité de la
Confédération
Desjardins

Desjardins
Federal
Savings
Bank

La Société de
services des caisses
Desjardins inc.

Investissement
Desjardins
(SID)

Gestion
Desjardins

Capital
Desjardins

Tremplin
Desjardins

La société de portefeuille
du Groupe Desjardins,
assurances générales inc.

Desjardins
Life

Desjardins
Trustco Inc.

La Société financière
des caisses
Desjardins inc.

Société immobilière
Place Desjardins inc.

Place
Desjardins inc.

Desjardins
Securities

Disnat

Crédit
industriel
Desjardins inc.

Desjardins
Leasing

Desjardins
Trust Inc.

Desjardins
Trust Inc.

Desjardins
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A network of financial institutions based on cooperative principles and offering a full range of financial services, the Desjardins Group has 5 million members belonging to 1,325 caisses populaires and caisses d'économie in Québec, as well as 151 caisses populaires outside Québec. Its current assets stand at more than \$56 billion.

CAISSES POPULAIRES AND CAISSES D'ÉCONOMIE DESJARDINS • Offer a range of regular and specialized financial services: financing, savings, investment, computerized services, complementary services and insurance.

FEDERATIONS • The Federations represent the caisses on a regional basis, with the primary roles of consolidation, counselling and development.

LA CONFÉDÉRATION DES CAISSES POPULAIRES ET D'ÉCONOMIE DESJARDINS DU QUÉBEC • Coordinates the operations of all the Group's affiliates. It is also responsible for inspecting and auditing the operations of the Québec caisses and Fédérations.

LA CAISSE CENTRALE DESJARDINS DU QUÉBEC • Represents the Fédérations and their affiliated caisses in the Canadian clearing and payment system. It issues securities to provide the funds and borrowing 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.

- **DESJARDINS FEDERAL SAVINGS BANK •** Wholly-owned subsidiary, located in Hallandale, Florida. Offers a full range of financial products and services similar to those offered by the caisses for our members in Florida.

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.

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.

CENTRE DE FORMATION 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.

LA SOCIÉTÉ HISTORIQUE ALPHONSE-DESJARDINS • Manages the property 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.

SOCIÉTÉ DE DÉVELOPPEMENT INTERNATIONAL DESJARDINS • Provides organizational and management consultancy services for international development projects.

INVESTISSEMENT DESJARDINS • The Société participates in the economic advancement of Québec by promoting the development of industrial and commercial firms.

- **TREMPLIN DESJARDINS** • Invests from \$250,000 to \$1 million in developing small and medium-size businesses.
- **CAPITAL DESJARDINS** • 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 DESJARDINS** • Acquires interests worth \$10 million and over in corporations that are pacesetters in their field.

LA 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 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.

LA SOCIÉTÉ FINANCIÈRE DES CAISSES DESJARDINS INC. • As agent for the caisses and Fédérations in activities involving securities, life insurance and trustee services, the Société contributes to the growth and development of the entire Desjardins Group.

- **LA SOCIÉTÉ DE PORTEFEUILLE DU GROUPE DESJARDINS ASSURANCES GÉNÉRALES INC.** • A leader in the general insurance field in Québec, 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 Québec.
 - **ASSURANCES GÉNÉRALES DES CAISSES DESJARDINS INC.** • Offers automobile and property insurance to individuals through the network's caisses.
- **DESJARDINS LIFE** • Québec's leader in the area of personal life insurance, Desjardins Life offers a wide range of insurance products and services for individuals and groups, operating through its 25 offices in Québec 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** • Controls the Laurier Life Insurance Company in Ontario.
 - **ÉVACMED (1990) INC.** • A Montréal company specialized in medical travel assistance services.

THE DESJARDINS GROUP
ASSOCIATED CORPORATIONS

- **DESJARDINS TRUSTCO 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 INC.** • Provides tailored term financing for small and medium-size businesses in Québec and Eastern Ontario, for amounts of \$100,000 and more.
 - **DESJARDINS LEASING** • This associated firm offers leasing services to companies and individuals.
 - **DESJARDINS TRUST INC.** • Offers individuals, companies and other organizations a range of specialized financial and trustee services through its 15 branches in major cities across Québec and in Ontario.
 - **GESTION PLACEMENTS DESJARDINS INC.** • Provides professional portfolio management services for individuals and a variety of organizations.
 - **DESJARDINS SECURITIES** • It owns interest in Disnat.
- LA SOCIÉTÉ IMMOBILIÈRE PLACE DESJARDINS INC.** • Real estate corporation of the Desjardins Group.
- **PLACE DESJARDINS INC.** • Responsible of the administration of the Complexe Desjardins Building.

HIGHLIGHTS

	1992	1991	1990
PRESENCE			
Number of caisses	1,325	1,327	1,329
Point of sale	336	317	315
Automated Banking Machine, etc.	1,330	1,215	1,010
MEMBERS, EMPLOYEES AND OFFICERS			
Members	4,245,318	4,213,004	4,137,991
Employees	31,407	32,058	30,865
Elected officers	17,391	17,382	17,363

FINANCIAL HIGHLIGHTS as at December 31	1992	1991	1990	% increase 1992 - 1991
Financial Position (in millions of dollars)				
- Total assets	53,769	49,000	45,204	9.7
- Loans	44,136	40,691	36,900	8.5
- Deposits	45,402	41,470	37,846	9.5
- Reserves	2,352	2,200	1,934	6.9
Operating Results (in millions of dollars)				
- Net income and other revenue	3,096	2,875	2,770	7.7
- Earnings	271	227	331	19.4
- Earnings (as a % of average assets)	0.53	0.48	0.80	10.4

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

This part of the annual report presents a discussion and comparison of Caisse centrale's financial condition and results of operations for the years ended December 31, 1992 and 1991, as well as an indication for the future. Also provided is a discussion of how Caisse centrale manages credit risks, liquidity and sources of funds.

REVIEW OF THE ECONOMY • The past year ended on a note of optimism, and economic indicators point to better times. Exports are rising, more people are employed, construction is recovering and, at least during the Christmas holiday season, household consumption bounced back. The economy seems to be on the right track. Yet all the preconditions for economic recovery were present early last year as well and most experts even expected strong growth. What went wrong?

Low inflation and weak demand caused interest rates to decline to levels that had not been seen in two decades. The Bank of Canada interest rate stood at 7.5% in February, but fell under 5% in September. This should have jump-started consumption and capital expenditures, but households and businesses alike were reluctant to plunge into programs of purchasing and investment. Inflation-adjusted consumer spending in September was barely 1.0% higher than in the fourth quarter of 1991. Business capital expenditures showed a similar profile, although in a recovery period, particularly with vigorous residential construction, the increase should have been 5%.

The Canadian dollar, which peaked \$US 0.89 in November 1991, fell throughout the year, especially toward the end, to stand at \$US 0.78 in November 1992. Given this exchange rate advantage, Canada's exporting industries should have performed well. The American economy, however, was not running at full speed and demand for Canadian products was not as strong as had been predicted early in the year. The effects of the weak dollar were not felt until September and October.

One has to recognize that all industrial nations' economies were experiencing difficult times. Germany was sagging under the weight of reunification; the Eastern

European nations were undergoing rapid political and economic changes; France and England were struggling to stabilize their currencies; and Japan was stagnating. The American economy, feeling the repercussions, started to slump, with consequences for Canadian producers as well.

As a result, the cyclical segments of the economy did not perform as well as expected, but even if they had, economic recovery would not have been as good as in the past. Many of the problems now facing Canada have deeper roots, and it will take time to find solutions.

Firstly, the short-term consequences of the Free Trade Agreement with the United States have worked to the Americans' advantage; businesses have been rationalizing production through mergers, plant closings and facility transfers, causing numerous layoffs and firings. For want of jobs and incomes, the confidence essential for recovery is just not there.

