

APPLICATION

to the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

for Prior Approval for

BANK OF MONTREAL

and

BMO FINANCIAL CORP.

to Acquire

BANCWEST HOLDING INC.

pursuant to

Section 3 of the Bank Holding Company Act

and

Section 225.15 of Regulation Y

January 17, 2022



Application to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company—FR Y-3

Bank of Montreal
Corporate Title of Applicant

129 rue Saint-Jacques
Street Address

Montreal, Quebec	Canada	H2Y 1L6
City	State	Zip Code

Foreign bank
(Type of organization, such as corporation, partnership, business trust, association, or trust)

Hereby applies to the Board pursuant to:

- (1) Section 3(a)(1) of the Bank Holding Company Act of 1956, as amended, ("BHC Act"—12 U.S.C. §1842), under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y;
- (2) Section 3(a)(3) of the BHC Act, under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y; or
- (3) Section 3(a)(5) of the BHC Act, under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y.

for prior approval of the acquisition of direct or indirect ownership, control, or power to vote at least 105,232,451 (100%) of a class of voting shares or otherwise to control:
Number Percent

BancWest Holding Inc.

180 Montgomery Street

San Francisco	CA	94104
City	State	Zip Code

Does applicant request confidential treatment for any portion of this submission?

- Yes
 - As required by the General Instructions, a letter justifying the request for confidential treatment is included.
 - The information for which confidential treatment is being sought is separately bound and labeled "Confidential."
- No

Public reporting burden for this collection of information for applications filed pursuant to section 3(a)(1) of the BHC Act are estimated to average 53 hours per response while applications filed pursuant to section 3(a)(3) or section 3(a)(5) of the BHC Act are estimated to average 63.5 hours per response, including the time to gather and maintain data in the required form, to review instructions and to complete the information collection. The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, a collection of information unless it displays a currently valid OMB control number. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0121), Washington, DC 20503.

Name, title, address, telephone number, and facsimile number of person(s) to whom inquiries concerning this application may be directed:

Rosemary Spaziani, Wachtell, Lipton, Rosen & Katz	Richard K. Kim
Name	Name
Of Counsel	Partner
Title	Title
51 West 52nd Street, 32nd Floor	51 West 52nd Street, 32nd Floor
Street Address	Street Address
New York New York 10019	New York New York 10019
City State Zip Code	City State Zip Code
(212) 403-1342	(212) 403-1354
Area Code / Phone Number	Area Code / Phone Number
Area Code / FAX Number	Area Code / FAX Number

Certification

I certify that the information contained in this application has been examined carefully by me and is true, correct, and complete, and is current as of the date of this submission to the best of my knowledge and belief. I acknowledge that any misrepresentation or omission of a material fact constitutes fraud in the inducement and may subject me to legal sanctions provided by 18 U.S.C. §1001 and §1007.

I also certify, with respect to any information pertaining to an individual and submitted to the Board in (or in connection with) this application, that the applicant has the authority, on behalf of the individual, to provide such information to the Board and to consent or to object to public release of such information. I certify that the applicant and the involved individual consent to public release of any such information, except to the extent set forth in a written request by the applicant or the individual, submitted in accordance with the Instructions to this form and the Board’s Rules Regarding

Availability of Information (12 C.F.R. Part 261), requesting confidential treatment for the information.

I acknowledge that approval of this application is in the discretion of the Board of Governors of the Federal Reserve System (the “Federal Reserve”). Actions or communications, whether oral, written, or electronic, by the Federal Reserve or its employees in connection with this filing, including approval if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the agency, the United States or any other entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of the Federal Reserve to exercise its supervisory, regulatory, or examination powers under applicable laws and regulations. I further acknowledge that the foregoing may not be waived or modified by any employee or agency of the Federal Reserve or of the United States.



Signed this 17th day of January, 2022

Day Month Year

Signature of Chief Executive Officer or Designee



Application to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company—FR Y-3

BMO Financial Corp. _____

1209 Orange Street _____

Wilmington DE 19801
City State Zip Code

Corporation

(Type of organization, such as corporation, partnership, business trust, association, or trust)

Hereby applies to the Board pursuant to:

- (1) Section 3(a)(1) of the Bank Holding Company Act of 1956, as amended, (“BHC Act”—12 U.S.C. §1842), under “Procedures for other bank acquisition proposals” as described in section 225.15 of Regulation Y;
- (2) Section 3(a)(3) of the BHC Act, under “Procedures for other bank acquisition proposals” as described in section 225.15 of Regulation Y; or
- (3) Section 3(a)(5) of the BHC Act, under “Procedures for other bank acquisition proposals” as described in section 225.15 of Regulation Y.

for prior approval of the acquisition of direct or indirect ownership, control, or power to vote at least 105,232,451 (100%) of a class of voting shares or otherwise to control: Number Percent

BancWest Holding Inc. _____

180 Montgomery Street _____

San Francisco San Francisco 94104
City State Zip Code

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Name, title, address, telephone number, and facsimile number of person(s) to whom inquiries concerning this application may be directed:

Rosemary Spaziani, Wachtell, Lipton, Rosen & Katz	Richard K. Kim
Name Of Counsel	Name Partner
Title 51 West 52nd Street, 32nd Floor	Title 51 West 52nd Street, 32nd Floor
Street Address New York New York 10019	Street Address New York New York 10019
City State Zip Code (212) 403-1342	City State Zip Code (212) 403-1354
Area Code / Phone Number	Area Code / Phone Number
Area Code / FAX Number	Area Code / FAX Number

Certification

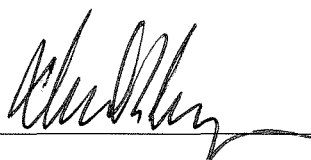
I certify that the information contained in this application has been examined carefully by me and is true, correct, and complete, and is current as of the date of this submission to the best of my knowledge and belief. I acknowledge that any misrepresentation or omission of a material fact constitutes fraud in the inducement and may subject me to legal sanctions provided by 18 U.S.C. §1001 and §1007.

I also certify, with respect to any information pertaining to an individual and submitted to the Board in (or in connection with) this application, that the applicant has the authority, on behalf of the individual, to provide such information to the Board and to consent or to object to public release of such information. I certify that the applicant and the involved individual consent to public release of any such information, except to the extent set forth in a written request by the applicant or the individual, submitted in accordance with the Instructions to this form and the Board's Rules Regarding

Availability of Information (12 C.F.R. Part 261), requesting confidential treatment for the information.

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Signed this 17th day of January, 2022
 Day Month Year



 Signature of Chief Executive Officer or Designee

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Request for Confidential Treatment

Confidential treatment is being requested under the federal Freedom of Information Act, 5 U.S.C. § 552 (the “FOIA”), and the implementing regulations of the Board of Governors of the Federal Reserve System (the “Federal Reserve”), for the information contained in the Confidential Exhibits Volume to this application (the “Confidential Materials”). The Confidential Materials include, for example, nonpublic pro forma financial information and information regarding the business strategies and plans of (1) Bank of Montreal (“BMO”), BMO Financial Corp. (“BFC”) and their subsidiary bank, BMO Harris Bank N.A. (“BHB”) and (2) BNP Paribas S.A. (“BNPP”), BancWest Holding Inc. (“BW Holding”) and their U.S. subsidiary nonmember bank, Bank of the West (“BOTW”), and other information regarding additional matters of a similar nature, which is commercial or financial information that is both customarily and actually treated as private by BMO, BFC, BHB, BNPP, BW Holding and BOTW and provided to the government under an assurance of privacy. Certain information in the Confidential Materials also includes confidential supervisory information, which is protected from disclosure. None of this information is the type of information that would otherwise be made available to the public under any circumstances. All such information, if made public, could result in substantial and irreparable harm to BMO, BFC, BHB, BNPP, BW Holding and BOTW. Other exemptions from disclosure under the FOIA may also apply. In addition, investors and potential investors could be influenced or misled by such information, which is not reported in any documents filed or to be filed in accordance with the disclosure requirements of applicable securities laws, as a result of which BMO, BFC, BHB, BNPP, BW Holding and BOTW could be exposed to potential inadvertent violations of law or exposure to legal claims. Accordingly, confidential treatment is respectfully requested for the Confidential Materials under the FOIA and the Federal Reserve’s implementing regulations.

Please contact Rosemary Spaziani (212-403-1342) or Richard K. Kim (212-403-1354) before any public release of any of this information pursuant to a request under the FOIA or a request or demand for disclosure by any governmental agency, congressional office or committee, court or grand jury. Such prior notice is necessary so that BMO, BFC, BHB, BNPP, BW Holding and BOTW may take appropriate steps to protect such information from disclosure.

PRELIMINARY STATEMENT

Bank of Montreal (“BMO”) and BMO Financial Corp. (“BFC”) are hereby submitting this application (the “Application”) to the Board of Governors of the Federal Reserve System (the “Federal Reserve”), respectfully requesting approval to acquire BancWest Holding Inc. (“BW Holding”) via a share acquisition (the “Share Acquisition”) and thereby its wholly owned subsidiary, Bank of the West (“BOTW”), a California state-chartered nonmember bank, from BNP Paribas S.A. (“BNPP”). Following the Share Acquisition, BW Holding will be merged with and into BFC, with BFC continuing as the surviving corporation (the “Holdco Merger”), and, following the Holdco Merger, the separate corporate existence of BW Holding will cease. Within one business day after consummation of the Holdco Merger, BOTW will be merged into BMO Harris Bank N.A. (“BHB”), as the surviving company (the “Bank Merger,” and together with the Share Acquisition and the Holdco Merger, the “Proposed Transaction”) and, following the Bank Merger, the separate corporate existence of BOTW will cease. Both BMO and BFC are applying for such prior Federal Reserve approvals pursuant to section 3 of the Bank Holding Company Act of 1956, as amended (the “BHC Act”), and the Federal Reserve’s Regulation Y. For the purposes of this Application, references to BMO-FG refer to the consolidated organization, inclusive of BFC and BHB.

An application is being submitted to the Office of the Comptroller of the Currency (the “OCC”) for prior approval of the Bank Merger pursuant to section 18(c) of the Federal Deposit Insurance Act (the “Bank Merger Act”).¹ The boards of directors of the respective companies have approved the Proposed Transaction.

BMO, BFC, BHB, BNPP, BNP Paribas USA, Inc. (“BNP-US”), BW Holding and BOTW entered into the First Amended and Restated Share Purchase Agreement on January 16, 2022 (the “Agreement”), for BFC to acquire 100% of the shares of BW Holding and, thereby indirectly acquire BOTW, for a purchase price of approximately \$16.3 billion.² A copy of the Agreement is in Exhibit 1.³

Established in 1817, BMO-FG is a diversified financial services provider based in North America with a history of strong and sustainable financial performance that leaves it strategically positioned for growth across its core businesses. BMO-FG established its first U.S. presence in 1818, and Harris Trust & Savings Bank was first established in 1882. Since its acquisition of Harris Bank in 1984, BMO has steadily grown its U.S. presence, and currently serves more than 12 million customers in North America, offering innovative and competitive banking services through three integrated operating groups: Personal and Commercial Banking (“P&C”), including Personal & Business Banking and Commercial Banking, BMO Wealth Management and BMO Capital Markets.

¹ 12 U.S.C. § 1828(c).

² In addition to excess capital, the purchase price is expected to be financed with a common equity raise and debt issuance by BMO. Note that the purchase price would be reduced by the amount of any dividend paid by BOTW and BW Holding prior to the Proposed Transaction, and is also subject to customary adjustments.

³ The original Share Purchase Agreement was entered into on December 18, 2021 by and among BMO, BHB, BNPP, BW Holding and BOTW.

BFC is headquartered in Chicago, Illinois and BHB is headquartered and has its main office also in Chicago. BHB has over 500 branches (including its main office) across nine states and had total consolidated assets of \$166 billion and total deposits of \$139 billion as of September 30, 2021.

BOTW is headquartered and has its main office in San Francisco, California and had total consolidated assets of \$105 billion and total deposits of \$89 billion as of September 30, 2021. BOTW has over 500 branch locations across the Western and Midwestern regions of the United States. There is minimal overlap in the branch networks of BHB and BOTW.

This is a strategic transaction that combines two banking organizations with customer-centric business models that are dedicated to the enhancement of the communities in which they operate. The Proposed Transaction adds to BHB's presence in the Western and Midwestern markets, which fosters competition and enables BHB to bring its strong commercial and personal banking expertise to a broader set of customers. It also provides further diversification to BHB's geographic and business mix.

When combined with BOTW's branch network, BHB will have a nearly contiguous franchise across the Midwest and Western United States. The Proposed Transaction will substantially enhance BHB's ability to distribute its beneficial consumer and business banking products and services to more markets across the nation, bring a broader array of products and services to BOTW's legacy customers, and better position the combined organization to compete both with the largest banking organizations and the larger regional banking organizations in the United States.

BMO-FG and BOTW are each effectively managing the risks from, and actively helping their respective customers and communities mitigate the impacts of, the COVID-19 pandemic. Their respective financial and managerial strengths have enabled them to continue effectively serving the financial and banking needs of their respective business and consumer customers, and the communities they serve, during the pandemic, including extending over 36,500 loans in an amount in excess of \$6.5 billion under the U.S. Payroll Protection Program ("PPP"). The Proposed Transaction will strengthen BMO-FG's dedication and ability to continue providing the needed financial, credit, liquidity and technical services throughout its expanded market during this extraordinary pandemic period.

Executive Summary

With this Application, BMO and BFC are seeking the Federal Reserve's prior approval for the Proposed Transaction, pursuant to section 3 of the BHC Act. As part of the Proposed Transaction, following the Bank Merger, BHB would be the surviving bank and would become the parent company to BOTW's subsidiaries. Upon the consummation date of the Proposed Transaction (the "Closing"), the existing subsidiaries of BOTW would become subsidiaries of BHB. Prior to Closing, BMO and BNPP (and their respective subsidiaries) will enter into transitional services and reverse transitional services agreements, as necessary, to provide each other and their relevant affiliates the necessary services on a temporary basis to ensure continued safe and sound operations.

For all the reasons discussed herein, BMO and BFC submit that the Proposed Transaction and Application satisfy each of the criteria that the Federal Reserve is required to consider under section 3 of the BHC Act. In acting on the Application, the Federal Reserve must consider the size requirements for an interstate transaction, the statutory limits on deposit and liabilities concentrations, the financial and managerial resources and future prospects of the institutions involved and their effectiveness in combatting money laundering, the competitive effects of the proposed transaction, the extent to which the transaction would result in greater or more concentrated risks to the stability of the U.S. banking or financial system, the effects of the transaction on the convenience and needs of the communities to be served, and the relevant banks' records of performance under the Community Reinvestment Act (the "CRA").

The Proposed Transaction would meet the size requirements for an interstate banking transaction under section 3(d) of the BHC Act. The Proposed Transaction would result in BHB controlling only 1.25% of deposits nationwide – far less than the 10% nationwide deposit cap in section 3(d) of the BHC Act. In comparison, at the present time, there are two interstate banking organizations with over 10% of nationwide deposits (JPMorgan Chase and Bank of America) and one with almost 10% (Wells Fargo). In addition, the Proposed Transaction would be consistent with relevant state deposit cap concentration limits, age limits and community reinvestment statute requirements for a permissible interstate transaction. The Proposed Transaction would also result in BMO-FG having only 1.34% of aggregate consolidated liabilities nationwide on a pro forma basis – well under the 10% nationwide consolidated deposit cap in the BHC Act.

BMO-FG, including BFC and BHB, is committed to maintaining its strong and prudent financial, operating and risk profile upon consummation of the Proposed Transaction. BMO and BFC are financially strong and well managed banking organizations. They have ample financial and managerial resources and compatible risk management programs to consummate the Proposed Transaction and successfully integrate BOTW.

BMO and BNPP, including their subsidiary bank holding companies and banks, are each well capitalized. BMO, BFC and BNPP have capital ratios well in excess of the minimum capital ratios required in the supervisory stress testing exercises, and their respective capital plans that they previously submitted as part of the Federal Reserve's annual Comprehensive Capital Analysis and Review ("CCAR") process passed. On consummation of the Proposed Transaction, the capital and liquidity resources and ratios of BMO and BFC will remain well above regulatory requirements and supervisory expectations. BMO and BFC will also continue to maintain prudent capital and liquidity planning risk management practices, including capital and liquidity stress testing programs.

BMO-FG will continue to have strong managerial resources and risk management systems to continue operating in a safe and sound manner and complete a successful integration with BOTW. Each of BMO, BFC and BHB have a highly experienced Board of Directors and management team to oversee the integration. BMO-FG and BOTW have robust risk management programs in place, including for capital, liquidity, credit, market, operational and compliance risks. The similar cultures, strategic objectives and risk priorities of BMO-FG and BOTW will reduce execution risk associated with integrating BOTW's operations into BHB. To assist in the decision-making process for the Proposed Transaction and planning for a successful

bank integration, BMO-FG, including BFC and BHB management, led a comprehensive due diligence review of all lines of business and functional areas of BOTW, including credit, compliance, BSA/AML, cyber security, liquidity, operations, human resources, finance and legal.

BMO-FG and BOTW have each implemented strong compliance risk management programs, including for compliance with the Bank Secrecy Act (“BSA”) and other anti-money laundering (“AML”) laws, as well as the sanctions restrictions issued by the U.S. Department of Treasury’s Office of Foreign Assets Control (“BSA/AML/Sanctions Compliance”). Each of BHB and BOTW also have in place effective risk management programs for compliance with fair lending and other consumer protection laws (“Consumer Compliance”). The operations of BOTW will be integrated into BMO-FG’s systems in various planning phases over an 18-month period from the signing of the Proposed Transaction and through a post-Closing period. During that integration period, a cross-divisional integration team comprised of BOTW and BMO-FG employees will review business line and operational integration requirements, to the extent permissible, to facilitate a seamless Day 1 transition, as well as a longer phased-in integration approach to migrate to BMO’s systems.

BHB and BOTW conduct the vast majority of their operations in separate markets. The Proposed Transaction would not significantly lessen competition in the few banking markets in which the branch networks of BHB and BOTW overlap. The branch networks of the organizations currently overlap in only six banking markets – three markets in Arizona as well as one market in each of Kansas City, MO, La Crosse, WI and Minneapolis/Saint Paul, MN. In none of those banking markets would the Proposed Transaction come close to the screens used by the Federal Reserve or the U.S. Department of Justice (the “DOJ”) to identify transactions that warrant closer scrutiny. Moreover, numerous competitors would remain in each of those markets, and the Proposed Transaction will enable BHB to better compete with the largest U.S. banking organizations and the larger regional banks in the United States. Following the Proposed Transaction, BHB’s pro forma assets will be approximately \$260 billion, which is approximately 14% of the average domestic assets of any of the four largest U.S. banks taken individually.⁴

In addition, the Proposed Transaction would not pose any significant risk to the stability of the U.S. banking or financial system. BMO-FG is a highly diversified financial services provider based in North America, subject to the consolidated supervision of the Office of the Superintendent of Financial Institutions (“OSFI”), an independent agency of the Government of Canada. BMO and BFC are both bank holding companies and financial holding companies, subject to oversight of the Federal Reserve. Both BHB and BOTW are focused on traditional consumer and commercial banking services, for which there are numerous competitors. On consummation of the Proposed Transaction, BHB would be less than one-seventh the size of the four largest U.S. banks⁵ and, while it is expected that BFC would become a Category III banking organization for regulatory purposes, its globally systemically important bank (“GSIB”) score

⁴ Federal Reserve Statistical Release for Large Commercial Banks as of September 30, 2021, <https://www.federalreserve.gov/releases/lbr/current/>.

⁵ Based on consolidated asset size as of September 30, 2021.

would remain well below the threshold to be considered systemically important. Moreover, the Proposed Transaction also would not complicate any resolution process in the event of serious financial distress.

The Proposed Transaction will benefit the convenience and needs of the communities served by BHB and BOTW, including their customers, communities and employees, by combining two organizations with strong customer-oriented cultures and compatible business models. Both BHB and BOTW have a strong commitment to serving the needs of their communities as demonstrated by each bank's strong CRA compliance record, as well as each organization's ongoing community engagement activities. Both organizations are committed to supporting the needs of historically underrepresented groups and continue to innovate solutions to support diversity within their businesses and each of their respective geographies. There are no planned branch closures in connection with the Proposed Transaction and BOTW customers will gain access to a broader set of financial products and services, including digital banking and wealth capabilities, enhanced payments, ATM access, digitized mortgage origination processes and enhanced financial management tools.

Based on the foregoing and as explained in more detail below and in the exhibits to the Application, the Share Acquisition will satisfy all of the factors the Federal Reserve must consider and, accordingly, the Application is fully consistent with approval and should be approved as soon as possible.

