



PUBLIC DISCLOSURE

December 31, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Department Stores National Bank
Charter Number 24622

701 East 60th Street North
Sioux Falls, SD 57104

Office of the Comptroller of the Currency

Large Bank Supervision
Constitution Center
400 7th Street, S.W.
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, 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.

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General Information and Institution's CRA Rating

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with the safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Department Stores National Bank (DSNB) issued by the OCC, the institution's supervisory agency, for the evaluation period starting January 1, 2011 through December 31, 2013. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating

This institution is rated **Satisfactory**. This rating is based on the following factors:

- While the bank's performance exceeded the goals for Outstanding performance contained in the bank's approved Strategic Plan(s), the bank's CRA rating was lowered from Outstanding to Satisfactory as discussed within the Fair Lending or Other Illegal Credit Practices Review section of this evaluation.
- The high level of qualified community development (CD) investments reflects excellent performance. During 2011, 2012, and 2013, the bank exceeded the investment goals set forth in its CRA Strategic Plan(s) for Outstanding performance. DSNB made over \$13 million in CD investments and grants during this period. The majority of the investments helped to provide affordable housing to the assessment area (AA) and broader regional area.
- The level of CD services is excellent. During 2011, 2012, and 2013, DSNB achieved the service goals set forth in its CRA Strategic Plan(s) for Outstanding performance. DSNB works effectively with community groups that support CD investments and services, which target affordable housing, education, social services for LMI individuals, and services for small businesses.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) or 12 CFR 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.

The OCC identified the following public information regarding noncompliance with the statutes and regulations prohibiting discriminatory or other illegal credit practices with respect to this institution:

Evidence of unfair billing practices in connection with identity protection products and unfair marketing and sales practices for debt cancellation products. The practices affected customers of DSNB and its affiliate, Citibank, N.A. (CBNA) from 2000 through February 2013. The banks entered into a Consent Order with the OCC and paid \$35 million in civil money penalties (CMP). The banks no longer offer identity protection products and are not currently selling debt cancellation products. For further information on the practices and settlement, see OCC enforcement actions #2015-078 and #2015-079, dated July 20, 2015. In a related action, CFPB found evidence of unfair and deceptive acts or practices by DSNB and CBNA for the marketing, sale, billing, and retention of credit card add-on products and certain debt collection practices. The CFPB imposed an additional \$35 million in CMPs. For further information on the practices and settlement, see CFPB Consent Order #2015-CFPB-0015, dated July 21, 2015. The banks anticipate making payments of almost \$750 million to over 9.5 million customers as a combined outcome of the OCC and CFPB Consent Orders.

The OCC does not have additional public information regarding noncompliance with statutes and regulations prohibiting discriminatory or other illegal credit practices with respect to this institution. In determining this institution's overall CRA rating, the OCC has considered information that was made available to the OCC on a confidential basis during its consultations.

As a result of these findings the CRA Performance Evaluation rating was lowered from Outstanding to Satisfactory.

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

Description of the Institution

DSNB is an intrastate bank headquartered in Sioux Falls, South Dakota which, issues Visa and retail private label accounts for Citigroup's relationship with Macy's, Inc. Credit cards issued by DSNB bear the marks of Macy's, Inc. store brands including Bloomingdale's and Macy's. DSNB has no employees or branch banking offices. Affiliates and third parties, pursuant to contracts, currently provide all servicing of DSNB's accounts. CRA activities are allocated to DSNB from affiliates, primarily from Citibank, N.A. (CBNA) and its subsidiary CitiHousing, Inc. (CitiHousing), Citi Community Capital (CCC), and the Citi Foundation. DSNB is a limited purpose bank for purposes of the CRA. OCC rated DSNB Outstanding at its last CRA evaluation dated April 25, 2011.

DSNB, chartered in 2005 under the Competitive Equality Banking Act (CEBA) of 1987, is not a "bank" for purposes of the Bank Holding Company Act. It engages "only in credit card operations" and does not: (1) accept demand deposits or other checking accounts; (2) accept savings or time deposits of less than \$100,000, unless for collateral on a loan; (3) maintain more than one office that accepts deposits; or (4) engage in the business of extending any form of credit beyond credit cards. CEBA statutory provisions limit deposit taking and lending activities and restrict the ability of CEBA credit card banks to compete with retail banks. 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 assessment area.

DSNB was a subsidiary of Citibank (South Dakota), N.A. (CBSD) until July 2011, when it became a wholly owned subsidiary of CBNA. CBNA is a wholly owned subsidiary of Citigroup Inc. (Citi), a leading global financial services company that has approximately 200 million customer accounts and does 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 amenities. As of December 31, 2013, Citi reported assets of more than \$1.8 trillion.