Secondly, for many years the cornerstone of the monetary policy has been the fight against inflation, to restore economic balance, to direct resources, to better productivity and to force Canadians to live within their means. Businesses that had been counting on expansion have seen their sales diminished and the value of their assets depreciate rapidly. An inevitable consequence of these developments for lending institutions is that outstanding debt becomes risky, a large number of loans are non-productive and provisions increased. The Canadian financial system has been shaken and several institutions have declared bankruptcy, further undermining the climate of confidence essential for economic recovery.

Thirdly, a major structural problem is placing a severe handicap on recovery: the level of public spending, or rather lack of government intervention. For more than two decades, government initiatives and actions, social programs, recovery plans, construction, subsidies, agencies for regulation and control have proliferated in an inefficient system given to duplication and overlap, which has lost sight of its priorities. The deficits that result, year after year, have plunged the governments deeply into debt.

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

Now, in the early 1990s, governments are being forced to increase taxes just when it would be better to reduce Canadians' tax burden. They must also borrow heavily to respect their financial obligations on domestic markets, where they drain off personal savings and force lending institutions to outbid each other, and on foreign markets, where the investors set the terms, with all the consequences that this can have on interest rates and the value of the Canadian dollar.

As a result, fiscal and monetary policies could not focus unequivocally on full employment, and economic recovery did not get under way.

FINANCIAL HIGHLIGHTS • Like other Canadian financial institutions with whom it shares financing arrangements, Caisse centrale has seen its 1992 performance very adversely affected by the economic climate, through loan losses, the effect of non-performing loans and falling interest rates. Despite all this, Caisse centrale reported a net income of \$4.3 million for the year ended December 31, 1992, compared to \$46.3 million in 1991.

Because of the Desjardins Group's strengths and the quality of its assets, its credit rating has remained unchanged at a time when very large financial institutions, and even governments, have seen theirs fall.

As at December 31, 1992, total assets were \$6.4 billion, up \$1,353 million, or 26.6%, from the previous year. Securities increased by \$195 million, to \$1.1 billion, and the loan portfolio stood at \$5.2 billion, an increase of \$1,181 million over the previous year. Loans to members totalled \$2,871 million, up \$1,215 million from 1991. At the close of 1992, outstanding deposits and debentures were \$5.9 billion, compared to \$4.6 billion in 1991. International markets accounted for \$860 million of this increase; the balance originated in Canada. Including the \$59 million in subordinated debentures eligible as Tier 2 capital under the Bank for International Settlements (BIS) guidelines, Caisse centrale's total capital as at December 31, 1992 stood at \$497 million, up \$43 million from 1991. Remuneration of capital

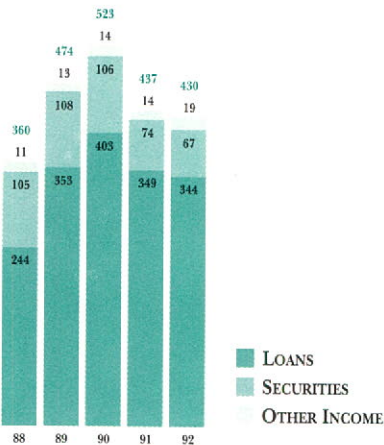
stock was paid out in full in the first semester of 1992, and the Board of Directors authorized partial payment in the third quarter. To protect members' equity, the Board decided to waive the remuneration of capital stock beginning October 1, 1992.

To better serve Desjardins Group's members in Florida, Caisse centrale established a wholly owned subsidiary, Desjardins Federal Savings Bank (Desjardins FSB) in 1992. The operations of Desjardins FSB are consolidated with those of Caisse centrale.

TOTAL INCOME • Caisse centrale had total income of \$430 million in 1992, compared to \$437 million in 1991. Lower interest rates and the effect of the non-performing assets account for this decline.

Interest on loans totalled \$344 million in 1992, compared to \$349 million in 1991. The securities portfolio generated revenues of \$67 million, compared to \$74 million a year earlier. Other income totalled \$18 million, up \$4.5 million from the previous year. The graph shows the change in Caisse centrale's total income over the last five years, by category of income.

TOTAL INCOME BY CATEGORY
(in millions of dollars)



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

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, which is, however, affected by volume of operations and interest rate fluctuations.

In interpreting these results, it should be noted that a large portion of members' equity is invested in liquid short-term money market instruments subject to interest rate fluctuations. The substantial drop in interest rates has driven down income from these assets. For example, the average rate for 90-day Canada Treasury bills was 6.51% in 1992, compared to 8.87% the previous year.

The increase of non-performing assets lowered interest income by \$9.7 million, compared to \$5.3 million in 1991.

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 governing transactions with interested parties. Under Caisse centrale's constituent legislation and its mandate as a supplier of funds, member federations are not considered interested parties in transactions with Caisse centrale and are therefore entitled to more favorable terms. Short-term loans are granted to members at Caisse centrale's cost of funds rate. Until June 1, 1992, medium-term loans carried a net spread of 0.30%; the net spread was then reduced to 0.05%. The average volume of loans to the federations increased substantially. Average outstanding loans were \$2,044 million in 1992, compared to \$950 million in 1991. The average volume of loans to the associated corporations, \$364 million, was similar to that of the previous year.

As a reflection of the tighter lending policy, the average volume of corporate loans declined by \$161 million, to \$1,400 million (compared to \$1,561 million in 1991). Since corporate loans carry a higher net interest spread than other loan categories, this drop in volume has naturally caused Caisse centrale's net interest income to decline.

For the above mentioned reasons, net interest income in 1992 was limited to \$56.5 million or 1.06% of average assets, compared to 1.58% in 1991.

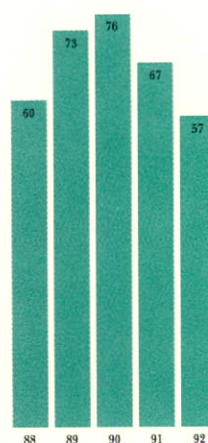
In 1993, we forecast a decrease in net interest income, mainly due to the management of the members' equity given an expected drop in interest rates and to lower loan commissions.

OTHER INCOME • Other income refers to non-interest income from service charges and administration fees for domestic and international banking services, as well as foreign exchange and loan commissions.

Other income amounted to \$18.4 million in 1992, representing 24.6% of the combined total of net interest income and other income, compared to 17.3% in 1991.

Continuing agreements with foreign correspondents place Caisse centrale in a good position on international markets. To serve its own clients and those of the Desjardins Group, Caisse centrale maintains correspondent relationships with more than 408 banks in 60 countries.

NET INTEREST INCOME
(in millions of dollars)



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

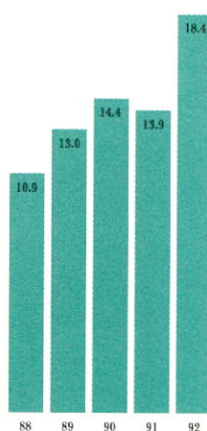
I. NET INTEREST INCOME ON AVERAGE ASSETS AND LIABILITIES
for the years ended December 31 (in thousands of dollars)

	1992			1991		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Securities	899,370	66,922	7.44%	733,849	74,216	10.11%
Loans						
Members and associated corporations	2,407,578	196,291	8.15%	1,310,802	139,607	10.65%
Public and parapublic sectors	487,272	41,779	8.57%	518,923	57,076	11.00%
Other	1,399,879	106,277	7.59%	1,560,743	152,085	9.74%
	4,294,729	344,347	8.02%	3,390,468	348,768	10.29%
Total interest-bearing assets	5,194,099	411,269	7.92%	4,124,317	422,984	10.26%
Other assets	128,067	—	—	102,378	—	—
TOTAL ASSETS	5,322,166	411,269	7.73%	4,226,695	422,984	10.01%
LIABILITIES						
Deposits and debentures						
Demand deposits	123,093	5,629	4.57%	76,011	4,405	5.80%
Fixed-term deposits	4,607,318	349,121	7.58%	3,607,061	351,867	9.75%
Total interest-bearing liabilities	4,730,411	354,750	7.50%	3,683,072	356,272	9.67%
Other liabilities	139,938	—	—	92,326	—	—
Members' equity	451,817	—	—	451,297	—	—
TOTAL LIABILITIES	5,322,166	354,750	6.67%	4,226,695	356,272	8.43%
NET INTEREST INCOME / TOTAL ASSETS	5,322,166	56,519	1.06%	4,226,695	66,712	1.58%

Commissions from foreign exchange transactions and international services rose by \$421,000 (an increase of 26.1% over 1991) to \$2 million in 1992. Administration fees and service charges totalled \$11.4 million in 1992, compared to \$12 million in 1991. The decrease can be attributed entirely to lower float revenues in 1992 caused by lower interest rates and a drop in check cashing fees due to a large-scale shift of social payments to direct deposit.

