

PUBLIC DISCLOSURE

December 31, 2015

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Bank of America California, N.A.
Charter Number: 24077

555 California Street
San Francisco, CA 94101

Office of the Comptroller of the Currency

Large Bank Supervision
Constitution Center
400 7th Street SW
Washington, DC 20219

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING:

This institution is rated Satisfactory.

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of community development activity, including adequate levels of qualified loans and services. The bank's level of qualified investments is poor.
- The bank demonstrates occasional use of innovative or complex qualified loans and community development services.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area.

Scope of the Examination

As of March 1, 2013, Bank of America California, N.A. (BACANA) was designated a wholesale institution for Community Reinvestment Act (CRA) examination purposes. In evaluating the bank's performance under the CRA, examiners reviewed community development (CD) activities during the evaluation period from March 1, 2013, through December 31, 2015. Examiners evaluated the level and nature of qualified loans, investments, and CD services. This evaluation rates the CRA performance of BACANA based upon its performance within the defined Assessment Area (AA) of San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area (MSA). During the evaluation period, the bank conducted CD activities in the AA, in a broader statewide or regional area including the AA, or outside the AA. The bank adequately addressed the credit and community development needs in its AA, primarily by supporting economic development and affordable housing; therefore, CD activities performed outside the AA received positive consideration when evaluating performance.

Description of Institution

BACANA is a bank subsidiary of Bank of America, N.A. Holding Corporation (BANAHC), a wholly owned subsidiary of Bank of America Corporation (BAC) headquartered in Charlotte, North Carolina. In 2013, BACANA expanded its operations from a bankers' bank to accept deposits generated from deposit sweep arrangements with brokers and broker dealers. During the evaluation period, BACANA's average assets of \$25.3 billion represented 1.18 percent of BAC's consolidated assets.

BACANA has no legal or financial constraints impeding its ability to help meet the credit needs of its AA or perform under the Community Development Test. As a wholesale bank, BACANA has only one office, designated as its main office in San Francisco, California, and no employees. It does not maintain retail branches or directly engage in

any retail banking services such as mortgages, credit cards, or any other consumer products. Therefore, for CRA purposes, BACANA relies on allocated activities of other subsidiaries and affiliates of BAC, including Bank of America, N.A. (BANA), based on business strategy. The selected activities are not double-counted or considered under other CRA bank charters.

Table 1: Financial Information (000s)

	Year-end CY13	Year-end CY14	Year-end CY15	Average for Evaluation Period
Tier 1 Capital	2,047,000	2,652,000	3,012,000	2,570,333
Total Income	844,000	896,000	724,000	821,333
Net Operating Income	396,000	528,000	367,000	430,333
Total Assets	27,210,000	26,261,000	22,489,000	25,320,000

Source: FFIEC Bank Performance report

Description of Assessment Area

BACANA designated the San Francisco-Oakland-Hayward, CA MSA #41860 as its AA. The San Francisco-Oakland-Hayward MSA consists of three metropolitan divisions: Oakland-Hayward-Berkley; San Francisco-Redwood City-South San Francisco; and San Rafael. The AA is comprised of 978 census tracts: 120 low-income, 191 moderate-income, 349 middle-income, 310 upper-income and eight are N/A (average income could not be determined by the Census.) The AA meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The Bureau of Labor Statistics reports the 2015 annual average unemployment rate for the San Francisco-Oakland-Hayward, CA MSA was 4.1 percent, a decrease from the 5.2 percent rate in 2014. The San Francisco-Oakland-Hayward, CA MSA unemployment rate is below the national annual average unemployment rate of 5.3 percent for 2015 and 6.2 percent for 2014. Major industries in the area include professional services, hospitals, schools and universities, local government, federal government, gas and oil, retail, and credit card services. Top employers in the area are the University of California, Bayer Health Care, Deloitte, Federal Reserve Bank, Facebook, Visa Inc., Chevron Corp, Nordstrom, and Macy's. According to the US Census, the FFIEC adjusted median family income in the AA increased 1.9 percent during the evaluation period from \$94,243 to \$95,995.

