



Comptroller of the Currency
Administrator of National Banks

Multinational Banking Department
250 E Street, S.W.
Washington, D.C. 20219

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

November 30, 1996

Wells Fargo HSBC Trade Bank, N. A.
525 Market Street
San Francisco, CA 94105

Charter Number: 22897

NOTE: 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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Wells Fargo HSBC Trade Bank, N. A.**, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **November 30, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DEFINITIONS

- LMI** = **Low- and Moderate-Income** are the income level for individuals or average income level for census tracts (CTs) that are less than 80% of the median family income of the respective Metropolitan Statistical Area (MSA).
- Mid** = **Middle Income** is the income level for individuals or average income level for CTs that are equal to or greater than 80% and less than 120% of the median family income of the respective MSA.
- Upper** = **Upper Income** is the income level for individuals or average income level for CTs that are equal to or greater than 120% of the median family income of the respective MSA.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated:

“Satisfactory Record of Meeting Community Credit Needs.”

Evaluation Period: This Disclosure evaluates the bank’s performance from October 31, 1995, through November 30, 1996.

BANK PROFILE

Wells Fargo HSBC Trade Bank, N. A. (Trade Bank) was established in October 1995 as a joint venture between San Francisco-based Wells Fargo & Company (WFC) and London-based Hongkong Shanghai Banking Corporation Group (HSBC Group). WFC is the ninth largest bank holding company in the United States. Its principal subsidiary, Wells Fargo Bank, N.A. (WFB), is the second largest bank in California. HSBC Group is one of the world’s largest international banking and financial services organizations, with major commercial and investment banking operations in 68 countries. Primary banks in the Group are Hongkong Bank and Marine Midland Bank, the Group’s North American affiliate which holds Trade Bank shares.

The Trade Bank is a wholesale purpose financial institution devoted solely to international trade finance and international banking services. Its headquarters is in San Francisco with a major office in Los Angeles and a sales office in El Monte, California. Representative or processing offices are also located in Arizona, Colorado, Oregon, Texas and Washington. None of the offices is considered a branch, as the Trade Bank does not accept traditional retail or commercial deposits. Funding is provided by borrowings and the deposits of affiliated financial institutions. As of September 30, 1996, the Trade Bank reported total assets of \$291 million. Total loans were \$254 million, including \$238 million in commercial and industrial loans and \$15 million in real estate related loans.

The Trade Bank’s lending approach focuses on a customer’s trade transactions rather than on its domestic assets. The Trade Bank offers: letters of credit (which guarantee international payments), collection services, short- and medium-term credit lines, including loans backed by the Export-Import Bank of the United States, overseas accounts and loans, international cash management and buyer/supplier introductions for active trading customers. Approximately 80% of Trade Bank financing involves documentary letters of credit set up through lines of credit. Most business is the result of referrals, particularly from WFB’s Regional Commercial Banking offices. Primary customers are middle-market companies that import, export or have overseas operations. Sales are generally \$1 million to \$250 million. Financing needs are generally \$1 million and greater.

COMMUNITY PROFILE

The Trade Bank has delineated its community to include the San Francisco, Oakland and Los Angeles MSAs. The following discussion presents general demographic and economic information on these MSAs.

MSA #7360 SAN FRANCISCO	MEDIAN INCOME	POPULATION	LMI PERSONS	LMI CENSUS TRACTS
	\$49,282	1,603,678	27%	24%

This MSA consists of Marin, San Francisco, and San Mateo Counties. The largest employment sectors include financial services, public utilities, government, air transportation, and services related to tourism. San Francisco is the headquarters city for many large corporations. In 1995, the MSA's unemployment rate declined to 5.1%, remaining one of the lowest unemployment rates in the state. Also, the MSA's median housing value was the nation's highest at \$324,200. The Trade Bank's headquarters office is located in this MSA.