Non-interest revenue in 1992 included a \$4.8 million as dues received from the federations for work done by Caisse centrale on behalf of the Desjardins Group in a number of matters essential to the Group's development. This is a punctual contribution, not expected to recur in 1993.

OTHER INCOME
(in millions of dollars)



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

II. OTHER INCOME

for the years ended December 31 (in thousands of dollars)

	1992	1991	% Change
Commissions from foreign exchange transactions and international services	2,033	1,612	26.1
Administration fees	7,103	8,441	(15.9)
Service charges	4,299	3,536	21.6
Federations' dues	4,800	—	—
Other	167	354	(52.8)
TOTAL	18,402	13,943	32.0

Caisse centrale signed a number of major contracts with large companies in 1992 and plans to enlarge its product line to meet the needs of the Desjardins Group and its clients.

REMUNERATION OF CAPITAL STOCK AND OTHER PAYMENTS TO MEMBERS • Caisse centrale's initial forecasts for 1992 assumed that remuneration of capital stock would be paid at 5 basis points above 90-day bankers' acceptance rates. At that time, Caisse centrale believed that the economy might deteriorate, but not as much as it actually did. Consequently, remuneration of capital stock was paid in full in the first semester; the Board of Directors authorized partial payment in the third quarter and waived payment in the fourth quarter. Total remuneration of capital stock in 1992 came to \$17.6 million.

Because of current economic uncertainty, the Board of Directors has decided to postpone the decision regarding a date for payment of remuneration of capital stock in 1993.

In cooperation with the Desjardins Group, Caisse centrale offers large public and private Canadian organizations a wide range of up to date domestic and international banking services. Fees charged for these services and later distributed to members totalled \$6.5 million, compared to \$7.3 million in 1991. Most of this decrease can be accounted for by a drop in transit income due to lower interest rates and by reduced cheque cashing fees brought about by a large-scale shift of social payments to direct deposit. Caisse centrale foresees that other payments to members in 1993 will be approximately what they were in 1992.

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

III. NON-INTEREST EXPENSES
for the years ended December 31 (in thousands of dollars)

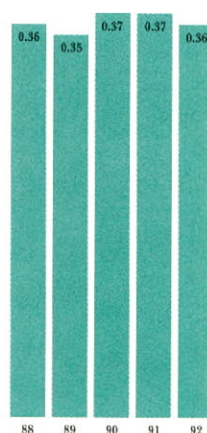
	1992	1991	% Change
Salaries, pension benefits and other staff benefits	10,003	8,610	16.2
Premises, equipment and furniture			
Rental and taxes	1,787	1,297	37.8
Depreciation	515	399	29.1
Subcontracting expenses	1,634	1,499	9.0
Other expenses	472	373	26.5
	4,408	3,568	23.5
Other expenses			
Advertising, promotion and publications	285	268	6.3
Business development	845	625	35.2
Telecommunications, mailing and couriers	737	648	13.7
Insurance	170	136	25.0
Supplies, stationery and printing	319	312	2.2
Professional fees	1,077	760	41.7
Membership dues paid to the Confédération	441	254	73.6
Start-up costs for the subsidiary	191	—	—
Other	436	312	39.7
	4,501	3,315	35.8
TOTAL	18,912	15,493	22.1
Non-interest expenses on average assets	0.36%	0.37%	—

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

Expressed as a percentage of average assets, non-interest expenses were 0.36% in 1992, compared to 0.37% in 1991. Non-interest expenses were \$18.9 million in 1992, of which Desjardins FSB accounted for \$1.3 million.

Caisse centrale will continue to exercise tight controls on operating expenses in 1993.

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



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

SALARIES, PENSIONS AND OTHER EMPLOYEE BENEFITS •

Salaries, pensions and other employee benefits represented 53% of non-interest expenses and increased by \$1.4 million, or 16.2%. This growth was due to the filling of positions authorized in 1991, the indexing of salary scales in 1992, temporary labor costs related to the installation of the new operations software and \$639,000 in expenditures for Desjardins FSB whose operations are for the most part related to personal services.

Pension and other employee benefit expenses totalled \$1.8 million, of which \$299,000 was due to higher premiums for medical and retirement plans, unemployment insurance, health care and other employee benefits.

Excluding Desjardins FSB, 154 positions were authorized in 1992, the same number as at December 31, 1990. Despite increased business volume, the same number of positions is planned for 1993.

EXPENSES FOR PREMISES, EQUIPMENT AND FURNITURE

(INCLUDING SUBCONTRACTING EXPENSES) • Subcontracting expenses, at \$1.6 million, were slightly higher than in 1991. These expenses are offset by income from fee-based services. Excluding expenses of \$229,000 incurred by Desjardins FSB, the balance of expenses for premises, equipment and furniture are \$2.5 million in 1992, compared to \$2.1 million in 1991. Most of the increase is due to the unforeseen departure of a subtenant.

OTHER EXPENSES • Caisse centrale incurs fairly substantial expenditures in carrying out its mandate as supplier of funds to the Desjardins Group. Examples of such expenses include financial rating agency fees, fees for short and long-term issues, fees paid to Canadian securities commissions and capitalization-related expenditures. In 1992, such expenditures amounted to \$592,000.

Other expenses increased by \$1.2 million, of which \$400,000 were incurred by Desjardins FSB. The principal increases occurred in professional fees (\$191,000), mainly as supplier of funds to the Desjardins Group; start-up costs (\$191,000) for Desjardins FSB; membership dues (\$187,000) to the Confédération and other expenses (\$217,000).

INCOME AND OTHER TAXES • The provision for income taxes is in direct proportion to operating results. Current and deferred income taxes are detailed in Note 12 to the financial statements.

The provision for income taxes was \$2.3 million, compared to \$9.9 million for the previous year. The 1992 provision includes \$862,000 (\$892,000 in 1991) on account of the federal large corporations tax and a compensation tax of \$92,000, imposed by the Québec government in 1992 on salaries.

COMMENTS ON THE BALANCE SHEET • As at December 31, 1992, total assets of Caisse centrale stood at \$6.4 billion, up \$1.4 billion from 1991. The increase was due mainly to loans, principally to members, and to a lesser extent to securities.

Average assets reached \$5.3 billion in 1992, an increase of 25.9%, or \$1,095 million, over 1991.

A moderate increase in assets, accounted for mainly to loans to members and to the public and parapublic sectors, is expected in 1993. This increase is consistent with Caisse centrale's mandate, as well as its new lending policy.

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

Table IV gives details on Caisse centrale's asset mix.

IV. ASSET MIX
as at December 31 (in millions of dollars)

	1992	1991	1990	1989	1988
Securities	1,089	894	688	695	806
Loans	5,198	4,018	3,259	3,003	3,068
Other assets	153	175	126	209	133
TOTAL	6,440	5,087	4,073	3,907	4,007
Average assets	5,322	4,227	4,108	3,811	3,523

LOANS • At year-end 1992, the loan portfolio stood at \$5.2 billion, up \$1,181 million from the previous year. The increase resulted solely from loans to members (\$1,215 million) and to associated corporations (\$228 million). Tighter lending policies caused corporate loans to shrink to \$1,221 million as at December 31, 1992, a drop of \$261 million compared to 1991.

