



# STRATEGIC PLAN

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

August 25, 2008

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HSBC Bank Nevada, N.A.  
Charter Number: 22675

1111 North Town Center Drive  
Las Vegas, NV 89144

Office of the Comptroller of the Currency

Large Bank Supervision  
250 E Street, SW  
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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# INSTITUTION

**INSTITUTION'S CRA RATING:** This institution is rated Outstanding.

- The bank substantially met or exceeded its goals for each year during the evaluation period.
- The bank continues to effectively work with the community groups that support community development investments and services targeting affordable housing, education, and community services for low- and moderate-income (LMI) individuals.

## Fair Lending or Other Illegal Credit Practices Review

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

## DESCRIPTION OF INSTITUTION

HSBC Bank Nevada, N.A. (HOBN) located in Las Vegas, Nevada, was originally chartered as Household Bank in 1993 to issue a co-branded MasterCard card. On July 1, 2002, Household Bank (Nevada), N.A. was merged into Household Bank (SB), N.A. On March 1, 2005, the bank's name was changed to the current HSBC Bank Nevada, N.A.

The bank expanded its product line and now offers a full range of MasterCard, Visa, American Express, and Discover Card products. HOBN also issues and services merchant private label cards throughout the United States. As of December 31, 2007, HOBN had total assets of \$1.8 billion. The bank currently manages nearly \$50 billion in credit card receivables. The bank is a wholly owned subsidiary of HSBC North America Holdings Inc, (HNAH) a bank holding company located in Mettawa, Illinois. With assets of \$557 billion, HNAH is one of the top 10 financial services companies in the United States.

HOBN was chartered under the Competitive Equality Banking Act (CEBA) of 1987. A CEBA bank is not a "bank" for purposes of the Bank Holding Company Act if it engages "only in credit card operations" and does not: (1) accept demand deposits or other checking accounts; (2) accept savings or time deposits of less than \$100,000, unless for collateral on a loan; (3) maintain more than one office that accepts deposits; or (4) engage in the business of making commercial loans. These statutory provisions reflect a legislative policy of restricting the ability of CEBA credit card banks to compete with retail banks by limiting the institution's deposit taking and lending activities.

Since this is a CEBA bank, it cannot make commercial loans. Our evaluation is limited to evaluating the bank's community development investments and services. Other than the restriction on lending, there are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment area. The following table provides financial information for HOBN over the evaluation period:

(Thousands of Dollars)

	Year end 2005	Year end 2006	Year end 2007	Average for the Evaluation Period
Total Assets	2,418,559	2,176,253	1,790,507	2,128,440
Tier 1 Capital	573,492	624,911	548,675	582,359
Total Income	1,861,914	2,189,974	2,708,517	2,253,468
Net Operating Income	783,197	1,005,849	1,536,513	1,108,520
Pass-through Receivables	43,288,000	46,351,000	49,650,000	46,430,000

## DESCRIPTION OF ASSESSMENT AREA

HOBN is headquartered in Las Vegas, Nevada and has designated its assessment area (AA) as the census tracts that generally encompass Las Vegas, North Las Vegas, and Henderson. This area is commonly referred to as the Las Vegas Valley. The AA contains 320 of the 345 census tracts located within Clark County and the Las Vegas-Paradise Metropolitan Area. The twenty-five census tracts the bank has chosen to exclude are a substantial distance from the bank and would create an area too large for the bank to reasonably serve. The AA is legal and does not arbitrarily exclude any LMI census tracts.

The city of Las Vegas is the most populous in the Metropolitan Area (MA) and the state of Nevada. Las Vegas is a major vacation, shopping, entertainment, and gambling location. The name Las Vegas is often applied to the unincorporated areas of Clark County. In 2007, the MA population was estimated at 2.1 million. The Strip, a 4.5 mile stretch of Las Vegas Boulevard, is mostly outside the Las Vegas city limits in the unincorporated town of Paradise.

During the last census, Las Vegas climbed the ranks of large cities in the U.S., growing 66.3% from 63<sup>rd</sup> largest in 1990 to 32<sup>nd</sup> largest in 2000. This population growth exemplifies a favorable job market, a relatively stable economy with low business costs, and a lenient tax structure that results in low individual and business taxes. Nevada does not have a state income tax. Rapid population growth has led to a significant urbanization of the AA, with a 2008 U.S. Department of Housing and Urban Development (HUD) updated median family income of \$63,900, while the unemployment rate is 6.8% as of July 2008.

It should be noted that Las Vegas has one of the highest residential mortgage foreclosure rates in the nation. In addition, the bankruptcy rates for the area lead the nation. The impact of these credit downturn indicators has led to an increased need for credit counseling and bankruptcy counseling, especially in the LMI population.

Tourism drives the economy in the Las Vegas-Paradise MSA. An estimated 39 million people visited the city during 2007 and visitor spending was estimated at \$36 billion. While many miles away, the terrorist attacks of September 11, 2001, had a devastating effect on the Las Vegas economy. The gaming and travel sector responded with extensive layoffs. While the city had mostly recovered by 2003, other problems became apparent, primarily difficulties in drawing tourists back to the downtown area. Development and revitalization projects are currently in progress to revitalize the downtown economy.

