

2017 Financial Report

Caisse Desjardins du Haut-Saint-Laurent

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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March 28, 2018

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins du Haut-Saint-Laurent (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:	556,037,000	\$
Total equity:	48,876,000	\$
Net surplus earnings for the year after member dividends :	2,576,000	\$

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	\$ 6,212	\$ 4,562
Securities		
Investment in liquidity fund under management	22,345	20,415
Term deposits and other	-	700
	22,345	21,115
Loans		
Personal	284,249	273,959
Business	198,984	206,247
	483,233	480,206
Allowance for credit losses	655	855
	482,578	479,351
Investments in the Federation	31,127	28,716
Other assets		
Derivative financial instruments	8,440	6,728
Property, plant and equipment	407	1,473
Other	4,928	3,349
	13,775	11,550
TOTAL ASSETS	\$ 556,037	\$ 545,294
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 228,911	\$ 218,721
Other	189,425	168,502
	418,336	387,223
Borrowings	79,162	103,009
Other liabilities		
Derivative financial instruments	2,480	352
Net defined benefit plan liabilities	3,086	2,644
Other	4,097	4,356
	9,663	7,352
TOTAL LIABILITIES	507,161	497,584
EQUITY		
Capital stock	2,702	3,531
Distributable surplus earnings	1,775	3,410
Accumulated other comprehensive income	1,482	1,213
Reserves	42,917	39,556
TOTAL EQUITY	48,876	47,710
TOTAL LIABILITIES AND EQUITY	\$ 556,037	\$ 545,294

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

(in thousands of Canadian dollars)	2017	2016
INTEREST INCOME	\$ 15,623	\$ 15,912
INTEREST EXPENSE	6,457	6,667
NET INTEREST INCOME	9,166	9,245
OTHER INCOME	4,133	4,033
PROVISION FOR CREDIT LOSSES	127	45
NON-INTEREST EXPENSES		
Salaries and fringe benefits	4,645	4,801
Assessments paid to Desjardins Group components	1,629	1,637
Computer services	1,390	1,307
Community Development Fund expenses	22	47
Other	3,094	2,747
	10,780	10,539
OPERATING SURPLUS EARNINGS	2,392	2,694
Income on investments in the Federation	2,728	2,883
Loss related to fair value of derivative financial instruments	(2,301)	(1,596)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	2,819	3,981
Income taxes on surplus earnings	(83)	606
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	2,902	3,375
Member dividends	446	282
Tax recovery on member dividends	(120)	(76)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 2,576	\$ 3,169

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	\$ 6,000	\$ 2,284	\$ 808	\$ 12,187	\$ 2,614	\$ (2,258)	\$ 20,374	\$ 2,014	\$ 1,206	\$ 114	\$ 36,251	\$ 45,343
Distribution by members at the 2016 general meeting												
Interest on members' permanent and surplus shares	-	(277)	-	-	-	-	-	-	-	-	-	(277)
Transfer from (allocation to) reserves	-	(2,007)	-	-	-	-	1,957	-	-	50	2,007	-
Balance after distribution	6,000	-	808	12,187	2,614	(2,258)	22,331	2,014	1,206	164	38,258	45,066
Net surplus earnings for 2016 after member dividends	-	3,169	-	-	-	-	-	-	-	-	-	3,169
Other comprehensive income for the year	-	411	300	-	-	-	-	-	-	-	-	711
Statutory transfer	-	(204)	-	1,053	(1,167)	318	-	-	-	-	204	-
Net amounts used during the year	-	34	-	-	-	-	-	-	-	(34)	(34)	-
Equity transactions related to other investments in the Federation	-	-	-	1,128	-	-	-	-	-	-	1,128	1,233
Redemption of permanent shares	(2,394)	-	-	-	-	-	-	-	-	-	-	(2,394)
Other net change in capital stock	(75)	-	-	-	-	-	-	-	-	-	-	(75)
BALANCE AS AT DECEMBER 31, 2016	\$ 3,531	\$ 3,410	\$ 1,213	\$ 14,368	\$ 1,447	\$ (1,940)	\$ 22,331	\$ 2,014	\$ 1,206	\$ 130	\$ 39,556	\$ 47,710
Distribution by members at the 2017 general meeting												
Interest on members' permanent and surplus shares	-	(160)	-	-	-	-	-	-	-	-	-	(160)
Transfer from (allocation to) reserves	-	(3,250)	-	-	-	-	3,250	-	-	-	3,250	-
Balance after distribution	3,531	-	1,213	14,368	1,447	(1,940)	25,581	2,014	1,206	130	42,806	47,550
Net surplus earnings for 2017 after member dividends	-	2,576	-	-	-	-	-	-	-	-	-	2,576
Other comprehensive income for the year	-	(707)	269	-	-	-	-	-	-	-	-	(438)
Statutory transfer	-	(110)	-	2,125	(1,689)	(326)	-	-	-	-	110	-
Net amounts used during the year	-	16	-	-	-	-	-	-	-	(16)	(16)	-
Equity transactions related to other investments in the Federation	-	-	-	17	-	-	-	-	-	-	17	17
Redemption of permanent shares	(769)	-	-	-	-	-	-	-	-	-	-	(769)
Other net change in capital stock	(60)	-	-	-	-	-	-	-	-	-	-	(60)
BALANCE AS AT DECEMBER 31, 2017	\$ 2,702	\$ 1,775	\$ 1,482	\$ 16,510	\$ (242)	\$ (2,266)	\$ 25,581	\$ 2,014	\$ 1,206	\$ 114	\$ 42,917	\$ 48,876

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

The Caisse Desjardins du Haut-Saint-Laurent (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.