

Notice of Change in Control

by

HSBC Holdings plc
London, United Kingdom

of its intention to acquire

Household Bank (SB) N.A.
1111 B. Town Center Drive
Las Vegas, NV 89134

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HSBC Holdings plc

HSBC Holdings plc (“HSBC Holdings”), London, United Kingdom, hereby provides notice to the Office of the Comptroller of Currency (the “OCC”) pursuant to the Change in Bank Control Act, as amended (12 U.S.C. § 1817(j)) (the “CBCA”), of its intention to acquire, in connection with the acquisition of Household International, Inc. (“Household”), Household’s wholly owned credit card bank, Household Bank (SB) N.A. (“Household Bank”). Set forth below is information provided in support of this notice.

1. Description of Transaction

On November 14, 2002, HSBC Holdings announced an agreement with Household, the second-largest consumer finance company in the United States, to acquire Household in a transaction valued at approximately \$14.2 billion. Under the terms of its agreement with Household, HSBC Holdings will offer 2.675 of its ordinary shares (or, at the election of the shareholder, .0535 American Depository Receipts) to holders of Household common stock for each share of Household common stock that they own. Options over shares of Household common stock granted under various Household option plans will be converted into options over HSBC Holdings' ordinary shares. Certain of Household’s outstanding preferred stock will be redeemed by Household pursuant to their respective terms. The remaining series of Household’s outstanding preferred stock will be converted in the acquisition into the right to receive from HSBC Holdings' cash on an aggregate amount of \$1,100 million. To pay for the acquisition, HSBC Holdings will issue new shares that will increase its total share capital by approximately 13.38 percent. No assets will be liquidated in connection with the transaction. The acquisition is expected to close in the first quarter of 2003.

HSBC Holdings' acquisition of Household will be structured in a three-step transaction. First, Household will merge with and into a newly formed direct subsidiary (“MergerCo”) of HSBC Holdings. MergerCo will change its name to Household International, Inc. Second, HSBC Holdings will form a new holding company (“NewHoldco”) in the chain of ownership between it and HSBC North America, Inc. (“HNAI”), the holding company that controls HSBC Holdings' U.S. and Canadian operations. As the direct parent of HNAI, NewHoldco will become the top-tier U.S. holding company in the chain of ownership of HSBC Bank. Third, HSBC Holdings will contribute the shares of Household to NewHoldco. As a result, NewHoldco will be the holding company for both Household and its subsidiaries and HNAI and its subsidiaries. Organization charts depicting the structure of HSBC Holdings' U.S. holdings before and after the acquisition are attached as Attachment A. A copy of the agreement between HSBC Holdings and Household will be filed with the U.S. Securities and Exchange Commission (the “SEC”) within the next few weeks and at that time will be filed with the OCC under separate cover. In connection with the acquisition, Rohatyn Associates LLC and Morgan Stanley & Co. Limited were retained and compensated by HSBC Holdings to evaluate the transaction and make

recommendations to its stockholders. Copies of the agreements covering the terms of their engagement by HSBC Holdings are attached as Confidential Attachment A.

The acquisition fulfills certain important strategic objectives of both parties. It will significantly increase HSBC Holdings' consumer assets, by approximately \$100 billion, and will enlarge its customer base by approximately 50 million. The acquisition will improve the geographic balance of HSBC Holdings' earnings by increasing the share of its worldwide assets in North America to approximately 30 percent. The acquisition gives HSBC Holdings a national market in the United States with 1400 offices in 46 states through which to offer consumer loan and credit insurance products. For Household, the transaction offers a significant opportunity to lower its funding costs, to expand the product range it offers its customers, and to extend its business model to non-U.S. markets served by HSBC Holdings.

2. Regulatory Approvals

HSBC Holdings' agreement with Household is conditional upon, among other matters, the approval of the agreement by the shareholders of both companies and various regulatory approvals, including approvals at both the federal and state level, as well as by certain non-U.S. regulators. The purpose of this notice is to notify the OCC of HSBC Holdings' indirect acquisition of Household's wholly owned indirect subsidiary, Household Bank. Set forth below is a brief discussion of other regulatory approvals required in connection with the acquisition.

