2018 Financial Report

Caisse Desjardins Pierre-Boucher

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Report on the results of applying specified auditing procedures

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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.

Pricewaterhouse Coopers LLP

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

BALANCE SHEET (unaudited)

ASSETS Cash and deposits with financial institutions \$ 9,936 \$ 10,406 Securities Investment in liquidity fund under management 57,888 33,665 Term deposits and other 160 150 Loans 58,048 33,255 Loans 221,382 762,211 Business 221,382 762,211 Business 1,044,274 960,064 Allowance for credit losses 1,135 1,212 Investments in the Federation 34,785 64,701 Other assets Unvestments in the Federation 34,785 64,701 Other assets Unvestments in the Federation 34,785 16,331 Other assets Unvestments in the Federation 34,785 16,331 Other assets Unvestments in the Federation 12,738 16,331 Other assets Unvestments in the Federation 12,738 16,331 Other assets Unvestments in the Federation 12,738 4,844 2,827 Other ins	(in thousands of Canadian dollars)	As at December 31, 2018 ⁽¹⁾	As at December 31, 2017		
Securities 57,888 53,665 Investment in liquidity fund under management 57,888 53,665 Term deposits an other 160 160 Enemany \$8,048 53,825 Loans \$8,048 53,825 Dersonal \$22,892 762,211 Business 221,382 197,853 Allowance for credit losses 1,044,274 960,064 Allowance for credit losses 1,043,139 958,852 Investments in the Federation \$4,758 64,701 Other assets 5 64,701 Derivative financial instruments 12,738 16,331 Property, plant and equipment 2,434 2,877 Other 5,864 7,712 TALLASSETS \$1,186,917 \$1,114,704 LUABILITIES AND EQUITY LIABILITIES AND EQUITY LIABILITIES AND EQUITY \$372,723 \$342,638 Other \$26,220 \$18,165 Ferm savings \$372,723 \$342,638 Other isabilities \$3,868 2,673	ASSETS				
Investment in liquidity fund under management 57,888 33,685 Term deposits and other 160 160 Loans 58,048 33,825 Derosonal 822,892 76,211 Business 221,382 178,833 Business 1,044,274 960,064 Allowance for credit losses 1,135 1,212 Investments in the Federation 54,758 64,701 Other assets 1 1,2738 16,331 Derivative financial instruments 12,738 16,331 16,331 Other assets 1 1,2738 16,331 Other property, plat and equipment 2,434 2,837 Other 5,864 7,712 LABILITIES AND EQUITY 1 1,114,704 LABILITIES AND EQUITY 1 1,14,704 LABILITIES AND EQUITY 33,268 3,272,23 \$ 342,638 Other 358,947 \$ 18,815 3,688 2,673 Borrowings 3,589 127,645 3,645 3,638 2,673 <td>Cash and deposits with financial institutions</td> <td>\$ 9,936</td> <td>\$ 10,406</td>	Cash and deposits with financial institutions	\$ 9,936	\$ 10,406		
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Personal Business 822,892 (178,853) 762,211 (178,853) 883,853 197,853 197,853 197,853 197,853 197,853 64,701 46,004 Allowance for credit losses 1,135 (1,212) 1,212 (1,213) 1,212 (1,213) 1,213 (1,213) 1,213 (1,213) 64,701 Other sesses 86,701 Other sesses 86,701 Other sesses 87,712 (1,213) 1,233 (1,233) 1,233 (1,233) 1,233 (1,233) 2,877 (1,233)		58,048	53,825		
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1,043,139 958,852 Investments in the Federation 54,758 64,701 Other assets	Allowance for credit losses	1,135	1,212		
Investments in the Federation 54,758 64,701 Other assets 12,738 16,331 Property, plant and equipment 2,434 2,877 Other 5,864 7,712 Cher 5,864 7,712 Term so, 1,186,917 \$ 1,114,704 LIABILITIES AND EQUITY LIABILITIES Term savings \$ 372,723 \$ 342,638 Other \$ 526,247 \$ 518,815 E of the flabilities \$ 99,970 861,453 Borrowings \$ 153,809 \$ 127,645 Other liabilities \$ 5,666 5,631 Derivative financial instruments \$ 3,368 2,673 Net defined benefit plan liabilities \$ 5,866 5,631 Other \$ 10,688 9,104 TOTAL LIABILITIES \$ 1,072,701 1,006,506 EQUITY \$ 3,474 4,941 Distributable surplus earnings \$ 3,474 4,941 Distributable surplus earnings \$ 3,474 \$ 3,818 Accumulated ot		1,043,139	958,852		