The Companies

Bank of Montreal

BMO is a foreign bank and both a bank holding company and financial holding company under the Bank Holding Company Act of 1956, as amended. BMO's head office is in Montreal, Quebec, with executive offices in Toronto, Ontario. BMO is chartered under the Bank Act, enacted by the Parliament of Canada. BMO is a federally regulated financial institution under Canadian law and subject to prudential regulation and supervision by OSFI. BMO is registered with the Commodity Futures Trading Commission as a non-U.S. swap dealer and with the Securities and Exchange Commission as a securities-based swap dealer. The Chicago branch of BMO is a primary dealer of U.S. government bonds, regulated by the Federal Reserve. As noted above, BMO was established in 1817, and through it and its subsidiaries, services more than 12 million customers in North America through three operating groups consisting of P&C (including Personal & Business Banking and Commercial Banking), Wealth Management, and Capital Markets.

BFC

BFC is a Delaware corporation with its headquarters in Chicago, Illinois, and is a wholly-owned subsidiary of BMO. BFC owns 100% of the shares of BHB and BMO Harris Central N.A.,⁶ both federally chartered depository institutions and, therefore, BFC is a bank holding company under the Bank Holding Company Act of 1956, as amended. Additionally, BFC has elected to become a financial holding company. BFC is the designated U.S. Intermediate

⁶ BMO Harris Central, National Association is a special purpose cash management bank.

Holding Company of BMO for purposes of compliance with the Federal Reserve Board's Regulation YY Subpart O.

BFC offers services to customers through the same operating groups as its parent, which consist of P&C (including Personal & Business Banking and Commercial Banking), Wealth Management, and Capital Markets. These services are primarily offered through its subsidiaries, BHB (described below) and BMO Capital Markets Corp. ("CMC"). CMC is a Delaware corporation with its headquarters in New York, New York, and is an SEC registered broker dealer and investment advisor that engages in, among other things, investment banking, investment advisory and sales and trading activities.

BHB

BHB is a national bank with its main office in Chicago, Illinois. BMO acquired the operations of BHB in 1984. The initial predecessor bank of BHB was Harris Trust & Savings Bank, which was established 1882. BHB currently operates over 500 branches (including its main office) across nine states (Illinois, Wisconsin, Minnesota, Indiana, Arizona, Missouri, Florida, Kansas, and Texas). As of September 30, 2021, BHB had total consolidated assets of \$166 billion, representing 85% of the total consolidated assets of BFC, and total deposits of \$139 billion. BHB offers services to its customers through the same operating groups as BMO, which consist of P&C (including Personal & Business Banking and Commercial Banking), Wealth Management, and Capital Markets.

Personal & Business Banking provides customers with a wide range of products and services, including checking and savings accounts, credit cards, mortgages, personal loans, small business lending and financial and investment advice. BHB clients are provided a wide range of commercial products and services, including multiple financing options and treasury and payment solutions, as well as risk management products, through the Commercial Banking and Capital Markets businesses.

U.S. Wealth Management provides full-service investing, banking and wealth advisory services to high net worth and ultra-high net worth clients, leveraging individualized financial planning and advice-based solutions such as investment management, business succession planning, trust and estate services, and philanthropy.

BW Holding

BW Holding is a Delaware corporation and a bank holding company, headquartered in San Francisco, California. BW Holding is the direct holding company of BOTW and holds no other securities or investments.

BOTW

BOTW is a California state-chartered nonmember bank with its main office in San Francisco, California. The earliest predecessor bank of BOTW was established as a national association in 1874 (under the name of The First National Bank of San Jose). That institution converted to a California state-chartered bank in 1979 and changed its name to Bank of the West.

As of September 30, 2021, BOTW had total consolidated assets of \$105 billion and total deposits of \$89 billion. BOTW currently has over 500 branch locations in 20 states. The majority of BOTW's branches are in California.

BOTW has four lines of businesses: consumer, small and medium business, corporate and commercial, and wealth management. It offers traditional banking products for each of its lines of business, including checking, savings, credit cards, mortgages, consumer loans, small business loans, cash management services, financial advisory services, corporate and commercial loans, wealth planning, brokerage services and fiduciary services.

Structure and Terms of the Proposed Transaction

Structure of the Transaction

In the Share Acquisition, BFC will acquire all the shares of BW Holding, and thereby its wholly owned subsidiary BOTW, for all-cash consideration. Following the Share Acquisition, BW Holding will be merged with and into BFC, with BFC continuing as the surviving corporation (the "Holdco Merger"), and, following the Holdco Merger, the separate corporate existence of BW Holding will cease. Within one business day of the Holdco Merger, BOTW will be merged with and into BHB, with BHB as the surviving bank and, following the Bank Merger, the separate entity of BOTW will cease to exist.

On consummation of the Bank Merger, the subsidiaries of BOTW will become subsidiaries of BHB. In Exhibits 2 and 3, please find: (i) the current organizational chart of BW Holding and BOTW, and (ii) the current organizational chart of BFC and BHB. A pro forma organizational chart of BMO, including BFC, is provided in Confidential Exhibit A.

BMO, BNPP, BHB and BOTW, and certain of their affiliates, as applicable, will enter into a transitional services agreement and a reverse transitional services agreement, as necessary, to help ensure that their respective business operations will continue to operate without disruption. Copies of the final executed versions of these agreements will be provided to the Federal Reserve and the OCC promptly after they are finalized.

Share Purchase Agreement and Bank Merger Agreement

A copy of the Agreement is provided in Exhibit 1. BMO will provide the Federal Reserve with a copy of the Bank Merger Agreement, which will be on customary terms agreed upon by the parties, promptly after it is executed.

Resolutions approving the Share Acquisition by BMO's Board of Directors and joint resolutions of the Boards of Directors of BFC and BHB approving the Bank Merger and the filing of the related regulatory filings, as well as the related consent of BFC as the sole shareholder of BHB approving the Bank Merger, are provided in Exhibit 4. Shareholder consent of BMO as the sole shareholder of BFC and resolutions by BFC's Board of Directors approving the Holdco Merger are provided in Exhibit 5.

Relevant resolutions of the Boards of Directors of BNPP, BNP-US and BW Holding approving the Share Acquisition and the Bank Merger and of BOTW approving the Bank Merger and the filing of the Bank Merger application, as well as the related consent of BW Holding as

the sole shareholder of BOTW, are provided in Exhibit 6. Resolutions of the Board of Directors of BW Holding and the related consent of BNP Paribas USA Inc. as the sole shareholder of BW Holding, approving the Holdco Merger are provided in Exhibit 7.

BMO filed a 6-K in connection with its entry in the original Share Purchase Agreement, dated December 18, 2021, which is provided in Exhibit 8.

Below is a summary of the principal terms of the Agreement:

- Structure of Transaction: BFC will purchase 100% of the shares of BW Holding, an indirect wholly-owned subsidiary of BNPP.
- Consideration: BFC will pay BNPP cash equal to \$16.3 billion, *minus* (A)(i) BOTW's transaction expenses and (ii) BOTW dividends made prior to Closing, *plus* (B)(i) BW Holding's Net Assets (as defined in the Agreement) and (ii) if the Share Acquisition has not closed by December 31, 2022, 25% of (1) Closing Excess Tangible Common Equity (as defined in the Agreement) *less* (2) \$10.5 billion (reduced by the amount of any BOTW dividends described above).
- Regulatory Matters: The parties will cooperate and use reasonable best efforts to promptly make all necessary filings and obtain required U.S. and Canadian bank regulatory approvals, and regulatory approvals in connection with the indirect ownership change of BOTW's broker-dealer. BMO will not be required to take actions or accept conditions in connection with seeking a regulatory approval that are not reasonably anticipated and would have a material adverse effect on the combined company.
- Tax Treatment: Taxable purchase and sale of shares for U.S. federal income tax purposes.
- Key Conditions to Closing: Each party's obligation to complete the stock purchase is subject to the following customary conditions:
 - The receipt of all required regulatory approvals;
 - The absence of any law or government order prohibiting the completion of the transaction;
 - The accuracy of the other party's representations and warranties, generally subject to a global "material adverse effect" standard and material compliance by the other party with its covenants; and
 - The receipt of all certificates, documents, evidence and agreements required to be delivered under the Agreement.
- Termination Rights: Either party may terminate the Agreement: (1) by mutual written consent of both parties; (2) by written notice if there is a final and non-appealable denial of a required regulatory approval or if the Proposed Transaction is

prohibited by law or order of a court or regulator; (3) by written notice if the Closing has not occurred within one year after the date of the Agreement (unless such date is extended by either party by up to three months), unless the failure to complete the transaction by that date is due to the terminating party's breach of the Agreement; or (4) by written notice if there is a breach by the other party that would cause the failure of the closing conditions described above, unless the breach is cured within 45 days following such notice.

- Termination Fee: There is no termination fee under the Agreement.
- Representations and Warranties:
 - The Agreement contains customary representations and warranties from BW Holding and BOTW relating to, among other things, corporate organization, capitalization, subsidiaries, authority, regulatory matters (including filings), financial statements, material contracts, real property, compliance with contracts or law, derivative instruments, litigation, brokers' fees, employee benefit plans and labor, taxes, insurance, intellectual property, privacy and cybersecurity, loans and extensions of credit, its trust business, environmental law matters, and use of assets.
 - The Agreement also contains limited customary representations from BMO and BFC relating to corporate organization, authority, regulatory matters (including filings), brokers' fees, litigation, availability of funds, and the character of its investment.
- Negative Covenants: The Agreement includes customary covenants, including covenants requiring BW Holding and BOTW (and its subsidiaries), subject to certain exceptions, to conduct their respective businesses in the ordinary course during the interim period between the execution of the Agreement and the Closing of the Proposed Transaction.
- Survival of Representations, Warranties and Covenants: Representations and warranties generally survive for 18 months after the Closing. However, representations regarding (1) certain fundamental matters (e.g., corporate organization and authority) continue until the expiration of the applicable statute of limitations and (2) tax will survive until 30 days following the expiration of the full period of all statutes of limitations. Covenants will survive until performed in full, except that covenants required to be performed prior to the Closing shall only survive for the 18-month period noted above.
- Indemnification: Each party will indemnify the other for losses relating to breaches of representations and warranties, covenants and certain tax and other matters, subject to the following limitations relating to breaches of representations and warranties:
 - Cap: The maximum, aggregate indemnification liability for breaches of representations and warranties (except breaches of certain fundamental

representations and warranties) is capped at \$1.55 billion. Absent fraud, the maximum, aggregate indemnification liability for breaches of representations and warranties (including fundamental representations) is capped at the amount of the purchase price paid at the Closing.

- Basket: A party's losses for breaches of representations and warranties (other than fundamental representations and warranties) must first exceed \$1,000,000 on a per claim basis (or series of related claims), and \$175 million in the aggregate before the other party is liable for the amount of losses in excess of such threshold.
- BNPP will also indemnify BMO for any losses relating to pre-Closing liabilities of BW Holding.

Required Approvals

In addition to the Application, applications to regulatory agencies will include:

- An application to the OCC for prior approval for BOTW to merge with and into BHB, with BHB as the surviving institution, pursuant to the Bank Merger Act and to operate BOTW's branches as licensed branches of BHB pursuant to the Bank Merger Act, section 36(d) of the National Bank Act and the OCC's implementing regulations (the "OCC Application");⁷
- An application to the California Department of Financial Protection and Innovation for prior approval to acquire control of BOTW, pursuant to section 1251 of the California Financial Code;
- An application to the Financial Industry Regulatory Authority, Inc. in respect of the change of control of BancWest Investment Services, Inc. ("BWIS"); and
- An application for Minister of Finance (Canada) approval for the Share Acquisition pursuant to section 468(5) of the *Bank Act* (Canada); and OSFI approval for the Bank Merger pursuant to section 482 of the *Bank Act* (Canada).

In addition, BMO-FG and BOTW will submit appropriate notices of the Proposed Transaction, with copies of the Application and the OCC Application to the additional states in which BOTW operates branches, as well as any other state or foreign regulatory filings or notices that may be required in connection with the Proposed Transaction.

Public Notice

The form of newspaper notice for the Application is provided in Exhibit 9. Notice will be published in each of: (1) *Chicago Tribune*, a newspaper of general circulation in Chicago, Illinois, the city in which the headquarters of BFC and the main office of BHB are located; and

⁷ 12 U.S.C. §§ 24, 24a, 36(d), 1828(c) and 1831u; 12 CFR §§ 5.26, 5.33, 5.34, 5.35, 5.36 and 5.39.

(2) *San Francisco Chronicle*, a newspaper of general circulation in San Francisco, California, the city in which the main office of BOTW is located. Copies of the publication affidavits from those newspapers will be provided to the Federal Reserve once they become available.

Factors for Federal Reserve Review

I. Interstate Banking Requirements and Liabilities Concentration

A. Interstate Banking Requirements

Section 3(d) of the BHC Act (“Section 3(d)”), as revised by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, permits the Federal Reserve to authorize a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of such bank holding company, notwithstanding contrary state law.⁸ For purposes of this provision, the home state of both BMO and BFC is Illinois, the state in which the deposits of their subsidiary banks were largest when they became bank holding companies.⁹ For purposes of section 3(d), the Federal Reserve considers a bank proposed to be acquired to be “located” for these purposes “in the states in which the bank is chartered, headquartered or operates a branch.”¹⁰ BOTW is deemed to be “located” for section 3(d) purposes in Arizona, California, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Nebraska, Nevada, New Mexico, New York, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington State, Wisconsin and Wyoming.

BMO and BFC both will be “well capitalized” and “well managed,” as those terms are used in section 3(d), when they acquire BOTW.¹¹ Section 3(d) also imposes requirements relating to (1) the age of the target bank, (2) concentration limits and (3) community reinvestment compliance.¹² Each of these conditions is satisfied in the case of the Proposed Transaction.

Age of the Acquired Bank. Section 3(d) specifies that the Federal Reserve may not approve a proposed interstate acquisition if the effect would be to permit an out-of-state bank holding company “to acquire a bank in a host State that has not been in existence for the minimum period of time, if any, specified in the statutory law of the host State,” subject to a cap of five years.¹³ The earliest predecessor bank of BOTW was established as a national association in 1874 (under the name of The First National Bank of San Jose). That institution converted to a

⁸ 12 U.S.C. § 1842(d)(1)(A).

⁹ 12 U.S.C. § 1841(o)(4).

¹⁰ See, e.g., *The PNC Financial Services Group, Inc.*, 94 Fed. Res. Bull. C38 (2008); *BBVA USA Bancshares Incorporated*, 93 Fed. Res. Bull. C94 (2007).

¹¹ See 12 U.S.C. §§ 1841(o)(1) and (o)(9), 12 CFR part 217, and 12 CFR part 225.2(s).

¹² 12 U.S.C. § 1842(d)(1)-(3).

¹³ The Federal Reserve may approve an acquisition of a bank that has been in existence for at least five years without regard to a contrary minimum period of time specified in a host state’s law. 12 U.S.C. § 1842(d)(1)(B).

California state-chartered bank in 1979 and changed its name to Bank of the West. Accordingly, the bank has been in existence much longer than five years. Therefore, the Federal Reserve is authorized under section 3(d)(1)(B)(ii) of the BHC Act to approve the Proposed Transaction regardless of any state law age requirements.¹⁴

Nationwide Concentration Limit. Section 3(d) provides that the Federal Reserve may not approve an interstate acquisition if, upon consummation, the applicant would control more than 10% of the total amount of deposits of insured depository institutions in the United States (“nationwide deposits”).¹⁵ Upon consummation, BMO, in the aggregate with its direct and indirect U.S. subsidiaries and branches, namely, BFC, BHB and BMO Harris Central, National Association, would hold only approximately 1.25% of nationwide deposits as of June 30, 2021 and, thus, would be well under the nationwide deposits concentration limit.¹⁶

Statewide Concentration Limit. Section 3(d) also provides that the Federal Reserve may not approve an interstate acquisition if:

- (1) immediately before consummation, the applicant controls any insured depository institution or any branch of an insured depository institution in the home state of any bank to be acquired or in any host state in which any such bank maintains a branch; and
- (2) the applicant, upon consummation of the acquisition, would control 30% or more of the total amount of deposits in any such state (or such higher percentage as may be permitted by state law, regulation or order).¹⁷

BOTW’s home state is California and it has branches in the host states of Arizona, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Nebraska, Nevada, New Mexico, New York, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin and Wyoming. BHB also has branches in Arizona, Kansas, Minnesota, Missouri, and Wisconsin.¹⁸ Upon consummation, BHB would hold only 3.3% of total insured depository institution deposits

¹⁴ None of the states of Arizona, California, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Nebraska, Nevada, New Mexico, New York, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin or Wyoming has a state age requirement of more than five years.

¹⁵ 12 U.S.C. § 1842(d)(2)(A).

¹⁶ The national deposit and state deposit caps in section 3(d) include only FDIC-insured deposits. The two branches of BMO (Chicago and New York) are *uninsured* state branches (i.e., their deposits are not FDIC-insured). Accordingly, the deposits at these two branches are not included in the calculation of the national deposit or state market shares which only include insured deposits. The Chicago branch had \$41.5 billion in domestic deposits and the New York branch had no deposits at June 30, 2021.

¹⁷ 12 U.S.C. §§ 1842(d)(2)(B) and (D)(i).

¹⁸ BMO Harris Central, National Association has its main office location in Roselle, Illinois and no branches.

in Arizona,¹⁹ 1.8% of total insured depository institution deposits in Kansas,²⁰ 3.3% of total insured depository institution deposits in Minnesota,²¹ 1.1% of total insured depository institution deposits in Missouri,²² and 12.8% of total insured depository institutions in Wisconsin.²³ Therefore, the Proposed Transaction would comply with this statewide concentration limit.

Section 3(d) further provides that state law caps on the total amount of deposits in the state that a single banking organization may hold must also be complied with; provided that the cap does not discriminate against out-of-state banking organizations.²⁴ Arizona, Minnesota, and Wisconsin either impose a 30% state deposit cap or default to the 30% state deposit cap under section 3(d).²⁵ Kansas imposes a 15% deposit cap.²⁶ Missouri imposes a 13% deposit cap.²⁷ As discussed above, upon consummation, BHB would hold far less than the state deposit caps in these states. Specifically, upon consummation, BHB would hold 3.3%, 1.8%, 3.3%, 1.1%, and 12.8%, of total insured depository institution deposits in Arizona, Kansas, Minnesota, Missouri, and Wisconsin, respectively. Therefore, the Proposed Transaction would comply with the state law deposit cap requirements of section 3(d).

Community Reinvestment Act Compliance. Section 3(d) of the BHC Act directs the Federal Reserve to consider an applicant's record under the CRA and take into account its record of compliance under state community reinvestment laws.²⁸ As noted, BHB and BOTW each currently have overall CRA performance ratings of "Outstanding."²⁹ Detailed information about the CRA compliance records of BHB and BOTW are in the *Commitment to the CRA* section

¹⁹ As of June 30, 2021, BHB and BOTW had deposits totaling \$5.1 billion and \$1.6 billion, respectively, in Arizona. On a combined basis, BMO would hold \$6.7 billion or 3.3% of the \$203.8 billion total amount of deposits of insured depository institutions in Arizona.

²⁰ As of June 30, 2021, BHB and BOTW had deposits totaling \$1.0 billion and \$0.7 billion, respectively, in Kansas. On a combined basis, BMO would hold \$1.7 billion or 1.8% of the \$97.1 billion total amount of deposits of insured depository institutions in Kansas.

²¹ As of June 30, 2021, BHB and BOTW had deposits totaling \$7.8 billion and \$1.5 billion, respectively, in Minnesota. On a combined basis, BMO would hold \$9.3 billion or 3.3% of the \$282.8 billion total amount of deposits of insured depository institutions in Minnesota.

²² As of June 30, 2021, BHB and BOTW had deposits totaling \$2.2 billion and \$0.4 billion, respectively, in Missouri. On a combined basis, BMO would hold \$2.6 billion or 1.1% of the \$230.3 billion total amount of deposits of insured depository institutions in Missouri.

²³ As of June 30, 2021, BHB and BOTW had deposits totaling \$25.6 billion and \$35.1 million, respectively, in Wisconsin. On a combined basis, BHB would hold \$25.6 billion or 12.8% of the \$200.7 billion total amount of deposits of insured depository institutions in Wisconsin.

²⁴ See 12 U.S.C. § 1842(d)(2)(C).

²⁵ See A.R.S. § 6-328B; Wash. Rev. Code § 30.49.125; Wis. Stat. § 221.0901(7).

²⁶ See Kan. Stat. Ann. § 9-520.

²⁷ See Mo. Rev. Stat. § 362.915.

²⁸ See 12 U.S.C. § 1842(d)(3).

²⁹ BMO Harris Central, National Association does not receive a CRA performance rating.

below. There are no applicable state community reinvestment statutes that apply to BHB, BMO Harris Central Bank, National Association or BOTW (or their respective bank holding companies).

