PUBLIC DISCLOSURE

October 2, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

John Deere Financial, f.s.b.
Charter Number 715685

8402 Excelsior Drive
Madison, WI 53717

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.

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Overall CRA Rating:

This institution is rated Satisfactory.

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of community development (CD) investment activity;

- The bank demonstrates no use of innovative or complex qualified investments, CD loans, or CD services; and

- The bank demonstrates adequate responsiveness to credit and CD needs in its assessment area (AA).

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: The OCC considers all qualified investments, CD loans, and CD services that benefit areas within the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Benefit Outside Assessment Area: The OCC considers the qualified investments, community development loans, and community development services that benefit areas outside the bank's assessment area(s), if the bank has adequately addressed the needs of its assessment area(s).

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of $1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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. [*This definition is not needed if bank is designated a wholesale institution.*]

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

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

Net Operating Income: As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, "PreTax Operating Income (TE)"*]

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. [*If not already reported to the OCC, the bank provides this information*. *If not applicable to institution being examined, definition is not required.*]

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. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, "Net Tier One"*]

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, "Total Assets"*]

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than $100 million, line 5c or UBPR, page 2, "Total Interest Income" and "Noninterest Income"*]

Description of Institution

John Deere Financial, f.s.b. (JDF) is a $3.4 billion financial institution located in Madison, WI. It has no branches. The bank received its designation as a limited purpose institution for CRA evaluation purposes from the OCC on March 2, 2014. The institution received this designation based on its business strategy, primary focus, and product offerings. There have been no changes to strategies, focus, or product offerings since the previous evaluation.

JDF offers three credit products consisting of John Deere Financial Multi-Use, John Deere Financial Revolving Plan, and Power Plan. Both John Deere and independent dealers offer the Multi-Use product, which is the largest product line by dollar amount to consumers, agricultural, commercial, and governmental customers to finance the sale of goods and services. The Revolving Plan is a revolving line of credit primarily used to finance turf and utility equipment. This product may only be used at John Deere dealers. Power Plan is used exclusively by construction, forestry, and governmental entities at eligible United States John Deere Construction and Forestry dealers for the purchase of parts and services.

JDF is a wholly-owned subsidiary of John Deere Capital Corporation, which is wholly-owned by John Deere Financial Services, Inc., a wholly-owned subsidiary of Deere and Company. John Deere Financial Services is one of the largest providers of financial services to agricultural and construction customers in the United States, with approximately 1.7 million accounts worldwide. It has over 2,200 employees, and offers retail finance programs in 52 countries. Deere and Company, headquartered in Moline, Illinois, reported net income of $1.5 billion on $26.6 billion in sales as of fiscal year-end October 31, 2016. John Deere Foundation, a philanthropic arm of Deere and Company, provided qualified investments for our office to consider in evaluating the institution's CRA performance. JDF transfers its accounts receivables (i.e. loans) to FPC Receivables, Inc., a wholly-owned subsidiary of the institution. JDF services the receivables with the exception of delinquent accounts, which are administered and collected by Deere Credit Services, Inc.. There were no mergers or acquisitions during the evaluation period. There are no known legal, financial, or other factors impeding the institution's ability to help meet the credit and CD needs of its AA.

Table 1 provides consolidated financial information relating to JDF and FPC Receivables, Inc. financial capacity to help meet the needs of its AA. JDF's consolidated assets are centered in agricultural loans, followed by consumer loans, and commercial loans. JDF primarily derives its income from the merchant fee assessed on each sales transaction.

Table 1: Financial Information (000s)

	Year-end 2014	Year-end 2015	Year-end 2016	Average for Evaluation Period
Tier 1 Capital	532,825	509,598	493,061	511,828
Total Income	253,758	250,995	280,197	261,650
Net Operating Income	137,690	119,084	129,210	128,661
Total Assets	1,814,874	2,059,710	2,539,763	2,138,116
Pass-Through Receivables	1,816,073	2,055,288	2,522,961	2,131,441

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

Scope of the Examination

JDF is a limited purpose institution. In evaluating the bank's performance under the CRA, we reviewed CD activities from March 25, 2014 through October 2, 2017. We reviewed the level and nature of qualified investments and services. At the bank's request, we also considered qualified investments provided by its affiliate. At the prior examination dated March 24, 2014, we rated the bank Satisfactory.

If a bank has adequately addressed its AA needs, the OCC considers CD activities the bank submits that benefit areas outside of its AA in the evaluation of its performance. The bank has adequately addressed the needs of its AA; therefore, we considered qualified investments outside of its AA in evaluating the bank's performance.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA 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 (HUD), and the Consumer Financial Protection Bureau, as applicable.

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

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

Description of Assessment Area

The AA for JDF consists of the entire Madison, WI MSA #31540. The MSA covers all of Columbia, Dane, Iowa, and Green counties. Green County was added to the MSA as a result of the January 1, 2014 Office of Management and Budget revisions to the MA and census tract (i.e. geography) geographic definitions and boundaries. The Madison MSA is the second largest MSA within the state. The MSA consists of urban, suburban, and rural areas. The AA does not arbitrarily exclude low- or moderate-income geographies. According to 2010 census information, eight (6 percent) of the geographies in JDF's AA are low-income, 22 (17 percent) are moderate-income, 73 (55 percent) are middle-income, 27 (20 percent) are upper-income, and three (2 percent) have not been assigned an income classification. See Table 2 for additional demographic data related to the institution's AA.

