

2020 Financial Report

Caisse Desjardins du Cœur-de-l'Île

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March 30, 2021

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins du Cœur-de-l'Île (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 24, 2021.

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, 2020 (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, 2020 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:	2,511,607,000	\$
Total equity:	249,819,000	\$
Net surplus earnings for the year after member dividends :	21,124,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2020, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2020.

*PricewaterhouseCoopers LLP*¹

¹ CPA auditor, CA, public accountancy permit No. A111799

BALANCE SHEET (unaudited)

(in thousands of Canadian dollars)	As at December 31, 2020	As at December 31, 2019
ASSETS		
Cash and deposits with financial institutions	\$ 16,771	\$ 15,720
Investment in liquidity fund under management	122,193	95,529
Loans		
Residential mortgages	1,849,734	1,635,575
Consumer and other personal loans	60,296	61,385
Business and government	285,775	261,676
	2,195,805	1,958,636
Allowance for credit losses	5,256	2,136
	2,190,549	1,956,500
Investments in the Federation	132,418	121,790
Other assets		
Derivative financial instruments	34,849	28,119
Right-of-use assets	1,485	1,816
Property, plant and equipment	3,292	3,624
Other	10,050	9,158
	49,676	42,717
TOTAL ASSETS	\$ 2,511,607	\$ 2,232,256
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Individuals	\$ 1,302,452	\$ 1,129,208
Business and government	577,056	422,917
	1,879,508	1,552,125
Borrowings	340,620	419,735
Other liabilities		
Derivative financial instruments	14,255	4,256
Lease liabilities	1,516	1,831
Net defined benefit plan liabilities	11,413	10,955
Other	14,476	14,516
	41,660	31,558
TOTAL LIABILITIES	2,261,788	2,003,418
EQUITY		
Capital stock	2,045	3,169
Distributable surplus earnings	16,072	14,814
Accumulated other comprehensive income	5,216	4,025
Reserves	226,486	206,830
TOTAL EQUITY	249,819	228,838
TOTAL LIABILITIES AND EQUITY	\$ 2,511,607	\$ 2,232,256

STATEMENT OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2020	2019
INTEREST INCOME	\$ 61,802	\$ 64,726
INTEREST EXPENSE	18,755	24,981
NET INTEREST INCOME	43,047	39,745
OTHER INCOME	13,248	14,422
PROVISION FOR CREDIT LOSSES	3,817	567
NON-INTEREST EXPENSE		
Salaries and fringe benefits	13,403	13,429
Assessments paid to Desjardins Group components	4,627	4,642
Computer services and other agreements	5,231	5,273
Community development expenses	365	452
Other	9,699	11,520
	33,325	35,316
OPERATING SURPLUS EARNINGS	19,153	18,284
Income on investments in the Federation	9,922	10,409
Loss on fair value of derivative financial instruments	(1,918)	(1,005)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	27,157	27,688
Income taxes on surplus earnings	3,365	4,277
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	23,792	23,411
Member dividends	3,630	3,354
Tax recovery on member dividends	(962)	(892)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 21,124	\$ 20,949

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)												
BALANCE AS AT DECEMBER 31, 2018	\$ 7,380	\$ 39,010	\$ 498	\$ 66,722	\$ 1,657	\$ (6,844)	\$ 94,122	\$ 7,083	\$ 1,284	\$ 1,020	\$ 165,044	\$ 211,932
Net adjustment for interest on permanent shares	-	-	-	-	-	-	1	-	-	-	1	1
Allocation to reserves adopted by the members at the general meeting	-	(39,010)	-	-	-	-	27,332	-	11,237	441	39,010	-
Net adjustment for member dividends	-	-	-	-	-	-	-	-	7	-	7	7
Balance after distribution	7,380	-	498	66,722	1,657	(6,844)	121,455	7,083	12,528	1,461	204,062	211,940
Net surplus earnings for the year after member dividends	-	20,949	-	-	-	-	-	-	-	-	-	20,949
Other comprehensive income for the year	-	(3,306)	3,527	-	-	-	-	-	-	-	-	221
Statutory transfer	-	(5,615)	-	7,562	(739)	(1,208)	-	-	-	-	5,615	-
Net amounts used during the year	-	2,800	-	-	-	-	-	-	(2,468)	(332)	(2,800)	-
Redemption of permanent shares	(3,990)	-	-	-	-	-	-	-	-	-	-	(3,990)
Other net change in capital stock	(221)	-	-	-	-	-	-	-	-	-	-	(221)
Interest on permanent and surplus shares	-	(7)	-	-	-	-	-	(47)	-	-	(47)	(54)
Net adjustment for member dividends	-	(7)	-	-	-	-	-	-	-	-	-	(7)
BALANCE AS AT DECEMBER 31, 2019	\$ 3,169	\$ 14,814	\$ 4,025	\$ 74,284	\$ 918	\$ (8,052)	\$ 121,455	\$ 7,036	\$ 10,060	\$ 1,129	\$ 206,830	\$ 228,838
Net adjustment for interest on permanent shares	-	-	-	-	-	-	(1)	-	-	-	(1)	(1)
Allocation to reserves adopted by the members at the general meeting	-	(14,814)	-	-	-	-	8,995	-	5,334	485	14,814	-
Balance after distribution	3,169	-	4,025	74,284	918	(8,052)	130,449	7,036	15,394	1,614	221,643	228,837
Net surplus earnings for the year after member dividends	-	21,124	-	-	-	-	-	-	-	-	-	21,124
Other comprehensive income for the year	-	30	1,191	-	-	-	-	-	-	-	-	1,221
Statutory transfer	-	(8,016)	-	9,735	(1,410)	(309)	-	-	-	-	8,016	-
Net amounts used during the year	-	2,936	-	-	-	-	-	-	(2,668)	(268)	(2,936)	-
Equity transactions related to the investments in the Federation	-	-	-	(202)	-	-	-	-	-	-	(202)	(202)
Redemption of permanent shares	(1,013)	-	-	-	-	-	-	-	-	-	-	(1,013)
Other net change in capital stock	(111)	-	-	-	-	-	-	-	-	-	-	(111)
Interest on permanent and surplus shares	-	(2)	-	-	-	-	-	(8)	-	-	(8)	(10)
Equity transactions relating to related party transactions	-	-	-	(96)	-	69	-	-	-	-	(27)	(27)
BALANCE AS AT DECEMBER 31, 2020	\$ 2,045	\$ 16,072	\$ 5,216	\$ 83,721	\$ (492)	\$ (8,292)	\$ 130,449	\$ 7,028	\$ 12,726	\$ 1,346	\$ 226,486	\$ 249,819

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

Caisse Desjardins du Cœur-de-l'Île (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.