CREDIT RISK MANAGEMENT • Caisse centrale managed its loan portfolio carefully, applying a highly selective risk management policy and working toward well-defined risk diversification objectives.

Caisse centrale tightened its credit policies severely in February 1992 which were already revised in 1991; in order to allow better control and diversification of the loan portfolio and therefore limit its commitments towards certain borrowers, categories of borrowers and regions. Caisse centrale is also limiting its commitments with respect to highly leveraged transactions, real estate lending and industry sectors.

Applications for credit are authorized by senior management and/or members of the Executive Committee in accordance with their respective limits. These authorizations are then submitted to the Executive Committee and subsequently to the Board of Directors for approval. When the borrower is a related party, the credit authorization is also reviewed by the Ethics Committee to ensure that the rules of proper conduct have been followed.

In 1990, Caisse centrale developed and implemented a credit risk management policy to assist in detecting loan-related problems and designing appropriate corrective measures. This policy, under which all loans are measured against eight risk categories, also requires that periodic reviews be carried out and reported systematically to the appropriate decision-making bodies, so that necessary steps can be taken to minimize loss exposure.

Besides conducting these periodic reviews, Caisse centrale reviews all its credit records at least once a year. These reviews are submitted to the Executive Committee and approved by the Board of Directors. Caisse centrale believes that, despite difficult economic times, the portfolio is still of high quality.

Caisse centrale deals with foreign correspondents, and in 1992 established guidelines for its international operations involving credit risk. More specifically, this policy ensures sound apportionment of Caisse centrale's foreign risks by setting out eligibility criteria for countries and correspondents, monetary limits by country and by correspondent, and term limits.

Finally, the 15% limit on private sector commitment has been respected in all industries – with the exception of real estate, where the commitment stood at 15.7% at year-end.

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

V. LOAN PORTFOLIO
after provision for loan losses as at December 31 (in millions of dollars)

	1992	1991	1990	1989	1988
Composition					
Day to day	—	15	—	—	—
Members	2,871	1,656	809	935	1,457
Other associated corporations	558	330	384	299	278
Public and parapublic sectors	548	530	570	430	395
Banks	—	5	—	—	—
Others - private sector	1,221	1,482	1,496	1,339	938
TOTAL	5,198	4,018	3,259	3,003	3,068
Geographic distribution					
Québec	4,560	3,294	2,458	2,278	2,729
Ontario	421	518	566	593	330
Other Canadian provinces	202	201	235	132	9
Foreign	15	5	—	—	—
TOTAL	5,198	4,018	3,259	3,003	3,068
Average Loans	4,295	3,390	3,161	2,848	2,353

VI. BREAKDOWN OF LOANS TO PRIVATE SECTOR
before provision for loan losses as at December 31 (in thousands of dollars)

	1992		1991	
	\$	%	\$	%
Primary industries	99,393	7.7	135,650	9.0
Manufacturing industries				
• food and tobacco	77,053	6.0	88,894	5.9
• textiles, rubber and plastics	61,772	4.8	51,310	3.4
• wood and furniture	25,214	1.9	42,760	2.8
• pulp, paper, printing and publishing	164,594	12.7	251,040	16.6
• other	165,266	12.8	162,054	10.7
Real estate	240,334	18.6	274,624	18.2
Transportation and communications	132,502	10.2	139,266	9.2
Wholesale and retail trade	126,088	9.7	167,492	11.1
Financial intermediaries	157,206	12.2	145,637	9.6
Other service corporations	44,409	3.4	53,319	3.5
TOTAL	1,293,831	100.0	1,512,046	100.0

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

COMMERCIAL REAL ESTATE LOANS • The real estate market continued to deteriorate in 1992. The vacancy rate increased and rental rates went into a tailspin, while property values fell dramatically.

Commercial real estate loan commitments totalled \$286 million at year-end 1992, down \$90 million from 1991. Outstanding loans stood at \$240 million as at December 31, 1992, a decrease of \$34 million from last year. Net non-performing loans in this industry reached \$22 million, or 0.4% of net outstanding loans. In keeping with its lending policy, Caisse centrale does not foresee any increased commitment in this industry in 1993.

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 1993, because of the maximum limit it has set for itself. Outstanding loans of this type, all performing, stood at \$100 million at year-end, down \$72 million from \$172 million in 1991.

Commitments for this loan category totalled \$138 million as at December 31, 1992, compared to \$243 million in 1991, a decrease of \$105 million.

NON-PERFORMING LOANS • The sluggish economy has created financial problems for many businesses. Throughout the year, a good deal of effort went into minimizing losses through sound management of non-performing loans. Non-performing loans net of provisions stood at \$58.8 million at year-end 1992, compared to \$36.3 million in 1991. Accounting policies for non-performing loans are explained in Note 2 to the financial statements.

As at December 31, 1992, non-performing loans net of provisions accounted for 1.13% of the total loan portfolio and 13.4% of members' equity. These ratios compare very favorably with the average of major Canadian banks.

Even though a number of indicators permit mild optimism for 1993, Caisse centrale expects economic

recovery to be slow and gradual. Non-performing loans will therefore remain high in 1993.

PROVISION FOR LOAN LOSSES AND CUMULATIVE PROVISIONS FOR LOAN LOSSES • Because of the sharp downturn in a number of industrial sectors, provision for loan losses charged to the statement of income in 1992 was \$49.5 million, compared to \$9 million in 1991.

As at December 31, 1992, cumulative provisions for loan losses were \$72.9 million (1.4% of total loans) compared to \$30.1 million (0.7% of total loans) the previous year. Cumulative provisions for loan losses as a percentage of gross non-performing loans (the coverage ratio) increased to 55% in 1992 from 45% in 1991.

Assuming moderate recovery in 1993, Caisse centrale expects provision for loan losses to be less than in 1992.

LIQUIDITY MANAGEMENT • The purpose of liquidity management is to ensure that Caisse centrale has sufficient liquid assets at all times to cope with withdrawals and liability maturity dates and to meet its financial obligations. Stability and diversity of sources of funds, described in the next section, are essential components of sound liquidity management.

Caisse centrale uses additional methods to manage liquidity, such as careful monitoring of loan and term deposit maturity dates. In addition, 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 highly liquid securities portfolio. At year-end 1992 this portfolio stood at \$1,089 million, with 70% of the holdings, or \$757 million, maturing in less than one year. Moreover, close to 70% of the portfolio is composed of securities issued or guaranteed by the Government of Canada or the provinces. As at December 31, 1992, the securities portfolio represented 16.9% of total assets.

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

VII. BREAKDOWN OF THE SECURITIES PORTFOLIO
as at December 31 (in millions of dollars)

	1992	1991	1990	1989	1988
Canada	392	177	190	231	368
Provinces	365	330	114	53	48
Members and associated corporations	23	41	53	39	33
Other Canadian issuers	297	346	331	372	357
Foreign issuers	12	—	—	—	—
TOTAL	1,089	894	688	695	806
Average securities	899	734	831	849	1,080

Caisse centrale complies fully with the liquidity requirements of the Inspector General of Financial Institutions, and in 1992 maintained sufficient liquid assets to meet its own operating requirements. Furthermore, Caisse centrale maintained liquid assets – \$127 million on average – over and above those required by law, so that it could fully assume its role as prime supplier of funds to the Desjardins Group.

In 1993, Caisse centrale will continue to maintain liquid assets sufficient to meet its members' needs and satisfy statutory requirements.

SOURCES OF FUNDS • Caisse centrale's funding policy, is to maintain a deposit base diversified with respect to region, currency and maturity date, and designed to ensure safe fund procurement at the lowest possible cost. The breakdown of deposits appears in Note 6 to the financial statements.

