

2017 Financial Report

Caisse populaire Desjardins de Sainte-Agathe-des-Monts

TABLE OF CONTENTS

Report on the results of applying specified auditing procedures

Financial report

Balance Sheet	2
Statements of Income	3
Statements of Changes in Equity	4

Note to the financial report

Note 1 – Type of operations and basis of accounting	5
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April 4, 2018

Report on the results of applying specified auditing procedures to the financial report of the 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”), 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:	309,291,000	\$
Total equity:	32,686,000	\$
Net surplus earnings for the year after member dividends :	2,106,000	\$

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	\$ 3,741	\$ 3,293
Securities		
Investment in liquidity fund under management	18,069	16,047
Term deposits and other	266	374
	18,335	16,421
Loans		
Personal	184,204	177,243
Business	76,864	73,142
	261,068	250,385
Allowance for credit losses	390	287
	260,678	250,098
Investments in the Federation	18,850	17,271
Other assets		
Derivative financial instruments	3,267	2,725
Property, plant and equipment	1,821	1,594
Other	2,599	2,090
	7,687	6,409
TOTAL ASSETS	\$ 309,291	\$ 293,492
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 97,776	\$ 94,253
Other	157,946	145,776
	255,722	240,029
Borrowings	15,614	17,554
Other liabilities		
Derivative financial instruments	1,199	218
Net defined benefit plan liabilities	1,835	1,606
Other	2,235	2,523
	5,269	4,347
TOTAL LIABILITIES	276,605	261,930
EQUITY		
Capital stock	2,586	3,222
Distributable surplus earnings	1,164	1,820
Accumulated other comprehensive income	985	805
Reserves	27,951	25,715
TOTAL EQUITY	32,686	31,562
TOTAL LIABILITIES AND EQUITY	\$ 309,291	\$ 293,492

STATEMENTS OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2017	2016
INTEREST INCOME	\$ 8,355	\$ 8,086
INTEREST EXPENSE	2,533	2,412
NET INTEREST INCOME	5,822	5,674
OTHER INCOME	2,698	2,621
PROVISION FOR CREDIT LOSSES	286	76
NON-INTEREST EXPENSES		
Salaries and fringe benefits	2,758	2,649
Assessments paid to Desjardins Group components	839	845
Computer services	1,044	1,001
Community Development Fund expenses	114	51
Other	2,042	2,106
	6,797	6,652
OPERATING SURPLUS EARNINGS	1,437	1,567
Income on investments in the Federation	1,782	1,730
Loss related to fair value of derivative financial instruments	(809)	(607)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	2,410	2,690
Income taxes on surplus earnings	73	415
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	2,337	2,275
Member dividends	323	293
Tax recovery on member dividends	(92)	(76)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 2,106	\$ 2,058

STATEMENTS 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, 2015	\$ 3,533	\$ 1,258	\$ 554	\$ 8,044	\$ 827	\$ (1,346)	\$ 13,224	\$ 1,594	\$ 923	\$ 151	\$ 23,417	\$ 28,762	
Distribution by members at the 2016 general meeting													
Interest on permanent shares	-	(181)	-	-	-	-	-	-	-	-	-	(181)	
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	827	(1,346)	14,206	1,594	923	251	24,499	28,586	
Net surplus earnings for 2016 after member dividends	-	2,058	-	-	-	-	-	-	-	-	-	2,058	
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	-	-	-	755	-	-	-	-	-	-	755	823	
Redemption of permanent shares	(318)	-	-	-	-	-	-	-	-	-	-	(318)	
Other net change in capital stock	7	-	-	-	-	-	-	-	-	-	-	7	
Net adjustment related to member dividends	-	(5)	-	-	-	-	-	-	-	-	-	(5)	
BALANCE AS AT DECEMBER 31, 2016	\$ 3,222	\$ 1,820	\$ 805	\$ 9,571	\$ 387	\$ (1,179)	\$ 14,206	\$ 1,594	\$ 923	\$ 213	\$ 25,715	\$ 31,562	
Distribution by members at the 2017 general meeting													
Interest on members' permanent shares	-	(117)	-	-	-	-	-	-	-	-	-	(117)	
Transfer from (allocation to) reserves	-	(1,685)	-	-	-	-	1,585	-	-	100	1,685	-	
Net adjustment related to member dividends	-	(18)	-	-	-	-	-	-	-	-	-	(18)	
Balance after distribution	3,222	-	805	9,571	387	(1,179)	15,791	1,594	923	313	27,400	31,427	
Net surplus earnings for 2017 after member dividends	-	2,106	-	-	-	-	-	-	-	-	-	2,106	
Other comprehensive income for the year	-	(420)	180	-	-	-	-	-	-	-	-	(240)	
Statutory transfer	-	(623)	-	1,386	(594)	(169)	-	-	-	-	623	-	
Net amounts used during the year	-	83	-	-	-	-	-	-	-	(83)	(83)	-	
Equity transactions related to other investments in the Federation	-	-	-	11	-	-	-	-	-	-	11	11	
Redemption of permanent shares	(637)	-	-	-	-	-	-	-	-	-	-	(637)	
Other net change in capital stock	1	-	-	-	-	-	-	-	-	-	-	1	
Net adjustment related to member dividends	-	18	-	-	-	-	-	-	-	-	-	18	
BALANCE AS AT DECEMBER 31, 2017	\$ 2,586	\$ 1,164	\$ 985	\$ 10,968	\$ (207)	\$ (1,348)	\$ 15,791	\$ 1,594	\$ 923	\$ 230	\$ 27,951	\$ 32,686	

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

The Caisse populaire Desjardins de Sainte-Agathe-des-Monts (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.