

## *Executive summary*

### **Introduction**

On September 13, 2011, the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (the “FDIC”) jointly adopted a final rule (Federal Reserve Regulation QQ, Part 381 of the FDIC regulations, the “Title I Rule”) to implement resolution plan requirements for certain non-bank financial companies and bank holding companies pursuant to Section 165(d) of Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”).

Desjardins Group is an institutional network of financial services cooperative and is the Covered Company as a Foreign Banking Organization (“FBO”) with assets over \$100 Billion USD. As of December 31, 2012, Desjardins Group has less than \$100 billion in total non-bank assets in the U.S. and is eligible to file a Tailored Resolution Plan per 12 CFR 381.4(a)(3)(1).

In the unlikely event of material financial distress or failure, this Tailored Resolution Plan (the “Plan”) provides for the resolution of the material entities, core business lines and critical operations of Desjardins Group that are domiciled or conducted in whole or material part in the United States under applicable insolvency regimes. These include receivership under the Federal Deposit Insurance Act, as amended (the “FDIA”), reorganization or liquidation.

This Plan outlines remedies and resolution procedures that can be executed in a reasonable period of time, without any extraordinary support from the U.S. or any other government, and in an organized manner in the event of material financial distress or failure in a way that substantially minimizes the risk that the failure of these entities, businesses or operations would have a serious adverse effect on financial stability in the U.S.

### **Material Entities**

Desjardins Group (the “Covered Company”) is the Covered Company as an FBO with assets over \$100 Billion USD. Desjardins Group is the largest integrated cooperative financial group in Canada. It comprises a network of caisses, credit unions and business centers in Québec and Ontario, and some 20+ subsidiary companies in life and general insurance, securities brokerage, venture capital and asset management, many of which are active across Canada.

Caisse centrale Desjardins du Québec (“CCD Canada”) is a financial services cooperative within the Covered Company. CCD Canada has 4 Material Entities in the U.S.

- Caisse centrale Desjardins U.S. Branch (“CCD US BR”) is a limited federal branch of a foreign bank, namely CCD Canada. It is owned 100% by CCD Canada and is used for its U.S. transactions. CCD US BR does not accept any deposits.
- Desjardins FSB Holdings, Inc. (“FSB”) is a Small Bank Holding Company and wholly-owned subsidiary of CCD Canada. Its only assets are Desjardins Bank, National Association, and Desjardins Florida Loan Center Inc. In this Plan, FSB is the U.S. Covered Company as the U.S. banking entity and subsidiary of the FBO Covered Company Desjardins Group.
- Desjardins Bank, National Association, (“DB N.A.”) is a National Association. It is a wholly-owned subsidiary of FSB. DB N.A. is an FDIC insured deposit taking institution engaged in the traditional banking practices of taking deposits, making loans, and processing foreign exchange transactions.
- Desjardins Florida Loan Center, Inc. (“DFLC”) is a Non-Banking Entity as it does not hold a banking license. Its function is to purchase impaired loans and Other Real Estate Owned (“OREO”) from DB N.A.

## **Strategic Analysis**

The Covered Company is committed to supporting FSB as the U.S. Covered Company and DB N.A. as the only FDIC Insured entity of its U.S. entities.

### **DB N.A.**

Of all of the Covered Company's U.S. operations, DB N.A. is the only deposit taking institution with approximately \$184 million in deposits as of December 31, 2012 and its resolution would not pose a threat to the U.S. financial stability. DB N.A. will concentrate its efforts on acting as a direct extension of CCD Canada by capitalizing on their franchise value and leveraging their loyal customer base.

As of December 31, 2012, DB N.A. was at 29.4% of Total Capital Ratio vs. the 8% minimum requirement for capital adequacy purposes. The Tier 1 Capital Ratio was at 28.1% vs. the 4% minimum requirement for capital adequacy purposes. In addition, DB N.A.'s capital augmentation plan ("Capital Augmentation Plan") stipulates that if the Tier 1 capital ratio shall become less than 8% at any time, DB N.A. will request a capital augmentation from CCD Canada.

DB N.A. had \$35.8 million in cash and interest bearing deposits and \$43.2 million in readily marketable securities at December 31, 2012.

