



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

October 4, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Desjardins Bank, National Association
Charter Number 23852**

**1001 East Hallandale Beach Boulevard
Hallandale, FL 33009**

**Comptroller of the Currency
South Florida Field Office
9800 Northwest 41st Street, Suite 120
Miami, FL 33178**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The following supports a Satisfactory rating:

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The geographic distribution of loans reflects reasonable dispersion throughout Broward County.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate-income). This conclusion factors in the high cost of housing within the assessment areas and the bank's business focus.
- Lending in the assessment area is adequate. By number, a majority of mortgage loans were made in the bank's three assessment areas. By dollar, a majority of loans are outside of the assessment areas.
- Community development activities help support the overall CRA rating. The high cost of housing restricts Desjardins ability to make loans to low- and moderate-income individuals. Desjardins overcomes this obstacle through making investments in affordable housing initiatives and making loans that facilitate community development in Federal Disaster areas. The bank also provides community development service that facilitates affordable housing initiatives.

DESCRIPTION OF INSTITUTION

Desjardins Bank, N.A. (Desjardins) is a community bank located in Broward County, Florida. Total assets were \$154 million as of June 30, 2006. Desjardins is controlled by Desjardins FSB Holdings, Inc., a one-bank holding company. Desjardins converted from a thrift charter in 2004, so most of its lending is related to residential real estate with approximately 81 percent of the loan portfolio in 1-4 family residential loans. Desjardins Bank N.A. is affiliated with the largest financial cooperative group in Canada, with 5 million member-owners. The financial cooperative group includes Desjardins Bank N.A., along with other entities located in Quebec, Ontario, New Brunswick, and Manitoba.

Desjardins offers a wide array of deposit and loan products. Loan product types offered include residential real estate (single family and multi-family), consumer, and commercial loans. The bank caters to French Canadians who reside in the bank's AA during the winter months. Most have permanent residences in Quebec, Ontario, New Brunswick, and Manitoba. The customer base is composed mostly of retired Canadian citizens that are on a fixed income. Most of these customers purchase a second residence in the bank's AA, typically a reasonably priced condominium under \$100 thousand. Desjardins has three full service branch locations in Florida including the main office in Hallandale Beach, a branch in Pompano Beach and a branch in

Lauderhill. The Lauderhill Branch was recently opened during 2006.

Desjardins designated three portions of MSA 33100, the Miami-Fort Lauderdale-Palm Beach MSA, as its assessment area (AA). For analytical purposes, the AA was divided into its three component Metropolitan Divisions (MD): Broward County, in the Ft. Lauderdale-Pompano Beach-Deerfield Beach MD (Broward County AA); the North Eastern portion of Dade County, in the Miami-Miami Beach-Kendall MD (Dade County AA); and South Palm Beach County, in the West Palm Beach-Boca Raton-Boynton Beach MD (Palm Beach AA). All branches are located in the Broward County AA. The level of loans in the other two AA(s) is not large, so conclusions are primarily based on performance in the Broward County AA. Since little weight was given to performance in the Dade County AA and the Palm Beach AA, we did not provide detailed information about those areas. A description of Broward County is included. The AA(s) meet regulatory requirements and do not arbitrarily exclude any low- or moderate-income areas.

This is the first CRA evaluation of Desjardins Bank, N.A. as a nationally chartered institution. Prior to conversion, the bank operated as a thrift institution called Desjardins Federal Savings Bank and received an "Outstanding" rating at the last evaluation dated June 11, 2001. No legal or financial considerations impede Desjardins' ability to meet credit needs of its AA.

DESCRIPTION OF BROWARD COUNTY

Based on the 2000 Census, the assessment area consists of 279 geographies (census tracts) and the total population is approximately 1.6 million, a 29 percent increase since the 1990 Census. The need for affordable housing in the county is considered critical by community organizations.

Housing costs in Broward County are high and have significantly increased over the past several years. However, given current economic conditions, prices have actually declined 6% from August 2005 to August 2006. High property taxes, insurance costs, and the threat of hurricanes have contributed to the market's sluggishness. In August 2006, the Florida Association of Realtors estimated the median sales price of an existing single-family home in the Broward MD to be approximately \$362,800. Based on the 2005 HUD Adjusted Median Family Income of \$58,100, the unsubsidized purchase of an average single-family residence would be beyond the financial means of many low- or moderate-income people. Housing affordability is also a pressing issue for middle-income families and individuals.

