



PUBLIC DISCLOSURE

June 30, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of China
Charter Number 80028 and 80091

410 Madison Avenue
New York, New York 10017

and

42-35 Main Street
Flushing, New York 11355

Office of the Comptroller of the Currency
International Bank Supervision
340 Madison Avenue, 9th Floor
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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.

General Information and Overall CRA Rating

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 operations 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 Bank of China-NY Federal Branches issued by the OCC, the institution's supervisory agency, for the evaluation period starting January 1, 2012 through June 30, 2014. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating:

This institution is rated Outstanding.

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of community development (CD) lending and an adequate level of community development services and qualified investment activity.
- The bank demonstrates rare use of innovative or complex CD loans, qualified investments, or CD services.
- The bank demonstrates excellent responsiveness to credit and CD needs in its assessment area.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed CD activities from January 1, 2012 through June 30, 2014. We reviewed the level and nature of qualified CD lending, investments, and CD services. At the prior examination dated October 3, 2011, we rated the bank satisfactory.

If a bank has adequately addressed its assessment area (AA) needs, the OCC considers CD activities the bank submits that benefit areas outside of its AA in the evaluation of its performance. The branch has adequately addressed the needs of its AA, and therefore, outside of AA CD loans were considered in evaluating its performance.

Description of Institution

Bank of China Limited (BOC), headquartered in Beijing, China, was originally established in 1912. From 1912 to 1949, BOC served as China's central bank, international exchange bank, and specialized international trade bank. Following the foundation of the People's Republic of China in 1949, the bank was designated as a specialized foreign exchange bank and provided vital support to China's foreign trade development and economic infrastructure. In 1994, the bank became a state-owned commercial bank and is currently one of four state-owned commercial banks in China. BOC remains one of the market leaders in foreign currency and loans, international settlement and trade finance services, foreign exchange trading and treasury activities, and bank services. BOC has been a Global Systemically Important Bank since 2011. At June 30, 2014, the bank's total assets were just over U.S. \$2.5 trillion and had 10,878 domestic branches, 619 overseas branches and subsidiaries in 37 countries around the world. BOC's core business is commercial banking, which includes corporate banking, personal banking, and financial markets.

In the United States, BOC maintains an intrastate federal branch system with two branches located in New York City, New York (hereafter referred to as BOC-NY or NY branches). A federal branch is a branch office of a foreign bank that is located within the United States. These offices are generally established for specific purposes such as assisting in trade finance and to serve the home office customers who do business within the U.S. The regulatory requirements governing capital are different than those of domestic banks. Federal branches are required to comply with the capital equivalence deposit (CED) requirements, which are related to five percent of the branch's third party liabilities. BOC-NY maintains CED assets equal to the amount required for a federal branch; however, this does not compare to the volume of capital required by a domestic bank. Federal branches are not required to report income for regulatory purposes. Therefore, an analysis of performance to average Tier-I capital and to income is not meaningful. The NY branches are both FDIC insured. The NY branches are located on 48th Street in Midtown and on East Main Street in Flushing, Queens. The Chinatown branch was relocated to Flushing, Queens in June 2014. BOC also has limited-purpose branches that are not FDIC insured in Los Angeles, California and Chicago, Illinois and are not subject to the CRA.

The primary focus of U.S. operations is to act as a U.S. dollar global clearing center, provide a central pool for the U.S. dollar liquidity for the BOC Group, assist in trade finance, serve the home office customers who do business within the U.S., support U.S. multinational companies which have operations in China, and participate in commercial real estate lending (on a limited basis) in the U.S. market. Residential mortgage loans are originated as an accommodation for commercial loan customers and BOC-NY employees only. Retail loans and consumer loans are not offered or advertised for retail customers. A full range of deposit products are offered to the general public through the NY branches.

During the evaluation period, BOC-NY reported total assets of \$32.2 and \$44.4 billion as of December 31, 2012 and 2013, respectively. As of June 30, 2014, BOC-NY reported assets totaling \$72.7 billion. Assets are comprised of 75 percent in cash, 22 percent in loans, and 1.6 percent in securities. The NY branches are somewhat constrained with regards to community

development lending and investment activities due to permissible activities as directed by BOC Head Office as well as the regulatory environment in the parent country.

