

# **PUBLIC DISCLOSURE**

JANAURY 22, 2001

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

HSBC BANK USA  
RSSD ID # 413208

ONE HSBC CENTER  
BUFFALO, NEW YORK

FEDERAL RESERVE BANK OF NEW YORK

33 Liberty Street  
New York, New York 10045

**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:** HSBC Bank USA is rated **“OUTSTANDING.”**

The following table indicates the performance levels of HSBC Bank USA (“HSBC”) with respect to the lending, investment and service tests.

PERFORMANCE LEVELS	HSBC BANK USA		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when determining the overall rating.

HSBC's level of compliance with the Community Reinvestment Act ("CRA") is based on an evaluation of the performance criteria for large retail institutions specified under the CRA. In summary:

**Performance under the lending test is rated "high satisfactory" based on the following findings:**

- The number of home purchase, refinance, home improvement and small business loans originated by the bank and its mortgage affiliate represented good responsiveness to the credit needs in the bank's assessment areas.
- The overall geographic distribution of housing and small business loans reflected good penetration throughout the assessment areas. The geographic distribution of multifamily loans, particularly in PMSA 5600 (New York, NY), enhanced this penetration.
- The distribution of loans among borrowers of different income levels and businesses of different sizes was good.
- The bank had an excellent level of community development loans, which totaled \$253 million.

**Performance under the investment test is rated "outstanding" based on the following finding:**

- The bank had an excellent level of qualified investments, which totaled \$129 million.

**Performance under the service test is rated "outstanding" based on the following findings:**

- HSBC's service delivery systems were readily accessible to all portions of the bank's assessment areas, particularly in more rural upstate New York where the need is greater than in other assessment areas.
- The bank was a leader in providing community development services throughout its assessment areas.

## DESCRIPTION OF INSTITUTION

HSBC Bank USA, formerly known as the Marine Midland Bank, is a full-service commercial bank based in Buffalo, New York. The institution is a wholly owned subsidiary of HSBC USA Inc., which is a part of HSBC Holdings PLC. Headquartered in London, HSBC Holdings is one of the world's largest banking and financial service organizations.

Since the previous CRA examination of Marine Midland Bank in 1998, HSBC expanded its market significantly as a result of two mergers in 1999. The company purchased First Commercial Bank of Philadelphia, which had assets of \$85 million, and Republic New York Bancorp, with consolidated assets of \$51 billion. With these acquisitions, Pennsylvania, Florida and California were added to HSBC's assessment areas. Republic Bank of California was not legally merged, however, until after the current examination period, thus excluding performance in this state from the evaluation.

As a result of the mergers, the bank's total assets more than doubled from an average of \$34 billion in 1999 to \$84 billion as of September 30, 2000. Net loans and leases of \$38.8 billion represented 46 percent of the bank's assets. The major component of the loan portfolio is real estate lending of \$21.3 billion (55 percent). Commercial loans and industrial loans represent \$11.2 billion (29 percent) and \$2.6 billion (7 percent), respectively.

Deposits of \$34.6 billion in domestic offices and of \$21.7 billion in foreign offices represented 76 percent of liabilities as of September 30, 2000. When ranked by total domestic deposits, HSBC is:

- the third largest bank in **New York State**, with a 7.84 percent deposit share as of June 30, 2000.
- ranked 228th in **Pennsylvania**, with less than one-tenth of 1 percent (.04 percent) deposit share.
- ranked 55<sup>th</sup> in **Florida** with less than two-tenths of 1 percent (.14 percent) deposit share.

Deposit rankings are based on data supplied by the Federal Deposit Insurance Corporation ("FDIC") for FDIC-insured institutions operating in each state as of June 30, 2000.

HSBC is a full-service retail institution offering a range of commercial and consumer lending products. As of September 30, 2000, the bank operated 439 retail branches, with 430 branches in New York State, 2 in Pennsylvania, and 7 in Florida. HSBC affiliates relevant to this examination include HSBC Mortgage Corporation USA ("HSBC Mortgage"), a residential mortgage lender and wholly owned subsidiary of the bank, and HSBC Community Development Corporation USA, also a wholly owned subsidiary of the bank.

HSBC's assessment areas include parts of New York, Pennsylvania and Florida. The bank's assessment areas in New York State make up 96 percent of the state's population and include a

portion of one Consolidated Metropolitan Statistical Area ("CMSA"), all or parts of 13 Primary Metropolitan Statistical Areas ("PMSAs") and Metropolitan Statistical Areas ("MSAs"), and all or parts of 21 counties located outside any MSA. In Pennsylvania the assessment area includes a portion of one PMSA, and in Florida the assessment areas include all or parts of three PMSAs.

HSBC identified the following CMSA, PMSA, MSA and non-MSA counties:

**NEW YORK**

- **CMSA 5602 (New York-Northern New Jersey-Long Island, NY-NJ-PA-CT)**, consisting of:
  - PMSA 5600 (New York, NY),
  - PMSA 5380 (Nassau-Suffolk, NY),
  - the New York State portion of PMSA 5660 (Newburgh, NY-PA),
  - PMSA 2281 (Dutchess, NY).
  
- **MSA 1280 (Buffalo-Niagara Falls, NY)**.
  
- **MSA 6840 (Rochester, NY)**, consisting of Genesee, Livingston, Monroe, Orleans and Wayne Counties, and a portion of Ontario County.
  
- **MSA 8160 (Syracuse, NY)**, consisting of Onondaga and Oswego Counties, and portions of Cayuga and Madison Counties.
  
- **MSA 0160 (Albany-Schenectady-Troy, NY)**, consisting of Saratoga and Schenectady Counties, and portions of Albany, Montgomery and Rensselaer Counties.
  
- **MSA 8680 (Utica-Rome, NY)**.
  
- **MSA 0960 (Binghamton, NY)**.
  
- **MSA 3610 (Jamestown, NY)**.
  
- **MSA 2335 (Elmira, NY)**.
  
- **MSA 2975 (Glens Falls, NY)**, consisting of portions of Warren and Washington Counties.

- **Non-MSA Group 1**, consisting of Jefferson, Lewis, St. Lawrence, Franklin and Clinton Counties, and portions of Essex, Hamilton and Fulton Counties.
- **Non-MSA Group 2**, consisting of portions of Otsego, Delaware, Sullivan, Ulster, Greene and Columbia Counties.
- **Non-MSA Group 3**, consisting of Cortland, Tompkins and Schuyler Counties, and portions of Steuben and Chenango Counties.
- **Non-MSA Group 4**, consisting of portions of Cattaraugus and Wyoming Counties.

#### STATE OF PENNSYLVANIA

- **PMSA 6160 (Philadelphia, PA)**, consisting of Philadelphia and Delaware Counties, and a small portion of Montgomery County.

#### STATE OF FLORIDA

- **PMSA 5000 (Miami-Dade, FL)**.
- **PMSA 2680 (Fort Lauderdale, FL)** ), consisting of Broward County.
- **PMSA 8960 (West Palm Beach-Boca Raton, FL)**, consisting of portions of Palm Beach County.

Since the previous examination, HSBC has expanded the number and size of its assessment areas in New York State to include Steuben, Columbia and Fulton Counties, additional parts of Ontario County in MSA 6840 (Rochester, NY), and parts of Ulster, Hamilton, Cayuga and Schuyler Counties. The bank reduced portions of assessment areas in Cattaraugus, Madison, Warren, Rensselaer, Albany and Sullivan Counties where there were no nearby branches. The bank is in compliance with the requirements of Section 228.41 of Regulation BB and does not arbitrarily exclude any low- and moderate-income ("LMI") geographies.

The October 5, 1998, CRA examination of Marine Midland Bank resulted in an overall rating of "satisfactory." There are no financial or legal factors that would keep HSBC from fulfilling its responsibilities under the CRA.

The following maps illustrate HSBC's assessment areas:



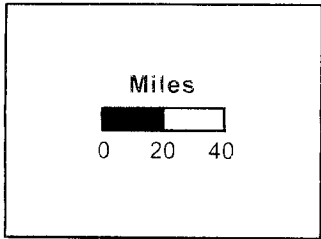
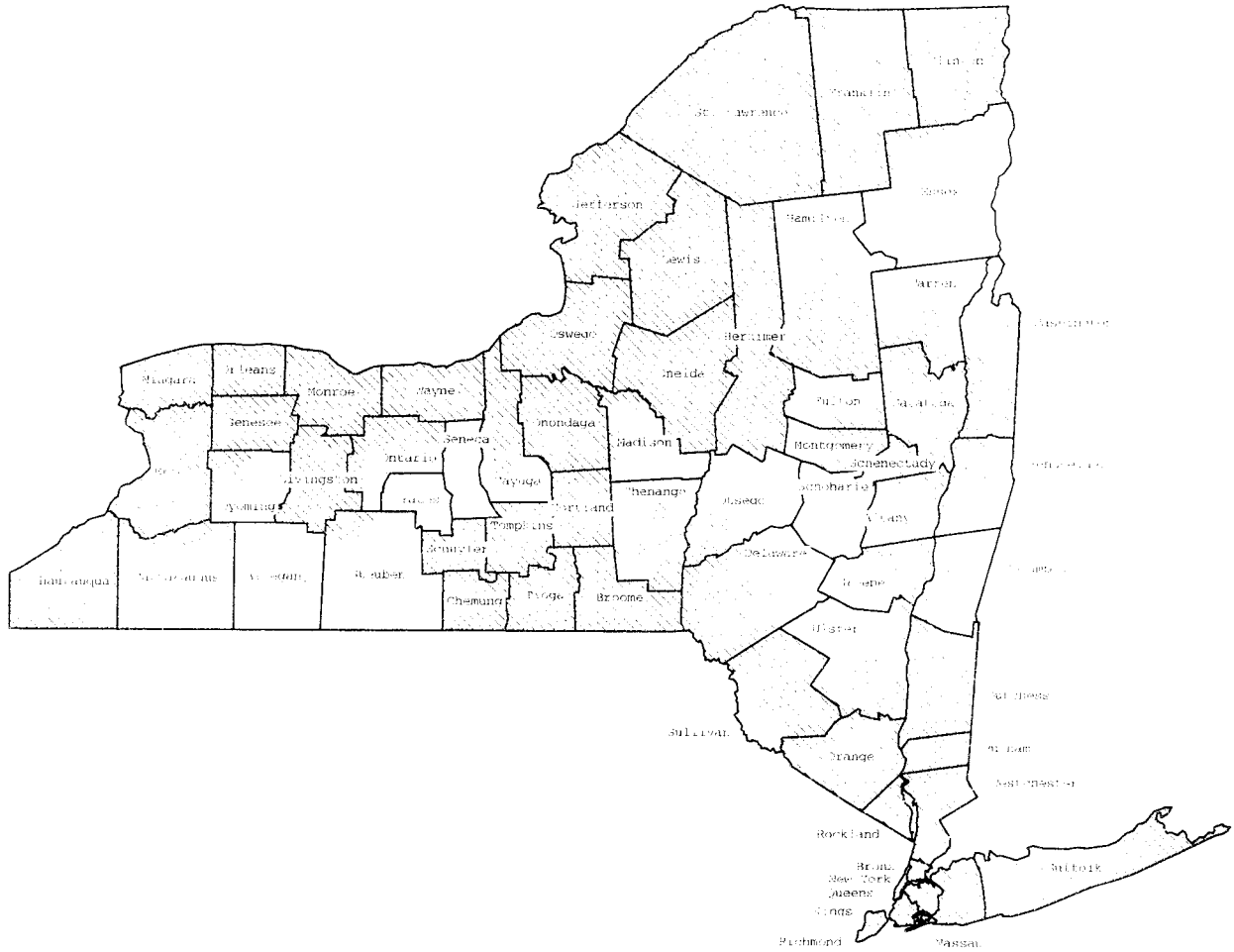
# HSBC BANK USA

## Assessment Area - New York

January 1, 1999 through September 30, 2000

**Legend**

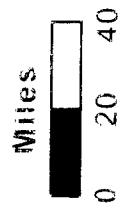
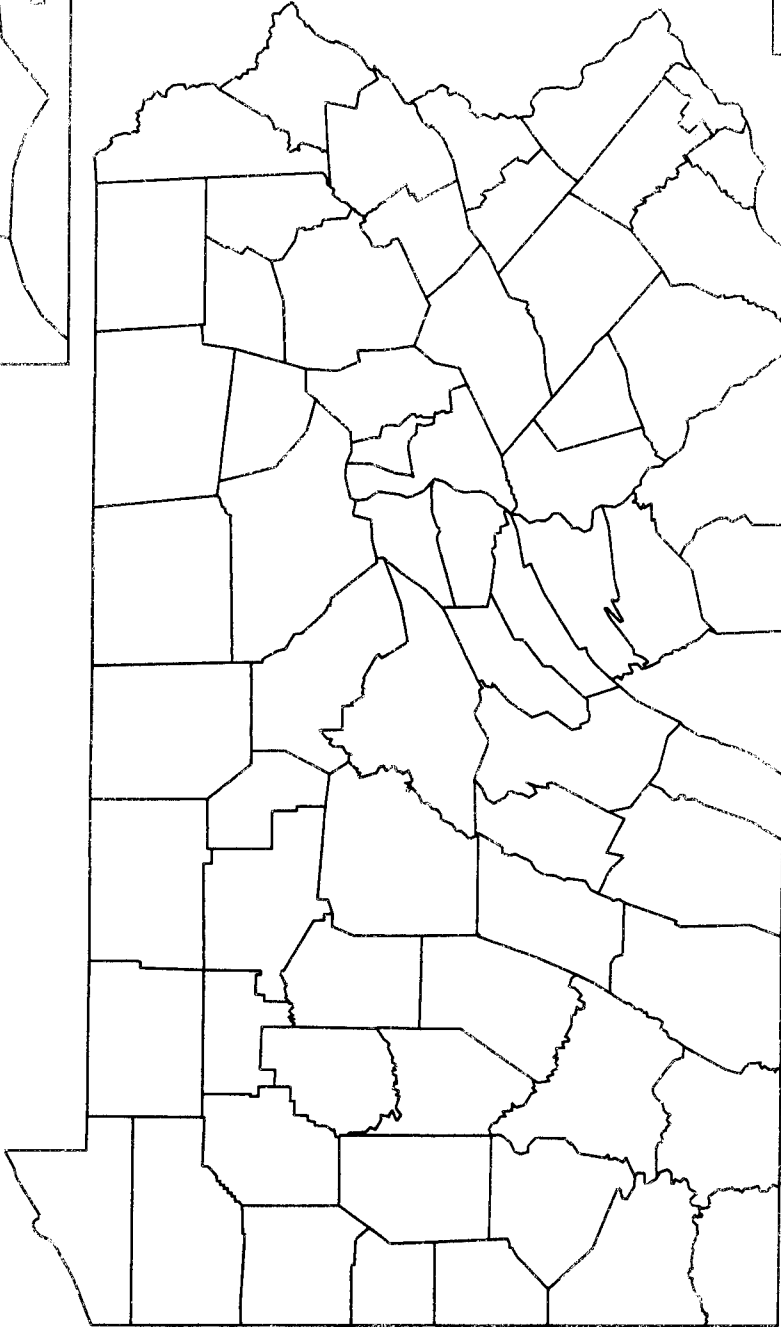
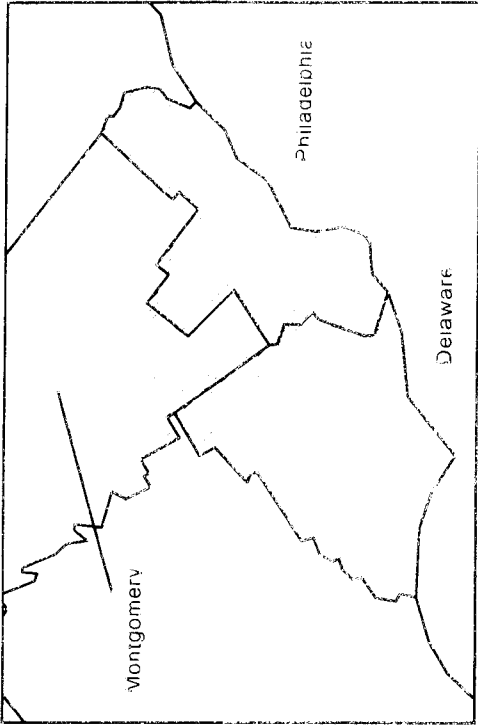
- Counties
- ▨ Assessment Area



# HSBC Bank USA

## Assessment Area - Pennsylvania

January 1, 2000 through September 30, 2000



### Legend

-  Counties
-  Assessment Area

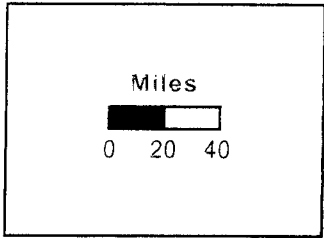
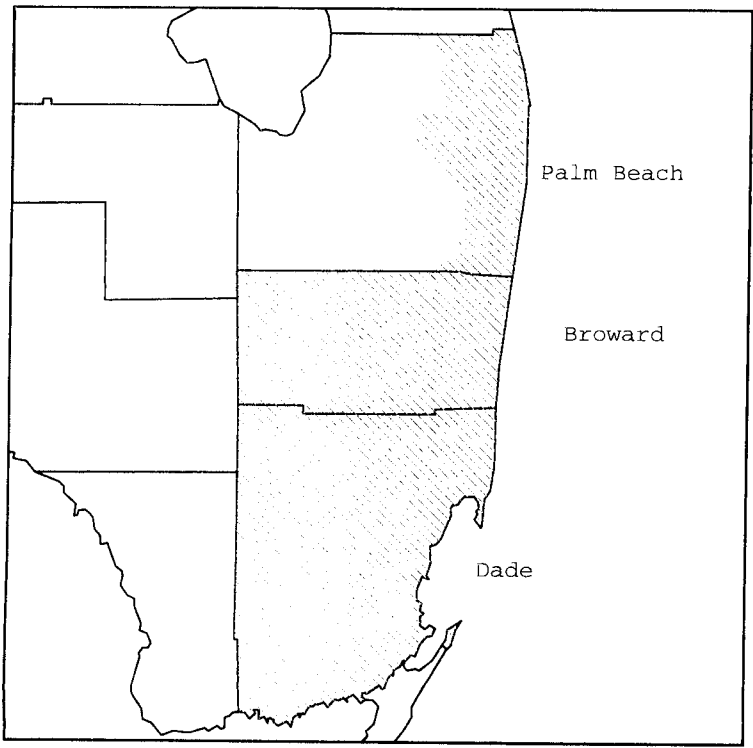
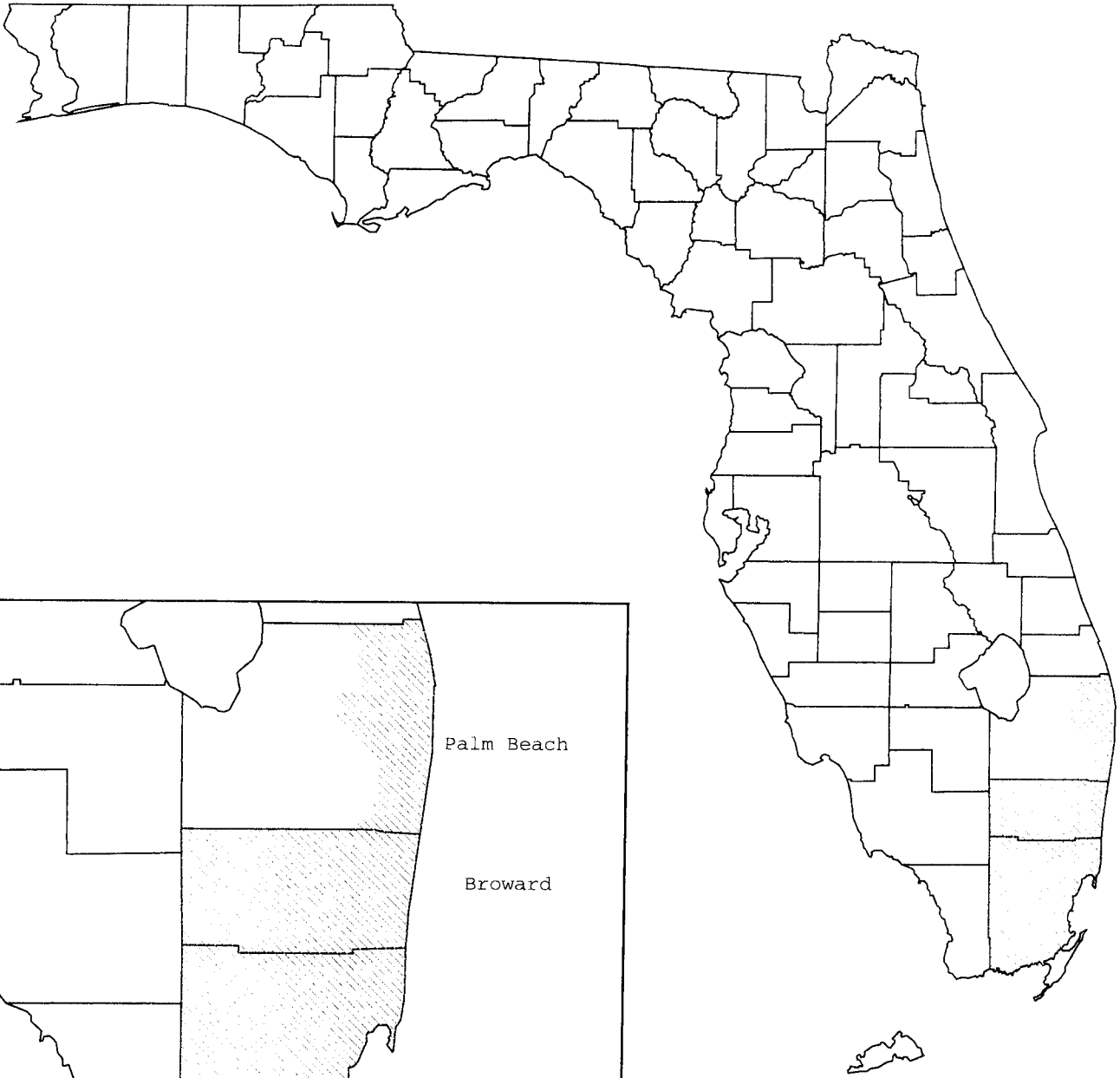
# HSBC Bank USA

## Assessment Area - Florida

January 1, 2000 through September 30, 2000

**Legend**

- Counties
- ▨ Assessment Area



## SCOPE OF EXAMINATION

A review of HSBC's performance in the bank's assessment areas in New York, Florida and Pennsylvania was conducted using the *Interagency Procedures and Guidelines for Large Retail Institutions*. As a result of higher concentrations of branches, deposits and lending activity, full review procedures were applied to the following assessment areas: the New York State portion of CMSA 5602, MSA 1280 (Buffalo-Niagara Falls, NY), MSA 6840 (Rochester, NY), MSA 8160 (Syracuse, NY), and the non-MSA counties in Group 1<sup>1</sup>. Examiners also conducted a full review of the bank's performance in PMSA 6160 (Philadelphia, PA) and PMSA 5000 (Miami-Dade, FL). Although the bank's presence is very small in both states, the procedures require a full review of at least one assessment area in each state where the institution has branches.

Overall conclusions regarding the bank's CRA rating were based primarily on performance in these areas. A limited review was conducted for the bank's remaining assessment areas, described on pages BB4 and BB5.

The evaluation covered HSBC's CRA performance between January 1, 1999, and September 30, 2000, and it included a review of the following loan types reported under Regulation C-Home Mortgage Disclosure Act ("HMDA"): home purchase, refinancing, home improvement, multifamily; and under Regulation BB-CRA: small business, and community development loans. Activities related to the investment and service tests for the same period were also included in the evaluation. Because the merger with Republic Bank took place at the end of 1999, Republic's lending, services and investments, except for its low-income housing tax credit ("LIHTC") investments, for that year were excluded from the evaluation.

HSBC's affiliate, HSBC Mortgage, was responsible for originating the home purchase loans and refinancings included in the review, while the bank originated home improvement, multifamily and small business loans. Among the mortgage products, refinance lending was given less weight because of the rate-sensitive nature of this product. In order to evaluate the geographic distribution of loans, geographies were classified on the basis of the U.S. Census Bureau's 1990 Census. The distribution of loans to borrowers of different income levels was determined based on 1999 and 2000 median family income data as estimated by the U.S. Department of Housing and Urban Development ("HUD").

