

2018 Annual Report

Here



Message from the Chair of the board of directors

Dear Members:

We're proud to present our caisse's annual report for fiscal year 2018.

A turning point

In November 2018, members of the 11 Ontario caisses populaires and delegates of the Fédération des caisses populaires de l'Ontario overwhelmingly voted in favour of merging. I'd like to thank all the members who shared their views and took part in this important democratic process.

The new Caisse Desjardins Ontario Credit Union will officially open January 1, 2020. It will serve 130,000 members through 50 branches and have 650 employees, a 17-member board of directors, liaison committees across Ontario and over \$13.8 billion in assets under management.

We'll continue to play an active role in community development across the province, primarily through our donation and sponsorship program and our Community Development Fund. In fact, with an increased capacity to support local initiatives, our new credit union will be an important partner in every Ontario community we serve.

But since we'll have just one board of directors, we'll have to say goodbye to some of our outstanding caisse directors. On behalf of all our employees and directors, thank you for your time and your service to our members, caisses, communities and the larger cooperative movement.

Here for the community and our members

Our commitment to the community will continue well beyond the merger. Thanks to your business, we're able to enrich the lives of people and communities. Last year, we provided \$64,300 in donations and sponsorships to support projects that promote the social and economic vitality of our community.

We're also very pleased to announce that patronage returns are back after an absence of several years. Thanks to the new product patronage return, we'll be able to show even more members how much we appreciate their business.

Here for the fight against climate change

Climate change is one of the biggest challenges facing our society. It's also a leading concern for our caisse members. That's why Desjardins has made climate change its environmental priority and announced concrete steps to proactively tackle this issue.

There are many other ways you can support the transition to clean energy. For instance, you can opt for investment products that help reduce greenhouse gas emissions, such as the Desjardins SocieTerra Cleantech Fund and the Desjardins SocieTerra Environment Fund.

In 2018, Desjardins doubled its responsible investment lineup with the addition of 11 new products: three new SocieTerra funds and a new line of eight exchange-traded funds that provide reduced exposure to climate change risk factors. Desjardins has been a Canadian pioneer in responsible investment since 1990, and these funds are the first of their kind in Canada. We'd like to thank our members and clients for supporting the fight against climate change.

Acknowledgements

I'd like to acknowledge the departure of two members of our board of directors and thank them for their loyal service to the caisse and our community. Michael Guindon sat on the board for eight years and Marc Génier served for six years, including two years as Chair.

Special thanks to all our employees, managers and directors who work tirelessly to serve our members and the community. You're the heart and soul of our caisse. I'd also like to thank our general manager, Chantal Lajoie, who keeps us focused on what's best for our members and clients, and our Desjardins Group partners, who help us meet our members' financial needs.

Finally, I'd like to thank our members for placing their trust in us. Thanks to you, we're able to help our members and the community achieve their goals!

Valérie Doré

Chair of the board of directors



Message from the General Manager

Dear Members:

2018 was a year of innovation. Along with our partners at Desjardins Group, we rolled out a number of new and improved products and services. It's just one way we're constantly working to serve you better and set ourselves apart from the competition.

Our 2018 results are a testament to the faith and trust you place in our cooperative financial institution by choosing our products and services. We couldn't grow or be active in the community without your support.

The 2018 fiscal year in brief

Business under management	Equity	Net interest income	Operating income
\$795M	\$32.4M	\$6.3M	\$3.3M

With business under management totalling \$795 million, up 10.1% compared to 2017, we are well positioned in our market. As a part of Desjardins Group and an active participant in Desjardins Group subsidiaries, we offer our members access to a wide range of financial products and services both in person and online to meet their ever-growing needs.

Comments on the financial report*

Balance sheet

Our financial cooperative's assets total \$389.2 million, up 12.2% over last year. Loans to individuals and businesses stand at \$355.4 million, an increase of 13.8%.

The caisse's liabilities total \$356.7 million, representing an increase of 12.6%. Deposits currently amount to \$302.9 million, up 22.2%, whereas the caisse's borrowing increased by 24.5% and now totals \$48.2 million.

As at December 31, 2018, the caisse's equity posted a growth, rising to \$32.4 million, an increase of 8.7%. Besides capital stock, equity comprised \$29 million in distributable surplus earnings. Funds accumulated in our reserves totalled \$2.2 million. Your caisse has also accumulated \$50,000 in the Community Development Fund. The caisse's equity as at December 31, 2018, meets the minimum regulatory requirements.

Statement of income

During the last fiscal year, our caisse generated \$3.3 million in operating income, up 19.6% over the previous year.

