LIMITED PURPOSE BANK

PUBLIC DISCLOSURE

September 8, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DSRM National Bank
Charter Number 23097

5600 Wyoming Blvd, NE, Suite 275
Albuquerque, NM 87109

Office of the Comptroller of the Currency

Midsize and Credit Card Bank Supervision
400 7th Street SW, Suite 3E-218
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.

General Information and Overall CRA Rating

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 operation 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 DSRM National Bank (DSRM) issued by the OCC, the institution's supervisory agency, for the evaluation period starting January 12, 2009 and ending September 8, 2014. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This institution is rated Outstanding.

The conclusions for the three rating criteria are:

- DSRM demonstrates an overall excellent level of community development (CD) investments, services, and loans.
- DSRM demonstrates no use of complex or innovative CD loans, investments or services. DSRM originates some CD loans through its parent company, Valero.
- DSRM demonstrates overall good responsiveness to CD needs in its assessment area (AA) for loans, investments and services.

Scope of the Examination

In evaluating the bank's performance under the Community Reinvestment Act, we reviewed community development activities from January 12, 2009 through September 8, 2014. 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 and community development lending provided by its ultimate parent company Valero Energy Corporation (Valero). All of the community development services reported were performed by the three employees of DSRM. At the prior examination dated January 12, 2009, we rated the bank Satisfactory.

If a bank has adequately addressed its assessment area needs, the OCC considers CD activities the bank submits that benefit areas outside of its assessment area in the evaluation of its performance. The bank has adequately addressed the needs of its assessment area, and therefore, outside of assessment area qualified investments, community development loans and services were considered in evaluating its performance.

The CRA evaluation period covered two census periods, consisting of 2000 and 2010 Census data.

Description of Institution

DSRM is a $3.6 million bank located in Albuquerque, New Mexico. It has no branch offices, and operates as a Competitive Equality Banking Act (CEBA) limited purpose credit card bank. The bank was chartered on October 1, 1996 and simultaneously received its designation as a limited-purpose bank for purposes of the CRA.

CEBA limited purpose banks offer only a narrow product line and are restricted from participation in most activities common to full service banks such as deposit transaction accounts, making or purchasing loans other than credit card loans, safe deposit box rentals, or an ATM network. CEBA banks may not accept savings and time deposits in amounts of less than $100 thousand (other than to secure extensions of credit). In addition, legal restrictions prohibit the bank from making CD loans, and the ability to provide CD services is limited due to the specialized financial expertise of bank employees. Additionally, CEBA banks may not engage in the business of making commercial loans. The bank decreased its staff of seven to three employees. The three employees include the President. The bank has gained efficiencies by cross training employees to work in various disciplines. During the evaluation period, DSRM experienced a gradual reduction in staff due to economic conditions. The effect of this is shown in the decrease of net operating income between year-end 2009 and year-end 2013. Additionally during the evaluation period, there was a gradual decline in credit card sales largely attributed to the newly imposed rule to mandate the calculation of debt service coverage for credit card decisions instituted by the CFPB. This additional level of criteria has affected the bank's ability to market and qualify new customers. Another key factor in the decline in pass-through receivables has been due to the overall competitive nature of the credit card industry. Consumers paying at the pump with general purpose credit cards and debit cards have also created a challenge for DSRM, which impact sales. These effects can be seen in the decrease of pass-through receivables between year-end 2009 and year-end 2013. These decreases will have an impact on calculations in performance of qualified investment and community development lending percentages. This and other financial information is summarized in Table 1 below and will be used later in the Performance Evaluation to provide a perspective on the bank's capacity to help meet the needs of its AA. Other than the limitations discussed above, there are no other legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AA. See pages nine through 11 for the definition of a CEBA bank and other terms.

The ultimate parent company, Valero, is a Fortune 500 international manufacturer and marketer of transportation fuels, petrochemical products and power. The company headquarters is in San Antonio, Texas, with refineries in the United States, Canada, and Aruba. Through its subsidiaries, more than 7,400 outlets carry the Valero, Diamond Shamrock, Shamrock and Beacon brands in the United States and the Caribbean; Ultramar in Canada; and Texaco in the United Kingdom and Ireland.