Conclusion under Section 3(d). The Proposed Transaction would satisfy each of the conditions for an interstate acquisition in section 3(d) of the BHC Act. Accordingly, the Federal Reserve is permitted to approve the proposal under section 3(d) of the BHC Act.

B. Liabilities Concentration

The BHC Act and the Federal Reserve’s implementing Regulation XX generally prohibit a financial company, including, among others, a bank holding company and an insured depository institution, from merging or consolidating with, or acquiring control of, another company if the total consolidated liabilities of the acquiring financial company after consummation of the transaction would exceed 10% of the aggregate consolidated liabilities of all financial companies (“Total Liabilities”) at the end of the calendar year preceding the transaction.³⁰ As of December 31, 2020, BMO and BOTW had consolidated national liabilities of \$211.8 billion and \$81.4 billion, respectively.³¹ On a pro forma basis, on consummation of the Proposed Transaction, BMO would have total liabilities of \$292.8 billion, which, assuming national liabilities of \$21.8 trillion, is only 1.34% of Total Liabilities.³² Accordingly, the liabilities concentration limit would not preclude Federal Reserve approval of the Proposed Transaction.

II. Financial and Managerial Resources and Future Prospects

In acting on the Application, section 3 of the BHC Act requires the Federal Reserve to consider the financial and managerial resources and future prospects of the organizations involved.³³ The Proposed Transaction represents a strategic transaction to increase BHB’s geographic presence and to expand its suite of banking products to better serve its and BOTW’s customers.

BMO-FG, including BFC and BHB, will have minimal changes to its existing risk profile, benefiting from the compatible business lines and diversification of customers and geographies acquired through the Proposed Transaction. BMO-FG, including BFC and BHB, has strong financial, capital, liquidity and managerial resources, including a robust risk

³⁰ 12 U.S.C. § 1852(b); 12 CFR part 251.

³¹ BMO’s consolidated liabilities include the liabilities of BFC and the assets of BMO’s *uninsured* state branches in Chicago and New York.

³² This percentage is estimated using the method of calculation in the Federal Reserve’s Regulation XX, 12 CFR part 251, and the amount of Total Liabilities as of December 31, 2020, stated by the Federal Reserve. *Announcement of Financial Sector Liabilities*, Federal Reserve System Docket No. OP-1751 (June 17, 2021). Per that announcement, “Under Regulation XX, liabilities of a foreign banking organization’s U.S. operations are calculated using the risk-weighted asset methodology for subsidiaries subject to the risk-based capital rule, *plus the assets of all branches, agencies, and nonbank subsidiaries, calculated in accordance with applicable accounting standards.*” (emphasis added) Accordingly, the calculation includes the adjusted liabilities of BFC and the assets of BMO-FG’s uninsured U.S. branches not included within BFC.

³³ 12 CFR part 225.13 (b)(1)-(2).

management framework (“RMF”), that will allow it to consummate the Proposed Transaction, successfully integrate the operations of BOTW into BHB, and ensure the continued safe and sound operation of BMO-FG, including BFC and BHB, going forward.

Senior management of BMO-FG, including BFC and BHB, will continue to take steps to ensure that such entities maintain suitable capital planning, liquidity management, managerial resources, corporate governance, enterprise risk management programs and technological infrastructure that meet the Federal Reserve’s and OCC’s supervisory expectations. As a Category IV organization under the Federal Reserve’s prudential standards for large bank holding companies (Regulation YY, 12 CFR part 252), BFC has already been subject to enhanced prudential supervisory standards, including among others: (1) capital planning, (2) liquidity risk management and stress testing requirements, (3) supervisory capital stress testing, (4) overall heightened risk management requirements and (5) resolution planning requirements.³⁴ BFC has satisfactorily met all these standards and will continue to have the governance, infrastructure and systems to meet all the relevant regulatory requirements and supervisory expectations for a Category IV banking organization. Following the Proposed Transaction, BFC expects to become a Category III organization and thus subject to additional requirements, including the Supplementary Leverage Ratio, Countercyclical Capital Buffer requirements of the banking agencies’ regulatory capital rules, company-run capital stress testing and single counter-party credit limits, as well as the liquidity coverage ratio requirement (the “LCR”) and net stable funding requirement (the “NSFR”). BFC commits that it will dedicate sufficient resources to meet the Category III standards.

Based on all the information below and in the exhibits, it is evident that the financial, managerial and future prospects factors that the Federal Reserve must consider all support approval of the Acquisition.

A. Financial, Capital and Liquidity Strength

Capital. BMO-FG employs comprehensive and rigorous capital planning and capital stress testing programs, and the acquired operations of BOTW will be covered by these effective programs. The respective capital and leverage ratios of BMO, BFC, BHB and BOTW exceed the minimum ratios necessary for “well capitalized” status and, on consummation of the Proposed Transaction, the capital ratios and leverage ratios of BMO, BFC and BHB will exceed the required minimum levels and otherwise meet supervisory expectations. The Proposed Transaction is expected to result in a collective company and bank with stronger financial and operating metrics, greater diversification, and increased profitability and scale that will permit the combined organization to better compete against the largest banking organizations and larger regional banking organizations in the United States. For more detailed information on the current, pro forma and projected financials, capital ratios and asset quality of BMO, BFC and BHB, please see Exhibit 10 and Confidential Exhibit B.

Since January 1, 2020, the federal banking agencies’ capital and liquidity rules classify all banking organizations with \$100 billion or more in total consolidated assets into one of four categories (Category I, II, III or IV), based on the banking organization’s asset size and risk

³⁴ See 84 Fed. Reg. 59,032 (Nov. 1, 2019).

profile, with the most stringent capital and liquidity requirements applicable to Category I firms and the least restrictive requirements applying to Category IV firms. The regulatory capital and liquidity requirements generally apply to U.S. intermediate holding companies, as well as to their subsidiary banks. Based on this regulatory framework, BFC currently qualifies as a Category IV organization. Following the Proposed Transaction, BFC is expected to become a Category III firm.³⁵

As a Category III firm, BFC will continue to be subject to the Federal Reserve's capital plan rule, capital stress testing requirements and the Comprehensive Capital Analysis and Review ("CCAR") process, in addition to the additional requirements discussed above. Given that BHB's assets will exceed \$250 billion post-closing, BHB will become subject to the OCC's DFAST company-run stress testing requirements.

Liquidity. BMO is subject to LCR and NSFR requirements under OSFI's Liquidity Adequacy Requirements Guideline. BFC, as a Category IV institution with less than \$50 billion in weighted short-term wholesale funding, and BHB are currently not subject to the U.S. LCR and NSFR requirements. The LCR requirement is designed to ensure that covered banking organizations maintain an adequate level of cash and high-quality, unencumbered liquid assets to meet estimated liquidity needs in a short-term stress scenario, using prescribed liquidity inflow and outflow assumptions. The NSFR is designed to ensure that institutions maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. BMO will continue to exceed applicable OSFI LCR and NSFR requirements after consummation of the Proposed Transaction. Following the Proposed Transaction, BFC will become a Category III organization with less than \$75 billion in weighted short-term wholesale funding. As a result, BFC and BHB will be subject to tailored U.S. LCR and NSFR requirements and will exceed the requirements when they become applicable.

BMO-FG maintains a robust liquidity risk management program and manages liquidity risk at the consolidated company level to help ensure that it (1) can obtain cost-effective funding to meet current and future obligations under both normal "business as usual" and stressful circumstances, and (2) maintains an appropriate level of contingent liquidity. Management monitors liquidity through a series of early warning indicators that may indicate a potential market or BMO-specific liquidity stress event, performs liquidity stress tests over multiple time horizons with varying levels of severity, and maintains a contingency funding plan to address a potential liquidity stress event. BMO-FG liquidity guidelines and liquidity-related risk limits are established at an enterprise level, as well as managed and monitored at various entity levels, including BFC and BHB. BMO-FG's liquidity risk management program will cover the acquired operations of BOTW on consummation of the Proposed Transaction.

Resolution Planning. BMO-FG does not anticipate significant changes to its resolution planning processes as a result of the Proposed Transaction, either at parent level or at the levels of BFC and BHB. Although BHB will have a larger asset base following the Proposed Transaction, it does not anticipate changes to its core business lines, material entities or critical

³⁵ Note that for purposes of resolution planning under Regulation QQ, 12 CFR part 243, BMO is subject to the Category III requirements based on its consolidated U.S. operations.

operations/systemically important functions. Any BOTW products or services that are additive to BHB’s existing offerings will be added to BHB’s existing core business lines.

The Proposed Transaction will also not result in a material change in BMO-FG’s existing primary resolution strategy because BOTW will be merged into BHB at closing. BMO-FG anticipates that its planning will evolve to account for some of the geographies, products and services that are additive to BMO-FG’s existing offerings and, therefore, its secondary options for selling various portions will also be evaluated.

However, given that BHB’s assets will exceed \$250 billion post-Closing, BHB will become subject to the OCC’s recovery plan requirements.³⁶ The OCC’s guidelines relating to recovery planning standards (the “Recovery Guidelines”) establish minimum standards for recovery planning by insured national banks, insured federal savings associations, and insured federal branches of foreign banks (banks). The Recovery Guidelines state that a recovery plan should identify (a) quantitative or qualitative indicators of the risk or existence of severe stress that reflect a covered bank’s particular vulnerabilities and (b) a wide range of credible options that a covered bank could undertake in response to the stress to restore its financial strength and viability. Under the Recovery Guidelines, a recovery plan should also address: (i) procedures for escalating decision-making to senior management or the board of directors, (ii) management reports and (iii) communication procedures. BHB commits that it will dedicate sufficient resources to satisfy the OCC’s recovery plan requirements.

B. Managerial Resources

BMO, BFC and BHB have diverse, highly accomplished and experienced Boards of Directors and senior executive management teams, which provide them with outstanding managerial resources to ensure their safe and sound operation.

1. Boards of Directors

BMO, BFC and BHB. The BFC and BHB Boards of Directors and management will evaluate the proposed composition of the Boards of BFC and BHB following the Proposed Transaction, considering the appropriate size, skill sets, geographic representation, diversity as well as other governance considerations. The Board of BFC and/or BHB will include representation from BOTW’s current board of directors. There are no contemplated changes to the Board of Directors of BMO as a result of the Proposed Transaction.

The current directors of BMO, BFC and BHB are set forth below:

Name of Director	Principal Occupation	BMO	BFC	BHB
Jan Babiak	Corporate Director	X		
Sophie Brochu	President and CEO of Hydro-Quebec	X		
Craig Broderick	Corporate Director	X		

³⁶ Note that for purposes of resolution planning under Regulation QQ, 12 CFR part 243, BMO-FG is already subject to the Category III requirements.

Name of Director	Principal Occupation	BMO	BFC	BHB
George Cope	Corporate Director	X (Chair)	X	
Stephen Dent	Managing Director, Birch Hill Equity Partners	X		
Christine Edwards	Corporate Director	X	X	X
Martin Eichenbaum	Corporate Director	X		
David Harquail	Chair of the Board of Franco-Nevada Corporation	X		
Linda S. Huber	Chief Financial Officer, FactSet	X		
Eric R. La Flèche	President and Chief Executive Officer, Metro Inc.	X		
Lorraine Mitchelmore	Corporate Director	X		
Madhu Ranganathan	Executive Vice President and Chief Financial Officer, OpenText Corporation	X		
W. Darryl White	Chief Executive Officer, BMO	X	X	
David Casper	Group Head, North American Commercial Banking U.S. Chief Executive Officer BHB Chief Executive Officer		X	X (Chair)
Adela Cepeda	Corporate Director		X	X
Kevin Connelly	Consultant/Former CEO and Managing Partner, SpencerStuart		X	
Diane Cooper	Corporate Director		X	X
Cameron Fowler	Chief Strategy & Operations Officer, BMO		X	
Charles Matthews	President and Chief Executive Officer, Peoples Energy Corporation		X	X
John Rau	President and Chief Executive Officer, Miami Corporation		X (Chair)	
John Shiely	Corporate Director		X	X
Mike Van Handel	Corporate Director		X	X
Darrel Hackett	Executive Vice President and Head of U.S. Wealth Management			X

2. Management

In accordance with BMO-FG's established talent management practices, BMO, BFC and BHB are evaluating and considering the senior executive officers and management of BHB post-closing, which will include members of BOTW's current management. Decisions have not been made at this time. In the period prior to conversion, BMO, BFC and BHB anticipate that most or all of the senior management of BOTW will remain to help ensure a smooth transition and conversion. The current Senior Executive Officers of BMO, BFC and BHB are set forth below. For additional information on the management organization, see Confidential Exhibit C.

Name of Senior Executive Officer	Position	BMO	BFC	BHB
W. Darryl White	Chief Executive Officer	X		
Daniel Barclay	Group Head, BMO Capital Markets	X		
David Casper	Group Head, North American Commercial Banking	X		
	U.S. Chief Executive Officer BHB Chief Executive Officer		X	X
Patrick Cronin	Chief Risk Officer	X		
Cameron M. Fowler	Chief Strategy & Operations Officer	X		
Sharon Haward-Laird	General Counsel	X		
Erminia Johannson	Group Head, North American Personal & Business Banking	X	X	X
Deland Kamanga	Group Head, Wealth Management	X		
Mona Malone	Head, People & Culture and Chief Human Resources Officer	X		
Steven L. Tennyson	Chief Technology & Operations Officer	X		
Tayfun Tuzun	Chief Financial Officer	X		
Carolyn Booth	Executive Vice President and Head, Distribution, U.S. Personal & Business Banking		X	X
Donald Erickson	Senior Vice President and U.S. Chief Auditor		X	X
Darrel Hackett	Executive Vice President and Head of U.S. Wealth Management		X	X
Daniel J. Marszalek	Executive Vice President and Head, U.S. Corporate Finance		X	X
Tracie Morris	Senior Vice President and U.S. Chief Human Resources & Inclusion Officer		X	X
Donna Parish	Executive Vice President, U.S. General Counsel and Assistant Secretary		X	X
Pamela Piarowski	Senior Vice President and interim Chief Financial Officer		X	X
Brad Rothbaum	Executive Vice President and Head, U.S. Global Markets		X	
Alan Tannenbaum	Executive Vice President and Head, Global Investments & Corporate Banking		X	
Stephen Taylor	Executive Vice President and Integration Management Officer		X	X
Victor Tung	Executive Vice President and U.S. Chief Technology & Operations Officer		X	X
George Walz	Senior Vice President and Chief Compliance Officer		X	X

Name of Senior Executive Officer	Position	BMO	BFC	BHB
Raymond C. Whitacre	Executive Vice President and Head, U.S. Diversified Industries		X	X
Ann Marie Wright	Executive Vice President and U.S. Chief Risk Officer		X	X

3. U.S. Governance Structure

At BMO-FG, governance is the management of rights, authority and control through defined checks and balances. An effective and efficient governance model provides a structure for oversight in which leadership ensures clear accountability, establishes transparency, streamlines decisions and promotes and maintains a disciplined and unified culture, overseen by the Board of Directors and Senior Management.

BMO-FG maintains a mature U.S. governance framework that provides integrated oversight for BMO-FG’s U.S. operations, enabling enhanced efficiency and effectiveness of those businesses and the aggregation and oversight of key risks across the region (the “U.S. Governance Framework”) and legal entities. This framework is supported by U.S. executive officers, management committees with linkages to Board committees, an established corporate governance function and effective policies and procedures to properly govern and supervise its businesses and employee in the region.

The U.S. Governance Framework is supported by individual governance frameworks in U.S. lines of business, corporate functions in BFC, BHB and their subsidiaries, and the BMO U.S. branches. These frameworks are designed to capture how BMO-FG’s U.S. governance operates in each function and to support a culture of good corporate governance. The U.S. Governance Framework also incorporates legal entities to ensure oversight meets legal and supervisory expectations. The U.S. Governance Framework, including its subsidiary components, is updated as necessary.

BMO-FG’s U.S. management ensures that the business in the region is conducted in compliance with all legal and regulatory requirements and expectations, as well as with BMO-FG policies. This effort includes establishing local policies and procedures that are consistent with those of BMO-FG, where appropriate, taking into consideration regional differences in law, regulation and business custom and practice. As part of the integration process, we will assess and ensure our U.S. Governance Structure will continue to provide strong oversight of BMO-FG’s U.S. Operations.

4. Employees

BMO-FG is dedicated to a successful transition for both BMO-FG and BOTW employees. In line with this vision, BMO-FG is carefully evaluating potential overlapping areas and developing a plan to ensure any identified overlaps are carefully managed. Related job losses or adverse consequences to either legacy employees of BOTW or employees of BMO-FG are expected to be mitigated in part by leveraging positions that become available as a result of

natural attrition, particularly in light of the current employment market, and exploring where there may be opportunities for redeployment within the organization. As noted above, there are only a few areas of geographical overlap between the retail branch network and operations of BHB and BOTW. As a result, no branch closures are expected as a result of the Proposed Transaction and all front-line branch employees will be retained.

The combination of BHB and BOTW will create a strong banking organization that has the national reach, comprehensive product offerings, capital resources and technology infrastructure and applications to better serve customers and compete with the largest bank organizations. In addition, while BMO-FG recognizes that there will be displacements in certain areas where redundancies exist or where operations are modified or discontinued, there are also expected areas of growth and focus on the functional expertise as BHB expands. BMO-FG is currently completing a comprehensive analysis of its expected staffing and talent needs within the combined organization as part of its integration planning, as discussed below. As part of this integration planning, BMO-FG will receive and review information from BOTW regarding the positions, skills and experience of its employees to help ensure that appropriate talent is identified for each position in the combined organization. Due to the number of positions involved, and BMO-FG's desire to match the best talent with each available position, this process is expected to take at least a few months, with any resulting displacements occurring only after consummation of the Proposed Transaction. BMO-FG believes that the expanded scale of the combined BHB will afford many employees new growth and development opportunities.

5. Integration Planning and Experience

BMO-FG leadership is dedicated to ensuring that the integration of BOTW into the BMO-FG organization is well-planned and effectively managed and implemented. BMO-FG conducted extensive due diligence on BOTW. BMO-FG management led a team of approximately 200 individuals who conducted a thorough review of BOTW's lines of business, and functional areas, including human relations, finance, internal audit, legal, compliance and risk management, including credit, compliance, operational and market risks. A summary of the due diligence conducted by BMO is provided in Confidential Exhibit D.

To oversee and guide the integration of BOTW, BMO-FG has established an Integration Management Office, which will report regularly on progress to the BMO, BFC and BHB Boards of Directors as well as the appropriate management committees, including BMO US Management Committee. As a whole, the Integration Management Office is responsible for ensuring the cohesiveness of BMO's integration strategy, driving the overall firm-wide timeline and making key enterprise-level decisions regarding the integration.

In addition, leadership will provide regular integration updates to local examination representatives, including the Federal Reserve, OCC and OSFI.

The Integration Management Office is supported by accountable managers responsible for their respective workstreams and delivery teams that are aligned directly to the business. Subject to certain information sharing restrictions, each workstream is responsible for conducting a gap assessment and developing a detailed project plan and timeline and supporting

communication of information and decisions about the integration across relevant stakeholders. The various gap assessments conducted by each workstream will identify any enhancements and whether such enhancements can be completed prior to Closing. Where required enhancements cannot be completed prior to Closing, the workstreams will be required to document the gap, raise an exception for approval, and receive the appropriate approval by Closing. The exceptions will require a remediation plan with targeted completion, to ensure effective challenge of the gaps is completed and a reasonable plan put forward. The Integration Management Office will receive regular reporting from each workstream and serves as a centralized decision maker across all business areas and functions. It will also oversee employee and customer communication to ensure a seamless transition.

Senior executive management of BMO-FG and BOTW are focused on the complex infrastructure considerations and plan to have a phased system integration to ensure that the integrations and systems conversions are well-planned, properly managed and effectively executed. BMO-FG's Technology platforms have been architected to support the volumes of a large bank and its active resiliency program enable its platforms to deliver high availability and capacity supported with a number of resiliency teams, and a set of robust and industry standard tools.

A copy of BMO-FG's integration planning structure is provided in Confidential Exhibit E. Currently, BMO-FG expects BOTW's businesses to be fully integrated within the later of 18 months from the date of the Agreement or six months after the Closing.

6. Risk Management

Both BMO-FG and BOTW have robust RMFs, including coverage of liquidity and funding, credit, market, operational, strategic, reputational, legal & regulatory compliance, and environmental and social risks. BMO-FG has implemented an effective risk management culture which is a component of BMO-FG's overall culture. BMO-FG has a long tradition of commitment to high ethical standards, grounded in BMO's values of integrity, empathy, diversity and responsibility. BMO-FG's purpose – "To Boldly Grow the Good in Business and in Life" – is underpinned by its values. Risk culture is the set of shared norms, attitudes and behaviors related to risk awareness, risk-taking and risk management at BMO-FG. BMO-FG's risk culture reinforces appropriate protocols for responsible and ethical behavior.