Examiners met with nine community contacts for this examination and used community contact information obtained during other examinations conducted in the bank's assessment areas. The contacts included community-based organizations, consumer groups, and quasi-government agencies.

As part of the CRA examination, examiners verified the integrity of the small business data reported by the bank in 1999 and 2000 as well as data reported under HMDA for those years. While it was determined that HMDA information was accurate, errors were found in small business reporting for both years. Management corrected the data used at this examination. The bank's public file contains corrected information for both years.

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<sup>1</sup> Jefferson, Lewis, St. Lawrence, Franklin and Clinton Counties, and portions of Essex, Hamilton and Fulton Counties.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

HSBC's record of meeting the credit needs of its assessment areas through its lending performance is rated "high satisfactory."

**Lending Activity:** Lending activity reflected a good response to assessment area credit needs. During the examination period, HSBC and its mortgage affiliate originated 62,656 loans totaling approximately \$7.3 billion, as described in the table below. HSBC Mortgage was responsible for 47 percent of all loans and 50 percent of the corresponding dollar value. Of total activity, 55 percent of the number and 54 percent of the dollar value were HMDA-related loans. Over 98 percent of total lending activity in the bank's assessment areas occurred in New York State.

<b>EXHIBIT 1</b>				
<b>Summary of Lending Activity</b>				
<b>HSBC and Affiliates</b>				
<b>January 1, 1999 – September 30, 2000</b>				
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
HMDA home purchase	18,946		\$2,506,873	
HMDA refinancings	10,260		1,140,826	
HMDA home improvement	5,236		41,069	
HMDA multifamily	179		256,627	
<b>Total HMDA-related</b>	<b>34,621</b>	<b>55</b>	<b>\$3,945,395</b>	<b>54</b>
<b>Total small business</b>	<b>28,035</b>	<b>45</b>	<b>\$3,321,074</b>	<b>46</b>
<b>TOTAL LOANS</b>	<b>62,656</b>	<b>100</b>	<b>\$7,266,469</b>	<b>100</b>

Note: Affiliate loans include only loans originated within the bank's assessment areas.

The bank's special loan programs, Home 97 and Community Works (which are available throughout New York, Pennsylvania and Florida), enhanced responsiveness to the credit needs of the assessment areas. These programs provide flexible lending criteria, including down payment assistance, and expanded debt ratios for LMI borrowers and/or borrowers in LMI tracts who meet certain income criteria. In addition, certain programs offered in response to specific assessment area credit needs are noted in the respective assessment area discussions.

Management indicated that most home improvement credit needs are financed through the bank's home equity product lines and are therefore not categorized as home improvement loans for the purpose of HMDA reporting.

**Assessment Area Concentration:** A high percentage of the bank's loans were originated within the assessment areas. As previously noted, the bank's originations are limited to home improvement, multifamily and small business loans, and they include less than 2 percent of the total home purchase and refinance credit extended. The bank's mortgage affiliate financed home purchase loans and refinancings, which are not considered when analyzing the percentage of the bank's lending in its combined assessment areas.

Specifically, 90 percent of the number and 79 percent of the dollar value of the bank's loans were originated within its assessment areas, as shown below.

<b>EXHIBIT 2</b>								
<b>Lending Inside and Outside The Assessment Area</b>								
<b>January 1, 1999 – September 30, 2000</b>								
	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
HMDA home purchase	95	82	4,204	60	21	18	2,764	40
HMDA refinancings	426	95	14,863	95	25	5	866	5
HMDA home improvement	5,229	95	40,619	94	273	5	2,482	6
HMDA multifamily	179	75	256,627	57	59	25	192,200	43
<b>Total HMDA-related</b>	<b>5,929</b>	<b>94</b>	<b>316,313</b>	<b>62</b>	<b>378</b>	<b>6</b>	<b>198,312</b>	<b>38</b>
<b>Total small business</b>	<b>28,035</b>	<b>90</b>	<b>3,321,074</b>	<b>81</b>	<b>3,279</b>	<b>10</b>	<b>783,989</b>	<b>19</b>
<b>TOTAL LOANS</b>	<b>33,964</b>	<b>90</b>	<b>3,637,387</b>	<b>79</b>	<b>3,657</b>	<b>10</b>	<b>982,301</b>	<b>21</b>

**Geographic Distribution of Lending and Borrower Characteristics:** Overall, the geographic distribution of loans across census tract income levels was good. Distribution was particularly strong in the small business loan category. The distribution of multifamily loans in HSBC's assessment areas enhanced the distribution of the bank's other HMDA-related loans. The impact of multifamily loans was most important in PMSA 5600 (New York, NY) where 63 percent of occupied housing units are rentals.

The overall distribution of loans among borrowers of different income levels and businesses of different sizes was good when considering performance context issues with respect to HMDA-related lending. Within most of the assessment areas, housing prices are disproportionately high in comparison with income levels, making homeownership difficult for most LMI borrowers.

**Community Development Lending:** The bank's overall level of community development loans during the examination period was excellent given the timing of the Republic acquisition, which doubled the bank's assets. Overall, community development loans totaled \$253 million. Of the total, 69 percent of loans (\$175 million) were directed toward affordable housing initiatives, a pressing need in the bank's assessment areas. Approximately \$34 million or 13 percent was directed to economic development and \$33 million or 13 percent to community services. Many of the community development loans were complex in nature requiring coordination with multiple government agencies. An additional \$11 million or 5 percent of community development lending was directed toward revitalization and stabilization efforts.

## **INVESTMENT TEST**

The bank's performance under the investment test is rated "outstanding." Overall investments during the examination period totaled \$129 million. Investments primarily included complex LIHTCs that help to provide affordable rental housing. This is considered very responsive to an important need in the bank's assessment areas, particularly in CMSA 5602 where housing shortages are acute. Overall, investments directed to affordable housing initiatives totaled \$123 million or 95 percent of the total, while economic development initiatives totaled \$4 million (3 percent) and community service investments totaled \$2 million (2 percent).

## **SERVICE TEST**

HSBC's performance under the service test is rated "outstanding." Delivery systems, as well as alternative delivery systems such as automated teller machines ("ATMs") and telephone and computer banking, were readily accessible to all portions of the assessment areas. In addition, HSBC Mortgage maintained loan origination offices in the assessment areas staffed by employees with specialized expertise. The bank's record of opening and closing branches was good and did not adversely affect particular segments of the bank's assessment areas. Business hours were reasonable, and services were offered consistently throughout the branch network.

The level of community development services was very good. The services included seminars, technical assistance, and participation in the affordable housing initiatives of the Federal Home Loan Bank of New York ("FHLB") and the Urban Bankers Coalition's New Horizons Training and Career Development Program ("New Horizons").

## **COMPLIANCE WITH FAIR LENDING LAWS**

No credit practices were identified that violated the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, the Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.

## NEW YORK STATE

### **CRA RATING FOR NEW YORK STATE: "OUTSTANDING."**

*The lending test is rated: High satisfactory.*

*The investment test is rated: Outstanding.*

*The service test is rated: Outstanding.*

HSBC's outstanding rating on its performance in New York State overall is based on the following summary conclusions:

#### **LENDING TEST**

- HSBC exhibited good responsiveness to the credit needs in its assessment areas, taking into account the number and dollar amount of home purchase, refinance, home improvement, multifamily and small business/small farm loans originated in its assessment areas.
- The overall geographic distribution of home purchase, refinance, home improvement, multifamily, and small business loans reflected good penetration throughout the assessment areas.
- The overall distribution of loans among borrowers of different income levels and businesses of different sizes was good when considering performance context issues with respect to HMDA-related lending.
- An excellent level of community development lending was noted in HSBC's assessment areas.

#### **INVESTMENT TEST**

- HSBC had an excellent level of qualified investments and exhibited a high level of responsiveness to community development needs.

#### **SERVICE TEST**

- The bank's delivery systems were readily accessible to all portions of the bank's assessment areas, particularly in the upstate assessment areas where branch presence was very strong.
- The bank was a leader in providing community development services throughout its assessment areas.



## SCOPE OF EXAMINATION

HSBC's CRA activities in lending, investments and services in New York State between January 1, 1999, and September 30, 2000 were included in the evaluation. Because of the higher concentration of branches, deposits and lending activity, full review procedures were applied to the following assessment areas: the New York State portion of CMSA 5602 (New York-Northern New Jersey-Long Island, NY-NJ-PA-CT), MSA 1280 (Buffalo-Niagara Falls, NY), MSA 6840 (Rochester, NY), MSA 8160 (Syracuse, NY), and the non-MSA counties in Non-MSA Group 1<sup>2</sup> (northern New York State). Overall conclusions regarding the bank's CRA rating in the state were based primarily on performance in these assessment areas. A limited review was conducted for the bank's remaining New York State assessment areas.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK STATE

The assessment areas include most of the state and contain substantially all HSBC operations, and thus performance in New York State is weighted heavily in the overall CRA evaluation. The bank has defined 14 assessment areas in the state including PMSAs, MSAs and non-MSA counties. (The list of the New York assessment areas begins on page BB4.)

As of June 30, 2000, HSBC's deposits in the state totaled \$34.8 billion, which is 7.84 percent of the state's deposits and the third largest deposit market share in the state. Approximately 67 percent or \$23.2 billion of the bank's branch deposits are in CMSA 5602.

As of September 30, 2000, HSBC operated 430 retail branches in the state, an increase from the bank's 351 branches as of June 30, 1999, resulting from the Republic merger. The New York State branches represent 98 percent of the bank's full branch network as well as the largest branch network of any banking institution in the state. Nearly half of the branches (206) are located in CMSA 5602. Of the total HMDA-related and small business loans evaluated during the examination period, 61,892 or 99 percent were originated in New York State.

The population of HSBC's assessment areas in the state is approximately 18 million, according to the 1990 Census. Almost 50 percent or 8.5 million are concentrated in PMSA 5600 (New York, NY). The second largest concentration, approximately 15 percent, is found in PMSA 5380 (Nassau-Suffolk, NY), followed by MSA 1280 (Buffalo-Niagara Falls, NY) with 7 percent.

For 2000, the HUD adjusted median family income is \$56,100. The HUD adjusted income ranges from \$76,500 in PMSA 5380 (Nassau-Suffolk, NY) to \$38,400 in MSA 3610 (Jamestown, NY).

The impact of economic trends in the past decade has varied considerably across New York State. The upstate economy accounts for approximately one-third of the state economy, and it experienced a prolonged downturn throughout most of the 1990s. Declines in manufacturing jobs were insufficiently offset by gains in lower-paying sectors such as service and retail. In contrast, most downstate areas experienced significant growth, especially in financial and business

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<sup>2</sup> Jefferson, Lewis, St. Lawrence, Franklin and Clinton Counties, and portions of Essex, Hamilton and Fulton Counties.

services, tourism and new construction, all of which led to strong employment. Toward the end of 1999, the upstate economy had also begun to improve, with the highest job gains recorded in services. Still, lending to low-income borrowers in numbers that reflect their demographic percentage in all the assessment areas was challenging because of the high cost of housing in downstate areas and the high property tax rates and aging housing stock in upstate markets.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK STATE

### LENDING TEST

HSBC's performance under the lending test is rated "high satisfactory." The bank's lending levels reflected good responsiveness to the credit needs in its assessment areas. The geographic distribution of loans reflected good penetration throughout the assessment areas, and the distribution of loans reflected good penetration among borrowers of different incomes and businesses of different sizes. The bank's level of community development loans was also excellent.

**Lending Activity:** Lending activity reflected good responsiveness to assessment area credit needs in relation to the bank's capacity and performance context issues. Approximately 39 percent of total loan activity in the state occurred in CMSA 5602.

The bank and its mortgage affiliate originated 61,892 loans during the examination period totaling approximately \$7.2 billion. In New York, 55 percent of the number of loans and 54 percent of the dollar volume of loans were HMDA-related. Activity in the New York assessment areas represented 99 percent of all HMDA-related lending and 99 percent of all small business lending included in the analysis of HSBC at this examination. Of the HMDA-related loans included in the analysis in New York, 54 percent were home purchase loans.

**Geographic Distribution of Lending and Borrower Characteristics:** Overall, the geographic distribution of HMDA-related and small business loans across census tract income levels was good, with particularly strong distribution in the small business loan category. The overall distribution of loans among borrowers of different income levels and businesses of different sizes was good when considering performance context issues with respect to HMDA-related lending. Within the New York downstate assessment areas, housing prices are disproportionately high in comparison with income levels, making homeownership difficult for most LMI borrowers.

**Community Development Lending:** The bank's level of community development lending during the examination period was excellent. Community development loans totaled \$244 million, of which \$194 million or 80 percent were issued since the previous examination. In addition, HSBC issued \$90 million in letters of credit to support the development of 145 affordable housing units in CMSA 5602.

Most of the community development lending was concentrated in CMSA 5602 where loans totaled \$175 million or 72 percent and were targeted to affordable housing efforts. Loans for affordable housing included \$54 million in multifamily loans in LMI census tracts that provided over 2,787 units of affordable housing. Community development lending activity also included \$29 million in indirect loans to financial intermediaries that provide funds on a statewide basis. These financial intermediaries have provided for the construction and rehabilitation of over 14,156 units of affordable housing.

The bank allocated \$11 million or 5 percent of the community development loan funds toward revitalization and stabilization. Many of the community development loans were complex in nature and required coordination with multiple government agencies.

## **INVESTMENT TEST**

Performance under the investment test is rated "outstanding." Exhibiting strong responsiveness to credit and community development needs, HSBC maintained an excellent level of qualified community development investments. The bank's investments were directed to organizations involved in affordable housing, economic development and community services.

The bank's high level of investments in New York State totaled \$128.5 million. This amount includes \$97 million in direct investments and an additional \$32 million through various agencies that support affordable housing throughout the mid-Atlantic region, including New York State.

Most of the \$97 million in investments (\$61 million) were in the New York portions of CMSA 5602. Approximately 90 percent of the investments in the state (\$88 million) were directed to agencies that support the development of affordable housing, a primary credit need in the bank's assessment areas.

HSBC also contributed close to \$3 million in charitable grants and deposits to organizations supporting community development projects and programs.

The bank contributed to affordable housing through its wholly owned subsidiary, HSBC Community Development Corporation ("CDC"). The CDC acted as both developer and contractor in the construction of 25 affordable housing units valued at \$2 million in the Rochester and Buffalo areas. The bank's establishment of the CDC represents a unique and innovative use of a complex investment to support community development initiatives by means of mechanisms not routinely used by private investors.

The bank's financial support for Riverside High School in Buffalo is also considered an investment not routinely provided by other banks. The school is located in an LMI geography in Buffalo primarily serving LMI families. Among the resources the bank has committed to the school are state-of-the-art computers and business software.

HSBC also provided \$4 million for economic development investments primarily through local community development financial institutions ("CDFIs"), which provide direct loans to very small businesses. Working with CDFIs helps to meet small business credit needs, which were identified as an important community need throughout the state.

## **SERVICE TEST**

HSBC's performance under the service test is rated "outstanding." Delivery systems were readily accessible when primary consideration is given to performance in the upstate New York assessment areas, where the need for commercial banking service providers is most important because of the economic conditions there. Alternative delivery systems such as ATMs, telephone banking, computer banking and affiliate mortgage offices also were accessible. The bank's record of opening and closing branches was good and did not adversely affect any portion of the assessment areas. Business hours were reasonable, and services were offered consistently throughout the various branches.

The level of community development services was very good. The bank's services included technical assistance, seminars, and participation in the FHLB's Affordable Housing Programs ("AHP") and in the New Horizons welfare-to-work and career development program. Riverside High School students in Buffalo also participate in bank-sponsored mentoring programs and internships. Under the AHP, the bank supported a number of affordable housing organizations by successfully competing for funds to construct and rehabilitate housing developments targeted to very low-, low-, and moderate-income individuals and families. Once the funds are obtained, HSBC disburses and monitors the FHLB subsidies for the approved housing developments. In 1999, HSBC had 11 projects approved under the AHP to provide approximately 290 units of affordable housing in the bank's assessment areas. In 2000, 16 projects (out of 18 applications submitted by HSBC) were approved for approximately 730 affordable housing units.

In addition, HSBC is active in the First Home Club Program, also sponsored by the FHLB. This program is directed to first-time home buyers in the same income categories as the AHP. The bank administers savings accounts that receive matching funds from the FHLB in amounts based on the level of the account holder's deposits. First Home Club programs are initiated in conjunction with local community organizations. During the examination period, the bank enrolled approximately 350 savers in the program with the assistance of various community partners. As of December 31, 2000, HSBC maintained 529 First Home Club accounts.

Participating in New Horizons, HSBC has provided training and job opportunities in banking and finance for young people, displaced homemakers, dislocated workers, and public assistance recipients. Community-based sources and government agencies such as the New York City Department of Employment refer individuals to New Horizons. Programs are offered for teller training, customer service, part-time employment, job readiness skills, internships, and mentoring. During the examination period, these programs provided several hundred individuals with job training and job placement.

## METROPOLITAN AREA

### CMSA 5602

(NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-PA-CT)

#### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE CMSA

As of September 30, 2000, HSBC operated a network of 206 branches and 335 ATMs in the CMSA. These branches accounted for \$23.2 billion in deposits, or 67 percent of the bank's total branch deposits in New York State as of June 30, 2000.

#### PERFORMANCE CONTEXT

HSBC's performance in CMSA 5602 was evaluated in terms of the economic, demographic and competitive context in which the bank operates. The CMSA is a very competitive financial marketplace where many non-financial institution lenders compete with local as well as multinational banks operating in the area.

Based on information reported to the FDIC on June 30, 2000, HSBC's branch deposits represent 6 percent of all bank branch deposits in the CMSA, up from 3 percent on June 30, 1999. For 1999, HSBC had 3 percent of all reported small business loans and 3.4 percent of reported HMDA-related home purchase loans and refinancings in the CMSA. These figures do not include Republic's lending activity since Republic did not merge with HSBC until the end of 1999. American Express Centurion Bank and Capital One, FSB, dominate the small business loan market, representing 23 percent of all reported small business loans in 1999. Of financial institution lenders, the Chase Manhattan Bank was the market leader with 9 percent of reported loans. Leaders in the HMDA-related lending market include Chase (4.7 percent), Norwest Mortgage (4 percent), and Standard Federal Bank (4 percent).

Demographic and economic data also have an impact on the bank's performance context, as discussed below. Information was obtained from publicly available sources including HUD, the U.S. Department of Commerce's Bureau of the Census, 1990, the U.S. Department of Labor, the New York State Department of Labor, and the New York Times.

#### Demographic Characteristics

According to the 1990 Census, the population of the New York portion of CMSA 5602 is approximately 11.7 million. The largest concentration is found in PMSA 5600 (New York, NY) with 8.5 million, or 72.7 percent of the CMSA population. The second largest concentration, approximately 22 percent, is in PMSA 5380 (Nassau-Suffolk, NY). These two PMSAs make up nearly 95 percent of the population in the CMSA 5602 assessment area of the bank. The remaining 5 percent is in PMSA 5660 (Newburgh, NY) with 3 percent, and PMSA 2281 (Dutchess, NY) with 2 percent.

Income Characteristics

The 1990 median family income for CMSA 5602 is \$42,576, higher than the \$37,515 median income of PMSA 5600 (New York, NY), but lower than the median incomes of the other PMSAs included in this assessment area. For 2000, the HUD adjusted income ranged from \$76,500 in PMSA 5380 (Nassau-Suffolk, NY) to \$54,400 in PMSA 5660 (Newburgh, NY). Based on the 1990 Census, 951 of the geographies used in the analysis, or 30 percent, are LMI. Seventy-seven percent of the LMI geographies are located in PMSA 5600. The 1990 Census also indicates that approximately 41 percent of families residing in this assessment area are upper-income, 21 percent are middle-income, 16 percent are moderate-income, and 23 percent are low-income. Approximately 11 percent of the families subsist below the poverty level.

Housing Characteristics

According to the 1990 Census, the assessment area has 4.6 million housing units, which includes 1.9 million owner-occupied units (41 percent). Of these, approximately 203 thousand (10.7 percent) are located in LMI geographies. Rental units total 2.4 million, or 52 percent, while 7 percent of all units are vacant. About 30 percent of the housing units are single-family, 23 percent are two- to four-family units, and 46 percent are multifamily units (five or more).

The 1990 Census puts the median housing value in CMSA 5602 at \$190 thousand, well above the median housing value of \$130 thousand for the state, but below the 2000 median sales prices of \$208 thousand for the CMSA. In the downstate New York market, the very high cost of housing compared with the incomes of potential low-income borrowers is the most significant obstacle to homeownership. As of 1999, the median housing values in PMSA 5600's eight counties are 3 to 6.1 times greater than the median family income. For low-income borrowers, whose income is less than 50 percent of the median family income, housing prices are prohibitive.

Community contacts noted a pressing need in this assessment area for affordable housing, particularly multifamily rentals. The lack of housing for LMI individuals was cited as another obstacle. Loans to rehabilitate or purchase/rehabilitate housing, both single and multiple units, are also a necessity.

Labor, Employment and Economic Characteristics

The impact of economic trends in the past decade has varied substantially by region across the state. Much of the downstate area in CMSA 5602 experienced significant growth as global demand for financial market services increased and the commercial real estate market expanded rapidly.

The primary job-generating industries are services, wholesale and retail trade, and finance/insurance/real estate. By the end of 1999, the private sector job count had expanded more rapidly in downstate New

Unemployment Rates in:	1999 %	2000 %
PMSA 5600 (New York, NY),	6.1	5.1
PMSA 5380 (Nassau-Suffolk)	3.5	3.2
PMSA 5660 (Newburgh, NY)	3.6	3.4
PMSA 2281 (Dutchess, NY)	3.7	3.3

York than the nation (2.8 percent compared with 2.4 percent). For the state as a whole, the unemployment rate between September 1999 and September 2000 was 4.6 percent, compared with 5.2 percent in September 1999. The change in unemployment rates in the various PMSAs during the same period is detailed in the table on the previous page.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CMSA 5602

### LENDING TEST

Performance in CMSA 5602 had the greatest impact on the bank's New York State rating. Lending performance here was good based on the following:

**Lending Activity:** HSBC's lending activity reflected a good response to credit needs in the CMSA 5602 assessment area, taking into account the number and dollar amount of HMDA-related loans (home purchase, refinance, home improvement and multifamily loans) and small business loans, as well as market presence, financial capacity and performance context.

For the examination period, HSBC and its mortgage company originated 24,257 HMDA-related and small business loans totaling \$3.9 billion. Approximately 58 percent of the loans were HMDA-related. Of HMDA-related loans included in the CMSA analysis, 63 percent were home purchase loans. Activity in the CMSA assessment area represented 41 percent of all HMDA-related lending and 36 percent of all small business lending analyzed for HSBC at this examination.

The CMSA assessment area contains 50 percent of the bank's total assessment area population, 47 percent of the branch network, and 66 percent of the institution's total deposits. Of the total number and dollar amount of loans in all assessment areas, 39 percent and 54 percent, respectively, were originated in CMSA 5602.

Most of the lending activity in the assessment area took place in the downstate counties. Within CMSA 5602, 62 percent of total lending activity took place in PMSA 5600 (New York, NY). PMSA 5600 accounted for 57 percent of HMDA-related lending activity and 69 percent of small business loans originated in CMSA 5602. In addition, of the 206 branches in CMSA 5602, 148 or 72 percent are located in PMSA 5600.

Home purchase activity was strong in PMSA 5380 (Nassau-Suffolk, NY) where lending in LMI geographies increased by more than 100 percent. HSBC showed excellent responsiveness to LMI housing needs with its participation in the multifamily market in support of financing for affordable housing units.

Loan volumes in the CMSA have increased 41 percent since the previous examination, in part because of the acquisition of Republic National Bank.

**Geographic Distribution of Lending:** The overall geographic distribution of HMDA-related and small business loans in the assessment area portion of CMSA 5602 was excellent. The volume of multifamily loans in this assessment area enhanced the lending activity. HSBC originated 161 multifamily loans in the assessment area (77 in LMI geographies), providing over 2,500 housing units. The impact of multifamily loans was greatest in PMSA 5600 (New York, NY) where 63 percent of occupied housing units are rentals. Seventy-six of the loans in LMI geographies were extended in PMSA 5600. For details, see Exhibits 3 through 6.

