

# 2019 Financial Report

## Caisse Desjardins de L'Île-des-Soeurs–Verdun

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March 27, 2020

**Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de L'Île-des-Sœurs—Verdun (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:	738,791,000	\$
Total equity:	67,217,000	\$
Net surplus earnings for the year after member dividends:	6,194,000	\$

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>

<sup>1</sup> CPA auditor, CA, public accountancy permit No. A111799

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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>\$ 10,980</b>	<b>\$ 7,931</b>
<b>Investment in liquidity fund under management</b>	<b>30,970</b>	<b>27,316</b>
<b>Loans</b>		
Residential mortgages	555,783	515,913
Consumer and other personal loans	23,138	23,775
Business and government	64,369	56,664
	643,290	596,352
Allowance for credit losses	632	812
	642,658	595,540
<b>Investments in the Federation</b>	<b>36,895</b>	<b>33,670</b>
<b>Other assets</b>		
Derivative financial instruments	10,178	5,848
Right-of-use assets	1,811	-
Property, plant and equipment	2,209	1,285
Other	3,090	2,936
	17,288	10,069
<b>TOTAL ASSETS</b>	<b>\$ 738,791</b>	<b>\$ 674,526</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Deposits</b>		
Individuals	\$ 384,634	\$ 344,852
Business and government	146,742	119,446
Deposit-taking institutions	-	6
	531,376	464,304
<b>Borrowings</b>	<b>128,209</b>	<b>138,651</b>
<b>Other liabilities</b>		
Derivative financial instruments	1,889	1,879
Lease liabilities	1,815	-
Net defined benefit plan liabilities	3,234	2,661
Other	5,051	4,775
	11,989	9,315
<b>TOTAL LIABILITIES</b>	<b>671,574</b>	<b>612,270</b>
<b>EQUITY</b>		
Capital stock	1,266	2,464
Distributable surplus earnings	4,432	10,936
Accumulated other comprehensive income	1,095	69
Reserves	60,424	48,787
<b>TOTAL EQUITY</b>	<b>67,217</b>	<b>62,256</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 738,791</b>	<b>\$ 674,526</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>	\$ 20,990	\$ 18,477
<b>INTEREST EXPENSE</b>	8,804	7,867
<b>NET INTEREST INCOME</b>	12,186	10,610
<b>OTHER INCOME</b>	4,639	4,513
<b>PROVISION FOR CREDIT LOSSES</b>	137	402
<b>NON-INTEREST EXPENSE</b>		
Salaries and fringe benefits	4,501	4,256
Assessments paid to Desjardins Group components	1,527	1,533
Computer services and other agreements	1,615	1,580
Community development expenses	68	41
Other	3,476	3,523
	11,187	10,933
<b>OPERATING SURPLUS EARNINGS</b>	5,501	3,788
Income on investments in the Federation	3,063	3,736
Loss on fair value of derivative financial instruments	(269)	(546)
<b>SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS</b>	8,295	6,978
Income taxes on surplus earnings	1,299	871
<b>SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS</b>	6,996	6,107
Member dividends	1,092	863
Tax recovery on member dividends	(290)	(230)
<b>NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS</b>	\$ 6,194	\$ 5,474

<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>	\$ 3,610	\$ 2,198	\$ 1,994	\$ 21,730	\$ 755	\$ (1,950)	\$ 26,394	\$ 2,451	\$ 1,923	\$ 326	\$ 51,629	\$ 59,431
Impact of changes in accounting policies	-	-	(140)	135	-	-	190	-	-	-	325	185
<b>OPENING BALANCE AS AT JANUARY 1, 2018</b>	\$ 3,610	\$ 2,198	\$ 1,854	\$ 21,865	\$ 755	\$ (1,950)	\$ 26,584	\$ 2,451	\$ 1,923	\$ 326	\$ 51,954	\$ 59,616
Distribution by members at the 2018 general meeting												
Interest on permanent and surplus shares	-	(105)	-	-	-	-	-	-	-	-	-	(105)
Transfer from (allocation to) reserves	-	(2,092)	-	-	-	-	1,892	-	-	200	2,092	-
Net adjustment for member dividends	-	(1)	-	-	-	-	-	-	-	-	-	(1)
Balance after distribution	3,610	-	1,854	21,865	755	(1,950)	28,476	2,451	1,923	526	54,046	59,510
Net surplus earnings for 2018 after member dividends	-	5,474	-	-	-	-	-	-	-	-	-	5,474
Other comprehensive income for the year	-	169	(1,785)	-	-	-	-	-	-	-	-	(1,616)
Statutory transfer	-	4,490	-	(4,072)	(400)	(18)	-	-	-	-	(4,490)	-
Net amounts used during the year	-	804	-	-	-	-	-	-	(774)	(30)	(804)	-
Equity transactions related to the investments in the Federation	-	-	-	89	-	-	-	-	-	-	89	89
Redemption of permanent shares	(1,113)	-	-	-	-	-	-	-	-	-	-	(1,113)
Other net change in capital stock	(33)	-	-	-	-	-	-	-	-	-	-	(33)
Interest on permanent and surplus shares	-	(2)	-	-	-	-	-	(54)	-	-	(54)	(56)
Net adjustment for member dividends	-	1	-	-	-	-	-	-	-	-	-	1
<b>BALANCE AS AT DECEMBER 31, 2018</b>	\$ 2,464	\$ 10,936	\$ 69	\$ 17,882	\$ 355	\$ (1,968)	\$ 28,476	\$ 2,397	\$ 1,149	\$ 496	\$ 48,787	\$ 62,256
Net adjustment for interest on permanent shares	-	-	-	-	-	-	2	-	-	-	2	2
Allocation to reserves adopted by the members at the general meeting	-	(10,936)	-	-	-	-	7,925	-	2,867	144	10,936	-
Net adjustment for member dividends	-	-	-	-	-	-	-	-	1	-	1	1
Balance after distribution	2,464	-	69	17,882	355	(1,968)	36,403	2,397	4,017	640	59,726	62,259
Net surplus earnings for 2019 after member dividends	-	6,194	-	-	-	-	-	-	-	-	-	6,194
Other comprehensive income for the year	-	(1,042)	1,026	-	-	-	-	-	-	-	-	(16)
Statutory transfer	-	(1,570)	-	2,199	(197)	(432)	-	-	-	-	1,570	-
Net amounts used during the year	-	852	-	-	-	-	-	-	(802)	(50)	(852)	-
Redemption of permanent shares	(1,197)	-	-	-	-	-	-	-	-	-	-	(1,197)
Other net change in capital stock	(1)	-	-	-	-	-	-	-	-	-	-	(1)
Interest on permanent and surplus shares	-	(1)	-	-	-	-	-	(20)	-	-	(20)	(21)
Net adjustment for member dividends	-	(1)	-	-	-	-	-	-	-	-	-	(1)
<b>BALANCE AS AT DECEMBER 31, 2019</b>	\$ 1,266	\$ 4,432	\$ 1,095	\$ 20,081	\$ 158	\$ (2,400)	\$ 36,403	\$ 2,377	\$ 3,215	\$ 590	\$ 60,424	\$ 67,217

## NOTE TO THE FINANCIAL REPORT (unaudited)

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

Caisse Desjardins de L'Île-des-Sœurs-Verdun (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.