

When you choose Desjardins you're making change happen.



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MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS

Dear Members,

On behalf of our officers, I am pleased to present a review of the year 2017 for *Caisse Desjardins du Lac-Memphrémagog*.

A DRIVER OF SUSTAINABILITY

In 2017, our caisse recorded operating surplus earnings of \$6.5 million. These results are an indicator of the sound management of the caisse and of your loyalty. By choosing the caisse's products and services, you have a direct positive impact on its profitability.

Thanks to your support, *Desjardins* can enrich people's lives and the communities in which they live. One of the tools the caisse uses to achieve this is the Community Development Fund. We distributed \$366,000 last year through this fund. We also honoured our commitments in the form of donations and sponsorships, for a total of \$38,000.

Another tool at our disposal is the \$100-million development fund, launched in 2016. The investments will spread over 3 years to support and promote projects in Quebec and Ontario and initiatives that are in line with Desjardins Group's socio-economic mission to bolster education, social responsibility, sustainable development and community involvement. With this fund, the Caisse was able to support the setting up of the technological incubator of *Magog Technopole*, whose mission is to foster and support the area's Information and Communication Technologies (ICT) sector and promote their growth.

Along with our financial contributions, our Escouade D (a volunteer squad made up of Caisse employees and officers) devoted 860 hours of volunteer work to help support organizations and activities in our region. Five teams of racers, made up of thirty employees, participated in the Lake Memphrémagog Relay Race and raised \$25,000 for the Christian Vachon foundation, which helps support school perseverance and school success. A great way to make a difference in the Memphremagog RCM!

Education is at the heart of the Caisse's mission, therefore, we are proud to contribute to the Desjardins Foundation in order to support projects with elementary and secondary aged students. The *Jardin-des-Frontières* elementary school of Stanstead won a \$2,500 #Desjardinsfoundation prize for its *Cirque sans frontière* project.

In parallel, the Caisse gave \$7,600 in scholarships, allowed the creation of 15 summer jobs thanks to its *Desjardins-Jeunes au travail* program, offered the Student Caisse at *École secondaire de la Ruche* and the School Caisse in 10 elementary schools of the region.

Thanks to the commitment of our members, *Caisse Desjardins du Lac-Memphrémagog*, our employees and officers form a powerful driver of sustainability. Our involvement is part of our cooperative difference and remains one of our main sources of pride.

PREPARE FOR THE FUTURE TOGETHER

More than 7 million members and clients chose Desjardins. At our caisse, there are 31,298 of you who have placed their trust in us. This motivates us to constantly improve our services and develop our products to offer you a *Desjardins* that is closer to your needs.

We tirelessly innovate to achieve that purpose. For example, you can now securely log on to *Desjardins* mobile services with your fingerprint. Once logged on, you can personalize your InstaBalance, use the mobile cheque deposit feature or transfer money to your Hop 'n S@ve account.

What's more, this year Android Pay joined Apple Pay in our range of services, and our new Desjardins Insurance app gives you direct access to your online insurance file.

Since the fall of 2017, the electronic signature feature makes it possible to sign mortgage documents and financing applications online. You can now sign with just a click—no more having to wait for your documents to arrive by mail to then sign and return them to the caisse by mail or in person. This secure and modern solution is simple and saves time.

This digital shift is just one of the ways in which we are in the right place, at the right time, for the right person.

LISTENING TO YOU TO IMPROVE OURSELVES

In the past fiscal year, we also reviewed some of our practices to better meet your expectations, such as by eliminating Interac fees. We also changed the timing of NSF cheque charges, giving our members additional time to remedy the situation. This is yet another example of how we put your interests first.

As members, you can play a role in your caisse's evolution to help boost its performance. In October 2017, during an important Desjardins Group Congress, it was stated that the caisses must ensure that members can easily be heard. Rest assured that we are always looking for the best possible ways to empower you to influence caisse decision.