Lending in LMI geographies was also enhanced by the programs designed to assist particular credit needs in some of the LMI communities in CMSA 5602. These programs include Citihome III, Saratoga/Lionel Paynes, Freddie Mac Parkchester South Condos, and Malcolm Shabazz.

#### Home Purchase Loans

The geographic distribution of home purchase loans in LMI geographies was excellent when compared with the demographics of the assessment area. In 1999, however, HSBC's home purchase performance was below the aggregate of HMDA reporters in the assessment area. HSBC originated 9 percent of home purchase loans in LMI geographies in 1999, while aggregate lenders originated 13 percent. Performance improved in the first nine months of 2000. Home purchase volume increased by 28 percent largely because of the Republic merger.

Overall, 11 percent of loans were made in LMI geographies where 11 percent of owner-occupied units are located. Distribution was strongest in PMSA 5380 (Nassau-Suffolk, NY). Thirteen percent of home purchase loans were originated in LMI tracts where 12 percent of owner-occupied housing units are located. Performance was excellent in low-income tracts and good in moderate-income tracts. One percent of loans was made in low-income geographies where 1 percent of owner-occupied units are located. In moderate-income tracts, where 9 percent of owner-occupied units are located, the bank originated 9 percent of the home purchase loans. Performance was also strong in PMSA 5660 (Newburgh, NY), where 11 percent of home purchase loans were originated in LMI geographies, while 10 percent of owner-occupied housing units are located in these geographies.

#### Refinancings

The distribution of refinancings in the assessment area reflected adequate penetration in geographies with different income levels. During the examination period, 8 percent of refinancings were originated in LMI census tracts while 11 percent of owner-occupied housing units are located in LMI tracts. Distribution was weak in low-income tracts where less than 1 percent of refinancings were originated, while slightly more than 1 percent of owner-occupied housing units are located in such tracts. Distribution was good in moderate-income tracts where 7 percent of refinancings were originated, while 9 percent of owner-occupied units are located in LMI tracts. Distribution was strongest in PMSA 5380 (Nassau-Suffolk, NY) and PMSA 5660 (Newburgh, NY).

In 1999, performance was below the aggregate. HSBC originated 8 percent of refinancings in LMI geographies compared with 13 percent originated by the aggregate.



### Home Improvement Loans

The overall geographic distribution of home improvement loans was excellent. Fifteen percent of the loans were originated in LMI tracts where 11 percent of the area's owner-occupied housing units are located.

Distribution was excellent in LMI geographies. In low-income tracts, the bank originated 4 percent of home improvement loans, while 1 percent of owner-occupied housing units are located in these tracts. In moderate-income tracts, 11 percent of home improvement loans were originated where 9 percent of owner-occupied units are located. The geographic distribution was strongest in PMSA 5600 (New York, NY) and PMSA 5380 (Nassau-Suffolk, NY).

In 1999, HSBC's home improvement lending trailed the aggregate. Twelve percent of home improvement loans were extended in LMI areas, while aggregate lenders originated 31 percent. However, management indicated that most home improvement credit needs are financed through the bank's home equity product lines and are therefore not categorized as home improvement loans for the purpose of HMDA reporting.

### Small Business Loans

The geographic distribution of small business loans was excellent. Twenty-two percent of all small business loans were originated in LMI geographies where 21 percent of business establishments are located. Distribution was excellent in low-income tracts where 7 percent of small business loans were originated, and where 6 percent of business establishments are located. Distribution was also excellent in moderate-income geographies where 15 percent of small business loans were originated, and where 15 percent of business establishments are located. Distribution was strongest in PMSA 5380 (Nassau-Suffolk, NY) with small business lending in LMI geographies accounting for 15 percent of all small business loans, while 14 percent of business establishments are located in LMI geographies.

In 1999 HSBC's small business lending performance exceeded the aggregate's performance in this assessment area. The bank originated 23 percent of small business loans in LMI geographies while aggregate lenders originated 21 percent.

**Borrower Characteristics:** The overall distribution of loans among individuals of different income levels and businesses of different sizes was reasonable based on both the level of lending to moderate-income borrowers and the high housing costs with respect to income as detailed in the performance context discussion starting on page BB18. Conclusions regarding HMDA-related loan performance were based primarily on lending to moderate-income borrowers since the previously noted income gap generally puts homeownership beyond the reach of most low-income borrowers. In 1999 the earnings of low-income borrowers ranged from \$26,700 to \$40,300, depending on county. The average sales price during the examination period ranged from \$182 thousand to \$372 thousand, resulting in housing costs up to nine times income. The

distribution of loans among businesses of different sizes was adequate. For details, see Exhibits 7 through 10.

Programs from two agencies enhanced lending to borrowers of different income levels. The Community Homebuyer Program and the Freddie Mac Affordable Gold and Affordable Gold 97 Plus loan programs provide flexible lending criteria to LMI borrowers.

### Home Purchase Loans

HSBC's distribution of home purchase loans to borrowers of different income levels was good based on the high housing costs in this assessment area. For the examination period, 24 percent of home purchase loans were originated to LMI borrowers while LMI families represent 39 percent of the families in the assessment area. Exceeding the aggregate in 1999, HSBC extended 22 percent of home purchase loans to LMI borrowers as opposed to the aggregate's 18 percent.

Lending to moderate-income borrowers was excellent. The bank originated 21 percent of home purchase loans in this assessment area to moderate-income borrowers, while moderate-income families represent 16 percent of assessment area families. The bank also outperformed the aggregate of HMDA reporters by originating 19 percent of home purchase loans to moderate-income borrowers compared with the aggregate originations of 15 percent.

HSBC's home purchase lending to low-income borrowers was weak, but in 1999, the bank's level of lending was generally consistent with that of the aggregate of HMDA reporters. Thus, indicating the difficulty of offering home purchase loans to low-income individuals in this assessment area. During the examination period the bank originated 3 percent of home purchase loans to low-income borrowers while 23 percent of families in the assessment area are low-income.

### Refinancings

Overall, HSBC's distribution of refinance loans among borrowers of different income levels was adequate based on the performance context. The bank originated 18 percent of refinancings to LMI borrowers, while 39 percent of the families in the assessment area are LMI. In 1999 the bank trailed the aggregate in refinance lending to LMI borrowers, with aggregate lenders reporting LMI refinancings of 22 percent.

HSBC's refinancings to moderate-income borrowers reflected good distribution. The bank originated 14 percent of refinancings to moderate-income borrowers while 16 percent of the families in the assessment area are moderate-income. The bank's level of lending to moderate-income borrowers was slightly below the 16 percent originated by the aggregate.

The bank originated 3 percent of its refinancings to low-income borrowers while 23 percent of the families in the assessment area are low-income. However, the bank's lending to low-income borrowers was generally consistent with the aggregate. The bank level was 3 percent compared with an aggregate level of 5 percent.

Rising interest rates between late 1998 and late 2000, as well as substantial competition from subprime lenders, are significant factors when considering the poor level of refinancings to low-income borrowers. In addition, lack of liquidity available for closing costs makes refinance transactions more difficult for low-income borrowers.

#### Home Improvement Loans

HSBC's distribution of home improvement loans among borrowers of different income levels was excellent. Overall, the bank originated 38 percent of such loans to LMI borrowers, while 39 percent of the families in the assessment area are LMI. The bank's level of lending to LMI borrowers in 1999 was generally consistent with that of the aggregate. HSBC originated 35 percent of its home improvement loans to LMI borrowers while the aggregate originated 34 percent.

The bank's distribution of home improvement loans to moderate-income borrowers was excellent. Twenty-three percent of such loans were originated to moderate-income borrowers while 16 percent of the families in the assessment area are moderate-income. In addition, the bank in 1999 exceeded the aggregate level of lending to moderate-income borrowers; 23 percent compared with 20 percent for the aggregate.

Home improvement lending to low-income borrowers reflected adequate distribution and was generally consistent with the aggregate in 1999. During the examination period, the bank originated 15 percent of its home improvement loans to low-income borrowers, while 23 percent of the families in the assessment area are low-income.

#### Small Business Loans

HSBC's record of lending to businesses of different sizes in CMSA 5602 was adequate. Approximately 71 percent of small business loans reported by HSBC were for amounts of \$100 thousand or less. The average size of such loans was \$27 thousand. Approximately 57 percent of the bank's small business loans were made to businesses with gross annual revenues ("GAR") of \$1 million or less, while 85 percent of business establishments in the assessment area have GAR of \$1 million or less. Only 8 percent of the bank's small business loans did not indicate the revenue size of the borrower.

The bank's performance in 1999 lagged behind that of the aggregate of small business reporters in CMSA 5602. HSBC reported that 72 percent of small business loans were for amounts of \$100 thousand or less, compared with 87 percent for the aggregate. Of HSBC's reported small business loans, 49 percent were to businesses with GAR of \$1 million or less compared with 58 percent for the aggregate.

**Community Development Lending:** HSBC's community development lending performance in CMSA 5602 was very strong. A high percentage of this lending was concentrated in PMSA 5600 where commitments totaled \$175 million or 72 percent of New York State activity compared with \$85 million at the previous examination. In addition, HSBC issued \$90 million in letters of

credit to support the development of 145 units of affordable housing. Most of the bank's community development lending, \$157 million, was directed to affordable housing needs. The bank's community development lending activities helped in the construction or rehabilitation of more than 15 thousand affordable housing units.

Of the remaining community development loans, \$16 million was directed to economic development initiatives including loans to financial intermediaries to promote small business development and job creation, \$2 million was directed to community service needs, and \$4 thousand went to revitalization and stabilization efforts.

## **INVESTMENT TEST**

HSBC's performance under the investment test was very strong. During the examination period, the bank had qualified investments of \$61 million in this assessment area, representing 48 percent of the bank's total qualified investments. Investments included \$59 million for affordable housing development throughout New York City, \$1 million in investments to organizations promoting economic development, and \$1 million in charitable grants and donations to organizations promoting community service and affordable housing.

## **SERVICE TEST**

The bank's performance under the service test in CMSA 5602 was good.

### **Retail Services**

Overall, HSBC's branch network was accessible to essentially all portions of the CMSA assessment area. Of the 206 branch locations in the assessment area, 38 or 18 percent were in LMI census tracts where 30 percent of the population resides. These statistics are primarily influenced by PMSA 5600 (New York, NY) where branch distribution was reasonable but compared less favorably with demographics than in other PMSAs. Of the 148 branches located in that PMSA, 28 or 19 percent were located in LMI census tracts. In PMSA 5600, however, approximately 35 percent of the population reside in LMI census tracts. Many banking alternatives are available in PMSA 5600 (New York, NY). Approximately 700 financial institutions operate in the PMSA, and many of them also have their headquarters in the area.

In the remaining PMSAs that constitute the CMSA assessment area, branch distribution was much stronger. In PMSA 5380 (Nassau-Suffolk, NY), where 47 branches were located, 7 or 15 percent were in LMI census tracts. This compares favorably with the demographics of the PMSA that indicate 15 percent of the population resides in LMI census tracts. Throughout the entire CMSA, multilingual personnel were available at approximately 34 percent of the branches.

In addition to branch offices, HSBC has several alternative delivery systems for providing banking services in the CMSA 5602 assessment area. The bank operates 335 ATMs, 314 of which are located in branch offices and 21 located off-site at stores, offices and other public

facilities. Of the 335 ATMs, 59 or 18 percent are in LMI census tracts. In addition, the bank provides telephone and computer banking access, and HSBC's mortgage affiliate operates four loan offices in the CMSA assessment area, one of which is located in a moderate-income census tract.

Since the previous examination, 79 branches were added in the CMSA assessment area with 16 of them, or 20 percent, located in LMI census tracts. All the new branches resulted from the HSBC/Republic merger. The merger also led to the consolidation of 18 branches because of duplication of services. Of the branches, 7 or 39 percent were in LMI census tracts. Except for one branch, the consolidations took place in LMI census tracts. In addition, HSBC closed three branches in the CMSA assessment area, none of which were in LMI census tracts.

The same full range of retail and commercial deposit and loan services was offered at all branch locations. Extended banking hours (evening, Saturday and/or Sunday hours) were available at 79 percent of the branch locations.

### **Community Development Services**

Through seminars, technical assistance to local community development organizations, and participation in New Horizons and FHLB initiatives, HSBC provided a very good level of community development services throughout the CMSA assessment area. During the examination period, the bank conducted or participated in 25 affordable housing fairs, seminars and conferences as well as 2 seminars about small business financial needs. Technical assistance was provided to approximately 30 community development organizations such as the Mount Hope Housing Corporation and the New Rochelle Revitalization and Development Corporation.

As part of the FHLB AHP, the bank monitors and disburses FHLB subsidies for five new housing programs approved during the examination period. The programs will provide approximately 439 units of affordable housing. Most projects are located in PMSA 5380 (Nassau-Suffolk, NY) where the bank is partners with organizations such as the Hempstead Hispanic Civic Association and the Community Development Corporation of Long Island. In PMSA 5600 (New York, NY), the bank combined with the South Bronx Mutual Housing Association for the rehabilitation of 91 multifamily rental units under the AHP.

Under the FHLB's First Home Club, HSBC has 75 participants in the CMSA assessment area. Through New Horizons, the bank participates in teller training with the Urban Bankers Coalition and a welfare-to-work program in partnership with Time Warner Cable and New York City. The latter program offers training in communication skills, job readiness and customer service. Between July 1998 and July 2000, more than 100 people were employed.

HSBC also participates in the New York City Financial Services Partnership for Youth ("FSPY"). Young adults with limited work experience and education are assisted in making a successful transition to work with mentors and paid internships. Since the program's inception in October 1999, 48 students have completed the three-month program and are working in financial services or other industries.

## METROPOLITAN AREA

### MSA 1280 (BUFFALO-NIAGARA FALLS, NY)

#### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MSA 1280 (BUFFALO-NIAGARA FALLS, NY)

As of September 30, 2000, HSBC operated 66 branches, or 15 percent of all New York State branches, in this assessment area, and 21 ATMs. The bank's branches contain approximately \$4.8 billion or 14 percent of the bank's deposits in the New York State assessment areas. (The bank has its headquarters in this MSA.)

#### PERFORMANCE CONTEXT

HSBC's performance was evaluated in terms of the economic, demographic and competitive context in which the bank operates. The MSA is a very competitive financial marketplace where many non-financial institution lenders compete with local as well as multinational banks operating in the area.

Based on data reported to the FDIC on June 30, 2000, HSBC's branch deposits represented 29 percent of all bank branch deposits in the MSA. For 1999, the bank had 25 percent of all reported small business loans and 16 percent of reported HMDA-related home purchase loans and refinancings in the MSA.

#### Community Contacts

According to community contacts, approximately 39 percent of the housing in the southern part of Erie County was built before 1939 and is in disrepair. Several towns have become bedroom communities to commuters who work in Buffalo. High vacancy rates in LMI areas appear to keep both housing values and rents low. More flexible home purchase and rehabilitation loan programs are needed.

Niagara Falls' economy is depressed, and approximately 45 percent of the county's residents receive some form of public assistance. Community contacts noted that the city's deteriorating conditions have resulted from major industry flight from the local area. The area's population has also declined because of decreased employment opportunities.

#### Similarly Situated Banks

Within MSA 1280, similarly situated banks include Manufacturers and Traders Trust Company ("M&T"), Key Bank, Fleet Bank, Charter One, Lockport Saving, and Citibank.

Demographic and economic information also impact the bank's performance context and is discussed below.

Demographic Characteristics

Consisting of Erie and Niagara Counties, this assessment area's population totals 1.2 million. Of the 290 census tracts in the MSA, 20 percent are upper-income, 50 percent are middle-income, 19 percent are moderate-income, and 11 percent are low-income. The assessment area population continues to decline. In 1999 more than 10 thousand people moved out of Erie County, according to new federal census estimates. Many of those leaving are skilled workers seeking better jobs or residents escaping from one of the country's highest tax burdens.

Income Characteristics

The 1990 Census median family income for this MSA is \$34,831, while the 2000 HUD adjusted median family income for the area is \$46,900. Based on the 1990 median family income figures, 38 percent of the families in the MSA are upper-income, 24 percent middle-income, 18 percent moderate-income and 20 percent low-income.

Housing Characteristics

Of the 298 thousand owner-occupied units in the assessment area, 9,572 or 3 percent are located in low-income census tracts and 37,835 or 13 percent are located in moderate-income census tracts. The median age of the housing stock in the assessment area is 59 years. The 1990 median housing value of \$71.5 thousand increased to \$81.3 thousand by 1999 but is still less than the 1990 state median value of \$130 thousand.

Labor, Employment and Economic Characteristics

Buffalo's economy in 1999 continued to reflect the ongoing decline in manufacturing that began in the 1980s. The city's job growth in 1998 was only .1 percent with the creation of 500 new jobs, and this rate improved little the following year. Overall, manufacturing in the MSA decreased 1.5 percent from May 1998 to April 1999. Losses in this sector have not been offset by gains in other sectors. Jobs in commercial construction have also declined. The area's services sector employment is concentrated in business, health and education. These three services industries account for about 70 percent of all services employment in this MSA. The unemployment rate in the assessment area for the first ten months of 2000 averaged 5.1 percent compared with a national average of 4.4 percent.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 1280 (BUFFALO-NIAGARA FALLS, NY)

### LENDING TEST

Performance under the lending test was excellent.

**Lending Activity:** During the examination period, HSBC and its mortgage company originated 14,031 HMDA-related and small business loans totaling \$1.3 billion. Approximately 54 percent of the loans were HMDA-related. Activity in the MSA represented 22 percent of total HMDA-related loans and 23 percent of total small business loans analyzed throughout the bank's assessment areas. Of the HMDA-related loans analyzed in the MSA, 57 percent were home purchase loans.

This MSA contains 5 percent of HSBC's total assessment area population and 15 percent of the total branch network, which has 14 percent of the institution's total deposits. Of the total number and dollar amount of loans in all assessment areas, 22 percent and 18 percent, respectively, were originated in this MSA.

Based on a competitive analysis including subprime lenders, HSBC was the leader in home purchase and refinance lending in Erie County in 1999. In addition, representatives of a community group in Buffalo described HSBC as responsive based on the bank's 1999 HMDA-related loan volumes. Elevated primarily by home purchase lending, loan volumes in this MSA have increased 8 percent since the previous examination.

**Geographic Distribution of Lending:** The overall distribution reflected good loan penetration in LMI geographies in MSA 1280 (Buffalo-Niagara Falls, NY). Of the four multifamily loans originated, one loan provided six units of affordable housing.

#### Home Purchase Loans

The geographic distribution of home purchase loans across geographies of different income levels in the assessment area reflected adequate penetration. Home purchase lending in LMI geographies accounted for 8 percent of HSBC's home purchase loans in the MSA, which contains 16 percent of owner-occupied housing units. Distribution was weak in low-income geographies where less than 1 percent of home purchase loans were originated, while 3 percent of owner-occupied housing units are located in such geographies. Distribution was adequate in moderate-income geographies where 7 percent of home purchase loans were originated, while 13 percent of owner-occupied housing units are located in these geographies.

HSBC's 1999 home purchase performance was slightly below the aggregate in this MSA. The bank originated 8 percent of home purchase loans in LMI geographies, while aggregate lenders originated 10 percent, indicating weak market demand in these geographies.



### Refinancings

The geographic distribution of refinancings was adequate. Refinance lending in LMI geographies totaled 7 percent of HSBC's refinancings in the MSA, which contains 16 percent of owner-occupied housing units. Distribution was weak in low-income geographies where less than 1 percent of refinance credit was extended. Distribution was also weak in moderate-income geographies, where 6 percent of refinancings were originated, while 13 percent of owner-occupied housing units are located in these geographies.

For 1999, refinance performance was substantially below aggregate performance in this assessment area. HSBC originated 7 percent of refinancings in LMI geographies, while aggregate lenders originated 15 percent.

### Home Improvement Loans

The geographic distribution of home improvement loans was good. During the examination period, such lending in LMI geographies totaled 16 percent of all home improvement loans in the MSA, where 16 percent of owner-occupied housing units are located. Distribution was excellent in low-income geographies where 3 percent of the loans were originated, while 3 percent of owner-occupied housing units are located in low-income geographies. In moderate-income geographies where 13 percent of owner-occupied units are located, the bank originated 13 percent of its home improvement loans.

For 1999, home improvement performance lagged behind aggregate lending levels. HSBC originated 15 percent of home improvement loans in LMI geographies, while aggregate lenders originated 23 percent.

### Small Business Loans

The overall geographic distribution of small business loans was excellent. This type of lending in LMI geographies accounted for 27 percent of small business lending, while 19 percent of small businesses are located in LMI geographies. Distribution was strong in low-income geographies where 10 percent of small business loans were originated, while 4 percent of business establishments are located in such geographies. Distribution was also strong in moderate-income geographies where 17 percent of small business loans were originated, while 15 percent of businesses are located in moderate-income geographies.

In 1999, the bank's performance exceeded aggregate performance in this assessment area. HSBC originated 26 percent of small business loans in LMI geographies, compared with the aggregate's 20 percent.

**Borrower Characteristics:** The overall distribution of loans among borrowers of different income levels was good. The distribution of loans among businesses of different sizes was adequate.

### Home Purchase Loans

HSBC's distribution of home purchase loans among borrowers of different income levels was excellent. During the examination period, the bank originated 42 percent of such loans to LMI borrowers, while 38 percent of the families in the assessment area are LMI. Furthermore, the bank outperformed the aggregate of HMDA reporters in the bank's MSA assessment area by originating 38 percent of home purchase loans to LMI borrowers, compared with the aggregate's 32 percent.

The bank's distribution of home purchase loans to moderate-income borrowers was excellent. The bank originated 32 percent of such loans to moderate-income borrowers, while 18 percent of the families in the assessment area are moderate-income. In 1999, the bank outperformed the aggregate of HMDA reporters in the assessment area. HSBC originated 29 percent of its loans to moderate-income borrowers compared with 25 percent for the aggregate.

The bank's distribution of home purchase loans to low-income borrowers was adequate, and performance was generally consistent with the aggregate of HMDA reporters in the bank's assessment area. During the examination period, the bank originated 10 percent of its home purchase loans to low-income borrowers, while 20 percent of the families in the assessment area are low-income.

### Refinancings

Overall, HSBC's distribution of refinancings among borrowers of different income levels was adequate, but in 1999 the bank's performance lagged behind the aggregate. The bank originated 23 percent of refinancings to LMI borrowers, while 38 percent of the families in the assessment area are LMI.

Distribution of HSBC's refinancings to moderate-income borrowers was good. The bank originated 18 percent of refinancings to these borrowers, while 18 percent of families in the MSA are moderate-income. The bank's level of lending to moderate-income borrowers was below the aggregate in 1999. HSBC originated 17 percent of refinancings to moderate-income borrowers compared with 20 percent for the aggregate.

During the examination period, the bank originated 5 percent of its refinancings to low-income borrowers, while 20 percent of the families in the assessment area are low-income. In 1999, the bank's level of lending to low-income borrowers was less than the aggregate of HMDA reporters, which originated 9 percent of such loans to low-income borrowers. As previously mentioned, the rising interest rates of late 1998 through 2000 and the inability to finance closing costs significantly affects the level of refinancings to low-income borrowers.

### Home Improvement Loans

HSBC's distribution of home improvement loans among borrowers of different income levels was excellent. Overall, the bank originated 38 percent of such loans to LMI borrowers, while 38 percent of the families in the assessment area are LMI. Exceeding the aggregate in home

improvement lending, the bank extended 38 percent of home improvement loans to LMI borrowers compared with 32 percent for the aggregate.

The bank's home improvement lending to moderate-income borrowers reflected excellent distribution and was consistent with the 1999 aggregate. HSBC originated 23 percent of such loans to moderate-income borrowers, while 18 percent of the families in the assessment area are moderate-income.

The bank's home improvement lending to low-income borrowers reflected good distribution. During the examination period, the bank originated 16 percent of its home improvement loans to low-income borrowers, while 20 percent of the families in the assessment area are low-income. The bank's 1999 level of lending to low-income borrowers was slightly higher than the aggregate, which originated 13 percent of such loans to low-income borrowers.

