

2016 FINANCIAL REPORT

CAISSE POPULAIRE DESJARDINS DE SAINTE-AGATHE-DES-MONTS

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April 5, 2017

Report on the results of applying specified auditing procedures to the financial report of Caisse populaire Desjardins de Sainte-Agathe-des-Monts (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 in Quebec”), on which we expressed an unmodified opinion on February 24, 2017.

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, 2016 (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, 2016 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:	293,495,000	\$
Total equity:	31,565,000	\$
Net surplus earnings for the year after member dividends:	2,060,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2016, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2016.

*PricewaterhouseCoopers LLP*¹

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

BALANCED SHEET (unaudited)

(in thousands of Canadian dollars)	As at December 31, 2016	As at December 31, 2015
ASSETS		
Cash and deposits with financial institutions	\$ 3,293	\$ 2,821
Securities		
Investment in liquidity fund under management	16,048	13,787
Term deposits and other	374	230
	16,422	14,017
Loans		
Personal	177,243	173,281
Business	73,142	61,585
	250,385	234,866
Allowance for credit losses	287	379
	250,098	234,487
Investments in the Federation	17,271	15,564
Other assets		
Derivative financial instruments	2,725	2,984
Property, plant and equipment	1,594	1,642
Other	2,092	1,800
	6,411	6,426
TOTAL ASSETS	\$ 293,495	\$ 273,315
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 94,253	\$ 92,538
Other	145,776	120,709
	240,029	213,247
Borrowings	17,554	26,356
Other liabilities		
Derivative financial instruments	218	70
Net defined benefit plan liabilities	1,606	1,839
Other	2,523	3,041
	4,347	4,950
TOTAL LIABILITIES	261,930	244,553
EQUITY		
Capital stock	3,222	3,533
Distributable surplus earnings	1,822	1,257
Accumulated other comprehensive income	805	554
Reserves	25,716	23,418
TOTAL EQUITY	31,565	28,762
TOTAL LIABILITIES AND EQUITY	\$ 293,495	\$ 273,315

STATEMENTS OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)

	2016	2015
INTEREST INCOME	\$ 8,086	\$ 8,109
INTEREST EXPENSE	2,412	2,488
NET INTEREST INCOME	5,674	5,621
OTHER INCOME	2,622	2,570
PROVISION FOR CREDIT LOSSES	76	125
OTHER EXPENSES		
Salaries and fringe benefits	2,649	2,888
Assessments paid to Desjardins Group components	845	767
Community development expenses	51	80
Other	3,107	3,206
	6,652	6,941
OPERATING SURPLUS EARNINGS	1,568	1,125
Income on investments in the Federation	1,730	1,653
Income (loss) related to fair value of derivative financial instruments	(607)	227
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	2,691	3,005
Income taxes on surplus earnings	414	375
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	2,277	2,630
Member dividends	293	221
Tax recovery on member dividends	(76)	(60)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 2,060	\$ 2,469

STATEMENTS OF CHANGES IN EQUITY
(unaudited)

For the years ended December 31

	Capital stock	Distributable surplus earning	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, 2014	\$ 6,210	\$ 847	\$ 805	\$ 6,684	\$ 664	\$ (1,603)	\$ 12,751	\$ 1,594	\$ 1,185	\$ 110	\$ 21,385	\$ 29,247
Distribution by members at the 2015 general meeting												
Interest on permanent shares	-	(275)	-	-	-	-	-	-	-	-	-	(275)
Transfer from (allocation to) reserves	-	(573)	-	-	-	-	473	-	-	100	573	-
Net adjustment related to member dividends	-	1	-	-	-	-	-	-	-	-	-	1
Balance after distribution	6,210	-	805	6,684	664	(1,603)	13,224	1,594	1,185	210	21,958	28,973
Net surplus earnings for 2015 after member dividends	-	2,469	-	-	-	-	-	-	-	-	-	2,469
Other comprehensive income for the year	-	317	(251)	-	-	-	-	-	-	-	-	66
Statutory transfer	-	(1,849)	-	1,428	164	257	-	-	-	-	1,849	-
Net amounts used during the year	-	321	-	-	-	-	-	-	(262)	(59)	(321)	-
Equity transactions related to other investments in the Federation	-	-	-	(68)	-	-	-	-	-	-	(68)	(68)
Repurchase of permanent shares	(2,671)	-	-	-	-	-	-	-	-	-	-	(2,671)
Other net change in capital stock	(6)	-	-	-	-	-	-	-	-	-	-	(6)
Net adjustment related to member dividends	-	(1)	-	-	-	-	-	-	-	-	-	(1)
Balance after distribution 2015	\$ 3,533	\$ 1,257	\$ 554	\$ 8,044	\$ 828	\$ (1,346)	\$ 13,224	\$ 1,594	\$ 923	\$ 151	\$ 23,418	\$ 28,762
Distribution by members at the 2016 general meeting												
Interest on permanent shares and on surplus shares	-	(180)	-	-	-	-	-	-	-	-	-	(180)
Transfer from (allocation to) reserves	-	(1,082)	-	-	-	-	982	-	-	100	1,082	-
Net adjustment related to member dividends	-	5	-	-	-	-	-	-	-	-	-	5
Balance after distribution	3,533	-	554	8,044	828	(1,346)	14,206	1,594	923	251	24,500	28,587
Net surplus earnings for 2016 after member dividends	-	2,060	-	-	-	-	-	-	-	-	-	2,060
Other comprehensive income for the year	-	228	183	-	-	-	-	-	-	-	-	411
Statutory transfer	-	(499)	-	772	(440)	167	-	-	-	-	499	-
Net amounts used during the year	-	38	-	-	-	-	-	-	-	(38)	(38)	-
Equity transactions related to other investments in the Federation	-	-	68	755	-	-	-	-	-	-	755	823
Repurchase of permanent shares	(318)	-	-	-	-	-	-	-	-	-	-	(318)
Other net change in capital stock	7	-	-	-	-	-	-	-	-	-	-	7
Net adjustment related to member dividends	-	(5)	-	-	-	-	-	-	-	-	-	(5)
Balance after distribution 2016	\$ 3,222	\$ 1,822	\$ 805	\$ 9,571	\$ 388	\$ (1,179)	\$ 14,206	\$ 1,594	\$ 923	\$ 213	\$ 25,716	\$ 31,565

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPES OF OPERATIONS AND BASIS OF ACCOUNTING

The Caisse is a cooperative whose purpose is to receive the savings of their members in order to invest them profitably as well as to extend credit and supply other financial products and services to their 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 or mutual benefit fund for the benefit of the Desjardins caisses in Quebec.

The Caisses are members of the *Fédération des caisses Desjardins du Québec* (the Federation), which controls other components that form 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 for the preparation of the combined financial statements of the caisses Desjardins du Québec, 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 to be consistent with the presentation of the financial statements of the current year. This reclassification did not affect the Caisse's surplus earnings or total assets and liabilities.