

Washington, DC 20219

PUBLIC DISCLOSURE

September 6, 2005

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'S CRA RATING

This institution is rated “**Outstanding.**” The rating is based on the following factors:

- The bank significantly exceeded its goals for originating community development investments and services in each year during the evaluation period. Over 50% of the investments are considered creative and innovative.
- The bank continues to effectively work with the community groups that support community development investments and services targeting affordable housing, education, and social services for low- and moderate-income individuals.
- HSBC Nevada is a leader in community development activities among the banking industry in its assessment area.

DESCRIPTION OF INSTITUTION

HSBC Bank Nevada, N.A, (“HSBC Nevada”) located in Las Vegas, Nevada, was originally chartered as Household Bank in 1993 to issue a co-branded MasterCard card (GM 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 and Visa products. HSBC Nevada also issues and services merchant private label cards throughout the United States. As of June 30, 2005, HSBC Nevada had total assets of slightly more than \$2 billion. The bank currently manages \$31 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 Prospect Heights, Illinois. With assets nearing \$300 billion, HNAH is one of the top 10 financial services companies in the United States.

The bank 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. Therefore, the Lending Test does not apply to this institution. Our evaluation is limited to the Investment and Service Tests. 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 HSBC Nevada over the evaluation period:

(Thousands of Dollars)

	Year-end 2002	Year-end 2003	Year-end 2004	Average for Evaluation Period
Total Assets	2,996,894	4,799,003	1,914,297	3,236,731
Equity Capital	1,679,503	3,122,375	1,312,676	2,038,185
Total Income	1,637,932	1,060,875	1,763,514	1,487,440
Net Operating Income	569,001	302,815	536,583	469,466
Pass-Through Receivables	29,380,335	31,579,979	32,499,115	31,153,143

The previous CRA evaluation dated April 30, 2001 rated the bank "Satisfactory."

DESCRIPTION OF ASSESSMENT AREA

HSBC Nevada is headquartered in Las Vegas, Nevada, a world famous vacation, entertainment, and gaming center. Tourism and the overall entertainment industry drive the economy in this assessment area as well as the entire state. Major employers include hotels, gaming, and service-related industries; government; retail trades; mining, manufacturing, and agriculture.

HSBC has designated its assessment area (AA) as the census tracts that generally encompass Las Vegas, North Las Vegas and Henderson. The AA has 320 census tracts and is located within Clark County and the Las Vegas Metropolitan Statistical Area (MSA). The AA excludes twenty-five census tracts in the MSA. HSBC did not include those tracts that are furthest away from the bank. The AA meets the legal requirements of the CRA. The table on page 6 provides demographics of the AA based on 2000 U.S. Census Data.

The Las Vegas Valley has experienced phenomenal growth over the past decade and has a population of 1.3 million. According to the Las Vegas Master Plan 2020 submitted in 2005, the City of Las Vegas has experienced a 73 percent increase in growth over the last ten years bringing its current population to approximately 465 thousand. By the year 2020 the population of the city is expected to increase to roughly 800 thousand. The city's Downtown and older areas are experiencing deterioration, disinvestment and higher rates of vacancies as new communities have been built on the fringes of the city's boundaries, creating isolated, walled neighborhoods and dispersing higher income residents. Housing prices have appreciated significantly. The median home price of \$291 thousand as of the second quarter of 2005 is more than double the 2000 census median home price of \$144 thousand.

New businesses continue to move to the AA in record numbers. The favorable tax structure, abundant labor force, and close proximity to major western markets all contribute to the attraction of new businesses. The AA has over 105 thousand businesses and more than half have gross revenues of \$1 million or less. The businesses are primarily retail and service businesses with specialized financial needs.

Las Vegas has several community-based organizations with a community development purpose, particularly for small business development and affordable housing. Generally, these organizations have limited expertise in community development activities. The area has a critical shortage of affordable housing units. The area has seen a rapid influx of new residents. Housing prices and rents have increased substantially faster than income levels. Although there has been significant job growth, most of these jobs are in the service or retail sectors and are low paying, often without benefits. The city has a large volume of substandard housing. However developers have purchased and are planning to convert a significant number of these units into condominiums. A large population of homeless, many with chemical dependency, also puts pressure on city housing resources. These factors contribute to the overall housing need.

