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## ANNUAL REPORT 2022

Desjardins


**Caisse Desjardins de Mercier-Est–Anjou**

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# Desjardins Group

## 2022 key figures

**7.5 million**
members and clients

**$2.05 billion**
in surplus earnings before member dividends

**$518 million**
redistributed to members and the community

**58,774**
employees

**$407.1 billion**
in assets

**$17.4 billion[1]**
in indivisable shared wealth held in the caisses' general reserves

**2,456**
directors

**20.2%[2]**
Tier 1A capital ratio

**$12.6 billion**
in insurance premiums[3]

This data comes from Desjardins Group's financial statements and management report as at December 31, 2022.

1 Included in the $20.6 billion total reserves presented in the Desjardins Group's combined financial statements as at December 31, 2022.

2 In accordance with the Adequacy of Capital Base Guideline for financial services coopératives issued by the AMF and taking into account the applicable relief measures introduced by the AMF in response to the COVID-19 pandemic.

3 Gross written premiums.

Desjardins

# Message on the evolution of the cooperative group

## MAJOR PROJECTS TO BETTER SERVE OUR MEMBERS

### Security and technology investments

In recent years, our desire to always do what's best for our members and clients has led to us investing in our digital shift, modernizing our tech ecosystem, and enhancing information security. As a result, there's a lot that's new and digital at Desjardins. You can now perform many more transactions independently, including mortgage preauthorization and renewal! The new, all-in-one Omni app allows you to log into your group insurance and pension savings accounts as well as submit claims. And we can't forget about the Desjardins virtual assistant who can assist you in both English and French which allows you to share your inquiries in your own words. It's simple, it's fast and it's easy!

These investments are responsible for an increase in the Desjardins Group's spending. They are also reflected in each entity's financial report that shows contributions to Desjardins Group components is higher this year as opposed to last year. This contribution is shown separately in the caisse's financial report: to highlight the investments that have been made and to allow for an assessment of the caisse's financial performance based on factors within its control. Thanks to these investments, we're not just maintaining the service we provide to our members and clients, we're improving it. It's important to note that our ability to pay member dividends is not affected by these investments. In short, these changes are helping us accomplish our strategic ambitions on top of continuing to serve you well.

### Simplifying our financial structure

As a way of simplifying the caisse's financial structure, some shares that we held in the Federation have been redeemed (A, G, INV, SER) and converted (FIN-5A). Although there isn't any income from these shares in the caisse's financial report, these buybacks have bolstered the caisse's reserves, which further strengthens Desjardins Group's financial position. This financial transaction has no impact on the caisse's day-to-day activities nor on our ability to pay member dividends.

## BUYING BACK PERMANENT SHARES AND SURPLUS SHARES

As members who held shares are aware, the caisse bought back all permanent shares and surplus shares in circulation in October 2022.

## Note to readers

This annual report provides an overview of Caisse Desjardins de Mercier-Est–Anjou's key financial data as at December 31, 2022.

This document complies with the reporting requirements of the *Act respecting financial services cooperatives* and the Autorité des marchés financiers and was approved by the caisse board of directors.

Marc Bouvier, Chair
Geneviève Miller, Secretary

**About Caisse Desjardins de Mercier-Est–Anjou:**

- A dynamic team of managers and employees under the general management of Dominique Raîche

- **Dedicated directors**

| | |
|---|---|
| Marc Bouvier | Chair |
| Isabelle Leblond | Vice-Chair |
| Geneviève Miller | Secretary |
| Antoine Boucher-Roy | Director |
| Manon Chenel | Director |
| Jean-Guy Deschamps | Director |
| Luciano D'Iorio | Director |
| Yosra Elofir | Director |
| Chantal Gagnon | Director |
| Diane Galarneau | Director |
| Jacques B. Geoffroy | Director |
| Maude Lapointe | Director |
| Jérôme Le Cavalier | Director |
| Denis Risler | Director |