### **FSB**

FSB is a bank holding company with its only assets being its investments in DB N.A. and DFCL. FSB conditions for resolution would be contingent on the resolution of both DB N.A. and DFCL.

### **DFCL**

DFCL is a purchaser of loans with no deposits. Its resolution would not pose a threat to the U.S. financial stability. Its assets consist of impaired loans and OREO. A disruption or dissolution of DFCL would not impact DB N.A., other than removing the ability of disposing impaired assets in an expedient manner for DB N.A.

### **CCD US BR**

CCD US BR is a Limited Federal Branch with no deposits. A disruption or dissolution of CCD US BR would not impact DB N.A.

## ***Key assumptions of the plan***

The key assumptions are based on the supervisory baseline scenario as specified in The Federal Reserve Board's rules implementing the stress testing requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act:

- The baseline scenario includes Real GDP increases of 2 3/4 percent per year, unemployment rates decreasing to 6 3/4 percent by the end of 2015. The CPI increases of 2 1/4 percent per year over the scenario horizon.
- Equity prices increase about 5 1/2 percent per year with low volatility. Nominal house prices increase at 3 percent per year. Commercial real estate prices increase 5 percent in 2013 and then 3 percent per year in the remainder of the scenario.
- Short-term Treasury rates remain near zero through 2013 before increasing about 20 basis points per quarter and reaching nearly 2 percent by year-end 2015. Long-term Treasury yields move up steadily over the scenario horizon to 4 percent by the end of 2015. Mortgage rates increase evenly at less than Treasury yields.
- Economic activity increases slowly in the euro area in 2014 and 2015, advancing about 1 percent each year.

## Strategic Analysis

### FSB

FSB would only be liquidated if DB N.A. and DFCLC were resolved and sold or liquidated. If both of these subsidiaries were to be liquidated.

### DB N.A.

The following table provides examples of situations that can trigger the need for resolution. Each of the following actions has a specific action assigned to remediate the situation and avoid the need for resolution.

Range of Specific Actions	
Capital Issues	Actions to be taken
Undercapitalized or capital has dropped below 2 percent	<ul style="list-style-type: none"> <li>Assessment of Capital</li> </ul>
Incurred losses that will deplete its capital	<ul style="list-style-type: none"> <li>Assessment of Capital</li> </ul>
Failure to become adequately capitalized when required to do so by the OCC	<ul style="list-style-type: none"> <li>Assessment of Capital</li> </ul>
Unable to pay obligations or deposit demands (liquidity insolvency).	<ul style="list-style-type: none"> <li>Assessment of Liquidity</li> </ul>
Failure to submit a capital restoration plan acceptable to the OCC in time	<ul style="list-style-type: none"> <li>Assessment of Capital</li> <li>Conservatorship</li> </ul>
Failure to implement restoration plan with no recapitalization without federal assistance	<ul style="list-style-type: none"> <li>Assessment of Capital</li> <li>Purchase and Assumption</li> <li>Receivership</li> </ul>
Violations of Law / Unsafe Unsound Practice	Actions to be taken
Dissipation of assets or earnings from violation of statute, regulation, or unsafe/unsound practice	<ul style="list-style-type: none"> <li>Assessment of Violation</li> <li>Assessment of Capital</li> </ul>
Violation of law, regulation, or unsafe/unsound practice risking insolvency or dissipation of assets.	<ul style="list-style-type: none"> <li>Assessment of Violation</li> <li>Assessment of Capital</li> </ul>
DB N.A. is in an unsafe or unsound condition to transact business.	<ul style="list-style-type: none"> <li>Assessment of Violation</li> <li>Remediation of unsound condition</li> </ul>
Management Failures	Actions to be taken
DB N.A.'s board of directors has fewer than five members.	<ul style="list-style-type: none"> <li>Notify OCC</li> <li>Solicit and appoint new board member</li> </ul>
There is a willful violation with a cease-and-desist order	<ul style="list-style-type: none"> <li>Assessment of Violation</li> <li>Immediately suspend violating activity</li> </ul>
Concealment of books, papers, records, or assets, or refusal to submit to examiner	<ul style="list-style-type: none"> <li>Submit books immediately</li> <li>Address officer actions for concealment</li> </ul>
Resolution of its board of directors or its shareholders, consents to the appointment	<ul style="list-style-type: none"> <li>Assessment of Capital</li> <li>Purchase and Assumption</li> <li>Receivership</li> </ul>
DB N.A. ceases to be an insured institution.	<ul style="list-style-type: none"> <li>Assessment of Capital</li> <li>Purchase and Assumption</li> <li>Receivership</li> </ul>