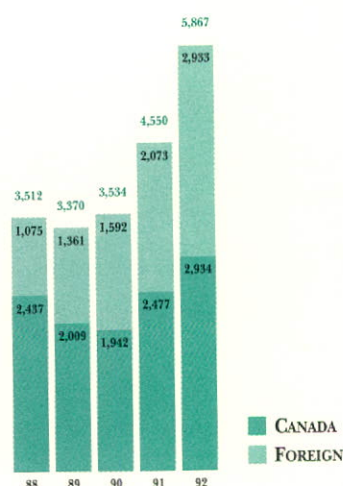
Caisse centrale follows a policy of "gap risk management" that sets out guidelines and procedures for managing interest rate risk associated with mismatched financial transactions.

There were \$5.8 billion in outstanding deposits at year-end 1992, compared to \$4.5 billion in 1991. International markets supplied \$860 million of this increase; the balance originated in Canada.

Demand deposits stood at \$175 million as at December 31, 1992, down \$20 million from the previous year.

Deposits by members and associated corporations totalled \$659 million at the end of the year; this represented 11.3% of total deposits, compared to 12.4% in the previous year. Other deposits increased by \$1,163 million, reaching \$5.1 billion at year-end.

SOURCE OF DEPOSITS
(in millions of dollars)



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

VIII. DEPOSITS AND SUBORDINATED DEBENTURES
as at December 31, 1992 (in millions of dollars)

	1992	1991	1990	1989	1988
Composition					
Canada	231	507	200	92	119
Public agencies	166	96	8	77	47
Members	370	400	231	177	80
Associated corporations	288	163	123	115	73
Other deposits	4,753	3,384	2,972	2,909	3,193
	5,808	4,550	3,534	3,370	3,512
Subordinated debentures	59	—	—	—	—
TOTAL	5,867	4,550	3,534	3,370	3,512
	1992	1991	1990	1989	1988
	\$ %	\$ %	\$ %	\$ %	\$ %
Geographic distribution					
Canada	2,934 50	2,477 54	1,942 55	2,009 60	2,437 69
International	2,933 50	2,073 46	1,592 45	1,361 40	1,075 31
TOTAL	5,867 100	4,550 100	3,534 100	3,370 100	3,512 100
Average liabilities	4,730	3,683	3,563	3,277	3,043

For several years, Caisse centrale has been diversifying and increasing the number of its funding sources. To this end, Caisse centrale has established a number of short and medium-term borrowing programs. In addition to a domestic program under which it issues short and medium-term notes, Caisse centrale has been raising funds using two other short-term programs (in the United States and Europe) and one medium-term program (in Europe) established in 1992. When appropriate, Caisse centrale can also resort to public and private issues.

To meet the funding requirements of the Desjardins Group during the year, Caisse centrale was very active on both domestic and international markets, proceeding with five public issues on international markets in 1992 for a

total of \$596 million. Caisse centrale also carried out a private issue of \$64 million. As at December 31, 1992, total outstanding issues on European and American markets aggregated to \$935 million, up \$264 million from 1991. These issues were sold under favorable conditions.

As at December 31, 1992, through its various fund supply programs, Caisse centrale had issued a total of \$2.9 billion on international markets: \$1,231 million in American dollars, \$932 million in Canadian dollars, \$316 million in yen, \$130 million in Swiss francs, \$230 million in French francs, \$31 million in German marks, \$5 million in pounds sterling and \$59 million in Luxembourg francs. Caisse centrale's sound credit ratings have made these issues and commercial paper programs possible. Deposits and subordinated debentures issued on inter-

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

national markets accounted for 50% of the total, compared to 45.6% in 1991.

Medium-term public issues due to mature in 1993 amount to \$370 million, or 6.4% of total deposits at year-end 1992.

The year was an emotional one, marked by significant events: the constitutional debate, the Maastricht accord, the American elections and economic problems in several European countries. Despite the difficult times, Caisse centrale increased the percentage of its international deposits, on favorable conditions, from 46% to 50%.

Caisse centrale will continue its policy of reducing the costs of funds by diversifying its sources of supply. Caisse centrale expects additional demand for funds from its members and associated corporations. To meet this demand and replace issues maturing in 1993, Caisse centrale has plans for new public and private issues on international markets, stepping up its issues of short-term commercial paper in the United States and Europe and establishing a medium-term note program in the United States.

Caisse centrale foresees no significant changes in its funding capabilities in 1993. Table VIII provides a breakdown of funding sources at year-end 1992.

RISK-BASED CAPITAL • The Bank for International Settlements (BIS) has established a framework for measuring capital adequacy of banks with substantial international activities. Caisse centrale has no legal obligation to abide by these guidelines, but because of its international presence wishes to compare itself with other financial institutions active internationally.

RISK-ADJUSTED ASSETS AND OFF-BALANCE SHEET COMMITMENTS • The BIS framework requires that "risk-adjusted amounts" be calculated for off-balance sheet commit-

ments and asset items and that aggregate values be weighted using a common definition of capital.

Off-balance sheet commitments are initially converted to "credit equivalent amounts" as shown in Table IX. For credit instruments such as guarantees, letters of credit and commitments to extend credit, the "credit equivalent amounts" are determined by multiplying the principal or nominal values by the appropriate "credit conversion factors", which can range from 0% to 100%, depending on the nature of the instrument and the original term to maturity. The "credit equivalent amounts" for foreign exchange and for interest and currency contracts comprise the replacement cost of contracts with positive value and the possible future credit exposure on the contracts, calculated on the basis of their residual term to maturity.

The "credit equivalent amounts" for off-balance sheet financial instruments together with on-balance sheet assets are then multiplied by appropriate "risk weights" to determine risk values. The risk weights depend on the relative credit risk of the counterparty and vary from 0% for claims on or guaranteed by the Canadian or provincial governments to 100% for claims on or guaranteed by the private sector. Caisse centrale has been using a risk-weighting factor of 20% for all transactions involving members and 100% for those involving associated corporations.

As shown in Table IX, Caisse centrale's risk-adjusted assets and off-balance sheet commitments stood at \$3,110 million as at December 31, 1992.

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

IX. RISK-ADJUSTED ASSETS AND OFF-BALANCE SHEET COMMITMENTS
as at December 31, 1992 (in thousands of dollars)

as at December 31, 1992 (in thousands of dollars)			Balance sheet amount	Principal risk weight	Risk- adjusted balance	
ASSETS						
Cash and deposits with Bank of Canada			53,517	0%	0	
Securities issued or guaranteed by Canada, provinces and municipal, public or school corporations			757,069	0-20%	13,478	
Securities issued by banks			172,602	20%	34,520	
Securities issued by members and associated corporations			23,078	20-100%	22,281	
Other securities			135,855	0-100%	119,206	
Loans granted or guaranteed by Canada, provinces, municipalities, school boards and public agencies			564,924	0-20%	101,727	
Loans to members and associated corporations			3,429,333	20-100%	1,132,357	
Other loans			1,204,274	100%	1,204,274	
Other assets			99,517	100%	99,517	
			6,440,169		2,727,360	
OFF-BALANCE SHEET COMMITMENTS						
	Contract amount	Credit- conversion factor	Credit- equivalent amount	Principal risk weight	Risk- adjusted balance	
Credit instruments						
Guarantees and standby letters of credit		175,383	0-100%	172,837	20-100%	113,839
Commitments to extend credit:						
Original term to maturity						
Greater than one year		581,325	50%	290,663	0-100%	206,874
One year or less and conditional		3,203,280	0%	0	0%	0
Foreign exchange and interest rate contracts						
Currency and interest rate contracts		5,977,927	(1)	190,833	0-100%	53,966
Foreign exchange contracts		1,869,142	(1)	46,636	0-100%	8,308
		11,807,057		700,969		382,987
TOTAL RISK-ADJUSTED ASSETS AND OFF-BALANCE SHEET COMMITMENTS						3,110,347

- (1) Foreign exchange and interest rate contracts are converted to "credit equivalent amounts" by adding the total replacement cost (obtained by market assessment) of all outstanding contracts with positive value and an amount for potential future credit exposure on the basis of the total contract amount split by remaining term to maturity, as follows:

Remaining term to maturity	Foreign exchange contracts	Interest rate contracts
Less than one year	1%	0%
Greater than one year	5%	0.5%

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

CAPITAL RATIO • Members' equity was \$438 million as at December 31, 1992. In addition, Caisse centrale had outstanding subordinated debentures totalling \$59 million eligible as Tier 2 capital under BIS guidelines. Total capital stood at \$497 million at year-end.