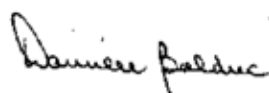
A priority regarding the electoral process was adopted at the Congress. Starting in 2019, it will be easier for you to evaluate the candidates for officer positions based on member representation and the required skills for caisse board members.

The Congress also saw the adoption of a priority to further develop the supervision of all caisses in terms of ethics, professional conduct and cooperation. This priority suggests adding an oversight component to caisse governance. In addition, as is usually the case in cooperatives and other businesses, responsibility for supervision would be assigned to a committee of the board of directors rather than a separate board. Before this priority can be implemented, however, we need to comply with certain legal and regulatory conditions in the coming months. I would like to thank the members of our caisse's board of supervision, who continue to perform their responsibilities with the same diligence as always, despite this situation.

EXPRESSING OUR HEARTFELT THANKS

I would like to thank everyone who is devoted to supporting the caisse: officers, managers and employees. Under the dynamic leadership of M. Patrick Gravel, they draw on their skills and great adaptability so that our cooperative can meet your needs effectively. Thanks also to our Desjardins partners for supporting our mission to serve our members.

Lastly, thanks to our 31,298 members for placing your trust in us. Choosing Desjardins is more than choosing a financial institution. It means taking part in a great cooperative movement and helping contribute actively to the lives of people and communities.



Danielle Bolduc
Chair, Board of directors



REPORT FROM THE CHAIR OF THE BOARD OF SUPERVISION

The board of supervision makes sure the caisse fulfills its responsibilities in terms of ethics, professional conduct and cooperation.

SUPERVISION OF ETHICAL ASPECTS

Every year, caisse officers and employees renew their commitment to comply with the Desjardins Code of Professional Conduct. The Code sets out the behaviours that are expected as well as those that are not acceptable.

The board of supervision ensured that the caisse, officers and employees took the values of Desjardins into account to guide their conduct.

Here is a supervision report for the past year concerning three rules of professional conduct:

- No conflict of interest situations were noted.
- Deposits from and loans to restricted parties¹ of the caisse were granted in accordance with the caisse's code of ethics and applicable rules of professional conduct. Loans granted to restricted parties totalled \$635,244.59.
- The caisse and its centres did grant 2 contracts for the supply of goods and services to restricted parties subject to the Code², for a total amount \$3,068.

SUPERVISION OF COOPERATIVE ASPECTS

With regard to the supervision of cooperative aspects, the board of supervision must ensure that Desjardins values are an integral part of the caisse's business and management practices. It must also make sure that the caisse contributes to community development and the economic and financial education of members. Lastly, it ensures that members are informed about topics of importance to them.

¹ Restricted parties: Caisse officers and general manager, officers of the Fédération des caisses Desjardins du Québec and their associated persons.

² Restricted parties subject to the Code: Restricted parties, caisse employees and centre managers and their associated persons.

Over the past year, the board's activities focused on the following topics:

- Member participation in associative affairs, especially mechanisms established by the caisse to inform, listen to and consult members;
- Activities and resources made available to members to assist them with financial management;
- Strategies established by the caisse to improve member satisfaction and meet member needs;
- Caisse support of community development, in particular through the Community Development Fund and the granting of donations and sponsorships.

The board of supervision is satisfied with the work carried out in the past year.

As you were informed by the chair of the board of directors, in a few months changes will be made to the supervision of the caisse in terms of ethics, professional conduct and cooperation. Rest assured that until these changes are in place, your board of supervision will continue to play its role with the same diligence and dedication as always. I would like to thank the members of the board for their commitment in this respect, and the general manager for helping us deliver on our mandate.

André Bégin
Chair, Board of supervision



MESSAGE FROM THE GENERAL MANAGER

Dear Members,

Like all of Desjardins Group, our caisse worked hard in 2017 to provide its members and clients with distinctive and relevant experiences. We will continue doing so in 2018. Thanks to the know-how of our resources, the collaboration of Desjardins Group's subsidiaries, and new technologies.

