

2018 Financial Report

Caisse Desjardins de Vaudreuil-Soulanges

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March 22, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de Vaudreuil-Soulanges (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:	1,893,322,000	\$
Total equity:	173,536,000	\$
Net surplus earnings for the year after member dividends :	14,728,000	\$

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	\$ 15,464	\$ 16,350
Investment in liquidity fund under management	87,942	89,195
Loans		
Personal	1,151,342	1,065,454
Business	527,004	486,728
	1,678,346	1,552,182
Allowance for credit losses	1,611	1,457
	1,676,735	1,550,725
Investments in the Federation	81,137	94,723
Other assets		
Derivative financial instruments	16,657	20,157
Property, plant and equipment	5,986	6,379
Other	9,401	13,450
	32,044	39,986
TOTAL ASSETS	\$ 1,893,322	\$ 1,790,979
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 503,695	\$ 487,852
Other	805,042	788,579
	1,308,737	1,276,431
Borrowings	383,945	324,628
Other liabilities		
Derivative financial instruments	4,729	4,182
Net defined benefit plan liabilities	9,494	8,986
Other	12,881	12,282
	27,104	25,450
TOTAL LIABILITIES	1,719,786	1,626,509
EQUITY		
Capital stock	4,154	5,932
Distributable surplus earnings	27,746	7,451
Accumulated other comprehensive income	19	4,487
Reserves	141,617	146,600
TOTAL EQUITY	173,536	164,470
TOTAL LIABILITIES AND EQUITY	\$ 1,893,322	\$ 1,790,979

⁽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	\$ 51,421	\$ 45,238
INTEREST EXPENSE	21,036	16,446
NET INTEREST INCOME	30,385	28,792
OTHER INCOME	13,484	13,235
PROVISION FOR CREDIT LOSSES	864	239
NON-INTEREST EXPENSES		
Salaries and fringe benefits	12,224	12,513
Assessments paid to Desjardins Group components	4,337	4,455
Computer services	4,689	4,630
Community Development Fund expenses	252	296
Other	9,754	9,518
	31,256	31,412
OPERATING SURPLUS EARNINGS	11,749	10,376
Income on investments in the Federation	8,811	8,452
Loss related to fair value of derivative financial instruments	(871)	(1,714)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	19,689	17,114
Income taxes on surplus earnings	2,967	2,053
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	16,722	15,061
Member dividends	2,720	1,800
Tax recovery on member dividends	(726)	(482)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 14,728	\$ 13,743

⁽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	\$ 7,697	\$ 11,062	\$ 3,648	\$ 43,600	\$ 2,266	\$ (6,082)	\$ 83,822	\$ 2,587	\$ 4,200	\$ 803	\$ 131,196	\$ 153,603
Distribution by members at the 2017 general meeting												
Interest on permanent and surplus shares	-	(292)	-	-	-	-	-	-	-	-	-	(292)
Transfer from (allocation to) reserves	-	(10,770)	-	-	-	-	10,570	-	-	200	10,770	-
Balance after distribution	7,697	-	3,648	43,600	2,266	(6,082)	94,392	2,587	4,200	1,003	141,966	153,311
Net surplus earnings for 2017 after member dividends	-	13,743	-	-	-	-	-	-	-	-	-	13,743
Other comprehensive income for the year	-	(1,711)	839	-	-	-	-	-	-	-	-	(872)
Statutory transfer	-	(4,798)	-	6,573	(1,257)	(518)	-	-	-	-	4,798	-
Net amounts used during the year	-	217	-	-	-	-	-	-	-	(217)	(217)	-
Equity transactions related to other investments in the Federation	-	-	-	53	-	-	-	-	-	-	53	53
Redemption of permanent shares	(1,476)	-	-	-	-	-	-	-	-	-	-	(1,476)
Other net change in capital stock	(289)	-	-	-	-	-	-	-	-	-	-	(289)
BALANCE AS AT DECEMBER 31, 2017	\$ 5,932	\$ 7,451	\$ 4,487	\$ 50,226	\$ 1,009	\$ (6,600)	\$ 94,392	\$ 2,587	\$ 4,200	\$ 786	\$ 146,600	\$ 164,470
Impact of changes in accounting methods ⁽¹⁾	-	-	(326)	313	-	-	385	-	-	-	698	372
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 5,932	\$ 7,451	\$ 4,161	\$ 50,539	\$ 1,009	\$ (6,600)	\$ 94,777	\$ 2,587	\$ 4,200	\$ 786	\$ 147,298	\$ 164,842
Distribution by members at the 2018 general meeting												
Interest on members' permanent and surplus shares	-	(173)	-	-	-	-	-	-	-	-	-	(173)
Transfer from (allocation to) reserves	-	(7,326)	-	-	-	-	7,126	-	-	200	7,326	-
Net adjustment related to member dividends	-	48	-	-	-	-	-	-	-	-	-	48
Balance after distribution	5,932	-	4,161	50,539	1,009	(6,600)	101,903	2,587	4,200	986	154,624	164,717
Net surplus earnings for 2018 after member dividends	-	14,728	-	-	-	-	-	-	-	-	-	14,728
Other comprehensive income for the year	-	(56)	(4,142)	-	-	-	-	-	-	-	-	(4,198)
Statutory transfer	-	10,463	-	(9,448)	(639)	(376)	-	-	-	-	(10,463)	-
Net amounts used during the year	-	2,675	-	-	-	-	-	-	(2,491)	(184)	(2,675)	-
Equity transactions related to other investments in the Federation	-	-	-	206	-	-	-	-	-	-	206	206
Redemption of permanent shares	(1,558)	-	-	-	-	-	-	-	-	-	-	(1,558)
Other net change in capital stock	(220)	-	-	-	-	-	-	-	-	-	-	(220)
Interest on permanent and surplus shares	-	(16)	-	-	-	-	-	(75)	-	-	(75)	(91)
Net adjustment related to member dividends	-	(48)	-	-	-	-	-	-	-	-	-	(48)
BALANCE AS AT DECEMBER 31, 2018	\$ 4,154	\$ 27,746	\$ 19	\$ 41,297	\$ 370	\$ (6,976)	\$ 101,903	\$ 2,512	\$ 1,709	\$ 802	\$ 141,617	\$ 173,536

⁽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 Vaudreuil-Soulanges (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.