

2016 FINANCIAL REPORT

CAISSE DESJARDINS DE VAUDREUIL-SOULANGES

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March 23, 2017

Report on the results of applying specified auditing procedures to the financial report of 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 in Quebec”), on which we expressed an unmodified opinion on February 24, 2017.

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, 2016 (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, 2016 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:	1,689,832,000	\$
Total equity:	153,604,000	\$
Net surplus earnings for the year after member dividends:	12,190,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2016, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2016.

PricewaterhouseCoopers LLP

¹ FCPA auditor, FCA, public accountancy permit No. A124829

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

BALANCED SHEET (unaudited)

(in thousands of Canadian dollars)	As at December 31, 2016	As at December 31, 2015
ASSETS		
Cash and deposits with financial institutions	\$ 17,258	\$ 15,705
Investment in liquidity fund under management	82,765	76,053
Loans		
Personal	996,020	980,492
Business	474,654	437,254
	1,470,674	1,417,746
Allowance for credit losses	3,146	3,202
	1,467,528	1,414,544
Investments in the Federation	87,249	79,466
Other assets		
Derivative financial instruments	15,387	15,519
Property, plant and equipment	6,787	7,334
Other	12,858	13,158
	35,032	36,011
TOTAL ASSETS	\$ 1,689,832	\$ 1,621,779
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 493,341	\$ 501,986
Other	738,750	673,872
	1,232,091	1,175,858
Borrowings	280,470	280,835
Other liabilities		
Derivative financial instruments	749	343
Net defined benefit plan liabilities	8,288	9,481
Other	14,630	17,355
	23,667	27,179
TOTAL LIABILITIES	1,536,228	1,483,872
EQUITY		
Capital stock	7,696	9,681
Distributable surplus earnings	11,064	5,576
Accumulated other comprehensive income	3,647	2,382
Reserves	131,197	120,268
TOTAL EQUITY	153,604	137,907
TOTAL LIABILITIES AND EQUITY	\$ 1,689,832	\$ 1,621,779

STATEMENTS OF INCOME
 (unaudited)

For the years ended December 31

(in thousands of Canadian dollars)

	2016	2015
INTEREST INCOME	\$ 45,115	\$ 46,116
INTEREST EXPENSE	16,135	17,151
NET INTEREST INCOME	28,980	28,965
OTHER INCOME	12,663	12,319
PROVISION FOR CREDIT LOSSES	501	1,124
OTHER EXPENSES		
Salaries and fringe benefits	13,044	14,164
Assessments paid to Desjardins Group components	4,760	4,166
Community development expenses	349	517
Other	13,574	15,131
	31,727	33,978
OPERATING SURPLUS EARNINGS	9,415	6,182
Income on investments in the Federation	8,788	8,289
Income (loss) related to fair value of derivative financial instruments	(2,301)	1,365
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	15,902	15,836
Income taxes on surplus earnings	2,977	2,385
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	12,925	13,451
Member dividends	1,005	972
Tax recovery on member dividends	(270)	(262)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 12,190	\$ 12,741

STATEMENTS OF CHANGES IN EQUITY
(unaudited)

For the years ended December 31

	Capital stock	Distributable surplus earning	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, 2014	\$ 12,371	\$ 5,264	\$ 3,576	\$ 30,239	\$ 2,939	\$ (9,129)	\$ 74,307	\$ 2,587	\$ 4,200	\$ 1,045	\$ 106,188	\$ 127,399
Distribution by members at the 2015 general meeting	-	(536)	-	-	-	-	-	-	-	-	-	(536)
Interest on permanent shares and on surplus shares	-	(4,749)	-	-	-	-	4,549	-	-	200	4,749	-
Transfer from (allocation to) reserves	-	21	-	-	-	-	-	-	-	-	-	21
Net adjustment related to member dividends	-	-	-	-	-	-	-	-	-	-	-	-
Balance after distribution	12,371	-	3,576	30,239	2,939	(9,129)	78,856	2,587	4,200	1,245	110,937	126,884
Net surplus earnings for 2015 after member dividends	-	12,741	-	-	-	-	-	-	-	-	-	12,741
Other comprehensive income for the year	-	2,509	(1,194)	-	-	-	-	-	-	-	-	1,315
Statutory transfer	-	(10,037)	-	6,852	995	2,190	-	-	-	-	10,037	-
Net amounts used during the year	-	384	-	-	-	-	-	-	-	(384)	(384)	-
Equity transactions related to other investments in the Federation	-	-	-	(322)	-	-	-	-	-	-	(322)	(322)
Repurchase of permanent shares	(2,274)	-	-	-	-	-	-	-	-	-	-	(2,274)
Other net change in capital stock	(416)	-	-	-	-	-	-	-	-	-	-	(416)
Net adjustment related to member dividends	-	(21)	-	-	-	-	-	-	-	-	-	(21)
Balance after distribution 2015	\$ 9,681	\$ 5,576	\$ 2,382	\$ 36,769	\$ 3,934	\$ (6,939)	\$ 78,856	\$ 2,587	\$ 4,200	\$ 861	\$ 120,268	\$ 137,907
Distribution by members at the 2016 general meeting	-	(406)	-	-	-	-	-	-	-	-	-	(406)
Interest on permanent shares and on surplus shares	-	(5,166)	-	-	-	-	4,966	-	-	200	5,166	-
Transfer from (allocation to) reserves	-	(4)	-	-	-	-	-	-	-	-	-	(4)
Net adjustment related to member dividends	-	-	-	-	-	-	-	-	-	-	-	-
Balance after distribution	9,681	-	2,382	36,769	3,934	(6,939)	83,822	2,587	4,200	1,061	125,434	137,497
Net surplus earnings for 2016 after member dividends	-	12,190	-	-	-	-	-	-	-	-	-	12,190
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	-	-	324	3,490	-	-	-	-	-	-	3,490	3,814
Repurchase of permanent shares	(1,369)	-	-	-	-	-	-	-	-	-	-	(1,369)
Other net change in capital stock	(616)	-	-	-	-	-	-	-	-	-	-	(616)
Net adjustment related to member dividends	-	4	-	-	-	-	-	-	-	-	-	4
Balance after distribution 2016	\$ 7,696	\$ 11,064	\$ 3,647	\$ 43,600	\$ 2,266	\$ (6,082)	\$ 83,822	\$ 2,587	\$ 4,200	\$ 804	\$ 131,197	\$ 153,604

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPES OF OPERATIONS AND BASIS OF ACCOUNTING

The Caisse is a cooperative whose purpose is to receive the savings of their members in order to invest them profitably as well as to extend credit and supply other financial products and services to their 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 or mutual benefit fund for the benefit of the Desjardins caisses in Quebec.

The Caisses are members of the *Fédération des caisses Desjardins du Québec* (the Federation), which controls other components that form 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 for the preparation of the combined financial statements of the caisses Desjardins du Québec, 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 to be consistent with the presentation of the financial statements of the current year. This reclassification did not affect the Caisse's surplus earnings or total assets and liabilities.