Table 1: DSNB Financial Information

Financial Information (\$000s)	Year-end 2011	Year-end 2012	Year-end 2013
Tier 1 Capital	\$55,042	\$58,610	\$63,459
Total Income	\$23,145	\$15,593	\$15,323
Net Operating Income	\$13,353	\$5,578	\$7,391
Total Assets	\$392,398	\$345,392	\$355,386
Pass-Through Receivables	\$100,689	\$110,320	\$98,425
Average Assets - as defined for the CRA Strategic Plan	\$389,290	\$398,574	\$378,167

Source: FFIEC Consolidated Reports of Condition

Description of the Assessment Area

DSNB's AA is the entire Sioux Falls Metropolitan Statistical Area (MSA) #43620, which consists of four counties in the southeast corner of South Dakota (Lincoln, McCook, Minnehaha, and Turner) and is the largest urbanized area in South Dakota. Between the 2000 and 2010 censuses, the MSA population increased 22 percent from 187,093 to 228,261. The majority of MSA residents (164,676) live in Sioux Falls (Minnehaha County), which is the state's most populous city. Outside of the city of Sioux Falls, the MSA is predominately rural with some small farming communities. The second largest city in the Sioux Falls MSA is Brandon (Minnehaha County) with a population of 9,248 at year-end 2013. Between the 2000 and 2010 censuses, the MSA Median Family Income (MFI) increased from \$51,458 to \$66,496 and the FFIEC updated MFI for 2013 is \$69,800. Based on 2010 census data, 18 percent of families are low-income and 18 percent are moderate-income with nearly nine percent of all households living below poverty.

Historically the Sioux Falls MSA economy was centered in quarrying and agriculture. Now the area is more economically diverse with significant segments in the metropolitan areas centered in financial services, health care and retail business centers. Unemployment remains below national averages.

The AA meets regulatory requirements and does not arbitrarily exclude any LMI census tracts. According to 2010 census data, the Sioux Falls MSA contains no low-income tracts and fourteen moderate-income census tracts, which are all located in the city of Sioux Falls. Tables 2 and 2A below provide demographic information for the Sioux Falls MSA, including the distribution of families by income level for the 2000 and 2010 censuses.

Table 2: AA Description - Sioux Falls MSA Demographics (2000 Census)

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	37	0.00	18.92	67.57	13.51
Population by Geography	187,093	0.00	16.98	68.73	14.29
Owner-Occupied Housing by Geography	48,963	0.00	13.26	69.94	16.80
Business by Geography	15,755	0.00	19.85	70.94	9.21
Farms by Geography	1,525	0.00	19.61	77.05	3.34
Family Distribution by Income Level	48,663	15.28	19.59	28.64	36.48
Distribution of LMI Families throughout AA Geographies	16,971	0.00	23.75	68.64	7.61
MFI		51,458	Median Housing Value (12/2011)		\$141,400
HUD Adjusted MFI for 2010		69,100	Unemployment Rate (12/2011)		4.2%
Households Below Poverty Level		7%			

Source: 2000 U.S. Census, 2010 HUD updated MFI, National Association of Realtors (NAR), and Bureau of Labor Statistics (BLS)

Table 2A: AA Description - Sioux Falls MSA Demographics (2010 Census)

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	57	0.00	24.56	54.39	21.05
Population by Geography	228,261	0.00	24.46	53.95	21.60
Owner-Occupied Housing by Geography	59,610	0.00	17.96	58.16	23.89
Business by Geography	22,278	0.00	33.34	46.44	20.22
Farms by Geography	2,136	0.00	5.15	79.54	15.31
Family Distribution by Income Level	58,142	18.02	18.18	26.17	37.64
Distribution of LMI Families throughout AA Geographies	21,044	0.00	35.70	52.58	11.72
MFI		66,496			
FFIEC Adjusted MFI for 2013		69,800	Median Housing Value (12/2013)		\$155,500
Households Below Poverty Level		9%	Unemployment Rate (12/2013)		3.1%

Source: 2010 US Census, 2013 FFIEC updated MFI, NAR, and BLS

Liberal usury laws have made South Dakota an attractive location for financial institutions. CD opportunities are limited in the Sioux Falls MSA resulting in a competitive environment between banks. As of June 30, 2013, there were 33 FDIC-insured financial institutions operating 134 branch offices within the MSA. In addition to CBNA, Sioux Falls is also the corporate headquarters for Wells Fargo Bank, N.A. and TCF National Bank.

During the evaluation, the OCC met with representatives of several community organizations. These organizations considered the financial institutions headquartered or having branches in the Sioux Falls MSA as being highly responsive to community development needs. They also generally considered the financial institutions as adequately responsive to the credit needs of LMI individuals. Identified credit needs in the Sioux Falls MSA included quality affordable housing and rental housing stock; support for economic development, particularly on Native American reservations; financial education; and expanding the capacity of local nonprofit organizations.