The area economy is strong and approximately 160,000 businesses are located in the Broward MD. Major industries include real estate development, tourism, and other segments of the service industry. Banking competition is intense. Desjardins competes with other community banks, mid-size banks, branches of the largest banks in the country, and their mortgage affiliates.

Demographic and Economic Characteristics of Broward County Assessment Area	
Population	
Total Population	1,612,856
Number of Families	411,418
Number of Households	650,761
Geographies	
Number of Census Tracts	278
% Low-Income Census Tracts	4.7%
% Moderate-Income Census Tracts	25.2%
% Middle-Income Census Tracts	42.1%
% Upper-Income Census Tracts	28.0%
Median Family Income (MFI)	
2000 MFI for AA	\$53,967
2005 HUD-Adjusted MFI	\$58,100
Economic Indicators	
Unemployment Rate	2.6%
2000 Median Housing Value	\$115,503
% Households Below Poverty Level	11.0%

Source: 2000 Census data and HUD updated income data.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Home purchase and refinance loans were reviewed since 1-4 family lending is the bank's primary lending focus. The loan-to-deposit ratio demonstrates a good level of lending. The geographic distribution of mortgage loans is good with very strong performance for home purchase loans in the low- and moderate-income portions of the Broward County AA. A majority of loans were originated in the AA, by number. However, the penetration was weak by dollar amount of loans due to the high dollar amount of loans purchased outside of the bank's assessment area(s). The distribution of loans to borrowers of different income levels is reasonable after considering the high housing costs in Broward County.

The institution's investment record enhances credit availability in its assessment area. Several Community Development qualified investments were made over the evaluation period. The investments meet critical affordable housing needs for low- and moderate-income families. One community development service was provided and is responsive to community development needs for loans within the AA.

Loan-to-Deposit Ratio

The loan-to-deposit ratio meets the standard for satisfactory performance. Since converting from a thrift institution, the bank achieved a 95 percent loan-to-deposit ratio. Performance compares favorably with ten similar banks that operate within Broward County. The loan to deposit ratios

for these banks ranged from 81 to 133 percent during the same period over seven quarters.

Lending in Assessment Area

The bank meets the standard for satisfactory performance for lending in the AA. Performance was evaluated for the bank’s entire assessment area, including lending in the Broward County AA, Dade County AA, and West Palm Beach AA. As displayed in Table 1, a majority of loans were originated within the three AA(s) by number, but the majority of loans by dollar amount were made outside of the AA(s). As a part of the bank’s business strategy, normal lending activity within its AA is supplemented by purchasing loans from other financial institutions that are located outside of its AA(s). The loans purchased outside of the bank’s assessment area are not funded from local deposits, but from funds received from its Canadian parent. The average size of a purchased loan is greater than a loan originated within its assessment area resulting in a larger dollar portion of loans being funded outside of the bank’s AA(s).

Table 1 - Lending in All Three Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	209	55	174	45	383	33,948	44	44,015	56	77,963
Home Refinance	38	51	37	49	75	7,096	37	12,155	63	19,251
Totals	247	54	211	46	458	41,044	42	56,170	58	97,214

Source: data reported under HMDA for 2004 and 2005

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

After consideration of performance context issues, the distribution of borrowers reflects reasonable penetration among individuals of different income levels. Evaluation was based on lending in the Broward County AA. The bank’s penetration to low-income borrowers is well below the demographic comparator for low-income families. This performance is mitigated to some extent by two factors. The percentage of households living below poverty in Broward County is 11 percent, and this population would not typically be in the market to purchase a home. Housing costs in the area have risen significantly and people with low, moderate, and even middle-incomes have difficulty affording homes. Good performance was noted for home refinance loans to moderate-income borrowers and adequate performance was noted for home purchase loans to moderate-income borrowers given the previously mentioned performance context issues.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Broward County

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.8	1.3	18.1	10.6	20.5	13.3	40.6	38.4
Home Refinance	20.8	6.9	18.1	17.2	20.5	17.2	40.6	20.7

Source: data reported under HMDA for 2004 and 2005; U.S. Census data. A large portion of loans had NA for borrower's income: 36.4% for home purchase and 38% for refinance loans. The loans without reported incomes were primarily for purchased loans as allowed by the Home Mortgage Disclosure Act.