The Enterprise Policy Framework includes a comprehensive set of corporate policies, each of which is approved by the BMO Board of Directors or its subcommittees (and approved for adoption by BFC Board or its subcommittees), as well as corporate standards issued pursuant to those corporate policies that are reviewed by management committees and approved by senior management (and approved for adoption by subcommittees of the U.S. Management Committee). These corporate policies and standards collectively outline the principles, expectations, and roles and responsibilities of the Board and senior management for ensuring that key risks are identified, assessed, managed (including mitigation), monitored and reported, as they apply to BMO, BFC and BHB.

Corporate policies and standards are reviewed and updated at a minimum every two years. In accordance with the U.S. Governance Framework, U.S.-based policies or standards are

developed in adherence with BMO-FG's Policy Framework Guideline and are approved by the BFC Board's Risk Oversight Committee or other appropriate BFC Board subcommittees or the BHB Board. U.S. policies or standards are issued either in support of an adopted BMO-FG policy or standard or on a stand-alone basis, depending on whether the relevant U.S. law, regulation or supervisory expectations are different.

Please see Confidential Exhibit F for additional information on the Risk Governance Structure.

The components of risk governance support the RMF and apply the principles of sound corporate governance for the identification, assessment, management (including mitigation), monitoring and reporting of material risks. BMO-FG continues to advance its RMF and Risk Governance through ongoing updates to foundational risk management programs and alignment with evolving industry trends and regulatory expectations. This includes ongoing efforts to:

- Streamline and simplify the RMF and drive alignment between Enterprise and U.S. frameworks through a centralized team within Enterprise Risk; and
- Refine BMO-FG's approach to its risk appetite by evaluating the framework to address evolving areas of risk such as environmental and social risk (including climate change) and non-financial risks.

Credit Risk. Credit and counterparty risk underlies all lending activities and also arises in the holding of investment securities, transactions related to trading and other capital markets products, and activities related to securitization. The objective of the Credit Risk Management Framework is to ensure that all material credit risks to which BMO-FG, including at the entity level of BFC and BHB, are exposed are identified, measured, managed, monitored and reported. The Credit Risk Management Framework incorporates governing principles that are defined in a series of corporate policies and standards and are applied to specific operating procedures. These policies and standards are reviewed on a regular basis and modified as necessary to keep them current and consistent with BMO-FG's enterprise-level and BFC's and BHB's respective entity-level risk appetites. The structure, limits (both notional and capital-based), collateral requirements, monitoring, reporting and ongoing management of credit exposures are all governed by these credit risk management principles.

BMO-FG carries out regular portfolio and sector reviews (wholesale and retail), including stress testing and scenario analysis based on current, emerging or prospective risks, such as the COVID-19 pandemic. Reporting is provided at least quarterly, and more frequently where appropriate, to the relevant Boards of Directors and senior management committees to keep them informed of credit risk developments, including changes in credit risk concentrations, watchlist accounts, impaired loans, provisions for credit losses, negative credit migration and significant emerging credit risk issues.

With respect to wholesale exposure, Corporate and Commercial Banking lending officers are responsible for recommending credit decisions based on the completion of appropriate due diligence. All credit risk exposures are subject to regular monitoring.

Performing corporate and commercial accounts are reviewed on a regular basis, no less frequently than annually, with most subject to internal monitoring triggers that, if breached, result in an interim review. For most transactions (excluding a subset that meet pre-defined approval criteria), credit officers in Enterprise Risk Portfolio Management (second line of defense) approve credit transactions and are accountable for providing an objective independent assessment of the lending recommendations and effective challenge of risks assumed by the lending officers. All of these individuals in the first and second lines of defense are subject to a lending qualification process and operate in a disciplined environment with clear delegation of decision-making authority, including individually delegated lending limits where appropriate, which are reviewed annually or more frequently, as needed. BOTW's wholesale lending process has a similar dual signature framework and credit qualification. Integration teams will ensure first and second line employees will be appropriately trained on the BMO-FG processes.

BOTW's commercial portfolio is complimentary geographically to BFC given minimal physical overlap and only modestly increases some commercial concentrations.

With respect to retail exposure, Consumer Credit Risk Management ("CCRM") is a second line of defense function responsible for providing oversight, effective challenge and independent assessment of risk-taking activities within the retail lending businesses. CCRM is accountable for overall policy review and governance function, oversight and effective challenge of credit strategies and policies recommended by first line teams, loan review function and credit approval for loans that exceed size thresholds or meet certain criteria that require an exception-based review. CCRM plays a critical role in setting risk appetite for the retail lending businesses and ensuring the businesses stay within their risk appetite. The group is also responsible for loan loss forecasting (including supporting the allowance process), risk reporting and monitoring trends & emerging risks.

BOTW's retail portfolio will diversify BMO's U.S. retail portfolio by product and geography and has similar risk appetite and risk culture.

Operational Non-Financial Risk. BMO-FG has a robust framework to manage Operational Non-Financial Risk ("ONFR"), which is guided by the Non-Financial Risk Management Framework ("NFRMF"). The NFRMF defines the processes used to identify, assess, manage, mitigate, monitor and report on key operational risk exposures and events with significant potential impact to BMO-FG, or specific entities within the group, such as BHB. Aligned with BMO-FG's Risk Management Framework, the NFRMF helps to ensure BMO-FG maintains an operational risk profile consistent with its defined ONFR risk appetite, supported by adequate capital, while remaining operationally resilient.

A key focus of the NFRMF is information security and cybersecurity risk. BMO's Financial Crimes Unit ("FCU") is an industry leading organizational model that brings together cyber security, fraud management, physical security and global crisis and continuity management capabilities into one unified team to address the ever-growing threat landscape. Leveraging world-class people, processes and technology, the FCU is charged with leading BMO's ability to identify, prevent, detect, respond to and recover from all virtual and physical security threats. Utilizing an all-hazards "fusion center" approach, the FCU integrates business

and security expertise, data, and systems with methodologies to enable predictive modeling, near/real-time monitoring, and deliberate crisis management capabilities. The FCU's "follow the sun" global operations ability protects the bank and our customers on a 24/7/365 basis by utilizing teams in North America, Europe and Asia. This capability ensures that our security experts can best accomplish their work without regard to geography or local time.

The creation of the BMO-FG FCU was a significant step forward in securing BMO-FG and its clients against increasingly sophisticated security challenges. It is a key enabler in maintaining and building BMO-FG's trust with our customers, partners and employees. Furthermore, BMO-FG maintains dedicated expertise within the Enterprise Risk and Portfolio Management group to provide effective challenge across fraud, cyber and information security, physical security, and global crisis and continuity management. These capabilities together with continued investments made in people and technology has enabled BMO-FG to keep pace with ever-evolving threats.

BOTW's Operational Risk capabilities appear sufficiently mature and broadly aligned to BMO-FG's ONFR management practices. BOTW's stable risk profile and similar product mix to BMO-FG should further enable efficient integration of ONFR management practices upon completion of the Proposed Transaction. BOTW is currently not subject to the OCC Heightened Standards Framework. As part of the integration process a gap assessment will be completed and a project plan developed to ensure compliance.

Capital Planning. BMO-FG's risk management activities are fully integrated into its company-wide stress testing activities. These activities include the capital plans for the Enterprise-wide Stress Test and Macro Stress Test at the BMO level, and for the Horizontal Capital Review ("HCR") at BFC level. Internally designed stress scenarios to test capital adequacy at the enterprise, as well as BFC and BHB levels, are created with specific risk profiles in mind, and begin with consideration of applicable risk taxonomy and supporting risk tier profiles, as well as work conducted as part of the Emerging Events and Scenarios program. Risk management enhancement opportunities, which may improve the capital planning process, are continuously evaluated. In the most recent HCR cycle, for instance, risk execution teams used preliminary variables provided by BMO economists to calculate "early look" approximations of expected losses for credit, market and operational risk. As a result, key stakeholders were able to assess the estimated overall severity of the proposed stress scenario and determine its appropriateness.

For capital planning purposes, the large majority of material risks are captured by modeled results for the various key risk categories. In addition, company-specific events are utilized to attempt to quantify additional risks through a separate scenario analysis process. In the event that a material risk cannot reasonably be included in the scenario, it is considered through other parts of the capital planning process, such as a capital buffer within the capital target and goal setting process. A mapping of material risks and the scenario elements that cover them is documented in the capital plan.

Following the Proposed Transaction and as part of integration, it is contemplated that a similar approach will be used to address key risks as part of capital planning. BMO-FG's RMF is constructed in such a way to enable the addition and inclusion of new risks identified in the

BOTW franchise (which may not have existed for BMO-FG). These risks would then become part of the Risk Taxonomy and be assessed for materiality. Those deemed material would be explicitly considered during capital planning.

Liquidity Risk. Within the overall RMF, there are specific liquidity and funding risk appetites at the BMO-FG enterprise level, as well as the BFC and BHB levels. Liquidity Risk Management is integrated into the overall RMF, with oversight provided at BMO by its Board's Risk Review Committee, BMO Risk Management Committee, BMO Asset and Liability Committee and BMO Balance Sheet Committee, and BFC by its Board's Risk Oversight Committee, U.S. Risk Management Committee, U.S. Asset and Liability Committee and the Liquidity and Funding Risk Committee ("LFRC," which serves as a joint BMO-BFC Committee). All of the other elements of the overall ERM framework described above have specific components for Liquidity Risk Management.

Model Risk. BMO-FG's Model Risk Management Framework ("MRMF") is aligned with its broader RMF. The MRMF sets out an end-to-end approach for model risk governance across the model life cycle and helps manage model risk within the limits of BMO-FG's risk appetite. The Model Risk Management Committee ("MRMC"), an established subcommittee of BMO's Risk Management Committee, is a cross-functional group representing all key stakeholders across BMO-FG. The MRMC meets regularly to help direct BMO-FG's use of models, to oversee the development, implementation and maintenance of the MRMF, to provide effective challenge and to discuss governance of the enterprise's models. BMO-FG has a defined Model Risk Appetite Statement that includes specific "key risk metrics", which monitor the overall level of model risk at BMO-FG and supports the overall Risk Appetite Framework. The Model Risk Corporate Policy and Model Risk Guidelines implement operational requirements aligned with supervisory expectations on model risk management including the specification of requirements for first line model owners, model developers, and model users, the requirements for effective second line oversight (Model Risk) and the management of models through their defined lifecycle.

In the past few years, BMO-FG has made a focused effort toward enhancing its MRMF, which has included:

- Deployment of a new purpose-built model inventory system to support the full model lifecycle.
- Enhanced processes to ensure ongoing enhanced data quality.
- Enhancements to the MRMF to include more comprehensive assessments of model risk (model risk rating system) and implementation of annual review requirements for all models.
- Enhanced monitoring requirements to provide early identification of potential deterioration of model performance.

Please see attached Confidential Exhibit G for additional information on the RMF of BMO.

Integration. The BMO-FG RMF will apply to BOTW upon Closing and BOTW will be integrated into the BMO-FG RMF. Given the BOTW framework is robust, the portfolios are not dissimilar from existing BHB's portfolios, and appetite/credit performance is generally similar, it is not anticipated that there will be material issues absorbing BOTW into the BMO-FG RMF. A high-level assessment of policies, procedures, and guidelines, as well as various reporting packages, demonstrated a robust risk management framework.

As noted above, the Integration Management Office includes workstreams for each functional area. For each Risk function, working groups comprised of individuals from both BMO-FG and BOTW will conduct a gap assessment relative to the BMO-FG framework, develop a plan to address as many gaps as possible in advance of Closing, as well as to execute on remaining gap assessments once the Proposed Transaction is completed. In conjunction with the risk assessments, BMO will continue to focus on ensuring retention of employees with the requisite experience and subject matter expertise to support the combined organization.

7. Compliance Risk Management

Compliance Program. BMO-FG has a robust enterprise compliance program ("ECP") designed to fulfill both the letter and spirit of all applicable regulatory requirements and supervisory guidance. BMO-FG's ECP manages regulatory risk based on the following key principles listed below. These principles allow BMO-FG to maintain consistency, sustainability, and effectiveness:

- Three lines of responsibility: Responsibility for the ECP is allocated based on a three lines of defense operating model.
- Risk-based approach: The ECP reflects a risk-based approach to: (i) identify, assess, communicate, manage, and mitigate regulatory risk, and (ii) provide a reasonable level of assurance of sustained compliance with regulatory requirements. The ECP plans, allocates resources, and executes activities and processes according to the enterprise level of risk and the guidance in BMO-FG's Regulatory Risk Appetite Statement, as well as according to the U.S. level of risk and guidance in the U.S. Regulatory Risk Appetite Statement, which is approved by the Audit Committee of each of the BFC and BHB Board of Directors ("BFC/BHB Audit Committees").
- Evolving risk considerations: The ECP considers both current and emerging risks, considering the factors that influence BMO-FG's business, and a risk profile is developed by (i) measuring its current risk of non-compliance; and (ii) assessing top or emerging risks, based on trends and the operating environment. BMO-FG's risk assessment looks at process risk that is either associated with a product (managing risk through the product life cycle) or an internal activity.
- Forward-looking: The ECP processes and tools are forward-looking and built to be repeatable and sustainable and to anticipate future needs.
- Adaptable across jurisdictions and businesses: The ECP adapts. The basic principles of the ECP are universal, but they may be implemented differently based on the

regulatory environment in different jurisdictions, operating groups, products, and services.

BHB is subject to the OCC's Heightened Standards and has a comprehensive ECP and control framework that utilizes people, processes and technology to most efficiently manage risks. BFC performs regular assessments against SR 08-08 to validate that its program continues to align to regulatory expectations. The key components of the ECP include regulatory compliance risk assessments, well established controls, monitoring and testing, compliance issue management, board and management reporting, and appropriate regulatory change management processes.

In addition to the above, the ECP provides for ongoing education and training, as well as advisory work to help inform the operating groups. BMO's robust regulatory compliance training program includes annual Ethics, Legal & Compliance Training, which includes BMO-FG's Code of Conduct, Anti-Corruption, and Information Security and Privacy Matters, among other matters, and a U.S. Compliance Training Program, which provides both core and business-specific education, as applicable, to all U.S. employees. BFC and BHB have also established targeted legal and regulatory training that is delivered to their respective Boards of Directors on an annual basis.

BMO-FG's ECP has been structured to ensure appropriate governance, incorporating a strategic level of oversight that includes authority delegated to certain board committees, management committees and individuals. Such committees and individuals may further delegate authority to subcommittees or management as appropriate and provide additional oversight. The Audit and Conduct Review Committee of the BMO Board of Directors ("ACRC") and the BFC/BHB Audit Committees have oversight over regulatory compliance and approve the Regulatory Compliance Mandate, which establishes roles and responsibilities for compliance risk management. The Enterprise Regulatory Committee ("ERC") and U.S. Regulatory Committee ("USRC") support the regulatory compliance governance structure. The Chief Compliance Officer and U.S. Chief Compliance Officer are members of ERC and USRC, respectively, and opine on regulatory compliance in those forums as well as present to the ACRC and BFC/BHB Audit Committees.

BMO-FG is continually focused on enhancing and strengthening the ECP. In the last several years, such enhancements have included:

- Migration to the RSA Archer, Governance Risk and Compliance Engine for managing compliance risk.
- Enhanced Risk Assessment methodology to create an end-to-end view of risk.
- Creation of a consistent process for managing regulatory change management.
- Development of robotics to increase scale and coverage for regulatory testing.
- Enhanced reporting processes to manage compliance risk using key risk indicators, key performance indicator and metrics.

Consumer Compliance. The BMO-FG Fair Lending Policy and Program is subject to regular approval by USRC and BFC/BHB Audit Committees. The Consumer Practices Committee provides oversight and governance of Fair Lending Program activities, including the

annual Fair Lending Risk Assessment and Plan. The second line of defense performs independent Fair Lending compliance risk management activities, subject to regular review by BMO-FG's third line of defense – the Corporate Audit Division (“Corporate Audit”).

The Fair Lending Program is implemented across applicable U.S. business units, any third parties they may engage, and across shared back-office services that may be utilized during the consumer and business banking loan lifecycle. The Fair Lending Program is designed to ensure compliance with anti-discrimination provisions of the Equal Credit Opportunity Act (Regulation B), Fair Housing Act, Home Mortgage Disclosure Act, CRA, and American with Disabilities Act while also complying with state and local fair lending guidance. The Director of Fair and Responsible Banking for BFC and BHB also serves as Fair Lending Officer, leading a dedicated team that conducts both scheduled and ad hoc analyses to detect, prevent, and correct overt discrimination, disparate treatment and disparate impacts. The Fair and Responsible Banking team also works to ensure adequate controls exist within the first and second lines of defense to reduce BHB's fair lending risk, collaborates with other compliance teams to ensure training is appropriate and complete, and provides interpretive guidance when regulatory changes occur.

Scheduled fair lending review activities are the outputs from an annual risk assessment process which informs the Fair Lending Program for the subsequent year. Statistical reviews, including regression analyses when appropriate, are a major component of the program's activities and are informed by simultaneous reviews of relevant directives, policies, and program documentation to ensure the reviews are as complete and holistic as possible. Ongoing fair lending compliance activities include reviews of complaints alleging discrimination, Home Mortgage Disclosure Act (“HMDA”) and CRA data integrity reviews, and effective challenge of both newly identified issues as well as issues submitted for closure and validation. The Fair and Responsible Banking team may recommend the tracking and monitoring of issues that increase fair lending risk at BHB based on the results of its Fair Lending Program activities, complaints alleging discrimination, or other ad hoc reviews that occur due to changes within BHB or new understandings of the regulatory environment.

BFC and BHB have a robust complaint process for Personal & Business Banking customers, Wealth Management customers, and customers serviced directly by third-party suppliers. All complaints are included in a single repository. Where a frontline employee cannot resolve a complaint, the complaint is escalated to the Customer Advocacy Support and Escalation (“CASE”) team for assistance. The CASE team categorizes and assigns potential regulatory themes to complaints and ensures complaints are resolved, involving key partners, including Compliance, Risk and Legal, as appropriate.

Each business area is responsible for the assessment and resolution of complaints arising from, or relating to, such business area. Each such business area is required to present a summary of their monthly complaint review, including trends, themes, and any action plans opened, at each Customer Feedback Operating Forum (“CFOF”). CFOF generally meets monthly, except in December. Summaries of these reviews are reported up through the governance structure, including the Customer Feedback Governance Forum, Operational Risk Committee, Consumer Practices Committee, Risk Management Committee, and the USRC.

Integration. BOTW has established and implemented a robust compliance program. BHB expects to combine the best elements of both BHB and BOTW programs under the overarching ECP structure already in place at BMO-FG, however, it is expected that BOTW's compliance program will be leveraged with respect to products and features offered by BOTW that are not currently offered by BMO-FG or in geographies with highly technical or specific state laws or regulations. Specific enhancements to BMO-FG's U.S. fair lending, consumer compliance, and customer complaint programs will be evaluated as integration begins. Fair lending assessments of redlining risks will grow to include all applicable geographies of the combined institution, and the Fair Lending Program, will be reevaluated to include new or expanded products and services in the combined entity.

For additional information on BMO-FG's U.S. Fair Lending Program, please see Confidential Exhibit H.

8. Management of COVID-19 Impacts

In March 2020, as the COVID-19 pandemic began to have widespread impact on the economy, BMO-FG worked to meet the unique needs of its customers, communities and employees affected by the COVID-19 pandemic. BMO-FG began leveraging its business continuity processes, including daily monitoring of impactful events and federal, state and local legal and health safety regulations and guidance to help coordinate and manage BMO-FG's response.

In the U.S., to safeguard employees, BFC and BHB implemented work-from-home strategies for employees whose jobs could be performed remotely. For employees who needed to be on-site, BFC and BHB instituted a variety of safeguards, including operating branches primarily in drive-up-only mode for a period of time, implementing social distancing, occupancy limits and masking policies, installing plexiglass safety barriers, and enhancing cleaning protocols. At the onset of the pandemic, branch lobbies were closed and expanded customer services were provided through the branch drive-ups.

In addition, BFC and BHB employees with positive or presumed positive COVID diagnosis or under quarantine order with COVID symptoms qualified for additional excused paid days off, short-term disability, sick/vacation days and up to 12 weeks of job protected unpaid leave. BFC and BHB also provided a stipend of \$50 per work day from March 29th through June 30th, 2020 to support core employees during the early phase of the pandemic.

BHB has worked diligently to assist its affected Consumer Lending, Business Banking and Commercial Banking customers by, for example, waiving fees and providing loan deferrals or modifications to assist customers facing financial difficulties.