The most serious problems facing the Las Vegas-Paradise MSA is a lack of affordable quality housing. The MSA's explosive growth has put a strain on local government and increased the demand for affordable housing, schools, and health care for LMI families, seniors, and people who are homeless. Adding to the demand for affordable housing was the area's assistance to the Hurricane Katrina and Rita evacuees. Approximately 4,750 Katrina evacuees registered for assistance at the designated Las Vegas Hurricane Help Center. Additionally, ten percent of the population in the MSA lives in poverty and Las Vegas has doubled the number of people who are homeless in the past decade to approximately 12,000. Housing in Las Vegas has become less affordable to LMI families. Although housing prices in the Las Vegas MA have fallen nearly 25% from a year ago, the median home price has increased 70% from \$139,000 in 2000 to \$235,300 as of June 30, 2008.

Obtaining and retaining long-term employment at wages capable of sustaining family households is a challenge for LMI families in the Las Vegas-Paradise MSA. Approximately 60% of the workers in the MSA are employed in retail trade or in the service sector. However, many of them are not earning a wage that will support the cost of housing, healthcare, health insurance, and childcare. Additionally, wages are not enough to keep up with the increasing cost of housing in the MSA.

While the entertainment and service industries are collectively the largest employers in Las Vegas, the major single employer is the Clark County School District with approximately 38,244 employees. Other employers include Nellis Air Force Base (located approximately eight miles from downtown Las Vegas, on 14,000 acres of land) with 11,000 military and civilian employees.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE

### Community Development Investments and Grants

HOBN substantially met or exceeded the outstanding level of its investment goals for 2005, 2006, and 2007. The following table compares actual performance in each of the years to the outstanding and satisfactory performance goals. The bank's primary investment activity includes placing certificates of deposit (CDs) for community development purposes with local area banks, providing contributions to non-profit organizations, and making donations to Consumer Credit Counseling Services (CCCS) and other credit counseling agencies.

The strategic plans under which the bank operated during the evaluation period established a goal of \$6.1 million in new investments over three years for an outstanding rating, which the bank accomplished. Combined with reinvestments of maturing investments, the bank placed \$21.1 million in CDs with other financial institutions during the evaluation period. These CDs went to fund loans for affordable housing projects resulting in the creation of 278 affordable senior housing units. The bank also made a \$2.15 million investment in a qualified CRA fund. Assets in the fund within the bank's AA have been allocated to the bank. These assets are generally Federal National Mortgage Corp (FNMA) and Federal Home Loan Mortgage Corporation (Freddie Mac) pools of residential mortgage loans to LMI borrowers. Another asset allocated was a housing bond that created 144 units of affordable senior housing units.

The bank significantly exceeded the outstanding rating goals for contributions to non-profit organizations serving LMI clients in the AA. The bank's contribution priorities are centered on affordable housing, education, and financial literacy.

Of note was a three year commitment totaling \$150 thousand to fund a scholarship program for underserved LMI youth in the bank's AA. The bank actively sponsors educational enrichment programs targeted specifically to LMI students in schools located in LMI areas.

Contributions also include \$80 thousand to the local CCCS. HUD has certified CCCS as a comprehensive housing counseling organization. CCCS provides financial literacy services such as pre- and post-home purchase education and counseling services on topics such as loss mitigation, forbearance and reverse mortgages, to consumers at no cost. FNMA and Freddie Mac have also certified CCCS housing pre-purchase education as meeting all of their requirements. Education is provided in both classroom settings and through confidential counseling sessions in English and Spanish.

The bank significantly exceeded the outstanding goals for "fair share" donations to CCCS organizations. In addition to the contributions to the local CCCS discussed above, HOBN and its affiliate provide donations to CCCS and other credit counseling agencies across the country. The donations are in return for money recovered by the CCCS organizations. The fair share donation is a percentage of the payment made to the creditor under a debt management plan and then given back to the CCCS.

Strategic Plan versus Performance  
 Qualified Investments and Grants - 2005  
 (\$000's)

	2005 SATISFACTORY GOAL (\$)	2005 OUTSTANDING GOAL (\$)	2005 ACTUAL (\$)
Investments			
Purchase of new investments using funds from investments maturing in 2005 (Reinvestments)	1,956	1,956	2,105
New Investments	1,000	2,000	1,867
Subtotal-New and Reinvestments	2,956	3,956	3,973
Previous Period Investments	9,336	12,336	12,768
Subtotal-Investments	12,292	16,292	16,740
Grants/Contributions	260	260	403
CCCS Fair Share Donations	10,000	13,500	19,690
TOTAL INVESTMENTS, GRANTS & CONTRIBUTIONS	22,552	30,052	36,833

Qualified Investments and Grants - 2006  
 (\$000's)

