

2018 Financial Report

Caisse d'économie Desjardins des employés en Télécommunication

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March 26, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse d'économie Desjardins des employés en Télécommunication (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:	229,742,000	\$
Total equity:	16,075,000	\$
Net surplus earnings for the year after member dividends :	1,113,000	\$

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

PricewaterhouseCoopers LLP
1250, René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205-5000, F: +1 514 876-1502, www.pwc.com/ca

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	\$ 1,039	\$ 1,042
Securities		
Investment in liquidity fund under management	6,115	5,635
Term deposits and other	-	188
	6,115	5,823
Loans		
Personal	198,219	166,405
Business	10,052	10,007
	208,271	176,412
Allowance for credit losses	138	78
	208,133	176,334
Investments in the Federation	9,277	10,786
Other assets		
Derivative financial instruments	3,574	4,529
Property, plant and equipment	15	21
Other	1,589	2,358
	5,178	6,908
TOTAL ASSETS	\$ 229,742	\$ 200,893
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 73,831	\$ 74,068
Other	59,304	50,267
	133,135	124,335
Borrowings	77,092	57,699
Other liabilities		
Derivative financial instruments	759	655
Net defined benefit plan liabilities	907	858
Other	1,774	1,590
	3,440	3,103
TOTAL LIABILITIES	213,667	185,137
EQUITY		
Capital stock	571	875
Distributable surplus earnings	2,327	422
Accumulated other comprehensive income	(4)	490
Reserves	13,181	13,969
TOTAL EQUITY	16,075	15,756
TOTAL LIABILITIES AND EQUITY	\$ 229,742	\$ 200,893

⁽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	\$ 5,859	\$ 4,591
INTEREST EXPENSE	3,321	2,108
NET INTEREST INCOME	2,538	2,483
OTHER INCOME	1,384	1,359
PROVISION FOR CREDIT LOSSES	102	133
NON-INTEREST EXPENSES		
Salaries and fringe benefits	1,186	1,292
Assessments paid to Desjardins Group components	443	448
Computer services	404	414
Other	1,051	1,000
	3,084	3,154
OPERATING SURPLUS EARNINGS	736	555
Income on investments in the Federation	985	935
Loss related to fair value of derivative financial instruments	(208)	(52)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	1,513	1,438
Income taxes on surplus earnings	146	97
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	1,367	1,341
Member dividends	346	151
Tax recovery on member dividends	(92)	(42)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 1,113	\$ 1,232

⁽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	Total reserves	
(in thousands of Canadian dollars)										
BALANCE AS AT DECEMBER 31, 2016	\$ 1,166	\$ 898	\$ 398	\$ 4,580	\$ 338	\$ (671)	\$ 7,789	\$ 484	\$ 12,520	\$ 14,982
Distribution by members at the 2017 general meeting										
Interest on permanent and surplus shares	-	(52)	-	-	-	-	-	-	-	(52)
Transfer from (allocation to) reserves	-	(846)	-	-	-	-	846	-	846	-
Balance after distribution	1,166	-	398	4,580	338	(671)	8,635	484	13,366	14,930
Net surplus earnings for 2017 after member dividends	-	1,232	-	-	-	-	-	-	-	1,232
Other comprehensive income for the year	-	(213)	92	-	-	-	-	-	-	(121)
Statutory transfer	-	(597)	-	724	(37)	(90)	-	-	597	-
Equity transactions related to other investments in the Federation	-	-	-	6	-	-	-	-	6	6
Redemption of permanent shares	(281)	-	-	-	-	-	-	-	-	(281)
Other net change in capital stock	(10)	-	-	-	-	-	-	-	-	(10)
BALANCE AS AT DECEMBER 31, 2017	\$ 875	\$ 422	\$ 490	\$ 5,310	\$ 301	\$ (761)	\$ 8,635	\$ 484	\$ 13,969	\$ 15,756
Impact of changes in accounting methods ⁽¹⁾	-	-	(36)	35	-	-	(5)	-	30	(6)
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 875	\$ 422	\$ 454	\$ 5,345	\$ 301	\$ (761)	\$ 8,630	\$ 484	\$ 13,999	\$ 15,750
Distribution by members at the 2018 general meeting										
Interest on members' permanent and surplus shares	-	(23)	-	-	-	-	-	-	-	(23)
Transfer from (allocation to) reserves	-	(398)	-	-	-	-	398	-	398	-
Net adjustment related to member dividends	-	(1)	-	-	-	-	-	-	-	(1)
Balance after distribution	875	-	454	5,345	301	(761)	9,028	484	14,397	15,726
Net surplus earnings for 2018 after member dividends	-	1,113	-	-	-	-	-	-	-	1,113
Other comprehensive income for the year	-	(12)	(458)	-	-	-	-	-	-	(470)
Statutory transfer	-	1,226	-	(1,046)	(170)	(10)	-	-	(1,226)	-
Equity transactions related to other investments in the Federation	-	-	-	23	-	-	-	-	23	23
Redemption of permanent shares	(293)	-	-	-	-	-	-	-	-	(293)
Other net change in capital stock	(11)	-	-	-	-	-	-	-	-	(11)
Interest on permanent and surplus shares	-	(1)	-	-	-	-	-	(13)	(13)	(14)
Net adjustment related to member dividends	-	1	-	-	-	-	-	-	-	1
BALANCE AS AT DECEMBER 31, 2018	\$ 571	\$ 2,327	\$ (4)	\$ 4,322	\$ 131	\$ (771)	\$ 9,028	\$ 471	\$ 13,181	\$ 16,075

⁽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 d'économie Desjardins des employés en Télécommunication (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.