



STRATEGIC PLAN

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 25, 2011

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
250 E 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, 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.

Table of Contents

INSTITUTION’S COMMUNITY REINVESTMENT ACT (CRA) RATING 2
DESCRIPTION OF INSTITUTION2
DESCRIPTION OF ASSESSMENT AREA 3
EVALUATION PERIOD AND SCOPE OF EXAMINATION5
CONCLUSIONS5
COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS 11

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated Outstanding. This rating is based on the following factors:

- Performance that exceeded the goals for outstanding performance contained in the bank's Strategic Plans.
- An excellent level of qualified community development investments. The bank exceeded the investment goals set forth in its CRA Strategic Plan(s) for outstanding performance for the 2008, 2009, and 2010 CRA evaluation period. Nearly \$10 million in community development investments and grants were made during this period. The majority of the investments helped to provide affordable housing to the assessment area and broader regional area.
- An excellent level of community development services. The bank achieved the service goals set forth in its CRA Strategic Plan(s) for outstanding performance for the 2008, 2009, and 2010 CRA evaluation period. The bank works effectively with the community groups that support community development investments and services targeting affordable housing, education, and social services for low- and moderate-income (LMI) individuals and services for small businesses.

DESCRIPTION OF INSTITUTION

Department Stores National Bank (DSNB), based in Sioux Falls, South Dakota, is the credit card issuer for Citibank's relationship with Macy's, Inc. The credit cards were Visa-branded through September of 2010 at which time DSNB migrated these cards to American Express (AMEX). Cards issued by DSNB bear the marks of Macy's, Inc. store brands such as Bloomingdale's and Macy's. DSNB is a subsidiary of Citibank (South Dakota), National Association (CBSD) and does not have any employees or branch banking offices. All servicing of the bank's accounts is provided by affiliates and third parties pursuant to contract. As DSNB does not have any employees, CRA activities are allocated to DSNB from the bank's affiliates, primarily from CBSD and its subsidiary CitiHousing, Inc., Citi Community Capital (CCC), and the Citigroup Foundation (The Foundation).

DSNB was chartered in 2005 under the Competitive Equality Banking Act (CEBA) of 1987. A CEBA bank is not a "bank" for purposes of the Bank Holding Company Act if 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 as collateral on a loan; (3) maintain more than one office that accepts deposits; or (4) engage in the business of making commercial loans. These statutory provisions reflect a legislative policy of restricting the ability of CEBA credit card banks to compete with retail banks by limiting the institution's deposit taking and lending activities. DSNB is funded primarily with intercompany funding and has no external deposits or other borrowings.

The bank's CRA Strategic Plan addresses community development investments and services, but does not include lending. 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.

Selected financial information for the institution follows:

Table 1: Financial Information

Financial Information (\$000s)	Year-end 2008	Year-end 2009	Year-end 2010
Tier 1 Capital	\$40,131	\$44,099	\$45,583
Total Income	\$21,913	\$16,874	\$15,300
Net Operating Income	\$2,302	\$5,968	\$2,293
Total Assets	\$316,068	\$350,348	\$374,027
Pass-Through Receivables	\$95,600	\$93,431	\$92,603
Average Assets - as defined for the CRA Strategic Plan	366,567	335,451	343,762

Source: FFIEC Consolidated Reports of Condition

DSNB uses average assets to determine certain CRA Strategic Plan performance goals. 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 quarter of the calendar year.

DSNB received an Outstanding rating in its previous CRA examination dated April 7, 2008.

DESCRIPTION OF THE ASSESSMENT AREA

DSNB's assessment area (AA) is the entire Sioux Falls metropolitan statistical area (MSA) #43620. It consists of four counties in the southeast corner of South Dakota: Lincoln, McCook, Minnehaha, and Turner.

