



PUBLIC DISCLOSURE

September 28, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Department Stores National Bank
Charter Number 24622

5800 South Corporate Place
Sioux Falls, SD 57108

Office of the Comptroller of the Currency

Large Bank Supervision
Constitution Center
400 7th Street, SW
Washington, DC 20219

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, and should not 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.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated Outstanding.

CONCLUSIONS:

The bank exceeds its plan goals for a satisfactory rating and substantially achieves its plan goals for an outstanding rating.

- The institution exhibits an excellent level of qualified investments. Department Stores National Bank (DSNB) exceeded the investment goals for outstanding performance set forth in the bank's Community Reinvestment Act (CRA) Strategic Plan for the 2017 to 2019 evaluation period. The bank made nearly \$19 million in community development (CD) investments and grants during the three-year period. The majority of investments helped fund mortgages to low- and moderate-income (LMI) persons in the assessment area (AA) through the purchase of state housing bonds.
- The institution exhibits an excellent level of CD services. DSNB exceeded the service goals for outstanding performance set forth in its CRA Strategic Plan for the 2017 to 2019 evaluation period. The bank is responsive to identified community needs and supports services that target affordable housing, financial education, social services for LMI individuals, and services for small businesses.



Description of Institution

DSNB is an intrastate bank headquartered in Sioux Falls, South Dakota (SD). DSNB was established in 2005 as the credit card issuer for Visa and retail private label accounts for Citigroup, Inc.'s (Citi) relationship with Macy's, Inc. (Macy's).

DSNB is majority owned by Citi and minority owned by Macy's through Citi's and Macy's respective subsidiaries, Citibank, N.A. (CBNA) and FDS Thrift Holding Co., Inc. (FDS). As of December 31, 2019, Citi had \$1.95 trillion in assets. Citi is a leading global financial services company with approximately 200 million customer accounts, doing business in more than 160 countries and jurisdictions. Citi provides consumers, corporations, governments, and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management. FDS is a savings and loan holding company subsidiary of Macy's and is regulated by the Board of Governors of the Federal Reserve System.

DSNB does not have any employees or branch banking offices. Affiliates and third parties, pursuant to contracts, currently provide all servicing of DSNB accounts. At the request of the bank, grants made by Citi Foundation on behalf of DSNB were considered in the evaluation. For the purpose of the CRA, DSNB is designated a limited purpose bank but has chosen to be evaluated under the strategic plan option. The OCC rated DSNB "Outstanding" at its prior CRA evaluation dated September 25, 2017.

DSNB was chartered in 2005 under the Competitive Equality Banking Act (CEBA) of 1987 and is not a bank for purposes of the Bank Holding Company Act. A CEBA bank engages only in credit card activities and does not accept demand deposits, or savings or time deposits of less than \$100,000 unless they are used as collateral for secured credit card loans. DSNB receives intercompany funding and has no external deposits or other borrowings. Other than the restriction on lending, there are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period is January 1, 2017, through December 31, 2019. DSNB's evaluation goals are set forth in the approved Strategic Plan dated August 25, 2015, and effective January 1, 2016, to December 31, 2020. The evaluation scope included qualified investments and CD services. As noted earlier, DSNB is a CEBA bank and is prohibited from extending any form of credit beyond credit cards. Therefore, the scope of the review did not include CD lending.

Given that the evaluation period end date is December 31, 2019, qualifying activities performed by DSNB in response to the coronavirus pandemic, also known as COVID-19, are not addressed in this evaluation. Bank qualifying activities in response to COVID-19 will be considered in the subsequent evaluation.

Selection of Areas for Full-Scope Review

The bank's single AA consisting of the Sioux Falls, SD Metropolitan Statistical Area (MSA) received a full-scope review.

Ratings

The bank's overall rating is based on the performance as agreed upon in the strategic planning application process.



Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of South Dakota

CRA Rating for the State of South Dakota: Outstanding.

CONCLUSIONS WITH RESPECT TO PERFORMANCE IN SOUTH DAKOTA:

The bank exceeds its plan goals for a satisfactory rating and substantially achieves its plan goals for an outstanding rating within the state of South Dakota.

