

# 2018 Financial Report

## LA CAISSE POPULAIRE DESJARDINS DE Saint-Laurent

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April 24, 2019

**Report on the results of applying specified auditing procedures to the financial report of the Caisse populaire Desjardins de 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 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:	654,213,000	\$
Total equity:	62,277,000	\$
Net surplus earnings for the year after member dividends :	6,000,000	\$

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*<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, 2018 <sup>(1)</sup>	As at December 31, 2017
<b>ASSETS</b>		
Cash and deposits with financial institutions	\$ 12,363	\$ 11,132
Investment in liquidity fund under management	29,889	26,922
<b>Loans</b>		
Personal	411,021	374,191
Business	161,118	167,223
	572,139	541,414
Allowance for credit losses	679	770
	571,460	540,644
Investments in the Federation	28,471	33,391
<b>Other assets</b>		
Derivative financial instruments	5,313	6,363
Property, plant and equipment	4,461	3,391
Other	2,256	5,834
	12,030	15,588
<b>TOTAL ASSETS</b>	<b>\$ 654,213</b>	<b>\$ 627,677</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Deposits</b>		
Term savings	\$ 168,010	\$ 164,280
Other	287,949	274,556
	455,959	438,836
<b>Borrowings</b>	<b>124,140</b>	<b>119,573</b>
<b>Other liabilities</b>		
Derivative financial instruments	1,630	1,198
Net defined benefit plan liabilities	3,076	2,829
Other	7,131	6,271
	11,837	10,298
<b>TOTAL LIABILITIES</b>	<b>591,936</b>	<b>568,707</b>
<b>EQUITY</b>		
Capital stock	1,986	3,155
Distributable surplus earnings	-	1,878
Accumulated other comprehensive income	57	1,674
Reserves	60,234	52,263
<b>TOTAL EQUITY</b>	<b>62,277</b>	<b>58,970</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 654,213</b>	<b>\$ 627,677</b>

<sup>(1)</sup> 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](http://www.desjardins.com).

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

(in thousands of Canadian dollars)	2018 <sup>(1)</sup>	2017
<b>INTEREST INCOME</b>	<b>\$ 17,746</b>	<b>\$ 15,156</b>
<b>INTEREST EXPENSE</b>	<b>6,715</b>	<b>5,441</b>
<b>NET INTEREST INCOME</b>	<b>11,031</b>	<b>9,715</b>
<b>OTHER INCOME</b>	<b>4,942</b>	<b>3,730</b>
<b>PROVISION FOR CREDIT LOSSES</b>	<b>247</b>	<b>264</b>
<b>NON-INTEREST EXPENSES</b>		
Salaries and fringe benefits	3,671	4,085
Assessments paid to Desjardins Group components	1,429	1,423
Computer services	1,461	1,283
Community Development Fund expenses	31	18
Other	3,814	3,582
	<b>10,406</b>	<b>10,391</b>
<b>OPERATING SURPLUS EARNINGS</b>	<b>5,320</b>	<b>2,790</b>
Income on investments in the Federation	3,150	3,062
Income (loss) related to fair value of derivative financial instruments	(538)	675
<b>SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS</b>	<b>7,932</b>	<b>6,527</b>
Income taxes on surplus earnings	1,258	851
<b>SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS</b>	<b>6,674</b>	<b>5,676</b>
Member dividends	919	702
Tax recovery on member dividends	(245)	(188)
<b>NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS</b>	<b>\$ 6,000</b>	<b>\$ 5,162</b>