	2006 SATISFACTORY GOAL (\$)	2006 OUTSTANDING GOAL (\$)	2006 ACTUAL (\$)
Investments			
Purchase of new investments using funds from investments maturing in 2006 (Reinvestments)	500	500	12,393
New Investments	1,000	2,000	3,800
Subtotal-New and Reinvestments	1,500	2,500	16,193
Prior Period Investments	11,792	15,792	2,548
Subtotal-Investments	13,292	18,292	18,740
Grants/Contributions	280	280	435
CCCS Fair Share Donations	10,000	13,500	21,804
TOTAL INVESTMENTS, GRANTS & CONTRIBUTIONS	23,572	32,072	40,979

Qualified Investments and Grants - 2007  
 (\$000's)

	2007 SATISFACTORY GOAL (\$)	2007 OUTSTANDING GOAL (\$)	2007 ACTUAL (\$)
Investments			
Purchase of new investments using funds from investments maturing in 2007 (Reinvestments)	0	0	950
New Investments	1,050	2,100	2,150
Subtotal-New and Reinvestments	1,050	2,100	3,100
Prior Period Investments	18,740	18,740	17,740
Subtotal-Investments	19,790	20,840	20,840
Grants/Contributions	275	325	509
CCCS Fair Share Donations	36	24,000	24,738
TOTAL INVESTMENTS, GRANTS & CONTRIBUTIONS	20,101	45,165	46,087

## Community Development Services

HOBN demonstrated excellent responsiveness to promoting community awareness of credit-related issues. To achieve an outstanding rating for each year during the evaluation period, the bank committed to providing 36 adult seminars, classes or radio shows and 60 student financial education classes. The table below evidences the bank exceeded their financial services and education goals for 2005, 2006, and 2007.

### COMMUNITY DEVELOPMENT SERVICES

CLASSES	SATISFACTORY GOAL		OUTSTANDING GOAL		ACTUAL	
	Adult	Student	Adult	Student	Adult	Student
2005	24	40	36	60	39	85
2006	24	40	36	60	38	80
2007	24	40	36	60	42	79

To meet the established goals, the bank’s Educational Task Force provided a series of financial education programs that are presented at the adult seminars and student classes. The bank produced a list of 46 employees who spent time instructing or facilitating adult and student classes on a voluntary basis. The instruction was provided during bank work hours.

Adult seminars and classes on home ownership, budgeting and other credit-related topics were presented at various locations for community groups. The classes were targeted toward LMI individuals and families. A new class entitled “Your Money Counts” was introduced in 2007 to assist in financial education on the following topics: managing money, using credit, credit history, goals of investing, home ownership, financial planning, insurance and small business ownership. This program is to supplement existing training programs.

The bank also sponsored radio talk shows on local stations. Several local stations aired a program entitled “Understanding the Power of Your Dollar”, where bank employees presented financial information on credit and budgeting. Representatives from local community organizations were also invited to participate in several of the bank’s radio shows to present information regarding their financial assistance programs. The radio talk shows were conducted in English and Spanish, benefiting people of all ages within the bank’s AA. Demographics of the English speaking radio stations indicate the majority of the listeners are LMI. Demographics of the Spanish speaking radio stations were not available.

Student programs designed to prepare children for their financial future were presented at eight targeted elementary, middle, and high schools in LMI areas of Las Vegas. The participating schools were part of the Focus School Project, which links schools with businesses to bring needed resources to students. A review of correspondence indicates that by partnering with these selected schools the bank has made a difference in enhancing students’ educational experience. The majority of students are of LMI.

In addition to the established service goals, the bank’s employees are actively involved in providing financial education services. The bank’s CRA Officer exhibits a strong commitment to providing CD services. The CRA Officer provides leadership representation on boards of

directors or committees of 19 qualified CD organizations. He also provides instruction for both adults and children and is instrumental in promoting employee involvement.

## Appendix A - Scope of Examination

The bank's Community Reinvestment Act (CRA) performance covers the period of January 1, 2005 to December 31, 2007. Performance for 2005 and 2006 was compared to the goals set in the bank's strategic plan dated December 26, 2001 and approved by the OCC on May 9, 2002. Performance for 2007 was compared to the goals set in the bank's strategic plan dated February 14, 2007 and approved by the OCC on March 28, 2007. We compared the level of community development activities including qualified investments, grants, and services to the goals set forth in each of the plans.

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>	January 1, 2005 to December 31, 2007		
<b>FINANCIAL INSTITUTION</b> HSBC Bank Nevada, N.A. ("HOBN")			<b>PRODUCTS REVIEWED</b> Qualified investments, grants, and CD services
<b>FINANCIAL INSTITUTION/ AFFILIATE</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
HSBC North America/Consumer Lending	Holding Company		CCCS Fair Share Contribution
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Las Vegas	Full Scope	Main Office	AA contains 320 of the 345 census tracts that comprise the Las Vegas-Paradise MA.

## 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 MAs (using the MA 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.

**Census Tract (CT):** Small, locally defined statistical areas within Metropolitan 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.

**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.

**Median Family Income (MFI):** 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.

**Metropolitan Area (MA):** Refers to an MSA or a metropolitan division.

**Metropolitan Statistical Area (MSA):** 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. [*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.

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

**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"*]