## 2022 key figures for the caisse

**43,881**
business and individual members

**$1.6 billion**
in assets

**$2.9 million**
redistributed to the collectivity including
**$2.6 million**
in member dividends

Operating surplus earnings of
**$27.0 million**

Surplus earnings before member dividends of
**$12.2 million**

## SUMMARY OF THE LOAN PORTFOLIO

As at December 31, 2022, the quality of the caisse's loan portfolio remained high. Gross impaired loans represent just 0.3% of total gross loans. The table below shows the gross carrying amount of loans and their allowance balance by stage:

| As at December 31 (in thousands of Canadian dollars) | Non-credit impared | | | | Credit-impared | | Total 2022 | | | Total 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | | | | |
| | Gross carrying amount | Allowance for credit losses | Gross carrying amount | Allowance for credit losses | Gross carrying amount | Allowance for credit losses | Gross carrying amount | Allowance for credit losses | Net carrying amount | Net carrying amount |
| Residential mortgages | **$ 1,053,091** | **$ 365** | **$ 45,974** | **$ 247** | **$ 1,232** | **$ 73** | **$ 1,100,297** | **$ 685** | **$ 1,099,612** | $ 1,063,054 |
| Consumer and other personal loans | **28,413** | **45** | **4,117** | **113** | **68** | **43** | **32,598** | **201** | **32,397** | 33,247 |
| Business and government | **143,483** | **425** | **25,655** | **290** | **2,341** | **774** | **171,479** | **1,489** | **169,990** | 156,383 |
| **Total** | **$ 1,224,987** | **$ 835** | **$ 75,746** | **$ 650** | **$ 3,641** | **$ 890** | **$ 1,304,374** | **$ 2,375** | **$ 1,301,999** | $ 1,252,684 |

For more information, see Note 2, "Basis of presentation and significant accounting policies" to the Combined Financial Statements of the Desjardins Group for the year ended December 31, 2022, available at www.desjardins.com. Certain comparative figures have been reclassified to conform with the presentation to the current year's annual report.

### Loans to related parties

All loans to restricted parties* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled $1,073K.

*Restricted parties include:

a) Caisse directors and the caisse general manager, including their relatives

b) Federation directors, including their relatives

## SUMMARY OF THE DEPOSIT PORTFOLIO

As at December 31, 2022, the caisse's member deposits totalled $1,344,606K, up $56,333K, or 4.4%, year over year. Deposits by individuals provide the main source of funding for the caisse's expansion. These deposits represent 83.3% of total deposits as at December 31, 2022. The following table shows the breakdown of deposits by type of depositor with amounts by type of savings*.

| As at December 31 (in thousands of Canadian dollars) | Payable on demand | Payable upon notice | Payable on a fixed date | Total 2022 | Total 2021 |
|---|---|---|---|---|---|
| Individuals | **$ 554,013** | **$ 48,208** | **$ 517,922** | **$ 1,120,143** | $ 1,076,871 |
| Business and government | **193,844** | **1,916** | **28,703** | **224,463** | 211,402 |
| Total | **$ 747,857** | **$ 50,124** | **$ 546,625** | **$ 1,344,606** | $ 1,288,273 |

*For more information on presentation and significant accounting policies, see Note 2 to the Combined Financial Statements of the Desjardins Group, available at www.desjardins.com.

# 2022 Financial Report

## Caisse Desjardins de Mercier-Est–Anjou

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March 9, 2023

## Agreed-upon procedures report of the financial report of the Caisse Desjardins de Mercier-Est--Anjou (the Caisse)

To the members of the *Fédération des caisses Desjardins du Québec*

As independent auditor of the combined financial statements of the Desjardins Group, we have been mandated by the members of the *Fédération des caisses Desjardins du Québec* to perform agreed-upon procedures on the financial report attached to the Caisse.

### Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting the members of the *Fédération des caisses Desjardins du Québec* to determine whether the information included in the financial report of the Caisse, considering the Caisse's specific accounting adjustments, is in line with the information used for the preparation of the combined financial statements of the Desjardins Group and it is possible that it cannot be used for another purpose. This report only covers the accounts and the items specified below in the financial report and does not cover the annual report.

### Responsibilities of the Engaging Party

The *Fédération des caisses Desjardins du Québec* has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement and also is responsible for the subject matter on which the agreed-upon procedures are performed.

### Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the *Fédération des caisses Desjardins du Québec* and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

*Professional Ethics*

We have complied with the relevant ethical and independence requirements in the rules of professional conduct/code of ethics issued by the various professional accounting bodies.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the *Fédération des caisses Desjardins du Québec* in the terms of engagement dated March 1, 2023 on the subject matter.