HSBC Holdings' acquisition of Household requires the filing of a notice under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which will be filed on November 27, 2002. An after-the-fact notice of the acquisition will be provided to the Board of Governors of the Federal Reserve System pursuant to section 4(k) of the Bank Holding Company Act of 1956, as amended (the "BHCA").

At the state level, the acquisition is subject to several prior approval and notice requirements, including an application to the Superintendent of Banks of the State of New York for approval of a change in control of Household's nine consumer finance subsidiaries that are licensed in that state. That application will also be filed on November 27, 2002. Other applications and notices to state regulators regarding a change in control of Household's consumer finance companies and insurance companies will be filed shortly.

The acquisition by HSBC Holdings of the non-U.S. bank subsidiaries of Household will be the subject of review by various non-U.S. regulators, including the Financial Services Authority in the United Kingdom with respect to the acquisition of HFC Bank plc, and the Office of the Superintendent of Financial Institutions in Canada with respect to certain of Household's Canadian subsidiaries.

3. Standards for OCC Review

The portion of the acquisition subject to OCC review is the indirect acquisition of Household Bank by HSBC Holdings. The OCC must take into account the factors set forth in the CBCA and, if the OCC does not disapprove this change of control notice within sixty days based upon any of the factors set forth in the statute, or extend the period for review, the acquisition of Household Bank may proceed.

The CBCA authorizes the OCC to disapprove a change in control where it determines that:

- i. The acquisition would have an adverse competitive effect;
- ii. The financial condition of HSBC Holdings could jeopardize the financial stability of Household Bank;
- iii. The competence, experience, or integrity of HSBC Holdings or of any of the proposed management personnel demonstrates that it would not be in the interests of depositors or the public to permit HSBC Holdings to control Household Bank;
- iv. HSBC Holdings neglects, fails, or refuses to furnish the information required by the OCC; or
- v. The OCC determines that the transaction would have an adverse effect on the Bank Insurance Fund ("BIF") or the Savings Association Insurance Fund ("SAIF").

12 U.S.C. § 1817(j).

As discussed below, HSBC Holdings' acquisition of Household Bank would have no adverse effect on competition in any geographic market. The acquisition would substantially enhance the financial and managerial resources available to operate Household Bank. In addition, the transaction would have no negative impact on the BIF.

A copy of the newspaper notice to be published contemporaneously with this notice is attached as Attachment B.

4. Parties to the Merger

a. HSBC Holdings

HSBC Holdings, a global financial services holding company with over 7000 offices in 81 countries and territories, had total assets as of June 30, 2002 of \$746 billion. HSBC Holdings does business in the United States through its principal U.S. operating subsidiary, HSBC Bank USA ("HSBC Bank"), a New York State-chartered member bank headquartered in Buffalo, New York. HSBC Bank offers services to customers through 427 branches in New York, Pennsylvania, California and Florida.

b. Household

Household is a holding company which, through its subsidiaries, provides middle-market consumers with several types of loan products principally in the United States, the United Kingdom and Canada. These products include real estate-secured loans, auto-finance loans, MasterCard and VISA credit cards, private-label credit cards, tax-refund anticipation loans, retail installment sales finance loans and other types of unsecured loans, as well as credit and specialty

insurance products. As of December 31, 2001, Household had approximately 32,000 employees and over 50 million active customer accounts. Household's subsidiaries do business in the United States through 1400 offices in 46 states.

Household Bank has 100,000 authorized shares, of which 20,000 are issued and outstanding. Each share's current book value is \$82,109.20.

c. Household Bank

Household Bank offers real estate-secured loans, auto finance loans, MasterCard and Visa credit cards, private-label credit cards, tax refund-anticipation loans, retail installment sales finance loans and other types of unsecured loans to consumers throughout the United States. HSBC Holdings has no current plans to liquidate, sell or merge Household Bank into any other company or to alter the composition of its board of directors or senior executives officers following the acquisition. HSBC Holdings has announced that Mr. William F. Aldinger, the chairman and chief executive officer of Household, will become the chairman of NewHoldco by the end of 2003. The acquisition will have no impact on the financial condition of Household Bank, which is expected to remain well-capitalized.

