

# 2016 FINANCIAL REPORT

## CAISSE DESJARDINS DE BOIS-FRANC- BORDEAUX-CARTIERVILLE

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April 3, 2017

**Report on the results of applying specified auditing procedures to the financial report of Caisse Desjardins de Bois-Franc–Bordeaux–Cartierville (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:	712,426,000	\$
Total equity:	67,118,000	\$
Net surplus earnings for the year after member dividends:	4,552,000	\$

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*<sup>1</sup>

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<sup>1</sup> 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
<b>ASSETS</b>		
<b>Cash and deposits with financial institutions</b>	\$ 12,231	\$ 16,175
<b>Securities</b>		
Investment in liquidity fund under management	29,152	26,403
Term deposits and other	123	123
	<b>29,275</b>	<b>26,526</b>
<b>Loans</b>		
Personal	498,110	499,826
Business	123,558	110,775
	<b>621,668</b>	<b>610,601</b>
Allowance for credit losses	696	1,031
	<b>620,972</b>	<b>609,570</b>
<b>Investments in the Federation</b>	<b>37,843</b>	<b>34,455</b>
<b>Other assets</b>		
Derivative financial instruments	6,096	6,430
Property, plant and equipment	1,363	351
Other	4,646	3,807
	<b>12,105</b>	<b>10,588</b>
<b>TOTAL ASSETS</b>	<b>\$ 712,426</b>	<b>\$ 697,314</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Deposits</b>		
Term savings	\$ 225,419	\$ 289,634
Other	287,698	220,392
	<b>513,117</b>	<b>510,026</b>
<b>Borrowings</b>	<b>124,366</b>	<b>116,554</b>
<b>Other liabilities</b>		
Derivative financial instruments	131	155
Net defined benefit plan liabilities	2,435	2,786
Other	5,259	5,723
	<b>7,825</b>	<b>8,664</b>
<b>TOTAL LIABILITIES</b>	<b>645,308</b>	<b>635,244</b>
<b>EQUITY</b>		
Capital stock	5,397	7,020
Distributable surplus earnings	3,734	3,340
Accumulated other comprehensive income	1,580	1,029
Reserves	56,407	50,681
<b>TOTAL EQUITY</b>	<b>67,118</b>	<b>62,070</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 712,426</b>	<b>\$ 697,314</b>

**STATEMENTS OF INCOME**  
**(unaudited)**

For the years ended December 31

(in thousands of Canadian dollars)

	2016	2015
<b>INTEREST INCOME</b>	\$ 18,326	\$ 19,338
<b>INTEREST EXPENSE</b>	7,163	7,386
<b>NET INTEREST INCOME</b>	11,163	11,952
<b>OTHER INCOME</b>	3,684	3,772
<b>PROVISION FOR CREDIT LOSSES</b>	2	79
<b>OTHER EXPENSES</b>		
Salaries and fringe benefits	3,827	3,930
Assessments paid to Desjardins Group components	2,050	1,836
Community development expenses	56	37
Other	6,298	5,651
	12,231	11,454
<b>OPERATING SURPLUS EARNINGS</b>	2,614	4,191
Income on investments in the Federation	3,805	3,570
Income (loss) related to fair value of derivative financial instruments	(657)	686
<b>SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS</b>	5,762	8,447
Income taxes on surplus earnings	931	1,406
<b>SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS</b>	4,831	7,041
Member dividends	382	606
Tax recovery on member dividends	(103)	(163)
<b>NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS</b>	\$ 4,552	\$ 6,598

**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)												
<b>BALANCE AS AT DECEMBER 31, 2014</b>	\$ 9,447	\$ 2,491	\$ 1,548	\$ 13,196	\$ 1,147	\$ (2,846)	\$ 30,445	\$ 2,311	\$ 132	\$ 301	\$ 44,686	\$ 58,172
Distribution by members at the 2015 general meeting	-	(410)	-	-	-	-	-	-	-	-	-	(410)
Interest on permanent shares and on surplus shares	-	(2,076)	-	-	-	-	2,051	-	-	25	2,076	-
Transfer from (allocation to) reserves	-	(5)	-	-	-	-	-	-	-	-	-	(5)
Net adjustment related to member dividends	-	-	-	-	-	-	-	-	-	-	-	-
Balance after distribution	9,447	-	1,548	13,196	1,147	(2,846)	32,496	2,311	132	326	46,762	57,757
Net surplus earnings for 2015 after member dividends	-	6,598	-	-	-	-	-	-	-	-	-	6,598
Other comprehensive income for the year	-	796	(519)	-	-	-	-	-	-	-	-	277
Statutory transfer	-	(4,086)	-	2,974	498	614	-	-	-	-	4,086	-
Net amounts used during the year	-	27	-	-	-	-	-	-	-	(27)	(27)	-
Equity transactions related to other investments in the Federation	-	-	-	(140)	-	-	-	-	-	-	(140)	(140)
Repurchase of permanent shares	(2,360)	-	-	-	-	-	-	-	-	-	-	(2,360)
Other net change in capital stock	(67)	-	-	-	-	-	-	-	-	-	-	(67)
Net adjustment related to member dividends	-	5	-	-	-	-	-	-	-	-	-	5
<b>Balance after distribution 2015</b>	\$ 7,020	\$ 3,340	\$ 1,029	\$ 16,030	\$ 1,645	\$ (2,232)	\$ 32,496	\$ 2,311	\$ 132	\$ 299	\$ 50,681	\$ 62,070
Distribution by members at the 2016 general meeting	-	(318)	-	-	-	-	-	-	-	-	-	(318)
Interest on permanent shares and on surplus shares	-	(3,020)	-	-	-	-	2,990	-	-	30	3,020	-
Transfer from (allocation to) reserves	-	(2)	-	-	-	-	-	-	-	-	-	(2)
Net adjustment related to member dividends	-	-	-	-	-	-	-	-	-	-	-	-
Balance after distribution	7,020	-	1,029	16,030	1,645	(2,232)	35,486	2,311	132	329	53,701	61,750
Net surplus earnings for 2016 after member dividends	-	4,552	-	-	-	-	-	-	-	-	-	4,552
Other comprehensive income for the year	-	371	410	-	-	-	-	-	-	-	-	781
Statutory transfer	-	(1,232)	-	1,458	(477)	251	-	-	-	-	1,232	-
Net amounts used during the year	-	41	-	-	-	-	-	-	-	(41)	(41)	-
Equity transactions related to other investments in the Federation	-	-	141	1,515	-	-	-	-	-	-	1,515	1,656
Repurchase of permanent shares	(1,560)	-	-	-	-	-	-	-	-	-	-	(1,560)
Other net change in capital stock	(63)	-	-	-	-	-	-	-	-	-	-	(63)
Net adjustment related to member dividends	-	2	-	-	-	-	-	-	-	-	-	2
<b>Balance after distribution 2016</b>	\$ 5,397	\$ 3,734	\$ 1,580	\$ 19,003	\$ 1,168	\$ (1,981)	\$ 35,486	\$ 2,311	\$ 132	\$ 288	\$ 56,407	\$ 67,118

# 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.