### Small Business Loans

HSBC's record of lending to businesses of different sizes in MSA 1280 (Buffalo-Niagara Falls, NY) was adequate. Approximately 76 percent of the small business loans HSBC originated in the assessment area were for \$100 thousand or less. The average size of these loans was \$23 thousand. Approximately 49 percent of the bank's small business loans originated during the examination period were made to businesses with GAR of \$1 million or less, while 87 percent of business establishments in the assessment area have GAR of \$1 million or less. Only 6 percent of the bank's small business loans did not indicate the revenue size of the borrower.

The bank's performance in 1999 was generally lower than that of the aggregate of other small business lenders in the bank's assessment area. Of HSBC's reported small business loans, 75 percent were for \$100 thousand or less compared with 80 percent for the aggregate, and 43 percent were to businesses with GAR of \$1 million or less compared with the aggregate's 50 percent.

**Community Development Lending:** HSBC's community development lending activity in the MSA was adequate and totaled \$4 million. However, performance was weaker than at the previous examination when community development lending activity totaled \$12 million. Most of the community development activity targeted community services.

### **INVESTMENT TEST**

HSBC's performance under the investment test in MSA 1280 (Buffalo-Niagara Falls, NY) was very strong. During the examination period, the bank had qualified investments of \$1 million compared with \$127 thousand at the previous CRA examination. Investments included a \$477 thousand investment in HSBC's CDC for the construction of six units of affordable housing in Buffalo. The CDC develops new affordable housing and rehabilitates older structures primarily in Buffalo and Rochester. Also in Buffalo, the CDC has been involved in a block

redevelopment project called Fruit Belt II. An additional \$500 thousand in charitable grants and donations were made to organizations that promote community services.

## **SERVICE TEST**

HSBC's performance under the service test was excellent. Delivery systems were readily accessible in this MSA, where the need for commercial banking service providers is most important because of the difficult economic conditions. Alternative delivery systems such as ATMs, telephone banking, computer banking and affiliate mortgage offices also were accessible. The bank's record of opening and closing branches was good and did not adversely affect any portion of the assessment areas.

### **Retail Services**

HSBC's branch network was readily accessible to all portions of the MSA. Of the 66 branches in the MSA, 19 or 29 percent were located in LMI census tracts. This compares favorably with the demographics of the assessment area, which show 24 percent of the population residing in LMI census tracts. During the examination period, five branches were closed, but only one of them was in an LMI census tract. No branches were consolidated or opened.

Alternative delivery systems were provided through a network of 76 ATMs, telephone and computer banking services, and two loan origination offices operated by the bank's affiliate HSBC Mortgage. Of the ATMs, 58 were in operation in bank branch offices and 18 in stores, offices and other public facilities. Of the total number of ATMs, 21 or 28 percent were in LMI census tracts.

Except for two branches in middle-income census tracts that accept only deposit transactions, all HSBC branches provide the same full range of consumer and commercial banking services. Approximately 95 percent of branches provide extended evening and/or Saturday hours.

### **Community Development Services**

The bank and its subsidiary CDC provided a very high level of community development services in the MSA. During the examination period, they participated in 15 affordable housing events and sponsored 13 small business seminars. Technical assistance was also provided to more than 20 community development organizations and government entities, including the Northwest Neighborhood Alliance and Neighborhood Housing Services, as well as the Buffalo and Niagara County Advisory Councils. Under New Horizons, the bank provides training for adults 18 years and older who are displaced homemakers, dislocated workers, or public assistance recipients. All graduates are offered positions as telephone banking representatives in HSBC's Direct Banking Center.

Under the FHLB's AHP, the bank monitors and disburses FHLB subsidies to 11 new projects that will provide 383 units of affordable housing in conjunction with community organizations such as Buffalo Neighborhood Revitalization and Gethsemane Baptist Church. In addition, the

bank has approximately 140 depositors who participate in the FHLB First Home Club. The bank has also continued its extraordinary support of the Jumpstart Program at Riverside High School, which is located in an LMI neighborhood and primarily serves LMI families in Buffalo. Resources from the bank to the school include state-of-the-art computers and business software, mentoring programs, and internships.

## **METROPOLITAN AREA**

### **MSA 6840 (ROCHESTER, NY)**

#### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MSA 6840 (ROCHESTER, NY)**

As of September 30, 2000, HSBC operated 50 branches or 12 percent of all New York State branches in this assessment area, and 67 ATMs. Based on deposits reported to the FDIC on June 30, 2000, these branches accounted for \$2.6 billion or 7.5 percent of the bank's total branch deposits. Also as of June 30, 2000, HSBC controlled 19 percent of the retail deposit market share in this MSA.

#### **PERFORMANCE CONTEXT**

HSBC's performance in this MSA was evaluated in terms of the economic, demographic and competitive context in which the bank operates. The MSA is a very competitive marketplace where many non-financial institution lenders compete with local as well as multinational banks operating in the area. For 1999, the bank had 15 percent of all reported small business loans and 10 percent of reported HMDA-related home purchase loans and refinancings in the MSA.

#### Community Contacts

Community contacts noted a definite need for loans to help establish and expand small businesses in the assessment areas, as well as job training programs. Financing for small businesses is crucial to improving the strength of the economies in the area. The aging, deteriorating housing stock conditions in many areas demonstrate the need for home improvement financing. Innovative and flexible home purchase lending programs are also very important for bridging the gap between housing expenses and the incomes of LMI individuals, particularly low-income individuals.

#### Similarly Situated Banks

Within the MSA, similarly situated banks include M&T, Key Bank, Fleet Bank, Charter One, Chase and Citibank.

Demographic and economic information discussed below also has an impact on the bank's performance context.

#### Demographic Characteristics

HSBC's assessment area consists of Monroe, Wayne, Orleans, Livingston and Genesee Counties, and a part of Ontario County, and has a population of 1 million. Of the 255 census tracts in the assessment area, 17 percent are upper-income, 49 percent are middle-income, 19 percent are moderate-income, and 15 percent are low-income. Most of the LMI census tracts are located in Rochester (Monroe County).

Income Characteristics

This is the most affluent MSA in upstate New York. The 1990 Census median family income is \$40,705, while the 2000 HUD adjusted median family income is \$52,400. Based on the 1990 median family income, 38 percent of the families are upper-income, 25 percent middle-income, 18 percent moderate-income, and 19 percent low-income.

Housing Characteristics

Of the 409 thousand units in the assessment area, 261 thousand units or 64 percent are owner-occupied. LMI census tracts contain 15 percent of the owner-occupied units. The median housing value in the assessment area, based on the 1990 Census, is \$85.5 thousand. Based on updated real estate information for the third quarter of 2000, the median sales price is \$86.9 thousand, still less than the 1990 state median value of \$130 thousand.

Labor, Employment and Economic Characteristics

The Rochester MSA lost 18 thousand manufacturing jobs since 1992, giving this industry less than 21 percent of employment in the assessment area. Cutbacks at Eastman Kodak, Xerox and Bausch & Lomb, primary drivers of the Rochester economy, have contributed to a shift toward smaller, service-provider companies. Creating jobs as manufacturing declined, the services sector accounts for 32 percent of the employment in this MSA. Growth in computer software and telecommunications has been substantial in the past decade, but total job growth remains lower than the statewide average.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 6840  
(ROCHESTER, NY)**

**LENDING TEST**

Performance under the lending test was excellent in this MSA.

**Lending Activity:** For the examination period, 9,019 loans totaling \$848 million were originated, of which approximately 59 percent of the number of loans were HMDA-related. Such activity represented 15 percent of all HMDA-related and 13 percent of all small business loans analyzed for HSBC at this examination. Of HMDA-related loans included in analysis, 54 percent were home purchase loans.

HSBC originated 14 percent of its total number of loans in the Rochester MSA, which contains 4 percent of the bank's total assessment area population, 11 percent of the total branch network, and 7 percent of the institution's total deposits. Of the total dollar amount of loans in all assessment areas, 12 percent were originated in this MSA

Loan volumes fell 1 percent since the previous examination, primarily in small business lending as businesses have continued to gradually vacate the region. However, home purchase lending volume in LMI geographies has increased approximately 41 percent.

**Geographic Distribution of Lending:** The overall geographic distribution of HMDA-reportable and small business loans across the assessment area was good. Lending was enhanced through the multifamily loans in LMI geographies. Of the six multifamily loans HSBC originated in this assessment area, two were originated in LMI census tracts and provided 245 units of affordable housing.

Lending in LMI geographies was also enhanced with special bank programs, including Footprints and Edison Place, which extended over \$1 million of credit and provided flexible underwriting guidelines for properties located in LMI geographies for borrowers who meet certain income criteria.

#### Home Purchase Loans

The geographic distribution of home purchase loans was adequate. During the examination period, 10 percent of the bank's home purchase loans were in LMI geographies, while 15 percent of owner-occupied housing units are located in LMI geographies. Distribution was weak in low-income geographies where less than 1 percent of home purchase loans were originated, while 3 percent of owner-occupied housing units are located in such geographies. Distribution was adequate in moderate-income geographies where 9 percent of home purchase loans were originated, and where 12 percent of owner-occupied housing units are located.

In 1999 the bank originated 10 percent of home purchase loans in LMI geographies, which was generally consistent with the aggregate performance of 11 percent and indicates some overall market weakness in these geographies.

#### Refinancings

The geographic distribution of refinancings was adequate. During the examination period, 9 percent of the bank's refinancings were extended in LMI geographies, which contain 15 percent of owner-occupied housing units. In addition, HSBC's 1999 refinance performance trailed the aggregate, which originated 13 percent of refinancings in LMI geographies compared with 8 percent for the bank. Eight percent of the refinancings were originated in moderate-income geographies, while 12 percent of owner-occupied housing units in the assessment area are located in LMI geographies. The bank originated less than 1 percent of refinancings in low-income census tracts, where 3 percent of the owner-occupied housing units were located.

#### Home Improvement Loans

The distribution of home improvement loans in LMI geographies was good. The bank originated 14 percent of home improvement loans in LMI geographies where 15 percent of owner-occupied housing units are located. Distribution was adequate in low-income geographies where 2 percent of home improvement loans were originated, and where 3 percent of owner-occupied housing



units are located. Distribution was good in moderate-income geographies where 12 percent of home improvement loans were originated, while 12 percent of owner-occupied housing units are located in such geographies.

HSBC's home improvement lending trailed aggregate performance in this assessment area. In 1999 the bank originated 14 percent of home improvement loans in LMI geographies, while aggregate lenders originated 21 percent. As previously noted, however, the bank does not report home equity loans that may be extended for home improvement purposes.

#### Small Business Loans

The geographic distribution of small business loans was excellent and exceeded performance by the aggregate. Small business lending in LMI geographies represented 30 percent of the bank's small business lending in the MSA, while 22 percent of the business establishments are located in LMI geographies. Distribution was excellent in low-income geographies where 17 percent of small business loans were originated, while 8 percent of business establishments are located in such geographies. Distribution was good in moderate-income geographies where 13 percent of small business loans were originated, while 15 percent of business establishments are located in such geographies.

**Borrower Characteristics:** The overall distribution of loans among borrowers of different income levels was good. The distribution of loans among businesses of different sizes was adequate. The 50/50 Rural Development Program, which provides flexible lending criteria to LMI borrowers, enhanced the bank's lending performance.

#### Home Purchase Loans

HSBC's distribution of home purchase loans among borrowers of different income levels was excellent. During the examination period, the bank originated 50 percent of such loans to LMI borrowers, while 37 percent of the families in the assessment area are LMI. In 1999 the bank's level of lending to LMI borrowers exceeded that of the aggregate, although both performed at an outstanding level.

The bank's distribution of home purchase loans to moderate-income borrowers was excellent. HSBC originated 38 percent of such loans to moderate-income borrowers, while 18 percent of the families in the assessment area are moderate-income. In 1999, the bank's level of lending to moderate-income borrowers was higher than the aggregate, although both bank and aggregate performed at an outstanding level. While HSBC originated 33 percent of its loans to moderate-income borrowers, the aggregate originated 26 percent of such loans to this group of borrowers.

The bank's distribution of home purchase loans to low-income borrowers was adequate. During the examination period, the bank originated 12 percent of its home purchase loans to low-income borrowers, while 19 percent of the families in the assessment area are low-income. The bank's level of lending to low-income borrowers was higher than the aggregate of HMDA reporters in the bank's assessment area, which originated 10 percent of such loans to low-income borrowers.

### Refinancings

Overall, HSBC's distribution of refinancings among borrowers of different income levels was good. The bank originated 27 percent of such loans to LMI borrowers, while LMI families represent 37 percent of all families in the assessment area. In 1999, the bank's lending to LMI borrowers was lower than the aggregate; 24 percent compared with the aggregate's 30 percent.

HSBC's refinancings to moderate-income borrowers reflected excellent distribution. The bank originated 20 percent of such loans to moderate-income borrowers, while 18 percent of the families in the assessment area are moderate-income. In 1999, the bank's level of lending to moderate-income borrowers was less than the aggregate of HMDA reporters in the bank's assessment area, but the performance level for both was outstanding. While HSBC originated 19 percent of its loans to moderate-income borrowers, the aggregate originated 21 percent of refinancings to this group.

Distribution of refinancings to low-income borrowers was weak. During the examination period, the bank originated 7 percent of its refinancings to low-income borrowers, while 19 percent of the families in the assessment area are low-income. In 1999, the bank's level of refinancings to low-income borrowers (6 percent) was slightly less than the aggregate of HMDA reporters in the bank's assessment area (8 percent). However, both the bank and aggregate lenders' low level of lending to low-income borrowers correlates in part to the rising interest rates during this period and indicates the difficulty of offering refinancings to low-income individuals in this assessment area.

### Home Improvement Loans

HSBC's distribution of home improvement loans among borrowers of different income levels was excellent. Overall, the bank originated 37 percent of such loans to LMI borrowers, while 37 percent of the families in the assessment area are LMI. Performance was consistent with aggregate performance for 1999.

The bank's distribution of home improvement loans to moderate-income borrowers was excellent. In MSA 6840 (Rochester, NY), 24 percent of home improvement loans were to moderate-income borrowers, which exceeds the percentage of moderate-income families in the assessment area (18 percent). In addition, the level of lending to moderate-income borrowers was consistent with that of the aggregate. While HSBC originated 24 percent of its loans to moderate-income borrowers, the aggregate originated 25 percent of such loans to this group.

Home improvement lending to low-income borrowers was adequate. During the examination period, the bank originated 13 percent of its home improvement loans to low-income borrowers, while 19 percent of the families in the assessment area are low-income. In 1999, the bank's level of home improvement lending to low-income borrowers was consistent with the aggregate, with originations of 12 percent by both HSBC and the aggregate.

### Small Business Loans

The bank's record of lending to businesses of different sizes was adequate. Approximately 76 percent of the small business loans HSBC originated in the assessment area during the examination period were for \$100 thousand or less. The average size of such loans was \$26 thousand. Approximately 47 percent of the bank's small business loans originated during the examination period were made to businesses with GAR of \$1 million or less, while 89 percent of business establishments in the assessment area have GAR of \$1 million or less. Only 5 percent of the bank's small business loans did not indicate the revenue size of the borrower.

The bank's performance in 1999 was below that of the aggregate of small business lenders in the bank's assessment area. Of HSBC's small business loans, 75 percent were for \$100 thousand or less, compared with 82 percent for the aggregate. In addition, 43 percent of the loans were made to businesses with GAR of \$1 million or less compared with the 56 percent for the aggregate.

**Community Development Lending:** HSBC's community development lending activity in this MSA was adequate and totaled \$5 million. However, performance was weaker than at the previous examination when community development lending totaled \$15 million. Lending for community service initiatives totaled \$3 million or 60 percent of activity in the MSA, while affordable housing initiatives totaled \$1 million or 20 percent, and small business development initiatives also totaled \$1 million or 20 percent.

### **INVESTMENT TEST**

HSBC's performance under the investment test was excellent. During the examination period, the bank made qualified investments of \$2 million, or 2 percent of the bank's total qualified investments in the assessment area. Investments included a \$1.6 million investment in HSBC's CDC for the construction of 19 units of affordable housing in Rochester, \$600 thousand in equity investments in organizations promoting economic development, and \$191 thousand in investments and charitable grants and contributions to organizations that promote community services. One of the projects includes Project Turnaround, a redevelopment of two blocks in Rochester in conjunction with the city government and Group 14621.

### **SERVICE TEST**

HSBC's performance under the service test in MSA 6840 (Rochester, NY) was excellent. Delivery systems were readily accessible in this MSA, where the need for commercial banking service providers is most important because of the difficult economic conditions.

### **Retail Services**

HSBC's branch network was readily accessible to all portions of the MSA. Of the 50 branches in the MSA, 14 or 28 percent were located in LMI census tracts. This compares favorably with the

demographics of the MSA, which find 21 percent of the population residing in LMI census tracts. During the examination period, one branch in a middle-income census tract was consolidated. No branches were opened or closed.

Alternative delivery systems were provided through a network of 67 ATMs, telephone and computer banking services, and one loan origination office operated by the bank's affiliate, HSBC Mortgage. Of the ATMs, the bank operated 58 in branch offices and 9 in stores, offices and other public facilities, while 17 or 25 percent were located in LMI census tracts.

All HSBC branches provide the same full range of consumer and commercial banking services, and 98 percent of branches have extended evening and/or Saturday hours.

### **Community Development Services**

HSBC and its subsidiary CDC provided a very high level of community development services in the MSA. During the examination period, they participated in 20 affordable housing events and provided technical assistance to more than 15 community development organizations and government entities, including the Daisy Marquis Jones Foundation, the Al Sigl Center, and the Monroe County Industrial Development Corporation.

Under the FHLB AHP, the bank monitors and disburses FHLB subsidies to ten projects that will provide 189 units of affordable housing in conjunction with community organizations such as Heritage Christian Home, Inc. and the Urban League of Rochester. In addition, the bank has approximately 200 depositors participating in the FHLB First Home Club.

## METROPOLITAN AREA MSA 8160 (SYRACUSE, NY)

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MSA 8160 (SYRACUSE, NY)

As of September 30, 2000, HSBC operated 21 branches, or 5 percent of all New York State branches in this assessment area, and 32 ATMs. The bank's branches contain approximately \$1 billion or 3 percent of the bank's deposits in the state assessment areas.

### PERFORMANCE CONTEXT

HSBC's performance in this MSA was evaluated in terms of the economic, demographic and competitive context in which the bank operates. The MSA is a very competitive financial marketplace where many non-financial institution lenders compete with local as well as multinational banks operating in the area.

Based on deposits reported to the FDIC on June 30, 2000, HSBC's branch deposits represented 13 percent of all bank branch deposits in the MSA. In 1999, the bank had 13 percent of all reported small business loans and 5 percent of reported HMDA-related home purchase loans and refinancings in the MSA.

#### Community Contacts

According to community contacts, LMI residents have difficulty finding decent affordable rental housing in the city of Syracuse. Weak sales, high vacancy rates, and poor management characterize the housing market. Rental housing is in demand. For example, over 50 percent of the housing on the west side of Syracuse is rental and owned by absentee landlords. Although flexible underwriting by many banks and lower purchase prices for houses exist, the lack of jobs and adequate income prevent many from purchasing a home.

#### Similarly Situated Banks

Within MSA 8160 (Syracuse, NY), similarly situated banks include M&T, Key Bank, Fleet Bank, Charter One, and Chase.

Demographics and economic conditions also impact the bank's performance context as discussed below.

#### Demographic Characteristics

HSBC's assessment area consists of Onondaga and Oswego Counties, and parts of Madison and Cayuga Counties. The population here is 680 thousand. Of the 193 census tracts in the assessment area, 22 percent are upper-income, 53 percent are middle-income, 16 percent are moderate-income, and 9 percent are low-income. According to new census estimates, the area's

population has been shrinking, mostly within the city of Syracuse. From 1990 to mid-1999, the population of Onondaga County declined by 13 thousand, mostly in Syracuse.

#### Income Characteristics

According to the 1990 Census, the median family income in the assessment area is \$37,075, while the 1999 HUD adjusted median family income for the MSA is \$45,400. The 2000 HUD adjusted median family income is \$47 thousand. In the assessment area, 39 percent of all families are upper-income, 25 percent are middle-income, 18 percent are moderate-income, and 18 percent are low-income. The percentage of families living below the poverty level is 7.3 percent. Of approximately 63 thousand elderly living in Onondaga County, 18 percent are in need of supportive services.

#### Housing Characteristics

The assessment area has 276 thousand units, and 167 thousand or 61 percent are owner-occupied. Approximately 10 percent of the owner-occupied units are located in LMI census tracts. The median housing age is 46 years, slightly higher than the state median housing age of 41 years. The median housing value for the assessment area based on the 1990 Census is \$76 thousand. By the third quarter of 2000, the median sales price had risen to \$81.3 thousand, still considerably less than the 1990 state median value of \$130 thousand. Rental units constitute 31 percent of the assessment area's housing units.

The population decline has contributed to a substantial rise in abandoned housing. It is estimated the city of Syracuse has between 1,000 and 2,200 units of vacant housing.

As higher paying manufacturing jobs disappear and are replaced with lower paying service sector jobs, the gap between a family's income and the ability to afford rental housing or homeownership is expected to widen.

#### Labor, Employment and Economic Characteristics

Between 1997 and 2000, employment showed a substantial improvement in the MSA, mostly in financial, insurance, and computer software services, as well as real estate and construction. By 2000, unemployment dipped to 3.6 percent, below the national average of 4.2 percent, but had begun to rise by year-end. Service employment increased the most during this period (3.3 percent). Expansion in area software development companies has contributed to recent economic growth. As of 2000, the service, retail, and government sectors were the three largest employers in this MSA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 8160 (SYRACUSE, NY)

### LENDING TEST

Performance under the lending test was good in this MSA.

**Lending Activity:** In 1999 and the first three quarters of 2000, HSBC and its mortgage affiliate originated 3,344 HMDA-related and small business loans totaling \$279 million. Approximately 53 percent of the loans were small business loans. Of total HMDA-related and small business loans included in the analysis at this examination, this MSA's activity represented 5 percent and 6 percent, respectively. Thirty-eight percent of HMDA-related loans included in the analysis were home improvement loans.

This MSA contains 3 percent of HSBC's total assessment area population, 5 percent of the total branch network, and 3 percent of the institution's total deposits. Of the total number and dollar amount of loans in all assessment areas, 5 percent and 4 percent, respectively, were originated in the Syracuse MSA.

Loan volumes declined 18 percent since the previous examination, primarily in home improvement lending. Management indicated that most home improvement credit needs are financed through the bank's home equity products and are not categorized as home improvement loans for the purpose of HMDA reporting. Lending activity was consistent with assessment area demographics, however, and performance was good in view of the economic issues previously discussed in the performance context for MSA 8160 (Syracuse, NY).

**Geographic Distribution of Lending:** The overall geographic distribution of HMDA-related and small business lending was adequate.

#### Home Purchase Loans

The geographic distribution of home purchase loans was adequate. Home purchase lending in LMI geographies totaled 5 percent of all home purchase loans in the assessment area, while 10 percent of owner-occupied housing units are located in LMI geographies. Distribution was poor in low-income geographies where .4 of 1 percent of home purchase loans were originated, while 1 percent of owner-occupied geographies are located in such geographies. However, opportunities were limited. Distribution was adequate in moderate-income geographies where 5 percent of home purchase loans were originated, and where 9 percent of owner-occupied housing units are located.

The bank's home purchase performance was below the aggregate performance in this assessment area. HSBC originated 5 percent of home purchase loans in LMI geographies, while aggregate lenders originated 8 percent.

### Refinancings

The geographic distribution of refinancings was adequate. Refinancings in LMI geographies accounted for 7 percent of HSBC's refinancings in the assessment area, while 10 percent of owner-occupied housing units are located in LMI geographies. Distribution was poor in low-income geographies where .2 of 1 percent of the refinancings were originated, while 1 percent of owner-occupied housing units are located in such geographies. Distribution was good in moderate-income geographies where 7 percent of refinancings were originated, while 9 percent of owner-occupied housing units were located in LMI geographies.

Trailing aggregate lenders' performance in 1999, HSBC originated 6 percent of refinancings in LMI geographies, compared with the aggregate's 10 percent.

### Home Improvement Loans

The distribution of home improvement loans was good. Home improvement lending in LMI geographies totaled 8 percent of all the bank's home improvement lending, while 10 percent of owner-occupied housing units are located in LMI geographies. In 1999, however, the bank lagged behind the aggregate performance. HSBC originated 7 percent of home improvement loans in LMI geographies, while aggregate lenders originated 10 percent. As previously noted, HSBC does not report home equity loans, a primary bank product used to extend home improvement credit.