In person or through these new technologies, we remain your ideal partner to help you achieve your financial goals and fulfill your plans. Since your caisse can follow you wherever you go, thanks to the Desjardins mobile services app, for example, we can play an active role in your everyday life now more than ever. Modern technology, along with new tools for the benefit of our members and clients, will continue to strengthen business development and our relationship with you.

Below are the detailed financial results of *Caisse Desjardins du Lac-Memphrémagog* and the share of net income from business at Desjardins Group subsidiaries as at December 31, 2017.

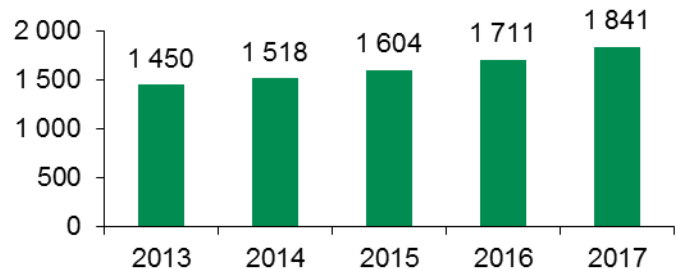
We owe these results to your trust in us and your commitment to the caisse. Thanks to the loyalty of our members, we can support our business development and contribute to strengthening our community.

BUSINESS UNDER MANAGEMENT

Backed by \$1,841 million in business under management, up 7.6 % over 2016, the caisse is very well positioned in its market. Through its membership in Desjardins Group and participation in Desjardins Group subsidiaries, the caisse has access to a wide range of financial products and services to meet the ever-growing needs of its members.

COMMENTS ON THE FINANCIAL REPORT³

Change in business (\$M)



BALANCE SHEET

Your financial cooperative's assets total \$902.6 million, up 6.7% over last year. Loans to individuals and businesses stand at \$778.6 million, an increase of 7%.⁴

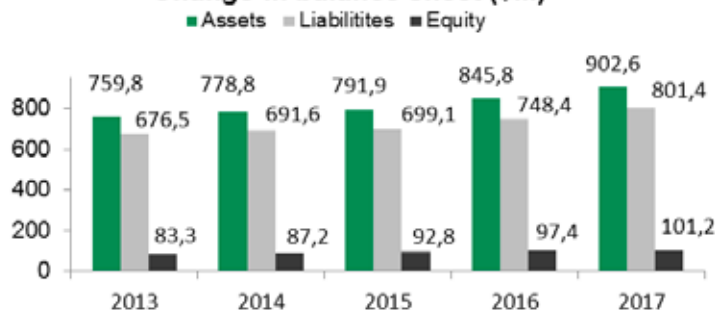
The caisse's liabilities total \$801.4 million, representing an increase of 7.08%. Deposits currently amount to \$655.5 million, up 2.6%, whereas your caisse's borrowing increased by 34.8% and now totals \$130 million.

As at December 31, 2017, your cooperative's equity increased by 3.9% to \$101.2 million. Equity comprised \$4.5 million in social capital, \$4.5 million in surplus earnings to be distributed, \$2.5 million in accumulated other comprehensive income and \$89.6 million in reserves. Your caisse has \$3.3 million in its stabilization reserve and \$0.9 million in its reserve for future dividends. It has also accumulated \$1.2 million in the Community Development Fund.

³These comments are an overview of the financial report, available upon request and on the caisse's website. The Combined Financial Statements of the Desjardins caisses in Quebec are made available to the public at Desjardins.com.

⁴You can refer to the Additional Information for the Annual Report Appendix for further details on loan and deposit portfolios.

