2018 Financial Report

Caisse Desjardins de l'Éducation

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Report on the results of applying specified auditing procedures

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March 13, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de l'Éducation (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:	579,520,000	\$
Total equity:	41,863,000	\$
Net surplus earnings for the year after member dividends :	3,624,000	\$

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.



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

BALANCE SHEET (unaudited)

Cash and deposits with financial institutions \$ 9,891 \$ 4,474 Securities 25,290 23,445 Term deposits and other 25,790 23,465 Term deposits and other 3500 2,975 Losan 3500 2,975 Personal 480,679 493,632 Business 27,363 29,422 Allowance for credit losses 354 32,422 Allowance for credit losses 354 32,2730 Investments in the Federation 25,161 28,938 Other assets 200,688 52,2730 Derovative financial instruments 8,110 8,518 Property, plant and equipment 2,645 4,332 Other 2,2645 4,332 ILIABILITIES 579,520 5 595,733 ILIABILITIES AND EQUITY 1 4 6,001 Uther 228,495 263,991 263,991 Other 1,984 3,023 3,482 Other 1,981 3,293 3,482 <th< 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></th<>	(in thousands of Canadian dollars)	As at December 31, 2018 ⁽¹⁾	As at December 31, 2017		
Securities 25,290 23,445 Investment in liquidity fund under management 25,290 29,75 Ferm deposits and other 500 2,975 Loans 25,790 26,420 Derisonal 480,679 493,632 Business 27,363 29,422 Business 27,363 29,422 Allowance for credit losses 350,688 522,730 Investments in the Federation 25,161 28,938 Other assets 8,110 8,518 Property, plant and equipment 235 301 Other 2,645 4,332 Other 2,645 4,332 INSURITIES AND EQUITY 250,973 \$ 595,713 INSURITIES AND EQUITY 250,973 \$ 595,713 INSURITIES AND EQUITY 250,973 \$ 280,995 \$ 263,991 Other 230,845 225,995 \$ 263,991 \$ 263,991 \$ 260,992 \$ 260,992 \$ 260,992 \$ 260,992 \$ 260,992 \$ 260,992 \$ 260,992 \$ 260,992 \$ 260,992	ASSETS				
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Term deposits and other 500 2,975 Loss 25,790 26,420 Personal 480,679 493,632 Business 27,363 29,422 Business 350,642 523,054 Allowance for credit losses 354 324 Allowance for credit losses 354 324 Allowance for credit losses 357,688 522,730 Investments in the Federation 25,161 28,938 Other assets 507,688 522,730 Investments in the Federation 8,110 8,518 Derivative financial instruments 8,110 8,518 Property, plant and equipment 235 301 Other 2,645 4,332 Other 2,645 4,332 Interpretation 2,548 2,513 All BullITIES 3,579,520 5,59,713 ILIABILITIES AND EQUITY 234,945 223,945 223,945 223,945 223,945 223,945 223,945 223,945 223,955 223,951 223,94	Securities				
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Loans 480,679 493,632 Personal 480,679 493,632 Business 27,363 29,422 Allowance for credit losses 354 324 Allowance for credit losses 354 324 Allowance for credit losses 354 324 Investments in the Federation 25,161 28,938 Other assets 8,110 8,518 Property, plant and equipment 2,615 4,332 Other 2,645 4,332 Other 3,993 3,57,13 UABILITIES AND EQUITY 3,090 2,57,13 UABILITIES AND EQUITY 4,000 2,000 Term savings 2,494 6,001 Other isabilities 1,914 6,001 Other liabilities 1,996 1,803	Term deposits and other	500	2,975		
Personal Business 480,679 493,632 business 29,422 business 20,000 business 20,000 business 354 business 324 business 324 business 324 business 32,730 business		25,790	26,420		
Business 27,363 29,422 Kallowance for credit losses 508,042 533,054 Allowance for credit losses 354 324 Lowest the fine claim structure from the Federation 25,161 28,938 Other assets 8,110 8,518 Property, plant and equipment 235 301 3	Loans				
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Allowance for credit losses 354 324 507,688 522,730 10	Business	27,363	29,422		