Distribution was adequate in low-income geographies, where .7 of 1 percent of home improvement loans were originated in an assessment area having 1 percent of owner-occupied units in low-income tracts. Distribution was good in moderate-income geographies, where 7 percent of the loans were originated and 9 percent of owner-occupied units are located.

### Small Business Loans

The geographic distribution of small business loans was excellent. This lending in LMI geographies accounted for 26 percent of small business lending in the assessment area, while 21 percent of business establishments are located in LMI geographies. Distribution was good in low-income geographies where 7 percent of small business loans were originated, and where 8 percent of businesses are located. Distribution was excellent in moderate-income geographies where 19 percent of small business loans were originated, while 13 percent of small businesses were located in LMI geographies.

HSBC's small business performance exceeded aggregate performance. The bank originated 27 percent of small business loans in LMI geographies, and aggregate lenders originated 19 percent.

**Borrower Characteristics:** The overall distribution of loans among borrowers of different income levels was good, but the distribution of loans among businesses of different sizes was adequate.



### Home Purchase Loans

HSBC's distribution of home purchase loans among borrowers of different income levels was good. For the examination period, 31 percent of originations were to LMI borrowers, while 36 percent of the families in the assessment area are LMI. The bank's 1999 level of lending to LMI borrowers trailed the aggregate, with HSBC originating 22 percent of its loans to LMI borrowers and the aggregate originating 29 percent.

Distribution of home purchase loans to moderate-income borrowers was excellent. The bank originated 25 percent of such loans to moderate-income borrowers, while 18 percent of the families in the assessment area are moderate-income. The bank's 1999 level of lending to moderate-income borrowers was lower than that of the aggregate of HMDA reporters in the bank's assessment area. HSBC originated 17 percent of its loans to moderate-income borrowers, while the aggregate originated 22 percent of such loans to this group.

Distribution of home purchase loans to low-income borrowers reflected weak distribution. During the examination period, the bank originated 6 percent of its home purchase loans to low-income borrowers, while 18 percent of the families in the assessment area are low-income. The bank's 1999 level of lending to low-income borrowers was less than the aggregate of HMDA reporters in the bank's assessment area. HSBC originated 5 percent of home purchase loans to low-income borrowers, while the aggregate originated 7 percent.

The bank's lending to low-income borrowers reflected a number of challenges in the assessment area, including a deteriorating housing stock in the city of Syracuse, declining housing values in the assessment area, and the entry of subprime lenders into the marketplace.

### Refinancings

Overall, HSBC's distribution of refinancings among borrowers of different income levels was good. The bank originated 19 percent of refinancings to LMI borrowers, while 36 percent of families in the assessment area are LMI. The bank's 1999 level of lending to LMI borrowers was lower than aggregate performance of 26 percent.

The bank's refinancings to moderate-income borrowers reflected good distribution. HSBC originated 15 percent of refinancings to moderate-income borrowers while 18 percent of the families in the assessment area are moderate-income. In 1999, the bank's level of lending to moderate-income borrowers was below the aggregate with HSBC originating 15 percent of its loans to moderate-income borrowers and the aggregate originating 19 percent.

Distribution of refinancings to low-income borrowers was poor. During the examination period the bank originated 4 percent of its refinancings to low-income borrowers, while 18 percent of the families in the assessment area are low-income. In 1999, the bank's level of lending to low-income borrowers also lagged behind the aggregate.

Rising interest rates as well as performance context factors previously noted affected the volume of refinancings made to low-income borrowers.

### Home Improvement Loans

HSBC's distribution of home improvement loans among borrowers of different income levels was good. In MSA 8160 (Syracuse, NY), the bank originated 30 percent of such loans to LMI borrowers, while 36 percent of the families in the assessment area are LMI. The bank's level of lending to LMI borrowers was generally consistent with that of the aggregate of HMDA reporters in the bank's assessment area. HSBC originated 28 percent of its home improvement loans to LMI borrowers, while the aggregate originated 30 percent.

The bank's distribution of home improvement loans to moderate-income borrowers was excellent and, for 1999, consistent with the aggregate. Overall, 19 percent of such loans were originated to moderate-income borrowers, while 18 percent of the families in the assessment area are moderate-income.

Distribution of home improvement loans to low-income borrowers was good. During the examination period, the bank originated 10 percent of its home improvement loans to low-income borrowers, while 18 percent of the families in the assessment area are low-income. The bank's level of lending to low-income borrowers was generally consistent with the aggregate of HMDA reporters in the bank's assessment area. Both HSBC and the aggregate originated 9 percent of its loans to low-income borrowers.

### Small Business Loans

HSBC's record of lending to businesses of different sizes was adequate. Approximately 74 percent of small business loans originated in the assessment area were for \$100 thousand or less. The average loan size was \$24 thousand. Approximately 52 percent of the bank's small business loans were made to businesses with GAR of \$1 million or less while 88 percent of business establishments in the assessment area have GAR of \$1 million or less. Only 6 percent of the bank's small business loans did not indicate the revenue size of the borrower.

Of HSBC's reported small business loans in 1999, 73 percent were for amounts of \$100 thousand or less compared with the aggregate's 83 percent, and 47 percent were to businesses with GAR of \$1 million or less compared with the aggregate's 55 percent.

**Community Development Lending:** The bank had an adequate level of community development lending in the assessment area. During the examination period, community development lending in MSA 8160 (Syracuse, NY) totaled \$670 thousand and was directed to affordable housing needs and community services for LMI individuals. Loans to both local and statewide affordable housing developers were used for the construction and rehabilitation of housing in the community. Loans to community service providers assisted with medical services and housing education classes for LMI individuals.

## **INVESTMENT TEST**

HSBC's performance under the investment test was adequate. During the examination period, the bank made qualified investments of \$113 thousand or less than 1 percent of the bank's total qualified investments in its combined assessment areas. Investments included charitable grants and contributions to organizations promoting affordable housing, economic development and community services.

## **SERVICE TEST**

The bank's performance under the service test was excellent in MSA 8160 (Syracuse, NY). Delivery systems were readily accessible in this MSA, where the need for commercial banking service providers is most important because of the difficult economic conditions.

### **Retail Services**

HSBC's branch network was readily accessible to all portions of the MSA. Of the 21 branches in the assessment area, 7 or 33 percent were located in LMI census tracts. This compares favorably with MSA demographics indicating that 20 percent of the population resides in LMI census tracts. During the examination period, one branch in a middle-income census tract was closed. No branches were consolidated or opened.

Alternative delivery systems were provided with 32 ATMs, telephone and computer banking services, and one loan origination office operated by the bank's mortgage affiliate. The bank operated 23 ATMs in its branch offices and 9 at stores, offices and other public facilities. Thirteen ATMs, or 41 percent, were located in LMI census tracts.

The same full range of consumer and commercial banking services was offered at all HSBC branches, and all branches have extended evening and/or Saturday hours.

### **Community Development Services**

HSBC and its CDC subsidiary provided a very high level of community development services in this MSA. During the examination period, the bank and CDC participated in 14 affordable housing events and sponsored 3 small business seminars.

HSBC also provided technical assistance to more than ten community development organizations and government entities including the Greater Syracuse Business Development Corporation, Home Headquarters, Inc., and Southern Hills Preservation Corporation. In addition, the bank has approximately 40 depositors participating in the FHLB-sponsored First Home Club.

## NON-METROPOLITAN AREA

### NON-MSA GROUP 1

(JEFFERSON, LEWIS, ST. LAWRENCE, FRANKLIN,  
CLINTON, ESSEX, HAMILTON AND FULTON COUNTIES)

#### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-MSA GROUP 1

As of September 30, 2000, HSBC operated 14 branches, or 3 percent of all New York State branches, and 15 ATMs in this assessment area. The bank's branches contain approximately \$618 million or 2 percent of the bank's deposits in the New York State assessment areas.

#### PERFORMANCE CONTEXT

HSBC's performance in this non-MSA group was evaluated in terms of the economic, demographic and competitive context in which the bank operates.

Based on deposits reported to the FDIC on June 30, 2000, HSBC's branch deposits represented an aggregate total of 14 percent of all bank branch deposits in the counties making up this assessment area. HSBC has no branches in Essex County or Fulton County. Aggregate information for non-MSA assessment areas in 1999 was unavailable for comparison purposes.

Demographic and economic information also impact the bank's performance context and is discussed below.

#### Demographic Characteristics

HSBC's assessment area consists of all or parts of the following counties in northern New York State ("North Country"): Jefferson, Lewis, St. Lawrence, Franklin, Clinton, Hamilton, most of Fulton, and a very small portion of Essex. Of the 111 block numbering areas ("BNAs") in the assessment area, 5 percent are upper-income, 67 percent middle-income, 22 percent moderate-income, and 6 percent low-income. The area's population based on 1990 Census data is approximately 438 thousand.

#### Income Characteristics

According to the 1990 Census, the median family income in the assessment area is \$31,473 while the 1999 HUD adjusted median family income for the MSA is approximately \$39,300. The 2000 HUD adjusted median family income is approximately \$40,300. Based on the 1990 Census, 35 percent of all families are upper-income, 24 percent middle-income, 19 percent moderate-income, and 22 percent low-income. Eleven percent of families live below the poverty level.

Housing Characteristics

The assessment area has 100 thousand owner-occupied units of which 17,537 or 17 percent are located in LMI BNAs. The median housing age is 43 years, slightly higher than the state median housing age of 41 years. The median housing value for the assessment area based on the 1990 Census is \$76 thousand, somewhat higher than the non-metropolitan state median of \$65 thousand. Rental units constitute 27 percent of the assessment area's housing units.

Labor, Employment and Economic Characteristics

In the past decade nearly all the counties in this assessment area lost population. The unemployment rate is substantially higher than the state unemployment rate of 4.4 percent in nearly all eight counties during the first nine months of 2000. In the first quarter of that year, unemployment rates were as high as 11 percent in Hamilton, Jefferson, Lewis and St. Lawrence Counties, compared with 5 percent for the state.

The jobless rates dropped significantly during the summer months as travel and tourism increased but began to rise again after the season ended. Moreover, some of the job growth generated by travel and tourism was offset by the closing of three paper mills in the North Country, resulting in the loss of several hundred jobs and the shrinking of rural towns in which the mills were the largest employer.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA GROUP 1**

### **LENDING TEST**

Performance under the lending test was excellent in this non-MSA assessment area.

**Lending Activity:** For the examination period, 2,775 loans totaling \$196 million were originated. Small business loans accounted for 65 percent of the total number of loans, and HMDA-related loans accounted for 35 percent. This activity represented 6 percent of all small business and 3 percent of all HMDA-related loans included in the analysis for this examination. Of HMDA-related loans analyzed, 43 percent were home improvement loans.

The North Country contains 2 percent of HSBC's total assessment area population, 3 percent of the total branch network, and 2 percent of the institution's total deposits. Of the total number and dollar amount of loans in all assessment areas, 4 percent and 3 percent, respectively, were originated in the assessment area portions of the North Country.

Loan volumes in the North Country declined 16 percent since the previous examination, primarily in small business lending, but performance compared favorably with demographic information taking into account the performance context factors discussed on the previous page.

**Geographic Distribution of Lending:** The overall geographic distribution of HMDA-related and small business loans in the assessment area portion of the North Country was excellent. One multifamily loan was originated in a moderate-income geography, providing 28 housing units.

Aggregate information was unavailable for this non-MSA assessment area.

#### Home Purchase Loans

The geographic distribution of home purchase loans reflected good penetration in the assessment area. During the examination period, 14 percent of home purchase loans were originated in LMI geographies, which contain 18 percent of the owner-occupied housing units. Distribution was excellent in low-income geographies. While less than 1 percent of home purchase loans were originated in these geographies, this exceeded the percentage of owner-occupied housing units. Distribution was good in moderate-income geographies where 14 percent of home purchase loans were originated, and where 17 percent of owner-occupied housing units are located.

#### Refinancings

The geographic distribution of refinancings was good. Refinancings in LMI geographies accounted for 17 percent of the bank's refinance activity in the assessment area where 18 percent of owner-occupied housing units are located. Distribution was excellent in low-income geographies. While less than 1 percent of refinancings were originated in these geographies, this exceeded the percentage of owner-occupied housing units in low-income geographies. Performance was good in moderate-income geographies where 16 percent of refinancings were originated, while 17 percent of owner-occupied housing units are located in such geographies.

#### Home Improvement Loans

The distribution of home improvement loans in LMI geographies was excellent. During the examination period, 19 percent of home improvement loans were originated in LMI geographies, which contain 18 percent of owner-occupied housing units.

In low-income geographies, less than 1 percent of home improvement loans were originated, exceeding the percentage of owner-occupied housing units in such geographies. Nineteen percent of home improvement loans were originated in moderate-income geographies, which contained 17 percent of owner-occupied housing units.

#### Small Business Loans

The geographic distribution of small business loans was excellent. Small business lending in LMI geographies accounted for 32 percent of total small business lending in this assessment area, while 24 percent of small business establishments are located in LMI geographies. Performance was adequate in low-income geographies where 2 percent of small business loans were originated, while 3 percent of businesses are located in LMI geographies. Performance was excellent in moderate-income geographies where 30 percent of small business loans were originated, while 21 percent of businesses are located in moderate-income geographies.

**Borrower Characteristics:** The overall distribution of loans among borrowers of different income levels was adequate. The distribution of loans among businesses of different sizes was good. Aggregate information for home purchase, refinance and home improvement loans was unavailable for this assessment area.

#### Home Purchase Loans

HSBC's distribution of home purchase loans among borrowers of different income levels was adequate in view of performance context factors. During the examination period, the bank originated 21 percent of such loans to LMI borrowers, while 41 percent of the families in the assessment area are LMI.

The bank's distribution of home purchase loans to moderate-income borrowers was good. The bank originated 17 percent of such loans to moderate-income borrowers, while 19 percent of the families in the assessment area are moderate-income.

Distribution of home purchase loans to low-income borrowers reflected poor distribution. For the examination period, the bank originated 5 percent of its home purchase loans to low-income borrowers, while 22 percent of the families in the assessment area are low-income.

#### Refinancings

Overall, HSBC's distribution of refinancings among borrowers of different income levels was adequate when considering the performance context factors. The bank originated 14 percent of refinancings to LMI borrowers, while 41 percent of the families in the assessment area are LMI.

Refinancings to moderate-income borrowers was adequate. The bank originated 11 percent of such loans to moderate-income borrowers, while 19 percent of the families in the assessment area are moderate-income.

HSBC's refinancings to low-income borrowers reflected poor distribution. During the examination period, the bank originated 4 percent of its refinancings to low-income borrowers, while 22 percent of the families in the assessment area are low-income.

#### Home Improvement Loans

HSBC's distribution of home improvement loans among borrowers of different income levels was good after considering the performance context factors discussed on page BB49. Overall, the bank originated 30 percent of such loans to LMI borrowers, while 41 percent of the families in the assessment area are LMI.

Distribution of home improvement loans to moderate-income borrowers was excellent. Twenty-three percent of such loans were originated to moderate-income borrowers, while 19 percent of the families in the assessment area are moderate-income.

The bank's home improvement lending to low-income borrowers reflected weak distribution. During the examination period, the bank originated 7 percent of its home improvement loans to low-income borrowers, while 22 percent of the families in the assessment area are low-income.

#### Small Business Loans

HSBC's record of lending to businesses of different sizes in the assessment area portion of the North Country was good. Approximately 76 percent of the small business loans HSBC originated in the assessment area during the examination period were for \$100 thousand or less. The average size of such loans was \$29 thousand. Approximately 75 percent of the bank's small business loans originated during the examination period were made to businesses with GAR of \$1 million or less while 91 percent of business establishments in the assessment area have GAR of \$1 million or less. Only 3 percent of the bank's small business loans did not indicate the revenue size of the borrower.

The bank's performance in 1999 exceeded that of the aggregate, which originated 73 percent of reported small business loans to businesses with GAR of \$1 million or less. Of HSBC's reported small business loans, 75 percent were for amounts of \$100 thousand or less, compared with 87 percent for the aggregate.

**Community Development Lending:** HSBC's community development lending activity in Non-MSA Group 1 was strong, totaling \$15 million compared with \$8 million at the previous examination. Most of the community development lending was directed to economic development activities resulting in permanent new jobs for the area. These loans totaled \$13 million or 90 percent of all community development lending in the assessment area, while community service initiatives totaled \$140 thousand or 10 percent of the area's community development lending activity.

#### **INVESTMENT TEST**

HSBC's performance under the investment test was adequate. During the examination period, the bank had qualified investments of \$11 thousand, less than 1 percent of the bank's total qualified investments in its assessment areas. The investments consisted of charitable grants and contributions to organizations that promote affordable housing, economic development and community services.



## **SERVICE TEST**

The bank's performance under the service test was excellent in this non-MSA assessment area.

### **Retail Services**

HSBC's branch network was readily accessible to all portions of the assessment area. Of the 14 branch locations in the assessment area, 3 or 21 percent were located in LMI BNAs. This compares favorably with the demographics of the non-MSA area, which show that 26 percent of the population resides in LMI BNAs. During the examination period, one branch in a middle-income BNA was closed. No branches were consolidated or opened.

Alternative delivery systems were provided via a network of 15 ATMs, telephone and computer banking services, and three loan origination offices operated by the bank's mortgage affiliate (one of these offices is located in an LMI BNA). The bank operated 12 ATMs in its branch offices and 3 ATMs at stores, offices and other public facilities. Four of the ATMs, or 27 percent, were located in LMI BNAs.

All HSBC branches in this assessment area provide the same full range of consumer and commercial banking services as well as extended evening and/or weekend hours.

### **Community Development Services**

HSBC and its CDC subsidiary provided a very high level of community development services in the assessment area. During the examination period, the bank and CDC participated in nine affordable housing events. HSBC and its subsidiary provided technical assistance to nine community development organizations and government entities, including the Hamilton County Industrial Development Agency, the Development Authority of the North Country, and North Country Affordable Housing.

**METROPOLITAN AREAS  
 (LIMITED REVIEW)**

- MSA 0160 (ALBANY-SCHENECTADY-TROY, NY)**  
**MSA 8680 (UTICA-ROME, NY)**  
**MSA 0960 (BINGHAMTON, NY)**  
**MSA 3610 (JAMESTOWN, NY)**  
**MSA 2235 (ELMIRA, NY)**  
**MSA 2975 (GLENS FALLS, NY)**

Facts and data reviewed, including performance and applicable demographic information, can be found in the tables accompanying this report. Conclusions regarding performance in the individual assessment areas, which did not impact the overall state rating, are as follows:

<b>HSBC Bank</b>	<b>Performance Tests</b>		
<b>Assessment Area</b>	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
MSA 0160 (Albany-Schenectady-Troy, NY)	Consistent*	Consistent	Consistent
MSA 8680 (Utica-Rome, NY)	Consistent	Consistent	Consistent
MSA 0960 (Binghamton, NY)	Consistent	Consistent	Consistent
MSA 3610 (Jamestown, NY)	Consistent	Consistent	Consistent
MSA 2235 (Elmira, NY)	Consistent	Consistent	Consistent
MSA 2975 (Glens Falls, NY)	Consistent	Consistent	Consistent

\* For example, the bank's performance in MSA 0160 under the lending test is consistent with the bank's performance in New York State overall.

**NON-METROPOLITAN STATEWIDE AREAS  
 (LIMITED REVIEW)**

**NON-MSA GROUP 2  
 (Portions of Otsego, Delaware, Sullivan Ulster,  
 Greene and Columbia Counties)**

**NON-MSA GROUP 3  
 (Cortland, Tompkins, Schuyler Counties;  
 Portions of Steuben and Chenango Counties)**

**NON-MSA GROUP 4  
 (Portions of Cattaraugus and Wyoming Counties)**

Facts and data reviewed, including performance and applicable demographic information, can be found in the tables accompanying this report. Conclusions regarding performance in the individual assessment areas, which did not impact the overall state rating, are as follows:

<b>HSBC Bank</b>	<b>Performance Tests</b>		
<b>Assessment Area</b>	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
Non-MSA Group 2	Below*	Consistent	Consistent
Non-MSA Group 3	Below	Consistent	Consistent
Non-MSA Group 4	Below	Consistent	Consistent

\* For example, the bank's performance in Non-MSA Group 2 under the lending test fell below the bank's performance in New York State overall.

## STATE OF PENNSYLVANIA

### **CRA RATING FOR PENNSYLVANIA: "NEEDS TO IMPROVE."**

*The lending test is rated: Low satisfactory.*

*The investment test is rated: Needs to improve.*

*The service test is rated: Low satisfactory.*

HSBC's performance overall in this state is based on the following summary conclusions:

#### **LENDING TEST**

- The bank showed adequate responsiveness to the credit needs in its assessment areas, taking into account the number and dollar amount of HMDA-related and small business/small farm loans originated when compared with the number of branches and the bank's deposit share in this assessment area.
- The overall geographic distribution of home purchase, refinance, home improvement, and small business loans across census tracts of different income levels reflected adequate penetration throughout the assessment areas.
- Loans among individuals of different income levels and businesses of different sizes reflected overall good distribution in the bank's assessment areas.
- A very poor level of community development lending was noted in HSBC's assessment area.

#### **INVESTMENT TEST**

- HSBC had a poor level of qualified investments and exhibited a low level of responsiveness to community development needs.

#### **SERVICE TEST**

- The bank's delivery systems were reasonably accessible to essentially all portions of the bank's assessment area.
- The bank provided a limited level of community development services throughout the assessment area.

## SCOPE OF EXAMINATION

HSBC's CRA activities in lending, investments and services in Pennsylvania were included in the evaluation. Since the bank's assessment area in the state contains only two branches, the bank's operations and performance in the state are weighted less heavily in the overall CRA evaluation. In addition, the volume of refinancings and home improvement loans was too low to significantly impact overall conclusions. The two branches were acquired when HSBC purchased First Commercial Bank of Philadelphia in early 1999.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN PENNSYLVANIA

The bank has defined a single assessment area in Pennsylvania consisting of a portion of PMSA 6160 (Philadelphia, PA-NJ), Philadelphia and Delaware Counties, as well as a small part of Montgomery County. Total deposits as of June 30, 2000, amounted to \$74.1 million. The bank's deposits in the Philadelphia PMSA represent .21 percent of its total deposits for all the assessment areas. With a deposit market share of .04 percent, HSBC ranks 228<sup>th</sup> out of approximately 330 institutions in the state. In the PMSA, the bank ranks 81<sup>st</sup> out of approximately 130 institutions. Of the total HMDA-related and small business loans evaluated, HSBC originated 180 or .3 percent in the Pennsylvania assessment area.

## PERFORMANCE CONTEXT

Demographics and economic conditions also impact the bank's performance context and are discussed below. Information was obtained from publicly available sources including HUD, the U.S. Department of Commerce's Bureau of the Census (1990), the U.S. Department of Labor, the National Association of Realtors, and the Pennsylvania State Department of Labor.

### Demographic Characteristics

Consisting of Delaware and Philadelphia Counties and parts of Montgomery County, HSBC's assessment area in PMSA 6160 (Philadelphia, PA) has a total population of 2.3 million. Of the 564 census tracts in the assessment area, 19 percent are upper-income, 36 percent middle-income, 27 percent moderate-income, and 18 percent are low-income.

### Income Characteristics

The 1990 Census figure for median family income is \$35,013 while the 1999 HUD adjusted median family income is \$55,600 and the 2000 HUD adjusted median family income is \$57,800. Based on the 1990 median family income, 29 percent of the families are upper-income, 23 percent middle-income, 20 percent moderate-income and 28 percent low-income. Approximately 12 percent of the families in this assessment area subsist below the poverty level, but within the city of Philadelphia the percentage is 20.3 percent.

### Housing Characteristics

Of the 940 thousand housing units in the assessment area, 556 thousand units or 59 percent are owner-occupied. LMI census tracts contain 41 percent of the owner-occupied housing. The

median housing value in the assessment area based on the 1990 Census is \$66,738. According to the National Association of Realtors, the median price as of the fourth quarter of 2000 was \$125 thousand. The median age of the housing stock is 53 years, higher than the state median housing age of 43 years.