Change in balance sheet (\$M)



The caisse's capital base is at a level in accordance with the standard respecting capital base adequacy established by the *Fédération des caisses du Québec*. The caisse's ratios on December 31, 2017 are as follows:

	December 31 2017	December 31 2016	Standard
Tier 1A capital over its risk assets:	21.89%	17.28%	>= 11%
Tier 1 capital over its expansion assets :	7.74%	6.98%	>= 3.5%

STATEMENT OF INCOME

During the last fiscal year, your caisse generated \$6.5 million in operating surpluses, similar to previous year.

CHANGE IN INCOME STATEMENT (\$M)

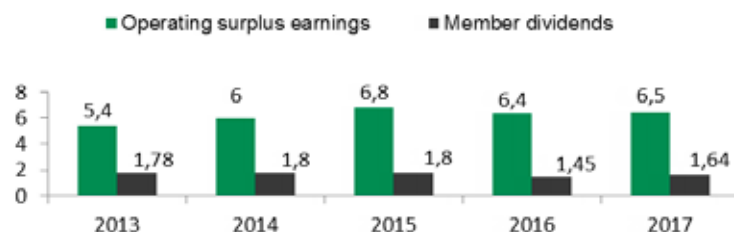
	2016 (\$M)	2017 (\$M)	Variance (%)
Interest income	23,9	24,5	2,5%
Interest charges	7,2	7,6	5,6%
Net interest income	16,7	16,9	1,2%
Provision and losses on loans	0,7	0,7	0,0%
Other income	7,1	7,2	1,4%
Other charges	16,7	16,9	1,2%
Operating surplus earnings*	6,4	6,5	0,1%
Member dividends**	1,45	1,65	13,8%

*Operating surplus earnings include Community Development Fund expenses.

** Amount recommended at the Annual meeting, for approval by the members.

Interest income totalled \$24.5 million, up 2.5% over last year. Interest expense increased by 5.6%, to \$7.6 million. Other income, generated largely from the distribution of Desjardins products and services, totalled \$7.2 million, up 1.4% compared to last year.

Change in operating surplus earnings and member dividends (\$M)



INVESTMENT FUNDS

The investments that caisses hold in investment funds allow the *Fédération des caisses Desjardins du Québec* to invest in Desjardins Group subsidiaries and regional projects. The table below indicates the caisse's interest in each investment fund and the return on it at the end of the fiscal year.

Provincial fund	Shares held as at December 31, 2017	Average return
Société de Services des caisses Desjardins (SER)	\$(378)	0%
Desjardins Venture Capital (INV)	\$196,903	12.31%
Desjardins Financial Corporation (FIN5A)	\$34,771,758	14.28%

THE FEDERATION'S OBLIGATION TO HOLDERS OF PERMANENT SHARES

Further to a recommendation of the *Autorité des marchés financiers*, the *Fédération des caisses Desjardins du Québec* guarantees to cover losses suffered by Quebec caisse members holding permanent shares due to misinformation in the audited Combined Financial Statements and annual Desjardins Group Management's Discussion and Analysis available at www.sedar.com. The Federation's obligation in this matter is subject to certain conditions. Holders of permanent shares can request more information at their caisse.

The Combined Financial Statements of the Desjardins caisses in Quebec are also made available to the public at www.desjardins.com.

DIVIDENDS

This year, we propose distributing a dividend of \$1.65 million and contributing \$150,000 to the Community Development Fund in the form of a collective dividend, which enables us to contribute to the well-being of our community by supporting key projects.

The selected amounts were determined based on the importance of striking a balance between the distribution of surplus earnings, growth and capitalization. By maintaining the right balance between financial market rules and regulations and our members' needs, we can ensure the sustainable development of our caisse.

One of the topics addressed at the last Desjardins Group Congress was the evolution of member dividends. It was decided that dividends would be enhanced in 2019, in particular by calculating them based on your use over the year of a wider range of Desjardins products and services, including your credit card and insurance, for example.

