

2020 Financial Report

Caisse Desjardins de Saint-Martin de Laval

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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March 25, 2021

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de Saint-Martin de Laval (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:	613,915,000	\$
Total equity:	41,097,000	\$
Net surplus earnings for the year after member dividends :	3,168,000	\$

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	\$ 15,151	\$ 5,716
Investment in liquidity fund under management	21,813	17,354
Loans		
Residential mortgages	455,110	407,247
Consumer and other personal loans	13,251	13,452
Business and government	76,736	60,878
	545,097	481,577
Allowance for credit losses	1,412	980
	543,685	480,597
Investments in the Federation	17,207	16,021
Other assets		
Derivative financial instruments	10,558	8,800
Right-of-use assets	2,382	2,553
Property, plant and equipment	828	942
Other	2,291	1,863
	16,059	14,158
TOTAL ASSETS	\$ 613,915	\$ 533,846
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Individuals	\$ 256,970	\$ 216,425
Business and government	104,430	86,072
	361,400	302,497
Borrowings	199,593	184,174
Other liabilities		
Derivative financial instruments	4,105	1,084
Lease liabilities	2,599	2,733
Net defined benefit plan liabilities	2,077	1,835
Other	3,044	3,223
	11,825	8,875
TOTAL LIABILITIES	572,818	495,546
EQUITY		
Capital stock	679	1,026
Distributable surplus earnings	3,188	2,868
Accumulated other comprehensive income	485	352
Reserves	36,745	34,054
TOTAL EQUITY	41,097	38,300
TOTAL LIABILITIES AND EQUITY	\$ 613,915	\$ 533,846

STATEMENT OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2020	2019
INTEREST INCOME	\$ 14,684	\$ 15,889
INTEREST EXPENSE	5,771	7,991
NET INTEREST INCOME	8,913	7,898
OTHER INCOME	2,685	2,789
PROVISION FOR CREDIT LOSSES	971	670
NON-INTEREST EXPENSE		
Salaries and fringe benefits	2,897	2,705
Assessments paid to Desjardins Group components	983	937
Computer services and other agreements	904	872
Community development expenses	47	39
Other	1,911	1,830
	6,742	6,383
OPERATING SURPLUS EARNINGS	3,885	3,634
Income on investments in the Federation	1,144	1,217
Loss on fair value of derivative financial instruments	(617)	(273)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	4,412	4,578
Income taxes on surplus earnings	680	876
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	3,732	3,702
Member dividends	768	719
Tax recovery on member dividends	(204)	(191)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 3,168	\$ 3,174

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	\$ 1,728	\$ 5,410	\$ (41)	\$ 6,340	\$ 392	\$ (1,177)	\$ 21,420	\$ 1,576	\$ 103	\$ 111	\$ 28,765	\$ 35,862	
Net adjustment for interest on permanent shares	-	-	-	-	-	-	(2)	-	-	-	(2)	(2)	
Allocation to reserves adopted by the members at the general meeting	-	(5,410)	-	-	-	-	2,699	-	2,609	102	5,410	-	
Net adjustment for member dividends	-	-	-	-	-	-	-	-	(12)	-	(12)	(12)	
Balance after distribution	1,728	-	(41)	6,340	392	(1,177)	24,117	1,576	2,700	213	34,161	35,848	
Net surplus earnings for the year after member dividends	-	3,174	-	-	-	-	-	-	-	-	-	3,174	
Other comprehensive income for the year	-	(410)	393	-	-	-	-	-	-	-	-	(17)	
Statutory transfer	-	(452)	-	843	(198)	(193)	-	-	-	-	452	-	
Net amounts used during the year	-	544	-	-	-	-	-	-	(516)	(28)	(544)	-	
Redemption of permanent shares	(604)	-	-	-	-	-	-	-	-	-	-	(604)	
Other net change in capital stock	(98)	-	-	-	-	-	-	-	-	-	-	(98)	
Interest on permanent shares	-	-	-	-	-	-	-	(15)	-	-	(15)	(15)	
Net adjustment for member dividends	-	12	-	-	-	-	-	-	-	-	-	12	
BALANCE AS AT DECEMBER 31, 2019	\$ 1,026	\$ 2,868	\$ 352	\$ 7,183	\$ 194	\$ (1,370)	\$ 24,117	\$ 1,561	\$ 2,184	\$ 185	\$ 34,054	\$ 38,300	
Net adjustment for interest on permanent shares	-	-	-	-	-	-	(4)	-	-	-	(4)	(4)	
Allocation to reserves adopted by the members at the general meeting	-	(2,868)	-	-	-	-	1,707	-	1,055	106	2,868	-	
Net adjustment for member dividends	-	-	-	-	-	-	1	-	-	-	1	1	
Balance after distribution	1,026	-	352	7,183	194	(1,370)	25,821	1,561	3,239	291	36,919	38,297	
Net surplus earnings for the year after member dividends	-	3,168	-	-	-	-	-	-	-	-	-	3,168	
Other comprehensive income for the year	-	(128)	133	-	-	-	-	-	-	-	-	5	
Statutory transfer	-	(452)	-	1,086	(461)	(173)	-	-	-	-	452	-	
Net amounts used during the year	-	601	-	-	-	-	-	-	(566)	(35)	(601)	-	
Equity transactions related to the investments in the Federation	-	-	-	(22)	-	-	-	-	-	-	(22)	(22)	
Redemption of permanent shares	(348)	-	-	-	-	-	-	-	-	-	-	(348)	
Other net change in capital stock	1	-	-	-	-	-	-	-	-	-	-	1	
Interest on permanent shares	-	-	-	-	-	-	-	(3)	-	-	(3)	(3)	
Net adjustment for member dividends	-	(1)	-	-	-	-	-	-	-	-	-	(1)	
Equity transactions relating to related party transactions	-	-	-	(11)	-	11	-	-	-	-	-	-	
BALANCE AS AT DECEMBER 31, 2020	\$ 679	\$ 3,188	\$ 485	\$ 8,236	\$ (267)	\$ (1,532)	\$ 25,821	\$ 1,558	\$ 2,673	\$ 256	\$ 36,745	\$ 41,097	

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

Caisse Desjardins de Saint-Martin de Laval (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.