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S07,688 522,730	Loans Personal Business Allowance for credit losses Investments in the Federation Other assets Derivative financial instruments Property, plant and equipment Other TOTAL ASSETS LIABILITIES AND EQUITY LIABILITIES Deposits Term savings				
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Derivative financial instruments 8,110 8,518 Property, plant and equipment 235 301 Other 2,645 4,332 10,990 13,151 TOTAL ASSETS \$ 79,520 \$ 595,713 LIABILITIES AND EQUITY LIABILITIES Deposits Term savings \$ 284,996 \$ 263,991 Other 230,845 221,735 Borrowings 11,914 60,001 Other liabilities 1,996 1,803 Net defined benefit plan liabilities 3,293 3,482 Other 5,513 4,495 TOTAL LIABILITIES 537,657 555,507 EQUITY Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,1111 Reserves 33,559 34,650 TOTAL LEQUITY 41,863 40,206		23,101	20,938		
Property, plant and equipment 235 301 Other 2,645 4,332 10,990 13,151 TOTAL ASSETS \$ 579,520 \$ 595,713 LUABILITIES AND EQUITY LUABILITIES Deposits Term savings \$ 284,096 \$ 263,991 Other 230,845 221,735 Borrowings \$ 1,944 60,001 Other liabilities 1,996 1,803 Net defined benefit plan liabilities 3,293 3,482 Other 5,513 4,495 Other 5,513 4,495 TOTAL LIABILITIES 537,657 555,507 EQUITY Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL LIABILITIES 4,026 1,000		0 110	0 E10		
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TOTAL ASSETS \$ 579,520 \$ 595,713	Other				
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Other 230,845 221,735 514,941 485,726 Borrowings 11,914 60,001 Other Isibilities Derivative financial instruments 1,996 1,803 Net defined benefit plan liabilities 3,293 3,482 Other 5,513 4,495 TOTAL LIABILITIES 537,657 555,507 EQUITY Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206	Deposits	\$ 284.096	\$ 263,991		
Borrowings 514,941 485,726 Borrowings 11,914 60,001 Other liabilities Derivative financial instruments 1,996 1,803 Net defined benefit plan liabilities 3,293 3,482 Other 5,513 4,495 TOTAL LIABILITIES 537,657 555,507 EQUITY Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206					
Borrowings 11,914 60,001 Other liabilities Derivative financial instruments 1,996 1,803 Net defined benefit plan liabilities 3,293 3,482 Other 5,513 4,495 TOTAL LIABILITIES 537,657 555,507 EQUITY 2 2,959 Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206	- Other				
Other liabilities Derivative financial instruments 1,996 1,803 Net defined benefit plan liabilities 3,293 3,482 Other 5,513 4,495 TOTAL LIABILITIES 537,657 555,507 EQUITY Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206	- Paraculars				
Derivative financial instruments 1,996 1,803 Net defined benefit plan liabilities 3,293 3,482 Other 5,513 4,495 TOTAL LIABILITIES 537,657 555,507 EQUITY Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206		11,914	60,001		
Net defined benefit plan liabilities 3,293 3,482 Other 5,513 4,495 10,802 9,780 TOTAL LIABILITIES EQUITY S37,657 555,507 Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206		1 006	1 002		
Other 5,513 4,495 10,802 9,780 TOTAL LIABILITIES 537,657 555,507 EQUITY Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206					
TOTAL LIABILITIES 10,802 9,780 EQUITY 555,507 Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206					
EQUITY 537,657 555,507 Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206					
EQUITY Capital stock	TOTAL HARMITIES		·		
Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206	TOTAL BABILITIES	337,037	333,307		
Capital stock 1,988 2,959 Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206	FOLUTY				
Distributable surplus earnings 6,442 1,486 Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206		1.988	2.959		
Accumulated other comprehensive income (126) 1,111 Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206					
Reserves 33,559 34,650 TOTAL EQUITY 41,863 40,206	·				
TOTAL EQUITY 41,863 40,206	·				
	TOTAL LIABILITIES AND EQUITY	\$ 579,520	\$ 595,713		