DOING MORE WITH TECHNOLOGY

Technology, specifically mobile technology, gives you unparalleled access to tools, products and services offered by Desjardins 24 hours a day, 7 days a week. We even continue to add new

features so you can be more financially independent. By using our services, we can continue to improve our service delivery. By getting to know our members and clients better, we can tailor our offers. We can even anticipate certain needs and better help you plan the next steps of your financial journey.

We are also still working on improving the member/client experience through all our channels, whether over the internet, on the phone, at the caisse or at the ATM. In that respect, all of Desjardins Group is currently preparing for the rollout of new ATMs. They're designed to offer the same services for all your banking needs while ensuring a simpler and more efficient experience. Now and after their installation, the caisse will continue to conduct a needs analysis of automated services so it can position itself based on its members' financial habits.

PUT OUR PASSION TO WORK FOR YOU

Our 90 employees are available to help you reach your goals. I'd like to thank them for their commitment and engagement, and for choosing to work for Desjardins.

Thank you also to the caisse officers, who sincerely care about Desjardins, their community and their region. The time and energy you invest is essential to vitalizing our local society.

Choosing Desjardins means working together to build a more vibrant community!



Patrick Gravel
General manager

ADDITIONAL INFORMATION TO THE FINANCIAL REPORT

SUMMARY OF LOAN PORTFOLIO

As at December 31, 2017, the loan portfolio of the caisse continued to be of high quality. Gross loans past due but not impaired, as well as gross impaired loans, accounted for only 1.6% and 0.2% of gross loans, respectively.

The following table shows the breakdown of loans by type of borrower with the amount of gross loans past due but not impaired, gross impaired loans, and individual and collective allowances.

(in thousands of Canadian dollars)

	Gross loans neither past due nor impaired	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowances	Net loans as at December 31, 2017	Net loans as at December 31, 2016
Personal							
Residential mortgages	\$396,141						
Consumer and other	156,315						
	\$552,456	\$11,241	\$870	\$230	\$310	\$551,916	\$516,151
Business							
Commercial and industrial	\$171,189						
Agriculture, forestry and fisheries	48,911						
Public administrations and institutions	6,069						
	\$226,169	\$1,497	\$894	\$312	\$532	\$225,325	\$210,124
Total	\$778,625	\$12,738	\$1,764	\$542	\$842	\$777,241	\$726,275

Refer to Note 2 to the Combined Financial Statements of the Desjardins caisses in Quebec available on the desjardins.com website for additional information on presentation and significant accounting policies.

SUMMARY OF THE DEPOSIT PORTFOLIO

As at December 31, 2017, the caisse's member deposits totalled \$655,474,000, up \$16,544,000 or 2.6%, since the beginning of the year. It should be noted that the caisse's main source of funding for its expansion comes from deposits made by individuals. These deposits represent 77.4% of total deposits as at December 31, 2017.

The following table shows the breakdown of deposits by type of depositor with amounts by type of savings.

(in thousands of Canadian dollars)

	Chequing accounts	Tiered savings accounts	Regular savings accounts	Term savings	Registered Savings plan	Total as at December 31, 2017	Total as at December 31, 2016
Personal	\$80,341	\$64,921	\$71,192	\$95,929	\$194,754	\$507,137	\$486,921
Business	77,992	13,654	24,693	10,353	-	126,692	125,404
Public sector and other	15,807	131	2,905	2,781	21	21,645	26,605
Total	\$174,140	\$78,706	\$98,790	\$109,063	\$194,775	\$655,474	\$638,930

Refer to Note 2 to the Combined Financial Statements of the Desjardins caisses in Quebec available on the desjardins.com website for additional information on presentation and significant accounting policies.

