



LIMITED PURPOSE

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 5, 2003

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Citibank USA, National Association
Charter Number 24281**

**701 East 60th Street
Sioux Falls, South Dakota 57117**

**Comptroller of the Currency
Large Banks Division
250 "E" Street, S.W.
Washington, D.C. 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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DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this performance evaluation. 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 both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA) – A geographic area that consists generally of one or more MAs (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

Block Numbering Area (BNA) – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

CEBA – Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a “bank holding company” under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans

Census Tract (CT) – Small, locally defined statistical areas within Metropolitan Areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community Development (CD) – Affordable 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 the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) – The statute that requires the OCC to evaluate a bank’s record of meeting the credit needs of its local community, 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.

Geography – A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Limited Purpose Institution – An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect.

Median Family Income (MFI) – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

Metropolitan Area (MA) – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Net Operating Income – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

Pass-Through Receivables – Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8.

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

Tier 1 Capital – The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Total Assets – Total bank assets as listed in the Consolidated Report of Condition and Income.

Total Income – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.

INSTITUTION'S CRA RATING

This institution is rated "Satisfactory."

- The bank demonstrates an adequate level of qualified investment activity and community development lending, and a high level of community development services.
- The bank demonstrates a high level of community development services coupled with extensive use of innovative or complex activities.
- The bank demonstrates excellent responsiveness to credit and community development needs in its assessment area.

SCOPE OF THE EXAMINATION

In evaluating the bank's performance under the CRA, we reviewed community development activities from January 3, 2002 through April 30, 2003. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the bank's request, we also considered qualified investments, community development lending, and community development services provided by its affiliates. These affiliates include Citigroup (qualified investments), Citigroup Foundation (qualified grants), Citibank (South Dakota), N. A. (joint community development services), CitiHousing, Inc. (community development loans and services), and Citicorp Electronic Financial Services, Inc. (community development services). No other affiliate received CRA credit for these specific items. This is the first CRA examination for Citibank USA, National Association and spans only a 15-month period.

The bank adequately addressed the needs of its assessment area. Therefore, we considered outside of assessment area qualified investments, community development loans, and community development services in evaluating its performance.

DESCRIPTION OF THE INSTITUTION

Citibank USA, National Association (Citibank USA) is a limited purpose credit card bank located in Sioux Falls, South Dakota. It operates one retail branch that is open to the public, but is used almost exclusively by the employees based at the Sioux Falls processing center. Citibank USA had \$4 billion in total assets and \$3.8 billion in securitized (sold) credit card receivables as of March 31, 2003. The bank issues credit cards primarily to businesses and services credit card and student loan accounts. Citibank USA offers Citibank corporate cards, AT&T business cards, Citi AAdvantage business cards, Diners Club cards; consumer and commercial private label retail cards, and credit cards provided through the Federal Government Card Program and state government card programs. Citibank USA received its limited purpose designation on September 21, 2001. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit and community development needs of its assessment area.

Citibank USA is a subsidiary of Citicorp, a \$727 billion holding company headquartered in New

York, New York. Citicorp is a subsidiary of Citigroup, the largest financial services company in the world. Citigroup serves both corporate and retail clients, and offers a wide range of banking, insurance, brokerage, and investment banking products and services.

Citicorp acquired Associates First Capital Corporation and Hurley State Bank in November 2001. On January 3, 2002, Hurley State Bank was converted to a national charter with a limited purpose designation and was renamed Citibank USA. Then, Citibank USA acquired all of the commercial lending, deposit-taking, trust, and Diner’s Club activities of affiliate Citibank (South Dakota), N.A. When Citibank USA was formed it was nearly a \$4 billion dollar financial institution with over 14 percent of its assets in capital. The bank’s community development efforts over this 15 month evaluation period are good based on: its short tenure as a financial institution; immediate large size upon chartering; and the efforts of Citicorp to help the bank find community development opportunities available in its immediate assessment area and the broader statewide area.

TABLE 1: FINANCIAL INFORMATION (000s)

	Year-end 2002	Most Recent Quarter-end 3/31/2003	Average for Evaluation Period
Tier 1 Capital	\$566,150	\$592,472	\$579,311
Total Income	\$792,964	\$862,688*	\$827,826
Net Operating Income	\$144,761	\$196,912*	\$170,836
Total Assets	\$3,907,513	\$4,115,786	\$4,011,650
Pass-Through Receivables	\$3,541,650	\$3,757,586	\$3,649,618

Source: Consolidated Report of Condition and Income and bank reported data. *Annualized data reported.

DESCRIPTION OF ASSESSMENT AREA

Citibank USA’s assessment area is the Sioux Falls MSA #7760. It includes the entire counties of Lincoln and Minnehaha in eastern South Dakota. The bank’s assessment area is legal and does not arbitrarily exclude any low- or moderate-income areas. There are no low-income census tracts in the assessment area. All of the moderate-income census tracts are located within the city limits of Sioux Falls.