Evaluation Period and Scope

The evaluation period of the bank's CRA performance is January 1, 2011 through December 31, 2013. During this period, the bank operated under two regulatory approved CRA Strategic Plans that covered different segments of the evaluation period. The 2010-2012 CRA Strategic Plan covers the 2011 and 2012 calendar year segments while the 2013-2015 CRA Strategic Plan covers the 2013 calendar year segment. Each Plan provided measurable goals to achieve Satisfactory and Outstanding ratings for DSNB's CD investments, grants, and services. CRA activities are allocated to DSNB from affiliates, primarily from CBNA and its subsidiaries CitiHousing, CCC, and the Citi Foundation. The OCC also considered the bank's adherence to laws and regulations prohibiting discrimination on a prohibited basis or other illegal credit practices.

Metropolitan Area of Sioux Falls, South Dakota

Conclusions with Respect to Performance in Sioux Falls, South Dakota

CD Investments and Grants

Performance is excellent as DSNB exceeded the 2011, 2012 and 2013 CD investment goals set for Outstanding performance. During the evaluation period, CRA total qualified investments exceeded \$13 million. Low-Income Housing Tax Credits (LIHTCs) were the largest portion of the investment total. Grants, totaling \$751,000, focused on affordable housing and financial education for LMI individuals and small businesses. Table 3 provides total CRA qualified investments and grant totals by year.

Table 3: Total Qualified Investments

Strategic Plan Year	CCC / CitiHousing Investments \$(000s)	Citi Foundation Grants \$(000s)	Total Investments \$(000s)
2011	2,514	235	2,749
2012	5,470	276	5,746
2013	5,000	240	5,240
Total	12,984	751	13,735

For the 2011 and 2012 Plan years, the annual goal for achieving Satisfactory performance is a ratio of total new investments to average total assets¹ of 0.44 percent. The annual goal for achieving Outstanding performance is 0.63 percent. For 2013, the goals were increased to 0.75 percent and 1 percent, respectively, and represented a 70 percent increase for the Satisfactory goal and 59 percent increase for the Outstanding goal. The table below summarizes the investment and grant totals and compares actual performance to the performance goals established for total new investments.

Table 4: CD Investment Performance

Plan Year	Bank Established Goals		Bank Performance at Year-End of Plan Year (000s)			Bank Performance Met or Exceeded
	Satisfactory	Outstanding	New Investment Balance at Year-End (000s)	Average Assets (000s)	Actual Performance	
2011	0.44%	0.63%	\$2,749	\$389,290	0.73%	Outstanding
2012	0.44%	0.63%	\$5,746	\$398,574	1.44%	Outstanding
2013	0.75%	1.0%	\$5,240	\$378,167	1.39%	Outstanding

Source: Bank records, FFIEC consolidated reports of condition, approved strategic plans

¹ Average assets are based on the methodology described in the CRA Strategic Plan and is 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.

Investment Details

In 2011, CitiHousing received capital of \$15 million to help meet community needs for additional affordable housing of which DSNB received \$2.5 million. Safe Home, an affordable housing project to support the chronic homeless in Minnehaha County is one example of how DSNB utilized the capital. The 33-unit building provides housing for the County's indigent and homeless citizens, many of whom have substance abuse issues. The project began with the removal of condemned homes on the site and construction began in spring 2011. This project was innovative and complex. The County was prohibited by state law from committing future Commissions' budgetary dollars, and therefore, prohibited from entering into tax credit and operating deficit guaranties which CitiHousing normally requires from general partners. Numerous meetings and significant work was required to develop a solution that would be satisfactory to all parties. In addition, bank employees educated the county commissioners on LIHTC rules and regulations, explained the process to develop and construct a project of this type, and provided guidance on the ongoing funding commitment needed to sustain the building.

In 2012, CCC helped finance affordable housing for LMI individuals in the Sioux Falls MSA and the broader state or regional area (BSRA) by investing in six mortgage pass-through certificates issued by Ginnie Mae. The majority of the underlying mortgages in the pools are loans made to individuals earning less than 80 percent of the area median income (AMI) and each of these mortgage pass-through certificates included underlying loans made to LMI individuals in the South Dakota area. The Sioux Falls MSA or BSRA received a pro-rata allocation of the purchase price based on the underlying loan amounts. In total, the Sioux Falls MSA received an allocation of \$4,110,474 from these six investments and the BSRA received an allocation of \$1,359,372.

In 2013, CitiHousing received capital of \$5,000,000 that benefitted two LIHTC projects. The first project consisted of \$4.2 million in tax credit equity and provided 44 units of affordable housing to seniors earning between 40 percent and 60 percent of the AMI. The second project consisted of \$3.3 million in tax credit equity and provided 31 units of affordable housing to families with incomes of 30 percent to 50 percent of the AMI.

