

OFFICE OF THRIFT SUPERVISION

Approval of Bank Merger Act Application

Order No.: 2005-46
Date: November 4, 2005
Docket Nos.: 16138, H-3431, H-3637

FDS Bank, Mason, Ohio (FDS Bank), a federal savings bank, has filed an application with the Office of Thrift Supervision (OTS), under 12 U.S.C. § 1828(c) and 12 C.F.R. § 563.22(a) to acquire certain assets and liabilities from May National Bank of Ohio, Lorain, Ohio (May Bank) (Application).

Background

FDS Bank is a Bank Insurance Fund (BIF)-insured federal stock savings association, which is headquartered in Mason, Ohio. FDS Bank is a second tier, wholly owned subsidiary of Federated Department Stores, Inc., Cincinnati, Ohio (FDS), and a wholly owned direct subsidiary of FDS Thrift Holding Co., Inc., Cincinnati, Ohio. FDS Bank's primary business is issuing credit cards. FDS also owns May Bank, a BIF-insured limited purpose national credit card bank, as an indirect subsidiary.

FDS proposes to transfer certain of May Bank's assets and liabilities to FDS Bank, including its credit card account relationships, and its deposit liabilities. After that transaction is completed, FDS proposes to merge May Bank into another of its subsidiaries.

Bank Merger Act Application

FDS Bank seeks OTS approval, pursuant to the Bank Merger Act (BMA) and 12 C.F.R. § 563.22(a), to acquire May Bank's outstanding deposit liabilities, and certain of its assets. In evaluating a BMA application, OTS considers: (i) the effect on the capital of the resulting association; (ii) the financial and managerial resources of the constituent institutions; (iii) the future prospects of the constituent institutions; (iv) the convenience and needs of the community; (v) the effectiveness of the depository institutions in combating money laundering activities; (vi) conformance to applicable law, regulation, and supervisory policy; (vii) factors relating to fairness of and disclosure concerning the transaction; and (viii) the effect on competition. OTS also considers the record of performance under the Community Reinvestment Act (CRA) of the constituent institutions.

As for capital, the Application indicates that FDS Bank is well capitalized and will remain so after the proposed transaction.

As for financial and managerial resources and future prospects, the Application indicates that the transaction will have a positive impact on the financial resources and future prospects of FDS Bank by increasing the number of its credit card relationships, and have no material effect on its managerial resources. FDS Bank's directors and senior executive officers will not change as a result of the transaction. In addition, OTS has reviewed FDS Bank's projections for operations after the transaction. Based on the foregoing, OTS concludes that the financial and managerial resources and future prospects of FDS Bank are consistent with approval.

As for convenience and needs of the community and the CRA, OTS' review of the Application shows no evidence that the transaction would adversely affect FDS Bank's ability to meet the convenience and needs of its community. FDS Bank has a "Satisfactory" CRA rating. May Bank also has a "Satisfactory" CRA rating. Based on the foregoing, OTS concludes that convenience and needs considerations are consistent with approval of the proposed transaction, and that approval of the Application is consistent with the BMA.

As for the competitive effects of the proposed transaction, the proposed transaction involves FDS Bank's acquisition of an affiliated depository institution. Accordingly, the purchase and assumption transaction will have no effect on competition. Neither the Department of Justice nor the other banking regulators objected to the proposed transaction on competitive grounds. Based on the foregoing, OTS concludes that the competitive considerations are consistent with approval.

As for conformance to law, regulation and supervisory policy, OTS' review of the Application did not indicate any violation of law or regulations, or non-compliance with supervisory policies, in connection with the proposed transaction. Based on the foregoing, OTS concludes that approval of the proposed transaction is not objectionable based on conformance of the proposed transaction to applicable law, regulation, and supervisory policies.

As for compliance with anti-money laundering statutes and regulations, OTS has reviewed the compliance record of FDS Bank, which involves an evaluation of its anti-money laundering practices and compliance with anti-money laundering provisions. On the basis of the foregoing, OTS concludes that FDS Bank's effectiveness in combating money-laundering activities is consistent with approval. OTS has also reviewed the Office of the Comptroller of the Currency's examination of May Bank and we have

determined that May Bank's effectiveness in combating money-laundering activities is consistent with approval of the application.

As for factors regarding equitable treatment and disclosure, employment contracts, and advisory boards, OTS' review of the Application did not disclose any information indicating that the proposed transaction would not be equitable to all concerned. FDS Bank and May Bank are both indirect wholly owned subsidiaries of FDS. FDS Bank and May Bank published notice of the transaction, and OTS received no comment from the public. On the basis of the foregoing, OTS concludes that approval of the proposed transaction is not objectionable based on equitable treatment, disclosure, or compensation issues.

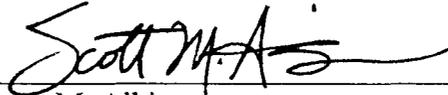
Conclusions

Based on the foregoing analysis, OTS concludes that the Application meets the applicable approval criteria, provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee (Regional Director). Accordingly, the Application is hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated within 120 calendar days from the date of this Approval Order;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of FDS Bank and May Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of FDS Bank or May Bank as disclosed in the Application. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of FDS Bank, May Bank, or OTS, since the date of the financial statements submitted with the Application, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides prior written non-objection to consummation of the proposed transaction;
3. FDS Bank must advise the Regional Director in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Application, and this Approval Order.

The Regional Director may, for good cause, extend any time period set forth herein for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective November 4, 2005.

A handwritten signature in black ink, appearing to read "Scott M. Albinson", written over a horizontal line.

Scott M. Albinson
Managing Director
Office of Examinations, Supervision
and Consumer Protection