

2021 Financial Report

Caisse Desjardins du Sud-Ouest de Montréal

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 16, 2022

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins du Sud-Ouest de Montréal (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:	1,899,997,000	\$
Total equity:	241,210,000	\$
Net surplus earnings for the year after member dividends :	23,617,000	\$

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

PricewaterhouseCoopers LLP
1250, René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205-5000, F: +1 514 876-1502, www.pwc.com/ca

“PwC” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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	\$ 13,438	\$ 12,596
Investment in liquidity fund under management	89,361	78,250
Loans		
Residential mortgages	1,388,887	1,233,392
Consumer and other personal loans	47,752	47,018
Business and government	191,798	193,674
	1,628,437	1,474,084
Allowance for credit losses	6,978	7,267
	1,621,459	1,466,817
Investments in the Federation	130,412	108,606
Other assets		
Derivative financial instruments	27,335	22,719
Right-of-use assets	1,782	1,884
Property, plant and equipment	6,881	7,150
Other	9,329	10,740
	45,327	42,493
TOTAL ASSETS	\$ 1,899,997	\$ 1,708,762
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Individuals	\$ 952,369	\$ 901,725
Business and government	373,017	287,425
	1,325,386	1,189,150
Borrowings	313,356	284,484
Other liabilities		
Derivative financial instruments	4,196	9,662
Lease liabilities	1,875	1,959
Net defined benefit plan liabilities	3,362	8,831
Other	10,612	9,633
	20,045	30,085
TOTAL LIABILITIES	1,658,787	1,503,719
EQUITY		
Capital stock	1,619	1,781
Distributable surplus earnings	10,732	6,867
Accumulated other comprehensive income	5,903	4,172
Reserves	222,956	192,223
TOTAL EQUITY	241,210	205,043
TOTAL LIABILITIES AND EQUITY	\$ 1,899,997	\$ 1,708,762

STATEMENT OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2021	2020
INTEREST INCOME	\$ 40,137	\$ 43,002
INTEREST EXPENSE	9,974	13,909
NET INTEREST INCOME	30,163	29,093
OTHER INCOME	9,454	8,849
PROVISION FOR CREDIT LOSSES	175	3,777
NON-INTEREST EXPENSE		
Salaries and fringe benefits	10,313	10,444
Assessments paid to Desjardins Group components	3,434	3,605
Computer services and other agreements	5,410	3,653
Community development expenses	170	143
Other	7,797	9,045
	27,124	26,890
OPERATING SURPLUS EARNINGS	12,318	7,275
Income on investments in the Federation	13,414	8,080
Income on fair value of derivative financial instruments	2,728	61
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	28,460	15,416
Income taxes on surplus earnings	2,772	975
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	25,688	14,441
Member dividends	2,818	2,367
Tax recovery on member dividends	(747)	(627)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 23,617	\$ 12,701

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	\$ 2,907	\$ 9,704	\$ 3,204	\$ 59,627	\$ 633	\$ (6,726)	\$ 110,145	\$ 4,910	\$ 7,359	\$ 478	\$ 176,426	\$ 192,241
Allocation to reserves adopted by the members at the general meeting	-	(9,704)	-	-	-	-	6,382	-	2,997	325	9,704	-
Net adjustment for member dividends	-	-	-	-	-	-	21	-	-	-	21	21
Balance after distribution	2,907	-	3,204	59,627	633	(6,726)	116,548	4,910	10,356	803	186,151	192,262
Net surplus earnings for the year after member dividends	-	12,701	-	-	-	-	-	-	-	-	-	12,701
Other comprehensive income for the year	-	465	968	-	-	-	-	-	-	-	-	1,433
Statutory transfer	-	(8,143)	-	7,910	45	188	-	-	-	-	8,143	-
Net amounts used during the year	-	1,866	-	-	-	-	-	-	(1,761)	(105)	(1,866)	-
Equity transactions related to the investments in the Federation	-	-	-	(164)	-	-	-	-	-	-	(164)	(164)
Redemption of permanent shares	(1,068)	-	-	-	-	-	-	-	-	-	-	(1,068)
Other net change in capital stock	(58)	-	-	-	-	-	-	-	-	-	-	(58)
Interest on permanent and surplus shares	-	(1)	-	-	-	-	-	(8)	-	-	(8)	(9)
Net adjustment for member dividends	-	(21)	-	-	-	-	-	-	-	-	-	(21)
Equity transactions relating to related party transactions	-	-	-	(78)	-	45	-	-	-	-	(33)	(33)
BALANCE AS AT DECEMBER 31, 2020	\$ 1,781	\$ 6,867	\$ 4,172	\$ 67,295	\$ 678	\$ (6,493)	\$ 116,548	\$ 4,902	\$ 8,595	\$ 698	\$ 192,223	\$ 205,043
Allocation to reserves adopted by the members at the general meeting	-	(6,867)	-	-	-	-	4,136	-	2,382	349	6,867	-
Net adjustment for member dividends	-	-	-	-	-	-	(2)	-	-	-	(2)	(2)
Balance after distribution	1,781	-	4,172	67,295	678	(6,493)	120,682	4,902	10,977	1,047	199,088	205,041
Net surplus earnings for the year after member dividends	-	23,617	-	-	-	-	-	-	-	-	-	23,617
Other comprehensive income for the year	-	10,988	1,731	-	-	-	-	-	-	-	-	12,719
Statutory transfer	-	(26,068)	-	20,076	2,005	3,987	-	-	-	-	26,068	-
Net amounts used during the year	-	2,194	-	-	-	-	-	-	(2,069)	(125)	(2,194)	-
Redemption of permanent shares	(120)	-	-	-	-	-	-	-	-	-	-	(120)
Other net change in capital stock	(42)	-	-	-	-	-	-	-	-	-	-	(42)
Interest on permanent and surplus shares	-	(1)	-	-	-	-	-	(6)	-	-	(6)	(7)
Net adjustment for member dividends	-	2	-	-	-	-	-	-	-	-	-	2
BALANCE AS AT DECEMBER 31, 2021	\$ 1,619	\$ 10,732	\$ 5,903	\$ 87,371	\$ 2,683	\$ (2,506)	\$ 120,682	\$ 4,896	\$ 8,908	\$ 922	\$ 222,956	\$ 241,210

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

Caisse Desjardins du Sud-Ouest de Montréal (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.