As at December 31, 1992, Caisse centrale's risk-adjusted capital ratio, calculated according to BIS guidelines, reached 15.98%, well above the established norm of 8%.

OFF-BALANCE SHEET TRANSACTIONS • To help clients meet their liquidity requirements and protect themselves against fluctuations in interest and foreign exchange rates, Caisse centrale offers a number of off-balance sheet instruments. Caisse centrale itself uses some of

these instruments to manage its own exposure to interest and exchange rate fluctuations. All off-balance sheet instruments are subject to Caisse centrale's normal credit standards, financial controls, risk ceilings and monitoring procedures.

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

CREDIT INSTRUMENTS • Products in this category, which include guarantees, letters of credit and commitments to extend credit, are designed to provide clients with funds for which they anticipate a need.

X. OFF-BALANCE SHEET ACTIVITIES
as at December 31 (in millions of dollars)

	1992			1991		
	Related Party	Other	Total	Related Party	Other	Total
Commitments to extend credit						
Guarantees and standby letters of credit	3	172	175	2	82	84
Commitments to extend credit						
- Firm	1,312	1,859	3,171	1,350	1,549	2,899
- Conditional	140	474	614	—	656	656
	1,452	2,333	3,785	1,350	2,205	3,555
	1,455	2,505	3,960	1,352	2,287	3,639
Foreign exchange and interest rate contracts						
Foreign exchange contracts	14	1,855	1,869	55	1,185	1,240
Currency and interest rate contracts	1,589	4,389	5,978	945	3,135	4,080
	1,603	6,244	7,847	1,000	4,320	5,320
TOTAL	3,058	8,749	11,807	2,352	6,607	8,959

XI. INTEREST RATE CONTRACTS IN CANADIAN DOLLARS
as at December 31 (in millions of dollars)

	1992	1991
Caisse centrale pays floating rates and receives fixed rates	1,743	1,698
Caisse centrale pays fixed rates and receives floating rates	1,911	1,426
TOTAL	3,654	3,124

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

Conditional commitments to extend credit are subject to clients' compliance with particular credit standards. Risk associated with such commitments is therefore reduced considerably.

A firm commitment requires a duly signed offer, including confirmation of acceptance by the client. In such cases, Caisse centrale must pay out the amount specified in the commitment.

FOREIGN EXCHANGE AND INTEREST RATE CONTRACTS •

Currency and interest rate contracts and foreign exchange contracts allow Caisse centrale and its clients to transfer, modify or reduce the foreign exchange and interest rate risks.

Currency and interest rate contracts are transactions in which two parties exchange currencies and/or interest flows on a specified principal amount for a predetermined period.

With the exception of hedging contracts, Caisse centrale's commitments to purchase a fixed amount of a foreign currency are generally offset by options to sell an equal amount of the same currency. Most currency and interest rate contracts and foreign exchange contracts are concluded with major Canadian or international banks.

The net total amount of interest rate contracts increased substantially, especially those concluded with federations which, at their caisses' request, have used this instrument to match three- and five-year residential mortgages. Caisses and federations preferred foreign exchange and interest rate contracts to term loans from Caisse centrale because of a substantial rate advantage.

MEMBERS' EQUITY • The amount of capital stock, at \$409.4 million, remained unchanged from the previous year. The severe economic downturn in 1992 and consequent provisions for loan losses caused the general reserve to decline by \$15.8 million.

Caisse centrale meets all capital requirements of the Inspector General of Financial Institutions. Calculated according to the regulator's guidelines, which differ from those of the BIS, the debt-to-equity ratio stood at 14.79:1 as at December 31, 1992, while the established norm is 20:1. Had Tier 2 capital been included, the debt-to-equity ratio would have been 13.03:1 at year-end 1992.

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

XII. CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
as at December 31 (in thousands of dollars)

	1992	1991	1990	1989	1988
ASSETS					
Cash and deposits with Bank of Canada	53,517	86,594	36,837	108,210	71,648
Securities	1,088,605	893,536	688,373	695,281	806,147
Loans					
• members and associated corporations	3,429,331	1,985,888	1,193,135	1,234,057	1,734,794
• public and parapublic sectors	548,304	529,994	570,116	430,288	394,305
• other loans	1,220,895	1,502,079	1,495,594	1,339,102	938,945
Other assets	99,517	89,005	89,435	99,861	61,384
TOTAL ASSETS	6,440,169	5,087,096	4,073,490	3,906,799	4,007,223
LIABILITIES					
Deposits					
Payable on demand	174,722	195,203	79,889	179,906	171,392
Payable on a fixed date	5,633,504	4,354,459	3,454,481	3,190,693	3,340,176
Other liabilities	135,006	83,337	91,984	92,673	65,142
	5,943,232	4,632,999	3,626,354	3,463,272	3,576,710
Subordinated debentures	58,594	—	—	—	—
Members' equity					
General reserve	28,940	44,694	37,733	34,124	21,110
Capital stock	409,403	409,403	409,403	409,403	409,403
	438,343	454,097	447,136	443,527	430,513
TOTAL LIABILITIES AND MEMBERS' EQUITY	6,440,169	5,087,096	4,073,490	3,906,799	4,007,223

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

XIII. CONSOLIDATED STATEMENTS OF INCOME
for the years ended December 31 (in thousands of dollars)

	1992	1991	1990	1989	1988
Interest income					
Loans	344,347	348,768	403,112	352,541	244,526
Securities	66,922	74,216	105,788	107,721	104,607
	411,269	422,984	508,900	460,262	349,133
Interest expense					
Deposits	354,750	356,272	432,617	387,152	288,697
Net interest income	56,519	66,712	76,283	73,110	60,436
Provision for loan losses	49,500	9,000	10,500	2,500	4,016
Net interest income after provision for loan losses	7,019	57,712	65,783	70,610	56,420
Other income	18,402	13,943	14,401	12,979	10,866
Net interest income and other income	25,421	71,655	80,184	83,589	67,286
Non-interest expenses					
Salaries	8,172	7,078	6,734	6,133	5,553
Pension benefits and other staff benefits	1,831	1,532	1,311	1,208	1,037
Premises, equipment and furniture, including depreciation	4,408	3,568	3,485	3,096	3,436
Other	4,501	3,315	3,536	2,967	2,627
TOTAL	18,912	15,493	15,066	13,404	12,653
Net income before income taxes	6,509	56,162	65,118	70,185	54,633
Provision for income taxes	2,250	9,878	11,101	11,387	9,460
NET INCOME	4,259	46,284	54,017	58,798	45,173

CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT REPORT

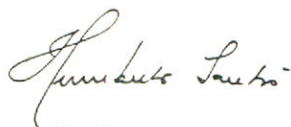
Management is responsible for preparing consolidated financial statements and related information appearing in the Annual Report and for ensuring its reliability and accuracy. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include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

Montreal,
January 29, 1993

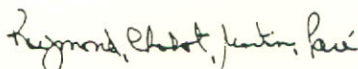
AUDITORS' REPORT

To the Members of
Caisse centrale Desjardins

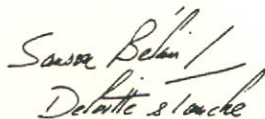
We have audited the consolidated statements of assets and liabilities of Caisse centrale Desjardins as at December 31, 1992 and 1991 and the consolidated statements of income, retained earnings and general reserve and changes in financial position for the years then ended. These financial statements 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 consolidated financial statements present fairly, in all material respects, the financial position of Caisse centrale Desjardins as at December 31, 1992 and 1991 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.



