PUBLIC DISCLOSURE

December 31, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HSBC Trust Company (Delaware), N.A.
Charter Number: 24601

300 Delaware Avenue, Suite 1400
Wilmington, Delaware 19801

Office of the Comptroller of the Currency

Large Bank Supervision
400 7th Street, SW
Washington, DC 20219-0001

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.

INSTITUTION'S CRA RATING:

This institution is rated Outstanding

The conclusions for the three rating criteria are:

- The Bank generated a significantly high level of qualified investments and an adequate level of community development (CD) services.
- The Bank occasionally shows leadership when working with entities that offer innovative or complex qualified investments or community development services.
- The Bank demonstrates excellent responsiveness to community development needs in its assessment area (AA).

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of HSBC Trust Company (Delaware), N.A. (HTCD) issued by the Office of the Comptroller of the Currency (“OCC”), the institution’s supervisory agency, for the evaluation period ending December 31, 2014. The OCC rates the CRA performance of a national bank or Federal savings association consistent with the provisions set forth in Appendix A to 12 CFR Part 25, 12 CFR 195, respectively.

Scope of the Examination

To evaluate HTCD’s performance, we reviewed community development activities from October 1, 2012 through December 31, 2014. We reviewed the level, nature, and responsiveness of qualified investments, CD lending, and CD services.

This evaluation relies upon records and reports provided by HTCD, publicly available financial information, demographic data, and information gathered as part of the evaluation process, including recent community contacts. The OCC evaluated HTCD’s CD performance in the context of the following:

- The current economic environment,
- Demographic characteristics of its AA,
- Institution financial resources and constraints,
- Institution product offerings and business strategy,

- Information derived from community contacts, and
- Performance of any similarly situated institutions.

There are no known legal constraints that affect HTCD's ability to meet the CD needs of its AA.

Description of Institution

HTCD is a subsidiary of HSBC USA Inc., a subsidiary of HSBC North America Holdings Inc. (HNAH). HSBC Holdings plc (HSBC), based in London, is the HNAH parent and ranked as one of the world's largest banking and financial service organizations, with $2.6 trillion in assets as of December 31, 2014.

HTCD is located in Wilmington, Delaware and was originally chartered as a limited purpose National Bank in 2005 to engage only in trust activities. In November 2006, the institution converted to a full-service, FDIC-insured, institution and became subject to the CRA. Simultaneously, bank management also requested, and received, a limited purpose designation for CRA purposes from the OCC. Although HTCD can legally conduct all traditional banking activities, it currently offers only trust and securities clearing/custodian services, does not engage in any lending activity, and does not accept traditional deposit accounts. HTCD has no branches, has a staff of three employees, and its only office is located in Wilmington, Delaware.

As of December 31, 2014, HTCD had $54.6 million in assets, consisting primarily of deposits in other financial institutions, and $1.0 million in liabilities.

Table 1 provides a high-level summary of financial information for HTCD and is intended to provide a perspective on HTCD's capacity to help meet the needs of the AA.

Table 1: Financial Information (000s)

	Year-end 2012	Year-end 2013	Year-end 2014	Average for Evaluation Period
Tier 1 Capital	$52,927	$53,374	$53,608	$53,303
Total Income	$5,017	$4,572	$1,689	$3,759
Net Operating Income	$266	$449	$238	$318
Total Assets	$55,948	$55,587	$54,645	$55,393

Source: Actual Consolidated Report of Condition and Income reported. The Average for Evaluation Period is the average of the numbers in the three columns.

At the prior examination, dated September 30, 2012 and covering an evaluation period of October 6, 2009 through September 30, 2012, the OCC rated HTCD's CRA performance "Outstanding."

Description of Assessment Area

HTCD's AA consists of New Castle County, Delaware (NCC). The county is part of the Wilmington DE-MD-NJ Metropolitan Division. The AA complies with CRA guidelines and does not arbitrarily exclude any low- or moderate-income geographies. Based on 2014 estimates from the US Census Bureau, NCC is the most densely populated county in Delaware containing 552,778 persons, or 59 percent of the state's population. The City of Wilmington, with a population of 71,817, is the largest concentration of population within NCC.

Table 2 represents the distribution of the AA's 131 census tracts for families and businesses by income level.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts* **	131	8.40%	26.72%	35.11%	28.24%
Families	132,830	20.76%*	17.89%*	20.92%*	40.44%*
Businesses	41,604	12.71%**	14.16%**	44.36%**	28.68%**

Source: Demographic Data – 2010 U.S. Census, Dun & Bradstreet Data.
* Represents families by income level.
** Represents businesses by income level of census tract.
*** Two tracts are not income categorized.