The Sioux Falls MSA is the largest urbanized area in South Dakota. The 2003 Department of Housing and Urban Development estimated median family income for the assessment area is \$59,100. Local economic conditions are very good. The population of the MSA grew by about 24 percent from 1990 to 2000. The December 2002 unemployment rate for South Dakota was 3.1 percent, which was the lowest in the nation. The MSA enjoys an even stronger employment picture with an unemployment rate of 2.1 percent for the same time period, which is the 5th lowest in the nation. For comparison, the national unemployment rate was 5.7 percent in December 2002. The health care industry, retail trade, manufacturing, and financial services are the area’s largest employers.

TABLE 2: ASSESSMENT AREA DESCRIPTION

	Number	Low	Moderate	Middle	Upper
Tracts	33	0%	21%	58%	21%
Families*	36,631	16%	20%	28%	36%
Businesses**	7,051	0%	34%	56%	10%

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract.

During the examination, we met with several community contacts, including a city official, a private real estate developer, an affordable housing organization, and a nonprofit provider of services to low- and moderate-income children. We also reviewed a representative sample of public evaluations for other local banks. Although the volume is somewhat limited by the size and nature of the assessment area, reasonable community development opportunities do exist.

Based on the above activities, we agree with the bank that assessment area credit and community development needs include:

- Affordable housing, especially for first-time homebuyers, and rentals to accommodate a growing employment base;
- Loans to support the creation and growth of small businesses to encourage economic growth in rural areas;
- Educational opportunities for homebuyers, small business owners, and youth; and
- Increased capacity for nonprofit organizations to serve low- and moderate-income individuals and families.

CONCLUSIONS ABOUT PERFORMANCE

Summary

- Citibank USA provided an adequate level of community development loans and qualified investments, and a high level of community development services during the evaluation period, particularly since it has only been operational for 15 months. We considered the bank's performance good because of the significant dollars it was able to lend and invest in community development activities over a very short period through the advance planning of its parent holding company, Citicorp. The bank originated, purchased, made binding commitments, or issued letters of credit for community development loans totaling \$16.5 million. Ninety-three percent of those dollars benefited the assessment directly and the remaining seven percent benefited Watertown, South Dakota. The bank made qualified investments and grants totaling \$10.8 million. Of the total dollars invested, 68 percent directly benefited the assessment area, the State of South Dakota, and contiguous states. Bank officers and employees provided community development services, mostly financial and technical assistance, to boards or committees of organizations providing community development services to the assessment area.
- The bank extensively uses innovative or complex community development services. Many of the bank's service projects are very large, requiring coordination among state and local government agencies, nonprofit organizations, private businesses, and the bank. Citibank USA occasionally uses innovative or complex community development loans and qualified investments. This includes creative loan financing to support bond issues and narrowly-directed investments to meet very specific assessment area credit needs. We provided examples of Citibank USA's innovation, leadership, and willingness to address community development needs.
- The bank's community development loans, qualified investments and grants, and community development services exhibited excellent responsiveness to the credit and community development needs within the assessment area. Community development loans and qualified investments have primarily focused on affordable housing needs. Substantially all of the grants were to organizations that provide services to low- and moderate-income individuals and families. Community development services cover a wide range of activities, including housing development and rehabilitation, home ownership counseling, small business development, job training, financial literacy, and social services.

Qualified Investments

During the evaluation period, Citibank USA and its affiliates made qualified investments and grants totaling \$10.8 million. Of the total dollars invested, 68 percent directly benefited the assessment area, the State of South Dakota and contiguous states. Sixty-three percent of Citibank USA's investments supported affordable housing projects and funding borrower mortgages. The remaining 37 percent funded economic development activities. All of the bank's grants benefited the assessment area and the State of South Dakota with 93 percent going to organizations that provide various social services to low- and moderate-income individuals

and the remainder going to organizations that provide community development services related to affordable housing and economic development. All of these purposes are directly responsive to identified assessment area credit and community development needs.

Through its affiliate, Citigroup, the bank invested \$1 million in the Access Capital Strategies Community Investment Fund. This fund provides liquidity to banks in rural communities in South Dakota through the purchase of real estate mortgages taken out by low- and moderate-income families. This investment initiative brings the benefits of secondary market loans to low- and moderate-income families through lower interest rates and more flexible down payments. The investment directly meets the identified need for affordable housing for the assessment area and the broader statewide area. This program is not commonly available through private investors.

In addition to the investment described above, Citigroup allocated \$3.1 million in mortgage-backed securities from South Dakota and contiguous states, collateralized by loans to low- and moderate-income households, to Citibank USA in the current evaluation period. An additional \$125 thousand remains on the books from prior period investments. Citigroup ensures the securities serve a community development purpose by tracking the underlying loan that serves as collateral by the income level of the borrower and the MSA in which the loan is located. The bank also received an allocation of \$2.3 million in low-income housing tax credits for communities outside its assessment area and the broader regional area.