### Labor, Employment and Economic Characteristics

This PMSA lost 10 thousand manufacturing jobs since 1992 and manufacturing now accounts for less than 13 percent of PMSA employment. The services industry provides 33 percent of the jobs. The largest employers are educational institutions, health care-related employers, government, finance/insurance, and trade-related occupations. The University of Pennsylvania, Prudential Insurance, and the Atlantic Petroleum Corporation are among the major employers.

The area has also experienced population loss. In the city of Philadelphia, population declined by nearly 19 percent between 1970 and 1990. The economic and demographic trends have had significant consequences for many older neighborhoods as fewer families had the means to repair and maintain their property. Although many LMI residents are able to acquire housing, they face declining property values and substandard conditions because of an inability to keep up with repairs and basic maintenance.

After experiencing net job losses in 1991-92, PMSA employment has steadily increased. The unemployment rate in the Philadelphia PMSA fell from 8.1 percent in September 1992 to 4 percent in September 2000.

Community contacts said the assessment area needs home improvement loans, bilingual assistance from financial institutions, and financial counseling.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PENNSYLVANIA**

### **LENDING TEST**

HSBC's performance under the lending test is rated "low satisfactory." The bank's lending levels reflected adequate responsiveness to the credit needs in the assessment area portion of PMSA 6160 (Philadelphia, PA), taking into account the institution's small presence in the area. The geographic distribution of loans reflected adequate penetration. Among borrowers of different incomes and businesses of different sizes, the distribution of loans reflected good penetration. The bank made no community development loans during the examination period.

**Lending Activity:** Lending activity reflected adequate responsiveness to credit needs in the assessment area when considering the bank's market presence of just two branches. These branches represent .5 percent of the total branch network and .2 percent of the institution's total deposits. Of the total number and dollar amount of loans originated by the bank in all assessment areas, .8 percent were originated in the PMSA 6160 assessment area. While the PMSA 6160 assessment area contains 10 percent of the bank's total assessment area population, HSBC's

deposit market share represents only one tenth of 1 percent of the deposits for all institutions in the PMSA.

For the examination period, the bank and its mortgage affiliate originated or purchased 474 loans during the examination period totaling approximately \$56 million. Of the HMDA-related loans analyzed in PMSA 6160, 76 percent were home purchase loans. HMDA-related loans in this assessment area represented less than 1 percent of HSBC's total mortgage loans, while small business and small farm loans represented slightly over 1 percent. As previously noted, the volume of refinancings and home improvement loans was too low to warrant conclusions. Most of the small business loans included in the analysis were the result of HSBC's acquisition of First Commercial Bank of Philadelphia in March, 1999.

A review of performance context and community contact information revealed only adequate responsiveness to community credit needs. Home improvement lending is an important credit need in Philadelphia, but the bank made only two such loans in this assessment area.

**Geographic Distribution of Lending:** The overall geographic distribution of HMDA-related and small business loans in the Pennsylvania assessment area was adequate.

#### Home Purchase Loans

The geographic distribution of home purchase loans reflected weak penetration in the assessment area. The bank originated 16 percent of all home purchase loans in LMI tracts, while 41 percent of owner-occupied housing units are located in LMI tracts. Performance was poor in low-income geographies where 1 percent of home purchase loans were originated, while 10 percent of owner-occupied housing units are located in such geographies. Performance was weak in moderate-income geographies where 14 percent of home purchase loans were originated, and where 30 percent of owner-occupied housing units are located.

In 1999, performance trailed the aggregate performance in this assessment area. HSBC originated 10 percent of home purchase loans in LMI areas, compared with aggregate lender originations of 28 percent.

#### Refinancings

The geographic distribution of refinancings was adequate, but only 20 refinancings were reported and included in the analysis for PMSA 6160 (Philadelphia, PA). This performance did not have a significant impact on the conclusions with respect to the bank's overall geographic distribution of lending in the assessment area.

Refinance lending in LMI geographies represented 25 percent of such lending in the assessment area, while 41 percent of owner-occupied housing units are located in LMI geographies. Five refinancings were originated in moderate-income geographies and none in low-income geographies.

In 1999, HSBC's refinance performance trailed aggregate performance in this assessment area. HSBC originated 20 percent of refinancings in LMI geographies, and aggregate lenders originated 35 percent.

#### Home Improvement Loans

The bank originated only two home improvement loans in PMSA 6160 (Philadelphia, PA), making the geographic distribution of such loans insignificant with respect to the overall conclusions for geographic distribution in this assessment area. Both the loans were in moderate-income geographies.

#### Small Business Loans

The geographic distribution of small business loans reflected excellent penetration throughout the assessment area. The bank extended 70 percent of all small business credit in LMI geographies where 35 percent of the business establishments are located.

In 1999, HSBC's small business performance exceeded the aggregate performance in this assessment area. Sixty-nine percent of small business loans were made in LMI tracts compared with the aggregate lenders' 28 percent.

**Borrower Characteristics:** The distribution of loans among borrowers of different income levels and businesses of different sizes was good when considering the reduced levels of lending based on market presence. The distribution of home purchase loans to LMI individuals was excellent.

#### Home Purchase Loans

HSBC's distribution of home purchase loans among borrowers of different income levels was excellent. During the examination period, the bank originated 62 percent of such loans to LMI borrowers, while 48 percent of the families in the assessment area are LMI. The bank's 1999 level of home purchase lending to LMI borrowers was substantially less than that of the aggregate of HMDA reporters in the bank's assessment area. While HSBC originated 20 percent of its loans to LMI borrowers, the aggregate originated 50 percent to LMI borrowers.

The bank's distribution of home purchase loans to moderate-income borrowers was excellent. HSBC originated 35 percent of such loans to moderate-income borrowers, while 20 percent of the families in the assessment area are moderate-income. In 1999, HSBC extended no loans to moderate-income borrowers. The aggregate of HMDA reporters in the bank's assessment area extended 28 percent of its loans to moderate-income borrowers.

The bank's distribution of home purchase loans to low-income borrowers was good. During the examination period, the bank originated 28 percent of its home purchase loans to low-income borrowers, while 28 percent of the families in the assessment area are low-income. In 1999, the bank's level of lending to low-income borrowers was slightly lower than that of the aggregate.



HSBC originated 20 percent of its loans to low-income borrowers, and the aggregate originated 22 percent of such loans to these borrowers.

### Refinancings

The distribution of refinancings among borrowers of different income levels was excellent. As only 18 refinancings were originated in this assessment area, this performance did not have a significant impact on the conclusions with respect to the bank's overall borrower distribution of lending in the assessment area.

During the examination period, 17 percent and 33 percent of the bank's refinancings were originated in low- and moderate-income geographies, respectively. Low-income families represent 28 percent of families in the assessment area, while moderate-income families represent 20 percent.

### Home Improvement Loans

The distribution of home improvement loans in PMSA 6160 (Philadelphia, PA) was excellent, but these loans totaled only 2 percent of HMDA-related lending analyzed at this examination. This performance did not significantly impact the overall conclusion for the distribution of lending among borrower income levels in the assessment area. Two home improvement loans were extended during the examination period, both to low-income borrowers.

### Small Business Loans

HSBC's record of lending to businesses of different sizes was good. Approximately 65 percent of small business loans were for \$100 thousand or less. The average size of such loans was \$44 thousand. Approximately 66 percent of the bank's small business loans were made to businesses with GAR of \$1 million or less, while 87 percent of business establishments in the assessment area have GAR of \$1 million or less. Of the total number of small business loans reported by the bank, 28 percent did not indicate the revenue size of the borrower.

Of HSBC's reported small business loans in 1999, 64 percent were for amounts of \$100 thousand or less, compared with the aggregate's 80 percent. However, 65 percent of the bank's small business loans were to businesses with GAR of \$1 million or less compared with the aggregate's 53 percent.

**Community Development Lending:** The bank's level of community development loans was very poor, as HSBC made no community development loans in this assessment area during the examination period.

## **INVESTMENT TEST**

HSBC's performance under the investment test in PMSA 6160 (Philadelphia, PA) was poor. During the examination period, the bank made no direct investments or charitable grants to organizations in the assessment area. HSBC provided indirect support with investments of \$32 million in national tax credit funds for low-income housing tax projects in the mid-Atlantic region, including projects in New York and Philadelphia.

## **SERVICE TEST**

HSBC's performance under the service test is rated "low satisfactory."

### **Retail Services**

The bank's branch network was reasonably accessible to essentially all portions of the assessment area. One of the two branches was located in an LMI census tract. No branches were closed or consolidated in this assessment area during the examination period.

HSBC provided alternative delivery systems through an ATM as well as telephone and computer banking services. The bank opened an English/Chinese ATM in the LMI branch.

Both branches provide identical consumer and commercial banking services, and both have extended evening hours. The branch in the LMI census tract is open on Saturday.

### **Community Development Services**

HSBC provided a very limited level of community development services in PMSA 6160 (Philadelphia, PA). The bank participated in a limited number of affordable housing seminars during the examination period.

## STATE OF FLORIDA

### **CRA RATING FOR FLORIDA: "SATISFACTORY."**

*The lending test is rated: Low satisfactory.*

*The investment test is rated: Low satisfactory.*

*The service test is rated: Outstanding.*

HSBC's satisfactory performance overall in Florida is based on the following summary conclusions:

#### **LENDING TEST**

- HSBC's responsiveness to the credit needs in its assessment areas was poor, taking into account the number and dollar amount of home purchase, refinance, home improvement, multifamily and small business/small farm loans originated in its assessment areas.
- The overall geographic distribution of home purchase, refinancings, home improvement, multifamily, and small business loans across census tracts of different income levels reflected adequate penetration throughout the assessment areas.
- Loans among individuals of different income levels and businesses of different sizes reflected poor distribution in the bank's assessment areas.
- The bank has an excellent level of community development loans despite a small market presence. HSBC has more than \$10 million in community development loan commitments.

#### **INVESTMENT TEST**

- HSBC had an adequate level of qualified investments and exhibited an adequate level of responsiveness to community development needs.

#### **SERVICE TEST**

- The bank's delivery systems were accessible to essentially its entire assessment area.
- HSBC's record of opening and closing branches during the review period has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals.

- HSBC has an excellent level of community development services when considering the bank's small presence in the assessment area. With seminars and technical assistance, the bank exhibited a high level of responsiveness to the needs of LMI individuals and community development organizations.

## **SCOPE OF EXAMINATION**

HSBC's Florida activity in lending, investments and services was evaluated for the nine months between January 1 and September 30, 2000. Florida became part of the bank's assessment areas when HSBC merged with Republic on December 31, 1999, at which time the bank acquired Republic's seven branches in the state. Four of the branches are located in PMSA 5000 (Miami-Dade, FL), which represents the highest concentration of branches, deposits and lending activity of the Florida assessment areas. Overall conclusions regarding the bank's CRA rating in the state were based primarily on performance in PMSA 5000. An analysis of available data was applied to the bank's remaining Florida assessment areas.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN FLORIDA**

HSBC has defined three assessment areas including all or portions of PMSA 5000 (Miami-Dade, FL), PMSA 2680 (Fort Lauderdale, FL), and PMSA 8960 (West Palm Beach-Boca Raton, FL).

Deposits in HSBC's seven Florida branches totaled \$293 million as of June 30, 2000, and they represent .83 percent of the bank's total deposits for all its assessment areas. With a deposit market share of approximately .14 percent, HSBC ranks 55<sup>th</sup> out of approximately 350 banks in the state. HSBC's seven branches in the state represent less than 2 percent of the bank's total branch network. Of the total HMDA-related and small business loans evaluated, 290 or .46 percent were originated in HSBC's Florida assessment areas.

Performance within the Florida assessment areas is weighted less heavily in the overall CRA evaluation because of the bank's small presence in the state and the brief nine-month period in which HSBC's operations in Florida could be evaluated.

## **PERFORMANCE CONTEXT**

### *Demographic Characteristics*

Florida is one of the fastest growing states in the nation. Between 1980 and 2000, the population grew 53 percent from 10.2 million to 15.6 million. During the 1990s, the population growth rate was 21 percent compared with an 11 percent growth projected for the U.S. The population of HSBC's assessment areas in Florida is approximately 4 million. Almost 50 percent or 1.9 million is concentrated in PMSA 5000 (Miami-Dade, FL), followed by PMSA 2680 (Fort Lauderdale, FL) with 1.3 million and PMSA 8960 (West Palm Beach-Boca Raton, FL) with 800 thousand.

Between 1990 and 2000, the segment of Floridians aged 65 and older grew 21 percent to 2.9 million. This reflects the aging of the population, a trend expected to continue for the next decade.

#### Income Characteristics

The 2000 HUD adjusted median family income is \$47,300. In HSBC's three assessment areas, the HUD adjusted income ranges from \$56,600 in PMSA 8960 (West Palm Beach-Boca Raton, FL) to \$43,700 in PMSA 5000 (Miami-Dade, FL).

#### Housing Characteristics

The state's population increase has fueled an expansion in housing construction, more than half of which was for private, new residences. As a result, much of the housing stock is relatively new. In 1990, 79 percent of the stock was less than 30 years of age. Based on the 1990 Census, the median housing value in the state is \$77,100. In the third quarter of 2000, however, the National Association of Realtors listed the median sales price in the state as \$120 thousand.

#### Labor, Employment and Economic Characteristics

The rate of growth in employment is also very strong. In 2000, more than 250 thousand jobs were created in the state, primarily in business services, health services, engineering and management services. In terms of the rate of job creation in the U.S., Florida is third, following California and Texas.

Florida's economy is expected to remain strong with continued expansion in the service sector, particularly tourism, and construction activity. In South Florida, international commerce is growing in importance and has helped insulate the region from slowing growth in the U.S. In addition to tourism, other major industries include telecommunications, real estate and aviation. The state unemployment rate of 3.8 percent in 2000 is below the national rate of 4.2 percent.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FLORIDA**

### **LENDING TEST**

HSBC's performance under the lending test is rated "low satisfactory." The bank's lending levels reflected adequate responsiveness to the credit needs of the assessment areas. The percentage of loans made in the bank's assessment areas was small (although performance was measured for the first nine months of 2000 only). The geographic distribution of loans reflected adequate penetration throughout the assessment areas, while the distribution of loans reflected poor penetration among borrowers of different incomes and businesses of different sizes. The bank, however, made a high level of community development loans.

**Lending Activity:** HSBC exhibited weak responsiveness to credit needs in the Florida assessment areas. For the first three-quarters of 2000, HSBC originated 290 HMDA-related and small business and small farm loans totaling \$45 million. Approximately 91 percent of the number of loans and 84 percent of the dollar volume of loans were HMDA-related. However, HSBC made no home improvement loans during the nine months of this state's review period. Activity in the Florida assessment areas represented less than 1 percent of all HMDA-related and small business lending included in the analysis of HSBC at this examination. Of HMDA-related loans analyzed in Florida, 81 percent were home purchase loans.

Approximately 46 percent of total loan activity in the state occurred in PMSA 5000 (Miami-Dade, FL).

**Geographic Distribution of Lending and Borrower Characteristics:** Overall, the geographic distribution of HMDA-related loans was adequate. The distribution of small business loans across census tract income levels was good. The overall distribution of loans among borrowers of different income levels and businesses of different sizes was poor.

As Florida was not part of the bank's assessment area in 1999, comparisons with aggregate data for that year were unavailable. No home improvement loans were extended in the Florida assessment areas during the first nine months of 2000.

**Community Development Lending:** HSBC's community development lending performance was outstanding. During the examination period, community development loan commitments totaled \$9.1 million. Community development lending included an \$8 million commitment to an organization, which develops affordable housing on a statewide basis and included developments within PMSA 5000 (Miami-Dade, FL). The organization has developed over 1,251 affordable housing units. An additional \$1.1 million commitment was made to another organization that promoted affordable housing development within the PMSA.

## INVESTMENT TEST

HSBC's performance under the investment test was adequate. During the nine-month examination period, the bank had equity investments of \$35 thousand in a statewide organization that developed over 1,251 affordable housing units, and \$10 thousand in charitable grants to organizations that promoted affordable housing development.

## SERVICE TEST

HSBC's performance under the service test is rated "outstanding." The bank's delivery systems were accessible to essentially all portions of the bank's assessment area, and the bank provided a very high level of community development services throughout the assessment area.

## **METROPOLITAN AREA: PMSA 5000 (MIAMI-DADE, FL)**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN PMSA 5000 (MIAMI-DADE, FL)**

As of September 30, 2000, HSBC operated four branches and two ATMs in this assessment area. The branches in this PMSA accounted for \$223 million in deposits, or 1 percent of the bank's total branch deposits in all combined assessment areas as of June 30, 2000.

### **PERFORMANCE CONTEXT**

HSBC's performance in this PMSA was evaluated in terms of the economic, demographic and competitive context in which the bank operates.

Based on deposits reported to the FDIC on June 30, 2000, HSBC's branch deposits represented less than 1 percent of all bank deposits in the PMSA. For 1999, the bank had no presence in the state and was not an active lender.

Demographics and economic information also impact the bank's performance context and is discussed below. Information was obtained from publicly available sources including HUD, the U.S. Department of Commerce's Bureau of the Census, the U.S. Department of Labor, the National Association of Realtors, and the Florida Department of Commerce.

#### *Demographic Characteristics*

According to the 1990 Census, the population of the PMSA is approximately 1.9 million. Of the 267 census tracts in the PMSA, 28 percent are upper-income, 36 percent middle-income, 21 percent moderate-income, and 15 percent are low-income.

#### *Income Characteristics*

The 1990 Census figure for median family income is \$31,113, while the 2000 HUD adjusted median family income is \$43,700. Based on the 1990 median family income, 41 percent of the families are upper-income, 19 percent middle-income, 17 percent moderate-income and 23 percent low-income. Approximately 14 percent of the families in this assessment area are below the poverty level.

#### *Housing Characteristics*

Of the 771 thousand housing units in the assessment area, 376 thousand units or 49 percent are owner-occupied. The median age of the housing stock is 39 years. The median housing value in the assessment area based on the 1990 Census is \$86 thousand, higher than Florida's median housing value of \$76 thousand. However, PMSA housing prices have nearly doubled in the past decade. According to the National Association of Realtors, the median price of housing in this assessment area by the third quarter of 2000 was \$145 thousand.

Labor, Employment and Economic Characteristics

Population in the PMSA has increased, but unemployment has decreased. Between 1993 and 1996, total employment increased 5.7 percent, with the largest increase (11.3 percent) occurring in the services sector. Services, retail trade and government have the most employees. As of September 2000, the unemployment rate for the Miami-Dade assessment area was 5.5 percent, higher than the overall state rate of 3.7 percent.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PMSA 5000  
(MIAMI-DADE, FL)**

**LENDING TEST**

Performance in this PMSA had the greatest impact on the bank's Florida rating. HSBC's performance under the lending test was adequate.

**Lending Activity:** The bank's lending levels reflected weak responsiveness to credit needs in the PMSA in view of the lending opportunity offered based on area demographics, performance context factors, product offerings and market presence.

For the first nine months of 2000, 133 loans totaling \$21 million were originated. HMDA-related loans accounted for 92 percent of the total number of loans, and small business loans accounted for 8 percent. Such activity represented .36 percent of all HMDA-related and .04 percent of all small business loans included in the analysis for this examination. Of HMDA-related loans analyzed, 79 percent were home purchase loans.

This PMSA contains 8 percent of HSBC's total assessment area population, but only 1 percent of the total number of branches (which contain 1 percent of the institution's total deposits). Of the total number and dollar amount of loans in all assessment areas, .21 percent and .29 percent, respectively, were originated in the PMSA.

Performance context information and community contacts indicated the bank's weak responsiveness to community credit needs during the examination period. HSBC reported no home improvement loans, which are an important credit need according to community contacts in Dade County.

**Geographic Distribution of Lending:** The overall geographic distribution of loans in the PMSA was adequate. As Florida was not part of the bank's assessment area in 1999, comparisons with aggregate data for that year could not be made.

Home Purchase Loans

The geographic distribution of home purchase loans was adequate. Home purchase lending in LMI geographies accounted for 11 percent of such lending in the PMSA, while 16 percent of



owner-occupied housing units are located in LMI geographies. Performance was adequate in LMI geographies. In low-income geographies, 2 percent of home purchase loans were originated where 3 percent of owner-occupied housing units are located. In moderate-income geographies, 9 percent of home purchase loans were originated where 13 percent of owner-occupied housing units are located.

### Refinancings

The geographic distribution of refinancings was adequate, but the 26 refinance loans totaled only 21 percent of HMDA-related lending included in the PMSA analysis. Such performance did not significantly impact the conclusions with respect to the bank's overall geographic distribution of lending in the assessment area.

For the first three quarters of 2000, 12 percent of the bank's refinancings in this PMSA were originated in moderate-income geographies, which contain 13 percent of the assessment area's owner-occupied housing units. No refinance loans were originated in low-income geographies during the period of this evaluation.

### Home Improvement Loans

The geographic distribution of home improvement loans was poor as no home improvement loans were extended in the assessment area during the first nine months of 2000.

### Small Business Loans

The geographic distribution of small business loans reflected excellent penetration throughout the assessment area, but since only ten such loans were originated between January 1 and September 30, 2000, this performance did not significantly impact overall performance in the assessment area.

Overall, 30 percent of the bank's small business loans in PMSA 5000 (Miami-Dade, FL) were originated in LMI geographies, which contain 29 percent of all business establishments in this assessment area. The bank originated 20 percent of such loans in low-income geographies, which contain 10 percent of the businesses in the assessment area. In moderate-income geographies, 10 percent of small business loans were originated, while 19 percent of business establishments are located in such geographies.

**Borrower Characteristics:** The overall distribution of loans among borrowers of different income levels was poor. This assessment area was not part of the bank in 1999, and as of the date of the examination, aggregate data was unavailable.

Home Purchase Loans

HSBC's distribution of home purchase loans among borrowers of different income levels was weak. Overall, the bank originated 12 percent of such loans to LMI borrowers, while 40 percent of the families in the assessment area are LMI.

The bank originated 12 home purchase loans (12 percent) to moderate-income borrowers, while 16 percent of the families in the assessment area are moderate-income. No home purchase loans were originated to low-income borrowers during the examination period.

Refinancings

The distribution of refinancings across borrower income levels was weak. As only 26 refinancings were extended during the examination period, this performance did not significantly impact the overall conclusions for lending to borrowers in the assessment area.

Nineteen percent of refinancings were to moderate-income borrowers, while 16 percent of families in the assessment area are moderate-income. As of the examination date, no refinancings to low-income borrowers were reported for the examination period.

Home Improvement Loans

The distribution of home improvement loans was poor as no such loans were reported during the period of the evaluation.

Small Business Loans

The distribution of small business loans reflected weak penetration throughout the assessment area. Since only ten such loans were originated between January 1 and September 30, 2000, this performance had no significant impact on overall performance in the assessment area.

Approximately 30 percent of the bank's small business loans in this PMSA were to businesses with GAR of \$1 million or less, while 86 percent of business establishments in the assessment area have GAR of \$1 million or less. In all ten loan transactions, the GAR of the borrower was collected, and three of these were loans for less than \$100 thousand.

**Community Development Lending:** The bank's level of community development lending in this assessment area was excellent. During the examination period, community development loan commitments totaled \$9.1 million. The bank's commitment provided \$8 million in community development funds to an organization that develops affordable housing throughout the state, including housing units in PMSA 5000 (Miami-Dade, FL). This organization developed over 1,251 affordable housing units. An additional \$1.1 million commitment was made to another organization that promotes affordable housing development in this PMSA.

## **INVESTMENT TEST**

HSBC's performance under the investment test in PMSA 5000 (Miami-Dade, FL) was adequate. During the examination period the bank funded equity investments of \$35 thousand in an organization that developed over 1,251 affordable housing units. The bank also distributed \$10 thousand in charitable grants to organizations that promote affordable housing development.

## **SERVICE TEST**

The bank's performance under the service test in PMSA 5000 (Miami-Dade, FL) was excellent.

### **Retail Services**

HSBC's branch network was readily accessible to all portions of the assessment area. Of the four branches in the assessment area, one or 25 percent was located in an LMI census tract. This compares favorably with the PMSA demographics stating that 29 percent of the population resides in LMI census tracts. The four branches were staffed with bilingual personnel. Two of the branches, including the one in the LMI census tract, offered bilingual ATMs. All branches in the PMSA were acquired through the Republic acquisition and opened on December 31, 1999. No branches were closed or consolidated during the examination period.

