

2018 Financial Report

Caisse Desjardins Pierre-Boucher

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March 12, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins Pierre-Boucher (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 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:	1,186,917,000	\$
Total equity:	114,216,000	\$
Net surplus earnings for the year after member dividends:	10,251,000	\$

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	\$ 9,936	\$ 10,406
Securities		
Investment in liquidity fund under management	57,888	53,665
Term deposits and other	160	160
	58,048	53,825
Loans		
Personal	822,892	762,211
Business	221,382	197,853
	1,044,274	960,064
Allowance for credit losses	1,135	1,212
	1,043,139	958,852
Investments in the Federation	54,758	64,701
Other assets		
Derivative financial instruments	12,738	16,331
Property, plant and equipment	2,434	2,877
Other	5,864	7,712
	21,036	26,920
TOTAL ASSETS	\$ 1,186,917	\$ 1,114,704
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 372,723	\$ 342,638
Other	526,247	518,815
	898,970	861,453
Borrowings	153,809	127,645
Other liabilities		
Derivative financial instruments	3,368	2,673
Net defined benefit plan liabilities	5,866	5,631
Other	10,688	9,104
	19,922	17,408
TOTAL LIABILITIES	1,072,701	1,006,506
EQUITY		
Capital stock	3,474	4,941
Distributable surplus earnings	19,751	3,818
Accumulated other comprehensive income	225	3,494
Reserves	90,766	95,945
TOTAL EQUITY	114,216	108,198
TOTAL LIABILITIES AND EQUITY	\$ 1,186,917	\$ 1,114,704

⁽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	\$ 32,346	\$ 27,336
INTEREST EXPENSE	12,339	9,666
NET INTEREST INCOME	20,007	17,670
OTHER INCOME	8,501	8,561
PROVISION FOR CREDIT LOSSES	676	577
NON-INTEREST EXPENSES		
Salaries and fringe benefits	6,962	7,707
Assessments paid to Desjardins Group components	2,611	2,515
Computer services	3,369	3,348
Community Development Fund expenses	246	287
Other	6,588	6,632
	19,776	20,489
OPERATING SURPLUS EARNINGS	8,056	5,165
Income on investments in the Federation	6,232	6,199
Loss related to fair value of derivative financial instruments	(776)	(826)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	13,512	10,538
Income taxes on surplus earnings	1,977	916
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	11,535	9,622
Member dividends	1,751	1,258
Tax recovery on member dividends	(467)	(337)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 10,251	\$ 8,701

⁽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

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	\$ 6,918	\$ 6,653	\$ 2,864	\$ 33,323	\$ 1,730	\$ (3,369)	\$ 46,290	\$ 3,123	\$ 4,632	\$ 574	\$ 86,303	\$ 102,738
Distribution by members at the 2017 general meeting												
Interest on permanent and surplus shares	-	(290)	-	-	-	-	-	-	-	-	-	(290)
Transfer from (allocation to) reserves	-	(6,363)	-	-	-	-	6,263	-	-	100	6,363	-
Balance after distribution	6,918	-	2,864	33,323	1,730	(3,369)	52,553	3,123	4,632	674	92,666	102,448
Net surplus earnings for 2017 after member dividends	-	8,701	-	-	-	-	-	-	-	-	-	8,701
Other comprehensive income for the year	-	(1,643)	630	-	-	-	-	-	-	-	-	(1,013)
Statutory transfer	-	(3,450)	-	4,822	(605)	(767)	-	-	-	-	3,450	-
Net amounts used during the year	-	210	-	-	-	-	-	-	-	(210)	(210)	-
Equity transactions related to other investments in the Federation	-	-	-	39	-	-	-	-	-	-	39	39
Redemption of permanent shares	(1,926)	-	-	-	-	-	-	-	-	-	-	(1,926)
Other net change in capital stock	(51)	-	-	-	-	-	-	-	-	-	-	(51)
BALANCE AS AT DECEMBER 31, 2017	\$ 4,941	\$ 3,818	\$ 3,494	\$ 38,184	\$ 1,125	\$ (4,136)	\$ 52,553	\$ 3,123	\$ 4,632	\$ 464	\$ 95,945	\$ 108,198
Impact of changes in accounting methods ⁽¹⁾	-	-	(238)	229	-	-	241	-	-	-	470	232
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 4,941	\$ 3,818	\$ 3,256	\$ 38,413	\$ 1,125	\$ (4,136)	\$ 52,794	\$ 3,123	\$ 4,632	\$ 464	\$ 96,415	\$ 108,430
Distribution by members at the 2018 general meeting												
Interest on members' permanent and surplus shares	-	(156)	-	-	-	-	-	-	-	-	-	(156)
Transfer from (allocation to) reserves	-	(3,608)	-	-	-	-	4,560	-	(1,102)	150	3,608	-
Net adjustment related to member dividends	-	(54)	-	-	-	-	-	-	-	-	-	(54)
Balance after distribution	4,941	-	3,256	38,413	1,125	(4,136)	57,354	3,123	3,530	614	100,023	108,220
Net surplus earnings for 2018 after member dividends	-	10,251	-	-	-	-	-	-	-	-	-	10,251
Other comprehensive income for the year	-	115	(3,031)	-	-	-	-	-	-	-	-	(2,916)
Statutory transfer	-	7,659	-	(6,915)	(569)	(175)	-	-	-	-	(7,659)	-
Net amounts used during the year	-	1,676	-	-	-	-	-	-	(1,495)	(181)	(1,676)	-
Equity transactions related to other investments in the Federation	-	-	-	151	-	-	-	-	-	-	151	151
Redemption of permanent shares	(1,376)	-	-	-	-	-	-	-	-	-	-	(1,376)
Other net change in capital stock	(91)	-	-	-	-	-	-	-	-	-	-	(91)
Interest on permanent and surplus shares	-	(4)	-	-	-	-	-	(73)	-	-	(73)	(77)
Net adjustment related to member dividends	-	54	-	-	-	-	-	-	-	-	-	54
BALANCE AS AT DECEMBER 31, 2018	\$ 3,474	\$ 19,751	\$ 225	\$ 31,649	\$ 556	\$ (4,311)	\$ 57,354	\$ 3,050	\$ 2,035	\$ 433	\$ 90,766	\$ 114,216

⁽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 Pierre-Boucher (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.