The Sioux Falls MSA is the largest urbanized area in South Dakota. The population at the 2000 Census was 187,093. The majority of the population lives in the city of Sioux Falls, which is the state's most populous city with a population of 123,975. Outside of the Sioux Falls city limits the area is predominately rural with small farm communities. The city of Brandon in Minnehaha County is the second largest city in the Sioux Falls MSA with a population of 5,693. Median Family Income in 2000 for the MSA was \$51,458. Thirty-five percent of the families in the area have low- or moderate-incomes with seven percent of all households living below poverty. For 2010, the Adjusted Median Family Income per the Department of Housing and Urban Development is \$69,100.

The assessment area meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts. The Sioux Falls MSA contains no low-income tracts. Five of the area's seven moderate-income census tracts are located in the city of Sioux Falls in Minnehaha County. McCook and Turner Counties both have one moderate-income census tract, which roughly cover the southern half of each county.

The chart below displays demographic information for the Sioux Falls assessment area, including the distribution of low- and moderate-income families.

Table 2: Assessment Area (AA) Description - Sioux Falls MSA Demographics

Demographic Information for Full Scope Area: Sioux Falls MSA					
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 Low and Moderate Income Families throughout AA Geographies	16,971	0.00	23.75	68.64	7.61
Median Family Income		51,458	Median Housing Value		92,806
HUD Adjusted Median Family Income for 2010		69,100	Unemployment Rate (2000 US Census)		1.57%
Households Below Poverty Level		7%			

Source: 2000 US Census, 2010 HUD updated MFI, and Bureau of Labor Statistics (BLS)

The Sioux Falls MSA has experienced strong population growth since 2000. Census data for 2010 places the population at 228,000, a 22% increase since 2000. The growth has occurred entirely in the two most populous counties of Minnehaha and Lincoln. The mostly rural counties of McCook and Turner experienced small declines in their population. The overall rate of growth has significantly decelerated in the last couple of years compared to earlier in the decade.

Sioux Falls is a regional provider of medical and retail services and is less dependent than the state as a whole on agriculture. The area benefits from a low cost of doing business. Key employment sectors include education and health services (19%), financial services (12%) and retail trade (12%). Local manufacturing is dominated by food processing because of the presence of major employer John Morrell. The Sioux Falls economy remains relatively healthy compared to the national economy. The local unemployment rate is low by national standards, but has increased from a non-seasonally adjusted 2.9% in December, 2008 to 4.9% as of December, 2010. During this same time, the national average increased from 5.8% to 9.6%. The local housing market has contracted, although not as severely as on a national level. However, new construction is down sharply over the past three years, and home prices, which peaked in 2009, have declined.

The banking environment is highly competitive. There are 34 FDIC-insured financial institutions with branches in the MSA. South Dakota has liberal usury laws and is the headquarters for credit card banks with limited purpose CRA designations including Citibank (South Dakota), National Association; Department Stores National Bank; and Target National Bank. Sioux Falls is also the corporate headquarters for Wells Fargo Bank, N.A. These institutions provide strong competition for community development activities, particularly qualified investment opportunities.

Over the evaluation period, OCC representatives met with several community organizations. We also reviewed a representative sample of public evaluations for other local banks. Community contacts generally considered the financial institutions headquartered in Sioux Falls or having branches in the MSA as highly responsive to community development needs in Sioux Falls. They also generally considered the financial institutions as adequately responsive to the credit needs of low- and moderate-income individuals. Identified needs include quality affordable housing and rental stock; funding to rehabilitate substandard housing; support for economic growth in rural areas; financial education; and training and support services for disadvantaged and unemployed individuals. Recent obstacles that were commented upon included additional funding needed for foreclosure mediation efforts and low housing appraisal values within the City of Sioux Falls impacting the ability to address housing finance and renovation issues.

To prepare its CRA Strategic Plan, DSNB conducted its own needs assessment of the community. DSNB identified the following four primary area of needs: quality affordable housing (particularly rental units for low- and moderate-income families and seniors); funds to support the creation and growth of small businesses; increased educational opportunities for renters, small business owners, homebuyers, and youth; and capacity building for nonprofit organizations that serve low- and moderate-income families.