| # | Procedures | Findings |
|---|---|---|
| 1. | Obtain the trial balance of the Caisse prior to the Caisse's specific adjustments as at December 31, 2022 and compare it to the Caisse's trial balance used in the audit of combined financial statements of the Desjardins Group as at December 31, 2022. | We have obtained the trial balance prior to the Caisse's specific adjustments as at December 31, 2022 and compared it to the trial balance of the Caisse used as part of the audit of the combined financial statements of the Desjardins Group as at December 31, 2022. We have noted no discrepancies. |
| 2. | Obtain the Caisse's specific accounting adjustments and add them to the trial balance prior to the Caisse's specific adjustments as at December 31, 2022. Round the result to the nearest thousand dollars. | We have obtained the accounting adjustments specific to the Caisse and added them to the trial balance prior to the Caisse's specific adjustments as at December 31, 2022. We have rounded the result to the nearest thousand dollars. |
| 3. | From the Caisse's financial report accounting chart, recalculate the balance of each financial statement line item of the Caisse's financial report using the result of procedure 2. | We have recalculated the balance of each financial statement line item of the Caisse's financial report from the Caisse's financial report accounting chart using the result of procedure 2. |
| 4. | Obtain the financial report of the Caisse as at December 31, 2022 and compare it to the result obtained in procedure 3. | We have obtained the Caisse's financial report as at December 31, 2022 and compared it to the result obtained in procedure 3. We have noted no discrepancies. |

**Restriction on Distribution and Use**
Our report is intended solely for Members of the *Fédération des caisses Desjardins du Québec,* to the members of the *Caisse* and to the *Autorité des marchés financiers*. We make no representations or warranties of any kind to any third party in respect of this report.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec

[1] CPA auditor, public accountancy permit No. A111799

## BALANCE SHEET (unaudited)

| (in thousands of Canadian dollars) | As at December 31, 2022 | As at December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Cash and deposits with financial institutions** | **$ 17,750** | $ 23,490 |
| **Securities** | | |
| Investment in liquidity fund under management | **86,722** | 84,885 |
| Term deposits and other | **62,001** | 15,001 |
| | **148,723** | 99,886 |
| **Loans** | | |
| Residential mortgages | **1,100,297** | 1,064,138 |
| Consumer and other personal loans | **32,598** | 33,402 |
| Business and government | **171,479** | 157,938 |
| | **1,304,374** | 1,255,478 |
| Allowance for credit losses | **2,375** | 2,794 |
| | **1,301,999** | 1,252,684 |
| **Investments in the Federation** | **71,445** | 99,692 |
| **Other assets** | | |
| Derivative financial instruments | **37,656** | 30,448 |
| Right-of-use assets | **3,110** | 3,535 |
| Property, plant and equipment | **3,023** | 3,012 |
| Net defined benefit plan assets | **860** | - |
| Other | **8,228** | 6,231 |
| | **52,877** | 43,226 |
| **TOTAL ASSETS** | **$ 1,592,794** | **$ 1,518,978** |
| **LIABILITIES AND EQUITY** | | |
| **LIABILITIES** | | |
| **Deposits** | | |
| Individuals | **$ 1,120,143** | $ 1,076,871 |
| Business and government | **224,463** | 211,402 |
| | **1,344,606** | 1,288,273 |
| **Borrowings** | **2,000** | 5,000 |
| **Other liabilities** | | |
| Derivative financial instruments | **19,592** | 4,381 |
| Lease liabilities | **3,361** | 3,791 |
| Net defined benefit plan liabilities | **3,194** | 4,563 |
| Other | **11,490** | 11,042 |
| | **37,637** | 23,777 |
| **TOTAL LIABILITIES** | **1,384,243** | 1,317,050 |
| **EQUITY** | | |
| Capital stock | **203** | 1,130 |
| Distributable surplus earnings | **79,580** | 12,001 |
| Accumulated other comprehensive income | **-** | 4,443 |
| Reserves | **128,768** | 184,354 |
| **TOTAL EQUITY** | **208,551** | 201,928 |
| **TOTAL LIABILITIES AND EQUITY** | **$ 1,592,794** | **$ 1,518,978** |

## STATEMENT OF INCOME
## (unaudited)

**For the years ended December 31**

| (in thousands of Canadian dollars) | | **2022** | | 2021 |
|---|---|---|---|---|
| Interest income | **$** | **40,650** | $ | 33,896 |
| Interest expense | | **11,564** | | 7,768 |
| **NET INTEREST INCOME** | | **29,086** | | 26,128 |
| Other income | | **8,365** | | 8,393 |
| **OPERATING INCOME** | | **37,451** | | 34,521 |
| Provision for credit losses (recovery) | | **(297)** | | 108 |
| **NON-INTEREST EXPENSE** | | | | |
| Salaries and fringe benefits | | **7,580** | | 6,912 |
| Occupancy costs | | **990** | | 411 |
| Other | | **2,164** | | 2,314 |
| | | **10,734** | | 9,637 |
| **OPERATING SURPLUS EARNINGS** | | **27,014** | | 24,776 |
| Income on investments in the Federation | | **5,284** | | 10,198 |
| Loss on fair value of derivative financial instruments | | **(4,383)** | | (1,766) |
| Assessments paid to Desjardins Group components and related costs | | **(14,134)** | | (9,715) |
| Community development expenses | | **(236)** | | (151) |
| **SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS** | | **13,545** | | 23,342 |
| Income taxes on surplus earnings | | **1,337** | | 2,632 |
| **SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS** | | **12,208** | | 20,710 |
| Member dividends | | **2,629** | | 2,742 |
| Tax recovery on member dividends | | **(697)** | | (727) |
| **NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS** | **$** | **10,276** | **$** | **18,695** |