Through its affiliate Citigroup, Citibank USA invested \$3.9 million in funds that promote economic development: in low- and moderate-income areas of inner cities; among small- and middle-sized businesses in low- and moderate-income areas and empowerment zones; and to targeted, underserved low- and moderate-income consumers. Of the dollars invested, 68 percent benefited the assessment area and the State of South Dakota; the remainder benefited other Citigroup markets throughout the nation.

TABLE 3: QUALIFIED INVESTMENT ACTIVITY (000s)

	Benefits AA	Outside AA	Totals
Originated Investments	\$6,800	\$3,371	\$10,171
Originated Grants	\$429	\$0	\$429
Prior-Period Investments that Remain Outstanding	\$125	\$124	\$249
Total Qualified Investments	\$7,354	\$3,495	\$10,849
Unfunded Commitments*	\$0	\$0	\$0

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

TABLE 4: QUALIFIED INVESTMENT PERCENTAGES

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	1.27%	0.60%	1.87%
Total Investments/Average Total Income	0.89%	0.42%	1.31%
Total Investments/Average Pass-Through Receivables	0.20%	0.10%	0.30%

Community Development Lending

During the evaluation period, Citibank USA made \$6.8 million in community development loans and \$9.7 million in binding loan commitments for a total of \$16.5 million. The bank’s community development loans were responsive to identified assessment area credit needs. Ninety-three percent of the dollars loaned benefited the Sioux Falls assessment area and the remaining seven percent benefited Watertown, South Dakota. All of the loans but one supported affordable housing projects. Citibank USA provided a \$1.4 million loan for a multi-year capital improvement program to an organization that provides day care and before- and after-school programs to children from low- and moderate-income families.

Other Loan Data

Citibank USA issued a letter of credit for \$2.6 million to provide a “AA” rating on South Dakota Housing Development Authority bonds issued to finance the construction of new student rental housing on the campus of Southeast Technical Institute in Sioux Falls. Because of some existing state laws that do not allow a public school to build student housing, this bond issuance and letter of credit guarantee were an innovative and complex solution to provide additional affordable rental housing, keep costs low, and enhance the salability of the bonds. The dormitory will house 100 students. Student transition out of existing off-campus rental units will increase the supply of affordable rental units for low- and moderate-income families in the assessment area.

During the evaluation period, Citibank USA had \$5.4 million in loan originations and participations and \$7.1 million in binding commitments for permanent financing that funded 170 units of affordable rental housing in its assessment area and 53 affordable rental units in Watertown, South Dakota. In most cases, Citibank USA partnered with a local real estate developer and CitiHousing, Inc. (the bank’s affordable housing community development corporation). The bank provides a portion of both the construction and permanent financing on these low-income housing tax credit projects. CitiHousing, Inc. usually acts as the limited partner, providing the equity financing for the projects.

Table 5: COMMUNITY DEVELOPMENT LENDING PERCENTAGES*

	Benefits AA (%)	Outside AA (%)	Total (%)
Total CD Lending/Average Tier 1 Capital	1.17%	0%	1.17%
Total CD Lending/Average Total Income	0.82%	0%	0.82%
Total CD Lending/Average Pass-Through Receivables	0.19%	0%	0.19%

* The percentages shown in this table do not include letters of credit or binding loan commitments.

Community Development Services

Citibank USA and its Sioux Falls affiliate, Citibank (SD), have dual employees who provide community development services in the assessment area, throughout the State of South Dakota, and elsewhere in Citigroup markets. None of the credit we gave for community development

services has been duplicated between the two banks. However, some services previously provided by Citibank (SD) with regard to community development lending are now provided by Citibank USA because of the differences in their charters and the banking services they can provide. After the chartering of Citibank USA in January 2002, Citigroup reallocated some of the services provided by other affiliates between the two banks in order to achieve parity between the two institutions.

During the evaluation period, employees representing Citibank USA provided 30 community development services throughout the assessment area and a broader statewide region. Many of these services were provided as board or committee members, but several were innovative and/or complex, and all directly addressed assessment area needs.

The following is an example of an innovative community development service. In 2002, Citibank USA developed and sponsored “Keeping the Trust,” a seminar specifically for Board members of local nonprofit organizations. This seminar provided information and tools to help nonprofit directorates and administrators improve the quality, volume, and efficiency of its organization’s provision of services to low- and moderate-income individuals and families. This is an innovative service because it was the first seminar of its kind in the area, and it directly met one of the assessment area’s community development needs.

Another example of an innovative service is provided by bank affiliate Citicorp Electronic Financial Services, Inc. (Citicorp EFS), the only electronic benefits transfer services contractor for South Dakota. Citicorp EFS provides federal and local government assistance recipients with a plastic card that enables them to access monthly benefits electronically through automated teller machines and at local retailers, such as grocers. This service is innovative in helping to meet the U.S. Treasury Department’s initiative to pay all benefits electronically. It also meets a community development need in the assessment area by providing faster access to government assistance benefits for low-income families.

FAIR LENDING REVIEW

We found no evidence of illegal discrimination or other illegal credit practices.