2018 Financial Report

Caisse Desjardins de l'Ouest-de-l'Île

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Report on the results of applying specified auditing procedures

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March 19, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de l'Ouest-de-l'Île (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: 890,889,000 \$
Total equity: 78,676,000 \$
Net surplus earnings for the year after member dividends: 7,226,000 \$

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.

Pricewaterhouse Coopers LLP

¹ FCPA auditor, FCA, public accountancy permit No. A108517

BALANCE SHEET (unaudited)

ASSETS Cash and deposits with financial institutions \$ 18,809 \$ 20,847 Securities Investment in liquidity fund under management 37,326 35,021 Term deposits and other 2 200 18,000 37,326 35,021 18,000 37,326 35,021 18,000 37,326 35,021 18,000 37,326 35,228 Loans 126,933 126,933 126,933 126,933 126,937 126,933 126,947 126,039 126,047 126,039 126,047 126,039 126,047 126,039 126,047 126,039 126,047 126,039 126,047 126,039 126,047 126,049 126,049 126,049 126,049 126,049 126,049 126,049 126,049 </th <th>(in thousands of Canadian dollars)</th> <th>As at December 31, 2018⁽¹⁾</th> <th colspan="3">As at December 31, 2017</th>	(in thousands of Canadian dollars)	As at December 31, 2018 ⁽¹⁾	As at December 31, 2017		
Securities 37,326 35,021 Investment in liquidity fund under management 37,326 35,021 Term deposits and other 207 Busines 47,277 590,663 Business 126,933 126,247 Allowance for credit losses 740 871 Allowance for credit losses 740 871 Investments in the Federation 43,450 50,807 Other assets 11,121 13,881 Property, plant and equipment 2,687 2,528 Other 4,026 6,336 Other 4,026 6,336 TOTAL ASSETS \$ 890,889 \$ 845,686 LIABILITIES AND EQUITY LIABILITIES LIABILITIES AND EQUITY LIABILITIES 17,834 22,765 TOTAL ASSETS \$ 890,889 \$ 845,686 LIABILITIES AND EQUITY LIABILITIES 2,952 Other 359,981 339,880 Other liabilities 2,195 2,135 Derivative financial instruments 2,195 2,135	ASSETS				
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Name	Investment in liquidity fund under management	37,326	35,021		
Loans 647,277 590,663 Personal 647,277 590,663 Business 126,933 126,247 Allowance for credit losses 740 871 Allowance for credit losses 740 871 Investments in the Federation 43,450 50,807 Other assets 80,807 11,121 13,881 Property, plant and equipment 2,687 2,528 2,528 Other 4,026 6,356 319,258 Other 17,834 22,765 2,765 TOTAL ASSETS \$ 890,889 \$ 845,686 \$ 845,686 LIABILITIES S 30,666 \$ 319,258 \$ 845,686 LIABILITIES \$ 340,666 \$ 319,258 \$ 845,686 LIABILITIES \$ 340,666 \$ 319,258 \$ 845,686 Deposits \$ 700,647 659,138 \$ 339,880 \$ 845,686 Deposits \$ 700,647 659,138 \$ 340,666 \$ 319,258 \$ 319,258 \$ 319,258 \$ 319,258 \$ 319,258 \$ 319,258 <td< td=""><td>Term deposits and other</td><td>-</td><td>207</td></td<>	Term deposits and other	-	207		
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Allowance for credit losses 740 871 716,039 71	Business	126,933	126,247		