⁽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	\$ 16,721 6,973	\$ 15,925 6,422
NET INTEREST INCOME	9,748	9,503
OTHER INCOME	3,765	3,488
PROVISION FOR CREDIT LOSSES	196	78
NON-INTEREST EXPENSES		
Salaries and fringe benefits	4,358	4,953
Assessments paid to Desjardins Group components	1,593	1,589
Computer services	1,583	1,468
Community Development Fund expenses	3	4
Other	3,334	3,219
	10,871	11,233
OPERATING SURPLUS EARNINGS	2,446	1,680
Income on investments in the Federation	2,556	2,338
Income (loss) related to fair value of derivative financial instruments	27	(848)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	5,029	3,170
Income taxes on surplus earnings	684	83
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	4,345	3,087
Member dividends	983	5
Tax recovery on member dividends	(262)	(1)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 3,624	\$ 3,083

⁽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	\$ 3,78	1 \$ -	\$ 887	\$ 10,545	\$ 834	\$ (2,772)	\$ 22,787	\$ 1,863	\$ 152	\$ 193	\$ 33,602	\$ 38,270
Interest on permanent and surplus shares	-	(2)	-	-	-	-	-	-	-	-	-	(2)
Transfer from (allocation to) reserves	_	6	_	-	-	-	(6)	_	_	-	(6)	_
Net adjustment related to member dividends	_	(4)	_	_	-	_	_	_	_	_	-	(4)
Balance after distribution	3,781	-	887	10,545	834	(2,772)	22,781	1,863	152	193	33,596	38,264
Net surplus earnings for 2017 after member dividends	-	3,083	-	-	-	-	-	-	-	-	-	3,083
Other comprehensive income for the year	-	(562)	224	-	-	-	-	-	-	-	-	(338)
Statutory transfer	-	(1,042)	-	1,815	(659)	(114)	-	-	-	-	1,042	-
Net amounts used during the year	-	3	-	-	-	-	-	-	-	(3)	(3)	-
Equity transactions related to other investments in the Federation	-	-	-	15	-	-	-	-	-	-	15	15
Redemption of permanent shares	(764)	-	_	-	-	-	-	-	-	-	-	(764)
Other net change in capital stock	(58)	-	-	-	-	-	-	-	-	-	-	(58)
Net adjustment related to member dividends	-	4	-	-	-	-	-	-	-	-	-	4
BALANCE AS AT DECEMBER 31, 2017	\$ 2,959	9 \$ 1,486	\$ 1,111	\$ 12,375	\$ 175	\$ (2,886)	\$ 22,781	\$ 1,863	\$ 152	\$ 190	\$ 34,650	\$ 40,206
Impact of changes in accounting methods (1)	-	-	(90)	87	-	-	23	-	-	-	110	20
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 2,95	9 \$ 1,486	\$ 1,021	\$ 12,462	\$ 175	\$ (2,886)	\$ 22,804	\$ 1,863	\$ 152	\$ 190	\$ 34,760	\$ 40,226
Distribution by members at the 2018 general meeting												
Interest on members' permanent and surplus shares	-	(83)	-	-	-	-	-	-	-	-	-	(83)
Transfer from (allocation to) reserves	-	(1,402)	-	-	-	-	1,402	-	-	-	1,402	-
Net adjustment related to member dividends	-	(1)	_	-	-	-	-	-	-	-	-	(1)
Balance after distribution	2,959		1,021	12,462	175	(2,886)	24,206	1,863	152	190	36,162	40,142
Net surplus earnings for 2018 after member dividends	-	3,624	-	-	-	-	-	-	-	-	-	3,624
Other comprehensive income for the year	-	202	(1,147)	-	-	-	-	-	-	-	-	(945)
Statutory transfer	-	2,462	-	(2,620)	20	138	-	-	-	-	(2,462)	-
Net amounts used during the year	-	154	-	-	-	-	-	-	(152)	(2)	(154)	-
Equity transactions related to other investments in the Federation	-	-	-	57	-	-	-	-	-	-	57	57
Redemption of permanent shares	(938)	-	-	-	-	-	-	-	-	-	-	(938)
Other net change in capital stock	(33)	-	-	-	-	-	-	-	-	-	-	(33)
Interest on permanent and surplus shares	-	(1)	-	-	-	-	-	(44)	-	-	(44)	(45)
Net adjustment related to member dividends		1			-						-	1
BALANCE AS AT DECEMBER 31, 2018	\$ 1,98	8 \$ 6,442	\$ (126)	\$ 9,899	\$ 195	\$ (2,748)	\$ 24,206	\$ 1,819	\$ -	\$ 188	\$ 33,559	\$ 41,863

⁽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'Éducation (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.