Consumer Lending. BHB established its COVID-19 Hardship Program for Consumer Lending customers (Mortgage, Home Equity, Auto, Credit Card) in March 2020 to assist customers who were financially impacted by COVID and whose ability to repay was temporarily compromised. Customers were eligible to receive up to 6 months of assistance in the form of payment deferrals or reduced payment plans. Information on these programs was made publicly

available on BHB's website. Approximately 30,000 customers received assistance under BHB's COVID Hardship Program for Consumer Lending customers. In order to meet the high volume of demand, BHB simplified its hardship application processes and introduced new workflow enhancements to streamline the application review and booking processes. Such changes allowed customers to more easily access hardship relief. For customers continuing to experience hardship, BHB sought to provide additional assistance through its standard hardship programs.

BHB also activated its Emergency Relief Program (the "ERP") to provide relief to deposit account holders suffering financial hardship during the pandemic. ERP is a program that was developed in 2017 and activated on two prior occasions in response to Hurricane Irma in 2017 and the government shutdown in 2018. Under the ERP, certain fees, including monthly maintenance fees, non-BMO Harris ATM fees, and overdraft fees are waived while the customer is enrolled in the ERP. In addition, extended overdraft coverage of \$1,000 is provided to customers in the ERP to cover items that may overdraw their account.

Between March 2020 and December 2020, 53,524 accounts were enrolled in the ERP because the customer indicated hardship due to COVID, resulting in the waiver or refund of \$4.3 million in fees. Customers were not required to provide proof of hardship or job loss to be enrolled in ERP. The last of these enrolled accounts were removed from the ERP in April 2021.

In addition, since the beginning of the pandemic, BHB has processed approximately 1.7 million stimulus payments from the federal government (including Economic Impact Payments and child tax credits) totaling nearly \$2.5 billion. Where an overdrawn account receives a stimulus payment from the federal government, BHB automatically enrolls the account in the ERP.

Business Banking. BHB also recognized the need for payment relief for Business Banking customers during the COVID-19 outbreak. In June 2020, the segment implemented a policy which allowed Business Banking customers experiencing hardship to receive a payment deferral for up to 6 months. Business Banking placed messaging about the payment deferral program on the BHB website. During the payment deferral program, 440 loans/lines received payment deferrals with a total outstanding of \$55 million.

Business Banking also offered PPP loans to its Business Banking customers. In the initial rounds of the PPP in 2020, Business Banking accepted PPP loan applications from existing bank customers. In 2021, Business Banking expanded the availability of PPP loans and accepted applications from new customers to BHB. In 2021, PPP loans were offered using a digital application, allowing a customer to complete the application online, rather than having to go to a branch and submit it for processing. The processing teams, which were staffed by over 200 employees from across the organization, then reviewed the application and used the digital application to submit it directly to the SBA for approval. Once the loan was approved by the SBA, typically in minutes, the loan was then moved to funding which generally occurred within 24-48 hours. Throughout the program, Business Banking originated 16,500 PPP loans totaling \$795.7 million in 2020 and an additional 12,293 PPP loans totaling \$469.5 million in 2021.

Commercial Banking. BHB also worked closely with commercial borrowers experiencing financial difficulties as a result of the pandemic, including borrowers in the most

affected sectors such as Transportation Finance, Dealer Finance, and Franchise Finance. BHB created a bulk credit approval process and streamlined documentation approach to provide relief to impacted borrowers. As of September 30, 2021, BHB granted principal or interest deferrals to approximately 11,700 commercial borrowers and financial covenant waivers to approximately 550 commercial borrowers. However, to date delinquencies remain low as borrower payment activity has remained relatively stable. As of September 30, 2021, 100% of Commercial principal and interest deferrals have matured and returned to contractual status and 67% of Commercial borrowers receiving covenant relief have not requested extensions of such forbearance arrangements.

Commercial Banking offered PPP loans to customers and well-known prospects via a “manual” process given the way Commercial Banking relationship managers typically interact with their customers. In total, approximately 400 individuals worked on the Commercial Banking PPP loan origination process. Throughout the program, Commercial Banking originated 5,430 PPP loans totaling \$4.389 billion in 2020 and an additional 1,791 PPP loans totaling \$778.9 million in 2021.

Commercial Banking relationship managers emailed customers the SBA application and the list of required supporting documentation. The application process was also available on the Commercial Banking website. Interested companies had to reach out to a Commercial Banking relationship manager in order to process their application. Commercial Banking processed applications for both existing and prospective clients. Segment heads had to approve each request to process an application from a prospect as BHB had to complete AML requirements before beginning the application process review.

Wealth Management. The Private Banking team within the Wealth Management business offered PPP loans to existing clients and prospects following the same processes as Commercial Banking. Throughout the program, Private Banking originated 384 PPP loans totaling \$77.8 million in 2020 and an additional 174 PPP loans totaling \$28.1 million in 2021.

BOTW. Similarly, BOTW took a number of steps in response to the COVID-19 pandemic, for its employees, customers, and the communities it serves. For employees, this included the following actions:

- COVID-19 Pay Program: Employees could use up to 80 hours for COVID-19 related absences. This program has helped over 4,200 employees resulting in over \$2.5 MM in COVID-19 pay above regular absence pay;
- Dedicated Resources and Communications: BOTW responded to over 4,300 COVID-19 related questions from team members;
- Rolling out a new Vaccination and Testing Policy;
- Establishing a dedicated COVID-19 Resource Site;
- Utilizing cross-functional efforts (Operations, Facilities, Employee Relations) to ensure workplaces are safe for team members’ return; and
- Conducting periodic employee surveys in 2021 to remain in touch and to ensure receipt of employee feedback.

For customers, actions included:

- Offering debt relief programs across products – Credit Card, Auto/RV/Marine loans, mortgage, HELOC, etc. and across business lines – Consumer, Small Business, Commercial;
- Enrolling 2360 customers (1219 GSE and 1146 conventional) in CARES Act forbearance programs, in addition to late fee waiver programs;
- Suppressing derogatory credit bureau reporting for forbearance enrollees;
- Highlighting debt relief option availability on online banking landing page;
- Creating payment assistance webpage, enabling customers the ability to request payment assistance digitally; and
- Participating in Homeowner Assistance Fund Programs.

BOTW also participated in all phases of the PPP to originate PPP loans to small business customers. In total, BOTW originated over 29,000 PPP loans in an aggregate amount of \$4.19 billion. BOTW also participated in the Main Street Lending Program. With regard to SBA loans, BOTW supported the processing of section 1112 of the CARES Act where the SBA made payments on behalf of all 7A borrowers.

Lastly, BOTW maintained focus during the pandemic to support the communities it serves, including (i) donating nearly 500,000 masks to hospitals in the communities it serves; (ii) making contributions to the United Way and the Opportunity Fund, an organization that provides capital assistance and technical support to small businesses affected by the pandemic; and (iii) matching employee donations 1:1 to charities supporting certain COVID-19 relief efforts.

III. Anti-Money Laundering Compliance Record

The BHC Act requires that, in considering an application under section 3 of the BHC Act, the Federal Reserve “shall take into consideration the effectiveness of the company or companies in combating money laundering activities.”³⁷ BMO-FG’s U.S. Operations has designed and maintained strong BSA/AML/Sanctions Compliance (the “U.S. AML Program”). The U.S. AML Program is based on five pillars: internal policies, procedures and controls; designation of an AML officer; employee training; independent testing; and customer due diligence. The U.S. AML Program is intended to: (1) protect BMO-FG’s reputation and minimize the likelihood that it is exploited by criminals and parties with which it is prohibited by law or regulation from doing business; (2) help ensure BMO-FG is operating in a manner consistent with its business strategy and risk appetite; and (3) comply with applicable legal and regulatory requirements and supervisory guidance.

The BMO Board of Directors and senior management prioritize the important objectives associated with maintaining the integrity of the financial system as a whole, protecting national security and making appropriate referrals to law enforcement. The U.S. AML Program is administered in a safe and responsible manner, leveraging approximately 400 fully dedicated,

³⁷ 12 U.S.C. § 1842(c)(6).

appropriately trained and highly knowledgeable professionals across the BSA/AML/Sanctions ecosystem.

The U.S. AML Program maintains a written BSA/AML/Sanctions Manual (including a Customer Identification Program) approved by the BFC/BHB Audit Committees and a Board-appointed U.S. Chief BSA/AML Officer who possesses the necessary knowledge, authority and resources to effectively execute all assigned duties. The U.S. Chief BSA/AML Officer is supported by an experienced, knowledgeable and competent team of AML, Sanctions, Risk Management and Technology leaders. The U.S. AML Program's execution approach aligns with BMO-FG's enterprise-wide defined risk and control framework components, as defined by the Enterprise Risk Management and Operational Risk Management frameworks, consistent with heightened standards, and leverages all three lines of defense.

Over the past several years, BMO-FG has modernized its AML technology to implement industry leading software that enables automated transaction monitoring, enhanced watchlist screening, automated adverse media searches and robust KYC collection. BMO-FG maintains a strong working relationship with local law enforcement agencies, which have resulted in successful partnerships in complex investigations on human trafficking and other targeted financial crimes. In September 2019, BHB was recognized as part of the fifth annual FinCEN Director's Law Enforcement Awards Program for making substantial contributions in one of the significant criminal cases.³⁸ BMO has an integrated bank approach to fighting financial crime that includes strong linkages to Fraud and Cyber related crime.

BMO-FG applies a continuous improvement philosophy and designs and enhances program controls to ensure adherence with both legal requirements and each applicable entity's defined business strategy and risk appetite. All BMO-FG employees and contractors are required to complete enterprise-wide AML/Sanctions training annually and all U.S. employees are required to complete U.S.-specific BSA/AML/Sanctions training. Specific BSA/AML/Sanctions Compliance training courses for lines of business are tailored to employee roles, responsibilities and business segments. Training is also provided to the Board of Directors. In addition, relevant information, including Suspicious Activity Reporting information, is regularly provided to senior management and the BMO Board of Directors.

Please see Confidential Exhibit J for additional information on the U.S. AML Program.

Based on all the information above and in the exhibits, it is evident that BMO-FG employs a comprehensive and effective BSA/AML Program, which supports approval of the Application.

IV. Competitive Effects

Section 3 of the BHC Act would prohibit the Federal Reserve from approving the Proposed Transaction if it would substantially lessen competition in any banking market, unless the agency finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the

³⁸ See Confidential Exhibit I for more information.

communities to be served.³⁹ In evaluating the competitive effects of a proposed merger or acquisition, the Federal Reserve considers the competitive effects of the proposal in light of all the facts of record. In particular, the Federal Reserve considers the number and strength of competitors that would remain in the banking markets, the relative shares of total deposits in insured depository institutions in the banking markets (“market deposits”) that the acquirer would control, the concentration levels of market deposits and the increase in these levels as measured by the Herfindahl-Hirschman Index (the “HHI”) under the DOJ Bank Merger Competitive Review guidelines (the “DOJ Bank Merger Guidelines”), small business lending concentration levels, and other characteristics of the market.

The Federal Reserve assesses the likely competitive impact of a merger on the “cluster of banking services” within local geographic markets defined by the Federal Reserve Banks to reflect “commercial and banking realities and must consist of the local area where the banks involved offer their services and where local customers can practically turn for alternatives.”⁴⁰ As a “screening test” for competitive considerations, and based on their experience in evaluating banking mergers, the Federal Reserve and the DOJ generally conclude that a merger presents no competitive concerns and warrants no further investigation if either (a) the post-merger HHI (computed by summing the squares of the deposit market shares of all the firms reporting deposits in the market) is no greater than 1,800, or (b) the increase in the HHI as a result of the merger is less than 200 points.⁴¹ In addition, the Federal Reserve employs a combined share screen of 35%. If a proposal does not exceed this 1,800/200 HHI or 35% share screen, it is considered to be within the “safe harbor” level(s).

Banking Markets: BHB and BOTW compete in six banking markets, as defined by the Federal Reserve (each a “Banking Market”), that are relevant to the Proposed Transaction: (1) Kansas City, MO Banking Market;⁴² (2) La Crosse, WI Banking Market;⁴³ (3) Minneapolis/

³⁹ 12 U.S.C. § 1842(c)(1).

⁴⁰ *North Fork Bancorporation, Inc.*, 81 Fed. Res. Bull. 734, 736 (1993).

⁴¹ See, e.g., *BB&T Corporation*, FRB Order No. 2015-35 n.16 (Dec. 23, 2015). The DOJ also generally follows this 1,800/200 screen, see *Bank Merger Guidelines*. The DOJ has informed the federal banking agencies that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1,800 and the merger increases the HHI by more than 200 points. Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1,000, moderately concentrated if the post-merger HHI is between 1,000 and 1,800, and highly concentrated if the post-merger HHI exceeds 1,800.

⁴² The Kansas City, MO Banking Market includes Cass, Clay, Jackson, Lafayette, Platte, and Ray Counties, MO; the towns of Trimble and Holt in Clinton County, MO; the towns of Chilhowee, Holden and Kingsville in Johnson County, MO; the towns of Adrian, Amsterdam, and Butler in Bates County, MO; Franklin, Johnson, Leavenworth, Linn, Miami, and Wyandotte Counties, KS.

⁴³ The La Crosse, WI Banking Market includes La Crosse County, WI; the Towns or Townships of Dodge, Trempealeau, Caledonia, Ettrick, and Gale in Trempealeau County, WI; the Towns of Curran, Springfield, Franklin, North Bend, and Melrose in Jackson County, WI; and Houston County, MN.

Saint Paul, MN Banking Market;⁴⁴ (4) Phoenix, AZ Banking Market;⁴⁵ (5) Prescott, AZ Banking Market;⁴⁶ and (6) Tucson, AZ Banking Market.⁴⁷

The table below summarizes the competitive effects of the Proposed Transaction, as of June 30, 2021, under standard assumptions applied by the Federal Reserve.⁴⁸ For the Federal Reserve approach, typically all bank deposits are weighted at 100% and all thrift deposits are weighted at 50%.

Banking Market and Deposits			Federal Reserve Assumptions (Banks 100%, Thrifts 50%)		
Federal Reserve Market	BMO Deposits (\$000)	BOTW Deposits (\$000)	Change in HHI	Post-Merger HHI	Post-Merger Share
Kansas City, MO	1,144,690	619,471	2	1,041	2.23%
La Crosse, WI	127,937	32,673	4	931	3.65%
Minneapolis/Saint Paul, MN	7,789,667	971,072	5	2,277	5.03%
Phoenix, AZ	4,375,261	288,074	1	1,649	2.97%
Prescott, AZ	169,945	21,793	5	1,588	5.05%
Tucson, AZ	462,685	1,020,120	22	1,808	7.19%

In all six of these banking markets, the Proposed Transaction results in HHI levels that are well within safe harbor levels. The combined banking organization would continue to have less than 10% of the market deposits in all of these banking markets. Additionally, numerous strong, traditional bank competitors would remain in each banking market. Based on all the facts of record, consummation of the Proposed Transaction would not have any meaningful effect on competition or on the concentration of resources in any relevant banking market.

V. Financial Stability Risk Considerations

Pursuant to section 3(c)(7) of the BHC Act, the Federal Reserve must consider in every application under section 3 of the BHC Act whether the proposed acquisition would result in

⁴⁴ The Minneapolis/Saint Paul, MN Banking Market includes Anoka, Hennepin, Ramsey, Washington, Carver, Scott, and Dakota Counties, MN; Lent, Chisago Lake, Shafer, Wyoming, and Franconia townships in Chisago County, MN; Blue Hill, Baldwin, Orrock, Livonia, and Big Lake townships and the city of Elk River in Sherburne County, MN; Monticello, Buffalo, Rockford, and Franklin townships and the cities of Otsego, Albertville, Hanover and Saint Michael in Wright County, MN; Derrynane, Lanesburgh and Montgomery townships and Montgomery city in Le Sueur County, MN; and Hudson township in Saint Croix County, WI.

⁴⁵ The Phoenix, AZ Banking Market includes the Phoenix metropolitan area in Northwestern Pinal County and Maricopa County.

⁴⁶ The Prescott, AZ Banking Market includes Central Yavapai County.

⁴⁷ The Tucson, AZ Banking Market includes the Tucson metropolitan area in Pima County.

⁴⁸ HHI analysis is based on Summary of Deposit data gathered by the FDIC as of June 30, 2021. Please see Exhibit 11 for tabular data.

greater or more concentrated risks to the stability of the U.S. banking or financial system.⁴⁹ As discussed below, the Proposed Transaction will not materially increase systemic risk to the U.S. banking or financial system. Instead, the Proposed Transaction would result in a stronger banking organization that is better positioned to compete both with the largest banking organizations and the larger regional banking organizations in the United States.

Neither the Federal Reserve nor any other federal banking agency has issued or proposed regulations defining how the agencies would take financial stability considerations into account in reviewing a bank acquisition. However, the Federal Reserve has, through many approvals of bank holding company applications, set forth the metrics that the agency believes capture the potential systemic “footprint” of the resulting banking organization and the incremental effect a transaction may have on the systemic footprint of the acquiring banking organization (“Financial Stability Factors”).⁵⁰ Many of the metrics considered by the Federal Reserve seek to measure an institution’s activities relative to the U.S. financial system. These metrics include:

- the size of the resulting banking organization;
- the availability of substitute providers for any critical products and services offered by the resulting firm;
- the interconnectedness of the resulting firm with the banking or financial system;
- the extent of the cross-border activities of the resulting firm; and
- the extent to which the resulting firm contributes to the complexity of the financial system.

Also interwoven into the Federal Reserve’s analysis is the relative degree of difficulty of resolving the resulting firm if it were to experience financial distress. The Federal Reserve has noted that the opaqueness and complexity of an institution’s internal organization are relevant to resolvability aspects of the banking organization.⁵¹ A banking organization that can be resolved in an orderly manner is less likely to inflict material damage to the U.S. financial system or economy.

⁴⁹ 12 U.S.C. § 1842(c)(7).

⁵⁰ See *Capital One Financial Corporation*, FRB Order No. 2012-2 (Feb. 14, 2012) (the “Capital One Order”). See also, e.g., *First Citizens Bancshares, Inc.*, FRB Order No. 2021-12 (Dec. 17, 2021); *The PNC Financial Services Group, Inc.*, FRB Order No. 2021-04 (May 14, 2021); *Huntington Bancshares Incorporated*, FRB Order No. 2021-07 (May 25, 2021); *BB&T Corporation*, FRB Order No. 2019-16 (Nov. 19, 2019); *CIT Group, Inc.*, FRB Order No. 2015-20 (July 19, 2015); Letter to Jason J. Cabral, Esq. from Stephen A. Lybarger, CRA Decision #2017-186 (Oct. 16, 2017); *CIT Group, Inc.*, FRB Order No. 2015-20 (July 19, 2015); Letter to Joseph M. Otting from Stephen A. Lybarger (July 21, 2015) (OCC approval of CIT Bank’s acquisition of OneWest Bank, N.A.); OCC Corporate Decision #2012-05 (April 2012); *The PNC Financial Services Group, Inc.*, 98 Fed. Res. Bull. 16 (2012).

⁵¹ E.g., *BB&T Corporation*, FRB Order No. 2019-16 (Nov. 19, 2019).

An analysis of these Financial Stability Factors as applied to BMO and BOTW demonstrates that the proposal would not result in any meaningful increase in any of the metrics used by the Federal Reserve to evaluate the systemic footprint of a post-acquisition organization.

These Financial Stability Factors are similar to the categories of systemic indicators used by the Federal Reserve to identify banking organizations that should be considered GSIBs and to calculate the capital surcharge applicable to a GSIB, as well as the general categories of indicators collected in the Federal Reserve's FR Y-15 reports (Banking Organization Systemic Risk Report).⁵² As of September 30, 2021, BFC had a Method 1 GSIB score of only 16.87. BFC's pro forma Method 1 GSIB score as of the same date – and reflecting BHB's proposed combination with BOTW – would be only 20.32, an increase of only 3.45 points.

Similarly, as of September 30, 2021, BMO's consolidated U.S. operations ("BMO-CUSO"), as defined for purposes of the FR Y-15, had a Method 1 GSIB score of only 27.29.⁵³ BMO-CUSO's pro forma Method 1 GSIB score as of the same date – and reflecting BHB's proposed combination with BOTW – would be only 30.74, also an increase of only 3.45 points. Importantly, both BFC's and BMO-CUSO's pro forma Method 1 GSIB scores of 20.32 and 30.74, respectively, would remain far below the threshold score (130) necessary to be considered a GSIB under 12 CFR § 217.402.

Please see Exhibits 12 and 13 for a copy of the public portions of BFC's and BMO-CUSO's FR Y-15 reports, as of September 30, 2021. Please also see Confidential Exhibit K for, as of September 30, 2021, a pro forma GSIB score for BFC and BMO-CUSO and a pro forma FR Y-15, which reflects BOTW's operations.

A more detailed analysis of the Proposed Transaction under each of the Financial Stability Factors is discussed below.