CAISSE OFFICERS

Name	Function	Occupation	End of term	Number of presences meeting/ committees	Allocation of presence given in 2017 ¹
BOARD OF DIRECTORS					
Danielle Bolduc^{2*}	Chair	Businesswoman	2017	26	\$12,890
Maxime Ferland*	Vice-chair	Engineer	2017	22	\$2,220
Maxime Langlois	Secretary	Teacher	2019	22	\$2,400
Christine Allard	Officer	Secretary	2018	17	\$2,010
Laurent Auger	Officer	Restaurant owner	2018	7	\$1,050
Louise Côté	Officer	Businesswoman	2019	6	\$900
Charles Métivier	Officer	Academic Coordinator	2019	14	\$1,740
Georgianne Gagnon	Officer	Retired	2018	10	\$1,740
Gaétan Giguère	Officer	Clerk	2019	12	\$1,800
Anne-Marie Grenier	Officer	Owner-Manager	2018	16	\$2,040
Charles Guay*	Officer	Lawyer	2017	8	\$1,200
Michel Lafleur³	Officer	Professor	2018	13	\$1,830
Valérie Moreau*	Officer	Notary	2017	12	\$1,620
Jocelyne Pellerin*	Officer	Honorary Notary	2017	16	\$1,950
Nicholas Hamel	Young Intern Officer	Student	2018	3	\$225

BOARD OF SUPERVISION					
André Bégin*	Chair	Retired	2017	7	\$1,620
Thérèse Gaulin	Secretary	Retired	2018	6	\$900
Danielle Boulianne*	Advisor	Semi-retired	2017	5	\$1,050
Lucie Lessard	Advisor	General Management Assistant	2018	4	\$750
Martin Pomerleau	Advisor	Fireman	2019	2	\$300

* Outgoing officers eligible for re-election

¹ Allocation varies according to the implication in different committees.

² Chair since May 2008

³ Sits at the Council of the Eastern Township Representatives.



March 29, 2018

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins du Lac-Memphrémagog (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:	902,617,000	\$
Total equity:	101,173,000	\$
Net surplus earnings for the year after member dividends :	6,077,000	\$

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

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“PwC” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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	\$ 11,797	\$ 10,748
Securities		
Investment in liquidity fund under management	43,051	43,040
Term deposits and other	1,839	2,496
	44,890	45,536
Loans		
Personal	552,456	516,725
Business	226,169	210,957
	778,625	727,682
Allowance for credit losses	1,384	1,407
	777,241	726,275
Investments in the Federation	50,462	46,374
Other assets		
Derivative financial instruments	7,898	6,854
Property, plant and equipment	3,165	3,483
Other	7,164	6,580
	18,227	16,917
TOTAL ASSETS	\$ 902,617	\$ 845,850
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 258,958	\$ 255,967
Other	396,516	382,963
	655,474	638,930
Borrowings	130,047	96,491
Other liabilities		
Derivative financial instruments	3,370	735
Net defined benefit plan liabilities	5,355	4,580
Other	7,198	7,697
	15,923	13,012
TOTAL LIABILITIES	801,444	748,433
EQUITY		
Capital stock	4,539	5,886
Distributable surplus earnings	4,522	6,378
Accumulated other comprehensive income	2,507	2,045
Reserves	89,605	83,108
TOTAL EQUITY	101,173	97,417
TOTAL LIABILITIES AND EQUITY	\$ 902,617	\$ 845,850

STATEMENTS OF INCOME
(unaudited)

For the years ended December 31

(in thousands of Canadian dollars)

	2017	2016
INTEREST INCOME	\$ 24,477	\$ 23,900
INTEREST EXPENSE	7,602	7,169
NET INTEREST INCOME	16,875	16,731
OTHER INCOME	7,199	7,130
PROVISION FOR CREDIT LOSSES	736	694
NON-INTEREST EXPENSES		
Salaries and fringe benefits	6,947	7,182
Assessments paid to Desjardins Group components	2,270	2,408
Computer services	2,811	2,694
Community Development Fund expenses	616	311
Other	4,243	4,128
	16,887	16,723
OPERATING SURPLUS EARNINGS	6,451	6,444
Income on investments in the Federation	4,617	4,672
Loss related to fair value of derivative financial instruments	(3,059)	(2,529)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	8,009	8,587
Income taxes on surplus earnings	734	1,505
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	7,275	7,082
Member dividends	1,637	1,360
Tax recovery on member dividends	(439)	(366)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 6,077	\$ 6,088