The bank's alternative delivery systems featured two ATMs, telephone and computer banking services, and two loan offices. The bank operated both ATMs in its branch offices. In addition, the bank participates in the PLUS network of ATMs, which provides access to customer accounts at supermarkets, malls and airports.

All HSBC branches provide the same full range of consumer and commercial banking services. Two of the branches in upper-income tracts have extended evening and/or Saturday hours. The LMI branch does not have extended hours because of limited customer activity in this downtown commercial area.

### **Community Development Services**

HSBC provided a very high level of community development services in this PMSA. During the examination period, the bank participated in six events about affordable housing and sponsored nine seminars on small business. Technical assistance was provided to ten community development organizations and government entities, including the Miami-Dade Neighborhood Housing Services, the Dade County Economic and Employment Development Corporation, the First Housing Development Corporation, the Fannie Mae Advisory Board of South Florida, and the Home South Florida Outreach Program.

HSBC also acts as disbursing agent for the Local Initiatives Support Corporation ("LISC") predevelopment and construction fund program, and participates in the LISC/Neighborhood Reinvestment Corporation CDC's Operating Support Collaborative.

The bank participates in the Florida State Home Improvement Program ("SHIP"), the state's surtax program that provides closing and down payment assistance, and the Neighborhood Housing Services of America AHP (Affordable Housing Program).

**METROPOLITAN AREAS (LIMITED REVIEW)**

**PMSA 2680 (FORT LAUDERDALE, FL)**

**PMSA 8960 (WEST PALM BEACH-BOCA RATON, FL)**

Facts and data reviewed, including performance and applicable demographic information, can be found in the tables accompanying this report. Conclusions regarding performance in the individual assessment areas, which did not impact the overall state rating, are as follows:

<b>HSBC Bank</b>	<b>Performance Tests</b>		
<b>Assessment Area</b>	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
PMSA 2880 (Fort Lauderdale, FL)	Below*	Below	Consistent
PMSA 8960 (West Palm Beach-Boca Raton, FL)	Below	Below	Consistent

\* For example, the bank's performance in PMSA 2880 under the lending test fell below the bank's performance in Florida overall.

## EXHIBIT 3

## Distribution of Home Purchase Loans Across Census Tract Income Levels

January 1, 1999 - September 30, 2000

## NEW YORK

Tracts HSBC Bank Assessment Area	Low-Income		Moderate-Income		Middle-Income		Upper-Income		TOTALS	
	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	# Owner-Occupied Units	# of Loans
PMSA 5600 (New York, NY)	2.01	2.25	7.82	6.85	29.17	24.96	61.00	65.94	1,084,100	5,258
PMSA 5380 (Nassau-Suffolk, NY)	0.04	0.10	11.81	13.38	68.73	65.15	19.42	21.37	687,506	3,013
PMSA 5660 (Newburgh, NY-PA)	1.22	1.62	8.97	9.71	55.02	49.19	34.79	39.48	68,474	309
PMSA 2281 (Dutchess, NY)	1.50	1.27	8.81	8.92	73.20	72.93	16.48	16.88	61,899	314
<b>CMSA 5602 Total</b>	<b>1.25</b>	<b>1.46</b>	<b>9.34</b>	<b>9.23</b>	<b>45.83</b>	<b>41.12</b>	<b>43.58</b>	<b>48.19</b>	<b>1,901,979</b>	<b>8,892</b>
MSA 1280 (Buffalo-Niagara Falls, NY)	3.21	0.90	12.70	7.46	54.51	51.79	29.58	39.85	297,969	4,238
MSA 6840 (Rochester, NY)	2.55	0.96	12.43	8.88	58.93	58.94	26.09	31.22	261,478	2,918
MSA 0160 (Albany-Schen.-Troy, NY)	1.08	0.00	12.22	7.17	58.85	59.93	27.84	32.90	191,077	544
Non-MSA Counties, Group 1 Total	0.07	0.40	17.46	13.71	76.94	74.19	5.53	11.69	100,068	248
Non-MSA Counties, Group 2 Total	0.00	0.00	1.42	1.06	61.59	60.85	37.00	38.10	83,064	189
Non-MSA Counties, Group 3 Total	0.00	0.00	2.90	0.00	72.79	72.83	24.31	27.17	43,772	92
Non-MSA Counties, Group 4 Total	0.41	0.00	0.34	0.00	90.51	88.73	8.74	11.27	10,395	71
MSA 8160 (Syracuse, NY)	1.35	0.35	9.09	4.79	61.94	48.40	27.63	46.45	167,241	564
MSA 8680 (Utica-Rome, NY)	0.23	0.00	10.79	5.56	62.99	65.28	25.98	29.17	78,193	144
MSA 0960 (Binghamton, NY)	0.41	0.95	14.23	12.38	58.99	52.38	26.37	34.29	68,361	315
MSA 3610 (Jamestown, NY)	0.90	0.69	8.06	6.53	84.12	83.16	6.93	9.62	36,817	291
MSA 2335 (Elmira, NY)	0.49	0.00	6.43	3.85	67.64	58.65	25.44	37.50	24,095	104
MSA 2975 (Glens Falls, NY)	0.00	0.00	2.43	3.77	84.57	71.70	13.00	24.53	22,252	53
<b>NY State Total</b>	<b>1.38</b>	<b>1.09</b>	<b>10.03</b>	<b>8.41</b>	<b>52.62</b>	<b>49.29</b>	<b>35.97</b>	<b>41.20</b>	<b>3,286,761</b>	<b>18,663</b>

## PENNSYLVANIA

PMSA 6160 (Philadelphia, PA)	10.45	1.43	30.14	14.29	42.28	42.86	17.13	41.43	556,161	70
<b>PA State Total</b>	<b>10.45</b>	<b>1.43</b>	<b>30.14</b>	<b>14.29</b>	<b>42.28</b>	<b>42.86</b>	<b>17.13</b>	<b>41.43</b>	<b>556,161</b>	<b>70</b>

## FLORIDA

PMSA 5000 (Miami-Dade, FL)	3.26	2.06	12.86	9.28	40.83	40.21	43.05	48.45	376,006	97
PMSA 2680 (Fort Lauderdale, FL)	1.12	0.00	14.39	5.97	58.85	47.76	25.64	46.27	359,587	67
PMSA 8960 (W. Palm-Boca Raton, FL)	0.68	0.00	20.19	12.24	46.68	38.78	32.44	48.98	258,477	49
<b>FL State Total</b>	<b>1.81</b>	<b>0.94</b>	<b>15.32</b>	<b>8.92</b>	<b>48.87</b>	<b>42.25</b>	<b>33.99</b>	<b>47.89</b>	<b>994,070</b>	<b>213</b>

## EXHIBIT 4

## Distribution of Refinancings Across Census Tract Income Levels

January 1, 1999 - September 30, 2000

## NEW YORK

Tracts HSBC Bank Assessment Area	Low-Income		Moderate-Income		Middle-Income		Upper-Income		TOTALS	
	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	# Owner-Occupied Units	# of Loans
PMSA 5600 (New York, NY)	2.01	0.92	7.82	5.20	29.17	17.68	61.00	76.23	1,084,100	2,175
PMSA 5380 (Nassau-Suffolk, NY)	0.04	0.00	11.81	10.32	68.73	66.07	19.42	23.61	687,506	1,724
PMSA 5660 (Newburgh, NY-PA)	1.22	0.58	8.97	7.02	55.02	54.39	34.79	38.01	68,474	171
PMSA 2281 (Dutchess, NY)	1.50	0.00	8.81	6.32	73.20	71.15	16.48	22.53	61,899	253
<b>CMSA 5602 Total</b>	<b>1.25</b>	<b>0.49</b>	<b>9.34</b>	<b>7.38</b>	<b>45.83</b>	<b>41.55</b>	<b>43.58</b>	<b>50.59</b>	<b>1,901,979</b>	<b>4,323</b>
MSA 1280 (Buffalo-Niagara Falls, NY)	3.21	0.69	12.70	6.22	54.51	49.84	29.58	43.25	297,969	2,171
MSA 6840 (Rochester, NY)	2.55	0.97	12.43	8.04	58.93	59.49	26.09	31.50	261,478	1,543
MSA 0160 (Albany-Schen.-Troy, NY)	1.08	1.64	12.22	8.22	58.85	58.92	27.84	31.22	191,077	426
Non-MSA Counties, Group 1 Total	0.07	0.33	17.46	16.45	76.94	73.36	5.53	9.87	100,068	304
Non-MSA Counties, Group 2 Total	0.00	0.00	1.42	0.00	61.59	76.92	37.00	23.08	83,064	156
Non-MSA Counties, Group 3 Total	0.00	0.00	2.90	1.22	72.79	76.83	24.31	21.95	43,772	82
Non-MSA Counties, Group 4 Total	0.41	0.00	0.34	0.00	90.51	75.00	8.74	25.00	10,395	68
MSA 8160 (Syracuse, NY)	1.35	0.24	9.09	7.36	61.94	52.97	27.63	39.43	167,241	421
MSA 8680 (Utica-Rome, NY)	0.23	0.00	10.79	10.71	62.99	55.95	25.98	33.33	78,193	168
MSA 0960 (Binghamton, NY)	0.41	0.38	14.23	6.08	58.99	60.46	26.37	33.08	68,361	263
MSA 3610 (Jamestown, NY)	0.90	1.20	8.06	5.99	84.12	85.03	6.93	7.78	36,817	167
MSA 2335 (Elmira, NY)	0.49	0.00	6.43	1.52	67.64	59.09	25.44	39.39	24,095	66
MSA 2975 (Glens Falls, NY)	0.00	0.00	2.43	0.00	84.57	93.75	13.00	6.25	22,252	32
<b>NY State Total</b>	<b>1.38</b>	<b>0.62</b>	<b>10.03</b>	<b>7.26</b>	<b>52.62</b>	<b>50.94</b>	<b>35.97</b>	<b>41.18</b>	<b>3,286,761</b>	<b>10,190</b>

## PENNSYLVANIA

PMSA 6160 (Philadelphia, PA)	10.45	0.00	30.14	25.00	42.28	55.00	17.13	20.00	556,161	20
<b>PA State Total</b>	<b>10.45</b>	<b>0.00</b>	<b>30.14</b>	<b>25.00</b>	<b>42.28</b>	<b>55.00</b>	<b>17.13</b>	<b>20.00</b>	<b>556,161</b>	<b>20</b>

## FLORIDA

PMSA 5000 (Miami-Dade, FL)	3.26	0.00	12.86	11.54	40.83	30.77	43.05	57.69	376,006	26
PMSA 2680 (Fort Lauderdale, FL)	1.12	0.00	14.39	0.00	58.85	56.25	25.64	43.75	359,587	16
PMSA 8960 (W. Palm-Boca Raton, FL)	0.68	0.00	20.19	0.00	46.68	37.50	32.44	62.50	258,477	8
<b>FL State Total</b>	<b>1.81</b>	<b>0.00</b>	<b>15.32</b>	<b>6.00</b>	<b>48.87</b>	<b>40.00</b>	<b>33.99</b>	<b>54.00</b>	<b>994,070</b>	<b>50</b>

**EXHIBIT 5**

**Distribution of Home Improvement Loans Across Census Tract Income Level**

January 1, 1999 - September 30, 2000

NEW YORK										
Tracts	Low-income		Moderate-income		Middle-income		Upper-income		TOTALS	
	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	% Owner-Occupied Units	% of Loans	# Owner-Occupied Units	# of Loans
<b>HSBC Bank Assessment Area</b>										
PMSA 5600 (New York, NY)	2.01	5.60	7.82	8.91	29.17	34.35	61.00	51.15	1,084,100	393
PMSA 5380 (Nassau-Suffolk, NY)	0.04	0.00	11.81	16.52	68.73	69.13	19.42	14.35	687,506	230
PMSA 5660 (Newburgh, NY-PA)	1.22	3.03	8.97	6.06	55.02	69.70	34.79	21.21	68,474	33
PMSA 2281 (Dutchess, NY)	1.50	4.35	8.81	4.35	73.20	71.74	16.48	19.57	61,899	46
<b>CMSA 5602 Total</b>	<b>1.25</b>	<b>3.56</b>	<b>9.34</b>	<b>10.97</b>	<b>45.83</b>	<b>49.86</b>	<b>43.58</b>	<b>35.61</b>	<b>1,901,979</b>	<b>702</b>
MSA 1280 (Buffalo-Niagara Falls, NY)	3.21	2.96	12.70	12.62	54.51	58.51	29.58	25.91	297,969	1,046
MSA 6840 (Rochester, NY)	2.55	1.68	12.43	12.11	58.93	70.18	26.09	16.03	261,478	892
MSA 0160 (Albany-Schen.-Troy, NY)	1.08	0.95	12.22	6.83	58.85	61.27	27.84	30.95	191,077	630
Non-MSA Counties, Group 1 Total	0.07	0.24	17.46	19.09	76.94	71.12	5.53	9.55	100,068	419
Non-MSA Counties, Group 2 Total	0.00	0.00	1.42	0.00	61.59	78.95	37.00	21.05	83,064	38
Non-MSA Counties, Group 3 Total	0.00	0.00	2.90	0.00	72.79	88.00	24.31	12.00	43,772	100
Non-MSA Counties, Group 4 Total	0.41	0.00	0.34	0.00	90.51	80.00	8.74	20.00	10,395	55
MSA 8160 (Syracuse, NY)	1.35	0.67	9.09	7.19	61.94	58.36	27.63	33.78	167,241	598
MSA 8680 (Utica-Rome, NY)	0.23	0.31	10.79	10.22	62.99	56.04	25.98	33.44	78,193	323
MSA 0960 (Binghamton, NY)	0.41	2.26	14.23	19.55	58.99	55.84	26.37	22.56	68,361	133
MSA 3610 (Jamestown, NY)	0.90	3.52	8.06	9.15	84.12	81.69	6.93	5.63	36,817	142
MSA 2335 (Elmira, NY)	0.49	0.00	6.43	9.09	67.64	72.73	25.44	18.18	24,095	66
MSA 2975 (Glens Falls, NY)	0.00	0.00	2.43	0.00	84.57	94.44	13.00	5.58	22,252	90
<b>NY State Total</b>	<b>1.38</b>	<b>1.74</b>	<b>10.03</b>	<b>10.72</b>	<b>52.62</b>	<b>62.80</b>	<b>35.97</b>	<b>24.74</b>	<b>3,286,761</b>	<b>5,234</b>
PENNSYLVANIA										
PMSA 6160+A141 (Philadelphia, PA)	10.45	0.00	30.14	100.00	42.28	0.00	17.13	0.00	556,161	2
<b>PA State Total</b>	<b>10.45</b>	<b>0.00</b>	<b>30.14</b>	<b>100.00</b>	<b>42.28</b>	<b>0.00</b>	<b>17.13</b>	<b>0.00</b>	<b>556,161</b>	<b>2</b>
FLORIDA										
PMSA 5000 (Miami-Dade, FL)	3.26	0.00	12.86	0.00	40.83	0.00	43.05	0.00	376,006	0
PMSA 2680 (Fort Lauderdale, FL)	1.12	0.00	14.39	0.00	58.85	0.00	25.84	0.00	359,587	0
PMSA 8960 (W. Palm-Boca Raton, FL)	0.68	0.00	20.19	0.00	46.68	0.00	32.44	0.00	258,477	0
<b>FL State Total</b>	<b>1.81</b>	<b>0.00</b>	<b>15.32</b>	<b>0.00</b>	<b>48.87</b>	<b>0.00</b>	<b>33.99</b>	<b>0.00</b>	<b>994,070</b>	<b>0</b>

**EXHIBIT 6**

**Distribution of Small Business and Small Farm Loans Across Census Tract Income Levels**

January 1, 1999 - September 30, 2000

NEW YORK										
Tracts	Low-income		Moderate-income		Middle-income		Upper-income		TOTALS	
	% Bus. Estab.	% of Loans	% Bus. Estab.	% of Loans	% Bus. Estab.	% of Loans	% Bus. Estab.	% of Loans	# Bus. Estab.	# of Loans
<b>HSBC Bank Assessment Area</b>										
PMSA 5600 (New York, NY)	8.58	9.76	15.50	15.40	23.34	16.13	52.58	58.71	269,508	6,980
PMSA 5380 (Nassau-Suffolk, NY)	0.06	0.19	13.64	15.14	65.81	64.71	20.49	19.96	107,383	2,675
PMSA 5660 (Newburgh, NY-PA)	2.47	2.96	17.97	16.75	47.19	63.55	32.37	16.75	10,121	203
PMSA 2281 (Dutchess, NY)	7.74	12.15	15.04	11.84	69.13	63.86	8.08	12.15	7,361	321
<b>CMSA 5602 Total</b>	<b>6.09</b>	<b>7.18</b>	<b>15.04</b>	<b>15.25</b>	<b>36.37</b>	<b>31.35</b>	<b>42.50</b>	<b>46.22</b>	<b>394,373</b>	<b>10,179</b>
MSA 1280 (Buffalo-Niagara Falls, NY)	4.29	10.01	14.87	17.26	48.95	46.45	31.69	26.27	33,006	6,482
MSA 6840 (Rochester, NY)	7.55	16.67	14.58	13.25	53.14	48.93	24.73	21.15	34,548	3,660
MSA 0160 (Albany-Schen.-Troy, NY)	7.14	8.36	15.46	11.36	51.94	54.43	25.46	25.85	22,438	1,435
Non-MSA Counties, Group 1 Total	2.62	1.94	21.00	29.73	70.93	66.00	5.45	2.33	10,440	1,803
Non-MSA Counties, Group 2 Total	0.00	0.00	2.18	0.38	61.58	77.39	36.24	22.22	10,011	261
Non-MSA Counties, Group 3 Total	0.00	0.00	15.97	8.24	61.30	71.37	22.73	20.39	5,248	255
Non-MSA Counties, Group 4 Total	0.10	0.00	0.00	0.00	91.81	88.30	8.09	11.70	1,026	94
MSA 8160 (Syracuse, NY)	7.95	7.21	13.07	18.97	54.66	53.83	24.32	19.99	20,342	1,761
MSA 8680 (Utica-Rome, NY)	3.96	6.69	20.75	17.25	55.44	58.80	19.85	17.25	7,874	568
MSA 0960 (Binghamton, NY)	6.90	8.87	20.43	23.28	53.18	39.69	19.49	28.16	6,235	451
MSA 3610 (Jamestown, NY)	8.31	4.54	11.66	14.97	72.17	65.78	7.86	14.74	4,261	441
MSA 2335 (Elmira, NY)	3.96	13.99	24.17	17.62	52.57	58.03	19.30	10.36	2,300	193
MSA 2975 (Glens Falls, NY)	0.00	0.00	1.49	0.00	83.44	100.00	15.07	0.00	2,409	43
<b>NY State Total</b>	<b>5.90</b>	<b>8.68</b>	<b>14.91</b>	<b>16.34</b>	<b>41.91</b>	<b>44.66</b>	<b>37.28</b>	<b>30.33</b>	<b>554,511</b>	<b>27,626</b>
PENNSYLVANIA										
PMSA 6160 (Philadelphia, PA)	12.53	30.83	21.99	39.01	37.62	19.90	27.87	10.47	54,678	382
<b>PA State Total</b>	<b>12.53</b>	<b>30.83</b>	<b>21.99</b>	<b>39.01</b>	<b>37.62</b>	<b>19.90</b>	<b>27.87</b>	<b>10.47</b>	<b>54,678</b>	<b>382</b>
FLORIDA										
PMSA 5000 (Miami-Dade, FL)	10.06	20.00	18.99	10.00	30.99	20.00	39.96	50.00	83,547	10
PMSA 2680 (Fort Lauderdale, FL)	5.84	0.00	17.74	10.00	50.78	40.00	25.64	50.00	55,168	10
PMSA 8960 (W. Palm-Boca Raton, FL)	3.02	0.00	18.42	28.57	44.91	14.29	33.65	57.14	40,749	7
<b>FL State Total</b>	<b>7.16</b>	<b>7.41</b>	<b>18.48</b>	<b>14.81</b>	<b>40.24</b>	<b>25.93</b>	<b>34.13</b>	<b>51.85</b>	<b>179,464</b>	<b>27</b>

**EXHIBIT 7**

**Distribution of Home Purchase Loans Across Borrower Income Levels**

January 1, 1999 - September 30, 2000

**NEW YORK**

Tracts	Low-income		Moderate-income		Middle-income		Upper-income		TOTALS	
	% Of Families	% Of Loans	% Of Families	% Of Loans	% Of Families	% Of Loans	% Of Families	% Of Loans	# Of Families	# Of Loans
HSBC Bank Assessment Area										
PMSA 5600 (New York, NY)	24.98	1.81	15.18	15.18	18.27	28.29	41.56	54.72	2,074,817	5,139
PMSA 5380 (Nassau-Suffolk, NY)	16.36	5.08	19.26	28.44	26.30	28.64	38.08	37.83	690,401	2,950
PMSA 5660 (Newburgh, NY-PA)	17.67	4.26	17.38	25.57	25.13	28.89	39.82	43.28	77,895	305
PMSA 2281 (Dutchess, NY)	16.72	2.31	19.15	31.02	28.12	26.73	36.01	39.93	65,338	303
<b>CMSA 5602 Total</b>	<b>22.56</b>	<b>3.02</b>	<b>16.30</b>	<b>20.59</b>	<b>20.58</b>	<b>28.31</b>	<b>40.56</b>	<b>48.07</b>	<b>2,908,451</b>	<b>8,697</b>
MSA 1280 (Buffalo-Niagara Falls, NY)	19.56	9.78	18.18	32.00	24.00	26.04	38.27	32.18	315,700	3,959
MSA 6840 (Rochester, NY)	18.65	12.18	18.18	37.94	24.88	22.32	38.29	27.56	268,436	2,881
MSA 0160 (Albany-Schen-Troy, NY)	16.94	8.10	18.42	39.36	25.42	16.76	39.22	35.78	202,488	531
Non-MSA Counties, Group 1 Total	21.62	4.53	19.45	16.87	24.44	27.98	34.49	50.62	109,347	243
Non-MSA Counties, Group 2 Total	14.90	6.65	16.05	16.22	22.40	23.24	46.65	51.89	84,153	185
Non-MSA Counties, Group 3 Total	16.56	3.37	17.55	13.48	22.76	33.71	43.13	49.44	44,623	89
Non-MSA Counties, Group 4 Total	17.57	2.82	21.55	25.35	25.22	45.07	35.66	26.76	10,119	71
MSA 8160 (Syracuse, NY)	18.41	6.06	17.96	24.95	24.58	27.16	39.06	41.83	173,983	545
MSA 8680 (Utica-Rome, NY)	18.31	3.65	18.93	15.33	24.03	34.31	38.72	46.72	81,683	137
MSA 0960 (Binghamton, NY)	18.17	9.06	19.34	24.92	24.16	25.57	38.33	40.45	69,553	309
MSA 3610 (Jamestown, NY)	19.40	6.57	18.10	21.80	23.67	23.53	38.82	48.10	37,449	289
MSA 2335 (Elmira, NY)	18.75	4.81	18.82	15.38	23.45	34.62	38.98	45.19	24,895	104
MSA 2975 (Glens Falls, NY)	16.89	3.77	19.17	16.98	26.26	28.30	37.68	50.94	22,690	53
<b>NY State Total</b>	<b>21.20</b>	<b>6.46</b>	<b>16.96</b>	<b>26.44</b>	<b>21.84</b>	<b>26.48</b>	<b>40.01</b>	<b>40.63</b>	<b>4,353,570</b>	<b>18,093</b>

**PENNSYLVANIA**

PMSA 6160 (Philadelphia, PA)	28.08	27.54	19.90	34.78	22.58	4.35	29.44	33.33	559,520	69
<b>PA State Total</b>	<b>28.08</b>	<b>27.54</b>	<b>19.90</b>	<b>34.78</b>	<b>22.58</b>	<b>4.35</b>	<b>29.44</b>	<b>33.33</b>	<b>559,520</b>	<b>69</b>

**FLORIDA**

PMSA 5000 (Miami-Dade, FL)	23.32	0.00	16.40	12.37	19.19	27.84	41.09	59.79	485,213	97
PMSA 2680 (Fort Lauderdale, FL)	19.63	7.81	18.27	34.38	22.51	25.00	39.59	32.81	337,284	64
PMSA 8960 (W. Palm-Boca Raton, FL)	18.04	4.08	18.91	20.41	22.75	26.53	40.31	48.98	236,516	49
<b>FL State Total</b>	<b>20.97</b>	<b>3.33</b>	<b>17.56</b>	<b>20.95</b>	<b>21.04</b>	<b>26.67</b>	<b>40.44</b>	<b>49.05</b>	<b>1,059,013</b>	<b>210</b>