## STATEMENT OF CHANGES IN EQUITY
(unaudited)

| For the years ended December 31<br>(in thousands of Canadian dollars) | 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 | |
| **BALANCE AS AT DECEMBER 31, 2020** | $ 1,348 | $ 10,280 | $ 3,129 | $ 50,554 | $ 2,322 | $ (6,302) | $ 99,298 | $ 4,604 | $ 8,176 | $ 657 | $ 159,309 | $ 174,066 |
| Allocation to reserves adopted by the members at the general meeting | - | (10,280) | - | - | - | - | 7,769 | - | 2,187 | 324 | 10,280 | - |
| Net adjustment for member dividends | - | - | - | - | - | - | (1) | - | - | - | (1) | (1) |
| Balance after distribution | 1,348 | - | 3,129 | 50,554 | 2,322 | (6,302) | 107,066 | 4,604 | 10,363 | 981 | 169,588 | 174,065 |
| Net surplus earnings for the year after member dividends | - | 18,695 | - | - | - | - | - | - | - | - | - | 18,695 |
| Other comprehensive income for the year | - | 8,076 | 1,314 | - | - | - | - | - | - | - | - | 9,390 |
| Statutory transfer | - | (16,897) | - | 15,248 | (1,297) | 2,946 | - | - | - | - | 16,897 | - |
| Net amounts used during the year | - | 2,127 | - | - | - | - | - | - | (2,016) | (111) | (2,127) | - |
| Redemption of permanent shares | (178) | - | - | - | - | - | - | - | - | - | - | (178) |
| Other net change in capital stock | (40) | - | - | - | - | - | - | - | - | - | - | (40) |
| Interest on permanent and surplus shares | - | (1) | - | - | - | - | - | (4) | - | - | (4) | (5) |
| Net adjustment for member dividends | - | 1 | - | - | - | - | - | - | - | - | - | 1 |
| **BALANCE AS AT DECEMBER 31, 2021** | $ 1,130 | $ 12,001 | $ 4,443 | $ 65,802 | $ 1,025 | $ (3,356) | $ 107,066 | $ 4,600 | $ 8,347 | $ 870 | $ 184,354 | $ 201,928 |
| Allocation to reserves adopted by the members at the general meeting | - | (12,001) | - | - | - | - | 8,505 | - | 3,321 | 175 | 12,001 | - |
| Net adjustment for member dividends | - | - | - | - | - | - | (18) | - | - | - | (18) | (18) |
| Balance after distribution | 1,130 | - | 4,443 | 65,802 | 1,025 | (3,356) | 115,553 | 4,600 | 11,668 | 1,045 | 196,337 | 201,910 |
| Net surplus earnings for the year after member dividends | - | 10,276 | - | - | - | - | - | - | - | - | - | 10,276 |
| Other comprehensive income for the year | - | 1,717 | (4,443) | - | - | - | - | - | - | - | - | (2,726) |
| Statutory transfer | - | 67,395 | - | (65,802) | (3,231) | 1,638 | 4,600 | (4,600) | - | - | (67,395) | - |
| Net amounts used during the year | - | 174 | - | - | - | - | - | - | - | (174) | (174) | - |
| Redemption of permanent shares | (788) | - | - | - | - | - | - | - | - | - | - | (788) |
| Other net change in capital stock | (139) | - | - | - | - | - | - | - | - | - | - | (139) |
| Net adjustment for member dividends | - | 18 | - | - | - | - | - | - | - | - | - | 18 |
| **BALANCE AS AT DECEMBER 31, 2022** | **$ 203** | **$ 79,580** | **$ -** | **$ -** | **$ (2,206)** | **$ (1,718)** | **$ 120,153** | **$ -** | **$ 11,668** | **$ 871** | **$ 128,768** | **$ 208,551** |

# NOTE TO THE FINANCIAL REPORT (unaudited)

## NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

Caisse Desjardins de Mercier-Est–Anjou (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 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 of the Desjardins Group, 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.