Grant Details

Citi Foundation provided grant support to organizations that are responsive CD needs through affordable housing, small business development, and financial education for LMI individuals. Citi Foundation made twenty-one grants during the evaluation period totaling \$751,000, which included the following.

- A local housing partnership organization received \$170,000 over the three-year period to support several initiatives to provide affordable housing, homeownership opportunities to LMI residents, and neighborhood revitalization stabilization efforts.
- Two Native American Community Development Financial Institutions (CDFIs) located on Native American reservations received grants of \$50,000 each. These funds supported economic development efforts on the Cheyenne River Indian Reservation and capacity building for the CDFI located on the Pine Ridge Indian Reservation. Several businesses

benefitted, which led to increased employment for both reservations. Historically, the reservations have had very high poverty levels (around 50 percent) and very high unemployment rates.

- A local community college received \$110,000 in grants for its Bridges Program, which assists LMI immigrant and refugee students with basic skills and financial education. Over the evaluation period, the program assisted 393 students.

CD Services

DSNB met the goals established for Outstanding performance for all three years of the evaluation period. The CD services evaluation considers the number and hours of qualified services provided and the positive impact on the community. CBNA employees perform CD services on behalf of DSNB, which has no employees.

During the evaluation period, CBNA employees provided CD leadership services to organizations through memberships on boards of directors. The bank also demonstrates its responsiveness to the needs in the community 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 and small businesses. Table 5 summarizes CD services totals and compares actual performance to the performance goals established in each of the strategic plans.

Table 5: CD Services

Plan Year	Bank-Established Goals		Bank Performance Met or Exceeded
	Satisfactory	Outstanding	
2011	1 board position	2 board positions	Outstanding –
	1 employee provides technical assistance	3 employees provide technical assistance	2 board positions 3 employees provided technical assistance
2012	1 board position	2 board positions	Outstanding –
	2 employees provide technical assistance	3 employees provide technical assistance	2 board positions 3 employees provided technical assistance
2013	1 board position	2 board positions	Outstanding –
	2 employees provide technical assistance	3 employees provide technical assistance	2 board positions 3 employees provided technical assistance

Source: Bank Records and approved Strategic Plans

Following are examples of DSNB's partnerships with key community organizations that qualified as being CD services.

- A CBNA senior vice president served in various capacities on the board of directors of the local community college, which is a vital part of the continuing education in the community. The college provides post-secondary education and workforce development training to primarily non-traditional, low-income residents who could or would not take classes in a traditional setting. Half of the school's students earn less than \$20,000 annually. The college created an innovative "Bridges Program" to develop basic skills for LMI refugee and immigrant students whose first language is not English. There are no other programs in the Sioux Falls MSA to serve LMI immigrants and refugees in this capacity. CBNA's senior vice president facilitated financing from multiple sources for the Bridges Program and used his financial expertise to help the organization manage expenses, cut costs, and remain viable during a time of reduced enrollment.
- A senior vice president served on the board of directors of a nonprofit organization that is directly involved in the affordable housing effort within the Sioux Falls MSA. The nonprofit focuses on LMI first time homebuyers, working with them via HUD approved education programs.
- Two CBNA employees served as advisors for a tenant education and self-sufficiency program. This program assists LMI families in the Sioux Falls MSA who are at risk of becoming homeless. Families in the program typically have an annual income at or below 30 percent of the area median income. The program provides education and individualized case management to participants to assist them to acquire and maintain decent and safe dwellings.
- In each year of the evaluation period, three CBNA employees provided technical assistance to an area nonprofit agency totaling 255 hours of service. The employees served on teams in the "Community Impact" Division of United Way, working with nonprofit agencies receiving funding, to help determine how to best utilize those funds to serve LMI individuals and communities. This service positively impacted over 100 nonprofit organizations.

Appendix A - Scope of Examination

Scope of Examination:	Strategic Plan		
Period Reviewed:	January 1, 2011 to December 31, 2013		
Financial Institution:	Department Stores National Bank (DSNB)		
Products Reviewed:	Investments, Grants, and CD Services		
Financial Institution/Affiliate	Affiliate Relationship	Products Reviewed	
CitiHousing, Inc. (CitiHousing) (Community Development Corporation)	Bank Affiliate Subsidiary	Investments	
Citi Foundation	Holding Company Subsidiary	Grants	
Citi Community Capital (CCC)	Bank Affiliate Department	Investments	
Citibank, N.A. (CBNA)	Bank Affiliate	CD Loans and Services	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
Assessment Area	Type of Examination	Branches Visited	Other Information
Sioux Falls, SD MSA #43620	Full-scope	N/A	N/A