

2018 Financial Report

Caisse Desjardins du Nord de Laval

TABLE OF CONTENTS

Report on the results of applying specified auditing procedures

Financial report

Balance Sheet	2
Statements of Income	3
Statements of Changes in Equity	4

Note to the financial report

Note 1 – Type of operations and basis of accounting	5
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March 28, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins du Nord de Laval (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:	776,326,000	\$
Total equity:	70,003,000	\$
Net surplus earnings for the year after member dividends :	6,107,000	\$

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	\$ 11,569	\$ 15,354
Securities		
Investment in liquidity fund under management	34,555	32,650
Term deposits and other	-	463
	34,555	33,113
Loans		
Personal	571,207	549,152
Business	116,620	96,377
	687,827	645,529
Allowance for credit losses	806	730
	687,021	644,799
Investments in the Federation	31,147	36,109
Other assets		
Derivative financial instruments	7,358	8,908
Property, plant and equipment	983	1,011
Other	3,693	5,225
	12,034	15,144
TOTAL ASSETS	\$ 776,326	\$ 744,519
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 312,021	\$ 328,202
Other	337,596	310,537
	649,617	638,739
Borrowings	43,964	27,023
Other liabilities		
Derivative financial instruments	2,261	2,082
Net defined benefit plan liabilities	4,029	3,612
Other	6,452	6,326
	12,742	12,020
TOTAL LIABILITIES	706,323	677,782
EQUITY		
Capital stock	2,561	3,613
Distributable surplus earnings	11,020	2,265
Accumulated other comprehensive income	(26)	1,607
Reserves	56,448	59,252
TOTAL EQUITY	70,003	66,737
TOTAL LIABILITIES AND EQUITY	\$ 776,326	\$ 744,519

⁽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	\$ 21,609	\$ 18,779
INTEREST EXPENSE	8,629	7,626
NET INTEREST INCOME	12,980	11,153
OTHER INCOME	5,431	5,238
PROVISION FOR CREDIT LOSSES	137	218
NON-INTEREST EXPENSES		
Salaries and fringe benefits	4,851	4,868
Assessments paid to Desjardins Group components	1,801	1,793
Computer services	1,894	1,803
Community Development Fund expenses	92	2
Other	4,282	4,237
	12,920	12,703
OPERATING SURPLUS EARNINGS	5,354	3,470
Income on investments in the Federation	3,283	3,084
Loss related to fair value of derivative financial instruments	(144)	(1,032)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	8,493	5,522
Income taxes on surplus earnings	1,418	525
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	7,075	4,997
Member dividends	1,321	906
Tax recovery on member dividends	(353)	(248)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 6,107	\$ 4,339

⁽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	\$ 5,209	\$ 4,002	\$ 1,304	\$ 15,614	\$ 749	\$ (2,348)	\$ 35,188	\$ 2,054	\$ 2,720	\$ 143	\$ 54,120	\$ 64,635
Distribution by members at the 2017 general meeting												
Interest on permanent and surplus shares	-	(220)	-	-	-	-	-	-	-	-	-	(220)
Transfer from (allocation to) reserves	-	(3,778)	-	-	-	-	3,778	-	-	-	3,778	-
Net adjustment related to member dividends	-	(4)	-	-	-	-	-	-	-	-	-	(4)
Balance after distribution	5,209	-	1,304	15,614	749	(2,348)	38,966	2,054	2,720	143	57,898	64,411
Net surplus earnings for 2017 after member dividends	-	4,339	-	-	-	-	-	-	-	-	-	4,339
Other comprehensive income for the year	-	(743)	303	-	-	-	-	-	-	-	-	(440)
Statutory transfer	-	(1,337)	-	2,399	(757)	(305)	-	-	-	-	1,337	-
Net amounts used during the year	-	2	-	-	-	-	-	-	-	(2)	(2)	-
Equity transactions related to other investments in the Federation	-	-	-	19	-	-	-	-	-	-	19	19
Redemption of permanent shares	(1,489)	-	-	-	-	-	-	-	-	-	-	(1,489)
Other net change in capital stock	(107)	-	-	-	-	-	-	-	-	-	-	(107)
Net adjustment related to member dividends	-	4	-	-	-	-	-	-	-	-	-	4
BALANCE AS AT DECEMBER 31, 2017	\$ 3,613	\$ 2,265	\$ 1,607	\$ 18,032	\$ (8)	\$ (2,653)	\$ 38,966	\$ 2,054	\$ 2,720	\$ 141	\$ 59,252	\$ 66,737
Impact of changes in accounting methods ⁽¹⁾	-	-	(119)	114	-	-	18	-	-	-	132	13
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 3,613	\$ 2,265	\$ 1,488	\$ 18,146	\$ (8)	\$ (2,653)	\$ 38,984	\$ 2,054	\$ 2,720	\$ 141	\$ 59,384	\$ 66,750
Distribution by members at the 2018 general meeting												
Interest on members' permanent and surplus shares	-	(111)	-	-	-	-	-	-	-	-	-	(111)
Transfer from (allocation to) reserves	-	(2,154)	-	-	-	-	2,154	-	-	-	2,154	-
Balance after distribution	3,613	-	1,488	18,146	(8)	(2,653)	41,138	2,054	2,720	141	61,538	66,639
Net surplus earnings for 2018 after member dividends	-	6,107	-	-	-	-	-	-	-	-	-	6,107
Other comprehensive income for the year	-	(196)	(1,514)	-	-	-	-	-	-	-	-	(1,710)
Statutory transfer	-	3,866	-	(3,452)	(106)	(308)	-	-	-	-	(3,866)	-
Net amounts used during the year	-	1,254	-	-	-	-	-	-	(1,187)	(67)	(1,254)	-
Equity transactions related to other investments in the Federation	-	-	-	75	-	-	-	-	-	-	75	75
Redemption of permanent shares	(862)	-	-	-	-	-	-	-	-	-	-	(862)
Other net change in capital stock	(190)	-	-	-	-	-	-	-	-	-	-	(190)
Interest on permanent and surplus shares	-	(11)	-	-	-	-	-	(45)	-	-	(45)	(56)
BALANCE AS AT DECEMBER 31, 2018	\$ 2,561	\$ 11,020	\$ (26)	\$ 14,769	\$ (114)	\$ (2,961)	\$ 41,138	\$ 2,009	\$ 1,533	\$ 74	\$ 56,448	\$ 70,003

⁽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 du Nord de Laval (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.