The Office of the Comptroller of the Currency granted BOC-NY its wholesale institution designation on November 1, 1996. An institution designated as such is evaluated pursuant to the community development test, which assesses a bank's record of meeting assessment area credit needs through community development lending, qualified investments, or community development services, as applicable.

Table 1: Financial Information (000s)

	Year-end 2012	Year-end 2013	Most Recent Quarter-end 6/30/2014	Average for Evaluation Period
Total Assets	32,221,856	44,439,013	72,711,455	59,748,930

Source: Consolidated Report of Assets and Liabilities.

Description of Assessment Area

The AA for BOC-NY is the entirety of the New York-Wayne-White Plains NY-NJ Metropolitan Division (MD) #35644, a large urban metropolitan region under the New York-Northern New Jersey-Long Island NY-NJ-PA Metropolitan Statistical Area #35620. Refer to Table 2 for demographic information on the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts*	2,920	11.4%	23.4%	28.4%	34.3%
Families**	2,675,727	25.7%	15.4%	16.3%	42.6%
Businesses***	935,271	7.2%	16.9%	22.2%	51.4%

Source: Demographic Data – 2010 U.S. Census, Dun & Bradstreet Data. *2.5% of census tracts are not income categorized; **Represents families by income level; ***Represents businesses by income level of census tract, 2.3% of businesses are in census tracts that are not income categorized.

The total population of the AA based on Census 2010 was 11.6 million, reflecting relative stability since Census 2000. The 2013 updated FFIEC median family income was \$66,000. However, there are significant disparities in the income levels of the five boroughs that make up New York City (NYC). New York County (Manhattan) is among the richest counties in the U.S., and the other boroughs, especially Queens and Staten Island, have large middle-income populations. However, the 17 percent poverty level of the AA is high, with the highest rates found within Bronx (28.5 percent) and Kings (22.1 percent) counties.

According to Census 2010, there are 4.6 million housing units within the AA, of which 92 percent are occupied. The housing market within the AA is largely rental based. Rental units account for 55 percent of occupied units and 37 percent accounting for owner-occupied housing. Fifteen percent of homeowners and 27 percent of renters pay in excess of 30

percent of their income for housing. The housing stock consists of 1-4 family units (49 percent) and multifamily units (51 percent). The median housing value is considered very high at \$466.2 thousand.

The AA has 161 depository financial institutions, creating an intensely competitive market environment. The top financial institutions by deposit market share include JP Morgan Chase, Bank of New York Mellon, Bank of America, and Citibank N.A.

The AA reflects a number of large and widely diversified economies. NYC is the most significant economic contributor to the AA. NYC is home to a diversified mix of businesses, with many national and international corporations headquartered there. Historically, the financial services industry has dominated the downtown area. Industries operating in the midtown area include advertising, publishing, and garment production. The retail sector is a major employer along with health and social care. Additionally, light manufacturing and wholesale trades provide a significant level of job opportunities in the Bronx. Some of the AA's largest employers are New York Presbyterian Healthcare Systems, Citigroup, JPMorgan Chase, Verizon, and Federated Department Stores.

The opportunities for CD participation within the AA are quite broad. There are numerous CD and governmental organizations representing affordable housing, economic development, and community services to low- and moderate- income (LMI) families.

Through recent community contacts performed by the OCC and other regulatory agencies, the following credit and CD needs identified for this AA are:

- Affordable housing for purchase or rent;
- Targeted financial education, including: 1) housing/home purchase counseling with special outreach to high-poverty neighborhoods; and, 2) small business development and financial education/technical assistance related to starting a new business and the role of creditworthiness in gaining access to capital;
- Promoting access to mainstream financial products and services to the unbanked and underbanked;
- Foreclosure prevention efforts and loss mitigation strategies;
- Neighborhood revitalization strategies that impact LMI communities;
- Support for entrepreneurship, small business, and microfinance;
- Savings strategies and preparation for college success; and
- Nonprofit capacity building, particularly as government funding is being reduced at a time when demand for their services is increasing.