Interest income totalled \$11.5 million, up 20.2% from last year. Interest expenses increased by 35% to \$5.2 million.

Credit losses totalled \$198,000, i.e., 0.06% of the entire portfolio of loans granted to individual and business members.

Other income, generated largely from the distribution of Desjardins products and services, totalled \$2.4 million, up 9% compared to last year. Other expenses were up 4.3% to \$5.2 million.

Capital base

In recent years, the Ontario caisse network's capital base was bolstered by member purchases of preferred shares. In 2018, we optimized our capital structure in compliance with regulatory requirements, allowing the Fédération des caisses populaires de l'Ontario to buy back Class C preferred shares. This buyback will benefit members by enhancing the financial performance of our Ontario caisses.

Patronage returns for Ontario caisses

Patronage returns are back and better than ever with the new product patronage return, a fixed amount given back to individual members who have at least one Desjardins product in each of the following three categories: accounts, loans/credit cards/lines of credit, and investments.

The way you manage your finances and interact with Desjardins is changing all the time, so we're improving the way we pay patronage returns and serve you.

The board of directors decided to give back a total of \$460,000 in individual product and volume patronage returns this year. And to enrich our community through support for major initiatives, we recommend that members allocate \$80,000 to the Community Development Fund.

Investment funds

The investments that caisses hold in investment funds allow the Fédération des caisses populaires de l'Ontario to coordinate investments in Desjardins Group subsidiaries.

Through the activities of these subsidiaries, the caisses have greater outreach by offering a full range of financial products and services to individuals, groups and businesses.

The caisse contributed \$8,135,761 to the investment fund, and the return on this investment at yearend stands at 11.27%.

People first

Our caisse directors, employees and managers are all committed to doing what's best for you, our members. That means listening to you so we can understand what you need and how we can improve. So let us know what you think! It'll help us serve you better.

Our people and our partners draw on their unparalleled expertise to develop personalized strategies to help you meet your goals.

* Variances are calculated using whole numbers from the financial statements.

Here for you 24/7

Many of our products and services are available 24/7 online and in the AccèsD app. And in 2018, Desjardins continued to modernize by making even more of them available online, including more savings products in the AccèsD app.

For over a year now, we've been offering online account opening. It's been so successful we came out with even more innovations last year. Now members can open a line of credit over the phone in just minutes.

We made other improvements, too. We're gradually rolling out new Desjardins Access cards featuring Flash. With this new secure feature, members can just tap their card to make purchases of up to \$100. No inserting, no entering a PIN. Members will get their new card when their current card expires.

Our caisse is always looking for ways to serve you better. Thanks to a new phone service, our members can now speak with a Desjardins advisor from 6:00 a.m. to midnight, every day including holidays.

We also recently got new ATMs. They feature touch screens and accept envelope-free deposits for a simpler, more user-friendly experience.

Putting our passion to work for you

Our employees are here to help you reach your goals. I want to thank them for all their hard work and their dedication to you, our members.

I'd also like to thank our caisse directors. They're deeply committed to the community and the people they represent. Thanks to their investment of time and energy, we're growing a vibrant community and enriching the lives of our members.

Now more than ever, it's truly a privilege to be here for you!

Chantal Lajoie

Acting General Manager

Statement of financial position

As at December 31 (in thousands of Canadian dollars)	2018	2017
Assets		
Cash	\$ 2,714	\$ 1,489
Investments	11,463	11,297
	14,177	12,786
Loans		
Personal	180,567	162,615
Business	174,856	149,671
	355,423	312,286
Allowance for credit losses	(842)	(1,042)
	354,581	311,244
Investment in the Federation	12,966	15,082
Other assets	7,431	7,645
Total Assets	\$ 389,155	\$ 346,757
Liabilities and Members' Equity		
Liabilities		
Deposits		
Term	\$ 131,722	\$ 82,445
Other	171,210	165,495
	302,932	247,940
Borrowings	48,188	63,867
Other liabilities	5,591	5,111
	53,779	68,978
Total Liabilities	356,711	316,918
Members' Equity		
Members' shares	1,099	1,109
Retained earnings	28,971	23,892
Accumulated other comprehensive income	128	837
Reserves	2,246	4,001
	32,444	29,839
Total Liabilities and Members' Equity	\$ 389,155	\$ 346,757

