

2016 FINANCIAL REPORT

CAISSE POPULAIRE DESJARDINS UKRAINIENNE DE MONTRÉAL

TABLE OF CONTENTS

Report on the results of applying specified auditing procedures

Financial report

Balance Sheet	1
Statements of Income	2
Statements of Changes in Equity	3

Note to the financial report

Note 1 – Types of operations and basis of accounting	4
--	---



April 13, 2017

Report on the results of applying specified auditing procedures to the financial report of Caisse populaire Desjardins Ukrainienne de Montréal (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:	157,960,000	\$
Total equity:	20,726,000	\$
Net surplus earnings for the year after member dividends:	1,422,000	\$

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	\$ 4,556	\$ 5,682
Securities		
Investment in liquidity fund under management	5,961	5,703
Term deposits and other	181	130
	6,142	5,833
Loans		
Personal	72,026	65,052
Business	63,190	59,534
	135,216	124,586
Allowance for credit losses	115	95
	135,101	124,491
Investments in the Federation	10,088	9,137
Other assets		
Derivative financial instruments	1,367	1,185
Property, plant and equipment	15	22
Other	691	367
	2,073	1,574
TOTAL ASSETS	\$ 157,960	\$ 146,717
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 67,999	\$ 72,634
Other	48,881	45,032
	116,880	117,666
Borrowings	18,175	7,517
Other liabilities		
Derivative financial instruments	229	243
Net defined benefit plan liabilities	604	606
Other	1,346	1,497
	2,179	2,346
TOTAL LIABILITIES	137,234	127,529
EQUITY		
Capital stock	188	656
Distributable surplus earnings	1,131	799
Accumulated other comprehensive income	465	326
Reserves	18,942	17,407
TOTAL EQUITY	20,726	19,188
TOTAL LIABILITIES AND EQUITY	\$ 157,960	\$ 146,717

STATEMENTS OF INCOME
(unaudited)

For the years ended December 31

(in thousands of Canadian dollars)

	2016	2015
INTEREST INCOME	\$ 4,091	\$ 4,135
INTEREST EXPENSE	1,369	1,530
NET INTEREST INCOME	2,722	2,605
OTHER INCOME	707	723
PROVISION FOR CREDIT LOSSES (RECOVERY)	52	(29)
OTHER EXPENSES		
Salaries and fringe benefits	1,002	903
Assessments paid to Desjardins Group components	470	429
Community development expenses	45	38
Other	804	862
	2,321	2,232
OPERATING SURPLUS EARNINGS	1,056	1,125
Income on investments in the Federation	1,008	959
Income (loss) related to fair value of derivative financial instruments	(75)	107
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	1,989	2,191
Income taxes on surplus earnings	343	335
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	1,646	1,856
Member dividends	307	353
Tax recovery on member dividends	(83)	(95)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 1,422	\$ 1,598

STATEMENTS OF CHANGES IN EQUITY
(unaudited)

For the years ended December 31

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	\$ 731	\$ 569	\$ 469	\$ 3,843	\$ 211	\$ (584)	\$ 11,390	\$ 119	\$ 778	\$ 179	\$ 15,936	\$ 17,705
Distribution by members at the 2015 general meeting												
Interest on permanent shares and on surplus shares	-	(34)	-	-	-	-	-	-	-	-	-	(34)
Transfer from (allocation to) reserves	-	(538)	-	-	-	-	538	-	-	-	538	-
Net adjustment related to member dividends	-	3	-	-	-	-	-	-	-	-	-	3
Balance after distribution	731	-	469	3,843	211	(584)	11,928	119	778	179	16,474	17,674
Net surplus earnings for 2015 after member dividends	-	1,598	-	-	-	-	-	-	-	-	-	1,598
Other comprehensive income for the year	-	176	(143)	-	-	-	-	-	-	-	-	33
Statutory transfer	-	(1,001)	-	819	54	128	-	-	-	-	1,001	-
Net amounts used during the year	-	29	-	-	-	-	-	-	-	(29)	(29)	-
Equity transactions related to other investments in the Federation	-	-	-	(39)	-	-	-	-	-	-	(39)	(39)
Repurchase of permanent shares	(76)	-	-	-	-	-	-	-	-	-	-	(76)
Other net change in capital stock	1	-	-	-	-	-	-	-	-	-	-	1
Net adjustment related to member dividends	-	(3)	-	-	-	-	-	-	-	-	-	(3)
Balance after distribution 2015	\$ 656	\$ 799	\$ 326	\$ 4,623	\$ 265	\$ (456)	\$ 11,928	\$ 119	\$ 778	\$ 150	\$ 17,407	\$ 19,188
Distribution by members at the 2016 general meeting												
Interest on permanent shares and on surplus shares	-	(26)	-	-	-	-	-	-	-	-	-	(26)
Transfer from (allocation to) reserves	-	(771)	-	-	-	-	771	-	-	-	771	-
Net adjustment related to member dividends	-	(2)	-	-	-	-	-	-	-	-	-	(2)
Balance after distribution	656	-	326	4,623	265	(456)	12,699	119	778	150	18,178	19,160
Net surplus earnings for 2016 after member dividends	-	1,422	-	-	-	-	-	-	-	-	-	1,422
Other comprehensive income for the year	-	34	100	-	-	-	-	-	-	-	-	134
Statutory transfer	-	(361)	-	431	(71)	1	-	-	-	-	361	-
Net amounts used during the year	-	34	-	-	-	-	-	-	-	(34)	(34)	-
Equity transactions related to other investments in the Federation	-	-	39	437	-	-	-	-	-	-	437	476
Repurchase of permanent shares	(270)	-	-	-	-	-	-	-	-	-	-	(270)
Other net change in capital stock	(198)	-	-	-	-	-	-	-	-	-	-	(198)
Net adjustment related to member dividends	-	2	-	-	-	-	-	-	-	-	-	2
Balance after distribution 2016	\$ 188	\$ 1,131	\$ 465	\$ 5,491	\$ 194	\$ (455)	\$ 12,699	\$ 119	\$ 778	\$ 116	\$ 18,942	\$ 20,726

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.