

2018 Financial Report

Caisse populaire Desjardins Ukrainienne de Montréal

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March 18, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse populaire Desjardins Ukrainienne de Montréal (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:	173,064,000	\$
Total equity:	23,373,000	\$
Net surplus earnings for the year after member dividends :	1,660,000	\$

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

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“PwC” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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	\$ 2,826	\$ 2,773
Securities		
Investment in liquidity fund under management	5,943	5,911
Term deposits and other	-	122
	5,943	6,033
Loans		
Personal	89,385	79,471
Business	63,363	61,013
	152,748	140,484
Allowance for credit losses	64	103
	152,684	140,381
Investments in the Federation	9,353	10,990
Other assets		
Derivative financial instruments	1,633	1,982
Property, plant and equipment	8	14
Other	617	686
	2,258	2,682
TOTAL ASSETS	\$ 173,064	\$ 162,859
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 61,624	\$ 65,305
Other	52,780	51,156
	114,404	116,461
Borrowings	32,707	21,888
Other liabilities		
Derivative financial instruments	463	413
Net defined benefit plan liabilities	839	680
Other	1,278	1,143
	2,580	2,236
TOTAL LIABILITIES	149,691	140,585
EQUITY		
Capital stock	146	181
Distributable surplus earnings	3,186	725
Accumulated other comprehensive income	28	565
Reserves	20,013	20,803
TOTAL EQUITY	23,373	22,274
TOTAL LIABILITIES AND EQUITY	\$ 173,064	\$ 162,859

⁽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	\$ 4,697	\$ 4,028
INTEREST EXPENSE	1,791	1,332
NET INTEREST INCOME	2,906	2,696
OTHER INCOME	682	695
PROVISION FOR CREDIT LOSSES (RECOVERY)	5	(9)
NON-INTEREST EXPENSES		
Salaries and fringe benefits	1,021	1,029
Assessments paid to Desjardins Group components	378	373
Computer services	188	176
Community Development Fund expenses	48	36
Other	703	742
	2,338	2,356
OPERATING SURPLUS EARNINGS	1,245	1,044
Income on investments in the Federation	1,040	1,019
Income (loss) related to fair value of derivative financial instruments	(186)	36
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	2,099	2,099
Income taxes on surplus earnings	269	232
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	1,830	1,867
Member dividends	232	283
Tax recovery on member dividends	(62)	(76)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 1,660	\$ 1,660

⁽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	\$ 188	\$ 1,132	\$ 463	\$ 5,490	\$ 195	\$ (455)	\$ 12,699	\$ 119	\$ 778	\$ 116	\$ 18,942	\$ 20,725
Distribution by members at the 2017 general meeting												
Interest on permanent and surplus shares	-	(10)	-	-	-	-	-	-	-	-	-	(10)
Transfer from (allocation to) reserves	-	(1,120)	-	-	-	-	1,120	-	-	-	1,120	-
Net adjustment related to member dividends	-	(2)	-	-	-	-	-	-	-	-	-	(2)
Balance after distribution	188	-	463	5,490	195	(455)	13,819	119	778	116	20,062	20,713
Net surplus earnings for 2017 after member dividends	-	1,660	-	-	-	-	-	-	-	-	-	1,660
Other comprehensive income for the year	-	(202)	102	-	-	-	-	-	-	-	-	(100)
Statutory transfer	-	(762)	-	792	28	(58)	-	-	-	-	762	-
Net amounts used during the year	-	27	-	-	-	-	-	-	-	(27)	(27)	-
Equity transactions related to other investments in the Federation	-	-	-	6	-	-	-	-	-	-	6	6
Redemption of permanent shares	(6)	-	-	-	-	-	-	-	-	-	-	(6)
Other net change in capital stock	(1)	-	-	-	-	-	-	-	-	-	-	(1)
Net adjustment related to member dividends	-	2	-	-	-	-	-	-	-	-	-	2
BALANCE AS AT DECEMBER 31, 2017	\$ 181	\$ 725	\$ 565	\$ 6,288	\$ 223	\$ (513)	\$ 13,819	\$ 119	\$ 778	\$ 89	\$ 20,803	\$ 22,274
Impact of changes in accounting methods ⁽¹⁾	-	-	(39)	38	-	-	27	-	-	-	65	26
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 181	\$ 725	\$ 526	\$ 6,326	\$ 223	\$ (513)	\$ 13,846	\$ 119	\$ 778	\$ 89	\$ 20,868	\$ 22,300
Distribution by members at the 2018 general meeting												
Interest on members' permanent and surplus shares	-	(5)	-	-	-	-	-	-	-	-	-	(5)
Transfer from (allocation to) reserves	-	(713)	-	-	-	-	713	-	-	-	713	-
Net adjustment related to member dividends	-	(7)	-	-	-	-	-	-	-	-	-	(7)
Balance after distribution	181	-	526	6,326	223	(513)	14,559	119	778	89	21,581	22,288
Net surplus earnings for 2018 after member dividends	-	1,660	-	-	-	-	-	-	-	-	-	1,660
Other comprehensive income for the year	-	(72)	(498)	-	-	-	-	-	-	-	-	(570)
Statutory transfer	-	1,393	-	(1,138)	(141)	(114)	-	-	-	-	(1,393)	-
Net amounts used during the year	-	200	-	-	-	-	-	-	(163)	(37)	(200)	-
Equity transactions related to other investments in the Federation	-	-	-	25	-	-	-	-	-	-	25	25
Redemption of permanent shares	(10)	-	-	-	-	-	-	-	-	-	-	(10)
Other net change in capital stock	(25)	-	-	-	-	-	-	-	-	-	-	(25)
Interest on surplus shares	-	(2)	-	-	-	-	-	-	-	-	-	(2)
Net adjustment related to member dividends	-	7	-	-	-	-	-	-	-	-	-	7
BALANCE AS AT DECEMBER 31, 2018	\$ 146	\$ 3,186	\$ 28	\$ 5,213	\$ 82	\$ (627)	\$ 14,559	\$ 119	\$ 615	\$ 52	\$ 20,013	\$ 23,373

⁽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 populaire Desjardins Ukrainienne de Montréal (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.