Investments in the Federation 773,470 716,039 Other assets Topative financial instruments 11,121 13,881 Property, plant and equipment 2,687 2,528 Other 40,026 6,356 TOTAL ASSETS \$ 890,889 \$ 845,686 LIABILITIES AND EQUITY LIABILITIES OPPORTS Term savings \$ 340,666 \$ 319,258 Other 359,981 399,800 Other 359,981 399,800 Other 359,981 399,800 Pervative financial instruments 2,195 2,135 Net defined benefit plan liabilities 2,195 2,135 Other 6,571 5,736 Derivative financial instruments 2,195 2,135 Net defined benefit plan liabilities 4,280 4,132 Other 6,571 5,736 EQUITY 5 5 Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumu		774,210	716,910		
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Investments in the Federation 43,450 50,807 Other assets 11,121 13,881 Property, plant and equipment 2,687 2,528 Other 4,026 6,356 17,834 22,765 TOTAL ASSETS \$ 890,889 \$ 845,686 LIABILITIES Deposits Term savings \$ 340,666 \$ 319,258 Other 359,981 339,880 Tother Ilabilities 98,520 99,235 Other Ilabilities 2,195 2,135 Derivative financial instruments 2,195 2,135 Net defined benefit plan liabilities 4,280 4,132 Other 6,571 5,736 TOTAL LIABILITIES 812,213 770,376 EQUITY 2 4,895 6,570 Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107					
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TOTAL ASSETS \$ 890,889 \$ 845,686	Other	•			
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Borrowings 700,647 659,138 Borrowings 98,520 99,235 Other liabilities 2,195 2,135 Derivative financial instruments 2,195 2,135 Net defined benefit plan liabilities 4,280 4,132 Other 6,571 5,736 TOTAL LIABILITIES 812,213 770,376 EQUITY Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310	LIABILITIES Deposits Term savings				
Borrowings 98,520 99,235 Other liabilities 2,195 2,135 Derivative financial instruments 2,195 2,135 Net defined benefit plan liabilities 4,280 4,132 Other 6,571 5,736 TOTAL LIABILITIES 812,213 770,376 EQUITY Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310	Other				
Other liabilities Derivative financial instruments 2,195 2,135 Net defined benefit plan liabilities 4,280 4,132 Other 6,571 5,736 TOTAL LIABILITIES 13,046 12,003 EQUITY Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310	Parameter as				
Derivative financial instruments 2,195 2,135 Net defined benefit plan liabilities 4,280 4,132 Other 6,571 5,736 TOTAL LIABILITIES 812,213 770,376 EQUITY Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310		98,520	99,235		
Net defined benefit plan liabilities 4,280 4,132 Other 6,571 5,736 13,046 12,003 TOTAL LIABILITIES 812,213 770,376 EQUITY Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310		2.405	2.425		
Other 6,571 5,736 13,046 12,003 TOTAL LIABILITIES 812,213 770,376 EQUITY Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310					
EQUITY 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310	•				
EQUITY 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310	Other				
EQUITY Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310	TOTAL HADUITIES				
Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310	TOTAL LIABILITIES	812,213	770,376		
Capital stock 4,895 6,570 Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310	EQUITY				
Distributable surplus earnings 13,969 2,133 Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310		4 895	6 570		
Accumulated other comprehensive income 81 2,500 Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310					
Reserves 59,731 64,107 TOTAL EQUITY 78,676 75,310					
TOTAL EQUITY 78,676 75,310					
		·			
	TOTAL LIABILITIES AND EQUITY	\$ 890,889	\$ 845,686		

