

2020 Financial Report

Caisse Desjardins de l'Éducation

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
---	---



March 23, 2021

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de l'Éducation (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:	783,969,000	\$
Total equity:	53,419,000	\$
Net surplus earnings for the year after member dividends :	5,421,000	\$

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	\$ 1,327	\$ 2,020
Investment in liquidity fund under management	35,654	28,297
Loans		
Residential mortgages	672,276	594,336
Consumer and other personal loans	14,977	17,164
Business and government	3,280	5,314
	690,533	616,814
Allowance for credit losses	919	403
	689,614	616,411
Investments in the Federation	32,544	30,336
Other assets		
Derivative financial instruments	20,820	17,202
Right-of-use assets	798	967
Property, plant and equipment	319	355
Other	2,893	3,314
	24,830	21,838
TOTAL ASSETS	\$ 783,969	\$ 698,902
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Individuals	\$ 565,101	\$ 495,915
Business and government	120,009	114,025
	685,110	609,940
Borrowings	27,440	25,964
Other liabilities		
Derivative financial instruments	5,380	2,133
Lease liabilities	905	1,076
Net defined benefit plan liabilities	4,777	4,486
Other	6,938	6,950
	18,000	14,645
TOTAL LIABILITIES	730,550	650,549
EQUITY		
Capital stock	624	1,072
Distributable surplus earnings	3,825	-
Accumulated other comprehensive income	827	580
Reserves	48,143	46,701
TOTAL EQUITY	53,419	48,353
TOTAL LIABILITIES AND EQUITY	\$ 783,969	\$ 698,902

STATEMENT OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2020	2019
INTEREST INCOME	\$ 19,383	\$ 20,196
INTEREST EXPENSE	6,580	8,092
NET INTEREST INCOME	12,803	12,104
OTHER INCOME	3,793	4,139
PROVISION FOR CREDIT LOSSES	560	331
NON-INTEREST EXPENSE		
Salaries and fringe benefits	4,981	5,338
Assessments paid to Desjardins Group components	1,626	1,747
Computer services and other agreements	2,002	1,904
Community development expenses	42	61
Other	2,982	3,453
	11,633	12,503
OPERATING SURPLUS EARNINGS	4,403	3,409
Income on investments in the Federation	2,138	2,276
Income on fair value of derivative financial instruments	1,099	8
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	7,640	5,693
Income taxes on surplus earnings	1,130	775
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	6,510	4,918
Member dividends	1,482	1,417
Tax recovery on member dividends	(393)	(358)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 5,421	\$ 3,859

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	\$ 2,390	\$ 7,136	\$ (152)	\$ 10,900	\$ 333	\$ (3,389)	\$ 26,392	\$ 2,197	\$ -	\$ 187	\$ 36,620	\$ 45,994
Allocation to reserves adopted by the members at the general meeting	-	(7,136)	-	-	-	-	1,729	-	5,180	227	7,136	-
Balance after distribution	2,390	-	(152)	10,900	333	(3,389)	28,121	2,197	5,180	414	43,756	45,994
Net surplus earnings for the year after member dividends	-	3,859	-	-	-	-	-	-	-	-	-	3,859
Other comprehensive income for the year	-	(896)	732	-	-	-	-	-	-	-	-	(164)
Statutory transfer	-	(1,130)	-	1,571	(5)	(436)	-	-	-	-	1,130	-
Net amounts used during the year	-	1,112	-	-	-	-	-	-	(1,060)	(52)	(1,112)	-
Distribution by members pursuant to an merger agreement												
Interest on permanent shares	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from (allocation to) reserves	-	(2,944)	-	-	-	-	474	-	2,286	184	2,944	-
Redemption of permanent shares	(1,293)	-	-	-	-	-	-	-	-	-	-	(1,293)
Other net change in capital stock	(25)	-	-	-	-	-	-	-	-	-	-	(25)
Interest on permanent and surplus shares	-	(1)	-	-	-	-	-	(17)	-	-	(17)	(18)
BALANCE AS AT DECEMBER 31, 2019	\$ 1,072	\$ -	\$ 580	\$ 12,471	\$ 328	\$ (3,825)	\$ 28,595	\$ 2,180	\$ 6,406	\$ 546	\$ 46,701	\$ 48,353
Net surplus earnings for the year after member dividends	-	5,421	-	-	-	-	-	-	-	-	-	5,421
Other comprehensive income for the year	-	(119)	247	-	-	-	-	-	-	-	-	128
Statutory transfer	-	(2,598)	-	2,023	831	(256)	-	-	-	-	2,598	-
Net amounts used during the year	-	1,121	-	-	-	-	-	-	(1,090)	(31)	(1,121)	-
Equity transactions related to the investments in the Federation	-	-	-	(42)	-	-	-	-	-	-	(42)	(42)
Redemption of permanent shares	(442)	-	-	-	-	-	-	-	-	-	-	(442)
Other net change in capital stock	(6)	-	-	-	-	-	-	-	-	-	-	(6)
Interest on permanent shares	-	-	-	-	-	-	-	(3)	-	-	(3)	(3)
Equity transactions relating to related party transactions	-	-	-	(20)	-	30	-	-	-	-	10	10
BALANCE AS AT DECEMBER 31, 2020	\$ 624	\$ 3,825	\$ 827	\$ 14,432	\$ 1,159	\$ (4,051)	\$ 28,595	\$ 2,177	\$ 5,316	\$ 515	\$ 48,143	\$ 53,419

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

Caisse Desjardins de l'Éducation (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.