Recently Valero underwent a marketing strategy to convert all of its Shamrock retail outlets to Valero. The enterprise-wide rebranding initiative allows Valero to have a broader presence throughout its footprint. Valero subsidiaries employ approximately 10,000 people, and assets include 15 petroleum refineries with a combined throughput capacity of approximately 2.9 million barrels per day, 11 ethanol plants with a combined production capacity of 1.3 billion gallons per year, and a 50-megawatt wind farm.

DSRM offers private label consumer credit cards primarily to support Valero's core business of refining and petroleum sales. These cards are only used for the purchase of gas and items in the company stores attached to the gas stations. All outstanding balances of the credit card accounts are purchased by Valero Payment Services Company (VPSC) without recourse to DSRM. VPSC is an indirect wholly owned subsidiary of the parent company – Valero. Therefore, the bank does not have any credit card receivables or exposure to credit loss. These are known as "pass-through receivables" and are used in measures of CRA performance in later tables.

Table 1: Financial Information (000s)

	Year-end CY2009	Year-end CY2010	Year-end CY2011	Year-end CY2012	Year-end CY2013	Average for Evaluation Period
Tier 1 Capital	2,850	2,902	2,953	2,994	3,034	2,947
Total Income	700	636	669	720	734	692
Net Operating Income	104	87	80	69	65	81
Total Assets	3,384	3,437	3,491	3,600	3,686	3,520
Pass-Through Receivables/Managed Assets	110,052	105,173	104,543	97,235	95,707	102,542

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

Description of Assessment Area

The bank's Albuquerque AA is composed of the entire Albuquerque Metropolitan Statistical Area (MSA). The total population of the Albuquerque AA was 887,077, based on the 2010 census data. This total population was an increase of 97,245 or 17.8 percent from the 2000 U.S. Census. With the city's population growing over the years, Albuquerque is the fastest growing city in New Mexico by population. Census bureau estimates made in July 2013 indicates a 1.9 percent increase in population in the Albuquerque AA to 556,495. The bank's AA does not arbitrarily exclude any areas, particularly low- or moderate-income geographies.

Based on the 2000 census, the median family income in the AA was $48,435. By the time of the 2010 census, the median family income increased significantly by 29.0 percent to $62,458. In terms of the distribution of families by income, we noted that 33.5 percent were low- and moderate- income as of the 2010 census, compared to 28.2 percent as of the 2000 census. According to 2000 census data, approximately 5.9 percent of families were low-income, earning a median annual income of less than $45,738. With the 2010 census data, the percent of low-income families increased to 8.6 percent. The percent of moderate-income families increased from 2.6 percent at the 2000 census to 3.6 percent at the 2010 census. 2010 census data showed approximately 14.2 percent of all families had incomes below the poverty level, and 2.1 percent of households received public assistance. 2000 census data showed approximately 12.8 percent of all families had incomes below the poverty level, and 4.0 percent of households received public assistance. Within low- and moderate-income CTs as of the 2000 census, the percent of families below the poverty level was high at 37.5 and

21.8 percent, respectively. In the 2010 census, the percent of families below the poverty level within low- and moderate-income CTs was 11.4 and 46.2 respectively.

The local economic condition continues to grow and improve despite the financial crisis. Forbes Magazine rated the city seventh among America's Engineering Capitals in 2014. The city has been recognized nationally as a desired place to live due to its lower cost of living and job opportunities. Albuquerque is home to the University of New Mexico, Kirtland Air Force Base, Sandia National Laboratories, Lovelace Respiratory Research Institute, Central New Mexico Community College, Presbyterian Health Services, and Petroglyph National Monument. Additionally, Albuquerque is considered a tech-city for its research centers, environment of innovation, low cost of doing business, sizeable population of scientists and engineers, venture capital, support networks, and high quality of life.

Demographics for low- through upper-income geographic, family, and business dispersion in the Albuquerque MSA are in Table 2a and 2b below.