In the course of our performance context research, we did not identify any adverse comments regarding local banks' responsiveness to area credit needs or participation with community development initiatives.

EVALUATION PERIOD AND SCOPE OF EXAMINATION

The evaluation period of the bank's Community Reinvestment Act performance is January 1, 2008 through December 31, 2010. During this time period, the bank operated under two regulatory approved CRA Strategic Plans that covered different segments of the evaluation period. Calendar years 2008 and 2009 are covered by the 2007-2009 CRA Strategic Plan. Calendar year 2010 is covered by the 2010-2012 CRA Strategic Plan. The Plans provided measurable goals to achieve Satisfactory and Outstanding ratings for its community development investments, grants, and services. The bank's performance was measured against these goals. The bank's adherence to laws and regulations prohibiting discrimination on a prohibited basis and other illegal credit practices was also considered.

CONCLUSIONS

Community Development Investments and Grants

Performance is excellent as DSNB exceeded the community development investment goals set for outstanding performance for each of the evaluation years of 2008, 2009 and 2010. During the examination period, CRA qualified investments totaled nearly \$10 million. Low-Income Housing Tax Credits (LIHTC) constitute the largest portion of the investment total. Grants, totaling \$520 thousand, focused on affordable housing and education for low- and moderate-income individuals as well as small businesses. The amount of investments and grants by year that make up the CRA qualified total investments are presented below.

Table 3: Total Qualified Investments

Strategic Plan Year	CCC / Citi Housing Investments \$(000s)	Citi Foundations Grants \$(000s)	Total Investments \$(000s)
2008	1,800	110	1,910
2009	4,069	186	4,255
2010	3,599	224	3,823
Total	9,468	520	9,988

For 2008 and 2009 Plan years, the annual goal for achieving satisfactory performance equals a ratio of the total new investments to average total assets¹ of 0.35%, and 0.50% for outstanding performance. For 2010 the goals were increased to 0.44% and 0.63% respectively. DSNB also committed to at least 10% of the total new investment goals each year to be made within the Sioux Falls MSA while the remaining portion of the goal may be made within the broader statewide or regional area.² The table below summarizes the investment and grant totals and compares actual performance to the outstanding performance goals established for total new investments.

Table 4: Strategic Plan versus Performance – Qualified Investments and Grants

	2008	2009	2010
Average Assets \$(000s)	366,567	335,451	343,762
Outstanding Investment Goal* %	0.50%	0.50%	0.63%
Outstanding Investment Goal \$(000s)	1,833	1,677	2,166
Actual Performance \$(000s)	1,910	4,255	3,823
Actual Performance as % of Average Assets	0.52%	1.27%	1.11%
Inside Assessment Area Outstanding Goal \$(000)	183	168	217
Inside Assessment Area Actual Performance \$(000)	1,910	186	224

*Investment goal is calculated as a percentage of average assets.

Investment Details -

In 2008, CBSD made an investment in CitiHousing and allocated \$1.8 million of the proceeds to DSNB for CRA purposes. The proceeds were utilized to provide affordable housing via a LIHTC investment funding of a multi-family housing development consisting of 24 two and three bedroom apartments constructed in a “Big House” style. The development is located in Hartford, S.D. a small community

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 quarter of the current year.

2. Management has designated DSNB’s broader statewide or regional area for the purposes of the CRA as South Dakota, Colorado, Idaho, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Utah, Wisconsin, and Wyoming.

within the Sioux Falls MSA. The units are income restricted, available to lower income families with incomes ranging from 40% to 60% of the annual median income of the area.

In 2009, through CCC, a \$4.1 LIHTC investment was made and allocated to DSNB. The proceeds were utilized to fund 30 new affordable housing townhome style two and three bedroom apartment units. Located in the Minneapolis-Saint Paul MSA in Minnesota, all of the units are income restricted at 60% of annual median income. An operating subsidy provided by Minnesota Housing will allow 6 of the units to be targeted to homeless families with rents at 15% of annual median income.

