

# 2019 Financial Report

## Caisse Desjardins du Centre-nord de Montréal

### TABLE OF CONTENTS

#### Report on the results of applying specified auditing procedures

#### Financial report

Balance Sheet .....	2
Statement of Income .....	3
Statement of Changes in Equity .....	4

#### Note to the financial report

Note 1 – Type of operations and basis of accounting .....	5
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April 1, 2020

**Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins du Centre-nord de Montréal (the “Caisse”) prepared by the management of the Caisse**

To the members of the *Fédération des caisses Desjardins du Québec*

We are the independent auditor of the separate combined financial statements of the Desjardins caisses in Quebec (the “combined financial statements of the Desjardins caisses”), on which we expressed an unmodified opinion on February 26, 2020.

With respect to the accompanying financial report of the Caisse prepared by the management of the Caisse, we were engaged by the members of the *Fédération des caisses Desjardins du Québec* to agree the financial information contained in the financial report of the Caisse with the accounting records that include the Caisse’s specific accounting adjustments and were used to prepare the combined financial statements of the Desjardins caisses in Quebec for the year ended December 31, 2019 (the “procedures”).

We confirm that we agreed all financial information contained in the accompanying financial report of the Caisse for the year ended December 31, 2019 with the accounting records that include the Caisse’s specific accounting adjustments and were used to prepare the combined financial statements of the Desjardins caisses in Quebec for the year then ended, and we confirm that we found no exceptions.

In particular, as part of our procedures, we agreed the following financial information of the Caisse:

Total assets:	2,243,113,000	\$
Total equity:	235,754,000	\$
Net surplus earnings for the year after member dividends:	21,052,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2019, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2019.

*PricewaterhouseCoopers LLP*<sup>1</sup>

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“PwC” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**BALANCE SHEET (unaudited)**

(in thousands of Canadian dollars)	As at December 31, 2019 <sup>(1)</sup>	As at December 31, 2018
<b>ASSETS</b>		
<b>Cash and deposits with financial institutions</b>	<b>\$ 19,349</b>	<b>\$ 62,254</b>
<b>Securities</b>		
Investment in liquidity fund under management	95,634	89,380
Term deposits and other	173	173
	<b>95,807</b>	<b>89,553</b>
<b>Loans</b>		
Residential mortgages	1,750,286	1,658,489
Consumer and other personal loans	63,118	62,432
Business and government	144,079	136,248
	<b>1,957,483</b>	<b>1,857,169</b>
Allowance for credit losses	1,925	1,942
	<b>1,955,558</b>	<b>1,855,227</b>
<b>Investments in the Federation</b>	<b>118,870</b>	<b>108,535</b>
<b>Other assets</b>		
Derivative financial instruments	35,514	19,897
Right-of-use assets	5,762	-
Property, plant and equipment	3,172	3,528
Other	9,081	8,641
	<b>53,529</b>	<b>32,066</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,243,113</b>	<b>\$ 2,147,635</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Deposits</b>		
Individuals	\$ 1,363,211	\$ 1,291,017
Business and government	275,003	305,288
Deposit-taking institutions	1,406	1,340
	<b>1,639,620</b>	<b>1,597,645</b>
<b>Borrowings</b>	<b>330,490</b>	<b>300,358</b>
<b>Other liabilities</b>		
Derivative financial instruments	4,106	5,110
Lease liabilities	5,920	-
Net defined benefit plan liabilities	10,681	9,372
Other	16,542	15,880
	<b>37,249</b>	<b>30,362</b>
<b>TOTAL LIABILITIES</b>	<b>2,007,359</b>	<b>1,928,365</b>
<b>EQUITY</b>		
Capital stock	4,513	9,372
Distributable surplus earnings	14,516	33,187
Accumulated other comprehensive income	3,576	289
Reserves	213,149	176,422
<b>TOTAL EQUITY</b>	<b>235,754</b>	<b>219,270</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,243,113</b>	<b>\$ 2,147,635</b>

<sup>(1)</sup> The information presented as at December 31, 2019, reflects IFRS 16, "Leases" which was adopted on January 1, 2019. Comparative figures have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies" to the Combined Financial Statements of the Desjardins caisses in Quebec, for the year ended December 31, 2019, available at [www.desjardins.com](http://www.desjardins.com).