<sup>(1)</sup> 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](http://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)												
<b>BALANCE AS AT DECEMBER 31, 2016</b>	\$ 4,012	\$ 3,029	\$ 1,367	\$ 16,218	\$ 507	\$ (1,716)	\$ 27,720	\$ 1,919	\$ 2,185	\$ 53	\$ 46,886	\$ 55,294
Distribution by members at the 2017 general meeting												
Interest on permanent and surplus shares	-	(156)	-	-	-	-	-	-	-	-	-	(156)
Transfer from (allocation to) reserves	-	(2,857)	-	-	-	-	2,807	-	-	50	2,857	-
Net adjustment related to member dividends	-	(16)	-	-	-	-	-	-	-	-	-	(16)
Balance after distribution	4,012	-	1,367	16,218	507	(1,716)	30,527	1,919	2,185	103	49,743	55,122
Net surplus earnings for 2017 after member dividends	-	5,162	-	-	-	-	-	-	-	-	-	5,162
Other comprehensive income for the year	-	(799)	307	-	-	-	-	-	-	-	-	(492)
Statutory transfer	-	(2,514)	-	2,380	496	(362)	-	-	-	-	2,514	-
Net amounts used during the year	-	13	-	-	-	-	-	-	-	(13)	(13)	-
Equity transactions related to other investments in the Federation	-	-	-	19	-	-	-	-	-	-	19	19
Redemption of permanent shares	(823)	-	-	-	-	-	-	-	-	-	-	(823)
Other net change in capital stock	(34)	-	-	-	-	-	-	-	-	-	-	(34)
Net adjustment related to member dividends	-	16	-	-	-	-	-	-	-	-	-	16
<b>BALANCE AS AT DECEMBER 31, 2017</b>	\$ 3,155	\$ 1,878	\$ 1,674	\$ 18,617	\$ 1,003	\$ (2,078)	\$ 30,527	\$ 1,919	\$ 2,185	\$ 90	\$ 52,263	\$ 58,970
Impact of changes in accounting methods <sup>(1)</sup>	-	-	(118)	113	-	-	73	-	-	-	186	68
<b>OPENING BALANCE AS AT JANUARY 1, 2018</b>	\$ 3,155	\$ 1,878	\$ 1,556	\$ 18,730	\$ 1,003	\$ (2,078)	\$ 30,600	\$ 1,919	\$ 2,185	\$ 90	\$ 52,449	\$ 59,038
Distribution by members at the 2018 general meeting												
Interest on members' permanent and surplus shares	-	(94)	-	-	-	-	-	-	-	-	-	(94)
Transfer from (allocation to) reserves	-	(1,791)	-	-	-	-	1,741	-	-	50	1,791	-
Net adjustment related to member dividends	-	7	-	-	-	-	-	-	-	-	-	7
Balance after distribution	3,155	-	1,556	18,730	1,003	(2,078)	32,341	1,919	2,185	140	54,240	58,951
Net surplus earnings for 2018 after member dividends	-	6,000	-	-	-	-	-	-	-	-	-	6,000
Other comprehensive income for the year	-	(32)	(1,499)	-	-	-	-	-	-	-	-	(1,531)
Statutory transfer	-	3,998	-	(3,421)	(395)	(182)	-	-	-	-	(3,998)	-
Net amounts used during the year	-	753	-	-	-	-	-	-	(730)	(23)	(753)	-
Distribution by members pursuant to a merger agreement												
Interest on members' permanent shares	-	2	-	-	-	-	-	-	-	-	-	2
Transfer from (allocation to) reserves	-	(10,709)	-	-	-	-	8,202	-	2,457	50	10,709	-
Equity transactions related to other investments in the Federation	-	-	-	74	-	-	-	-	-	-	74	74
Redemption of permanent shares	(1,113)	-	-	-	-	-	-	-	-	-	-	(1,113)
Other net change in capital stock	(56)	-	-	-	-	-	-	-	-	-	-	(56)
Interest on permanent and surplus shares	-	(5)	-	-	-	-	-	(38)	-	-	(38)	(43)
Net adjustment related to member dividends	-	(7)	-	-	-	-	-	-	-	-	-	(7)
<b>BALANCE AS AT DECEMBER 31, 2018</b>	\$ 1,986	\$ -	\$ 57	\$ 15,383	\$ 608	\$ (2,260)	\$ 40,543	\$ 1,881	\$ 3,912	\$ 167	\$ 60,234	\$ 62,277

<sup>(1)</sup> 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](http://www.desjardins.com).

## NOTES TO THE FINANCIAL REPORT (unaudited)

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

LA CAISSE POPULAIRE DESJARDINS DE 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.

### NOTE 2 – FEDERATION'S OBLIGATION TO HOLDERS OF PERMANENT SHARES

Further to a recommendation issued by the AMF, the Federation guarantees that it will indemnify Quebec caisse members holding permanent shares in the event of losses resulting from misinformation in the audited Combined Financial Statements and annual Desjardins Group Management's Discussion and Analysis available at [www.sedar.com](http://www.sedar.com). The Federation's obligation in this matter is subject to certain conditions. Holders of permanent shares can request more information from their newly formed caisse.

The Combined Financial Statements of the Desjardins caisses in Québec are also available to the public at [www.desjardins.com](http://www.desjardins.com).