Size. The Financial Stability Factor relating to size and availability of substitute providers of critical products may be informed by other aspects of the BHC Act's requirements, namely compliance with: (1) antitrust standards, (2) the 10% national deposit cap for certain interstate acquisitions,⁵⁴ and (3) the 10% national liabilities cap.⁵⁵ The Proposed Transaction is consistent with the federal banking agencies' precedent reviewing the competitive effects of mergers, and the Proposed Transaction does not come close to approaching either the national deposit cap or national liabilities cap. Accordingly, as a threshold matter, the Proposed Transaction is not likely to pose a separate discernible risk to the financial stability of the U.S. banking or financial system based on size metrics.

⁵² 12 CFR § 214.404; Banking Organization System Risk Report–FR Y-15, https://www.federalreserve.gov/reportforms/forms/FR_Y-1520201231_i.pdf.

⁵³ BFC's stand-alone consolidated Method 1 score was only 16.87.

⁵⁴ See 12 U.S.C. § 1842(d).

⁵⁵ See 12 U.S.C. § 1852.

BMO-CUSO accounts for only approximately 0.78% of total domestic deposits of all insured banks and thrifts in the United States, as of June 30, 2021 (“nationwide deposits”).⁵⁶ The deposits of BOTW to be assumed account for only 0.49% of total nationwide deposits.⁵⁷ The pro forma total deposits of BMO-CUSO, as of June 30, 2021, would represent only 1.27% of nationwide deposits. This is far less than the nationwide deposit concentrations of various bank holding companies in the United States classified as a GSIB, for example: JPMC – 11.7%; Bank of America – 11.0%; Wells Fargo – 8.7%; and Citigroup Inc. (“Citigroup”) – 3.9% and less than the several bank holding companies considered to be super regional banking organizations, for example: PNC Financial Services Group, Inc. (“PNC”) – 2.6%; U.S. Bancorp 2.5%; Truist Financial Corporation (“Truist”) – 2.4%; TD Group U.S. Holdings LLC (“TD”) – 2.2%; and Capital One Financial Corporation (“Capital One”) – 2.2%.

Based on pro forma total consolidated assets, BMO-CUSO would be less than the total asset size of each of the five U.S. super regional banking organizations named above. In addition, the pro forma total assets of BMO-CUSO on consummation of the Proposed Transaction would be approximately \$394.0 billion as of September 30, 2021, and represent only approximately 1.7% of the total assets of the U.S. banking system⁵⁸ and a significantly smaller share of the total assets of the U.S. financial system. As noted, on a pro forma basis, BMO-CUSO would only hold approximately 1.34% of total liabilities on a national basis, as of December 30, 2020.⁵⁹ This percentage is far less than the nationwide liabilities concentrations of the four largest banking organizations: Bank of America – 7.5%; JPMC – 7.0%; Wells Fargo – 5.3%; and Citigroup – 5.8% and also smaller than super regional banking organizations: Truist; U.S. Bancorp; PNC; and Capital One which are 2.2%, 1.9%, 1.5%, and 1.4%, respectively.⁶⁰ It is also smaller than Goldman Sachs – 2.4% and Morgan Stanley – 1.9%.

In addition, when the pro forma asset size of BMO-CUSO is measured using the total exposures of BMO-CUSO and BOTW, as defined for purposes of the size indicators section of

⁵⁶ As of June 30, 2021, according to the FDIC Statistics on Depository Institutions, FDIC-insured banks and thrifts held \$17.2 trillion in domestic deposits. National deposit data include deposits controlled by BMO’s depository subsidiaries that are insured by the FDIC. If deposits held in branches that are not insured by the FDIC are included, BMO-CUSO controlled deposits of approximately \$175.8 billion in the United States as of June 30, 2021.

⁵⁷ If national deposit share is calculated according to the methodology for the 10% national deposit cap, BMO’s held 0.78% of total U.S. adjusted deposits as of June 30, 2021, and BOTW held 0.47%. Under that calculation, the total U.S. adjusted deposits as of such date were \$17.7 trillion. Following its acquisition of BOTW, BMO’s pro forma share of national deposits would be 1.25%.

As noted above, the national deposit cap includes only FDIC-insured deposits. The two branches of BMO (Chicago and New York) are *uninsured* state branches (i.e., their deposits are not FDIC-insured). Accordingly, the deposits at these two branches are not included in the calculation of the national deposit share. The Chicago branch had \$41.5 billion in domestic deposits and the New York branch had no deposits at June 30, 2021.

⁵⁸ The amount of total assets of the U.S. financial system is conservatively approximated by using total assets of FDIC-insured banks and thrifts plus BMO’s uninsured U.S. branches, as of September 30, 2021, which was \$23.3 trillion.

⁵⁹ This percentage is estimated using the method of calculation in the Federal Reserve’s Regulation XX, 12 CFR part 251, and assumes national liabilities of \$21.8 trillion as of December 31, 2020.

⁶⁰ TD Group US Holdings LLC holds 1.2% of national liabilities.

the Federal Reserve FR Y-15 report, it becomes even clearer that the Proposed Transaction would not result in systemic risk under the size factor. Indeed, this approach demonstrates even more accurately than total assets the magnitude of the disparity in systemic risk between the combined company and those banking organizations that have been classified as U.S. GSIBs. In evaluating a bank holding company's total exposures, the relevant measures include its total derivatives, securities financing transactions, other on-balance sheet exposures and other off-balance sheet exposures. Based on the Form FR Y-15 report of BMO-CUSO and the Form FR Y-15 report of BNPP, as attributed to BOTW (the "BOTW FR Y-15") as of September 30, 2021, the combined BMO-CUSO would have total U.S. exposures of \$446.7 billion, which is only approximately one-fifth the average total exposures of \$2.19 trillion for the U.S. GSIBs as of that same date.⁶¹ It is also less than PNC – \$654.9 billion, Toronto-Dominion Bank – \$625.8 billion⁶² and Truist – \$612.5 billion, as of that same date.

For all these reasons, the Proposed Transaction should not raise systemic concerns under the size factor.

Substitutability. The substitutability factor recognizes that a banking organization is more systemically important if it provides important products and services that customers would have difficulty replacing if the banking organization were to fail. In the United States, BHB and BOTW offer primarily retail and commercial deposit products, consumer and commercial loan products, commercial lease financing and related services, securities brokerage, insurance agency and brokerage, capital markets services, investment advisory, asset management, wealth management, trust operations and fiduciary services, risk management and asset management services, community development investment, payments, merchant services and treasury management services.

BHB serves as a settlement bank for members of U.S. futures, securities and options clearinghouses, including members of the Chicago Mercantile Exchange (CME), ICE Clear U.S., the OCC, the Depository Trust Company/National Securities Clearing Corporation (DTC/NSCC) and the Fixed Income Clearing Corporation (FICC). In this capacity, BHB provides cash settlement and intraday depository services between clearinghouses and their clearing members, thereby facilitating the movement of cash to and from the clearinghouses. BHB plans to continue to offer its products and services to both customers of BHB and BOTW, and their subsidiaries. None of the other products or services of BHB or BOTW can be regarded as highly specialized or "critical" financial products or services that are available from only a small number of providers. Indeed, for each product and service that BOTW will add to BHB, there are numerous providers nationally, regionally and, to the extent relevant, in the local banking

⁶¹The pro forma total exposures of the combined company were calculated based on the total exposures of such activities reported on BMO-CUSO and BOTW's portion of their respective FR Y-15 reports (as of September 30, 2021). The total exposures as the U.S. GSIBs were: JPMC – \$4.51 trillion, Bank of America – \$3.60 trillion, Citigroup – \$2.95 trillion, Wells Fargo – \$2.34 trillion, Goldman Sachs Group, Inc. ("Goldman Sachs") – \$1.85 trillion, Morgan Stanley – \$1.48 trillion, Bank of New York Mellon – \$475.3 billion and State Street Corporation ("State Street") – \$323.8 billion as of that same date.

⁶² Toronto-Dominion Bank figure includes that organization's consolidated U.S. operations as reported on their FR Y-15 for September 30, 2021.

markets in which BOTW and BHB operate. The Federal Reserve has previously noted that there are numerous competitors for the services that BOTW will add to BHB, including for securities brokerage, investment advisory and wealth management activities.⁶³ The Proposed Transaction would result in BMO-FG having only a modest increase in market share in such activities.

The fact that the Proposed Transaction would have little effect on financial stability is reinforced by an evaluation of the substitutability indicators of the FR Y-15 report. In evaluating a bank holding company's substitutability, the relevant measures include a banking organization's total payments activity, amount of assets under custody and underwriting activity. Based on the BMO-CUSO FR Y-15 report and the BOTW FR Y-15 Report (as of September 30, 2021), BMO-CUSO had total payments activity of \$12.9 trillion and, on a pro forma basis, this would increase only slightly (i.e., 2%) to \$13.2 trillion as a result of the Proposed Transaction. Similarly, total assets under custody on a pro forma basis would increase only a de minimis amount from \$302.2 billion to \$302.4 billion and total underwriting activity of \$29.7 billion would remain unchanged. Each of the resultant pro forma values are only a fraction of the average activity totals reported by the U.S. GSIBs.⁶⁴

For all these reasons, the Proposed Transaction would not raise financial stability risk concerns under the substitutability factor.

Interconnectedness. In evaluating systemic risk, the Federal Reserve evaluates the interconnectedness of a banking organization because the failure of a bank to meet payment obligations to other banks can accelerate the spread of financial contagion when the banking organization is highly interconnected with other financial firms. As underscored by the discussion above, the Proposed Transaction would not materially increase the interconnectedness of the U.S. banking or financial system.

None of BFC, BHB or BOTW currently engages in business activities or participates in markets to a degree that would pose significant risk to other institutions in the event of financial distress at BMO in the future. Moreover, the Proposed Transaction would not cause BFC or BHB to add any critical services or to increase their interconnectedness to other firms or markets such that they would pose a significant risk to the financial system in the event of financial distress. Instead the Proposed Transaction will enable BHB to grow its retail and commercial banking products and services, including deposit products, residential home mortgages, home equity lines of credit, small business loans and commercial loans, equipment lease financing and various other financial services, including insurance agency, investment advisory and securities

⁶³ See *The Toronto-Dominion Bank*, FRB Order No. 2017-23 (Sep. 13, 2017); *Canadian Imperial Bank of Commerce*, FRB Order No. 2017-15 (June 7, 2017); *Huntington Bancshares Incorporated*, FRB Order No. 2016-13 (July 29, 2016).

⁶⁴ These pro forma activity amounts of the combined company were calculated by adding such activity amounts reported on their respective FR Y-15 reports (as of September 30, 2021). In contrast, the respective total payments activity, total assets under custody and total underwriting activity reported by the U.S. GSIBs on their September 30, 2021 FR Y-15 reports were as follows: JPMC – \$497.6 trillion, \$32.7 trillion and \$785.1 billion; Bank of America – \$146.3 trillion, \$4.13 trillion and \$650.2 billion; Wells Fargo – \$58.4 trillion, \$3.38 trillion and \$246.1 billion; Citigroup – \$189.2 trillion, \$20.5 trillion and \$553.7 billion; Goldman Sachs – \$13.6 trillion, \$1.57 trillion and \$471.2 billion; Morgan Stanley – \$15.3 trillion, \$3.64 trillion and \$469.6 billion; Bank of New York Mellon – \$217.7 trillion, \$34.6 trillion and \$24.7 billion; and State Street – \$105.9 trillion, \$32.4 trillion and \$0.0 billion.

brokerage services and some investment banking services. Therefore, the Proposed Transaction would not increase the interconnectedness of the combined organization in any meaningful manner.

When the interconnectedness of the combined company is measured using the interconnectedness indicators of the FR Y-15 report, the Proposed Transaction would not result in a material increase in systemic risk under such indicators. In evaluating a bank holding company's interconnectedness, the relevant measures include the banking organization's total claims on the financial system, its total liabilities to the financial system and the total value of debt and equity securities it issues. Based on BMO-CUSO's and BOTW's respective FR Y-15 reports (as of September 30, 2021), BMO-CUSO's total intra-financial system assets would increase only slightly (i.e., less than 1%) from \$85.7 billion to \$86.7 billion and its intra-financial system liabilities would also increase only modestly (i.e., 12%) from \$35.1 billion to \$39.2 billion. These resultant pro forma amounts for intra-financial system assets and intra-financial system liabilities are only 39% and 17%, respectively, of the averages for such indicators reported by the U.S. GSIBs. Based on BMO-CUSO's and BOTW's respective FR Y-15 reports (as of September 30, 2021), BMO-CUSO's securities outstanding would increase on a pro form basis from \$67.9 billion to \$83.6 billion. Although this is a somewhat sizable increase in percentage terms (i.e., 23%), the resultant pro forma amount of \$83.6 billion is only 19% of the average of the U.S. GSIBs.⁶⁵

For all these reasons, the Proposed Transaction would not raise financial stability risk concerns based on the interconnectedness factor.

Cross-Border Activity. In evaluating financial stability risk, the Federal Reserve evaluates a banking organization's cross-border activity because a banking organization with significant international activities can transmit financial problems from one country to another during a financial crisis. Banks with significant cross-border activities also may be more difficult to resolve because they require coordination with foreign authorities and access to foreign assets.

BMO-CUSO will not materially increase its cross-border activities as a result of the Proposed Transaction. Today, BMO-CUSO's cross border activities include cross-jurisdictional claims of \$45.5 billion and cross-jurisdictional liabilities of \$9.3 billion. Such activities consist of settlement bank services, commercial lending transactions, cross-border payment activities, certain interest rate management products and services, funding, securities financing and investment activities. As an initial matter, BFC and BHB are not acquiring any material entities

⁶⁵ These pro forma activity amounts for the combined company were calculated by adding such activity volumes reported by BMO-CUSO and BOTW, individually, on the FR Y-15 report (as of September 30, 2021). The respective total intra-financial system assets, intra-financial system liabilities, securities outstanding reported by the U.S. GSIBs on their FR Y-15 reports for that same date were as follows: JPMC – \$406.2 billion, \$508.8 billion, \$869.9 billion; Bank of America – \$252.4 billion, \$157.6 billion and \$693.7 billion; Wells Fargo – \$211.0 billion, \$136.6 billion and \$396.5 billion; Citigroup – \$220.1 billion, \$317.4 billion and \$520.4 billion; Goldman Sachs – \$286.6 billion, \$105.1 billion and \$502.4 billion; Morgan Stanley – \$241.9 billion, \$55.0 billion, and \$430.6 billion; Bank of New York Mellon – \$86.1 billion, \$326.1 billion and \$72.6 billion; and State Street – \$64.4 billion, \$277.0 billion and \$45.4 billion.

or locations outside the U.S. as part of the Proposed Transaction.⁶⁶ Moreover, the cross-border activities of BOTW that BHB would acquire as part of the Proposed Transaction would be limited primarily to those of international remittances, some international wealth services, a commercial card program and the limited cross-border payment activities of BOTW's customers. Currently, BHBs engages in a limited amount of cross-border activities, primarily relating to settlement bank services, commercial lending transactions, cross-border payment activities, certain interest rate management products and services, funding activities and wealth management services.

When the cross-border activity of the combined company is measured using the cross-border indicators of the FR Y-15 report, it is evident that the Proposed Transaction would not result in material systemic risk under such indicators. In evaluating a bank holding company's cross-border activity, the relevant measures are a banking organization's total cross-jurisdictional claims and its total cross-jurisdictional liabilities. Based on BMO-CUSO's and BOTW's relevant Form FR Y-15 reports (as of September 30, 2021), the BMO-CUSO's cross-jurisdictional claims of \$45.5 billion would increase only slightly (i.e., less than 2%) to \$46.3 billion and similarly its cross-jurisdictional liabilities would also increase only slightly (i.e., less than 4%) from \$9.33 billion to \$9.66 billion. These resultant pro forma amounts for the combined company are de minimis when compared with the amounts of the U.S. GSIBs.⁶⁷

Therefore, the Proposed Transaction would not result in any meaningful increase in BMO's cross-border operations or activities and would not create difficulties in coordinating any resolution of the combined company or otherwise increase the risk to U.S. financial stability.

Complexity. The complexity of a banking organization is relevant to the Federal Reserve's financial stability risk analysis because highly complex operations have a broader impact on the financial system and generally are more difficult to resolve if they fail. The Proposed Transaction would not contribute to the overall complexity of the U.S. banking or financial system.

As noted, the Proposed Transaction does not involve the purchase or assumption of any complex assets or liabilities. Accordingly, the Proposed Transaction would not cause the resulting organization to have a complex organizational structure, add complex interrelationships or add any unique characteristics that would complicate resolution of the firm, or otherwise pose a significant risk to the financial system, in the event of financial distress. BMO-FG and BOTW have satisfactorily complied with the regulatory requirements for resolution planning, and BMO-FG expects to continue to do so following consummation.

⁶⁶ For additional information, please see Confidential Exhibit L.

⁶⁷ These pro forma activity amounts for the combined company were calculated by adding such activity volumes reported on BMO-CUSO's and BOTW's FR Y-15 reports (as of September 30, 2021). The much larger cross-jurisdiction claims and cross-jurisdiction liabilities reported by the U.S. GSIBs on their respective FR Y-15 reports for that same date were as follows: JPMC – \$1.06 trillion and \$904.7 billion; Bank of America – \$544.3 billion and 409.9 billion; Wells Fargo – \$186.8 billion and \$69.7 billion; Citigroup – \$1.07 trillion and \$1.19 trillion; Goldman Sachs – \$659.3 billion and \$542.4 billion; Morgan Stanley – \$399.0 billion and \$334.8 billion; Bank of New York Mellon – \$133.4 billion and \$206.0 billion; and State Street – \$108.9 billion and \$160.9 billion.

In addition, when the complexity of the combined company is measured using the relevant indicators of BMO-CUSO's and BOTW's respective Form FR Y-15 reports, it is also evident that the Proposed Transaction would not result in a material increase in systemic risk under this factor. In evaluating a bank holding company's complexity, the relevant measures are: a banking organization's total notional amount of over-the-counter ("OTC") derivatives; total adjusted trading, available-for-sale securities and equity securities with readily determinable fair values not held for trading (collectively, "Trading and AFS Securities"); and total illiquid and hard-to-value assets, known as "Level 3 Assets." Based on BMO-CUSO's and BOTW's respective FR Y-15 reports (as of September 30, 2021), BMO-CUSO would have a pro forma total notional amount of OTC derivatives of \$70.6 billion, total Trading, AFS Securities of \$8.52 billion and total Level 3 Assets of \$765.7 million. These amounts are all de minimus when compared with the average of such indicator totals as reported by the U.S. GSIBs.⁶⁸

Also, BMO-FG does not believe that the Proposed Transaction will make any of BMO, BFC or BHB more difficult to resolve if they fail. As previously noted, following the Proposed Transaction, BHB's assets will exceed \$250 billion and it will become subject to the OCC's recovery plan requirements which establish minimum standards for recovery planning by insured national banks, insured federal savings associations, and insured federal branches of foreign banks. Although BHB will have a larger asset base post-Closing, it does not anticipate changes to its core business lines, material entities or critical operations/systemically important functions. BOTW products and services are expected to be added to BHB's existing core business lines and evaluated as such in both the BHB and the broader BMO-FG resolution planning.

For all these reasons, the Proposed Transaction would not significantly increase financial stability risk under the complexity factor.

Conclusion on Financial Stability Risk. In view of all the foregoing, the Proposed Transaction will not result in greater or more concentrated risks to the stability of the U.S. banking or financial system, and, therefore, the financial stability risk considerations are consistent with approval of the Proposed Transaction.

As noted, the Proposed Transaction will enable the combined company to achieve greater diversification of business lines, customers and geographies, enhanced earnings prospects and operational efficiencies. These important benefits will enable the combined BHB to compete more effectively against the larger regional banks, as well as the exponentially larger banking organizations that have steadily and disproportionately increased their banking and financial service market share concentrations during the last decade. Following closing, BHB will not be

⁶⁸ These pro forma activity amounts for the combined company are based on such activity volumes reported by BFC and attributed to BOTW on the relevant FR Y-15 reports (as of September 30, 2021). In contrast, the volumes of these respective activities (total notional amounts of OTC derivatives, amounts of Trading and AFS Securities, and Level 3 Assets amounts) reported by the significantly larger banking organizations on their FR Y-15 reports for that same date were as follows: JPMC – \$50.1 trillion, \$263.6 billion and \$17.1 billion; Bank of America – \$36.3 trillion, \$224.8 billion and \$11.3 billion; Wells Fargo – \$9.88 trillion, \$102.6 billion and \$21.9 billion; Citigroup – \$39.3 trillion, \$100.8 billion and \$14.1 billion; Goldman Sachs – \$39.6 trillion, \$144.4 billion and \$24.2 billion; Morgan Stanley – \$33.1 trillion, \$165.9 billion and \$12.7 billion; Bank of New York Mellon – \$1.035 trillion, \$48.8 billion and \$0.0 billion; and State Street – \$2.35 trillion, 19.1 billion and \$2 million.

one of the ten largest banks in the U.S. and it will be approximately 14% of the average domestic assets of any of the four largest U.S. banks taken individually. BHB will continue to be supported by a well capitalized intermediate holding company in BFC and to operate within the robust U.S. Governance Framework described above. Accordingly, instead of increasing financial stability risk, the Proposed Transaction would reduce any financial stability risks posed by BMO or BOTW.