DISCUSSION OF PERFORMANCE IN SIOUX FALLS, SD MSA:

Strategic Plan Goals and Actual Performance Sioux Falls, SD MSA			
Year	2017	2018	2019
Goal 1 - Ratio of New CD Investments to Average Total Assets*			
Satisfactory Goal	0.8	0.8	0.8
Outstanding Goal	1.6	1.6	1.6
Performance	1.7	1.9	1.7
Goal 2 – Serve on Boards of Directors, Loan Committees and/or Advisory Boards of qualified CD organizations			
Satisfactory Goal	30 hours	30 hours	32 hours
Outstanding Goal	47 hours	47 hours	47 hours
Performance	79 hours	97 hours	173 hours
Goal 3 – Provide community development services such as financial literacy, education programs, economic development, and home ownership initiatives			
Satisfactory Goal	92 hours	95 hours	95 hours
Outstanding Goal	105 Hours	108 Hours	115 hours
Performance	131 hours	189 hours	191 hours
*Average total assets are based on the methodology described in the bank’s CRA Strategic Plan and calculated by averaging the total assets of the fourth quarter of the previous calendar year and the first, second, and third quarters of the current year.			

CD investment performance is excellent. DSNB exceeded the 2017, 2018, and 2019 CD investment goals established for outstanding performance. During the evaluation period, DSNB made approximately \$19 million in total CRA qualified investments, including \$16.2 million in the AA and \$2.8 million in the broader statewide regional area (BSRA), which includes the entire state of SD and encompasses nine Native American reservations. The purchase of housing bonds issued by the South



Dakota Housing Development Authority (SDHDA) made up the largest portion of the total CD investments at \$16 million. SDHDA uses the funds to finance single-family home mortgage loans to LMI residents within the AA. The BSRA investment in a proprietary fund helped to fund a low-income housing tax credit (LIHTC) project consisting of 32 multi-family units in Aberdeen.

Competition for CD investments is strong, given the number of locally based banks and opportunities. There are 37 FDIC insured institutions operating in the AA, with 10 of these headquartered in Sioux Falls. While affordable housing is a significant issue in the AA, the volume of housing subsidies in the form of federal LIHTC is limited based on a per capita allocation to states.

Grants and donations totaling \$1.4 million focused on affordable housing, financial education, and economic development. Examples include:

- \$607,000 to a Native American community development financial institution (CDFI) that helps promote homeownership and expand access to financial services on reservations.
- \$140,000 to a CDFI focusing on building capacity in rural communities in SD.
- \$135,000 to an affordable housing organization's homeownership/renter success and preservation initiative.

CD services performance is excellent. DSNB exceeded CD and board services goals established for outstanding performance in all three years of the evaluation period. CD and board services goals consider the hours of qualified services provided by CBNA employees, and how responsive those services are to community needs. CBNA employees perform services on behalf of DSNB, which has no employees.

In the evaluation period, CBNA employees partnered with organizations that qualified under the definition of CD services and served as board members for those organizations. The bank also demonstrated its responsiveness to community needs by providing technical assistance and financial expertise to nonprofit and CD organizations. These organizations focus on financial literacy, economic development, and homeownership initiatives targeted to LMI individuals and families. The bank also works with Native American CDFIs to address the CD needs of Native Americans in the AA and on reservations throughout the state of SD. The poverty level on the reservations is as high as 40 percent. Examples include:

- Three individuals provided 112 hours assisting LMI individuals prepare their income tax returns.
- Three individuals provided 130 hours serving on the local United Way committee that assists in distributing funds to qualified community organizations serving LMI residents in the AA.
- The bank's CRA officer served on the board of an organization with a mission to expand affordable housing and provide financial education for LMI residents.



Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, loan products considered, and affiliate activities that were reviewed. The table also reflects the MSAs and non-MSAs that received comprehensive examination review.

Time Period Reviewed:	01/01/2017 to 12/31/2019	
Bank Products Reviewed:	Qualified investments and community development services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Citibank, N.A. Citi Foundation	Bank affiliate Holding company affiliate	Qualified investments, CD services Donations and grants
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Other Information	
South Dakota		
Sioux Falls, SD MSA	Full-scope – Counties of Lincoln, McCook, Minnehaha, and Turner	

Appendix B - Summary of State and Multistate Metropolitan Area Ratings

State Name	State Rating
South Dakota	Outstanding

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances. Census tracts ideally contain about 4,000 people and 1,600 housing units.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.



Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.



Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

MMSA (state): Any multistate metropolitan statistical area or multistate combined statistical area, as defined by the Office of Management and Budget.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.



Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.