Desjardins has residential loan programs to help meet the needs of low- and moderate-income borrowers. The bank has made loans under a first time home buyers program that allows loan to value ratios to exceed 80 percent, while not requiring private mortgage insurance. The number of loans funded under this program has not been significant, but has helped low- or moderate-income borrowers qualify for mortgage loans.

None of the reported loans in the Dade County AA or the Palm Beach County AA were made to low- or moderate-income borrowers based on reported information. However, many of these loans did not have borrower income information available.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the Broward County AA. Strong performance was noted for home purchase loans in low- and moderate-income geographies. Home refinance performance is reasonable, especially considering the low number of owner-occupied housing units in low-income census tracts. Home refinance lending in moderate-income tracts is lower than the demographic comparator, but considered adequate.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.2	3.3	23.3	24.5	46.1	49.7	29.4	22.5
Home Refinance	1.2	0	23.3	13.8	46.1	51.7	29.4	34.5

Source: data reported under HMDA for 2004 and 2005; U.S. Census data

The level of lending in the other two AA(s) was not significant, and geographic distribution performance is reasonable. In the Dade County AA, four loans were extended in moderate-income census tracts. In the Palm Beach County AA, one loan was made in a moderate-income census tract.

Community Development Lending

Desjardins has made a number of loans to repair multifamily buildings that were damaged by Hurricane Wilma that are part of a Federal Disaster area. Desjardins made six loans in November and December of 2005 for these purposes that totaled \$2.4 million.

The bank made two loans to Habitat for Humanity in 2005. Desjardins portion of these loans totaled \$48 thousand. These loans help provide housing for low-income families.

Qualified Investments and CD Services

Community development (CD) investments and services help support the overall satisfactory CRA rating. Desjardins has several CD activities including a number of investments that help provide affordable housing. Some of the activities are within the bank's AA and others are in the regional area, all within Florida.

CD Investments:

Desjardins has several community development purpose investments that have funded affordable housing projects. These are summarized in the chart below. The projects all have a primary purpose to meet affordable housing needs in Florida communities. Two of the projects are in Broward County, and the other projects are outside of the bank's AA(s), but within the state of Florida. One additional prior period investment helps an organization that originates community development loans.

Name of Investment	Date	Location	Amount	Comments
Florida Housing Finance Corporation	6/12/06	Palm Beach County	\$100,000	Construct 270-unit complex with 94% of households restricted to maximum income of 60% of area median.
Florida Housing Finance Corporation	12/31/05	Polk County	\$205,000	Construct residential facility which restricts occupancy to low, moderate, and middle-income families.
Florida Housing Corporation	6/12/06	Orange County	\$250,000	Construct residential development with 312 units targeted to residents with incomes at or below 60% of the area median.
Housing Finance Authority of Pinellas County	4/15/03	Pinellas County	\$245,000	Funds provide mortgages to qualified low- and moderate income persons.
Housing Finance Authority of Broward County	12/31/05	Broward County	\$250,000	Construct residential rental portion of mixed-use project. Housing is for low, moderate, and middle-income persons.

Community Reinvestment Group, L.C.	6/9/99	Broward County	\$28,000	This is the outstanding balance on a prior period investment in this community development organization that facilitates affordable housing initiatives.
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CD Services:

Bank personnel have been actively involved with Community Reinvestment Group, L.C. for a number of years and provide financial services to this organization. The organization was established by a consortium of financial institutions to provide flexible lending programs that originate community development loans, and lend to non-profit groups developing affordable housing. The organization serves Miami-Dade, Broward, and Palm Beach Counties. A variety of financial services are provided such as involvement in loan approvals, and handling finance matters for the organization.

Responses to Complaints

No CRA related complaints were received during the evaluation period. This has a neutral impact on the overall CRA rating.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.