Table 2a: 2000 Census Data

	Number	Low	Moderate	Middle	Upper
Tracts	195	4.10%	26.67%	38.97%	27.69%
Families	187,508	2.23%*	26.00%*	40.59%*	31.18%*
Businesses	75,796	1.63%**	21.60%**	43.69%**	33.08%**

Source: Demographic Data – 2000 U.S. Census, 2011 Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract.

Table 2b: 2010 Census Data

	Number	Low	Moderate	Middle	Upper
Tracts	203	4.93%	28.57%	35.47%	30.54%
Families	215,464	3.42%*	30.07%*	34.45%*	32.06%*
Businesses	67,056	5.99%**	26.50%**	34.45%**	33.05%**

Source: Demographic Data – 2010 U.S. Census, 2013 Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract

As with many large cities, the AA has many CD opportunities which include providing affordable housing, services targeted to low-to-moderate-income families and the need for economic development. The bank's opportunities for CD activities are impacted by the strong competition from other institutions in the area. Based on the FDIC Market Share Report as of June 30, 2013 the top five banks within the Albuquerque AA are Wells Fargo, Bank of America, Bank of Oklahoma Financial, Bank of West, and US Bank. Combined all banks represent over 85 percent of the market share. This is for information purposes only given that DSRM operates as a CEBA limited purpose credit card bank and is prohibited from accepting deposits.

For this evaluation, we considered two recent community contacts. One contact assists qualified governmental entities with affordable financing of capital equipment and infrastructure projects and the other provides low-cost capital to small businesses. One of the contacts mentioned the need for collateral support programs, credit access for rural businesses, and a need for revolving lines of credit in addition to more private sector investment. The other contact stated there is a need to finance small businesses and opportunities for banks to fund community development projects. Both contacts indicated that the primary credit needs in the AA include funding for organizations that provide capital to small businesses, which do not meet traditional bank credit criteria, financial literacy training, and low-income services such as day care and job training to support the low-to moderate communities.

Conclusions about Performance

Summary

- DSRM's level of CD investment, loan, and services, including CD loans made by the parent company, is excellent given available opportunities, competition from full-service banks, its financial condition, and the unique nature of its banking operations. During this evaluation period, the bank provided over $460 thousand in donations to organizations both inside and outside of its AA. Additionally, the parent company renewed three CD loans totaling $60,000 to two non-profit organizations. The three bank employees provided over three thousand hours of qualifying CD services to over 10 organizations.

- DSRM did not use innovative or complex qualified investments or CD services to meet community needs.

- DSRM exhibits good responsiveness to CD needs in its AA for CD lending, investments and services. The bank's CD lending, CD services, and qualified investments promoted financial education of organizations dedicated to assisting low- and moderate-income (LMI) individuals, supporting organizations which provide small loans to small businesses and organizations providing services targeted to LMI individuals.

Qualified Investments

The overall bank's performance in relation to the amount of qualified investments was excellent. During the evaluation period, the bank provided a total of over $460 thousand in donations to 10 community organizations as summarized in Table 3 below. This includes $232 thousand in investments made inside the AA. When considering the $228 thousand of additional investments made outside of the AA, the overall level of investments is considered excellent. This performance is excellent given the nature of DSRM's operations, its financial condition, strong competition, and available opportunities. The investments are all donations and are not innovative or complex, but considered highly responsive to the CD needs of the community. The dollar amount does represents an increase from $352 thousand at the last examination, as well as expansion in organizations served, including:

- Over $227 thousand to a national consumer credit service organization that is dedicated to assisting LMI individuals with financial education. The organization provides financial literacy programs, which include resolutions for credit problems, increasing your personal financial knowledge and tools, techniques and resources for a better financial future. Given that the bank has adequately met the needs of its own AA, these additional nationwide investments are given positive consideration.

- Over $96 thousand to a CD organization dedicated to extending micro and small business loans to low-and moderate income individuals in the AA. These investments provide low-cost capital to small businesses through entrepreneurial initiatives. Investments stimulate economic development and job creation.

- $61 thousand to an education foundation that benefits LMI students in the AA. The foundation provides financial support to LMI students at risk of not completing their college program due to financial hardship. The program serves as an equalizer for vulnerable students and their families, which allows students to focus on education while increasing the school's retention rate.