STATEMENTS OF CHANGES IN EQUITY
(unaudited)

For the years ended December 31

For the years ended December 31												
Reserves												Total equity
	Capital stock	Distributable surplus earnings	Accumulated other comprehensive income	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	\$ 9,915	\$ 5,413	\$ 1,357	\$ 21,040	\$ 3,171	\$ (3,529)	\$ 49,860	\$ 3,362	\$ 924	\$ 1,333	\$ 76,161	\$ 92,846
Distribution by members at the 2016 general meeting	-	(422)	-	-	-	-	-	-	-	-	-	(422)
Interest on members' permanent and surplus shares	-	(5,057)	-	-	-	-	4,857	-	-	200	5,057	-
Transfer from (allocation to) reserves	-	66	-	-	-	-	-	-	-	-	-	66
Net adjustment related to member dividends	9,915	-	1,357	21,040	3,171	(3,529)	54,717	3,362	924	1,533	81,218	92,490
Balance after distribution	-	6,088	-	-	-	-	-	-	-	-	-	6,088
Net surplus earnings for 2016 after member dividends	-	331	511	-	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	(203)	-	1,896	(1,861)	168	-	-	-	(228)	203	842
Statutory transfer	-	228	-	-	-	-	-	-	-	-	(228)	-
Net amounts used during the year	-	-	-	-	-	-	-	-	-	-	(228)	-
Equity transactions related to other investments in the Federation	-	-	-	1,915	-	-	-	-	-	-	1,915	2,092
Redemption of permanent shares	(3,887)	-	-	-	-	-	-	-	-	-	-	(3,887)
Other net change in capital stock	(142)	-	-	-	-	-	-	-	-	-	(142)	(142)
Net adjustment related to member dividends	-	(66)	-	-	-	-	-	-	-	-	-	(66)
BALANCE AS AT DECEMBER 31, 2016	\$ 5,886	\$ 6,378	\$ 2,045	\$ 24,851	\$ 1,310	\$ (3,361)	\$ 54,717	\$ 3,362	\$ 924	\$ 1,305	\$ 83,108	\$ 97,417
Distribution by members at the 2017 general meeting	-	(246)	-	-	-	-	-	-	-	-	-	(246)
Interest on members' permanent and surplus shares	-	(6,141)	-	-	-	-	5,841	-	-	300	6,141	-
Transfer from (allocation to) reserves	-	9	-	-	-	-	-	-	-	-	-	9
Net adjustment related to member dividends	5,886	-	2,045	24,851	1,310	(3,361)	60,558	3,362	924	1,605	89,249	97,180
Balance after distribution	-	6,077	-	-	-	-	-	-	-	-	-	6,077
Net surplus earnings for 2017 after member dividends	-	(1,219)	462	-	-	-	-	-	-	-	-	(757)
Other comprehensive income for the year	-	(778)	-	3,596	(2,246)	(572)	-	-	-	(451)	778	-
Statutory transfer	-	451	-	-	-	-	-	-	-	-	(451)	-
Net amounts used during the year	-	-	-	-	-	-	-	-	-	-	(451)	-
Equity transactions related to other investments in the Federation	-	-	-	29	-	-	-	-	-	-	29	29
Redemption of permanent shares	(1,253)	-	-	-	-	-	-	-	-	-	-	(1,253)
Other net change in capital stock	(94)	-	-	-	-	-	-	-	-	-	-	(94)
Net adjustment related to member dividends	-	(9)	-	-	-	-	-	-	-	-	-	(9)
BALANCE AS AT DECEMBER 31, 2017	\$ 4,539	\$ 4,522	\$ 2,507	\$ 28,476	\$ (936)	\$ (3,933)	\$ 60,558	\$ 3,362	\$ 924	\$ 1,154	\$ 89,605	\$ 101,173

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

The Caisse Desjardins du Lac-Memphrémagog (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.

