

2021 Financial Report

Caisse Desjardins de Waterloo

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March 24, 2022

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de Waterloo (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:	336,644,000	\$
Total equity:	36,877,000	\$
Net surplus earnings for the year after member dividends :	3,218,000	\$

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	\$ 7,622	\$ 4,883
Securities		
Investment in liquidity fund under management	16,137	15,477
Term deposits and other	3,002	18,500
	19,139	33,977
Loans		
Residential mortgages	214,331	189,536
Consumer and other personal loans	8,110	8,464
Business and government	63,825	55,608
	286,266	253,608
Allowance for credit losses	694	794
	285,572	252,814
Investments in the Federation	16,266	13,610
Other assets		
Derivative financial instruments	5,984	5,860
Property, plant and equipment	952	1,034
Other	1,109	1,194
	8,045	8,088
TOTAL ASSETS	\$ 336,644	\$ 313,372
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Individuals	\$ 172,010	\$ 163,930
Business and government	67,583	57,553
	239,593	221,483
Borrowings	56,688	55,241
Other liabilities		
Derivative financial instruments	1,017	1,261
Net defined benefit plan liabilities	708	1,569
Other	1,761	1,819
	3,486	4,649
TOTAL LIABILITIES	299,767	281,373
EQUITY		
Capital stock	71	125
Distributable surplus earnings	-	2,048
Accumulated other comprehensive income	714	503
Reserves	36,092	29,323
TOTAL EQUITY	36,877	31,999
TOTAL LIABILITIES AND EQUITY	\$ 336,644	\$ 313,372

STATEMENT OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2021	2020
INTEREST INCOME	\$ 7,667	\$ 8,234
INTEREST EXPENSE	1,715	2,388
NET INTEREST INCOME	5,952	5,846
OTHER INCOME	2,181	2,064
PROVISION FOR CREDIT LOSSES (RECOVERY)	(39)	559
NON-INTEREST EXPENSE		
Salaries and fringe benefits	1,962	2,020
Assessments paid to Desjardins Group components	567	662
Computer services and other agreements	1,112	804
Community development expenses	27	60
Other	1,273	1,387
	4,941	4,933
OPERATING SURPLUS EARNINGS	3,231	2,418
Income on investments in the Federation	1,637	987
Income (loss) on fair value of derivative financial instruments	(801)	953
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	4,067	4,358
Income taxes on surplus earnings	457	718
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	3,610	3,640
Member dividends	533	464
Tax recovery on member dividends	(141)	(123)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 3,218	\$ 3,299

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	\$ 182	\$ 2,045	\$ 385	\$ 7,067	\$ 130	\$ (1,195)	\$ 17,932	\$ 443	\$ 1,471	\$ 138	\$ 25,986	\$ 28,598
Allocation to reserves adopted by the members at the general meeting	-	(2,045)	-	-	-	-	1,451	-	533	61	2,045	-
Net adjustment for member dividends	-	-	-	-	-	-	1	-	-	-	1	1
Balance after distribution	182	-	385	7,067	130	(1,195)	19,384	443	2,004	199	28,032	28,599
Net surplus earnings for the year after member dividends	-	3,299	-	-	-	-	-	-	-	-	-	3,299
Other comprehensive income for the year	-	54	118	-	-	-	-	-	-	-	-	172
Statutory transfer	-	(1,690)	-	963	721	6	-	-	-	-	1,690	-
Net amounts used during the year	-	386	-	-	-	-	-	-	(341)	(45)	(386)	-
Equity transactions related to the investments in the Federation	-	-	-	(20)	-	-	-	-	-	-	(20)	(20)
Redemption of permanent shares	(53)	-	-	-	-	-	-	-	-	-	-	(53)
Other net change in capital stock	(4)	-	-	-	-	-	-	-	-	-	-	(4)
Net adjustment for member dividends	-	(1)	-	-	-	-	-	-	-	-	-	(1)
Equity transactions relating to related party transactions	-	-	-	(10)	-	17	-	-	-	-	7	7
BALANCE AS AT DECEMBER 31, 2020	\$ 125	\$ 2,048	\$ 503	\$ 8,000	\$ 851	\$ (1,172)	\$ 19,384	\$ 443	\$ 1,663	\$ 154	\$ 29,323	\$ 31,999
Allocation to reserves adopted by the members at the general meeting	-	(2,048)	-	-	-	-	1,523	-	459	66	2,048	-
Net adjustment for member dividends	-	-	-	-	-	-	(2)	-	-	-	(2)	(2)
Balance after distribution	125	-	503	8,000	851	(1,172)	20,905	443	2,122	220	31,369	31,997
Net surplus earnings for the year after member dividends	-	3,218	-	-	-	-	-	-	-	-	-	3,218
Other comprehensive income for the year	-	1,503	211	-	-	-	-	-	-	-	-	1,714
Statutory transfer	-	(2,499)	-	2,445	(610)	664	-	-	-	-	2,499	-
Net amounts used during the year	-	412	-	-	-	-	-	-	(391)	(21)	(412)	-
Transfer from (allocation to) reserves pursuant to a merger agreement	-	(2,636)	-	-	-	-	1,870	-	692	74	2,636	-
Redemption of permanent shares	(51)	-	-	-	-	-	-	-	-	-	-	(51)
Other net change in capital stock	(3)	-	-	-	-	-	-	-	-	-	-	(3)
Net adjustment for member dividends	-	2	-	-	-	-	-	-	-	-	-	2
BALANCE AS AT DECEMBER 31, 2021	\$ 71	\$ -	\$ 714	\$ 10,445	\$ 241	\$ (508)	\$ 22,775	\$ 443	\$ 2,423	\$ 273	\$ 36,092	\$ 36,877

NOTES TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

Caisse Desjardins de Waterloo (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 (AMF) 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.

NOTE 2 – FEDERATION'S OBLIGATION TO HOLDERS OF PERMANENT SHARES

Further to a recommendation issued by the AMF, the Federation guarantees that it will indemnify Quebec caisse members holding permanent shares in the event of losses resulting from misinformation in the audited Combined Financial Statements of the Desjardins caisses in Quebec and Desjardins Group's annual Management's Discussion and Analysis available at www.sedar.com. The Federation's obligation in this matter is subject to certain conditions. Holders of permanent shares can request more information from their newly formed caisse.

The Combined Financial Statements of the Desjardins caisses in Quebec are also available to the public at www.desjardins.com.