According to the 2010 Census, there are 11 low-, 35 moderate-, 46 middle-, and 37 upper-income census tracts in the AA (two tracts are not income categorized since they do not contain any housing units). The biggest change in the AA since the 2000 Census was the movement of 12 census tracts outside the City of Wilmington from middle- to moderate-income designations, reflecting the general economic decline in the area. Further evidencing this is an increase in the poverty level from 7.95 percent of households in the 2000 Census to 9.46 percent in 2010, along with a decrease in the median family income for the AA from $81,900 in 2012 to $78,800 in 2014. This indicates a further widening of the economic gap between low- and moderate-income families and those classified as middle- or upper-income.

Home values in NCC are beginning to slowly rebound, but are still considerably lower than the peak in 2007 when the Delaware Housing Authority reported a median home price of $230,000. Per the Delaware Housing Coalition's Annual Report on Housing Affordability in Delaware, the median home price in NCC has increased from $183,000 in 2012 to $202,000 at the end of 2014.

The unemployment rate in the AA peaked at 8.9 percent in late 2009/early 2010, the highest unemployment rate in 20 years. Although slightly lower than the U.S. unemployment rate, the local rate continues to mirror national trends. Since that peak, the local rate has declined to 4.3 percent at the end of 2014, slightly lower than the state rate of 4.6 percent and below the national rate of 6.2 percent. Industries affected the greatest by the economic downturn include construction, retail trade, professional, and business services. The largest employment sector in the AA in 2014 is services with 45 percent of the jobs, followed by retail trade at 12 percent and Finance, Insurance and Real Estate at 10 percent. Major employers in the AA include Christiana Care Health System, El DuPont de Nemours Co., Bank of America (formerly MBNA), JPMorgan Chase Company, and Astra Zeneca Pharmaceuticals.

The market for CD opportunities in Delaware is very challenging. Although there are multiple CD investment, loan, and service opportunities throughout NCC and the state of Delaware, the large number of financial institutions subject to CRA, including numerous limited purpose credit card banks, results in significant competition to participate in them. Over thirty financial institutions in HTCD's AA actively seek out and compete for community development opportunities, making it a very competitive environment for funding organizations and projects.

A community contact conducted during the evaluation period identified a paramount need for affordable housing. This includes quality affordable homeownership and rental opportunities, funding to mitigate neighborhood blight, rehab assistance for older homes, emergency property repair assistance, associated education and counseling services, and supportive services to assist in financial self-sufficiency.

Conclusions about Performance

Summary

- HTCD provided a significantly high level of qualified investments in relation to its capacity and the opportunities available considering strong competition in the AA. Investments originated during the evaluation period within the AA total $16.6 million, comprised almost entirely of mortgage-backed securities that support affordable housing. In addition, the bank has $13 million of investments originated in prior periods that remain outstanding and continue to benefit the AA. The level of CD services the bank supplied is adequate and HTCD did not originate any CD loans during the evaluation period.
- HTCD demonstrates excellent responsiveness to community economic development needs in its AA. The vast majority of the qualified investments originated during the evaluation period are targeted towards the development of affordable housing for low- or moderate-income individuals, which is an identified need of the AA.
- OCC noted elements of innovation, complexity, and leadership in some current period investments.

Qualified Investments

During the evaluation period, HTCD purchased four investments totaling $16.4 million and made 30 grants to a total of 11 different organizations totaling $150,000 in its AA. All of the investments, and a majority of the grants, address the pressing need for affordable housing within the AA. The remaining grants qualify as community development activity since they support small business and economic development in the AA. Table 3 displays the level of total qualified investment activity within the AA.

Table 3: Qualified Investment Activity (000s)

	Benefits AA
Originated Investments	$16,435
Originated Grants	$150
Prior-Period Investments that Remain Outstanding	$13,000
Total Qualified Investments	$29,585
Unfunded Commitments*	$0

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

The following is a brief description of HTCD's investment activity:

- The $16.4 million in current period investments represent the purchase of four mortgage-backed securities that supported home purchases for more than 100 low- and moderate-income families throughout the bank's AA. All mortgages that back these securities were made to borrowers with income less than 80 percent of the area median family income, with nearly 50 percent to borrowers having incomes less than 50 percent of the median family income. The largest of these securities totaled over $10 million and supported the bond program offered by the Delaware State Housing Authority by providing them with additional capital for future funding needs. This was one of the first such offerings by this entity in support of their Single Family Mortgage Bond Program for low- and moderate-income homebuyers. HTCD displayed leadership when purchasing the entire offering to help ensure success of the Program.
- The outstanding prior period investment is a $13 million investment in a Mutual Fund whose objective is to invest proceeds in investment instruments that ultimately benefit low- and moderate-income individuals and/or census tracts. The Fund purchases loans in the secondary market and directly from banks that are securitized and typically guaranteed by Fannie Mae, Freddie Mac, or the Government National Mortgage Association. The underlying securities consist of single-family mortgages made to borrowers with income levels below 80 percent of the median family income and investments in multi-family developments that use low-income housing tax credits. Funding from this investment resulted in 69 mortgages to low- and moderate-income families, one Small Business Administration loan that created 49 jobs, and a project loan for a 172-bed nursing home.
- The 11 organizations HTCD provided grants to focus on affordable housing, small business and micro-enterprises, equal access to capital for under-served populations and communities, strengthening the economies of low- and moderate-income communities, providing technical assistance to nonprofits focused on affordable housing and homeownership counseling, providing financial education, and providing economic empowerment programs.