In 2010, through CCC, a \$3.6 LIHTC investment was made and allocated to DSNB. The proceeds were utilized to fund the rehabilitation of an older 60 unit multi-family apartment complex. The property includes 10 one-bedroom and 50 two-bedroom units. The units are income restricted at 60% or less of adjusted median income with most of the units set aside for individuals and families with incomes of 50% or less of adjusted median income. Located in a moderate-income census tract in Lincoln, Nebraska, the property is owned and managed by a non-profit housing organization. A community building is also being constructed that will permit the organization to offer residents various supportive social services programs.

Grant Details -

On behalf of DSNB, Citibank Foundation provided grant support to organizations that respond to community development needs through affordable housing, small business development and financial education for low- and moderate-income individuals. A total of nineteen grants were made during the evaluation period totaling \$520 thousand. These grants assisted in addressing community needs in the South Dakota marketplace.

Among the grant recipients are:

- A local housing partnership organization that received \$100 thousand over the three year period to support several initiatives aimed at providing affordable housing, homeownership opportunities to low- and moderate-income residents, and neighborhood stabilization efforts.
- Sioux Empire United Way, Inc. in support of its Genesis Initiative received \$75 thousand over a two-year period. The Genesis Initiative engages the community in serving families who are homeless or at-risk of becoming homeless. Genesis partners with the local faith community, service organizations, and businesses to provide trained mentor groups to support and encourage participating families. Also, CBSD employees serve as mentors in the Genesis Initiative. The program goals are to provide safe, permanent housing, prevent evictions, provide financial literacy and parenting curriculum, and connect families to community resources to achieve long-term stability. Families served through the Genesis Initiative are 100% LMI.
- Grants of \$30 thousand each were made to two local educational institutions. The funds were targeted to specific programs that provide support and educational services to assist low- and moderate-income residents develop educational, language, career and job skills needed to overcome barriers to economic opportunities.
- Other examples of grants made were to support capacity building of nonprofit organizations that serve low- and moderate-income families in the Sioux Falls area and South Dakota, a business outreach program that helps to support entrepreneurs or potential entrepreneurs on managing a small business; and a national organization that helped to rebuild affordable housing in the areas impacted by hurricane Katrina and Rita.

Community Development Services

DSNB's provision of community development services is excellent. The level of performance met and in some cases exceeded the goals set forth in the approved Strategic Plans for 2008, 2009 and 2010. CBSD employees on behalf of DSNB provide a high level of community development services that are responsive to the credit and community development needs of the Sioux Falls MSA AA.

Outstanding goals and actual performance and achievement of the goals of the Strategic Plans are outlined below:

