

2017 Financial Report

Caisse Desjardins des Collines-de-l'Outaouais

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March 9, 2018

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins des Collines-de-l'Outaouais (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 26, 2018.

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, 2017 (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, 2017 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:	142,195,000	\$
Total equity:	15,753,000	\$
Net surplus earnings for the year after member dividends :	1,226,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2017, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2017.

*PricewaterhouseCoopers LLP*¹

¹ FCPA auditor, FCA, public accountancy permit No. A108517

BALANCE SHEET (unaudited)

(in thousands of Canadian dollars)	As at December 31, 2017	As at December 31, 2016
ASSETS		
Cash and deposits with financial institutions	\$ 720	\$ 775
Investment in liquidity fund under management	6,184	5,685
Loans		
Personal	95,873	90,442
Business	28,816	29,814
	124,689	120,256
Allowance for credit losses	136	199
	124,553	120,057
Investments in the Federation	7,432	6,873
Other assets		
Derivative financial instruments	1,590	1,217
Property, plant and equipment	694	740
Other	1,022	1,217
	3,306	3,174
TOTAL ASSETS	\$ 142,195	\$ 136,564
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 38,190	\$ 36,734
Other	54,335	52,155
	92,525	88,889
Borrowings	31,715	30,638
Other liabilities		
Derivative financial instruments	314	72
Net defined benefit plan liabilities	757	670
Other	1,131	1,343
	2,202	2,085
TOTAL LIABILITIES	126,442	121,612
EQUITY		
Capital stock	1,272	1,543
Distributable surplus earnings	759	907
Accumulated other comprehensive income	339	277
Reserves	13,383	12,225
TOTAL EQUITY	15,753	14,952
TOTAL LIABILITIES AND EQUITY	\$ 142,195	\$ 136,564

STATEMENTS OF INCOME
(unaudited)
For the years ended December 31

(in thousands of Canadian dollars)	2017	2016
INTEREST INCOME	\$ 3,911	\$ 3,913
INTEREST EXPENSE	1,208	1,194
NET INTEREST INCOME	2,703	2,719
OTHER INCOME	1,163	1,182
PROVISION FOR CREDIT LOSSES	80	107
NON-INTEREST EXPENSES		
Salaries and fringe benefits	1,026	1,163
Assessments paid to Desjardins Group components	431	457
Computer services	389	379
Community Development Fund expenses	36	12
Other	836	954
	2,718	2,965
OPERATING SURPLUS EARNINGS	1,068	829
Income on investments in the Federation	633	690
Loss related to fair value of derivative financial instruments	(126)	(129)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	1,575	1,390
Income taxes on surplus earnings	175	235
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	1,400	1,155
Member dividends	238	211
Tax recovery on member dividends	(64)	(57)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 1,226	\$ 1,001

STATEMENTS OF CHANGES IN EQUITY
(unaudited)

For the years ended December 31

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, 2015	\$ 2,125	\$ 789	\$ 180	\$ 2,780	\$ 241	\$ (565)	\$ 6,985	\$ 588	\$ 909	\$ 150	\$ 11,088	\$ 14,182
Distribution by members at the 2016 general meeting												
Interest on members' permanent and surplus shares	-	(85)	-	-	-	-	-	-	-	-	-	(85)
Transfer from (allocation to) reserves	-	(703)	-	-	-	-	673	-	-	30	703	-
Net adjustment related to member dividends	-	(1)	-	-	-	-	-	-	-	-	-	(1)
Balance after distribution	2,125	-	180	2,780	241	(565)	7,658	588	909	180	11,791	14,096
Net surplus earnings for 2016 after member dividends	-	1,001	-	-	-	-	-	-	-	-	-	1,001
Other comprehensive income for the year	-	81	73	-	-	-	-	-	-	-	-	154
Statutory transfer	-	(186)	-	233	(98)	51	-	-	-	-	186	-
Net amounts used during the year	-	10	-	-	-	-	-	-	-	(10)	(10)	-
Equity transactions related to other investments in the Federation	-	-	-	258	-	-	-	-	-	-	258	282
Redemption of permanent shares	(501)	-	-	-	-	-	-	-	-	-	-	(501)
Other net change in capital stock	(81)	-	-	-	-	-	-	-	-	-	-	(81)
Net adjustment related to member dividends	-	1	-	-	-	-	-	-	-	-	-	1
BALANCE AS AT DECEMBER 31, 2016	\$ 1,543	\$ 907	\$ 277	\$ 3,271	\$ 143	\$ (514)	\$ 7,658	\$ 588	\$ 909	\$ 170	\$ 12,225	\$ 14,952
Distribution by members at the 2017 general meeting												
Interest on members' permanent and surplus shares	-	(60)	-	-	-	-	-	-	-	-	-	(60)
Transfer from (allocation to) reserves	-	(848)	-	-	-	-	848	-	-	-	848	-
Net adjustment related to member dividends	-	1	-	-	-	-	-	-	-	-	-	1
Balance after distribution	1,543	-	277	3,271	143	(514)	8,506	588	909	170	13,073	14,893
Net surplus earnings for 2017 after member dividends	-	1,226	-	-	-	-	-	-	-	-	-	1,226
Other comprehensive income for the year	-	(160)	62	-	-	-	-	-	-	-	-	(98)
Statutory transfer	-	(334)	-	492	(98)	(60)	-	-	-	-	334	-
Net amounts used during the year	-	28	-	-	-	-	-	-	-	(28)	(28)	-
Equity transactions related to other investments in the Federation	-	-	-	4	-	-	-	-	-	-	4	4
Redemption of permanent shares	(245)	-	-	-	-	-	-	-	-	-	-	(245)
Other net change in capital stock	(26)	-	-	-	-	-	-	-	-	-	-	(26)
Net adjustment related to member dividends	-	(1)	-	-	-	-	-	-	-	-	-	(1)
BALANCE AS AT DECEMBER 31, 2017	\$ 1,272	\$ 759	\$ 339	\$ 3,767	\$ 45	\$ (574)	\$ 8,506	\$ 588	\$ 909	\$ 142	\$ 13,383	\$ 15,753

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

The Caisse Desjardins des Collines-de-l'Outaouais (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 for 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.