

# 2017 Financial Report

## Caisse populaire Desjardins Canadienne Italienne

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March 15, 2018

**Report on the results of applying specified auditing procedures to the financial report of the Caisse populaire Desjardins Canadienne Italienne (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:	1,044,355,000	\$
Total equity:	96,683,000	\$
Net surplus earnings for the year after member dividends :	8,910,000	\$

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*<sup>1</sup>

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<sup>1</sup> 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
<b>ASSETS</b>		
Cash and deposits with financial institutions	\$ 57,387	\$ 57,728
Investment in liquidity fund under management	46,246	42,239
<b>Loans</b>		
Personal	653,920	605,778
Business	218,301	197,822
	872,221	803,600
Allowance for credit losses	1,027	993
	871,194	802,607
Investments in the Federation	51,228	47,305
<b>Other assets</b>		
Derivative financial instruments	11,630	5,630
Property, plant and equipment	1,230	1,581
Other	5,440	5,508
	18,300	12,719
<b>TOTAL ASSETS</b>	<b>\$ 1,044,355</b>	<b>\$ 962,598</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Deposits</b>		
Term savings	\$ 475,228	\$ 468,006
Other	366,136	332,897
	841,364	800,903
<b>Borrowings</b>	91,261	59,729
<b>Other liabilities</b>		
Derivative financial instruments	2,439	750
Net defined benefit plan liabilities	5,550	4,773
Other	7,058	6,917
	15,047	12,440
<b>TOTAL LIABILITIES</b>	<b>947,672</b>	<b>873,072</b>
<b>EQUITY</b>		
Capital stock	2,402	3,280
Distributable surplus earnings	3,445	6,012
Accumulated other comprehensive income	2,349	1,912
Reserves	88,487	78,322
<b>TOTAL EQUITY</b>	<b>96,683</b>	<b>89,526</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,044,355</b>	<b>\$ 962,598</b>

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

(in thousands of Canadian dollars)	2017	2016
<b>INTEREST INCOME</b>	<b>\$ 24,663</b>	<b>\$ 24,049</b>
<b>INTEREST EXPENSE</b>	<b>9,062</b>	<b>8,834</b>
<b>NET INTEREST INCOME</b>	<b>15,601</b>	<b>15,215</b>
<b>OTHER INCOME</b>	<b>5,597</b>	<b>5,720</b>
<b>PROVISION FOR CREDIT LOSSES</b>	<b>299</b>	<b>263</b>
<b>NON-INTEREST EXPENSES</b>		
Salaries and fringe benefits	7,232	7,318
Assessments paid to Desjardins Group components	2,667	2,745
Computer services	1,312	1,236
Community Development Fund expenses	51	84
Other	4,229	4,184
	<b>15,491</b>	<b>15,567</b>
<b>OPERATING SURPLUS EARNINGS</b>	<b>5,408</b>	<b>5,105</b>
Income on investments in the Federation	4,437	4,774
Income related to fair value of derivative financial instruments	1,900	822
<b>SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS</b>	<b>11,745</b>	<b>10,701</b>
Income taxes on surplus earnings	1,816	2,154
<b>SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS</b>	<b>9,929</b>	<b>8,547</b>
Member dividends	1,392	512
Tax recovery on member dividends	(373)	(138)
<b>NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS</b>	<b>\$ 8,910</b>	<b>\$ 8,173</b>

**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)												
<b>BALANCE AS AT DECEMBER 31, 2015</b>	\$ 9,556	\$ 4,192	\$ 1,229	\$ 16,518	\$ 326	\$ (3,890)	\$ 50,116	\$ 2,112	\$ 4,510	\$ 266	\$ 69,958	\$ 84,935
Distribution by members at the 2016 general meeting												
Interest on members' permanent and surplus shares	-	(245)	-	-	-	-	-	-	-	-	-	(245)
Transfer from (allocation to) reserves	-	(3,964)	-	-	-	-	3,964	-	-	-	3,964	-
Net adjustment related to member dividends	-	17	-	-	-	-	-	-	-	-	-	17
Balance after distribution	9,556	-	1,229	16,518	326	(3,890)	54,080	2,112	4,510	266	73,922	84,707
Net surplus earnings for 2016 after member dividends	-	8,173	-	-	-	-	-	-	-	-	-	8,173
Other comprehensive income for the year	-	533	512	-	-	-	-	-	-	-	-	1,045
Statutory transfer	-	(2,652)	-	1,668	597	387	-	-	-	-	2,652	-
Net amounts used during the year	-	62	-	-	-	-	-	-	-	(62)	(62)	-
Equity transactions related to other investments in the Federation	-	-	-	1,810	-	-	-	-	-	-	1,810	1,981
Redemption of permanent shares	(1,640)	-	-	-	-	-	-	-	-	-	-	(1,640)
Other net change in capital stock	(4,636)	-	-	-	-	-	-	-	-	-	-	(4,636)
Interest on preferred shares	-	(87)	-	-	-	-	-	-	-	-	-	(87)
Net adjustment related to member dividends	-	(17)	-	-	-	-	-	-	-	-	-	(17)
<b>BALANCE AS AT DECEMBER 31, 2016</b>	\$ 3,280	\$ 6,012	\$ 1,912	\$ 19,996	\$ 923	\$ (3,503)	\$ 54,080	\$ 2,112	\$ 4,510	\$ 204	\$ 78,322	\$ 89,526
Distribution by members at the 2017 general meeting												
Interest on members' permanent and surplus shares	-	(138)	-	-	-	-	-	-	-	-	-	(138)
Transfer from (allocation to) reserves	-	(5,898)	-	-	-	-	5,898	-	-	-	5,898	-
Net adjustment related to member dividends	-	24	-	-	-	-	-	-	-	-	-	24
Balance after distribution	3,280	-	1,912	19,996	923	(3,503)	59,978	2,112	4,510	204	84,220	89,412
Net surplus earnings for 2017 after member dividends	-	8,910	-	-	-	-	-	-	-	-	-	8,910
Other comprehensive income for the year	-	(1,202)	437	-	-	-	-	-	-	-	-	(765)
Statutory transfer	-	(4,276)	-	3,454	1,396	(574)	-	-	-	-	4,276	-
Net amounts used during the year	-	37	-	-	-	-	-	-	-	(37)	(37)	-
Equity transactions related to other investments in the Federation	-	-	-	28	-	-	-	-	-	-	28	28
Redemption of permanent shares	(866)	-	-	-	-	-	-	-	-	-	-	(866)
Other net change in capital stock	(12)	-	-	-	-	-	-	-	-	-	-	(12)
Net adjustment related to member dividends	-	(24)	-	-	-	-	-	-	-	-	-	(24)
<b>BALANCE AS AT DECEMBER 31, 2017</b>	\$ 2,402	\$ 3,445	\$ 2,349	\$ 23,478	\$ 2,319	\$ (4,077)	\$ 59,978	\$ 2,112	\$ 4,510	\$ 167	\$ 88,487	\$ 96,683

## NOTE TO THE FINANCIAL REPORT (unaudited)

### NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

The Caisse populaire Desjardins Canadienne Italienne (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.