

2020 Financial Report

Caisse Desjardins Pierre-De Saurel

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March 8, 2021

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins Pierre-De Saurel (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:	1,553,562,000	\$
Total equity:	174,138,000	\$
Net surplus earnings for the year after member dividends :	18,447,000	\$

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

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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, 2020	As at December 31, 2019
ASSETS		
Cash and deposits with financial institutions	\$ 26,275	\$ 19,219
Securities		
Investment in liquidity fund under management	76,217	62,406
Term deposits and other	215,003	77,503
	291,220	139,909
Loans		
Residential mortgages	787,733	756,536
Consumer and other personal loans	45,215	49,961
Business and government	276,136	273,928
	1,109,084	1,080,425
Allowance for credit losses	2,843	1,735
	1,106,241	1,078,690
Investments in the Federation	86,921	80,194
Other assets		
Derivative financial instruments	28,630	19,710
Right-of-use assets	905	1,017
Property, plant and equipment	7,570	7,967
Other	5,800	8,596
	42,905	37,290
TOTAL ASSETS	\$ 1,553,562	\$ 1,355,302
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Individuals	\$ 1,142,433	\$ 1,006,789
Business and government	205,972	155,059
	1,348,405	1,161,848
Borrowings	4,153	11,831
Other liabilities		
Derivative financial instruments	4,705	3,775
Lease liabilities	929	1,025
Net defined benefit plan liabilities	9,217	9,057
Other	12,015	11,878
	26,866	25,735
TOTAL LIABILITIES	1,379,424	1,199,414
EQUITY		
Capital stock	1,039	1,991
Distributable surplus earnings	8,798	8,583
Accumulated other comprehensive income	3,201	2,446
Reserves	161,100	142,868
TOTAL EQUITY	174,138	155,888
TOTAL LIABILITIES AND EQUITY	\$ 1,553,562	\$ 1,355,302

STATEMENT OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2020	2019
INTEREST INCOME	\$ 39,513	\$ 40,151
INTEREST EXPENSE	12,283	13,886
NET INTEREST INCOME	27,230	26,265
OTHER INCOME	8,349	8,738
PROVISION FOR CREDIT LOSSES	2,078	700
NON-INTEREST EXPENSE		
Salaries and fringe benefits	10,598	10,663
Assessments paid to Desjardins Group components	3,268	3,180
Computer services and other agreements	3,661	3,603
Community development expenses	164	150
Other	5,595	6,148
	23,286	23,744
OPERATING SURPLUS EARNINGS	10,215	10,559
Income on investments in the Federation	6,311	6,634
Income on fair value of derivative financial instruments	7,757	1,789
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	24,283	18,982
Income taxes on surplus earnings	3,978	3,089
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	20,305	15,893
Member dividends	2,528	2,458
Tax recovery on member dividends	(670)	(654)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 18,447	\$ 14,089

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	\$ 4,188	\$ 24,292	\$ 211	\$ 40,277	\$ (1527)	\$ (5,765)	\$ 75,593	\$ 4,039	\$ 1,666	\$ 1,053	\$ 115,336	\$ 144,027
Allocation to reserves adopted by the members at the general meeting	-	(24,292)	-	-	-	-	16,672	-	7,520	100	24,292	-
Net adjustment for member dividends	-	-	-	-	-	-	-	-	2	-	2	2
Balance after distribution	4,188	-	211	40,277	(1527)	(5,765)	92,265	4,039	9,188	1,153	139,630	144,029
Net surplus earnings for the year after member dividends	-	14,089	-	-	-	-	-	-	-	-	-	14,089
Other comprehensive income for the year	-	(2,235)	2,235	-	-	-	-	-	-	-	-	-
Statutory transfer	-	(5,180)	-	4,792	1315	(927)	-	-	-	-	5,180	-
Net amounts used during the year	-	1,916	-	-	-	-	-	-	(1,806)	(110)	(1,916)	-
Redemption of permanent shares	(1,972)	-	-	-	-	-	-	-	-	-	-	(1,972)
Other net change in capital stock	(225)	-	-	-	-	-	-	-	-	-	-	(225)
Interest on permanent and surplus shares	-	(5)	-	-	-	-	-	(26)	-	-	(26)	(31)
Net adjustment for member dividends	-	(2)	-	-	-	-	-	-	-	-	-	(2)
BALANCE AS AT DECEMBER 31, 2019	\$ 1,991	\$ 8,583	\$ 2,446	\$ 45,069	\$ (212)	\$ (6,692)	\$ 92,265	\$ 4,013	\$ 7,382	\$ 1,043	\$ 142,868	\$ 155,888
Net adjustment for interest on permanent and surplus shares	-	-	-	-	-	-	1	-	-	-	1	1
Allocation to reserves adopted by the members at the general meeting	-	(8,583)	-	-	-	-	5,375	-	3,058	150	8,583	-
Balance after distribution	1,991	-	2,446	45,069	(212)	(6,692)	97,641	4,013	10,440	1,193	151,452	155,889
Net surplus earnings for the year after member dividends	-	18,447	-	-	-	-	-	-	-	-	-	18,447
Other comprehensive income for the year	-	110	755	-	-	-	-	-	-	-	-	865
Statutory transfer	-	(11,736)	-	6,161	5,702	(127)	-	-	-	-	11,736	-
Net amounts used during the year	-	1,978	-	-	-	-	-	-	(1,858)	(120)	(1,978)	-
Equity transactions related to the investments in the Federation	-	-	-	(128)	-	-	-	-	-	-	(128)	(128)
Redemption of permanent shares	(832)	-	-	-	-	-	-	-	-	-	-	(832)
Other net change in capital stock	(120)	-	-	-	-	-	-	-	-	-	-	(120)
Interest on permanent and surplus shares	-	(1)	-	-	-	-	-	(4)	-	-	(4)	(5)
Equity transactions relating to related party transactions	-	-	-	(61)	-	83	-	-	-	-	22	22
BALANCE AS AT DECEMBER 31, 2020	\$ 1,039	\$ 8,798	\$ 3,201	\$ 51,041	\$ 5,490	\$ (6,736)	\$ 97,641	\$ 4,009	\$ 8,582	\$ 1,073	\$ 161,100	\$ 174,138

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

Caisse Desjardins Pierre-De Saurel (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.