



Office of the
Comptroller of the Currency
Washington, DC 20219

LIMITED PURPOSE BANK

PUBLIC DISCLOSURE

February 13, 2023

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

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Chicago, IL 60605

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

Bank's CRA Rating: This bank is rated Satisfactory.

The major factors that support this rating include:

- The bank demonstrates an adequate level of community development (CD) loans, CD services, or qualified investment activity, particularly investments that are not routinely provided by private investors.
- The bank demonstrates no use of innovative or complex qualified investments, CD loans, or CD services.
- The bank exhibits adequate responsiveness to credit and CD needs in its assessment area (AA).

Description of Bank

John Deere Financial, f.s.b. (JDF or bank) is a \$3.8 billion financial institution located in Madison, Wisconsin. JDF does not have branches and does not accept retail deposits. JDF received its designation as a limited purpose institution for CRA purposes from the OCC on March 2, 2014. JDF received its designation based on its business strategy, primary focus, and product offering. There have been no changes to strategies, focus, or product offerings since the previous public evaluation.

JDF is a wholly owned subsidiary of John Deere Capital Corporation (JDCC), which is wholly owned by John Deere Financial Services (JDFS), a wholly owned subsidiary of Deere and Company. There have been no merger or acquisition activity since the prior evaluation. JDF has the Madison Metropolitan Statistical Area (MSA) as the only AA. We considered CD grants from two affiliates: the John Deere Foundation and John Deere Credit Services, Inc. (DCSI).

JDF is focused on providing proprietary credit products. JDF offers three proprietary credit products in the United States, the Multi-Use, John Deere Financial Revolving Plan (JDFRP), and the PowerPlan. The most used product is the Multi-Use, which finances the sale of goods and services at John Deere outlets and independently owned John Deere dealers. The JDFRP and PowerPlan are offered through independently owned John Deere dealerships.

Table 1: Financial Information (000s)

	Year-end 2020	Year-end 2021	Year-end 2022	Average for Evaluation Period
Tier 1 Capital	\$ 675,505	\$ 673,898	\$ 637,038	\$ 662,147
Total Income	\$ 339,856	\$ 307,574	\$ 322,232	\$ 323,221
Net Operating Income	\$ 172,379	\$ 204,858	\$ 176,193	\$ 184,477
Total Assets	\$ 2,755,507	\$ 2,787,135	\$ 3,060,083	\$ 2,867,575
Pass Through Receivables /Managed Assets	\$ 2,751,924	\$ 2,778,203	\$ 3,048,728	\$ 2,859,618

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

Scope of the Examination

Evaluation Period/Products Evaluated

In evaluating the bank's performance under the CRA, we reviewed CD activities from January 1, 2020 through December 31, 2022. We reviewed the level and nature of qualified investments, CD lending, and CD services. At the bank's request, we also considered qualified investments provided by its affiliates. The bank has adequately addressed the needs of its AA, and, therefore, outside of AA qualified investments were considered in evaluating its performance.

For purposes of this evaluation, bank delineated AAs located within the same MSA, multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area.

The OCC used the following in the evaluation: demographic data using the U.S. Census American Community Survey (ACS), Federal Deposit Insurance Corporation (FDIC) deposit market share data, and Federal Financial Institutions Examination Council (FFIEC) adjusted median family incomes.

Qualifying activities performed in response to the significant impact of the coronavirus pandemic across the United States are addressed in this evaluation. The bank has a significant level of qualified investments.

At the prior examination, dated January 13, 2020, we rated the bank Satisfactory. There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §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 assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) 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.

State Rating

State of Wisconsin

CRA Rating for Wisconsin: Satisfactory

The major factors that support this rating include:

- The bank demonstrates an adequate level of CD loan, CD services, and qualified investment activity in the state of Wisconsin.
- The bank does not use innovative or complex qualified investments, CD loans, or CD services in the state of Wisconsin.
- The bank exhibits adequate responsiveness to credit and CD needs in the state of Wisconsin.