**EXHIBIT 8**

**Distribution of Refinancings Across Borrower Income Levels**

January 1, 1999 - September 30, 2000

**NEW YORK**

Tracts	Low-income		Moderate-income		Middle-income		Upper-income		TOTALS	
	% Of Families	% Of Loans	% Of Families	% Of Loans	% Of Families	% Of Loans	% Of Families	% Of Loans	# Of Families	# Of Loans
HSBC Bank Assessment Area										
PMSA 5600 (New York, NY)	24.98	2.25	15.18	8.68	18.27	24.50	41.56	64.57	2,074,817	2,131
PMSA 5380 (Nassau-Suffolk, NY)	16.36	5.20	19.26	21.23	26.30	30.40	38.08	43.17	690,401	1,691
PMSA 5660 (Newburgh, NY-PA)	17.67	2.99	17.38	11.38	25.13	29.94	39.82	55.69	77,895	167
PMSA 2281 (Dutchess, NY)	16.72	2.81	19.15	12.45	28.12	36.55	36.01	48.19	65,338	249
<b>CMSA 5602 Total</b>	<b>22.56</b>	<b>3.49</b>	<b>16.30</b>	<b>14.02</b>	<b>20.58</b>	<b>27.77</b>	<b>40.56</b>	<b>54.72</b>	<b>2,908,451</b>	<b>4,238</b>
MSA 1280 (Buffalo-Niagara Falls, NY)	19.56	5.34	18.18	18.05	24.00	27.70	38.27	48.91	315,700	2,061
MSA 6840 (Rochester, NY)	18.65	6.86	18.18	20.25	24.88	29.55	38.29	43.34	268,436	1,516
MSA 0160 (Albany-Schen-Troy, NY)	16.94	2.84	18.42	16.35	25.42	29.36	39.22	51.42	202,488	422
Non-MSA Counties, Group 1 Total	21.62	3.70	19.45	10.77	24.44	25.93	34.49	59.60	109,347	297
Non-MSA Counties, Group 2 Total	14.90	2.58	16.05	9.03	22.40	23.23	46.65	65.16	84,153	155
Non-MSA Counties, Group 3 Total	16.56	5.00	17.55	12.50	22.76	30.00	43.13	52.50	44,623	80
Non-MSA Counties, Group 4 Total	17.57	0.00	21.55	12.31	25.22	41.54	35.66	46.15	10,119	65
MSA 8160 (Syracuse, NY)	18.41	3.92	17.96	14.95	24.58	27.94	39.06	53.19	173,983	408
MSA 8680 (Utica-Rome, NY)	18.31	2.44	18.93	18.29	24.03	21.95	38.72	57.32	81,683	164
MSA 0960 (Binghamton, NY)	18.17	6.49	19.34	14.50	24.16	23.28	38.33	55.73	69,553	262
MSA 3610 (Jamestown, NY)	19.40	2.42	18.10	13.33	23.67	26.06	38.82	58.18	37,449	165
MSA 2335 (Elmira, NY)	18.75	3.08	18.82	16.92	23.45	24.62	38.98	55.38	24,895	65
MSA 2975 (Glens Falls, NY)	16.89	9.38	19.17	12.50	26.26	15.63	37.68	62.50	22,690	32
<b>NY State Total</b>	<b>21.20</b>	<b>4.42</b>	<b>16.96</b>	<b>15.83</b>	<b>21.84</b>	<b>27.78</b>	<b>40.01</b>	<b>51.96</b>	<b>4,353,570</b>	<b>9,930</b>

**PENNSYLVANIA**

PMSA 6160 (Philadelphia, PA)	28.08	16.67	19.90	33.33	22.58	22.22	29.44	27.78	559,520	18
<b>PA State Total</b>	<b>28.08</b>	<b>16.67</b>	<b>19.90</b>	<b>33.33</b>	<b>22.58</b>	<b>22.22</b>	<b>29.44</b>	<b>27.78</b>	<b>559,520</b>	<b>18</b>

**FLORIDA**

PMSA 5000 (Miami-Dade, FL)	23.32	0.00	16.40	19.23	19.19	11.54	41.09	69.23	485,213	26
PMSA 2680 (Fort Lauderdale, FL)	19.63	6.25	18.27	0.00	22.51	25.00	39.59	68.75	337,284	16
PMSA 8960 (W. Palm-Boca Raton, FL)	18.04	0.00	18.91	16.67	22.75	16.67	40.31	66.67	236,516	6
<b>FL State Total</b>	<b>20.97</b>	<b>2.08</b>	<b>17.56</b>	<b>12.50</b>	<b>21.04</b>	<b>16.67</b>	<b>40.44</b>	<b>68.75</b>	<b>1,059,013</b>	<b>48</b>

**EXHIBIT 9**  
**Distribution of Home Improvement Loans Across Borrower Income Levels**

January 1, 1999 - September 30, 2000

NEW YORK										
Tracts	Low-Income		Moderate-Income		Middle-Income		Upper-Income		TOTALS	
	% Of Families	% Of Loans	% Of Families	% Of Loans	% Of Families	% Of Loans	% Of Families	% Of Loans	# Of Families	# Of Loans
<b>HSBC Bank Assessment Area</b>										
PMSA 5600 (New York, NY)	24.98	12.88	15.18	21.10	18.27	26.03	41.56	40.00	2,074,817	365
PMSA 5380 (Nassau-Suffolk, NY)	16.36	17.57	19.28	24.77	26.30	27.93	38.08	29.73	690,401	222
PMSA 5660 (Newburgh, NY-PA)	17.67	18.75	17.38	25.00	25.13	28.13	39.82	28.13	77,895	32
PMSA 2281 (Dutchess, NY)	16.72	18.18	19.15	22.73	28.12	27.27	36.01	31.82	65,338	44
<b>CMSA 5602 Total</b>	<b>22.56</b>	<b>15.08</b>	<b>16.30</b>	<b>22.62</b>	<b>20.58</b>	<b>26.85</b>	<b>40.56</b>	<b>35.44</b>	<b>2,908,451</b>	<b>663</b>
MSA 1280 (Buffalo-Niagara Falls, NY)	19.56	15.55	18.18	22.74	24.00	25.85	38.27	35.86	315,700	1,029
MSA 6840 (Rochester, NY)	18.65	13.35	18.18	23.64	24.88	29.19	38.29	33.82	268,436	884
MSA 0160 (Albany-Schen.-Troy, NY)	18.94	10.51	18.42	17.68	25.42	31.37	39.22	40.45	202,488	628
Non-MSA Counties, Group 1 Total	21.62	7.21	19.45	23.08	24.44	28.61	34.49	41.11	109,347	416
Non-MSA Counties, Group 2 Total	14.90	5.26	16.05	15.79	22.40	23.68	46.65	55.26	84,153	38
Non-MSA Counties, Group 3 Total	16.56	14.00	17.55	20.00	22.76	24.00	43.13	42.00	44,623	100
Non-MSA Counties, Group 4 Total	17.57	10.91	21.55	27.27	25.22	23.64	35.66	38.18	10,119	55
MSA 8160 (Syracuse, NY)	18.41	10.42	17.96	19.33	24.58	27.90	39.06	42.35	173,983	595
MSA 8680 (Utica-Rome, NY)	18.31	11.56	18.93	19.06	24.03	28.44	38.72	40.94	81,883	320
MSA 0960 (Binghamton, NY)	18.17	18.32	19.34	22.14	24.16	29.01	38.33	30.53	69,553	131
MSA 3610 (Jamestown, NY)	19.40	7.91	18.10	16.55	23.67	31.65	38.82	43.88	37,449	139
MSA 2335 (Elmira, NY)	18.75	16.67	18.82	31.82	23.45	25.78	38.98	25.76	24,895	66
MSA 2975 (Glens Falls, NY)	16.89	12.22	19.17	20.00	26.26	41.11	37.68	26.67	22,690	90
<b>NY State Total</b>	<b>21.20</b>	<b>12.65</b>	<b>16.96</b>	<b>21.50</b>	<b>21.84</b>	<b>28.27</b>	<b>40.01</b>	<b>37.58</b>	<b>4,353,570</b>	<b>5,154</b>

**PENNSYLVANIA**

PMSA 6160 (Philadelphia, PA)	28.08	100.00	19.90	0.00	22.58	0.00	29.44	0.00	559,520	2
<b>PA State Total</b>	<b>28.08</b>	<b>100.00</b>	<b>19.90</b>	<b>0.00</b>	<b>22.58</b>	<b>0.00</b>	<b>29.44</b>	<b>0.00</b>	<b>559,520</b>	<b>2</b>

**FLORIDA**

PMSA 5000 (Miami-Dade, FL)	23.32	0.00	16.40	0.00	19.19	0.00	41.09	0.00	485,213	0
PMSA 2680 (Fort Lauderdale, FL)	19.63	0.00	18.27	0.00	22.51	0.00	39.59	0.00	337,284	0
PMSA 8960 (W. Palm-Boca Raton, FL)	18.04	0.00	18.91	0.00	22.75	0.00	40.31	0.00	236,516	0
<b>FL State Total</b>	<b>20.97</b>	<b>0.00</b>	<b>17.56</b>	<b>0.00</b>	<b>21.04</b>	<b>0.00</b>	<b>40.44</b>	<b>0.00</b>	<b>1,059,013</b>	<b>0</b>

**EXHIBIT 10**

**Distribution of Small Business and Small Farm Loans  
 By Loan Size and Gross Annual Revenues**

January 1, 1999 - September 30, 2000

NEW YORK							
HSBC Bank Assessment Area	Small Business and Farm Loans			Total Number of Loans	% Loans to Bus. GAR <=\$1 Million	Number Of Business Estab.	% of Bus. with GAR <=\$1 Million
	<=\$100,000	> \$100,000 <= \$250,000	> \$250,000 <= \$1 Million				
		Percentage of Bank Loans					
PMSA 5600 (New York, NY)	68.90	13.31	17.79	8,980	55.67	269,508	84.05
PMSA 5380 (Nassau-Suffolk, NY)	74.06	12.00	13.94	2,875	59.59	107,383	87.01
PMSA 5660 (Newburgh, NY-PA)	74.88	9.85	15.27	203	63.05	10,121	91.19
PMSA 2281 (Dutchess, NY)	81.93	7.48	10.59	321	60.75	7,361	90.99
<b>CMSA 5602 Total</b>	<b>70.76</b>	<b>12.71</b>	<b>16.50</b>	<b>10,179</b>	<b>57.01</b>	<b>394,373</b>	<b>85.17</b>
MSA 1280 (Buffalo-Niagara Falls, NY)	75.89	10.80	13.31	6,482	48.55	33,006	87.01
MSA 6840 (Rochester, NY)	75.68	9.89	14.43	3,660	46.86	34,548	89.26
MSA 0160 (Albany-Schen.-Troy, NY)	77.07	12.54	10.38	1,435	56.59	22,438	88.57
Non-MSA Counties, Group 1 Total	76.26	15.42	8.32	1,803	75.10	10,440	90.80
Non-MSA Counties, Group 2 Total	81.61	7.66	10.73	261	62.07	10,011	91.57
Non-MSA Counties, Group 3 Total	83.14	12.55	4.31	255	74.90	5,248	91.65
Non-MSA Counties, Group 4 Total	78.72	6.38	14.89	94	67.02	1,026	94.15
MSA 8160 (Syracuse, NY)	73.71	13.29	13.00	1,761	51.68	20,342	88.24
MSA 8680 (Utica-Rome, NY)	78.70	11.09	10.21	588	61.62	7,874	89.98
MSA 0960 (Binghamton, NY)	75.39	16.19	8.43	451	62.97	6,235	88.45
MSA 3610 (Jamestown, NY)	77.32	9.98	12.70	441	55.33	4,261	90.57
MSA 2335 (Elmira, NY)	83.94	8.29	7.77	193	52.85	2,300	89.13
MSA 2975 (Glens Falls, NY)	79.07	16.28	4.65	43	65.12	2,409	91.08
<b>NY State Total</b>	<b>74.19</b>	<b>11.98</b>	<b>13.83</b>	<b>27,626</b>	<b>54.89</b>	<b>554,511</b>	<b>86.27</b>
PENNSYLVANIA							
PMSA 6160 (Philadelphia, PA)	64.92	20.94	14.14	382	65.97	54,678	87.05
<b>PA State Total</b>	<b>64.92</b>	<b>20.94</b>	<b>14.14</b>	<b>382</b>	<b>65.97</b>	<b>54,678</b>	<b>87.05</b>
FLORIDA							
PMSA 5000 (Miami-Dade, FL)	30.00	30.00	40.00	10	40.00	83,547	85.67
PMSA 2680 (Fort Lauderdale, FL)	20.00	20.00	60.00	10	10.00	55,168	87.68
PMSA 8960 (W. Palm-Boca Raton, FL)	42.86	0.00	57.14	7	57.14	40,749	89.15
<b>FL State Total</b>	<b>29.63</b>	<b>18.52</b>	<b>51.85</b>	<b>27</b>	<b>33.33</b>	<b>179,464</b>	<b>87.08</b>



EXHIBIT 11

# Summary of Community Development Lending

January 1, 1999 – September 30, 2000

Assessment Area	Commitment (000s)	%	Outstanding (000s)	%	New Money (000s)	%	Housing Units
PMSA 5380 (Nassau-Suffolk, NY)	\$265	0%	\$0	0%	\$175	0%	0
PMSA 5600 (New York, NY)	\$174,349	69%	\$140,325	77%	\$169,419	83%	3,023
CSMA 5602 Subtotal	\$174,614	69%	\$140,325	77%	\$169,594	83%	3,023
MSA 1280 (Buffalo-Niagara Falls, NY)	\$4,060	2%	\$3,085	2%	\$1,832	1%	6
MSA 6840 (Rochester, NY)	\$5,220	2%	\$4,145	2%	\$1,465	1%	77
MSA 8160 (Syracuse, NY)	\$670	0%	\$459	0%	\$40	0%	0
Non-MSAs (All Groups)	\$43,746	17%	\$19,089	11%	\$19,312	10%	28
MSA 160 (Albany, NY)	\$9,246	4%	\$8,846	5%	\$275	0%	0
MSA 960 (Binghamton, NY)	\$30	0%	\$30	0%	\$0	0%	0
MSA 2281 (Dutchess County, NY)	\$0	0%	\$0	0%	\$0	0%	0
MSA 2335 (Elmira, NY)	\$75	0%	\$75	0%	\$0	0%	0
MSA 3610 (Jamestown, NY)	\$4,200	2%	\$1,514	1%	\$100	0%	0
MSA 8680 (Utica-Rome, NY)	\$1,896	1%	\$1,592	1%	\$1,596	1%	168
New York Assessment Area	\$243,757	97%	\$179,160	99%	\$194,214	96%	3,302
Pennsylvania Assessment Area	\$0	0%	\$0	0%	\$0	0%	0
Florida Assessment Area	\$9,090	3%	\$1,728	1%	\$9,090	4%	736
<b>TOTAL ACTIVITY</b>	<b>\$252,847</b>	<b>100%</b>	<b>\$180,888</b>	<b>100%</b>	<b>\$203,304</b>	<b>100%</b>	<b>4,038</b>
Direct Activity	\$185,496	73%	\$164,274	91%	\$157,014	77%	3,302
Indirect Activity	\$67,351	27%	\$16,614	9%	\$46,290	23%	736
<b>TOTAL ACTIVITY</b>	<b>\$252,847</b>	<b>100%</b>	<b>\$180,888</b>	<b>100%</b>	<b>\$203,304</b>	<b>100%</b>	<b>4,038</b>
Affordable Housing	\$174,547	69%	\$133,126	73%	\$159,133	78%	4,038
Community Service	\$33,177	13%	\$13,882	8%	\$19,876	10%	0
Economic Development	\$33,662	13%	\$24,949	14%	\$20,295	10%	0
Revitalization & Stabilization	\$11,461	5%	\$8,931	5%	\$4,000	2%	0

EXHIBIT 12

# Summary of Qualified Investments

January 1, 1999 – September 30, 2000

Assessment Area	Commitment (000s)	%	Outstanding (000s)	%	New Money (000s)	%	Housing Units
PMSA 5380 (Nassau-Suffolk, NY)	\$216	0%	\$0	0%	\$216	1%	0
PMSA 5600 (New York, NY)	\$121,922	95%	\$71,435	96%	\$26,924	81%	0
CSMA 5602 Subtotal	\$122,138	95%	\$71,435	0%	\$27,140	82%	0
MSA 1280 (Buffalo-Niagara Falls, NY)	\$981	1%	\$0	0%	\$981	9%	6
MSA 6840 (Rochester, NY)	\$2,442	2%	\$650	1%	\$2,042	1%	19
MSA 8160 (Syracuse, NY)	\$113	0%	\$0	0%	\$113	0%	0
Non-MSAs (All Groups)	\$111	0%	\$100	0%	\$111	0%	0
MSA 160 (Albany, NY)	\$2,592	2%	\$2550	3%	\$2,542	8%	0
MSA 960 (Binghamton, NY)	\$43	0%	\$23	0%	\$20	0	0
MSA 2281 (Dutchess County, NY)	\$22	0%	\$0	0%	\$22	0%	0
MSA 2335 (Elmira, NY)	\$0	0%	\$0	0%	\$0	0%	0
MSA 3610 (Jamestown, NY)	\$13	0%	\$0	0%	\$0	0%	0
MSA 8680 (Utica-Rome, NY)	\$0	0%	\$0	0%	\$0	0%	0
New York Assessment Area	\$128,455	100%	\$74,758	100%	\$32,984	100%	0
Pennsylvania Assessment Area	\$0	0%	\$0	0%	\$0	0%	0
Florida Assessment Area	\$45	0%	\$35	0%	\$45	0%	0
<b>TOTAL ACTIVITY</b>	<b>\$128,500</b>	<b>100%</b>	<b>\$74,793</b>	<b>100%</b>	<b>\$33,029</b>	<b>100%</b>	<b>0</b>
Direct Activity	\$5,294	4%	\$1,246	2%	\$4,744	14%	0
Indirect Activity	\$123,206	96%	\$73,547	98%	\$28,285	86%	0
<b>TOTAL ACTIVITY</b>	<b>\$128,500</b>	<b>100%</b>	<b>\$74,793</b>	<b>100%</b>	<b>\$33,029</b>	<b>100%</b>	<b>0</b>
Affordable Housing	\$122,268	95%	\$70,448	94%	\$27,694	84%	25
Community Service	\$1,884	2%	\$50	0%	\$2,220	7%	0
Economic Development	\$4,341	3%	\$4,295	6%	\$3,494	9%	0
Revitalization & Stabilization	\$7	0%	\$0	0%	\$7	0%	0

## EXHIBIT 13

# Summary of Branch Locations

As of September 30, 2000

<b>NEW YORK</b>			
HSBC Assessment Area	# of Branches	# of LMI Branches	% of LMI Branches
PMSA 5600 (New York, NY)	148	28	19
PMSA 5380 (Nassau-Suffolk, NY)	47	7	15
PMSA 5660 (Newburgh, NY-PA)	5	1	20
PMSA 2281 (Dutchess, NY)	6	2	33
<b>CMSA 5602 Total</b>	<b>206</b>	<b>38</b>	<b>18</b>
MSA 1280 (Buffalo-Niagara Falls, NY)	66	19	29
MSA 6840 (Rochester, NY)	50	14	28
MSA 0160 (Albany-Schenectady-Troy, NY)	19	5	26
Non-MSA Counties, Group 1 <sup>3</sup>	14	3	21
Non-MSA Counties, Group 2 <sup>4</sup>	6	0	0
Non-MSA Counties, Group 3 <sup>5</sup>	5	1	20
Non-MSA Counties, Group 4 <sup>6</sup>	3	0	0
MSA 8160 (Syracuse, NY)	21	7	33
MSA 8680 (Utica-Rome, NY)	11	3	27
MSA 0960 (Binghamton, NY)	14	6	43
MSA 3610 (Jamestown, NY)	8	3	38
MSA 2335 (Elmira, NY)	5	2	40
MSA 2975 (Glens Falls, NY)	2	0	0
<b>New York State TOTALS</b>	<b>430</b>	<b>101</b>	<b>23</b>
<b>PENNSYLVANIA</b>			
PMSA 6160 (Philadelphia, PA)	2	1	50
<b>Pennsylvania State TOTALS</b>	<b>2</b>	<b>1</b>	<b>50</b>
<b>FLORIDA</b>			
PMSA 5000 (Miami-Dade, FL)	4	1	25
PMSA 2680 (Fort Lauderdale, FL)	2	0	0
PMSA 8960 (W. Palm Beach-Boca Raton)	1	0	0
<b>Florida State TOTALS</b>	<b>7</b>	<b>1</b>	<b>14</b>

<sup>3</sup> Jefferson, Lewis, St. Lawrence, Franklin and Clinton Counties, and portions of Essex, Hamilton and Fulton Counties.

<sup>4</sup> Portions of Otsego, Delaware, Sullivan, Ulster, Greene and Columbia Counties.

<sup>5</sup> Cortland, Tompkins and Schuyler Counties, and portions of Steuben and Chenango Counties.

<sup>6</sup> Portions of Cattaraugus and Wyoming Counties.

**CRA APPENDIX A**  
**SCOPE OF EXAMINATION**

A full description of the scope of the examination of HSBC is discussed on page BB9.

<b>LIST OF ASSESSMENT AREAS AND BRANCHES VISITED</b>	
<b>HSBC BANK USA</b>	
<b>ASSESSMENT AREA</b>	<b>BRANCHES VISITED</b>
PMSA 5600 (New York, NY)	<ul style="list-style-type: none"> <li>• 19 E. Central Ave.; Pearl River, NY 10965</li> <li>• 9201 Third Ave.; Brooklyn, NY 11209</li> <li>• 1702 Avenue U; Brooklyn, NY 11229</li> <li>• 5929 Flatlands Ave.; Brooklyn, NY 11234</li> </ul>
PMSA 5660 (Newburgh, NY-PA)	<ul style="list-style-type: none"> <li>• Route 94 &amp; Temple Hill Rd.; Vails Gate, NY 12584</li> <li>• 291 Route 211 East; Middletown, NY 10940</li> </ul>
MSA 1280 (Buffalo-Niagara Falls, NY)	<ul style="list-style-type: none"> <li>• Main Office; One HSBC Center; Buffalo, NY 14203</li> <li>• Kensington Branch; 3107 Bailey Ave.; Buffalo, NY 14215</li> <li>• 1726 Hertel Ave.; Buffalo, NY 14216</li> <li>• Main Fillmore Branch; 2635 Main St.; Buffalo, NY 14214</li> </ul>
MSA 6840 (Rochester, NY)	<ul style="list-style-type: none"> <li>• 762 Joseph Ave.; Rochester, NY 14621</li> <li>• Main-Winton Branch; 2315 E. Main St.; Rochester, NY 14609</li> <li>• Dewey Britton Branch; 3687 Dewey Ave.; Rochester, NY 14615</li> </ul>

Note: "Branches visited" indicates where technical compliance with the CRA (signage, public file) was confirmed. The evaluation of the institution's CRA performance considers activity from all branch locations, as described in the Scope of Examination.

**CRA APPENDIX B**

**SUMMARY OF RATINGS**

<b>HSBC BANK USA</b>				
	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>	<b>Overall Rating</b>
<b>Overall</b>	High Satisfactory	Outstanding	Outstanding	Outstanding
<b>New York State</b>	High Satisfactory	Outstanding	Outstanding	Outstanding
<b>Pennsylvania</b>	Low Satisfactory	Needs to Improve	Low Satisfactory	Needs to Improve
<b>Florida</b>	Low Satisfactory	Low Satisfactory	Outstanding	Satisfactory
<b>CMSA 5602</b>	Good	Excellent	Good	Excellent

## CRA APPENDIX C

### GLOSSARY

**Affiliate:** Any company that controls, is controlled by, or is under common control by 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.

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Block numbering area (“BNA”):** Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** 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,

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Full review:** Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower

distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (“HMDA”):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Limited review:** Performance under the lending, investment, and service tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Metropolitan area:** Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Optional loans:** Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

**Small loans to business:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small loans to farms:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.