Money Laundering incident	<ul style="list-style-type: none"> <li>• Assessment of BSA/AML</li> <li>• Reporting to Financial Crime Enforcement Network (FINCEN) and Authorities</li> </ul>
Internal Fraud	<ul style="list-style-type: none"> <li>• Assessment of Fraud</li> <li>• Reporting to OCC and local legal Authorities</li> <li>• Securing of affected area / function</li> <li>• Assessment of Capital</li> </ul>

**Assessment of Capital**

For a Capital Shortfall, DB N.A. would perform an Assessment of Capital. This would:

1. Determine DB N.A.'s current Capital ratios as compared to minimum regulatory requirements
2. Determine the amount of any Capital Shortfall

DB N.A. has a Capital Augmentation Plan that stipulates that if its Tier 1 Capital Ratio becomes less than 8% at any time DB N.A will request a capital augmentation from CCD Canada.

**Assessment of Liquidity**

For a Liquidity Shortfall, DB N.A. would perform an Assessment of Liquidity. This would:

1. Determine Liquidity Shortfall
2. Determine the Liquidity sources that are available

**Assessment of Violation**

In the event of a Violation of Law noted in an audit report resulting from a regulatory change not addressed on a timely manner, or new or modified products and services, DB N.A. will follow its Regulatory Review Issue Remediation written procedure to ensure that exceptions noted are corrected and responded by the appropriate personnel.

Such procedure provides for the area managers to perform corrective actions to cure violation and/or process the improvement noted and documented on the audit report. The auditing firm will conduct a follow-up on the exceptions pending of correction or improvement during the next audit performed in the pertinent area. The outcome will be reported to the Compliance Committee and the Audit Committee and the status of pending items will be presented to the Board of Directors until corrective measures taken suffice to clear the exceptions.

In order to ensure adherence to written procedure related to violation of law, rule or regulation are being are being validated during an annual internal audit.

In the event of a Regulator-initiated Violation of Law inquiry, DB N.A. will follow its Regulatory Review Exceptions Remediation written procedure for correcting and curing exceptions cited by a Regulator. In addition, DB N.A. has a Regulatory Communication Procedure that specifies investigation procedures and requires the Chief Compliance officer to manage the:

- Nature of the request
- Event or condition leading to the request
- Ability to satisfy the request or regulation in question
- Responsible Party
- Need for Counsel or third party support
- Documentation
- Communication Method

### **Assessment of BSA/AML**

In the event of a Money Laundering incident, the BSA/AML officer will execute procedures for identifying the incident, the amount, related parties, security issues, control issues, and reporting requirements. The BSA AML officer will report to Management, the Board, and file a Suspicious Activity Report with FINCEN.

### **Assessment of Fraud**

In the event of an internal fraud, the Compliance officer will execute whistle blower procedures for identifying the incident, the amount, related parties, security issues, control issues, and reporting requirements. The Compliance officer will report to Management, Operations, the Board, the OCC, and local legal Authorities. Operations will be responsible for securing of affected area / function. An Assessment of Capital may be required depending on the size of the incident.

## ***Funding, liquidity and capital needs of material entities***

### **FSB Holdings**

FSB is a small bank holding company of DB N.A. and DFCL. It has capital requirements of a small bank holding company. FSB has been funded by loans and direct capital injection from CCD Canada.

### **DB N.A.**

DB N.A. maintains capital levels above “well-capitalized” standards. As of December 31, 2012, DB N.A. is at 29.4% of Total Capital Ratio vs. the 8% minimum requirement for capital adequacy purposes. The Tier 1 Capital Ratio was at 28.1% vs. the 4% minimum requirement for capital adequacy purposes.

In addition, DB N.A.’s capital augmentation plan stipulates that if the Tier 1 capital ratio shall become less than 8% at any time DB N.A will request a capital augmentation from CCD Canada.

