

2018 Financial Report

Caisse Desjardins de Châteauguay

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March 11, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de Châteauguay (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 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:	758,623,000	\$
Total equity:	66,662,000	\$
Net surplus earnings for the year after member dividends:	4,795,000	\$

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	\$ 7,138	\$ 6,469
Investment in liquidity fund under management	26,051	24,909
Loans		
Personal	496,480	461,893
Business	184,730	178,682
	681,210	640,575
Allowance for credit losses	802	994
	680,408	639,581
Investments in the Federation	31,922	37,072
Other assets		
Derivative financial instruments	6,977	8,830
Property, plant and equipment	2,314	2,595
Other	3,813	4,794
	13,104	16,219
TOTAL ASSETS	\$ 758,623	\$ 724,250
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 245,373	\$ 243,255
Other	233,142	220,114
	478,515	463,369
Borrowings	202,359	185,461
Other liabilities		
Derivative financial instruments	1,833	1,787
Net defined benefit plan liabilities	3,338	3,117
Other	5,916	5,845
	11,087	10,749
TOTAL LIABILITIES	691,961	659,579
EQUITY		
Capital stock	2,690	4,085
Distributable surplus earnings	9,067	2,844
Accumulated other comprehensive income	(26)	1,670
Reserves	54,931	56,072
TOTAL EQUITY	66,662	64,671
TOTAL LIABILITIES AND EQUITY	\$ 758,623	\$ 724,250

⁽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	\$ 21,208	\$ 19,618
INTEREST EXPENSE	10,461	8,812
NET INTEREST INCOME	10,747	10,806
OTHER INCOME	4,763	4,640
PROVISION FOR CREDIT LOSSES	335	19
NON-INTEREST EXPENSES		
Salaries and fringe benefits	4,237	4,518
Assessments paid to Desjardins Group components	1,668	1,710
Computer services	1,757	1,737
Community Development Fund expenses	112	97
Other	3,846	3,406
	11,620	11,468
OPERATING SURPLUS EARNINGS	3,555	3,959
Income on investments in the Federation	3,391	3,204
Loss related to fair value of derivative financial instruments	(652)	(511)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	6,294	6,652
Income taxes on surplus earnings	731	694
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	5,563	5,958
Member dividends	1,048	833
Tax recovery on member dividends	(280)	(223)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 4,795	\$ 5,348

⁽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	Community Development Fund	Total reserves	
(in thousands of Canadian dollars)											
BALANCE AS AT DECEMBER 31, 2016	\$ 6,273	\$ 3,331	\$ 1,355	\$ 16,302	\$ 971	\$ (2,161)	\$ 33,230	\$ 2,201	\$ 496	\$ 51,039	\$ 61,998
Distribution by members at the 2017 general meeting											
Interest on permanent and surplus shares	-	(241)	-	-	-	-	-	-	-	-	(241)
Transfer from (allocation to) reserves	-	(3,088)	-	-	-	-	3,088	-	-	3,088	-
Net adjustment related to member dividends	-	(2)	-	-	-	-	-	-	-	-	(2)
Balance after distribution	6,273	-	1,355	16,302	971	(2,161)	36,318	2,201	496	54,127	61,755
Net surplus earnings for 2017 after member dividends	-	5,348	-	-	-	-	-	-	-	-	5,348
Other comprehensive income for the year	-	(581)	315	-	-	-	-	-	-	-	(266)
Statutory transfer	-	(1,996)	-	2,498	(374)	(128)	-	-	-	1,996	-
Net amounts used during the year	-	71	-	-	-	-	-	-	(71)	(71)	-
Equity transactions related to other investments in the Federation	-	-	-	20	-	-	-	-	-	20	20
Redemption of permanent shares	(2,111)	-	-	-	-	-	-	-	-	-	(2,111)
Other net change in capital stock	(77)	-	-	-	-	-	-	-	-	-	(77)
Net adjustment related to member dividends	-	2	-	-	-	-	-	-	-	-	2
BALANCE AS AT DECEMBER 31, 2017	\$ 4,085	\$ 2,844	\$ 1,670	\$ 18,820	\$ 597	\$ (2,289)	\$ 36,318	\$ 2,201	\$ 425	\$ 56,072	\$ 64,671
Impact of changes in accounting methods ⁽¹⁾	-	-	(124)	119	-	-	315	-	-	434	310
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 4,085	\$ 2,844	\$ 1,546	\$ 18,939	\$ 597	\$ (2,289)	\$ 36,633	\$ 2,201	\$ 425	\$ 56,506	\$ 64,981
Distribution by members at the 2018 general meeting											
Interest on members' permanent and surplus shares	-	(134)	-	-	-	-	-	-	-	-	(134)
Transfer from (allocation to) reserves	-	(2,712)	-	-	-	-	2,712	-	-	2,712	-
Net adjustment related to member dividends	-	2	-	-	-	-	-	-	-	-	2
Balance after distribution	4,085	-	1,546	18,939	597	(2,289)	39,345	2,201	425	59,218	64,849
Net surplus earnings for 2018 after member dividends	-	4,795	-	-	-	-	-	-	-	-	4,795
Other comprehensive income for the year	-	(25)	(1,572)	-	-	-	-	-	-	-	(1,597)
Statutory transfer	-	4,227	-	(3,585)	(478)	(164)	-	-	-	(4,227)	-
Net amounts used during the year	-	82	-	-	-	-	-	-	(82)	(82)	-
Equity transactions related to other investments in the Federation	-	-	-	78	-	-	-	-	-	78	78
Redemption of permanent shares	(1,245)	-	-	-	-	-	-	-	-	-	(1,245)
Other net change in capital stock	(150)	-	-	-	-	-	-	-	-	-	(150)
Interest on permanent and surplus shares	-	(10)	-	-	-	-	-	(56)	-	(56)	(66)
Net adjustment related to member dividends	-	(2)	-	-	-	-	-	-	-	-	(2)
BALANCE AS AT DECEMBER 31, 2018	\$ 2,690	\$ 9,067	\$ (26)	\$ 15,432	\$ 119	\$ (2,453)	\$ 39,345	\$ 2,145	\$ 343	\$ 54,931	\$ 66,662

⁽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 de Châteauguay (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.