SUGGESTED ALLOCATION OF SURPLUS EARNINGS

DISTRIBUTION	RECOMMANDATION
Interest on permanent shares (2.75%)	\$122,934
Interest on surplus shares (2.75%)	\$9,896
General reserve	\$4,239,170
Use of the reserve for future member dividends	\$0
MEMBER DIVIDENDS	\$1,800,000
Collective member dividends – Community Development fund	\$150,000
Individual member dividends	\$1,650,000
Member dividends on loans	\$825,000
Member dividends on savings	\$825,000
Member dividends on service charges (0%)	\$0

Examples of member dividends

- Mortgage for \$125,000
 Rate of 4.74% = \$5,925 paid in interests
 Rate: 3.10%
 \$184
- Savings held \$50,000
 Rate of 1.50% = \$750 paid in interests
 Rate: 11.34%
 \$85

APPROVAL OF THE ANNUAL REPORT

We certify that the 17th annual report of *Caisse Desjardins du Lac-Memphrémagog* meets the requirements of the *Act respecting financial services cooperatives* and has been duly approved by the caisse's board of directors.

Danielle Bolduc
Chair of the Board of Directors

Maxime Langlois
Secretary

CONTACT INFORMATION

SERVICES ACCESSIBLE THROUGHOUT THE TERRITORY

desjardins.com

1 800 CAISSES m.desjardins.com

ATMs and direct withdrawals at merchants

SERVICES ACCESSIBLE THROUGHOUT THE TERRITORY

Telephone : 819-843-3328
Toll Free : 1-866-400-3328

SPEAK TO AN ADVISOR (INCLUDING HOLIDAYS)

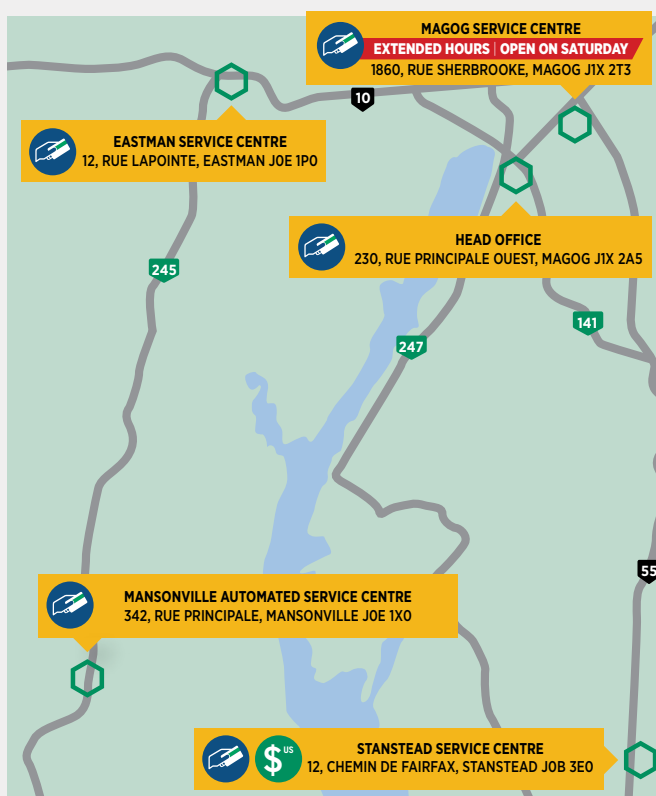
Monday to Friday, 6 a.m. to 10 p.m.
Saturday and Sunday, 8:30 a.m. to 4 p.m.

desjardins.com/caissedulacmemphremagog

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Desjardins
Caisse du Lac-Memphrémagog