Description of Assessment Areas

JDF designated one AA across the state of Wisconsin, which is the Madison MSA. The Madison MSA is comprised of four counties: Columbia, Dane, Greene, and Iowa. The Madison MSA is centrally located in the southern part of Wisconsin. The Madison MSA consists of a diverse geographic profile including urban, rural, and suburban geographies.

There are no AA barriers to providing lending, investment, and financial services. The AA meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income (LMI) geographies. According to 2015 ACS data, the AA consists of 133 census tracts (CTs), of which 4 are low-income and 27 are moderate-income.

The unemployment rate in the Madison MSA was relatively consistent throughout the evaluation period. According to the Bureau of Labor Statistics, the unemployment rate was 2.6 percent in January 2020 and 2.4 percent in December 2022. The unemployment rate in the Madison MSA has been lower than the national unemployment rate of 3.5 percent throughout the evaluation period.

The following table provides summary statistics for the Madison MSA.

Table 2: Assessment Area Description

Metropolitan Statistical Area: Madison MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	133	3.0	20.3	50.4	21.8	4.5
Population by Geography	627,618	3.4	16.4	53.8	23.5	2.9
Housing Units by Geography	273,289	2.9	17.8	54.7	22.8	1.9
Owner-Occupied Units by Geography	157,819	0.6	13.7	60.0	25.6	0.0
Occupied Rental Units by Geography	100,418	6.6	23.2	46.0	19.5	4.7
Vacant Units by Geography	15,052	2.0	23.8	56.1	15.2	3.0
Businesses by Geography	46,840	2.1	17.3	50.8	27.9	1.9
Farms by Geography	2,692	0.4	14.6	62.0	22.8	0.2
Family Distribution by Income Level	154,158	19.8	17.7	23.4	39.0	0.0
Household Distribution by Income Level	258,237	23.2	16.9	18.9	41.1	0.0
Median Family Income MSA - 31540 Madison, WI MSA		\$81,321	Median Housing Value			\$225,082
			Median Gross Rent			\$917
			Families Below Poverty Level			6.4%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

According to the June 30, 2022 FDIC deposit market share report, the bank had a 5.1 percent market share, making it the fifth largest deposit holder out of 45 financial institutions in the AA. For the state, JDF had a 0.7 percent market share and ranked 17th out of 205 financial institutions.

In performing the analysis of investments, competition in the AA is high, with large interstate, regional, and community banks competing for qualified CD activities in the market. The large number of competing banks somewhat affects JDF's ability to participate in CD activities.

Community Contacts

The OCC made three community contacts in the AA during the evaluation period, which included two nonprofit organizations focused on neighborhood revitalization and economic development in LMI areas and one county agency. Community contacts indicated that the following are identified needs within the bank's AA.

- Home mortgages in LMI areas and for senior citizens;
- Willingness to accept a wide range of mortgage down payment and closing cost assistance;
- Financing to owners of multifamily building due to the lack of affordable rental properties;
- Commercial/industrial land purchase and construction loans;

- Small loans to small businesses; and
- Board and Committee volunteerism.

Conclusions About Performance

Summary

The bank's performance is rated Satisfactory.

Based on a full-scope review of the Madison MSA, the bank's performance is adequate. We considered the CD opportunities with direct benefit within the AA and the bank's capacity to address those needs.

Qualified Investments

JDF has an adequate level of qualified investments. The bank and its affiliates made a total of \$16.2 million in qualified CD investments in the AA and broader statewide area or nationwide during the evaluation period. The current period investments of \$ \$441,615, qualified grants of \$6.1 million, and outstanding prior period investments of \$9.7 million are included in the total. The bank had no unfunded commitments. Investments reflected ongoing relationships with several organizations in the AA. The bank exhibits an adequate responsiveness to credit and community economic development needs.

The bank made investments through their affiliates, John Deere Foundation and Deere Credit Services, Inc. (DCSI), which received credit for \$6 million in CD investments in the AA and broader statewide area or nationwide. The CD investments outside of the AA were predominantly made to food banks throughout the eastern half of the United States.