Table 5: Community Development Services Plan Goals and Actual Performance

Community Development Services Strategic Plan Goals	Goals to Achieve an Outstanding Rating	2008 Actual Performance	2009 Actual Performance	2010 Actual Performance
<p>Provide technical assistance and direct involvement in organizations whose primary purpose is to meet community or economic development needs.</p>	<p>2008 and 2009: 3 employees will provide technical assistance to 2 or 3 qualifying organizations by meeting with each organization a minimum of 3 times per year for 2008 and 2009.</p> <p>2010: 2 employees will provide technical assistance to 2 organizations at a minimum of 3 times for the respective year.</p>	<p>1 employee provided assistance to the advisory board helping low- and moderate-income families at risk of homelessness acquire or maintain adequate housing. 6 meetings.</p> <p>1 employee advised and provided technical financial assistance in the form of assessment and the allocation of funds to non-profits serving low- and moderate-income individuals. 3 meetings.</p> <p>1 employee provided technical assistance and served as advisor in the establishment of a new Housing Resource Center. 12 meetings.</p>	<p>2 employees provided assistance to the advisory board helping low- and moderate-income families at risk of homelessness acquire or maintain adequate housing. 6 meetings.</p> <p>3 employees advised and provided technical financial assistance in the form of assessment and the allocation of funds to non-profits serving low- and moderate-income individuals. 14 meetings.</p>	<p>1 employee provided assistance to the advisory board helping low- and moderate-income families at risk of homelessness acquire or maintain adequate housing. 4 meetings.</p> <p>2 employees advised and provided technical financial assistance in the form of assessment and allocation the of funds to non-profits serving low- and moderate-income individuals. 9 meetings.</p>
<p>Serve on Board of Directors, Loan Committee and or Advisory Board for a non-profit organization whose primary purpose is to meet community or economic development needs</p>	<p>2008, 2009, & 2010: 2 employees held positions of service in each year of the Plans.</p>	<p>Two staff members served in positions on the Downtown Economic Development Incentive Fund.</p> <p>A staff member served in 2 positions with a local Community College with specific programming for LMI residents.</p>	<p>Two staff members served in positions on the Downtown Economic Development Incentive Fund.</p> <p>A staff member served in 2 positions with a local Community College with specific programming for LMI residents.</p>	<p>Two staff members served in positions on the Downtown Economic Development Incentive Fund.</p> <p>A staff member served in 2 positions with a local Community College with specific programming for LMI residents.</p> <p>A staff member served in 2 positions with Sioux Empire Housing Partnership.</p>
<p>Strengthen the capacity of non-profit community and economic development organizations through a workshop.</p>	<p>1 workshop for 2008.</p>	<p>1 workshop in 2008 for non-profit organization that focused on strengthening management strategies for financial stability.</p>		

During the evaluation period, CBSD partnered with organizations that qualified under the definition of community development services by serving as Board members, committee members, and as an advisory member. CBSD also demonstrates its responsiveness to the needs in the community by providing technical assistance and financial expertise to non-profit and community development organizations. These organizations focus on financial literacy, economic development and homeownership initiatives targeted to LMI individuals and families.

Following is a portion of CBSD's partnerships with key community organizations that meet the needs of the community.

- Two CBSD staff members participated and contributed their expertise during the evaluation period (2008, 2009 and 2010) in an advisory capacity for a tenant education and self-sufficiency program. This program assists low- and moderate-income families in the Sioux Falls area whose unfavorable rental experiences have put them at risk of becoming homeless. Families in the program typically have an annual income at or below 30% of the area median income. The Program provides education and individualized case management to participants so that they can acquire and maintain decent and safe dwellings. Additionally, the Program works with landlords and provides them sufficient resources giving them the security to commit to a rental agreement.
- In 2008 as the U.S. was in an economic recession, DSNB's CRA Officer identified the need for and planned a capacity building workshop for nonprofit organizations that focused on management strategies for financial stability. CBSD hosted the workshop in 2008 for executive directors, staff members and Board members of non-profit organizations in Sioux Falls and across South Dakota. The workshop was facilitated by Nonprofits Assistance Fund of Minneapolis, Minnesota. Workshop topics included the decreased reliability of revenue, non-profit recession lag-effect, increases in demand for services, and increases in expenses. Sixty-one participants attended the workshop, with many serving low- and moderate-income individuals.
- A senior vice president at CBSD has served on the Board of Directors in various capacities at the local community college. This college is integral to the community by providing post-secondary education and workforce development training to primarily non-traditional, low-income residents who typically could not 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 program entitled "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. CBSD's senior vice president has worked to obtain financing for the Bridges Program and used his financial expertise to help the organization better manage expenses, cut costs and remain viable during a time of reduced enrollment.

- During 2008, 2009 and 2010, six employees provided technical assistance to an area non-profit agency totaling 222 hours of service. The employees served on teams in the “Community Impact” Division that work with non-profit agencies receiving funding to assist in determining how to best utilize those funds to serve LMI individuals and communities. Teams are organized to review the needs of the community and allocate resources to ensure low- and moderate-income members of the community receive assistance. Factors considered in the review of programs are: program accountability, demonstrated change in people’s lives, efficiency of programs and the responsiveness of programs to changing community needs.

Fair Lending or Other Illegal Credit Practices Review

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