As of December 31, 2012, the balance sheet assets of \$212 million were funded mainly by \$183.9 million of deposits and \$25 million of shareholder equity. Outside of the DB N.A.’s core deposit base, DB N.A. has \$8.5 million in brokered deposits. There are no other short or long term liabilities outside of general accruals and trade accounts payable.

As of December 31, 2012, DB N.A. has access to a non-revocable line of credit from CCD Canada. In addition, DB N.A. has access to a collateralized line of credit from the FHLB

DB N.A. has the following resources available to ensure liquidity:

- Readily marketable securities
- Loans which could be sold
- The ability to draw upon the committed revolving line of credit from CCD Canada.
- The ability to draw upon the line of credit from FHLB.

### **DFCL**

DFCL has been funded by loans and direct capital injections from FSB. There is no additional capital or liquidity needs as there are no foreseeable needs to purchase large numbers of impaired loans from DB N.A.

DFCL is in process of resolving its remaining loans and OREO properties and is currently generating positive cash flow from its operations.

### **CCD US BR**

CCD US BR has been funded by loans and direct capital injection from CCD Canada.

**Desjardins Bank, N.A.**

(A wholly-owned subsidiary of Caisse centrale Desjardins)

**Balance Sheet****December 31, 2012****Assets**

Cash and due from banks	\$6 059 270
Interest earning deposits with banks	29 707 168
Cash and cash equivalents	35 766 438
Investments held to maturity	43 170 964
FHLB and FRB stock, at cost	946 900
Loans-held-for-sale	436 126
Loans receivable, net of allowance for loan losses of \$2,568,880	129 503 894
Accrued interest receivable	713 889
Premises and equipment, net	868 290
Other assets	869 626
Total assets	<u>\$212 276 127</u>

**Liabilities and Stockholder's Equity**

Deposits	
Demand	
Noninterest bearing	\$129 207 656
NOW, savings and money market	30 294 131
Time	24 383 200
Total deposits	183 884 987
Due to Parent	217 569
Other liabilities	2 555 511
Total liabilities	<u>186 658 067</u>
Common stock, \$600 par value, 100 shares issued and outstanding	60 000
Additional paid in capital	22 040 000
Retained earnings	3 518 060
Total stockholder's equity	25 618 060
Total liabilities and stockholder's equity	<u>\$212 276 127</u>

## *Corporate governance*

DB N.A. has an established governance framework in place where clear roles and responsibilities are defined to ensure effective working processes and compliance with decision-making authorities. These processes would be used to prepare, verify, and sign off on recovery and resolution plans. This assures that the Executive committee and the Board of Directors take responsibility for the content of the deliverables, are comfortable that provided information is appropriate, and implementation issues are adequately addressed at all levels.

The Board of Directors (“BOD”) of DB N.A. is actively involved in the capital and liquidity management of DB N.A. The BOD is provided with financial information on a monthly basis and call reports and corresponding capital ratios on a quarterly basis.

DB N.A. has independent Risk and Compliance functions who are responsible for maintaining the Tailored Resolution Plan and for reporting financial condition to the BOD. The Compliance Committee is responsible for ensuring the resolution of identified findings, violations or recommendations.

DB N.A. has an independent Audit committee responsible for ensuring accurate and independent internal and external auditing programs including remediation of identified issues.

## *Preparation and approval of the plan*

A joint core project team was assigned to compose the Tailored Resolution Plan. The team consists of Risk Management and Finance functions at Desjardins Group and DB N.A.

The Tailored Resolution Plan is subject to approvals from:

- Board of directors of Fédération des caisses Desjardins du Québec is responsible for the approval of the Plan
- Risk Management Commission of Fédération des caisses Desjardins du Québec is responsible for the recommendation of the Plan to the Board of directors of Fédération des caisses Desjardins du Québec
- FSB Board of Directors is responsible for the recommendation of DB N.A. and DFCL components of the Plan
- CCD Canada Executive Committee reviews the Plan DB N.A.
- DB N.A. President reviews and signs off on the DB N.A. components of the Plan
- CCD US BR Branch manager reviews and signs off on the CCD US BR components of the Plan
- DLFC VP COO reviews and signs off on the DLFC components of the Plan

Going forward, the DB N.A. Compliance function, the CCD US BR Compliance Function, and Desjardins Group Risk Management team will be responsible for the subsequent annual Plan and making recommendations for approval by the respective boards of directors and committees.

