

2017 Financial Report

Caisse Desjardins de Vaudreuil-Soulanges

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March 21, 2018

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de Vaudreuil-Soulanges (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 26, 2018.

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, 2017 (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, 2017 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:	1,790,976,000	\$
Total equity:	164,468,000	\$
Net surplus earnings for the year after member dividends :	13,743,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2017, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2017.

*PricewaterhouseCoopers LLP*¹

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

BALANCE SHEET (unaudited)

(in thousands of Canadian dollars)	As at December 31, 2017	As at December 31, 2016
ASSETS		
Cash and deposits with financial institutions	\$ 16,350	\$ 17,258
Investment in liquidity fund under management	89,195	82,765
Loans		
Personal	1,065,455	996,019
Business	486,729	474,655
	1,552,184	1,470,674
Allowance for credit losses	1,457	3,146
	1,550,727	1,467,528
Investments in the Federation	94,723	87,249
Other assets		
Derivative financial instruments	20,157	15,387
Property, plant and equipment	6,379	6,787
Other	13,445	12,854
	39,981	35,028
TOTAL ASSETS	\$ 1,790,976	\$ 1,689,828
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 487,852	\$ 493,341
Other	788,579	738,750
	1,276,431	1,232,091
Borrowings	324,628	280,470
Other liabilities		
Derivative financial instruments	4,182	749
Net defined benefit plan liabilities	8,986	8,288
Other	12,281	14,630
	25,449	23,667
TOTAL LIABILITIES	1,626,508	1,536,228
EQUITY		
Capital stock	5,932	7,696
Distributable surplus earnings	7,451	11,062
Accumulated other comprehensive income	4,485	3,646
Reserves	146,600	131,196
TOTAL EQUITY	164,468	153,600
TOTAL LIABILITIES AND EQUITY	\$ 1,790,976	\$ 1,689,828

STATEMENTS OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2017	2016
INTEREST INCOME	\$ 45,238	\$ 45,115
INTEREST EXPENSE	16,446	16,135
NET INTEREST INCOME	28,792	28,980
OTHER INCOME	13,235	12,662
PROVISION FOR CREDIT LOSSES	239	501
NON-INTEREST EXPENSES		
Salaries and fringe benefits	12,538	13,044
Assessments paid to Desjardins Group components	4,569	4,760
Computer services	4,630	4,223
Community Development Fund expenses	296	349
Other	9,379	9,351
	31,412	31,727
OPERATING SURPLUS EARNINGS	10,376	9,414
Income on investments in the Federation	8,452	8,788
Loss related to fair value of derivative financial instruments	(1,714)	(2,301)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	17,114	15,901
Income taxes on surplus earnings	2,053	2,978
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	15,061	12,923
Member dividends	1,800	1,005
Tax recovery on member dividends	(482)	(270)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 13,743	\$ 12,188

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	Reserve for future member dividends	Community Development Fund	Total reserves	
(in thousands of Canadian dollars)												
BALANCE AS AT DECEMBER 31, 2015	\$ 9,680	\$ 5,575	\$ 2,381	\$ 36,769	\$ 3,934	\$ (6,939)	\$ 78,856	\$ 2,587	\$ 4,200	\$ 860	\$ 120,267	\$ 137,903
Distribution by members at the 2016 general meeting												
Interest on members' permanent and surplus shares	-	(405)	-	-	-	-	-	-	-	-	-	(405)
Transfer from (allocation to) reserves	-	(5,166)	-	-	-	-	4,966	-	-	200	5,166	-
Net adjustment related to member dividends	-	(4)	-	-	-	-	-	-	-	-	-	(4)
Balance after distribution	9,680	-	2,381	36,769	3,934	(6,939)	83,822	2,587	4,200	1,060	125,433	137,494
Net surplus earnings for 2016 after member dividends	-	12,188	-	-	-	-	-	-	-	-	-	12,188
Other comprehensive income for the year	-	1,143	941	-	-	-	-	-	-	-	-	2,084
Statutory transfer	-	(2,530)	-	3,341	(1,668)	857	-	-	-	-	2,530	-
Net amounts used during the year	-	257	-	-	-	-	-	-	-	(257)	(257)	-
Equity transactions related to other investments in the Federation	-	-	-	3,490	-	-	-	-	-	-	3,490	3,814
Redemption of permanent shares	(1,368)	-	-	-	-	-	-	-	-	-	-	(1,368)
Other net change in capital stock	(616)	-	-	-	-	-	-	-	-	-	-	(616)
Net adjustment related to member dividends	-	4	-	-	-	-	-	-	-	-	-	4
BALANCE AS AT DECEMBER 31, 2016	\$ 7,696	\$ 11,062	\$ 3,646	\$ 43,600	\$ 2,266	\$ (6,082)	\$ 83,822	\$ 2,587	\$ 4,200	\$ 803	\$ 131,196	\$ 153,600
Distribution by members at the 2017 general meeting												
Interest on members' permanent and surplus shares	-	(292)	-	-	-	-	-	-	-	-	-	(292)
Transfer from (allocation to) reserves	-	(10,770)	-	-	-	-	10,570	-	-	200	10,770	-
Balance after distribution	7,696	-	3,646	43,600	2,266	(6,082)	94,392	2,587	4,200	1,003	141,966	153,308
Net surplus earnings for 2017 after member dividends	-	13,743	-	-	-	-	-	-	-	-	-	13,743
Other comprehensive income for the year	-	(1,711)	839	-	-	-	-	-	-	-	-	(872)
Statutory transfer	-	(4,798)	-	6,573	(1,257)	(518)	-	-	-	-	4,798	-
Net amounts used during the year	-	217	-	-	-	-	-	-	-	(217)	(217)	-
Equity transactions related to other investments in the Federation	-	-	-	53	-	-	-	-	-	-	53	53
Redemption of permanent shares	(1,475)	-	-	-	-	-	-	-	-	-	-	(1,475)
Other net change in capital stock	(289)	-	-	-	-	-	-	-	-	-	-	(289)
BALANCE AS AT DECEMBER 31, 2017	\$ 5,932	\$ 7,451	\$ 4,485	\$ 50,226	\$ 1,009	\$ (6,600)	\$ 94,392	\$ 2,587	\$ 4,200	\$ 786	\$ 146,600	\$ 164,468

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

The Caisse Desjardins de Vaudreuil-Soulanges (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.