In addition, as previously discussed, BFC and BHB currently qualify as Category IV organizations and expect to become Category III firms following the consummation of the Proposed Transaction. As a result, the assets and liabilities of these companies, including the assets and liabilities of BOTW acquired in the Proposed Transaction, would become subject to the Supplementary Leverage Ratio and the Countercyclical Capital Buffer requirements of the banking agencies' regulatory capital rules, as well as the LCR and NSFR requirements that will apply when these companies become Category III firms.⁶⁹

Additional information demonstrating that the Proposed Transaction would not result in any meaningful increase in risks to the stability of the U.S. banking or financial system is provided in Exhibit 14 and Confidential Exhibit M.

VI. Convenience and Needs of the Community

In acting on this Application, section 3 of the BHC Act requires the Federal Reserve to consider the effects of the Proposed Transaction on the convenience and needs of the communities to be served.⁷⁰ BMO-FG, through BHB, and BOTW will build on each company's strong commercial and retail foundations to create an enhanced, more competitive financial institution. On consummation of the Proposed Transaction, the acquisition will bring nearly 1.8 million customers to BHB and will further extend its banking presence through more than 500 additional branches and commercial and wealth offices in key U.S. growth markets.

Post-Closing, BHB will have a strong position in three of the top five U.S. markets, a branch footprint in 24 states, expanded national specialty commercial businesses and a digital banking platform gathering deposits in all 50 states. The Proposed Transaction will add meaningful scale, expansion in attractive markets, and capabilities that will enable BHB to drive greater growth, returns and efficiencies. BOTW's presence in many of the largest and fastest growing markets in the U.S. provides an ideal and complementary commercial and retail banking platform to BHB's current business. Combined with BHB's suite of products and capabilities, the combined organization will be able to help even more customers with a broader set of financial products and services.

The convenience and needs of communities served by the combined organization will benefit from the expanded products and services resulting from the Proposed Transaction.

⁶⁹ The Federal Reserve has previously noted that the expansion of more stringent prudential standards to the assets and liabilities acquired as part of a proposed transaction is a favorable consideration under the financial stability factor. See Morgan Stanley/E*Trade Order, FR Order 2020-05 at p. 23 (Sept. 30, 2020), available at <https://www.federalreserve.gov/newsevents/pressreleases/files/orders20200930b1.pdf>.

⁷⁰ 12 U.S.C. § 1842(c)(5).

Legacy customers of both BHB and BOTW will be able to take advantage of an expanded set of products and services, including an expanded branch and ATM network which will enable greater access to services for more communities and extended markets. Legacy BHB customers will be able to take advantage of expanded specialized financing activities, such as marine, recreational vehicles, and agribusiness currently offered by BOTW and BOTW customers will gain access to broader digital banking and wealth capabilities, enhanced payments, ATM access, digitized mortgage processes and enhanced financial management tools.

BHB is in the process of fully mapping the products and services of the combined organization. BHB and BOTW have complementary products and services throughout all business lines that will facilitate and enable an expanded set of solutions and capabilities to the combined organization's customer base post-Closing. The combined banking organization will continue to have a wide array of deposit (including *Bank On* certified products), checking and loan products and broad access to programs with features that may assist low- and moderate-income ("LMI") or minority individuals. Several of these products are discussed in the *Commitment to the CRA* section below. Certain redundant products across the two institutions may be consolidated as a result of the Proposed Transaction. Notwithstanding any consolidation of products and services, the resulting institution will continue to offer comparable choices to each bank's current offering and an expanded product line to continue to meet the convenience and needs of all clients and the communities served. Additional information on products and services is included in the *Commitment to CRA* section below.

BHB does not expect to close any BOTW branches in connection with the Proposed Transaction. BHB and BOTW believe that the resulting branch network will well serve the customers and communities of the combined organization. BHB currently has over 500 retail branch locations in Illinois, Wisconsin, Minnesota, Indiana, Arizona, Missouri, Florida, and Kansas. BOTW currently has more than 500 branch locations in Arizona, California, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Nebraska, Nevada, New Mexico, New York, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin and Wyoming. The combined organization will have over a thousand branch locations serving customers in 24 states. BHB had pre-existing plans to close or consolidate certain branch locations unrelated to the Proposed Transaction, as well as to open additional locations. These plans are outlined in Confidential Exhibit N. BHB will follow its usual branch consolidation and closing policies and procedures and abide by all applicable regulatory requirements and guidance in connection with these pre-planned branch consolidations and closures. These policies and procedures are discussed in Exhibit 15.

As discussed in detail in the *Commitment to the CRA* section below, the combined BHB is committed to continuing both banks' strong record of CRA performance and helping to serve the needs of its entire footprint after consummation of the Proposed Transaction. BHB plans to expand its CRA program to include the CRA assessment areas ("AAs") that are currently serviced by BOTW. There is minimal overlap in AAs between BMO and BOTW. Combining the two organizations will result in 46 new AAs to the BHB footprint (CA, CO, OR, NM, NE, IA, WY, NV, WA, OK, ND, UT, SD, ID and NY), five new AAs in states where BHB is currently located (AZ, MN and KS), an expansion of six current AAs with additional counties (Phoenix, Minneapolis, Kansas City, Non-Metropolitan Statistical Area ("MSA") Kansas, Non-MSA WI and La Crosse) and two AAs where there is an exact overlap (Prescott Valley –

Prescott AZ and Tucson, AZ MSAs). 91% of the combined CRA AAs will have no overlap in the 24-state footprint therefore bringing incremental practices and products to these states. Please see Exhibit 16 for a list of the pro forma AAs for the combined bank.

Both BHB and BOTW are actively engaged with community groups throughout their respective footprints in order to identify additional products and services to meet new and evolving needs. BHB will work with BOTW to identify key community partners and advocates and begin conversations with the groups to understand community needs within the combined footprint. The various actions that BHB and BOTW have taken to serve the needs of all of their respective communities under the CRA, as well as help their customers, communities and employees address the adverse impacts of the COVID-19 pandemic, provide a clear demonstration of their commitment to social responsibilities.

Both organizations are committed to supporting a sustainable future and creating positive impacts across their markets. With regard to climate risk, in particular, both BMO and BNPP are members of the Net-Zero Banking Alliance. BMO-FG has created the BMO Climate Institute to drive thought leadership and provide insights and best practices for industry, government, academia and investors. In addition to thought leadership, BMO-FG has committed to deploy \$240 billion of capital to clients pursuing sustainable outcomes by 2025.

Both organizations are also committed to supporting the needs of underrepresented groups and continuing to innovate solutions to support diversity within their businesses and communities. The environmental, social responsibility and governance (“ESG”) practices at BMO-FG are integral to its business strategy and “purpose” vision, as well as governance and risk management. BOTW is similarly focused on ESG matters as part of its strategy and risk management.

As part of its commitment to ESG, in November 2020, BMO-FG launched “BMO Empower”, which is a \$5 billion commitment over five years to address key barriers faced by minority businesses, communities and families in the United States. Through lending, investing, giving and engagement in our local communities, BMO-FG is focused on tackling barriers to inclusion in the financial services industry to create more opportunity for recovery and success.

As part of BMO EMpower, BHB launched the Special Purpose Credit Programs (“SPCP”) for Black & Latinx and Women In Business. These programs offer lines of credit up to \$50,000 and credit cards through an expanded risk appetite with favorable pricing. The programs’ main methods of outreach include engaging non-profits in LMI communities, in order to reach their constituent base, as well as offering bank-sponsored training and social events. These outreach sessions focus on networking and providing training to Black, Latinx and women owned businesses. If BHB cannot help an SPCP applicant, the bank partners with non-profit organizations to provide financial coaching to assist the applicant. With the consolidation of the two banks, BHB will explore the opportunity to expand the SPCP programs to the markets currently being served by BOTW.

One of the key successes of the SPCP team at BHB has been the community outreach through non-profits, bank-initiated events and other organizations. During 2021, BHB partnered

with four entities to provide educational webinars and in-person training sessions. In addition to these community partnerships, the SPCP team lead initiatives that included:

- Six small business roundtables with Black and Latinx business owners;
- Volunteering over 350 hours to create and present content to over 30 partners and local community organizations; and
- Launching a new “BMO for Black and Latinx” website which includes product offerings, articles, helpful business templates and calculators, videos and links to Black and Latinx business owner podcasts.

Upon consummation of the Proposed Transaction, the combined organization will proactively align their ESG efforts. The combination of such strong and ethical cultures will facilitate the integration process and further strengthen BMO and BHB’s commitment to ESG initiatives and diversity and inclusion of its key constituents, namely its customers, communities and employees. For information on the ESG programs and priorities of BMO and BOTW, please see Exhibit 17 and Exhibit 18.

Based on all the foregoing, it is evident that the convenience and needs of the communities and other constituents of BMO, BFC, BHB and BOTW will be favorably served by the Proposed Transaction.

VII. Commitment to the CRA

The CRA requires the Federal Reserve to assess a depository institution’s record of performance under the CRA in helping to meet the credit needs of its entire community, including LMI neighborhoods in evaluating bank expansionary proposals such as the Proposed Transaction.⁷¹ The Federal Reserve also considers the CRA performance records of the banks involved in a proposal as part of the convenience and needs factor under section 3 of the BHC Act.⁷²

Both BHB and BOTW have a strong commitment to serving the needs of their communities as demonstrated by each bank’s strong CRA compliance record and performance in their most recent CRA performance evaluations as well as each organization’s ongoing community engagement activities. The complementary nature of each bank’s business and CRA programs will result in an even stronger program with expanded opportunities moving forward throughout the footprint of the combined bank. BHB has a much larger commercial operation and BOTW has a larger retail operation. The combination of the two entities brings together robust programs and unique best practices for serving the needs of LMI and underserved communities that can now be better leveraged and more impactful across a larger geography. The following pages will highlight the programs, products and strengths that a combined BHB and BOTW will bring together to provide a higher level of support for LMI consumers and neighborhoods.

⁷¹ 12 U.S.C. § 2903.

⁷² 12 U.S.C. § 1842(c)(3).

A. BHB CRA Performance Record

BHB received an overall rating of “Outstanding” on its most recent CRA performance evaluation by the OCC, dated as of April 6, 2020 (the “BHB CRA Evaluation”).⁷³ This is BHB’s second consecutive “Outstanding” rating on its CRA performance evaluations. For the BHB CRA Evaluation, BHB received “Outstanding” ratings under each of the Lending, Investment and Service Tests.⁷⁴ BHB also received overall “Outstanding” ratings for the states of Florida, Illinois, Indiana, Kansas and Wisconsin, as well as the Chicago, Kansas City and Minneapolis Multistate MSAs (“MMSAs”). BHB received overall “Satisfactory” ratings for the States of Arizona and Missouri, as well as the St. Louis MMSA. BHB’s overall rating is a blend of the various MMSA and state ratings; however, the Chicago MMSA and the State of Wisconsin carried the greatest weights in the overall rating. The Chicago MMSA and the State of Wisconsin represented 83.5% of BHB’s deposits, with 62.7% and 20.8% of deposits, respectively, as of the BHB CRA Evaluation period. The OCC reported in the BHB CRA Evaluation that examiners did not identify any evidence of discriminatory or other illegal credit practices.

In supporting the overall “Outstanding” rating, the OCC found that BHB’s performance in the Chicago MMSA and the State of Wisconsin was excellent. BHB’s lending levels reflected good responsiveness to the credit needs of these AAs. The OCC stated that the geographic distribution of home mortgage loans reflected adequate penetration and the geographic distribution of small loans to businesses was good or excellent throughout these AAs. The BHB CRA Evaluation also found that the distribution of borrowers reflects good penetration among individuals of different income levels and business customers of different sizes, given the product lines offered by the bank. The OCC concluded that BHB was a leader in making community development loans during the assessment period and made extensive use of innovative and/or flexible lending practices in order to serve the credit needs of such AA. The BHB CRA Evaluation stated that BHB had an excellent level of qualified community development investments and grants, often in leadership positions, particularly those that are not routinely provided by private investors. The evaluation also noted that BHB was a leader in providing community development services during the assessment period.

BHB is particularly proud of a number of elements of its CRA program and governance, including its:

- Highly committed leadership and strong management support across the bank;
- Well-organized operating model, charged with implementing a positive trajectory in CRA performance across all markets, resulting in stronger collaboration across business lines and community partners;
- Rigorous reporting disciplines, with granular, fact-based, and quantitative goals assigned for each test, and performance reviewed quarterly by the executive

⁷³ The BHB CRA Evaluation is available at <https://www.occ.gov/static/cra/craeval/Nov20/14583.pdf>.

⁷⁴ The review period for the BHB CRA Evaluation was January 1, 2017, to December 31, 2019.

management team and the CEO of BHB with a quarterly report out to the BHB U.S. Regulatory Committee;

- Dedicated CRA team, with members who liaise with the business lines, providing subject matter expertise and centralized oversight;
- Deep relationships with existing community partners, and continued development of new relationships to support investments, lending, and service activities; and
- Collaboration and accountability across personal and commercial business lines on CRA investments, lending, and services.

B. BOTW's CRA Performance Record

BOTW is committed to assisting communities not only by providing financial services that help businesses and individuals prosper, but by providing services, vital resources, and support to LMI individuals and communities throughout its footprint. As noted above, this commitment is highlighted by BOTW's performance in its most recent CRA evaluation as well as BOTW's performance since its most recent evaluation period, which is discussed further below.

BOTW received an "Outstanding" rating on its most recent CRA performance evaluation by the FDIC, dated September 21, 2020 (the "BOTW CRA Evaluation").⁷⁵ BOTW received "Outstanding" ratings under the Investment and Service Tests and a "High Satisfactory" rating under the Lending Test.⁷⁶ BOTW also received overall "Outstanding" ratings for the states of California, Colorado, New Mexico, Minnesota, Iowa, Oklahoma and North Dakota, as well as the Kansas City MMSA. BOTW received an overall "Satisfactory" rating for the states of Oregon, Arizona, Wyoming, Nevada, Washington, Nebraska, Kansas, Utah, South Dakota, Idaho, New York and Wisconsin as well as the Omaha MMSA. BOTW's activities in California carried the most weight in the evaluation process based on BOTW's volume of loans (71.3%), deposits (70.5%) and branch locations (41.3%) at the time of the review.

In the BOTW CRA Evaluation, the FDIC found that BOTW's overall level of lending reflects good responsiveness to the credit needs of its AAs. The BOTW CRA Evaluation noted that the geographic distribution of loans reflects good penetration throughout the bank's AAs and that the distribution of borrowers reflects good penetration among retail customers of different income levels and businesses and farms of different sizes, given the product lines offered by the bank. The FDIC also concluded that BOTW exhibited a good record of serving the credit needs of the most economically disadvantaged individuals of its AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices. The BOTW CRA Evaluation found that BOTW was a leader in making community development loans and made extensive use of innovative and flexible lending practices in order to serve AA credit needs during the assessment period. The BOTW CRA Evaluation also found that BOTW had an excellent level of qualified community development investments and grants, particularly those that are not routinely provided by private investors and were often in a leadership position. The

⁷⁵ The evaluation period for the BOTW CRA Evaluation was August 21, 2017, to September 21, 2020.

⁷⁶ The BOTW CRA Evaluation report is available at https://crapes.fdic.gov/publish/2020/3514_200921.PDF.

evaluation also noted that BOTW was a leader in providing community development services in its AAs during the assessment period. Additionally, the FDIC reported that examiners did not identify any evidence of discriminatory or other illegal credit practices.

Enterprise-wide, BOTW management and employees have a high awareness of CRA activities and develop products, services and programs to deepen CRA impact. This is evidenced by:

- A strong internal governance structure with committed executive leadership and management support for CRA initiatives across the bank.
- A seasoned CRA team of banking veterans with deep expertise in Community Reinvestment. The team provides valuable insight and guidance for the business groups on regulatory, legislative, and community advocacy trends that impact underserved communities.
- The CRA team utilizes robust data, advanced analytics and a strong performance reporting structure to measure CRA activities across the enterprise.
- Leveraging the “Outstanding” CRA program to help BOTW business teams deepen existing client relationships, develop new partnerships and drive client acquisition.

C. BHB’s and BOTW’s CRA Activity Since Their Last CRA Evaluations

A commitment to the communities where BHB employees live and work has always been embedded in the culture of BHB. Since the BHB CRA Evaluation, BHB has remained actively engaged with the communities within its AAs. BHB’s commitment to the communities within its AAs is evidenced in the lines of businesses’ performance and their efforts to further strengthen their CRA impact in the communities the BHB serves. BHB’s strong focus in commercial banking has provided billions of dollars in capital to communities and resulted in an “Outstanding” rating on the Investment and Lending Test for BHB. BOTW has a strong retail banking model that will complement BHB’s strong commercial bank focus and bring additional best practices to mortgage lending in LMI census tracts. This section will highlight the combined strength of the two organizations and the increased impact to LMI and underserved communities that will result with the combination of the distinctive strengths of the two organizations as illustrated by the activities of each bank since their last CRA performance evaluations.

Importantly, in 2020, BHB made a commitment of \$5 billion over five years to address key barriers faced by minority businesses, communities and families in the United States. Through lending, investing, giving and engagement in its local communities, BHB is actively working to tackle barriers to inclusion in the financial services industry to create more opportunity for recovery and success. The program exceeded its first-year targets with over \$2 billion in commitments, close to 50% of the five-year goal, in the first year. Over 75% of the commitments made in the first year are CRA qualified. (See [Exhibit 17](#) for more details).

Both BHB and BOTW actively worked to meet the pressing needs of customers and communities affected by the COVID-19 pandemic. As discussed in detail in the *Financial and*

Managerial Resources – Management of COVID-19 Pandemic Impacts section above, BHB and BOTW took a number of actions to support the needs of communities within their AAs, including by making short-term loan modifications and deferrals, assisting borrowers with SBA PPP loans, and providing direct and indirect financial support to communities and organizations impacted by the pandemic. Specific information regarding CRA-qualified PPP lending for each bank is included in the discussion of small business lending below.

An innovative example of how BHB supported its customers during the pandemic was through its partnership with SpringFour (“S4”). S4 aids customers, members, and/or employees when they need it the most, and they offer more than 20,000 vetted resources that can help consumers facing economic hardship with their financial and other needs. S4 was used by the BHB collections department as a referral source for clients as a way for customers to get help with whatever issue may be causing the late payments. This is offered at no cost to the customer. In the early days of the pandemic, BHB saw a 500% increase in usage of the tool, as customers increasingly looked to the bank for help with financial stress. Because this tool is virtual, it can be expanded to any market, including markets where BOTW currently has a footprint.

Residential Mortgage Lending

BHB participates in over 100 programs promoting homeownership for LMI individuals and census tracts offered by local governments, non-profit organizations, and affordable housing agencies throughout its AAs. Examples include: various state housing finance agency programs, the Home Affordable Refinance Program, the Freddie Mac Home Possible Program, Neighborhood Home Loan Product, Federal Housing Authority (“FHA”) loans, and down payment and closing cost assistance from the Federal Home Loan Bank of Chicago affordable housing and down payment plus programs. In addition, BHB established a self-funded grant program that provided up to \$3,000 in down payment or closing cost assistance per qualified borrower. The grants can be combined with a wide array of affordable mortgage products or external down payment assistance programs.

Over the past few years, BHB introduced several new products to assist homebuyers, including the Community Home Improvement Loan Program, Illinois Housing Development Authority SmartBuy Program and Deferred Action for Childhood Arrivals Homebuyer Program, expanded FHA guidelines, Freddie Mac BorrowSmart DPA program and additional Federal Home Loan Bank down payment assistance programs. BHB also recently implemented a home buyer specialist function that works with potential home buyers to educate them on all mortgage options available to them including down payment assistance programs.

BHB also supports its communities by offering home buyer education classes. At the start of the pandemic, BHB launched an online version of seminars that continue today throughout the bank’s footprint. BHB also created an Affordable Product Tool designed to educate both the public and mortgage bankers on affordable mortgage programs which makes home ownership a reality for many underbanked and unbanked clients. This simplifies the multiple affordable options for the banker so that when offered, the client has a better understanding and can choose the program they feel is best.