## *Organizational structure*

Desjardins Group is the largest integrated cooperative financial group in Canada. It comprises a network of caisses, credit unions and business centers in Québec and Ontario, and some 20+ subsidiary companies in life and general insurance, securities brokerage, venture capital and asset management, many of which are active across Canada.

Fédération des caisses Desjardins du Québec is a cooperative governed by an Act respecting financial services cooperatives, R.S.Q., C. C-67-3, having its Head Office in Lévis, Quebec, Canada.

Caisse centrale Desjardins (“CCD Canada”) is a financial services cooperative owned by the Desjardins Caisse network governed by an Act respecting financial services cooperatives, R.S.Q., C. C-67-3, having its Head Office in Montreal, Quebec, Canada. CCD Canada has 4 entities in the U.S.

Caisse centrale Desjardins U.S. Branch (“CCD US BR”) is a limited federal branch of a foreign bank (CCD Canada), licensed by the Office of the Comptroller of the Currency (OCC) as a Limited Federal Branch operating from its office in Hallandale Beach, FL. CCD US BR is 100% owned by CCD Canada and is used for its U.S. transactions. CCD US BR does not accept any deposits.

As a Limited Federal Branch, CCD US BR may accept only those deposits permissible for an Edge Act Corporation under section 25A of the Federal Reserve Act, 12 USC 611-631. These corporations can accept deposits as well as provide loans, so long as these functions are specifically related to international transactions. It is not FDIC insured.

Desjardins FSB Holdings, Inc. (“FSB”) is a wholly-owned subsidiary of CCD Canada. It is organized under the laws of the State of Delaware. CCD Canada holds 100% of the stock of DB, N.A. and Desjardins Florida Loan Center, Inc. through FSB. FSB is classified as a Small Bank Holding Company by the Federal Reserve System (the “Fed”) and files semiannual reports with the Fed containing FSB Parent Company Only financial statements.

CCD Canada is responsible for meeting the liquidity needs of FSB, as well as increasing and diversifying its sources of funds on national and international markets.

Desjardins Bank, National Association, (“DB N.A.”) is a National Association operating under a charter granted by the Office of the Comptroller of the Currency (the “OCC”). It is a wholly-owned subsidiary of FSB. The Bank operates three branches in Broward County, Florida in the cities of Hallandale Beach, Pompano, and Lauderdale Hill). DB N.A. is the FDIC insured deposit taking institution engaged in the traditional banking practices of deposits, loans, mortgages, and foreign exchange. CCD Canada holds the aggregate stock of the DB N.A. through its subsidiary holding company, Desjardins FSB Holdings, Inc.

Desjardins Florida Loan Center, (“DFLC”) is a Non-Banking Entity incorporated in the State of Delaware on May 17, 2010. It is registered and authorized to transact business in Florida.

***Key Management Personnel***

<b>FSB Holdings, Inc. Executive</b>	
<b>Name</b>	<b>Position</b>
Monique Leroux	President and Chief Executive Officer
Denis Paré	Vice-Chair of the Board
Yvon Vinet	Board Secretary
Éric Lachaine Geneviève Lesage	Assistant Secretaries
Normand Desautels	Treasurer
L.-Daniel Gauvin	Administrator
Réjean Lapierre Lucie Valois	Assistant Treasurers

<b>Desjardins Bank, N.A. Executive</b>	
<b>Name</b>	<b>Position</b>
Bruno Morin	Chairman and CEO
Robert L. Menconi	Chairman of Loan Committee
Robert E. Dubow	Chairman of Compliance Committee
Rejean Lapierre	Chairman of Audit Committee
Daniel Veilleux	President
Regis Sellier	Risk Management & DFCL Manager
Tom Lunak	VP Finance and Risk Officer
Marc-Antoine Paré	President Office & Project manager
Louise Poitras	Chief Compliance Officer
Chantal Dutrisac	Retail Operations Manager & Security Officer
Gilda Kwano	BSA/AML Compliance Officer
Sonia Bolduc	Residential, Consumer & Commercial Loans Manager

<b>Desjardins Florida Loan Center Executive</b>	
<b>Name</b>	<b>Position</b>
Daniel Veilleux	President and Chief Financial Officer
Regis Sellier	Vice-President, Chief Operations Officer

<b>Caisse centrale Desjardins U.S. Branch Executive</b>	
<b>Name</b>	<b>Position</b>
Christian P. Roy	General Branch Manager
Michel Brouillet	Vice President, Financing and Banking Services
Patricia Grimm	BSA/AML Compliance Officer
Michele Ouellet	Assistant Manager

***Critical operations and core business lines***

The 165(d) Rule defines Core Business Lines as “those business lines of the covered company, including associated operations, services, functions and support that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value.”

