

2018 Financial Report

Caisse Desjardins des Collines-de-l'Outaouais

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March 25, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins des Collines-de-l'Outaouais (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 27, 2019.

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, 2018 (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, 2018 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:	143,667,000	\$
Total equity:	16,345,000	\$
Net surplus earnings for the year after member dividends :	1,321,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2018, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2018.

*PricewaterhouseCoopers LLP*¹

¹ FCPA auditor, FCA, public accountancy permit No. A108517

BALANCE SHEET (unaudited)

(in thousands of Canadian dollars)	As at December 31, 2018 ⁽¹⁾	As at December 31, 2017
ASSETS		
Cash and deposits with financial institutions	\$ 866	\$ 720
Investment in liquidity fund under management	6,342	6,184
Loans		
Personal	102,914	95,873
Business	24,593	28,816
	127,507	124,689
Allowance for credit losses	161	136
	127,346	124,553
Investments in the Federation	6,414	7,432
Other assets		
Derivative financial instruments	1,354	1,590
Property, plant and equipment	651	694
Other	694	1,023
	2,699	3,307
TOTAL ASSETS	\$ 143,667	\$ 142,196
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 37,819	\$ 38,190
Other	56,310	54,335
	94,129	92,525
Borrowings	30,891	31,715
Other liabilities		
Derivative financial instruments	405	314
Net defined benefit plan liabilities	775	757
Other	1,122	1,131
	2,302	2,202
TOTAL LIABILITIES	127,322	126,442
EQUITY		
Capital stock	883	1,272
Distributable surplus earnings	2,288	760
Accumulated other comprehensive income	4	339
Reserves	13,170	13,383
TOTAL EQUITY	16,345	15,754
TOTAL LIABILITIES AND EQUITY	\$ 143,667	\$ 142,196

⁽¹⁾ The information presented as at December 31, 2018, takes into account the standards adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies" to the Combined Financial Statements of the Desjardins caisses in Québec, for the year ended December 31, 2018, available at www.desjardins.com.

STATEMENTS OF INCOME
(unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2018 ⁽¹⁾	2017
INTEREST INCOME	\$ 4,166	\$ 3,911
INTEREST EXPENSE	1,467	1,208
NET INTEREST INCOME	2,699	2,703
OTHER INCOME	1,148	1,164
PROVISION FOR CREDIT LOSSES	98	80
NON-INTEREST EXPENSES		
Salaries and fringe benefits	1,006	1,029
Assessments paid to Desjardins Group components	364	368
Computer services	402	389
Community Development Fund expenses	41	36
Other	845	896
	2,658	2,718
OPERATING SURPLUS EARNINGS	1,091	1,069
Income on investments in the Federation	673	633
Loss related to fair value of derivative financial instruments	(54)	(126)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	1,710	1,576
Income taxes on surplus earnings	242	175
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	1,468	1,401
Member dividends	200	238
Tax recovery on member dividends	(53)	(64)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 1,321	\$ 1,227

⁽¹⁾ The information presented for the year ended December 31, 2018, takes into account the standards adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Combined Financial Statements of the Desjardins caisses in Québec, for the year ended December 31, 2018, available at www.desjardins.com.

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)												
BALANCE AS AT DECEMBER 31, 2016	\$ 1,543	\$ 907	\$ 277	\$ 3,271	\$ 143	\$ (514)	\$ 7,658	\$ 588	\$ 909	\$ 170	\$ 12,225	\$ 14,952
Distribution by members at the 2017 general meeting												
Interest on permanent and surplus shares	-	(60)	-	-	-	-	-	-	-	-	-	(60)
Transfer from (allocation to) reserves	-	(848)	-	-	-	-	848	-	-	-	848	-
Net adjustment related to member dividends	-	1	-	-	-	-	-	-	-	-	-	1
Balance after distribution	1,543	-	277	3,271	143	(514)	8,506	588	909	170	13,073	14,893
Net surplus earnings for 2017 after member dividends	-	1,227	-	-	-	-	-	-	-	-	-	1,227
Other comprehensive income for the year	-	(160)	62	-	-	-	-	-	-	-	-	(98)
Statutory transfer	-	(334)	-	492	(98)	(60)	-	-	-	-	334	-
Net amounts used during the year	-	28	-	-	-	-	-	-	-	(28)	(28)	-
Equity transactions related to other investments in the Federation	-	-	-	4	-	-	-	-	-	-	4	4
Redemption of permanent shares	(246)	-	-	-	-	-	-	-	-	-	-	(246)
Other net change in capital stock	(25)	-	-	-	-	-	-	-	-	-	-	(25)
Net adjustment related to member dividends	-	(1)	-	-	-	-	-	-	-	-	-	(1)
BALANCE AS AT DECEMBER 31, 2017	\$ 1,272	\$ 760	\$ 339	\$ 3,767	\$ 45	\$ (574)	\$ 8,506	\$ 588	\$ 909	\$ 142	\$ 13,383	\$ 15,754
Impact of changes in accounting methods ⁽¹⁾	-	-	(24)	23	-	-	9	-	-	-	32	8
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 1,272	\$ 760	\$ 315	\$ 3,790	\$ 45	\$ (574)	\$ 8,515	\$ 588	\$ 909	\$ 142	\$ 13,415	\$ 15,762
Distribution by members at the 2018 general meeting												
Interest on members' permanent and surplus shares	-	(39)	-	-	-	-	-	-	-	-	-	(39)
Transfer from (allocation to) reserves	-	(723)	-	-	-	-	684	-	-	39	723	-
Net adjustment related to member dividends	-	2	-	-	-	-	-	-	-	-	-	2
Balance after distribution	1,272	-	315	3,790	45	(574)	9,199	588	909	181	14,138	15,725
Net surplus earnings for 2018 after member dividends	-	1,321	-	-	-	-	-	-	-	-	-	1,321
Other comprehensive income for the year	-	5	(311)	-	-	-	-	-	-	-	-	(306)
Statutory transfer	-	756	-	(708)	(41)	(7)	-	-	-	-	(756)	-
Net amounts used during the year	-	209	-	-	-	-	-	-	(178)	(31)	(209)	-
Equity transactions related to other investments in the Federation	-	-	-	15	-	-	-	-	-	-	15	15
Redemption of permanent shares	(375)	-	-	-	-	-	-	-	-	-	-	(375)
Other net change in capital stock	(14)	-	-	-	-	-	-	-	-	-	-	(14)
Interest on permanent and surplus shares	-	(1)	-	-	-	-	-	(18)	-	-	(18)	(19)
Net adjustment related to member dividends	-	(2)	-	-	-	-	-	-	-	-	-	(2)
BALANCE AS AT DECEMBER 31, 2018	\$ 883	\$ 2,288	\$ 4	\$ 3,097	\$ 4	\$ (581)	\$ 9,199	\$ 570	\$ 731	\$ 150	\$ 13,170	\$ 16,345

⁽¹⁾ The information presented for the year ended December 31, 2018, takes into account the standards adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Combined Financial Statements of the Desjardins caisses in Québec, for the year ended December 31, 2018, available at www.desjardins.com.

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

The Caisse Desjardins des Collines-de-l'Outaouais (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.