Virtually all community contacts commented on the lack of homes or rental units for the LMI population. They said that the area's rapid growth far exceeds the number of available housing units. Since most of the new jobs that attract people to come to the area are minimum wage jobs, there is a widening gap in the ability to afford single-family residences. Prices have been driven up by demand and a general shortage of housing units. There is a great need for affordable multi-family rental units to accommodate the increased population. Many contacts stated that there is a general lack of banking services within the city. Several commented on the need for start-up financing for small businesses. Some contacts stated that small business owners also need technical assistance from the financial institutions to understand basic banking and how to prepare a business plan.

Demographic Information for Full-Scope Area: Las Vegas Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	320	5.60	17.60	48.00	28.00	0.80
Population by Geography	1,317,375	3.47	16.21	47.29	32.89	0.14
Owner-Occupied Housing by Geography	287,276	0.96	9.33	46.67	43.04	0.00
Businesses by Geography	105,734	8.49	21.48	35.87	34.10	0.06
Farms by Geography	1,461	3.90	18.55	40.45	37.03	0.07
Family Distribution by Income Level	326,897	18.83	18.71	23.47	38.99	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	122,719	3.18	40.77	39.86	14.19	0.00
Median Family Income	52,482	Median Housing Value (2000) Unemployment Rate (BLS: Dec 2004)				\$144,382
HUD Adjusted Median Family Income for 2004	56,700					4.6%
Households Below the Poverty Level	10%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census, 2004 HUD updated MFI, and December 2004 Bureau of Labor Statistics.

SCOPE OF EXAMINATION

The bank's Community Reinvestment Act performance was compared to the goals set in the bank's strategic plan, dated December 26, 2001 and approved by the OCC May 9, 2002.

The plan covers the period of January 1, 2002 to December 31, 2006. For this performance evaluation, we reviewed community development activities from January 1, 2002 through December 31, 2004. We compared the level and nature of qualified investments, grants, and services to the goals set forth in the plan. At the bank's request, we also considered community development activities of an affiliate, Household Finance Corporation.

CONCLUSIONS

Community Development Investments and Grants

HSBC Nevada significantly exceeded the outstanding level of its investment goals for 2002, 2003, and 2004. The tables on page 9 compare actual performance in each of the years to the outstanding and satisfactory performance goals. The bank's investment activity includes placing certificates of deposit for community development purposes, providing contributions to non-profit organizations, and making donations to Consumer Credit Counseling Services (CCCS).

The strategic plan established a goal of \$6 million in new investments over the three-year evaluation period for an outstanding rating, which the bank accomplished. Combined with reinvestments of maturing investments, the bank placed \$18 million in certificates of deposits with other financial institutions during the evaluation period. These CDs went to fund loans for affordable housing projects resulting in the creation of over 330 affordable senior housing units. The CDs also helped fund a day care center targeted to children of low- and moderate-income individuals.

HSBC Nevada staff works with local nonprofits to identify appropriate community development projects and to arrange financing. When HSBC Nevada places a certificate of deposit with a full service bank, it also enters into a contract with the other bank requiring the funds be used to provide community development loans in the Las Vegas AA. HSBC Nevada accepts a lower rate of interest on the certificates of deposit allowing the lending bank to pass its savings on to the borrower.

The bank 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, education, and financial literacy.

Of note is the bank's participation in the annual scholarship drive to sponsor a university student with financial needs and support of Title One schools within their AA. The bank actively sponsors educational enrichment programs targeted specifically to LMI students in schools located in LMI areas.

