

2019 Financial Report

Caisse d'économie Desjardins des employés en Télécommunication

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March 23, 2020

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 26, 2020.

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, 2019 (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, 2019 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:	261,823,000	\$
Total equity:	16,726,000	\$
Net surplus earnings for the year after member dividends:	1,225,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2019, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2019.

*PricewaterhouseCoopers LLP*¹

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BALANCE SHEET (unaudited)

(in thousands of Canadian dollars)	As at December 31, 2019 ⁽¹⁾	As at December 31, 2018
ASSETS		
Cash and deposits with financial institutions	\$ 562	\$ 1,039
Investment in liquidity fund under management	6,720	6,115
Loans		
Residential mortgages	229,827	202,394
Consumer and other personal loans	3,280	3,760
Business and government	2,449	2,117
	235,556	208,271
Allowance for credit losses	115	138
	235,441	208,133
Investments in the Federation	10,105	9,277
Other assets		
Derivative financial instruments	7,297	3,574
Property, plant and equipment	7	15
Other	1,691	1,589
	8,995	5,178
TOTAL ASSETS	\$ 261,823	\$ 229,742
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Individuals	\$ 140,834	\$ 125,290
Business and government	7,807	7,845
	148,641	133,135
Borrowings	92,610	77,092
Other liabilities		
Derivative financial instruments	811	759
Net defined benefit plan liabilities	1,201	907
Other	1,834	1,774
	3,846	3,440
TOTAL LIABILITIES	245,097	213,667
EQUITY		
Capital stock	106	571
Distributable surplus earnings	880	2,327
Accumulated other comprehensive income	259	(4)
Reserves	15,481	13,181
TOTAL EQUITY	16,726	16,075
TOTAL LIABILITIES AND EQUITY	\$ 261,823	\$ 229,742

⁽¹⁾ The information presented as at December 31, 2019, reflects IFRS 16, "Leases" which was adopted on January 1, 2019. Comparative figures 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 Quebec, for the year ended December 31, 2019, available at www.desjardins.com.

STATEMENT OF INCOME
(unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2019 ⁽¹⁾	2018
INTEREST INCOME	\$ 6,692	\$ 5,859
INTEREST EXPENSE	3,894	3,321
NET INTEREST INCOME	2,798	2,538
OTHER INCOME	1,384	1,384
PROVISION FOR CREDIT LOSSES	43	102
NON-INTEREST EXPENSE		
Salaries and fringe benefits	1,285	1,186
Assessments paid to Desjardins Group components	442	443
Computer services and other agreements	463	404
Other	931	1,051
	3,121	3,084
OPERATING SURPLUS EARNINGS	1,018	736
Income on investments in the Federation	800	985
Loss on fair value of derivative financial instruments	(70)	(208)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	1,748	1,513
Income taxes on surplus earnings	259	146
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	1,489	1,367
Member dividends	359	346
Tax recovery on member dividends	(95)	(92)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 1,225	\$ 1,113

⁽¹⁾ The information presented for the year ended December 31, 2019, reflects IFRS 16, "Leases" which was adopted on January 1, 2019. Comparative figures 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 Quebec, for the year ended December 31, 2019, available at www.desjardins.com.

STATEMENT 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		Total reserves
(in thousands of Canadian dollars)											
BALANCE AS AT DECEMBER 31, 2017	\$ 875	\$ 425	\$ 490	\$ 5,310	\$ 300	\$ (761)	\$ 8,636	\$ 484	\$ -	\$ 13,969	\$ 15,759
Impact of changes in accounting policies	-	-	(36)	35	-	-	(5)	-	-	30	(6)
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 875	\$ 425	\$ 454	\$ 5,345	\$ 300	\$ (761)	\$ 8,631	\$ 484	\$ -	\$ 13,999	\$ 15,753
Distribution by members at the 2018 general meeting											
Interest on permanent and surplus shares	-	(26)	-	-	-	-	-	-	-	-	(26)
Transfer from (allocation to) reserves	-	(398)	-	-	-	-	398	-	-	398	-
Net adjustment for member dividends	-	(1)	-	-	-	-	-	-	-	-	(1)
Balance after distribution	875	-	454	5,345	300	(761)	9,029	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 the 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 for member dividends	-	1	-	-	-	-	-	-	-	-	1
BALANCE AS AT DECEMBER 31, 2018	\$ 571	\$ 2,327	\$ (4)	\$ 4,322	\$ 130	\$ (771)	\$ 9,029	\$ 471	\$ -	\$ 13,181	\$ 16,075
Net adjustment for interest on permanent shares	-	-	-	-	-	-	1	-	-	1	1
Allocation to reserves adopted by the members at the general meeting	-	(2,327)	-	-	-	-	947	-	1,380	2,327	-
Balance after distribution	571	-	(4)	4,322	130	(771)	9,977	471	1,380	15,509	16,076
Net surplus earnings for 2019 after member dividends	-	1,225	-	-	-	-	-	-	-	-	1,225
Other comprehensive income for the year	-	(371)	263	-	-	-	-	-	-	-	(108)
Statutory transfer	-	(237)	-	564	(49)	(278)	-	-	-	237	-
Net amounts used during the year	-	263	-	-	-	-	-	-	(263)	(263)	-
Redemption of permanent shares	(451)	-	-	-	-	-	-	-	-	-	(451)
Other net change in capital stock	(14)	-	-	-	-	-	-	-	-	-	(14)
Interest on permanent shares	-	-	-	-	-	-	-	(2)	-	(2)	(2)
BALANCE AS AT DECEMBER 31, 2019	\$ 106	\$ 880	\$ 259	\$ 4,886	\$ 81	\$ (1,049)	\$ 9,977	\$ 469	\$ 1,117	\$ 15,481	\$ 16,726

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

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 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 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.