Statement of income

For the year ended December 31 (in thousands of Canadian dollars)	2018	2017
Interest revenue	\$ 11,547	\$ 9,603
Interest expense	5,206	3,857
	6,341	5,746
Net interest revenue		
Provision for credit losses	198	166
	6,143	5,580
Net interest revenue after provision for credit losses		
Other income	2,383	2,187
Other expenses		
Employee salaries and benefits	2,491	2,544
Contributions paid to Desjardins Group components	722	689
Information technology	459	388
Occupancy	263	246
General expenses	1,270	1,124
	5,205	4,991
Operating income	3,321	2,776
Income on investment in the Federation	1,197	1,342
Realized (loss) gain related to fair value of derivative financial instruments	(472)	493
	4,046	4,611
Income before income taxes and distributions to members	4,046	4,611
Provision for income taxes	495	645
	3,551	3,966
Income before distributions to members	3,551	3,966
Distributions to members	460	-
	\$ 3,091	\$ 3,966
Net income for the year	\$ 3,091	\$ 3,966



Audit committee report

In fiscal 2018, the audit committee fulfilled its responsibilities under the *Credit Unions and Caisses Populaires Act, 1994* and any related regulations. The committee met four times to monitor the caisse's financial reporting, internal control system and integrated risk management. In accordance with its administrative rules, the committee also supervised ethical, professional conduct and cooperative aspects.

The audit committee is an integral part of the caisse's overall administrative framework. Together with general management and the auditors, the committee ensures that:

- Risks are properly assessed and mitigated
- Reports are accurate, timely and relevant
- Members' assets and interests are protected
- Compliance is upheld
- Principles and rules of professional conduct are followed

The audit committee:

- Made recommendations to the board of directors about measures to protect caisse assets, ensure compliance with applicable lending and investment policies and procedures, and address any questions regarding the caisse's financial policies
- Examined the effectiveness of internal control and risk management practices as well as the actions taken by management to address any deficiencies
- Reviewed the caisse's policies and procedures governing the way in which it meets the requirements under legislative requirements
- Reviewed the inspection reports and the response prepared by management for recommendation to the board of directors
- Made sure the agreed-on measures were implemented by the established deadline
- Reviewed the engagement letter, the audit plan, the independent auditor's remuneration and the draft of the audited financial statements, and recommended their adoption by the board of directors

Supervision of ethical aspects

Every year, caisse directors and employees renew their commitment to comply with the Desjardins Code of Professional Conduct. The Code sets out the behaviours that are expected as well as those that are not acceptable.

The audit committee ensured that caisse, director and employee conduct was guided by Desjardins's values. Here is the supervision report for the past year concerning three rules of professional conduct:

- No conflicts of interest were found.
- Deposits from and loans to the caisse's restricted parties* were in accordance with applicable rules of professional conduct.
- The caisse did not award any contracts for the supply of goods or services to restricted parties subject to the Code** or any associated persons.

Supervision of cooperative aspects

With regard to the supervision of cooperative aspects, the audit committee must ensure that Desjardins values are an integral part of the caisse's business and management practices. It must also make sure that the caisse contributes to community development and the economic and financial education of members. Lastly, it must ensure that members are informed about topics of importance to them.

The audit committee is satisfied with the work carried out over the past year.

I'd like to thank the members of the committee for their contribution and the general manager for her support.

Josée Payette

Chair of the audit committee

Highlights

- 8,100 members
- 7 directors
- 28 employees from the caisse, 55 employees from the Desjardins Business-Ottawa and Eastern Ontario centre and 11 employees from the Desjardins Signature Service
- \$795M in business under management
- \$64,300 distributed to the community

Board of directors

(as at December 31, 2018)

Nom	Fonction
Valérie Doré	Chair
Diane Pilon	Vice-Chair
Chantal Lajoie	Secretary
Pierre Landry	Director
Krystle Mitrow*	Director
Josée Payette*	Director
Lilianne Rivette*	Director
Donald White	Director

*Outgoing directors

Easy-to-access services

Access your caisse services 24/7

- desjardins.com
- m.desjardins.com
- 1-800-CAISSES (1-800-224-7737)
- ATMs
- Mobile cheque deposit

Need to speak with an advisor?
Our extended telephone hours make it easier than ever!

6:00 a.m. to midnight,
every day including holidays

613-932-4513

HEAD OFFICE

840 Pitt Street, Cornwall

desjardins.com/caisse-cornwall

Follow-us!

**Desjardins Business-Ottawa
and Eastern Ontario centre:**

840 Pitt Street, Cornwall

613-764-4440

[desjardins.com/
Business-Ottawa-EasternOntario](http://desjardins.com/Business-Ottawa-EasternOntario)

Desjardins
Caisse populaire de Cornwall

* Restricted parties: Caisse directors, officers and general manager, directors of the Fédération des caisses populaires de l'Ontario and their associated persons.

** Restricted parties subject to the Code: Restricted parties, caisse employees and their associated persons.