Contributions include \$50 thousand to a local CCCS. The U.S. Department of Housing and Urban Development (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. Federal National Mortgage Corporation (FNMA) and Federal Home Loan Mortgage Corporation (Freddie Mac) have also certified the CCCS's 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, HSBC Nevada and its affiliate provide donations to CCCS organizations 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 – 2002 (\$000's)

	2002 SATISFACTORY GOAL (\$)	2002 OUTSTANDING GOAL (\$)	2002 ACTUAL (\$)
Investments			
Purchase of new investments using funds from investments maturing in 2002 (Reinvestments)	2,938	2,938	2,938
New Investments	1,000	2,000	2,342
Subtotal-New and Reinvestments	3,938	4,938	5,280
Previous Period Investments	5,354	5,354	5,354
Subtotal-Investments	9,292	10,292	10,634
Grants/Contributions	200	200	280
CCCS Fair Share Donations	10,000	13,500	22,425
TOTAL INVESTMENTS, GRANTS & CONTRIBUTIONS	19,492	23,992	33,339

Qualified Investments and Grants – 2003 (\$000's)

	2003 SATISFACTORY GOAL (\$)	2003 OUTSTANDING GOAL (\$)	2003 ACTUAL (\$)
Investments			
Purchase of new investments using funds from investments maturing in 2003 (Reinvestments)	1,100	1,100	1,100
New Investments	1,000	2,000	2,000
Subtotal-New and Reinvestments	2,100	3,100	3,100
Prior Period Investments	8,192	9,192	9,534
Subtotal-Investments	10,292	12,292	12,634
Grants/Contributions	220	220	346
CCCS Fair Share Donations	10,000	13,500	23,598
TOTAL INVESTMENTS, GRANTS & CONTRIBUTIONS	20,512	26,012	36,578

Qualified Investments and Grants – 2004 (\$000's)

	2004 SATISFACTORY GOAL (\$)	2004 OUTSTANDING GOAL (\$)	2004 ACTUAL (\$)
Investments			
Purchase of new investments using funds from investments maturing in 2004 (Reinvestments)	0	0	7,430
New Investments	1,000	2,000	2,090
Subtotal-New and Reinvestments	1,000	2,000	9,520
Prior Period Investments	10,292	12,292	5,204
Subtotal-Investments	11,292	14,292	14,724
Grants/Contributions	240	240	343
CCCS Fair Share Donations	10,000	13,500	21,905
TOTAL INVESTMENTS, GRANTS & CONTRIBUTIONS	21,532	28,032	36,972

Community Development Services

The bank demonstrated an excellent commitment to promoting community awareness of credit-related issues. To achieve an outstanding rating, the bank committed to providing 36 adult seminars, classes or radio shows, and 60 student financial education classes each year beginning 2002. The table below evidences the bank exceeded their financial services and education goals for 2002, 2003, and 2004.

COMMUNITY DEVELOPMENT SERVICES

CLASSES	SATISFACTORY GOAL		OUTSTANDING GOAL		ACTUAL	
	Adult	Student	Adult	Student	Adult	Student
2002	24	40	36	60	85	80
2003	24	40	36	60	74	72
2004	24	40	36	60	82	96

To meet the established goals, the bank's Educational Task Force created a series of financial education programs that are presented at the adult seminars and student classes. The bank produced a list of 56 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.

The bank also sponsored radio talk shows on local stations, instituted a second financial education radio show in Spanish, and increased the number of radio segments broadcasted. 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 radio stations indicate the majority of the listeners are low- and moderate-income.

Student programs designed to prepare children for their financial future were presented at five 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. Demographics indicate the majority of students are low- and moderate-income.

In addition to the bank employees who 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 21 qualified CD organizations. The CRA Officer also provides instruction for both adults and children and is instrumental in promoting employee involvement.

Compliance with Anti-discrimination Laws and Regulations

We found no evidence of illegal discrimination or other illegal credit practices during the current evaluation period.

During the current evaluation period, HSBC Nevada and the Office of the Comptroller of the Currency entered into a Formal Agreement to address discriminatory or other illegal credit practices that were identified in the prior evaluation period, which had an adverse impact on the bank's prior CRA rating. These practices were limited to the prior evaluation period and have no impact on bank's current CRA performance.