⁽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	\$ 23,802	\$ 20,651
INTEREST EXPENSE	9,844	8,253
NET INTEREST INCOME	13,958	12,398
OTHER INCOME	6,294	6,084
PROVISION FOR CREDIT LOSSES	318	385
NON-INTEREST EXPENSES		
Salaries and fringe benefits	6,119	6,298
Assessments paid to Desjardins Group components	2,165	2,262
Computer services	1,827	1,782
Community Development Fund expenses	75	61
Other	4,747	4,877
	14,933	15,280
OPERATING SURPLUS EARNINGS	5,001	2,817
Income on investments in the Federation	4,745	4,578
Loss related to fair value of derivative financial instruments	(376)	(587)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	9,370	6,808
Income taxes on surplus earnings	1,220	484
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	8,150	6,324
Member dividends	1,261	613
Tax recovery on member dividends	(337)	(164)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 7,226	\$ 5,875

⁽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 calsses 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		Reserves										
_ (in thousands of Canadian dollars)	Capital stock	Distributable surplus eamings	Accumulated other comprehensive income	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	Total equity
BALANCE AS AT DECEMBER 31, 2016	\$ 8,773	\$ -	\$ 2,044	\$ 24,523	\$ 891	\$ (3,763)	\$ 33,993	\$ 4,226	\$ 1,101	\$ 364	\$ 61,335	\$ 72,152
Transfer from (allocation to) reserves	-	2	-	-	-	-	(2)	-	-	-	(2)	-
Net adjustment related to member dividends	_	(2)	_	_	_	_	_	_	_	_	_	(2)
Balance after distribution	8,773	-	2,044	24,523	891	(3,763)	33,991	4,226	1,101	364	61,333	72,150
Net surplus earnings for 2017 after member dividends	-	5,875	-	-	-	-	-	-	-	-	-	5,875
Other comprehensive income for the year	-	(999)	456	-	-	-	-	-	-	-	-	(543)
Statutory transfer	-	(2,789)	-	3,565	(430)	(346)	-	-	-	-	2,789	-
Net amounts used during the year	-	44	-	-	-	-	-	-	-	(44)	(44)	-
Equity transactions related to other investments in the Federation	-	-	-	29	-	-	-	-	-	-	29	29
Redemption of permanent shares	(2,111)	-	-	-	-	-	-	-	-	-	-	(2,111)
Other net change in capital stock	(92)	-	-	-	-	-	-	-	-	-	-	(92)
Net adjustment related to member dividends	-	2	-	-	-	-	-	-	-	-	-	2
BALANCE AS AT DECEMBER 31, 2017	\$ 6,570	\$ 2,133	\$ 2,500	\$ 28,117	\$ 461	\$ (4,109)	\$ 33,991	\$ 4,226	\$ 1,101	\$ 320	\$ 64,107	\$ 75,310
Impact of changes in accounting methods (1)	-	-	(176)	170	-	-	174	-	-	-	344	168
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 6,570	\$ 2,133	\$ 2,324	\$ 28,287	\$ 461	\$ (4,109)	\$ 34,165	\$ 4,226	\$ 1,101	\$ 320	\$ 64,451	\$ 75,478
Distribution by members at the 2018 general meeting												
Interest on members' permanent and surplus shares	-	(205)	-	-	-	-	-	-	-	-	-	(205)
Transfer from (allocation to) reserves	-	(1,929)	-	-	-	-	1,879	-	-	50	1,929	-
Net adjustment related to member dividends	-	1	-	-	-	-	-	-	-	-	-	1
Balance after distribution	6,570	-	2,324	28,287	461	(4,109)	36,044	4,226	1,101	370	66,380	75,274
Net surplus earnings for 2018 after member dividends	-	7,226	-	-	-	-	-	-	-	-	-	7,226
Other comprehensive income for the year	-	92	(2,243)	-	-	-	-	-	-	-	-	(2,151)
Statutory transfer	-	5,502	-	(5,116)	(276)	(110)	-	-	-	-	(5,502)	-
Net amounts used during the year	-	1,156	-	-	-	-	-	-	(1,101)	(55)	(1,156)	-
Equity transactions related to other investments in the Federation	-	-	-	111	-	-	-	-	-	-	111	111
Redemption of permanent shares	(1,611)	-	-	-	-	-	-	-	-	-	-	(1,611)
Other net change in capital stock	(64)	-	-	-	-	-	-	-	-	-	-	(64)
Interest on permanent and surplus shares	-	(6)	-	-	-	-	-	(102)	-	-	(102)	(108)
Net adjustment related to member dividends	-	(1)	-	-		-	-	-		-	-	(1)
BALANCE AS AT DECEMBER 31, 2018	\$ 4,895	\$ 13,969	\$ 81	\$ 23,282	\$ 185	\$ (4,219)	\$ 36,044	\$ 4,124	\$ -	\$ 315	\$ 59,731	\$ 78,676

⁽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 l'Ouest-de-l'Île (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.