MSA #5775 OAKLAND	MEDIAN INCOME	POPULATION	LMI PERSONS	LMI CENSUS TRACTS
	\$47,516	2,082,914	29%	31%

This MSA consists of Alameda and Contra Costa Counties. The largest employment sectors include government, retail trade, health and education services, and manufacturing. The Port of Oakland serves as the Bay Area's primary shipping facility. In 1995, unemployment improved, decreasing from 6.3% in 1994 to 5.8%. Oakland has several large military bases and facilities that the government has scheduled for closure by the end of the decade. These bases currently employ approximately 20 thousand military and civilian personnel. In 1995, the MSA's median housing value was \$197,000. The MSA is contiguous to the San Francisco MSA, where the Trade Bank's headquarters is located.

MSA #4480 LOS ANGELES/ LONG BEACH	MEDIAN INCOME	POPULATION	LMI PERSONS	LMI CENSUS TRACTS
	\$39,035	8,863,164	36%	32%

This MSA consists of Los Angeles County and is the most populous MSA in the state, accounting for 29% of California's population. The largest employment sectors include the aerospace/defense, financial services, entertainment, government, health services, and petroleum industries. Despite recent increases in the area's number of jobs, total employment remains 400 thousand below the level reached before the recession. In 1995, the MSA's unemployment fell below 8% and is now in line with the state average.

During 1995, the MSA's median price of homes dropped 6% to \$207,250. The Trade Bank has two non-deposit taking loan production offices in this MSA.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **The Trade Bank has an effective program to learn of community credit needs.**

The Trade Bank ascertains the credit needs of its delineated community through outreach and business marketing activities. These activities are performed in conjunction with WFB.

WFB's Corporate Community Development Group has an experienced staff of community development officers who work closely with elected officials, public advocates, private non-profit agencies and for-profit developers to identify community credit needs, particularly in LMI areas. WFB also has an experienced staff of community lending specialists who act as liaisons to community groups to identify affordable housing and small business investment and lending opportunities. As needed, these specialists and Trade Bank senior managers are available to meet with community groups and government representatives to understand better the affordable housing and small business credit needs of the Trade Bank's delineated community.

To augment its ongoing credit needs assessment process, the Trade Bank conducted a credit needs survey of all trade finance officers in 1996. The survey focused on credit availability in the Trade Bank's unique market. The survey identified as needs only minor enhancements to existing underwriting criteria of credit products already offered either by the Trade Bank or WFB.

Economic studies provided by WFC's economists are also taken into account by the Trade Bank. These studies are used to incorporate economic factors that have an effect on business climate and credit demand. Available demographic information is also used to obtain a better understanding of the Trade Bank's existing and potential customer base.

As a result of ascertainment activities undertaken, the banks found the most critical needs for California to be: small business lending, construction financing for affordable housing, low-income consumer credit and mortgage and equity lending. As the Trade Bank is a wholesale purpose bank, its activities focus primarily on the unique needs of businesses involved in international trade. To address the other identified needs, the Trade Bank's affiliate, WFB, has developed affordable housing, small business and consumer lending products through its CRA Loan Program. As part of the program, WFB began tracking Trade Bank lending for inclusion in the overall program goals. The

Trade Bank products are included in the Economic Development and Small Business Loan categories of WFB's Program, as applicable.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Trade Bank's Board of Directors is generally involved in CRA activities through the Board's Compliance/CRA Committee.**

The Trade Bank has an "inside" Board of Directors, composed of management officials of WFC and HSBC Group. The directors have expressed the commitment of the Trade Bank to the principles of CRA through adoption of an appropriate CRA statement and support for CRA training. The Board has authorized the Trade Bank management to utilize the services of WFB to implement the Trade Bank's commitment to CRA, including community development lending and investment in its community.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The Trade Bank utilizes specialized marketing media to communicate with the business community needing trade services and financing.**

Because its lending and other services are significantly specialized, the Trade Bank does not utilize the usual methods of marketing and advertising. Its most typical method is through word-of-mouth, stemming from its affiliation with the well-known WFB and HSBC banking organizations. Each of these has previously provided trade services and financing and now refers this business to the Trade Bank. In addition, the bank advertises in trade journals and participates in various conferences, seminars, and trade shows targeted to the import-export industry. Further, the Trade Bank has secured a site on the Internet for benefit of those potential customers who utilize that network.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **The Trade Bank's level of lending is responsive to the specialized credit needs of its delineated community.**

As a wholesale purpose bank, the Trade Bank is not in the business of extending home mortgage, small business, small farm, or consumer loans. The Trade Bank has, however, addressed a significant portion of the identified need for international trade finance in its delineated community. The following table illustrates the stratification of the Trade Bank's loan portfolio as of September 30, 1996.