The San Francisco area is one of the most expensive jurisdictions in the nation for housing. The 2010 Census shows the weighted average of median housing costs in the AA is \$649,463. In 2014, the median sales price of a single family home was \$737,600, up more than 10 percent over 2013 prices. In San Francisco, 2014 fair market rent averaged \$1,956, an increase of 9% from 2013. In Oakland, 2014 rents increased 16 percent to an average of \$1,568 in 2014. Individuals, who occupy 22 percent of the owner occupied units and 19 percent of the rental units, spent more than 30 percent of their income on housing. There are 1.7 million housing units in the AA, of which 8

percent are vacant. Approximately 71 percent of the housing units are one-to-four family and 28 percent are multi-family; 52 percent are owner-occupied and 40 percent are renter-occupied.

The 2010-2014 Consolidated Plans for San Francisco/San Francisco County and Oakland identify economic development as a significant need within the AA. Local community organizations within the AA identified affordable housing as the most pressing community development need. Other needs include first-time homebuyer assistance; rental units; subsidy assistance to non-profits for the purchase of land and other affordable housing-related property; foreclosure protection services; Community Development Financial Institution (CDFI) preference in purchasing bank-owned property; workforce development; and education for local affordable housing officials and the public on resources available.

The city of San Francisco and San Francisco County outlined economic development goals in the consolidated plan, which includes creating and supporting programming that improves the economic health of San Francisco's low- and moderate-income people and neighborhoods. Two objectives for the economic development program include establishing, enhancing, and retaining small businesses and micro-enterprises and strengthening commercial corridors in low- and moderate-income neighborhoods to increase corridors' potential for providing jobs, services, and opportunities for residents.

In 2012, the state of California dissolved the local redevelopment agencies, leading to a loss in local affordable housing funding opportunities. The result is keen competition among financial institutions for limited community development opportunities. San Francisco Mayor Edwin M. Lee identified a housing crisis in the city that demands continued and aggressive leadership to address community needs.

Mayor Lee announced a blueprint to provide more than 10,000 permanently affordable homes to families and residents by 2020. The Mayor's "Blueprint to 10,000" requires the introduction of five critical pieces of affordable housing legislation in order to improve the number of opportunities for community development participation. These include rehabilitating public housing, preserving affordable housing, stabilizing neighborhoods by keeping people in their homes, and keeping neighbors living in their communities. The legislation also includes developing, accelerating and incentivizing the production of more permanently affordable units.

CDFIs are specialized community based financial institutions with a primary mission to promote economic development through financial products and services offered to people and communities underserved by traditional financial institutions, particularly in low income communities. The state of California has 79 functioning CDFIs that made over 41,000 loans and investments totaling more than \$3 billion, and financed more than 12,000 small businesses and more than 25,000 housing units. There are 13 CDFIs offering funding opportunities within the AA, and seven of these CDFIs have dedicated their mission to the affordable housing crisis in the San Francisco community.

Table 2: Assessment Area Description

	Number	Low %	Moderate %	Middle %	Upper %
Tracts	978	12.27	19.53	35.69	31.70
Families	984,779	23.39*	16.36*	18.90*	41.36*
Businesses	370,141	12.85**	14.71**	33.82**	38.56**

Source: Demographic Data –2010 U.S. Census; *Represents families by income level; **Represents businesses by income level of census tract; Figures do not add to 100% due to tracts listed as unknown by the U.S. Census Bureau

Conclusions about Performance

Summary

BACANA’s overall CRA performance is Satisfactory. The overall level of community development activities is adequate given available community development opportunities and the bank’s resources. The bank makes occasional use of innovative or complex community development activities. The bank’s responsiveness to credit and community development needs in its AA is adequate.

During the evaluation period, BACANA, through its affiliates, provided \$50.2 million in qualified investments and community development loans to the AA or broader statewide or regional area that includes the AA. BACANA originated additional CD investments and loans outside the AA. BACANA provided qualified services to 17 community development organizations within the AA or broader statewide or regional area that includes the AA.

BACANA demonstrates occasional use of complex or innovative community development loans and services. BACANA leveraged the Bank of America Community Advantage Solutions program to provide an innovative funding solution for Community Advantage lenders such as OBDC Small Business Finance. BACANA also led in the establishment of a relationship with the office of the Mayor of Oakland, CA to expand small business and build a stronger workforce by connecting lower-income adults to education and training that will sustain jobs.