**STATEMENT OF INCOME**  
**(unaudited)**

For the years ended December 31

(in thousands of Canadian dollars)	2019 <sup>(1)</sup>	2018
<b>INTEREST INCOME</b>	<b>\$ 65,265</b>	<b>\$ 59,377</b>
<b>INTEREST EXPENSE</b>	<b>25,890</b>	<b>24,167</b>
<b>NET INTEREST INCOME</b>	<b>39,375</b>	<b>35,210</b>
<b>OTHER INCOME</b>	<b>13,266</b>	<b>12,971</b>
<b>PROVISION FOR CREDIT LOSSES</b>	<b>102</b>	<b>1,011</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries and fringe benefits	12,526	12,503
Assessments paid to Desjardins Group components	4,877	4,917
Computer services and other agreements	5,126	4,572
Community development expenses	440	371
Other	11,702	12,437
	<b>34,671</b>	<b>34,800</b>
<b>OPERATING SURPLUS EARNINGS</b>	<b>17,868</b>	<b>12,370</b>
Income on investments in the Federation	9,825	11,991
Income (loss) on fair value of derivative financial instruments	594	(676)
<b>SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS</b>	<b>28,287</b>	<b>23,685</b>
Income taxes on surplus earnings	4,639	3,090
<b>SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS</b>	<b>23,648</b>	<b>20,595</b>
Member dividends	3,537	2,992
Tax recovery on member dividends	(941)	(784)
<b>NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS</b>	<b>\$ 21,052</b>	<b>\$ 18,387</b>

<sup>(1)</sup> The information presented for the year ended December 31, 2019, reflects IFRS 16, "Leases" which was adopted on January 1, 2019. Comparative figures have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies" to the Combined Financial Statements of the Desjardins caisses in Quebec, for the year ended December 31, 2019, available at [www.desjardins.com](http://www.desjardins.com).

STATEMENT OF CHANGES IN EQUITY  
(unaudited)