In the Madison, WI MSA, the unemployment rate has decreased from 6.1 percent as of January 2014 to 3.6 percent as of September 2017. The state of Wisconsin's unemployment rate has also decreased from 6.1 percent as of January 2014, to 3.5 percent as of September 2017. Eleven percent of families live below the poverty level in the AA, based on 2010 census data. It is especially difficult for this segment of the population to afford and maintain a home. Per the Dane County Housing Needs Assessment, the main rental housing affordability challenge is for very low income households (those defined as making 50 percent of area-median-income or less. As of the same period, the AA had 146,251 families. Eighteen percent of families were low-income, 18.0 percent were moderate-income, 25.0 percent were middle-income, and 39.0 percent were upper-income. The 2017 FFIEC estimated MFI for the MSA is $85,200. This is above the 2010 HUD updated MFI, which was $80,300. Major industries consist of healthcare, life sciences, agriculture, advanced manufacturing, information technology, and public employment in government and education. Major employers include the University of Wisconsin-Madison, Epic Systems Corporation, American Family Insurance, Sub-Zero Corporation, and WPS Health Insurance.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	133*	6%	17%	55%	20%
Families	146,251	18%**	18%**	25%**	39%**
Businesses	52,213****	4%***	15%***	58%***	22%***

Source: Demographic Data – 2010 U.S. Census, Dun & Bradstreet Data. *2% of geographies have not been assigned an income classification. **Represents families by income level. ***Represents businesses by income level of census tract. ****1% of businesses are located in geographies that have not been assigned an income classification.

We determined the credit and CD needs by contacting a representative from the Center on Business and Poverty and reviewing a community contact from the Wisconsin Partnership for Housing Development. We also reviewed the Dane County Community Outreach and Housing Needs Assessment, which identifies the region's housing needs, and the Madison Region Economic Partnership, which provides industry and cost of living information for the region.

According to the community contacts, the Madison area has been growing steadily for the past few years, driven mostly by the technology and health industries as well as government and universities. The contacts stated many people are coming to the area from larger cities, such as Chicago, so they can enjoy the lower cost of living and the draw of employment in the tech and health field industries. There are also opportunities in construction and farm industry positions that other areas do not offer.

One of the contacts stated that one of the largest challenges in the Madison area is the lack of affordable housing. The contact stated the there are opportunities for alternative housing sources like co-housing, land trust models, and cooperative housing. People are recognizing that they may not be able to have a single-family household and are looking for alternatives. The contact stated that non-profits are leading the creative effort to find financing for alternatives, but they remain more complicated to finance than others.

Both of the community contacts stated that the Madison MSA is seeing huge increases in home prices and even larger increases in rents, but that jobs and affordable housing for low- and moderate-income persons remains a challenge. Workforce housing is a big issue as well, as although there are jobs being created, the housing shortage is causing an increase in commuting times with resulting parking and transportation issues. The contact stated that the region requires the development of 1,000 units of market rate and 1,000 units of affordable housing a year to keep pace with the population increase. The cost of living in Madison is 10 percent higher than the Wisconsin average, with the median month rent at $790, an increase of 0.6 percent from the previous 12 months.

Opportunities for qualified investments and CD services within this AA are abundant. The AA has numerous housing and social service agencies that provide community services to low- and moderate-income individuals, and there are numerous agencies involved in economic and business development. Available investments include low-income housing tax credits, mortgage-backed securities secured by mortgages to low- and moderate-income individuals, qualified investment funds, and investments in CD financial institutions (CDFI). However, data from the FDIC as of June 30, 2017 shows there are 51 banks and savings institutions operating 232 offices in the Madison MSA. Therefore, there is significant competition from other financial institutions for these CD opportunities and subsequent CRA credit.

Conclusions about Performance

Summary

JDF exhibits adequate responsiveness to CD needs in its AA. JDF's CD lending, CD services, and qualified investments promoted economic development and provided affordable housing and social services programs targeted to low- and moderate-income individuals.

- JDF's level of CD lending, CD services, and qualified investments, including those from its affiliates, is adequate given available opportunities, competition from full-service institutions, its financial condition, and the unique nature of its operations. JDF and its affiliates made a total of $9.2 million and $5 million in qualified investments that directly benefited its AA (including a larger statewide or regional area that includes its AA) and outside of its AA, respectively. CD lending totaled $8 million for affordable housing within the AA. Additionally, 16 JDF employees provided CD services to five organizations residing within the institution's AA.