Chartered Accountants



Chartered Accountants

Montreal,
January 29, 1993

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
AS AT DECEMBER 31 (IN THOUSANDS OF DOLLARS)

	1992	1991
ASSETS		
Cash Resources		
Cash and deposits with Bank of Canada	\$ 53,517	\$ 86,594
	53,517	86,594
Securities (note 3)		
Issued or guaranteed by Canada	392,448	177,227
Issued or guaranteed by provinces and municipal, public or school corporations	364,621	330,441
Other securities	331,536	385,868
	1,088,605	893,536
Loans		
Day, call and short loans to investment dealers and brokers, secured	—	15,000
Other loans (note 4)	5,198,530	4,002,961
	5,198,530	4,017,961
Other Assets		
Fixed assets, less accumulated depreciation	1,968	1,524
Other assets (note 5)	97,549	87,481
	99,517	89,005
	\$ 6,440,169	\$ 5,087,096
LIABILITIES		
Deposits (note 6)		
Payable on demand	\$ 174,722	\$ 195,203
Payable on a fixed date	5,633,504	4,354,459
	5,808,226	4,549,662
Other Liabilities		
Cheques and other items in transit, net	32,098	5,229
Other liabilities (note 7)	102,908	78,108
	135,006	83,337
Subordinated Debentures (note 8)	58,594	—
MEMBERS' EQUITY		
General Reserve	28,940	44,694
Capital Stock Issued 409,403 shares (note 9)	409,403	409,403
Retained Earnings (note 10)	—	—
	438,343	454,097
	\$ 6,440,169	\$ 5,087,096

On behalf of the Board,


Director


Director

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31 (IN THOUSANDS OF DOLLARS)

	1992	1991
Interest Income		
Loans	\$ 344,347	\$ 348,768
Securities	66,922	74,216
Total interest income	411,269	422,984
Interest Expense	354,750	356,272
Net Interest Income	56,519	66,712
Provision for loan losses	49,500	9,000
Net Interest Income After Provision for Loan Losses	7,019	57,712
Other income	18,402	13,943
Net Interest and Other Income	25,421	71,655
Non-Interest Expenses		
Salaries	8,172	7,078
Pension and other staff benefits	1,831	1,532
Premises, equipment and furniture, including depreciation	4,408	3,568
Other expenses	4,501	3,315
Total non-interest expenses	18,912	15,493
Net Income Before Provision for Income Taxes	6,509	56,162
Provision for income taxes (note 12)	2,250	9,878
Net Income	\$ 4,259	\$ 46,284

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND GENERAL RESERVE
FOR THE YEARS ENDED DECEMBER 31 (IN THOUSANDS OF DOLLARS)

	1992	1991
Retained Earnings		
Balance at beginning of year	\$ —	\$ —
Net income for the year	4,259	46,284
Remuneration of capital stock and other payments to members	(24,161)	(46,813)
Recovery of income taxes related to the remuneration of capital stock and other payments to members (note 12)	4,148	7,490
Transfer from (to) general reserve	15,754	(6,961)
Balance at end of year	\$ —	\$ —
General Reserve		
Balance at beginning of year	\$ 44,694	\$ 37,733
Transfer from (to) retained earnings	(15,754)	6,961
Balance at end of year	\$ 28,940	\$ 44,694

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31 (IN THOUSANDS OF DOLLARS)

	1992	1991
Operations		
Net income	\$ 4,259	\$ 46,284
Provision for loan losses and devaluation of securities	50,000	12,000
Depreciation of fixed assets	515	399
Deferred income taxes	(567)	(344)
Net change in other assets	(9,823)	193
Net change in other liabilities	59,118	299
Funds generated by operations	103,502	58,831
Remuneration of capital stock and other payments to members, net of related recovery of income taxes	27,140	47,925
Net funds provided by operations	76,362	10,906
Financing activities		
Issue of subordinated debentures	58,594	—
Net increase in deposits	1,258,564	1,015,292
Funds provided by financing activities	1,317,158	1,015,292
Investment activities		
Net increase in:		
Securities	195,569	208,163
Loans	1,230,069	768,116
Fixed assets	959	162
Funds used in investment activities	1,426,597	976,441
Net increase (decrease) in cash resources	(33,077)	49,757
Cash resources at beginning of year	86,594	36,837
Cash resources at end of year	\$ 53,517	\$ 86,594

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991 (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 consolidated 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.

CONSOLIDATION • In 1992, Caisse centrale Desjardins obtained approval from the United States' authorities to incorporate a savings bank under the name of Desjardins Federal Savings Bank. Caisse centrale Desjardins' wholly-owned subsidiary, Desjardins Federal Savings Bank, offers a complete range of banking services to individuals and businesses. The consolidated financial statements include the assets and liabilities and results of operations of the subsidiary after elimination of intercompany transactions and balances.

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 held for purposes other than hedging 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. Gains and losses realized on disposals of securities purchased for hedging purposes are deferred and recognized in income over the expected remaining life of the hedged item.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991 (ALL TABULAR FIGURES ARE IN THOUSANDS OF DOLLARS)

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 and it is netted against total loans. 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.

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. Any income or expense associated with interest rate and cross currency swaps used for hedging purposes is recorded over the life of the agreements.

When used in trading activities, interest rate swaps are marked to market, with the resulting gains and losses being recognized immediately in the statement of income.

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	

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".

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 1992 AND 1991 (ALL TABULAR FIGURES ARE IN THOUSANDS OF DOLLARS)

3. SECURITIES

					1992		1991	
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	\$ 254,106	\$ 17,353	\$ 27,642	\$ 93,347	\$ 392,448	\$ 390,548	\$ 177,227	\$ 178,506
Provinces, municipal, public or school corporations in Canada	249,115	70,904	3,515	41,087	364,621	367,605	330,441	332,203
Other Securities								
Securities of Canadian issuers:								
Banks	172,602	—	—	—	172,602	172,688	218,903	218,910
Members	—	—	—	—	—	—	5,516	5,638
Associated corporations	22,033	995	—	50	23,078	23,195	34,925	35,413
Other issuers	47,943	52,913	22,904	430	124,190	118,586	126,524	127,629
Securities of foreign issuers	11,639	—	—	27	11,666	11,669	—	—
	\$ 757,438	\$ 142,165	\$ 54,061	\$ 134,941	\$ 1,088,605	\$ 1,084,291	\$ 893,536	\$ 898,299

4. OTHER LOANS

	1992	1991
Public and parapublic institutions	\$ 548,304	\$ 529,994
Banks	—	5,152
Members	2,871,219	1,655,806
Other associated corporations	558,112	330,082
Other — private sector	1,293,831	1,512,046
	5,271,466	4,033,080
Provision for loan losses	(72,936)	(30,119)
	\$ 5,198,530	\$ 4,002,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991 (ALL TABULAR FIGURES ARE IN THOUSANDS OF DOLLARS)

5. OTHER ASSETS

	1992	1991
Accrued interest	\$ 65,327	\$ 65,849
Income taxes recoverable	2,804	—
Other assets	29,173	21,632
Deferred income taxes	245	—
	\$ 97,549	\$ 87,481

6. DEPOSITS

	1992	1991
Canada	\$ 231,331	\$ 506,697
Provinces	165,542	95,875
Banks	727,796	470,026
Members — for clearing purposes	22,070	30,585
— for other purposes	348,357	369,718
Other associated corporations	288,250	163,147
Other deposits	4,024,880	2,913,614
	\$ 5,808,226	\$ 4,549,662

7. OTHER LIABILITIES

	1992	1991
Remuneration of capital stock payable	\$ 9	\$ 7,136
Accrued interest	77,717	53,951
Income taxes payable	—	3,232
Deferred income taxes	—	322
Other liabilities	25,182	13,467
	\$ 102,908	\$ 78,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991 (ALL TABULAR FIGURES ARE IN THOUSANDS OF DOLLARS)

8. SUBORDINATED DEBENTURES

The debentures are obligations whose repayment is subordinated to the claims of depositors and other creditors. Denominated in Luxembourg Francs with a nominal value of 1,500,000,000 — Canadian equivalent of \$58,594,000 — and maturing on December 4, 2002, the debentures are not redeemable and they bear interest at the annual rate of 8.5%.