PRODUCT	\$ (000's)	% (of total)
Loans Secured by Real Estate	\$ 15,268	6%
Commercial and Industrial Loans	238,404	94%
Total Loans Outstanding	\$253,750	100%

Approximately 80% of Trade Bank financing involves documentary letters of credit arranged through lines of credit. As of September 30, 1996, unused commitments associated with these lines of credit totaled \$508 million with outstanding letters of credit totaling an additional \$185 million.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **The Trade Bank actively participates in loan programs guaranteed by the Export-Import Bank of the United States.**

The Trade Bank does not offer governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms. The Trade Bank does, however, offer loans guaranteed by the Export-Import Bank of the United States (Ex-Im Bank) to middle-market businesses. As a delegated authority lender, the Trade Bank offers Ex-Im Working Capital Guarantee and Ex-Im Guaranteed Loan products. Typical transactions exceed \$1 million. The Trade Bank has also been designated a priority lender, allowing for quick lending decisions on these products. Through September 30, 1996, the Trade Bank had participated in seven loans totaling more than \$13 million.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES.

Reasonableness of Delineated Community

- **The Trade Bank's delineated community is reasonable and does not arbitrarily exclude any low- and moderate-income areas.**

The Board of Directors' approved the Trade Bank's defining its community delineation to include the MSAs where it has its main office(s) and/or significant lending activity (see the Community Profile section of this Evaluation). There has been no change to the delineation since the inception of the Trade Bank in October 1995.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **The geographic distribution of the Trade Bank's wholesale credit extensions is reasonable.**

The Trade Bank has a documented analysis demonstrating the reasonable distribution of its credit extensions throughout its delineated community. The distribution is reflective of the specialized lending performed by the Trade Bank.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **The Trade Bank does not have branch offices in its delineated community.**

Due to the specific needs of its customer base, the Trade Bank has invested in alternative delivery systems rather than in traditional branches. Trade Bank customers can perform numerous functions using the Trade Bank's Toll Free Customer Service Number. The Trade Bank has also simplified the letter of credit process to allow customers to initiate and manage their letters of credit from their personal computers. In addition, the Trade Bank has established an alliance with an experienced logistics provider to assist customers in managing the transportation of goods throughout the trade cycle.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **No practices are evident which would discourage applications for the types of credit set forth in the Trade Bank's CRA Statement.**

The Trade Bank actively seeks applications for its specialized loans from all segments of its delineated community. The Trade Bank implements policies and practices which encourage fair lending and preclude illegally discriminatory actions. Employee training is an ongoing component of the Trade Bank's efforts to ensure that all potential applicants are given equal consideration.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **There is no evidence of prohibited or illegal credit practices.**

The Trade Bank is in compliance with the substantive provisions of applicable anti-discrimination laws and regulations.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **The Trade Bank exhibits an appropriate responsiveness to credit and community economic development needs in its delineated community.**

Community investment and reinvestment opportunities are made available through programs created by WFB's system of community outreach and needs assessment. In addition, WFB provides the retail and human resources infrastructure to support these opportunities. As such, a substantial portion of community development loans, investments and contributions reported by the Trade Bank represents loans and investments made by WFB and allocated to the Trade Bank. Community development loans, investments and contributions, including unfunded commitments, made by and on behalf of the Trade Bank total almost \$4 million. The following discussions highlight the most significant loans, investments and contributions.

Community Development Lending

During the evaluation period, WFB committed to loans on behalf of the Trade Bank to develop 5 affordable housing projects, aggregating \$2 million. The projects will provide more than 189 units of multi-family low-income rental housing. Of these units, 100% are available to families with incomes equal to or less than 60% of the area's family median income. All of the projects are in the Trade Bank's delineated community.

The Trade Bank also participates in community development through business loans made in economically depressed areas designated as Enterprise Zones. During the evaluation period, the Trade Bank made two loans under the Enterprise Zone Program totaling \$867 thousand. Both of the loans are in the Trade Bank's delineated community.