Table 4 provides a breakdown of HTCD's investment activity in relationship to its financial capacity in terms of average Tier 1 Capital and average total income over the evaluation period.

Table 4: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Average Tier 1 Capital	55.50%
Total Investments/Average Total Income	787.04%

Community Development Lending

Given its limited purpose and staff size, HTCD did not originate any CD Loans during the evaluation period.

Community Development Services

During the evaluation period, members of HTCD's staff provided an adequate level of CD Services. Specifically, staff provided 54 hours serving on the Board of Directors, Advisory Board, and Fundraising Committee of a local agency that provides community services targeted at low- and moderate-income families/individuals and 25 hours conducting financial literacy seminars at schools that have more than 50% of students on free or reduced lunches.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR §25.28(c) or §195.28(c), in determining a national bank's or Federal savings association's (collectively, bank), respectively, CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Census Tract (CT): Small, relatively permanent statistical subdivisions of a county delineated by local participants as part of the U.S. Census Bureau's Participant Statistical Areas Program. The primary purpose of CTs is to provide a stable set of geographic units for the presentation of decennial census data. CTs generally have between 1,200 and 8,000 people, with an optimum size of 4,000 people.

Community Development:

- Affordable housing (including multifamily rental 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;
- Activities that revitalize or stabilize low- or moderate-income geographies, designated distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or
- Loans, investments, and services that support, enable or facilitate projects or activities that meet the ‘‘eligible uses’’ criteria in Section 2301(c) of the Housing and Economic Recovery Act conducted in designated target areas identified in HUD approved plans under the Neighborhood Stabilization Program (NSP), are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees, and benefit low-, moderate-, and middle-income individuals and geographies in the bank’s assessment area(s) or areas outside the bank’s assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank’s record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Distressed Nonmetropolitan Middle-Income Geography: A county that meets one or more of the following triggers: (1) An unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of five percent or more over the five-year period preceding the most recent census.

Family: A group of two or more people (one of whom is the householder) related by birth, marriage, or adoption, residing together. A family household may also include non-relatives living with the family.

Full Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct 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 applicant race, gender, and income, loan amount requested, disposition of the application (e.g., originated, denied, and withdrawn) loan pricing, lien status, requests for preapproval, and type of collateral (e.g. manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Consists of one or more persons, whether related (family) or unrelated (nonfamily), 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.

Limited Scope 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, and branch distribution).

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

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 reporting lenders in the assessment area.

Median Family Income (MFI): The median income for families determined by the U.S. Census Bureau's American Community Survey every five years and used to determine the income level category of geographies. The MFI is updated annually by the Federal Financial Institutions Examination Council (FFIEC) and estimates the income level of individuals within a geography. For any given geography, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget.

Metropolitan Division (MD): A Metropolitan Division is defined by the Office of Management and Budget and consists of one or more counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. MDs represent one or more employment centers, identified as a main county and, as applicable, contiguous counties with strong commuting ties to the main county.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as one or more whole counties having at least one urbanized area that has a population of at least 50,000. An MSA may include adjacent counties that have a high degree of social and economic integration with the urbanized area as measured through commuting ties.

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

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

Multifamily: A residential structure that contains five or more units**.**

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Consumer loans are an example of such activity.

Owner-Occupied Units: Housing 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.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, or multistate metropolitan area, the state or multistate rating is the institution's CRA rating. If an institution maintains domestic branches in more than one state, the institution will receive a separate rating for each state in which branches are located, unless those branches are within a multistate metropolitan statistical area. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a single rating for the multistate metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Underserved Nonmetropolitan Middle-Income Geography: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs. The Agencies will use as the basis for these designations the ''urban influence codes,'' numbered ''7,'' ''10,'' ''11,'' and ''12,'' maintained by the Economic Research Service of the United States Department of Agriculture.

Upper-Income: Individual income, or a geography with a median family income, that is at least 120 percent of the area median income.