Table 3 provides the aggregate dollar volume of CD investments and grants. Table 4 provides the volume of qualified CD investments and grants as 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	\$ 442	\$ 0	\$ 442
Originated Grants	\$ 258	\$ 5,801	\$ 6,059
Prior-Period Investments that Remain Outstanding	\$ 9,662	\$ 0	\$ 9,662
Total Qualified Investments	\$ 10,362	\$ 5,801	\$ 16,163
Unfunded Commitments*	\$ 0	\$ 0	\$ 0

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system. ** Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

Table 4: Qualified Investment Percentages

	Benefits AA (%)*	Outside AA (%)**
Total Investments/Average Tier 1 Capital	1.6	0.9
Total Investments/Average Total Income	3.2	1.8
Total Investments/Average Pass-Through Receivables	0.4	0.2

* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

The bank made annual grants to five organizations, totaling \$258,428, that are detailed below:

- \$82,338 grant to a nonprofit organization which provides assistance to LMI individuals by assisting in finding access to stable housing and other basic needs.
- \$77,090 in grants, through the JD Foundation and DCSI, to a nonprofit organization which provides food for LMI individuals and families who are in need within the AA.
- \$75,000 grant, through the JD Foundation, to a nonprofit organization which provides affordable housing solutions within the AA.
- \$15,000 grant to a youth development center which provides free high quality after school and summer programs for K-12 students from LMI communities in the AA. The center focuses on academics, art and creative expression, health, fitness, and service/leadership.
- \$9,000 grant to an organization whose purpose is to support affordable housing for LMI individuals residing within the state, including the bank's AA.

Additionally, the bank made \$5.8 million in CD investments, through affiliates, outside of the AA. These donations supported various initiatives through grants to various nonprofit organizations throughout the eastern half of the United States.

CD Lending

JDF's CD lending was considered adequate in the AA. We considered the lending opportunities with direct benefit within the AA and the bank's capacity to address these needs. The bank made three loans which totaled \$12 million in CD loans during the evaluation period. The bank originates a \$4 million loan each year. The proceeds of these loans were used to address affordable housing needs within the AA. Loans were contributed to the Wisconsin Housing & Economic Development Authority (WHEDA) which is an organization committed to funding affordable housing within Wisconsin. WHEDA works closely with lenders, developers, local government, nonprofit organizations, community groups, and others to implement its low-cost financing programs.

See table 5 for CD Lending percentages as a function of Tier 1 Capital, Total Income, and Pass-Through Receivables.

Table 5: CD Lending Percentages

	Benefits AA (%)*
Total CD Lending/Average Tier 1 Capital	1.8
Total CD Lending/Average Total Income	3.7
Total CD Lending/Average Pass-Through Receivables	0.4

* CD loans included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

CD Services

JDF employees exhibited an adequate responsiveness to CD needs. The bank had four employees participate in a total of 206 community service hours during the evaluation period. CD service hours focused on assisting a local nonprofit organization with leadership, with JDF staff serving on various committees and lending their expertise. Additional CD service was conducted in partnership with several nonprofit organizations to assist LMI individuals and families with tax filings. This allowed LMI individuals and families take advantage of multiple tax breaks and benefits that they might not been aware of prior. For a total review of hours, see table 6 below:

Table 6: CD Service Activities

CD Service	Benefits AA*
Affordable Housing	110
Community Service for LMI Individuals	96

* CD services included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA

The following are examples of the bank's CD services:

- Several bank employees served a total of 110 hours as board and committee members to a nonprofit affordable housing organization. The nonprofit's mission is to provide affordable housing to LMI individuals and advocate for affordable housing for LMI tracts.
- A bank employee contributed 96 hours in support of several nonprofit organizations to LMI individuals and families in order to assist them with filing their taxes and taking advantage of tax credits that were applicable to them, such as child tax credits, credits for elderly or disabled individuals, and earned income tax credits. The employee was IRS certified and works with an organization that focuses on networking, research, and business aid for LMI individuals.

Appendix A: Summary of State Ratings

John Deer Financial, f.s.b. Ratings	
Overall Bank	Overall Bank Rating
JDF	Satisfactory
State Name	State Rating
State of Wisconsin	Satisfactory

Appendix B: Definitions and Common Abbreviations

The following terms and abbreviations may be used in this performance evaluation, including the CRA tables. 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 the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

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: 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.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

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.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative 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.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.