BACANA demonstrates adequate responsiveness to credit and community development needs of the AA. BACANA’s activities focus on transactions and programs targeted to community stabilization and economic development initiatives. In addition, the bank provided both program and operating support for organizations dedicated to affordable housing and financial education initiatives of the San Francisco Housing Development Corporation and Episcopal Community Services. BACANA’s community development services were responsive to the primary identified need of affordable housing within the AA. Some services were innovative and senior executives provided leadership to the organizations involved, as described below.

Qualified Investments

The total level of community development investments is poor. During the evaluation period, BACANA, through its affiliates, originated \$3.25 million in qualifying investments in the AA or broader statewide or regional area that includes the AA. In addition, BACANA receives positive consideration for \$11.6 million in grants, primarily outside the AA. Strong competition for community development opportunities necessitated investments outside of the AA. The following two tables show qualified investment activity, as well as total qualified investments as a percentage of the bank's average capital and average total income.

Table 3a: Qualified Investment Activity (000s)

	Benefits AA	Benefits State or Region including AA	Outside AA	Total
Originated Investments	\$1,525	\$1,725	0	\$3,250
Originated Grants	\$230	\$24	\$11,348	\$11,602
Total Qualified Investments	\$1,755	\$1,749	\$11,348	\$14,852

Table 4a: Qualified Investment Percentages

	Benefits AA (%)	Benefits State or Region including AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	0.07	0.07	0.44	0.58
Total Investments/Average Total Income	0.21	0.21	1.38	1.80

The most significant qualified investments include the following:

- The bank provided \$36,000 in grants to Bernal Heights Neighborhood Center. This organization works to preserve and enhance the ethnic, cultural, and economic diversity of Bernal Heights and surrounding neighborhoods. The grant funds provided program support for the organization's affordable housing program, which constructed 441 affordable housing units in 18 developments.
- The bank provided \$700,000 in an investment to the OBDC Small Business Finance (OBDC) CDFI to allow the CDFI to expand its overall lending portfolio. OBDC provided more than 500 micro and small business loans totaling \$29

million, and other resources to businesses to create jobs and eliminate blight in low-income areas.

- The bank provided \$825,000 in an investment to the Opportunity Fund of Northern California (Opportunity Fund) CDFI, whose mission is to advance the economic well-being of working people and help them save, earn, and invest in their future. The Opportunity Fund invested \$81 million in more than 3600 California businesses thereby promoting the creation or retention on average of 3 jobs for each loan. According to the Opportunity Fund, the median micro loan size is \$6,000 and the borrower's average household income is \$22,000 (22% to 37% AMI).

Community Development Lending

The level of community development lending is adequate. During the evaluation period, BACANA, through its affiliates, originated 24 community development loans totaling \$46.9 million. By supporting the identified community needs for economic development and affordable housing, the community development loans had a positive impact within the AA and the broader statewide or regional area that includes the AA. One community development loan totaling \$16.9 million created 59 affordable housing units for LMI individuals in the AA as detailed below. BACANA originated four letters of credit totaling \$20.9 million outside the AA to provide funds for the acquisition and rehabilitation of affordable housing units for LMI individuals and families.

The following table shows total community development loans as a percentage of the bank's average capital and average total income.

Table 5a: Community Development Lending Percentages

	Benefits AA (%)	Benefits State or Region including AA (%)	Outside AA (%)	Total (%)
Total CD Lending/Average Tier 1 Capital	1.76	0.06	11.19	13.01
Total CD Lending/Average Total Income	5.51	0.20	35.00	40.71

The most significant qualified loans include:

- The bank renewed a \$16.9 million tax-exempt bond under the Bank's Special Bond Offering program for Multifamily Housing Revenue Bonds (Natoma Family Housing) issued by the city and county of San Francisco, CA. The bonds issued were to finance a portion of the cost of the construction and equip the Natoma Family Housing, an affordable 59-unit multifamily housing project located in the city of San Francisco. When completed, the project will include 7 studio, 28 one-

bedroom, 18 two-bedroom, 7 three-bedroom units, and 1 unrestricted manager unit. Unit income restrictions include 15 at 40 percent of Area Median Income (AMI), 20 at 50 percent AMI, and 24 at 60 percent AMI.

