

2018 Financial Report

Caisse Desjardins de la Culture

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March 12, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de la Culture (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:	337,987,000	\$
Total equity:	21,489,000	\$
Net surplus earnings for the year after member dividends:	2,127,000	\$

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	\$ 25,066	\$ 2,398
Securities		
Investment in liquidity fund under management	16,558	13,833
Term deposits and other	3,206	6
	19,764	13,839
Loans		
Personal	192,904	193,011
Business	86,658	87,386
	279,562	280,397
Allowance for credit losses	534	630
	279,028	279,767
Investments in the Federation	8,006	8,937
Other assets		
Derivative financial instruments	4,088	4,858
Property, plant and equipment	360	364
Other	1,675	2,155
	6,123	7,377
TOTAL ASSETS	\$ 337,987	\$ 312,318
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 79,829	\$ 63,595
Other	178,520	146,716
	258,349	210,311
Borrowings	53,658	79,594
Other liabilities		
Derivative financial instruments	876	486
Net defined benefit plan liabilities	1,375	1,460
Other	2,240	805
	4,491	2,751
TOTAL LIABILITIES	316,498	292,656
EQUITY		
Capital stock	835	1,016
Distributable surplus earnings	3,470	1,945
Accumulated other comprehensive income	(79)	227
Reserves	17,263	16,474
TOTAL EQUITY	21,489	19,662
TOTAL LIABILITIES AND EQUITY	\$ 337,987	\$ 312,318

⁽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	\$ 10,164	\$ 8,875
INTEREST EXPENSE	3,941	3,176
NET INTEREST INCOME	6,223	5,699
OTHER INCOME	2,466	2,337
PROVISION FOR CREDIT LOSSES	170	73
NON-INTEREST EXPENSES		
Salaries and fringe benefits	2,219	2,202
Assessments paid to Desjardins Group components	722	705
Computer services	672	575
Community Development Fund expenses	370	282
Other	1,606	1,743
	5,589	5,507
OPERATING SURPLUS EARNINGS	2,930	2,456
Income on investments in the Federation	708	573
Income (loss) related to fair value of derivative financial instruments	(586)	1,073
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	3,052	4,102
Income taxes on surplus earnings	655	866
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	2,397	3,236
Member dividends	368	250
Tax recovery on member dividends	(98)	(67)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 2,127	\$ 3,053

⁽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	Community Development Fund	Total reserves	
(in thousands of Canadian dollars)											
BALANCE AS AT DECEMBER 31, 2016	\$ 1,109	\$ 2,418	\$ 177	\$ 2,151	\$ 395	\$ (907)	\$ 10,627	\$ 685	\$ 288	\$ 13,239	\$ 16,943
Distribution by members at the 2017 general meeting											
Interest on permanent shares	-	(41)	-	-	-	-	-	-	-	-	(41)
Transfer from (allocation to) reserves	-	(2,377)	-	-	-	-	2,132	-	245	2,377	-
Balance after distribution	1,109	-	177	2,151	395	(907)	12,759	685	533	15,616	16,902
Net surplus earnings for 2017 after member dividends	-	3,053	-	-	-	-	-	-	-	-	3,053
Other comprehensive income for the year	-	(254)	50	-	-	-	-	-	-	-	(204)
Statutory transfer	-	(1,065)	-	445	796	(176)	-	-	-	1,065	-
Net amounts used during the year	-	211	-	-	-	-	-	-	(211)	(211)	-
Equity transactions related to other investments in the Federation	-	-	-	4	-	-	-	-	-	4	4
Redemption of permanent shares	(95)	-	-	-	-	-	-	-	-	-	(95)
Other net change in capital stock	2	-	-	-	-	-	-	-	-	-	2
BALANCE AS AT DECEMBER 31, 2017	\$ 1,016	\$ 1,945	\$ 227	\$ 2,600	\$ 1,191	\$ (1,083)	\$ 12,759	\$ 685	\$ 322	\$ 16,474	\$ 19,662
Impact of changes in accounting methods ⁽¹⁾	-	-	(22)	21	-	-	138	-	-	159	137
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 1,016	\$ 1,945	\$ 205	\$ 2,621	\$ 1,191	\$ (1,083)	\$ 12,897	\$ 685	\$ 322	\$ 16,633	\$ 19,799
Distribution by members at the 2018 general meeting											
Interest on members' permanent shares	-	(27)	-	-	-	-	-	-	-	-	(27)
Transfer from (allocation to) reserves	-	(1,919)	-	-	-	-	1,669	-	250	1,919	-
Net adjustment related to member dividends	-	1	-	-	-	-	-	-	-	-	1
Balance after distribution	1,016	-	205	2,621	1,191	(1,083)	14,566	685	572	18,552	19,773
Net surplus earnings for 2018 after member dividends	-	2,127	-	-	-	-	-	-	-	-	2,127
Other comprehensive income for the year	-	58	(284)	-	-	-	-	-	-	-	(226)
Statutory transfer	-	1,015	-	(647)	(441)	73	-	-	-	(1,015)	-
Net amounts used during the year	-	271	-	-	-	-	-	-	(271)	(271)	-
Equity transactions related to other investments in the Federation	-	-	-	14	-	-	-	-	-	14	14
Redemption of permanent shares	(181)	-	-	-	-	-	-	-	-	-	(181)
Interest on permanent shares	-	-	-	-	-	-	-	(17)	-	(17)	(17)
Net adjustment related to member dividends	-	(1)	-	-	-	-	-	-	-	-	(1)
BALANCE AS AT DECEMBER 31, 2018	\$ 835	\$ 3,470	\$ (79)	\$ 1,988	\$ 750	\$ (1,010)	\$ 14,566	\$ 668	\$ 301	\$ 17,263	\$ 21,489

⁽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 la Culture (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.