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

Qualified Investments

JDF and its affiliates provided a total $9.2 million and $5 million in qualified investments that benefited inside and outside of its AA, respectively. These qualified investments are listed below. The majority of the investments made inside the AA were for an equity investment to a CDFI, which provided loans to 16 businesses within the institution's AA. This promoted economic development by creating and maintaining jobs. The remainder of the investments inside the AA were to organizations, which provided services targeted to LMI families. As it was determined the institution was meeting the needs of its AA, we considered investments and donations made outside of the AA. Of these, approximately $5 million were to organizations, which provided services targeted to LMI families or disaster relief to revitalize affected communities. The remainder of the investment/donations were to organizations that promoted affordable housing. There were no investments/donations that were considered innovative or complex. Table 3 provides the aggregate dollar amount of qualified investments. Table 4 provides the volume of qualified investments as a percentage of average tier 1 capital, average total income, and average pass-through receivables.

Table 3: Qualified Investment Activity (000s)

	Benefits AA	Outside AA	Totals
Originated Investments	9,045	0	9,045
Originated Grants	236	5,027	5,264
Prior-Period Investments that Remain Outstanding	0	0	0
Total Qualified Investments	9,281	5,027	14,308
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	1.83	.99	2.83
Total Investments/Average Total Income	3.98	2.16	6.14
Total Investments/Average Pass-Through Receivables	.38	.21	.59

Described below are some of the most significant qualified investments and grants:

- JDF made a $9 million equity investment in a nationwide CDFI that operates a revolving loan fund. The initial $6 million investment was a prior period investment in December 2007, with an additional $3 million invested from 2015 through 2017. The CDFI used the proceeds to originate loans to 16 businesses within the institution's AA. The businesses met the size eligibility standards of the Small Business Administration's Development Company. Loans to small businesses and startup businesses was an identified need of the AA. The loan proceeds created or retained approximately 200 jobs for individuals who are low- or moderate-income.

- John Deere Foundation donated $5 million to nine food institutions located in Illinois, Iowa, Kansas, North Carolina, Tennessee, and Wisconsin that distribute food to low- and moderate-income individuals. Services targeted to LMI families was an identified need of the institution's AA.

- John Deere Foundation donated $45,000 to the Greater Habitat for Humanity of Des Moines, Iowa (Habitat), a nonprofit housing organization that rehabilitates, constructs, and provides single-family housing to low- and moderate-income families who are presently living in substandard housing. This organization also provides interest free financing and training (i.e., budgeting, financial literacy, home ownership, and maintenance) for families accepted into their program. Habitat has provided 194 homes to qualified individuals since its inception in 1987. Affordable housing to LMI families was an identified need of the AA. This donation reflects responsiveness by the institution to its community needs.

- JDF donated $6,000 to the Wisconsin Housing and Economic Development Authority (WHEDA). WHEDA works closely with lenders, developers, government agencies, and nonprofit agencies to provide affordable housing to low- and moderate-income individuals residing within a larger statewide area that includes the institution's AA.

Community Development Lending

JDF made a total of $8 million in community development loans to WHEDA through 2017 with proceeds being used to provide affordable housing to low- and moderate-income individuals residing within Dane, Dodge, Columbia, Green, Iowa, Jefferson, Rock, and Sauk Counties, a larger statewide area that includes the institution's AA. The loan illustrates the institution's responsiveness to the identified need for affordable housing in the AA. See the Qualified Investment donation section above for further information on WHEDA's operations. Table 5 details the level of CD lending as a percentage of average tier 1 capital, average total income, and average pass-through receivables.

Table 5: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	1.58
Total CD Lending/Average Total Income	3.44
Total CD Lending/ Average Pass-Through Receivables	.33

Community Development Services

JDF provided an adequate level of CD services to four organizations that provide community services and affordable housing to low- and moderate-income individuals residing within the institution's AA. Below are the CD services.

- A JDF representative continues to be a Board member, treasurer, and Loan Committee member of Realtors Association of South Central Wisconsin Housing Foundation. The JDF representative uses his financial expertise in reviewing financial information and loan applications for the down payment assistance program for LMI individuals and families. The representative has 51 total volunteer hours from 2014 through 2017, having reviewed financial information and applications for 124 down payments loans for a total of $443,000.

- In 2014, eight JDF employees used their financial expertise by assisting Asset Builders of America in conducting workshops related to first time home buying, credit, budgeting, and identity theft. The employees spent 48 hours providing the workshops to 110 primarily low- and moderate-income individuals residing in Dane County.

- In 2014, 2015, 2016, and 2017, one JDF employee used her financial expertise by assisting Progress Through Business prepare tax returns primarily for low- and moderate-income individuals residing in Dane County. The employee prepared 63 tax returns.

- In 2017, two JDF employees served on the Habitat for Humanity of Dane County (HFHDC) Family Selection Committee. The committee determines program eligibility for potential family partners. In addition, the committee provides recommendations for approval of family partners to the HFHDC Board of Directors. The two employees have spent 17 hours in the roles.

- Also in 2017, four JDF employees are serving as Financial Coach/Mentors for the HFHDC. The Coach/Mentor works with a Habitat Partner Family for six to eight months in coaching the partner family in achieving their financial goals. The four employees have spent 26 hours in the roles.