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Derivative financial instruments 12,738 16,331 Property, plant and equipment 2,434 2,877 Other 5,864 7,712 TOTAL ASSETS \$1,036 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 Borrowings 153,809 127,645 Other liabilities 898,970 861,453 Derivative financial instruments 3,368 2,673 Net defined benefit plan liabilities 5,866 5,631 Other 10,688 9,104 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		- ,	, -		
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Other 5,864 7,712 21,036 26,920 TOTAL ASSETS \$ 1,186,917 \$ 1,114,704 LIABILITIES Deposits Term savings \$ 372,723 \$ 342,638 Other \$ 266,247 \$ 18,815 Borrowings \$ 153,809 127,645 Other liabilities \$ 3,368 2,673 Net defined benefit plan liabilities \$ 5,866 5,631 Other 10,688 9,104 Other 10,922 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 10,8198					
TOTAL ASSETS \$ 1,186,917 \$ 1,114,704					
LIABILITIES AND EQUITY LIABILITIES Deposits Term savings \$ 342,638 Other \$26,247 \$18,815 Borrowings \$898,970 \$61,453 Borrowings \$153,809 \$127,645 Other liabilities Term savings \$3,368 \$2,673 Net defined benefit plan liabilities \$,866 \$5,631 Other \$10,688 \$9,104 Other \$19,922 \$17,408 \$1,006,506 \$10,006,506 EQUITY Capital stock \$3,474 4,941 Distributable surplus earnings \$3,818 Accumulated other comprehensive income \$225 \$3,494 Reserves \$90,766 \$95,945 \$70AL EQUITY \$114,216 \$108,198	TOTAL ACCETS				
Borrowings 153,809 127,645 Other liabilities 3,368 2,673 Derivative financial instruments 3,368 2,673 Net defined benefit plan liabilities 5,866 5,631 Other 10,688 9,104 TOTAL LIABILITIES 1,072,701 1,006,506 EQUITY 2 2 2 3,474 4,941 4,941 2 3,474 4,941 3,818 3,274 4,941 3,818 3,474 4,941 3,818 3,494 3,494 3,494 3,494 3,494 3,945	Deposits Term savings				
Borrowings 153,809 127,645 Other liabilities Total Liabilities Derivative financial instruments 3,368 2,673 Net defined benefit plan liabilities 5,866 5,631 Other 10,688 9,104 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					
Other liabilities Derivative financial instruments 3,368 2,673 Net defined benefit plan liabilities 5,866 5,631 Other 10,688 9,104 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	Perrousings	·			
Derivative financial instruments 3,368 2,673 Net defined benefit plan liabilities 5,866 5,631 Other 10,688 9,104 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		133,603	127,043		
Net defined benefit plan liabilities 5,866 5,631 Other 10,688 9,104 TOTAL LIABILITIES 19,922 17,408 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		2 260	2 672		
Other 10,688 9,104 19,922 17,408 TOTAL LIABILITIES 1,072,701 1,006,506 EQUITY Sequitable such a surplus earnings 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					
EQUITY 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					
EQUITY 3,474 4,941 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					
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				
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	1,072,701	1,000,500		
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	FOLUTY				
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		3.474	4.941		
Accumulated other comprehensive income 225 3,494 Reserves 90,766 95,945 TOTAL EQUITY 114,216 108,198	•				
Reserves 90,766 95,945 TOTAL EQUITY 114,216 108,198					
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 INTEREST EXPENSE	\$ 32,346 12,339	\$ 27,336 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				Reserves								
(in thousands of Canadian dollars)	Capital stock	Distributable surplus earnings	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	\$ 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		\$ 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.