Conclusions about Performance

Summary

- The NY branches had a high level of CD lending, investment, and service activities in relation to available opportunities and the NY branches' capacity. CD loans, investments, and services directly benefited the NY branches' AA or the broader statewide area

including the branches' AA. CD lending represented the majority of CD activities. CD investments consisted of current and prior period investments and grants that directly benefit the AA. Community development services included providing technical services to not-for-profit organizations engaged in CD activities and providing financial education to low- to moderate-income individuals.

- The NY branches rarely engaged in CD activities that were considered innovative or complex.
- The NY branches demonstrated excellent responsiveness to the CD needs in its AA. The majority of CD activities were through CD loans that supported economic development and affordable housing initiatives. Community development investment activities were concentrated in mortgage back security pools directed towards facilitating homeownership for low- and moderate-income individuals. The NY branches' CD service activities were concentrated in providing technical services to not-for-profit organizations that provide services targeted at low- and moderate-income individuals and providing financial education and banking services directly to low- and moderate-income individuals.

Qualified Investments

Table 3: Qualified Investment Activity (000s)

	Benefits AA
Originated Investments	\$10,145
Originated Grants	\$88
Prior Period Investments that Remain Outstanding	\$866
Total Qualified Investments	\$11,099
Unfunded Commitments*	\$0

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

During the evaluation period, BOC-NY's qualified investments and grants totaled slightly more than \$11 million, a sizeable increase from the prior evaluation period. BOC-NY purchased two mortgage back securities that provides affordable housing to low- and moderate-income persons. BOC-NY also made 27 qualified donations totaling \$88 thousand to local community organizations. The grants and donations were primarily given to organizations that provided community service activities to low- and moderate-income persons during the evaluation period. These activities primarily included healthcare for low- and moderate-income individuals and affordable housing/financial education. The prior period investment consist of a mortgage back security that is providing affordable housing backed by loans to low- and moderate-income persons and continues to benefit the AA.

Community Development Lending

CD lending represents the branches' primary CD activity. During the evaluation period, the branches originated eight loans totaling \$938 million, a sizeable increase from the prior evaluation period. The loans supported revitalization/stabilization of LMI areas, affordable

housing for LMI persons, and economic development. As noted previously, affordable housing, economic development, and revitalization/stabilization were cited as needs within the AA by the community contacts. The most significant loan originated was a \$775 million mortgage on an office tower in a low-income tract in midtown Manhattan that will help revitalize/stabilize the area. BOC-NY also extended two lines of credit to a statewide business development agency totaling \$3 million that will help fund small businesses throughout New York State, including the bank's AA.

Community Development Services

Employees of BOC-NY provided technical services and participated in community development service activities with nine qualified CD organizations. The organizations support greatly needed community services targeted at LMI families and individuals. Three of the organizations also provided community services to small and immigrant-run businesses.

The relocation of the Chinatown branch to Flushing, Queens did not negatively impact the bank's services to LMI geographies or persons. The branch remains located within a low-income census tract and provides a range of deposit products to the local community. The branch has maintained its Saturday and Sunday hours of operation of 10:00 a.m. through 3:00 p.m. This in turn facilitates the provision of financial services for LMI individuals that do not have an opportunity to access bank services during the workweek.

The branch also provides a low-cost international remittance service to China for deposit customers and non-customers. This is an invaluable service to LMI individuals in geographies that have large immigrant communities. Typically, these individuals have limited banking relationships and, as reflected above, often during regular banking hours do not have access to this service or have to pay an increased cost. During the evaluation period, the branch has executed approximately fifteen thousand remittance transactions to China.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a federal branch's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the branch or in any assessment area by an affiliate whose loans have been considered as part of the branch's or FSA's lending performance.

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

Further, section 1025 of the Dodd–Frank Wall Street Reform and Consumer Protection Act(Pub. L. 111-203) assigns to the CFPB exclusive examination authority, and primary enforcement authority, to ensure compliance by branches with Federal consumer financial laws, if the branches has more than \$10 billion in assets. The CFPB has not provided the OCC with any information about, or other evidence of, discriminatory or other illegal credit practices relative to this institution with respect to the Federal consumer financial laws.

Definitions and Common Abbreviations

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

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

Assessment Area (AA): A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area: A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

Census Tract (CT): Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau Participant Statistical Areas Program in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community Development (CD): Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and

dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

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

Median Family Income (MFI): The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category 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. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Wholesale Institution: An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.