Community Development Investments and Contributions

The following investments and contributions are designed to increase stability in economically disadvantaged communities and to fund non-profit organizations that provide capital and technical assistance for micro- and start-up enterprises.

Community Development Investments

Minority Enterprise Fund II, L.P.- NuCapital Access Group, LTD. \$500,000

Through securities investments, this partnership seeks to provide venture funding, growth capital and acquisition financing for emerging growth and middle market companies owned by minorities and/or women. The program targets those companies with annual sales of \$400 thousand to \$20 million. This program benefits a wide regional area that includes the Trade Bank's delineated community.

Merritt Community Capital Corporation-1996 Partnership \$500,000

This investment represents a highly innovative tax credit investment in Merritt Capital's 1996 partnership. Merritt Capital is dedicated to increasing the supply of capital for affordable housing throughout Northern California. Merritt forms limited partnerships that create pools of large investors. Once the pool is closed, Merritt identifies, analyzes and invests in several housing developments. This pool is expected to close in early 1997. The partnership benefits a wide regional area that includes the Trade Bank's delineated community.

Community Development Contributions

BRIDGE Housing-Marine City USA \$100,000

BRIDGE is a non-profit affordable housing development organization. This contribution was made toward BRIDGE's development fund. BRIDGE generally uses the development funds for pre-development and short-term project needs. This contribution assisted BRIDGE in replenishing the development fund to cover costs associated with the Marine City, USA project, a 340-unit residential development providing 136 units of affordable housing. The project benefits the San Francisco MSA.

Los Angeles Urban League
\$81,500

The League provides resources to address community services targeted to LMI individuals for education, training, job placement, literacy and minority business development programs. A substantial portion of this contribution went to support the League's general operating budget. The League benefits the Los Angeles MSA.

Community Bank of the Bay (LEAP)
\$30,000

Contribution to the Local Economic Development Assistance Program (LEAP) in support of the formation of the Community Bank of the Bay. The Bank is a new community development bank designed to increase lending to the traditionally underserved communities of East and West Oakland, Richmond's Iron Triangle and San Francisco's Tenderloin and Bayview/Hunter's Point districts. The Bank's lending focus is designed to improve capital access in LMI Bay Area neighborhoods. The Bank serves the San Francisco and Oakland MSAs.

Other Contributions **\$104,000**

The Trade Bank has also provided contributions to other organizations involved in community development. During the evaluation period, WFB contributed on behalf of the Trade Bank more than \$104 thousand to nine different community-based organizations.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **There are no constraints on the Trade Bank's ability to help meet the credit needs of its delineated community.**

The Trade Bank has made an ample commitment of financial and personnel resources to help meet its community's credit needs. The Trade Bank, combined with WFB's efforts in the Trade Bank's delineated community, has shown this commitment through participation in community development loans and investments. Information about the Trade Bank's financial condition, size, and local economic conditions can be found in the Bank and Community Profiles Section of this Evaluation.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **The Trade Bank helps meet credit needs in its community through grants and officer and staff volunteer work.**

The Trade Bank has contributed more than \$33 thousand to various trade organizations that provide key services to import and export companies. These contributions are beyond the Trade Bank's community development contributions.

ADDITIONAL INFORMATION

Wells Fargo HSBC Trade Bank, N. A. is a subsidiary of Wells Fargo & Company, San Francisco, California, a bank holding company, and of Hongkong Shanghai Banking Corporation and Marine Midland Banks, Inc., also bank holding companies. The bank is affiliated to other chartered financial institutions in Arizona, California, Colorado, New York, and Texas. For information about the CRA performance of these institutions, contact either the institution directly, or the Wells Fargo's Community Development Department, P. O. Box 63102, San Francisco, California 94163.

The OCC also supervises the Trade Bank's national bank affiliates. The Federal Reserve Bank of San Francisco is responsible for the supervision of Wells Fargo & Company. The Federal Reserve Bank of New York is responsible for the supervision of Marine Midland Banks, Inc. The Federal Reserve should be contacted for information about any corporate transactions these companies may be processing which are subject to CRA.