

2021 Financial Report

Caisse Desjardins de Sainte-Foy

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March 11, 2022

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de Sainte-Foy (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 23, 2022.

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, 2021 (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, 2021 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:	2,240,733,000	\$
Total equity:	232,915,000	\$
Net surplus earnings for the year after member dividends :	20,712,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2021, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2021.

*PricewaterhouseCoopers LLP*¹

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

BALANCE SHEET (unaudited)

(in thousands of Canadian dollars)	As at December 31, 2021	As at December 31, 2020
ASSETS		
Cash and deposits with financial institutions	\$ 22,257	\$ 21,213
Securities		
Investment in liquidity fund under management	134,408	126,404
Term deposits and other	220,002	260,000
	354,410	386,404
Loans		
Residential mortgages	1,188,884	1,085,407
Consumer and other personal loans	65,063	65,721
Business and government	445,307	418,726
	1,699,254	1,569,854
Allowance for credit losses	4,531	5,036
	1,694,723	1,564,818
Investments in the Federation	110,789	92,666
Other assets		
Derivative financial instruments	42,974	37,803
Right-of-use assets	3,914	3,640
Property, plant and equipment	3,633	3,253
Other	8,033	7,001
	58,554	51,697
TOTAL ASSETS	\$ 2,240,733	\$ 2,116,798
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Individuals	\$ 1,083,649	\$ 1,060,830
Business and government	795,632	751,643
	1,879,281	1,812,473
Borrowings	98,524	66,033
Other liabilities		
Derivative financial instruments	9,882	9,830
Lease liabilities	4,470	3,855
Net defined benefit plan liabilities	3,325	8,192
Other	12,336	14,234
	30,013	36,111
TOTAL LIABILITIES	2,007,818	1,914,617
EQUITY		
Capital stock	1,362	1,757
Distributable surplus earnings	16,824	14,256
Accumulated other comprehensive income	4,759	3,320
Reserves	209,970	182,848
TOTAL EQUITY	232,915	202,181
TOTAL LIABILITIES AND EQUITY	\$ 2,240,733	\$ 2,116,798

STATEMENT OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2021	2020
INTEREST INCOME	\$ 50,165	\$ 53,261
INTEREST EXPENSE	14,166	17,187
NET INTEREST INCOME	35,999	36,074
OTHER INCOME	10,780	10,206
PROVISION FOR CREDIT LOSSES (RECOVERY)	(112)	3,109
NON-INTEREST EXPENSE		
Salaries and fringe benefits	9,988	10,419
Assessments paid to Desjardins Group components	3,578	3,829
Computer services and other agreements	5,416	3,991
Community development expenses	315	380
Other	6,212	7,236
	25,509	25,855
OPERATING SURPLUS EARNINGS	21,382	17,316
Income on investments in the Federation	11,185	6,758
Income (loss) on fair value of derivative financial instruments	(6,027)	8,130
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	26,540	32,204
Income taxes on surplus earnings	3,173	5,915
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	23,367	26,289
Member dividends	3,612	3,171
Tax recovery on member dividends	(957)	(840)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 20,712	\$ 23,958

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, 2019	\$ 3,359	\$ 12,420	\$ 2,516	\$ 47,861	\$ (421)	\$ (5,860)	\$ 103,235	\$ 5,183	\$ 9,722	\$ 1,067	\$ 160,787	\$ 179,082
Allocation to reserves adopted by the members at the general meeting	-	(12,420)	-	-	-	-	9,000	-	2,991	429	12,420	-
Net adjustment for member dividends	-	-	-	-	-	-	(112)	-	-	-	(112)	(112)
Balance after distribution	3,359	-	2,516	47,861	(421)	(5,860)	112,123	5,183	12,713	1,496	173,095	178,970
Net surplus earnings for the year after member dividends	-	23,958	-	-	-	-	-	-	-	-	-	23,958
Other comprehensive income for the year	-	150	804	-	-	-	-	-	-	-	-	954
Statutory transfer	-	(12,462)	-	6,574	5,976	(88)	-	-	-	-	12,462	-
Net amounts used during the year	-	2,499	-	-	-	-	-	-	(2,220)	(279)	(2,499)	-
Equity transactions related to the investments in the Federation	-	-	-	(137)	-	-	-	-	-	-	(137)	(137)
Redemption of permanent shares	(1,534)	-	-	-	-	-	-	-	-	-	-	(1,534)
Other net change in capital stock	(68)	-	-	-	-	-	-	-	-	-	-	(68)
Interest on permanent and surplus shares	-	(1)	-	-	-	-	-	(9)	-	-	(9)	(10)
Net adjustment for member dividends	-	112	-	-	-	-	-	-	-	-	-	112
Equity transactions relating to related party transactions	-	-	-	(65)	-	1	-	-	-	-	(64)	(64)
BALANCE AS AT DECEMBER 31, 2020	\$ 1,757	\$ 14,256	\$ 3,320	\$ 54,233	\$ 5,555	\$ (5,947)	\$ 112,123	\$ 5,174	\$ 10,493	\$ 1,217	\$ 182,848	\$ 202,181
Allocation to reserves adopted by the members at the general meeting	-	(14,256)	-	-	-	-	10,257	-	3,516	483	14,256	-
Net adjustment for member dividends	-	-	-	-	-	-	(39)	-	-	-	(39)	(39)
Balance after distribution	1,757	-	3,320	54,233	5,555	(5,947)	122,341	5,174	14,009	1,700	197,065	202,142
Net surplus earnings for the year after member dividends	-	20,712	-	-	-	-	-	-	-	-	-	20,712
Other comprehensive income for the year	-	8,985	1,439	-	-	-	-	-	-	-	-	10,424
Statutory transfer	-	(15,757)	-	16,684	(4,430)	3,503	-	-	-	-	15,757	-
Net amounts used during the year	-	2,846	-	-	-	-	-	-	(2,615)	(231)	(2,846)	-
Redemption of permanent shares	(365)	-	-	-	-	-	-	-	-	-	-	(365)
Other net change in capital stock	(30)	-	-	-	-	-	-	-	-	-	-	(30)
Interest on permanent and surplus shares	-	(1)	-	-	-	-	-	(6)	-	-	(6)	(7)
Net adjustment for member dividends	-	39	-	-	-	-	-	-	-	-	-	39
BALANCE AS AT DECEMBER 31, 2021	\$ 1,362	\$ 16,824	\$ 4,759	\$ 70,917	\$ 1,125	\$ (2,444)	\$ 122,341	\$ 5,168	\$ 11,394	\$ 1,469	\$ 209,970	\$ 232,915

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

Caisse Desjardins de Sainte-Foy (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.