- The bank provided a Small Business Administration (SBA) 504 lending package of \$4 million for the purchase of a 192,000 square-foot industrial building located in San Francisco, CA. The customer is a sole proprietor that operates a parking garage that services travelers to the San Francisco International Airport. This business generates income from approximately 1,900 parking spaces with services that include indoor/outdoor parking, valet, or self-parking. The newly acquired building will generate additional revenue/cash flow by increasing the number of parking stalls.
- The bank provided an SBA 504 lending package of \$3.4 million for the purchase of an existing industrial building located in Burlingame, CA, occupied solely by the bank's customer. The customer is a wholesale distributor of electrical apparatus, equipment, and wiring supplies to contractors and electric supply houses. This financing package allows the customer to expand its operations and to stabilize rent cost by purchasing real estate.

Community Development Services

The level of community development services is adequate. BACANA does not have employees to engage in community development services. Instead, for the purpose of this evaluation, BACANA received positive consideration for community development services allocated from an affiliate. BANA employees provided 499 service hours to 17 community development organizations, partnerships, and programs that benefit LMI individuals, families, and communities in the AA. Involvement on boards and committees of affordable housing and community service organizations, delivery of technical assistance, and the provision of other financial services were responsive to identified community development needs.

Table 7: Community Development Service Activities

CD Service	Benefits AA	Outside AA
Non-profit Capacity Building	Yes	Yes
Board or Committee Memberships	Yes	Yes
Grant Application Assistance	Yes	Yes
Home Buyer Education	No	Yes
Financial Literacy	Yes	Yes
Establishment of a Public/Private Collaborative	Yes	No
Foreclosure Prevention Services	No	Yes
Free Tax Preparation	No	Yes

The most significant qualified services include:

- BACANA sponsored 16 capacity-building webinars for community service providers in the AA, including religious charities, affordable housing organizations, and community centers. Since the financial crisis, there has been a strain on traditional funding sources for non-profits, both governmental and philanthropic. Capacity building services and the need for additional collaboration with non-profits was an identified community development need. The webinars include advice on fundraising strategies, results metrics, and operational efficiency. This is the only webinar of its type available in the AA and is both innovative and responsive.
- Management demonstrated leadership and provided financial expertise in serving on the board or senior committee of 13 different community service providers. Many of these board and committee terms of service were consecutive (2013 -2015). The providers included religious charities, affordable housing organizations, community centers, a CDFI, and a youth development program. Collaboration with non-profits was identified as a community development need in the AA. Therefore, the bank's activities are responsive to community needs.
- Members of bank management provided affordable housing program application assistance to non-profits. Bank personnel used their expertise to assist non-profits in these competitive application processes. The applications were for affordable housing funds available through the San Francisco Federal Home Loan Bank. The six successful applications led to the creation or rehabilitation of 366 housing units for low- or moderate-income residents. These activities responded directly to the substantive need for affordable housing in the AA.
- The bank conducted seven financial literacy seminars for 91 adults. The purpose of the seminars was to "train the trainer". The bank's goal is to assist non-profit employees to better coach and counsel clients on financial management matters. These activities responded directly to the need for non-profit collaboration identified in the AA.
- The bank supported two priorities of the Mayor of Oakland: workforce training and small business development. On September 23, 2015, a BANA SVP utilized his financial and market expertise to launch a workforce development project and small business collaboration with the City of Oakland, known as the "Oakland Initiative." The SVP also served on the Oakland Initiative's steering committee. This activity reflects responsiveness and leadership.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) or 12 C.F.R. 195.28(c), respectively, in determining a national bank's or Federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area 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 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 (CFPB), as applicable.

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. 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) – 2010 Census: 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 1,500 and 8,000 people, with an optimum size of 4,000 people.

Community Development (CD): 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the 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.

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

Median Family Income (MFI) – 2010 Census: The median income derived from the United States Census Bureau's American Community Survey data every 5 years and used to determine the income level category of geographies. Also, it is the median income determined by the Federal Financial Institution's Examination Council (FFIEC) annually that is used to determine 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 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.

Net Operating Income: As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

Pass-Through Receivables: Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income.

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.

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.