For the years ended December 31

	Capital stock	Distributable surplus earnings	Accumulated other comprehensive income	Reserves							Total equity	
				Appreciation reserve (investments in the Federation's investment funds)	Appreciation reserve (derivative financial instruments)	Appreciation reserve (employee benefit plans)	General reserve	Stabilization reserve	Reserve for future member dividends	Community Development Fund		Total reserves
(in thousands of Canadian dollars)												
<b>BALANCE AS AT DECEMBER 31, 2017</b>	\$ 14,217	\$ 318	\$ 6,460	\$ 72,361	\$ 1,539	\$ (6,929)	\$ 111,620	\$ 7,305	\$ 1,731	\$ 2,209	\$ 189,836	\$ 210,931
Impact of changes in accounting policies	-	-	(450)	433	-	-	227	-	-	-	660	210
<b>OPENING BALANCE AS AT JANUARY 1, 2018</b>	\$ 14,217	\$ 318	\$ 6,010	\$ 72,794	\$ 1,539	\$ (6,929)	\$ 111,847	\$ 7,305	\$ 1,731	\$ 2,209	\$ 190,496	\$ 211,041
Distribution by members at the 2018 general meeting												
Interest on permanent and surplus shares	-	(12)	-	-	-	-	-	-	-	-	-	(12)
Transfer from (allocation to) reserves	-	(256)	-	-	-	-	256	-	-	-	256	-
Net adjustment for member dividends	-	(50)	-	-	-	-	-	-	-	-	-	(50)
Balance after distribution	14,217	-	6,010	72,794	1,539	(6,929)	112,103	7,305	1,731	2,209	190,752	210,979
Net surplus earnings for 2018 after member dividends	-	18,387	-	-	-	-	-	-	-	-	-	18,387
Other comprehensive income for the year	-	351	(5,721)	-	-	-	-	-	-	-	-	(5,370)
Statutory transfer	-	13,689	-	(13,050)	(485)	(154)	-	-	-	-	(13,689)	-
Net amounts used during the year	-	2,003	-	-	-	-	-	-	(1,731)	(272)	(2,003)	-
Distribution by members pursuant to an merger agreement												
Interest on permanent shares	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from (allocation to) reserves	-	(1,267)	-	-	-	-	384	-	851	32	1,267	-
Equity transactions related to the investments in the Federation	-	-	-	284	-	-	-	-	-	-	284	284
Redemption of permanent shares	(4,388)	-	-	-	-	-	-	-	-	-	-	(4,388)
Other net change in capital stock	(457)	-	-	-	-	-	-	-	-	-	-	(457)
Interest on permanent and surplus shares	-	(26)	-	-	-	-	-	(189)	-	-	(189)	(215)
Net adjustment for member dividends	-	50	-	-	-	-	-	-	-	-	-	50
<b>BALANCE AS AT DECEMBER 31, 2018</b>	\$ 9,372	\$ 33,187	\$ 289	\$ 60,028	\$ 1,054	\$ (7,083)	\$ 112,487	\$ 7,116	\$ 851	\$ 1,969	\$ 176,422	\$ 219,270
Net adjustment for interest on permanent shares	-	-	-	-	-	-	(1)	-	-	-	(1)	(1)
Allocation to reserves adopted by the members at the general meeting	-	(33,187)	-	-	-	-	19,872	-	12,848	467	33,187	-
Net adjustment for member dividends	-	-	-	-	-	-	-	-	(18)	-	(18)	(18)
Balance after distribution	9,372	-	289	60,028	1,054	(7,083)	132,358	7,116	13,681	2,436	209,590	219,251
Net surplus earnings for 2019 after member dividends	-	21,052	-	-	-	-	-	-	-	-	-	21,052
Other comprehensive income for the year	-	(2,923)	3,287	-	-	-	-	-	-	-	-	364
Statutory transfer	-	(6,521)	-	7,048	437	(964)	-	-	-	-	6,521	-
Net amounts used during the year	-	2,901	-	-	-	-	-	-	(2,578)	(323)	(2,901)	-
Redemption of permanent shares	(4,468)	-	-	-	-	-	-	-	-	-	-	(4,468)
Other net change in capital stock	(391)	-	-	-	-	-	-	-	-	-	-	(391)
Interest on permanent and surplus shares	-	(11)	-	-	-	-	-	(61)	-	-	(61)	(72)
Net adjustment for member dividends	-	18	-	-	-	-	-	-	-	-	-	18
<b>BALANCE AS AT DECEMBER 31, 2019</b>	\$ 4,513	\$ 14,516	\$ 3,576	\$ 67,076	\$ 1,491	\$ (8,047)	\$ 132,358	\$ 7,055	\$ 11,103	\$ 2,113	\$ 213,149	\$ 235,754

## NOTE TO THE FINANCIAL REPORT (unaudited)

### NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

Caisse Desjardins du Centre-nord de Montréal (the *caisse*) is a cooperative whose purpose is to accept and help grow the savings of its members, as well as to extend credit and provide other financial products and services to its members. Its mission also includes fostering cooperation and promoting economic, social and cooperative education. It is governed by the *Act Respecting Financial Services Cooperatives* (the Act).

The *caisse* is registered with the Autorité des marchés financiers in Quebec. It is also a member of the Fonds de sécurité Desjardins, whose main purpose is to establish and administer a security, liquidity and mutual aid fund for the benefit of Desjardins *caisses* in Quebec.

The *caisse* is a member of the Fédération des caisses Desjardins du Québec (the Federation), which controls other components that together make up Desjardins Group.

This financial report has been prepared in accordance with the requirements set out in the Act. The *caisse* applies accounting policies similar to those used to prepare the Combined Financial Statements of the Desjardins *caisses* in Quebec, which are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. Some figures from the prior year were reclassified for consistency with the presentation of the current year's financial statements. This reclassification did not affect the *caisse*'s surplus earnings or total assets and liabilities.