Desjardins Group has identified the following US Core Business Lines:

		FSB		CCD US BR
		DB N.A.	DFLC	
<b>Retail Checking and Savings</b>	The offering and management of transaction banking facilities, including check, debit card, ATM, as well as savings and time deposits on behalf of personal, private and small business clients.	x		
<b>Small Business Lending</b>	Secured and unsecured commercial lending facilities for small business customers.	x		
<b>Secured Retail Lending</b>	Lending to retail customers where an advance is secured with specified non-real estate collateral.	x		
<b>Residential Mortgage and Commercial Lending</b>	The management and administration of residential mortgage loans on behalf of internal and external customers, including the collection and remittance of principal and interest payments, administration of escrows and payment of property taxes and insurance premiums when due, production and delivery of mortgage loan statements and tax reports, the handling of client inquiries, and foreclosure activities.	x	x	
<b>Corporate Lending</b>	Debt facilities to domestic and international commercial and corporate companies and financial institutions to finance non-real estate-related business activity.			x

***Trading, payment, clearing, or settlement systems***

**Checks**

DB N.A. accepts checks from its customers through their branch locations. They handle and distribute these checks via:

- The Federal Reserve System; and
- Small Value Payments Company (Part of the Clearing House) and other institutions.

**Wires**

DB N.A. receives and sends wire transfer transactions through the Federal Reserve’s FedWire network. The Federal Reserve processes and settles wire transfers in a real-time processing environment. DB N.A. uses an industry-standard vendor platform WireXchange to format and send outgoing wire transfers and to receive and post incoming wire transfers for settlement to customer accounts. Customers may initiate wire transfer instructions through the branch network. International wire transfers may use the Society for Worldwide Interbank Financial Telecommunication (“SWIFT”) network to initiate payment instructions.

**Cash**

DB N.A. provides currency, as well as processes deposits, for retail and commercial customers.

**Foreign Exchange**

DB N.A. receives Canadian dollar currency and inbound wires as a core component of service to its Canadian customers.

***Management information systems*****DB N.A. and DFCL**

The principal information system utilized by DB N.A. is the Fiserv platform which offers online, real-time Teller services, account processing, wire payment, loan booking and servicing and bill payment. This provides DB N.A. with the strategic tools and critical information needed for decision making. The Fiserv platform provides an integration point for retail and commercial services, business intelligence, risk management tools, e-commerce solutions, images and front and back office processes.

Fiserv serves as the primary platform for both DB N.A. as well as the DFCL. This platform provides a strong basis for key management, accounting, compliance and financial reporting and has the analytical capabilities essential for executive management and the board.

***Supervisory and regulatory information***

Desjardins Group's entities are subject to a variety of regulatory regimes. Please see the table below for a description of the material entities and their corresponding regulatory authorities.

<b>Desjardins Entity</b>	<b>Material Supervisory Authority</b>
Federation des caisses Desjardins du Quebec	Autorité des marchés financiers
	Quebec Provincial Government
	Canadian Ministry of Finance
	Office of the Superintendent of Financial Institutions Canada
Caisse centrale Desjardins (CCD Canada)	Autorité des marchés financiers
	Canadian Ministry of Finance
Caisse centrale Desjardins U.S. Branch (CCD US BR)	Federal Reserve
	The Office of the Comptroller of the Currency
Desjardins FSB Holdings, Inc. (FSB Holdings)	Federal Reserve
Desjardins Bank, N.A. (DB N.A.)	The Office of the Comptroller of the Currency
	The Federal Deposit Insurance Corporation
Desjardins Florida Loan Center (DFLC)	DFLC is not a supervised entity