9. 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 therefore; 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.

10. RETAINED EARNINGS

The Directors of Caisse centrale Desjardins have approved the transfers between the general reserve and the retained earnings as at December 31, 1992 and 1991.

11. 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 terms 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991 (ALL TABULAR FIGURES ARE IN THOUSANDS OF DOLLARS)

12. PROVISION FOR INCOME TAXES

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

	1992	1991
Statements of income	\$ 2,250	\$ 9,878
Statements of retained earnings		
Recovery of income taxes related to the remuneration of capital stock and other payments to members	(4,148)	(7,490)
Total provision for income taxes	\$ (1,898)	\$ 2,388
The provision for current and deferred income taxes is as follows:		
Current	\$ (1,331)	\$ 2,732
Deferred	(567)	(344)
Total provision for income taxes	\$ (1,898)	\$ 2,388

No recovery of income taxes related to the subsidiary was recorded in 1992; this explains the difference between the statutory rate and the effective rate.

13. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

In the normal course of business, Caisse centrale Desjardins offers its customers various off-balance sheet instruments to meet their needs for liquidity and foreign exchange and interest rate protection. Caisse centrale Desjardins uses some of these instruments to hedge its own exposure to foreign exchange and interest rate risks.

All off-balance sheet financial instruments are subject to normal credit standards, financial controls and other usual monitoring procedures that are normally applied. In the opinion of management, these transactions do not represent an unusual risk and no material losses are anticipated as a result of these transactions.

The table below shows Caisse centrale Desjardins' various off-balance sheet instruments. They are expressed in terms of the contractual or notional amount of the related commitment or contract.

	1992	1991
Credit commitments		
Guarantees and standby letters of credit	\$ 175,383	\$ 84,098
Commitments to extend credit:		
• Firm	3,171,105	2,891,266
• Conditional	613,500	656,500
Commitments to purchase assets	—	7,324
Foreign exchange and interest rate contracts		
Foreign exchange contracts	1,869,142	1,239,709
Currency and interest rate swaps contracts	5,977,927	4,079,701
	\$ 11,807,057	\$ 8,958,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991 (ALL TABULAR FIGURES ARE IN THOUSANDS OF DOLLARS)

14. LEASE COMMITMENTS

Future rental commitments for long term leases expiring up to April 30, 2005 amount to \$10,621,000. The annual rental payments for the next five years are \$978,000 in 1993, \$989,000 in 1994, \$988,000 in 1995, \$879,000 in 1996 and \$879,000 in 1997.

15. 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.

	1992	1991
Other assets	\$ 43,497	\$ 40,814
Other liabilities	7,758	13,182
Interest income	221,685	142,776
Interest expense	33,725	31,133
Other income		
• Dues received from federations	4,800	—
• Sundry	1,069	1,185
Non-interest expenses	2,096	1,494

16. 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, 1992, the date of the latest valuation, the pension plan was fully funded.

The total pension expense, arising from employer contributions aggregated \$746,000 for the year ended December 31, 1992 (1991 — \$768,000).

17. SEGMENTED INFORMATION

Caisse centrale Desjardins has a dominant industry segment whose income is from interest on loans and securities and other related activities essentially 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-ÉLDES BERGERON

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

LAURENT BISSON **

Fédération des caisses populaires
Desjardins de Québec

FRANÇOIS BRIEN

Fédération des caisses populaires
Desjardins de l'Abitibi

SIMON CARON

Fédération des caisses populaires
Desjardins du Bas Saint-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

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

RAYMOND HAINSE

Fédération des caisses populaires
Desjardins de Québec

WESLEY HOGG *

Fédération des caisses populaires
Desjardins du Bas Saint-Laurent

MARC JEAN

Fédération des caisses populaires
Desjardins de Québec

GILLES LAFLEUR *

Fédération des caisses d'économie
Desjardins du Québec

PIERRE LARIVIÈRE **

Fédération des caisses populaires
Desjardins de Richelieu-Yamaska

MICHEL LATOUR

Fédération des caisses populaires
Desjardins de Richelieu-Yamaska

MARC LEMIEUX

Fédération des caisses populaires
Desjardins de Québec

MARCEL MARQUIS

Fédération des caisses populaires
Desjardins de Lanaudière

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 Saint-Jean

JOCELYN PROTEAU *

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du-Québec

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Îles-de-la-Madeleine

YVON ROBERGE

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du-Québec

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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

PIERRE TARDIF

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

OBSERVERS

RAYMOND GIONET

Fédération des caisses populaires
acadiennes Ltée

BENOÎT MARTIN

Fédération des caisses populaires
de l'Ontario Inc.

FERNAND VERMETTE

Fédération des caisses populaires
du Manitoba Inc.

* Member of the Executive Committee

** Member of the Audit Committee

OFFICERS

CORPORATE OFFICERS

HUMBERTO SANTOS *, President and Chief Operating Officer

FERNAND LAFLEUR *, Senior Vice President, Financing and Banking Services

JEAN-GUY LANGELIER *, Senior Vice President, Finance and Administration

ALFRED PFEIFFER *, Senior Vice President, Treasury and Investment

JACQUES AUBRY, Vice President, Financing and Banking Services

GEOFFREY H. GODARD, Vice President, Financing and Banking Services, Ontario

JEAN HÉON, Vice President and Controller

JACQUES LUY, Vice President, Operations

JAMES MCLEOD, Vice President, Financing and Banking Services

TRUNG H. NGUYEN, Vice President, Finance and International Banking

BERNARD VENNE, Vice President, Treasury and Investment

MICHEL PARADIS, Manager, Credit

MANAGERS

FINANCE AND ADMINISTRATION

PAUL CHARRON, Administration Service

JEAN-CLAUDE DUCHARME, International Banking

RENÉ GOUIN, Audit and Analysis

YVES GRIMARD, Finance and International Banking

PIERRE LABELLE, Desjardins Banking Services

JACQUES LANDRY *, Human Resources

GILLES LAPIERRE *, General Counsel, Legal and Corporate Affairs

RODRIGUE POTVIN, System Services

FINANCING AND BANKING SERVICES

HENRI BANNOUT

ROBERT BOURHIS

RAYMOND CHAMBERLAND

MARIE-FRANCE DEVEAU

RICHARD DUPUIS

MICHAEL FLEMMING

SYLVAIN GASCON

MAURICE GUAY

JOANNE MARCHESSAULT

HOAI TAN NGUYEN

ROBERT THERRIAULT

JACQUES TROTTIER

TREASURY AND INVESTMENT

WAYNE LARMOUR, Money Market

JEAN-FRANÇOIS REID, Bond Department

JEAN-LOUIS RICHARD, Foreign Exchange

* 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
Montréal (Québec)

Samson, Bélair/Deloitte & Touche
Montréal (Québec)

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Telephone: (305) 454-1001
Facsimile: (305) 457-7927
Jean-Pierre Gagnon,
Chief Executive officer

ISSUING AND PAYING AGENT, TRANSFER AGENT

National Bank of Canada: Québec 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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**To listen and to understand, to
adapt and to respond adequately**
to the evolving financial needs of
our members and clients. This is the
commitment of the Mouvement des
caisses Desjardins and how our
38,000 employees and 19,000
volunteer officers are making their
dedicated contribution, day after day.



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