



# STRATEGIC PLAN

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

March 29, 2010

## 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 its overall investment goals and exceeded its service goals 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 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 Master Card, Visa, American Express, and Discover Card products. HOBN also issues and services merchant private label cards throughout the United States. As of December 31, 2009, HOBN had total assets of \$1.9 billion. The bank currently manages nearly \$39 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 New York, New York. With assets of \$391 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. The performance evaluation is limited to the bank's community development investments and services under the strategic plan approved by the OCC in March 2007. This evaluation covers the final two years of the plan, 2008 and 2009. At the prior CRA evaluation dated August 25, 2008, the bank was rated outstanding. 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 2008	Year end 2009	Average for the Evaluation Period
Total Assets	1,836,910	1,905,679	1,871,295
Tier 1 Capital	848,104	929,221	888,663
Total Income	1,242,309	574,136	908,223
Net Operating Income	372,693	(62,630)	155,032
Pass-through Receivables	46,730	38,873	42,802

**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 low- or moderate-income census tracts.

The city of Las Vegas is the most populous in the 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 2009, 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. Rapid population growth led to a significant urbanization of the AA, with a 2010 HUD updated median family income of \$65,400.

The Nevada economy, including Las Vegas, is severely lagging the U.S. recovery. Las Vegas home prices have fallen for 37 consecutive months. The market continues to deal with an excess supply of housing. As housing prices have fallen, a large majority of homeowners with mortgages now have negative equity. Most recent home sales are of foreclosed properties. Additionally, job losses continue and the unemployment rate has risen dramatically. As of January 2010, the rate is now 13.8%, which is above both the state and national levels. The recent opening of CityCenter is expected to help ease the unemployment rate in the coming months as 12,000 jobs are expected to be added. We considered these economic factors in our evaluation of the bank’s performance.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE

### Community Development Investments and Grants

HOBN substantially met the outstanding level of its overall investment goals for 2008 and 2009. 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 plan under which the bank operated during the evaluation period established a goal of \$4.5 million in new investments over two years for an outstanding performance. The bank achieved the outstanding goal in 2008, but only achieved its satisfactory goal in 2009. However, the bank met its outstanding goal for year end investments in 2008 and substantially met it in 2009. Year end investments include new investments, prior period investments, and investments maturing in that year that are reinvested. During the evaluation period, the bank reinvested \$15.7 million in qualified investments. These investments are primarily CDs with other financial institutions during the evaluation period. Two of these CDs went to assist funding loans for affordable housing projects resulting in the creation of 181 units. Additionally, a \$1.25 million CD helped fund the building of a job training and workforce development center targeting low- and moderate-income individuals. The bank also made investments totaling almost \$9.7 million investment in two qualified CRA funds. The funds allocate assets to the bank. These assets are generally Federal National Mortgage Corporation (FNMA) and Federal Home Loan Mortgage Corporation (Freddie Mac) pools of residential mortgage loans to low- and moderate-income borrowers residing in the bank's assessment area.

In addition to the contributions to the local CCCS discussed below, 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 (DMP) and is given back to the CCCS.

The bank substantially met the outstanding goal for "fair share" donations to CCCS organization in 2008 but fell short of the outstanding goal in 2009. Mitigating factors include the contraction of the bank's portfolio including chargeoffs and a significant reduction in originations; a decline in the volume of DMPs, an increase in for-profit debt settlement volumes, and economic factors allowing fewer customers to qualify for a DMP.

The bank significantly exceeded the outstanding rating goals for contributions to non-profit organizations serving low- and moderate-income clients in the AA. The bank's contribution priorities are centered on affordable housing, community services, and financial literacy targeting low- and moderate-income individuals.

Contributions also include \$111 thousand to the local CCCS. The U.S. Department of Housing and Urban Development 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 has established goals in its Strategic Plan (Plan) for new investments, investments at year end 2008 and 2009, qualified grants, and CCCS Fair Share Donations. The tables below reflect the bank's goals as presented in its Plan and the actual performance.

Qualified Investments and Grants - 2008  
(\$000's)

CD Activity	2008 SATISFACTORY GOAL (\$)	2008 OUTSTANDING GOAL (\$)	2008 ACTUAL (\$)
<b>Investments</b>			
New Investments*	1,100	2,200	2,200
Grants/Contributions	300	350	451
CCCS Fair Share Donations	39	25,920	23,648
CD Investments at year end **	20,890	23,040	23,041
<b>TOTAL INVESTMENTS AT YEAR END, GRANTS &amp; CONTRIBUTIONS &amp; CCCS</b>	<b>21,229</b>	<b>49,310</b>	<b>47,140</b>

Qualified Investments and Grants - 2009  
(\$000's)

	2009 SATISFACTORY GOAL (\$)	2009 OUTSTANDING GOAL (\$)	2009 ACTUAL (\$)
<b>Investments</b>			
New Investments*	1,150	2,300	1,150
Grants/Contributions	325	375	387
CCCS Fair Share Donations	42	27,994	24,461
CD Investments at year end **	22,040	25,340	24,190
<b>TOTAL INVESTMENTS AT YEAR END, GRANTS &amp; CONTRIBUTIONS &amp; CCCS</b>	<b>22,407</b>	<b>53,709</b>	<b>49,038</b>

\* New investments goals are established in the Plan but are also included in CD Investment goals at year end.

\*\* Includes new investments, purchases of new investments from maturing investments, and prior period investments.

## Community Development Services

The bank exceeded its outstanding goals for financial services education for 2008 and 2009. HOBN demonstrated excellent responsiveness to promoting community awareness of credit-related issues. To achieve outstanding performance, the bank committed to providing 36 adult seminars, classes or radio shows and 60 student financial education classes for each year during the evaluation period.

**COMMUNITY DEVELOPMENT SERVICES**

CLASSES	SATISFACTORY GOAL		OUTSTANDING GOAL		ACTUAL	
	Adult	Student	Adult	Student	Adult	Student
2008	24	40	36	60	44	84
2009	24	40	36	60	41	83

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. A list of 75 employees who spent time instructing or facilitating adult and student classes was provided by the CRA officer.

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. Student financial education classes were targeted to Title 1 schools in the bank’s AA. The majority of students in these schools are from LMI families.

The bank also sponsored a radio talk show, “Understanding the Power of Your Dollar” on a local station. An employee of the bank hosts the program and assorted financial issues are discussed. Representatives from local community organizations also participate in the radio shows to present information regarding their financial assistance programs. Demographics of the radio station indicate the majority of the listeners are low- and moderate-income.

## Appendix A - Scope of Examination

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>	January 1, 2008 to December 31, 2009		
<b>FINANCIAL INSTITUTION</b> HSBC Bank Nevada, N.A. ("HOBVN")			<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:** 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"*]