5. Financial and Managerial Resources

HSBC Holdings has elected to qualify as a financial holding company under the BHCA and, as such, is both "well capitalized" and "well managed." It will remain so after the acquisition of Household. Copies of HSBC Holdings' Form 20-F as of December 31, 2001 and its Form 6-K as of June 30, 2001, which contain its financial statements as of those dates, are attached as Attachments C and D, respectively. Attached as Attachment E is a copy of HSBC Holdings' 2001 annual report, which contains a description of HSBC Holdings' management.

HSBC Holdings operates throughout the world in accordance with certain key business values. The values include:

- the highest personal standards of integrity at all levels;
- a commitment to truth and fair dealing;
- a commitment to complying with the spirit and letter of all laws and regulations wherever HSBC conduct its business; and
- a commitment to the welfare and development of each local community.

Consistent with these values, HSBC Holdings has a proud record of support for the communities it serves.

In the United States, through its principal U.S. operating subsidiary, HSBC Bank, HSBC Holdings has shown an exemplary commitment to responsibly serving the credit and financial services needs of all segments of the communities in which HSBC Bank is located. This dedication is reflected in the broad range of community-oriented lending and investment programs that it has undertaken. These programs are described in more detail in the Public

Summaries of its Community Reinvestment Act ("CRA") Performance Evaluations prepared by the Federal Reserve Bank of New York and the New York State Banking Department and are available upon request from HSBC Bank. They include loan programs for individuals that historically have had difficulty obtaining credit, investments in community development credit organizations, partnerships with non-profit and non-governmental organizations to increase development and credit opportunities in areas with critical needs, small business lending, and sponsoring workshops, seminars and other educational initiatives for those who have experienced credit related problems.

As of September 30, 2000, HSBC Bank was examined by the Federal Reserve Bank of New York and the State of New York Department of Banking for performance under the CRA. Both agencies gave HSBC Bank an "Outstanding" rating for CRA performance. HSBC Bank, together with its subsidiary, HSBC Mortgage Corporation, ranks within the top ten of peer-group lenders in New York for making loans to low- and moderate-income census tracts and low- and moderate- income individuals. It ranks in the top five of peer-group lenders in New York for small business lending in low-to-moderate census tracts. Overall, on a statewide basis, its loans in low-to-moderate census tracts totaled \$38,813,494. It has an excellent level of qualified community development investments and grants with investments of \$130 million. It also provides an excellent level of community development services, including job training, career development workshops, mentoring, internships, summer employment and mortgage and small business seminars. These activities complement the Bank's lending and investment initiatives, reflecting a multi-faceted approach to community development that is highly responsive to the needs of its community.

HSBC Holdings is aware of allegations that have been made against Household about certain of its lending practices and the pending lawsuits against Household by various consumer groups based on these allegations. It has also examined carefully the terms of the preliminary agreement for settlement Household reached in October of this year with attorneys general and banking regulators from 46 states and the individual settlements it reached with the states of New York, California and Illinois. HSBC Holdings fully supports the actions that Household has taken to arrive at these settlements, endorses all of the individual commitments made by Household as part of these settlements and intends, as Household's new owner, to ensure that Household fulfills the terms of these settlements. Attached as Attachment F is a description of HSBC Holdings' plans to ensure fair lending practices at Household following the acquisition.

6. Competitive Analysis

Because the market in the United States for consumer lending and sales financing is so large and because HSBC Holdings serves the "prime" market whereas Household Bank predominantly serves the "near prime" or "subprime" market, the acquisition of Household Bank by HSBC Holdings will not adversely affect competition in the consumer finance business.

7. No Adverse Effect on the BIF

HSBC Holdings' acquisition of Household Bank would have no adverse effect on the BIF, which insures the deposits of Household Bank. To the contrary, HSBC Holdings'

substantial capital and access to the capital markets will provide Household Bank with access to substantially greater financial resources than have been available through Household alone.

* * *

Attached as Attachment G are an executed signature page and an executed corporate certificate both as required by the instructions to the Interagency Notice of Change in Control.

If you require any further information or have any questions regarding this application, please contact:

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