



Comptroller of the Currency
Administrator of National Banks

Washington DC 20219

Corporate Decision #2003-7
April 2003

March 31, 2003

Ms. Martha Pampel
Associate General Counsel
Household International, Inc.
2700 Sanders Road
Prospect Heights, Illinois 60070

Re: Application by Household Bank (SB), National Association, Las Vegas, Nevada, to purchase substantially all the assets of National Bank of the Great Lakes, Elmhurst, Illinois
OCC Control Number: 2002-WE-02-0023

Dear Ms. Pampel:

On July 26, 2002, Household Bank (SB), National Association, Las Vegas, Nevada, (Household Bank”) and National Bank of the Great Lakes Elmhurst, Illinois (“NBGL”), filed an application for approval for Household Bank to purchase all the credit card receivables of NBGL.

Household Bank is a subsidiary of Household International, which is in the process of being acquired by HSBC Holdings plc; NBGL is a subsidiary of Saks, Inc. We performed a thorough review of all information available, including commitments and representations made in the application and the purchase and assumption agreement, and those of the banks’ representatives.

We reviewed the transaction under the standards of the applicable statutes and OCC regulations. The Bank Merger Act, 12 USC § 1828(c), requires that notice of the application be published and the public be offered an opportunity to comment. The banks published the required notice, and one comment was received, which is discussed later in this letter.

The Bank Merger Act provides that the OCC may not approve a merger that will result in a monopoly or that will be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in the United States, or that would significantly lessen competition in the relevant market. According to the Card Industry Directory, 2002 Edition, Household Credit Services (the servicer for Household Bank), with \$15 billion in accounts, ranked 11th in size. Neither NBGL nor any of its affiliates was included within the top 50 banks. We also requested reports on the competitive effects of the transaction from other agencies. The Federal Reserve Bank of San Francisco, the Federal Reserve Bank of Chicago,

and the Department of Justice advised us of their opinion that the transaction would not have a significantly adverse effect on competition. We concluded that the proposed transaction satisfies the competitive criteria under the Bank Merger Act.

The Bank Merger Act also requires that we consider the financial and managerial resources of the banks and their future prospects. Household Bank has approximately \$3 billion in assets and is in satisfactory condition. Household Bank will promptly sell the approximately \$1.4 billion in receivables it will acquire from NBGL, as it does with receivables it generates from its current operations. The transaction is expected to provide Household Bank with increased earnings. Household Bank is a party to formal agreements with the OCC that do not adversely affect the bank's prospects or our consideration of this criteria.

The OCC received one public comment on the proposal that recommended we not approve it in light of a settlement entered into by Household International with states' Attorneys General. As discussed in detail in our letter of March 27, 2003 to Winthrop N. Brown, Esquire, determining not to disapprove the acquisition of Household Bank by HSBC Holdings plc, the focus of that settlement was on affiliates of Household Bank, rather than the bank itself. Accordingly, we found that consideration of the financial and managerial factors are consistent with approval of the transaction.

A recent amendment to the Bank Merger Act requires the OCC to consider the effectiveness of both banks in combating money laundering activities. In order for the OCC to conclude favorably with respect to this factor, NBGL and Saks, Inc. must enter into consent orders with the OCC that provide for corrective actions to address Bank Secrecy Act and anti-money laundering issues. The proposed transaction may not be consummated unless such orders are in effect.

The Bank Merger Act also requires that we consider the impact of the proposed transaction on the convenience and needs of the community to be served. Current and potential credit card and other customers of the banks are not expected to experience any adverse effects from the transaction. NBGL intends to liquidate and its credit card customers will have uninterrupted service as a result of the transaction.

The Community Reinvestment Act and OCC regulations thereunder require us to consider the record of the banks in helping to meet the credit needs of their local communities. The OCC previously examined the banks' compliance with the CRA and gave each a "Satisfactory" rating.

Based on a consideration of the applicable criteria, and relying upon the representations and commitments made by the banks and their representatives, I approve the proposed transaction.¹

In connection with this approval, we remind you the bank should continue to comply with the

¹ This approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

guidance outlined in *OCC Bulletin 2001- 47* dated November 1, 2001 *Third-Party Relationships: Risk Management Principles* and *OCC Bulletin 2003-4* Dated February 5, 2003 *FFIEC Information Security Booklet: Information Security Guidance* with special attention on banks responsibilities regarding outsourcing. Also, you should advise the Licensing unit in our San Francisco District Office at least 10 days in advance in writing of the desired effective date for the transaction so that the OCC may issue the necessary certification letter. The effective date must be on or after the close of the Department of Justice 15 day injunction period.

If the purchase and assumption is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

If you have questions, please contact Licensing Manager James Bundy at (415) 545-5921.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service.

Sincerely,

/s/ Julie L. Williams

Julie L. Williams
First Senior Deputy Comptroller and Chief Counsel

cc: Mr. Charles J. Hansen
Saks Incorporated

Enclosure: Survey Letter