- The remaining $75 thousand in donations were to various organizations in the bank's AA including a community loan fund, shelter to the homeless, affordable housing agency, and various educational organizations.

Table 3a: Qualified Investment Activity (000s)

	Benefits AA	Outside AA	Totals
Originated Investments	$0	$0	$0
Originated Grants	$232	$228	$460
Prior-Period Investments that Remain Outstanding	$0	$0	$0
Total Qualified Investments	$232	$228	$460
Unfunded Commitments*	$0	$0	$0

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

In addition to the increase in the dollar amount of donations, other measures of qualified investments actitivy are calculated in ratios, as noted in Table 4a. DSRM's performance has improved since the last Performance Evaluation in the measure of total investments compared to both average Tier 1 Capital (which was 13.0 percent at the last examination) and average total income (which was 43.0 percent at the last examination). The comparison to pass-through receivables has dropped slightly to 0.4 percent. This is due to the signficant decrease in pass-through receivables as described earlier in the Description of Institution section of this report.

Table 4a: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	7.87	7.74	15.61
Total Investments/Average Total Income	33.53	32.95	66.48
Total Investments/Average Pass-Through Receivables	0.23	0.22	0.45

Community Development Lending

At the bank's request, we considered CD loans payable through Valero on behalf of the bank. The level of activity and responsiveness to CD needs is considered adequate. These loans are not considered to be innovative or complex. The loans are flexible because of their nominal interest rate, and the fact that all interest earned on the loans has been contributed back to the organizations.

The three CD loans were all renewals of existing debt totaling $60,000 over the evaluation period. This is a decrease from $80,000 at the last examination. As a result, the ratios in Table 5 have decreased for comparisons with average Tier 1 capital and average total income. However, declining sales has actually increased the comparison of total CD loans compared to average pass-through receivables. The three loans were made to two CD non-profit organizations, headquartered in Albuquerque. Both entities provide loans for statewide small business applicants which includes the bank's AA. Both of these non-profits provide small business lending to individuals who have limited or no access to traditional bank credit because of their size, lack of credit history, collateral, training, or have very small capital needs. One of the non-profits made 82.0 percent of its loans to women and minority owned businesses.

Table 5: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	2.04
Total CD Lending/Average Total Income	8.67
Total CD Lending/ Average Pass-Through Receivables	0.06

Community Development Services

During the evaluation period, DSRM performance in providing CD services was excellent. This is largely attributed the bank's high volume of CD service activities. The bank provided over three thousand community service hours to over ten organizations with only three full-time employees. Bank employees participated in a variety of organizations, some in leadership roles, which benefited LMI individuals, promoted economic development, financial education, and affordable housing. A majority of the service hours provided by employees included serving on loan committees, attending board meetings as financial advisors, and providing financial education.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

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 MSAs (using the MSA 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 has the potential to benefit the assessment area and is located in the 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.

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. (Credit card loans made to businesses, which meet the criteria for a "small business concern," that are eligible for business loans under regulations established by the Small Business Administration under 13 CFR 121 are not considered commercial loans.)

Census Tract (CT) – 2000 Census: Small, locally defined statistical areas within metropolitan statistical 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.

Census Tract (CT) – 2010 Census: Small, relatively permanent statistical subdivisions of a county delineated by local participants as part of the U.S. Census Bureau's Participant Statistical Areas Program. The primary purpose of CTs is to provide a stable set of geographic units for the presentation of decennial census data. CTs generally have between 1,500 and 8,000 people, with an optimum size of 4,000 people.

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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

(i) Low-or moderate-income geographies;
(ii) Designated disaster areas; or
(iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
    a. Rates of poverty, unemployment, and population loss; or
    b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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 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) – 2010 Census: 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.

Median Family Income (MFI) – 2010 Census: The median income derived from the United States Census Bureau's American Community Survey data every 5 years and used to determine the income level category of geographies. Also, it is the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level of individuals within a geography. For any given geography, the median is the point at which half of the families have income above it and half below it.

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

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

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.

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.