Additionally, BHB has a CRA Strategy and Outreach Team dedicated to ensuring the bank supports LMI clients and communities. They are tasked with supporting BHB’s mortgage bankers as they use the affordable tool and the affordable programs, which include engaging its community partners, as needed. Partnerships with community partners include working with seven housing finance agencies, over 100 non-profit organizations/counseling agencies and various local governments.

As part of BHB’s ongoing effort to increase support for LMI customers and communities, BHB also has developed a new role called the CRA Homebuyer Specialist (“HBS”). This new role was implemented in December 2021, in order to improve the customer experience and pull through and simplify program utilization, including through the uses of the Affordable Product Tool noted above. The CRA HBS discusses affordable homebuying program options with customers to ensure all options are provided and follows up with customers that have been prequalified for a home purchase. This new process will support roughly 3,000 LMI potential homebuyers on an annual basis.

BOTW also participates in a number of programs promoting homeownership for LMI individuals and in LMI census tracts. For example, BOTW offers the Fannie Mae HomeReady mortgage program, which is a low-down payment product designed for creditworthy LMI borrowers. From January 2020 through November 2021, HomeReady enabled 125 customers to become homeowners. BOTW also offers innovative down payment assistance programs that have enabled 133 customers to become homeowners. One of these programs was created in partnership with a fintech company, Landed, which helps essential professionals, such as teachers, afford homes by providing a portion of the down payment then taking a gain or loss when the homeowner sells the property or buys out of the investment. This collaboration with Landed enabled an additional 125 customers to become homeowners.

BOTW established the Community Lending and Diverse Market (“CLDM”) unit within the Consumer Real Estate Services division to focus on the bank’s lending to LMI and diverse borrowers. Led by an industry expert in affordable lending, the team includes three business development officers covering key geographies and one national diverse markets manager. The CLDM team collaborates with partners across BOTW and local communities to offer homebuyer education seminars and develop tools, products and resources for LMI and first-time homebuyer prospects.

In summary, both BHB and BOTW have some similar yet distinct residential mortgage programs and strategies to benefit LMI and diverse communities. Both have relationship managers that cover broad geographies to help drive LMI and diverse mortgage business into the respective banks. In addition, both offer down payment assistance programs that enable first time home buyers to enter the real estate market.

As a reflection of BHB’s and BOTW’s commitments and outreach to underserved communities, below is a table outlining both bank’s home mortgage lending to LMI individuals and census tracts within their respective AAs from January 2020 through November 2021, by number and dollar amount.

BHB				
	2020		YTD November 30, 2021	
	Total #	Total \$	Total #	Total \$
LMI Individuals	2,890	\$308,796,218	3,363	\$414,522,013
LMI Census Tracts	1,073	\$155,066,187	1,212	\$145,466,501

BOTW				
	2020		YTD November 30, 2021	
	Total #	Total \$	Total #	Total \$
LMI Individuals	2,573	\$439,773,134	2,574	\$455,916,414
LMI Census Tracts	2,549	\$700,311,247	2,688	\$765,462,406

Below is a summary of BHB's home mortgage lending (originated) to LMI individuals and census tracts by state/AA from January 2020 through November 2021, by number and dollar amount

BHB				
2020				
	LMI Individuals		LMI Tracts	
	Total #	Total \$	Total #	Total \$
AZ	209	\$28,604,054	85	\$10,248,734
FL	58	\$7,720,704	32	\$8,631,973
IL	960	\$103,478,725	367	\$46,812,107
IN	324	\$25,798,321	134	\$9,476,899
KS	12	\$975,200	5	\$392,470
MN	98	\$12,958,856	43	\$6,009,699
MO	70	\$7,375,066	28	\$2,978,066
TX	1	\$233,700	1	\$233,700
WI	1,158	\$121,651,592	378	\$70,282,539
Total	2,890	\$308,796,218	1,073	\$155,066,187

YTD November 30, 2021				
	LMI Individuals		LMI Tracts	
	Total #	Total \$	Total #	Total \$
AZ	214	\$29,765,897	81	\$15,477,208
FL	69	\$31,004,070	37	\$10,639,618
IL	1,164	\$124,360,291	443	\$50,945,401
IN	401	\$34,955,856	161	\$14,635,850
KS	28	\$3,650,645	10	\$999,430
MN	129	\$15,896,461	34	\$4,039,801
MO	84	\$9,418,148	34	\$3,342,553
TX	1	\$330,000	0	0
WI	1,273	\$139,591,254	412	\$45,386,640
Total	3,363	\$414,522,013	1,212	\$145,466,501

Below is a summary of BOTW's home mortgage lending (originated and purchased) to LMI individuals and census tracts by state/AA from January 2020 through November 2021, by number and dollar amount.

BOTW				
2020				
	LMI Individuals		LMI Tracts	
	Total #	Total \$	Total #	Total \$
AZ	84	\$10,374,556	78	\$28,492,492
CA	1,218	\$262,258,632	1,600	\$498,126,242
CO	415	\$72,727,659	282	\$56,841,909
IA	143	\$13,770,448	47	\$4,633,356
ID	16	\$1,915,734	27	\$4,513,410
KS	46	\$3,200,110	6	\$242,000
KS- MO	63	\$6,103,969	53	\$8,882,479
MN	85	\$7,506,001	40	\$6,057,036
ND	11	\$1,330,340	9	\$974,707
NE	75	\$6,388,278	28	\$1,773,782
NE- IA	111	\$10,554,391	50	\$3,929,862
NM	39	\$4,181,437	101	\$11,061,665
NV	42	\$6,190,145	50	\$16,584,242
NY	4	\$2,096,242	6	\$2,795,247

BOTW				
2020				
	LMI Individuals		LMI Tracts	
	Total #	Total \$	Total #	Total \$
OK	26	\$1,746,552	22	\$1,479,982
OR	83	\$14,470,673	59	\$29,483,641
SD	19	\$1,908,464	13	\$1,450,250
UT	15	\$3,368,064	20	\$4,162,788
WA	16	\$3,030,155	34	\$16,234,521
WI⁷⁷	7	\$442,462	0	\$0
WY	55	\$6,208,822	24	\$2,591,639
Total	2,573	\$439,773,134	2,549	\$700,311,247
YTD November 2021				
	LMI Individuals		LMI Tracts	
	Total #	Total \$	Total #	Total \$
AZ	94	\$11,551,847	95	\$19,706,056
CA	1,278	\$281,149,298	1,755	\$570,574,610
CO	387	\$67,575,762	281	\$61,095,089
IA	125	\$12,472,319	41	\$6,519,116
ID	25	\$3,146,084	37	\$12,750,587
KS	49	\$3,903,088	16	\$974,838
KS- MO	60	\$5,839,403	48	\$7,683,573
MN	57	\$5,243,932	15	\$2,069,652
ND	9	\$1,131,210	4	\$656,700
NE	45	\$3,741,383	19	\$1,875,398
NE- IA	106	\$10,688,038	64	\$6,367,575
NM	55	\$6,790,863	78	\$8,916,984
NV	64	\$10,682,351	65	\$12,768,390
NY	8	\$2,113,762	11	\$3,723,888
OK	44	\$4,301,027	31	\$9,927,798
OR	64	\$10,332,444	53	\$21,903,277
SD	9	\$872,510	1	\$86,200
UT	25	\$4,669,753	30	\$6,549,899
WA	28	\$4,481,118	29	\$9,186,331
WI⁷⁸	4	\$340,500	0	\$0
WY	38	\$4,889,724	15	\$2,126,445

⁷⁷ There are no LMI tracts in BOTW's Wisconsin AA.

⁷⁸ There are no LMI tracts in BOTW's Wisconsin AA.

BOTW				
2020				
	LMI Individuals		LMI Tracts	
	Total #	Total \$	Total #	Total \$
Total	2,574	\$455,916,414	2,688	\$765,462,406

As illustrated by the above data, BHB has a strong track record of lending to LMI borrowers, whereas BOTW excels in origination volume in LMI census tracts with a much higher average loan size than BHB. BHB originated 29% of total loans to LMI borrowers from January 2020 through November 2021. BHB’s lending from January 2020 through November 2021 exceeds peer aggregate in 97% of its AAs for low-income borrowers when compared to available 2020 HMDA data. As an example, in the Chicago-Naperville-Joliet, IL Metropolitan Division, the largest market by deposits for BHB, the bank’s originations to low-income borrowers for this same time period is 189% of peer aggregate as compared to 2020 HMDA data. For moderate-income borrowers, the bank exceeds peer aggregate in 73% of the markets and is on par with peer aggregate in an additional 10% of its markets for this same time period as compared to 2020 HMDA data. BHB also exceeds peer aggregate in the Chicago-Naperville-Joliet, IL Metropolitan Division for moderate-income borrowers. As noted above, BHB believes that both banks’ home mortgage lending programs are complementary to those offered by BOTW. Upon consummation of the Proposed Transaction, the combined organization will work to collectively enhance home buyer products and programs to meet community needs, which includes expanding dedicated CRA loan originators in BOTW footprint markets.

Small Business Lending

BHB understands the important role that small businesses play in the U.S. economy as well as to individual communities. As a result, BHB strives to ensure that the bank is the preferred provider of banking products and services across all the markets and communities it serves. BHB bankers are armed with the knowledge and support they need to well serve existing and future small business customers.

As discussed in the *Convenience and Needs of the Community* section above, BHB’s SPCP programs offer lines of credit up to \$50,000 and credit cards through an expanded risk appetite with favorable pricing. One of the key successes of the SPCP team at BHB has been the community outreach through non-profits, bank-initiated events and other organizations. Since inception of the Black & LatinX SPCP, the program has grown from four closed loans in December of 2020, to 357 loans in less than a year. The result of this huge growth led to the expansion of the program in BHB’s footprint states and the creation of the Women In Business program. As noted in the *Convenience and Needs of the Community* section, BHB intends to explore the opportunity to expand the SPCP to BOTW’s markets where there is a need and it can be documented.

BHB offers other small business lending products that are similar and complimentary to BOTW. BHB offers SBA products, including the SBA 504 and 7(a) loan programs. These programs provide lower interest rates and higher loan-to-value ratios to assist borrowers than are

typically available. BHB is an SBA Preferred Lender. As discussed in detail in the *Financial and Managerial Resources – Management of COVID-19 Pandemic Impacts* section above, BHB, as did BOTW, helped thousands of businesses obtain funding through the SBA’s PPP. BHB’s response to the high demand for PPP loans during the COVID-19 pandemic highlights its dedication to support small businesses in communities across its footprint. BHB was one of the top 15 PPP lenders in the U.S. During 2020 and 2021, BHB originated 32,627 CRA-reportable PPP loans, totaling over \$2.4 billion. Of the PPP loans, almost \$497 million went to businesses in LMI census tracts and approximately \$679 million were in amounts less than or equal to \$100,000.

Comparatively, BOTW also helped thousands of businesses obtain funding through the SBA’s PPP. During 2020 and 2021, BOTW originated 25,973 CRA-reportable PPP loans in its AAs, totaling over \$2.5 billion. Of those loans, almost \$793 million went to businesses in LMI census tracts, approximately \$455 million went to businesses with annual gross revenues of less than \$1 million, and approximately \$656 million were in amounts less than or equal to \$100,000. BOTW’s efforts to originate PPP loans during the COVID-19 pandemic highlights its dedication to support small businesses in communities throughout its footprint.

BOTW offers a full suite of lending products to all of its small business customers, including term loans (including commercial real estate and equipment), lines of credit, agriculture, construction, business equity, flex loans, SBA 7(a) and 504 loans, as well as business credit cards. As of September 30, 2021, BOTW ranked 13th in small business lending by portfolio size (per the FDIC). BOTW’s small business lending is supported in part by Small Business Express Lending (“SBEL”), a digital, streamlined application channel for new and existing customers. BOTW has made recent enhancements to its SBEL application platform to improve processing and approval rates leading to increased engagement. For example, the Business Builder program is a strategy to help underwrite early life cycle businesses (less than three years in business) primarily based on the owner’s and/or guarantor’s personal credit profile. All *Business Builder* applications are submitted via the SBEL platform. The product suite available through this program was recently expanded to include term loans in addition to business credit cards and reserve lines of credit.

BOTW also has a Micro Lending Resource Center, which is an easily accessible internal resource center available to BOTW employees to educate staff and support small business development efforts. The Micro Lending Resource Center provides lending product information, links to lending application platforms and loan reporting, small business lending job aids, FAQs, and Quick Reference Guides, CRA tools, resources and reporting.

Below is a table outlining BHB’s and BOTW’s small business lending within their respective AAs from January 2020 through November 2021, by number and dollar amount.

BHB				
Small Business	2020		YTD November 30, 2021	
	\$	#	\$	#
LMI census tracts (excluding PPP)	\$326,912,500	2,972	\$178,790,700	1,688
Total PPP loans	\$1,649,081,000	19,386	\$773,613,538	13,241
In amounts of \$100,000 or less (PPP Only)	\$414,402,000	15,297	\$265,009,458	11,372
In amounts of \$100,000 or less (excluding PPP)	\$321,249,400	7,520	\$168,230,100	4,252

BOTW				
Small Business	2020		YTD November 30, 2021	
	\$	#	\$	#
LMI census tracts (excluding PPP)	\$347,793,000	3,031	\$314,720,000	3,020
Total PPP loans	\$1,657,662,000	15,799	\$870,421,000	10,174
In amounts of \$100,000 or less (PPP only)	\$414,530,000	11,262	\$242,324,000	7,822
In Amounts of \$100,000 or less (excluding PPP)	\$206,983,000	8,746	\$189,054,000	8,892

As noted earlier, the combined programs and expertise of BHB and BOTW will benefit the community through increased lending to LMI businesses and areas.

Community Development Activities

Both BHB and BOTW are dedicated to providing support to economically disadvantaged communities within its footprint through making qualified community development loans and investments. Since the BHB CRA Evaluation, BHB has made 874 community development loans totaling over \$3 billion within the bank's AAs when PPP loans are included. Of this total, over \$1 billion was for affordable housing. BHB made over 1,100 CRA-qualified investments, totaling \$636 million. See the table below for a summary of the total dollar amounts of BHB's CRA qualifying community development loans, investments and grants within its AAs from January 2020 through November 2021.

BHB		
	2020	YTD November 30, 2021
Community Development Lending (Excludes PPP loans)	\$678,154,190	\$938,853,576
Community Development Investments	\$309,556,376	\$301,905,858
Community Development Grants	\$10,758,991	\$14,141,857

Since the BOTW CRA Evaluation, BOTW has made has 524 community development loans totaling approximately \$3.3 billion. BOTW made over 600 investments totaling over \$280 million within its AAs for the same time period.

The table below shows the total dollar amounts of BOTW’s CRA qualifying community development loans, investments and grants within its AAs from January 2020 through November 2021.

BOTW		
	2020	YTD November 30, 2021
Community Development Lending (Excludes PPP loans)	\$1,656,363,000	\$1,663,513,000
Community Development Investments	\$225,316,754	\$54,347,471
Community Development Grants	\$6,153,660	\$2,172,660

As noted earlier, BHB is strong in commercial lending and as such has a long history of making innovative loans and investments and has a strong and seasoned Community Development Lending and Investment team that will only be enhanced by the existing BOTW team. The BHB Community Development Lending and Investment team is comprised of 14 individuals with extensive industry knowledge across the entire U.S. The head of community investments currently serves on national boards such as Enterprise Community Investment and the National Association of Affordable Housing Lenders, both of which have affiliates and/or members in BOTW footprint states. As a result of the strong team, BHB has earned “Outstanding” ratings in the Investment and Lending Tests on its most recent CRA evaluation.

As highlighted below, BOTW has done several transactions that involve Low Income Housing Tax Credits (“LIHTCs”) and some equity investments into Community Development Financial Institutions (“CDFIs”). BHB will continue these programs but will also bring a

compliment of new investment tools to the BOTW markets. Per the BOTW CRA Evaluation, BOTW's investments focused primarily on affordable housing. While BHB has made several investments in affordable housing vehicles, BHB also has a strong mix of investments in revitalization and stabilization efforts, economic development, essential community facilities along with community services. The combination of the two entities will bring an enhanced combined knowledge in investments and a great mix of community investment types to the combined footprint.

The BHB Community Development Lending team has closed on several innovative transactions during the past several years, which has had a positive impact in several of BHB's AAs. BHB community development lending programs and tools include: bridge and permanent loans to support LIHTC affordable housing, historic and state tax credits, tax incremental financing, and Federal Home Loan Bank housing awards. This product would complement the work the BOTW team has done with several LIHTCs equity investments. In addition, other products include term loans for unrestricted affordable housing and capital campaign bridge loans for New Market Tax Credits supported economic development projects.

Examples of BHB's leadership in community development investments since the BHB CRA Evaluation include (for additional examples please see [Exhibit 17](#)):

- A \$25.3 million dollar investment into a LIHTC fund that will acquire an estimated 30 properties. \$10 million will be allocated to project in Milwaukee, WI that will have 49 affordable units and \$15.3 million to a project in Minneapolis, MN that will have 163 affordable units.
- \$27.5 million dollar investment into a LIHTC fund that will acquire an estimated 30 properties. Over \$17 million was allocated towards a new construction affordable 51-unit housing development in Chicago's Pilsen neighborhood. Over \$9 million was allocated towards a 55-unit new affordable senior project located in a moderate-income census tract in Richton Park, IL.
- A \$1 million investment in an African American woman-owned small business fund in the Milwaukee, WI area. The fund will seed early stage investments for businesses located primarily in LMI areas in Wisconsin with a focus on Milwaukee.
- A \$10 million investment into a SBIC fund to deploy capital in the Phoenix-Mesa-Scottsdale, AZ MSA. The fund will invest in companies located primarily in the Western United States with a majority of fund capital deployed to companies located in LMI census tracts or that employ a majority of LMI employees.
- \$150,000 multi-year grant to the BHB BMORE program in partnership with the CARA Program in the Chicago-Naperville-Evanston, IL area. The BMORE program represents a new model for both the CARA Program and BHB in which the organizations collaborated to recruit, train and place individuals into customer service roles at the bank. Recruitment for the BMORE program focused primarily on the Austin and Little Village neighborhoods in support of Chicago Mayor Lori Lightfoot's INVEST South/West initiative, which is designed to address economic

disparity in key neighborhoods across the city. In 2020, BHB hired 19 individuals through the BMORE program.

Since the BHB CRA Evaluation, BHB also gave 755 CRA grants totalling close to \$25 million within its AAs. Examples include:

- United Way, IL - \$10 million multi-year grant to the United Way of Metropolitan Chicago in support of their next phase of the Neighborhood Network Initiative (“NNI”). This grant is the largest corporate gift in the United Way of Metro Chicago’s history. This initiative brings together over 50 community groups in underserved neighborhoods to develop a community-led approach to the issues they face. BHB was the cornerstone investor in 2014 that helped launch NNI. What is unique and innovative about the NNI is its scale and its focus on the community-led nature of engaging community residents from the beginning and putting together plans and agendas where the residents lead the change, goals and outcomes. Results include over 1,200 youth enrolled in quality early learning programs and 95 trouble properties stabilized. BHB won the 2020 Consumer Bankers Association’s Joe Belew Community Development Award for their part in this initiative.
- Obama Foundation, IL - \$1 million over three years to support the workforce development initiatives associated with the build of the Obama Presidential Center (the “OPC”). The donation is targeted to the OPC Construction Workforce Initiative, which is designed to create an inclusive construction workforce. During construction of the OPC, 5,000 jobs will be created and 2,500 permanent jobs will be supported after the OPC is completed.
- Naples Children & Education Foundation, FL - \$150,000 over two years to be the Exclusive Auction Sponsor of the annual Naples Winter Wine Festival. All proceeds are directed towards underprivileged, at-risk children in Collier County.
- Habitat for Humanity Chicago - \$300,000 over three years in support of its Affordable Homeownership, Neighborhood Grants, and Homebuyer University programs. BHB’s Head of U.S. Corporate Finance is Board President of this organization.
- P33, IL - \$300,000 over three years in support of its mission to transform Chicago into a tier one technology and innovation hub and promote inclusive economic growth. P33 will expand opportunity for low-income, first-generation college students and students of color to get into high-trajectory digital careers, and it will develop a platform that will provide tech entrepreneurs of color in Chicago with access to seed funding, customers, and a community of peers.

The OCC has recognized that BHB does not pursue “simple” transactions in the community development loan market, but rather seeks out those projects that are complex and impactful and has experienced staff that can assist the entities navigate the complex arena of community development lending. Examples of BHB’s leadership in community development lending since the BHB CRA Evaluation include:

- A \$40 million loan for the substantial historic rehabilitation of a former military base in St. Paul, MN into 191 units of affordable rental housing for individuals and veterans with incomes at or below 60% of area median income (“AMI”). Preference will be given to veterans seeking affordable housing.
- A \$10 million loan for the adaptive reuse and rehabilitation of a historic school into a 49- unit senior apartment building for seniors in Milwaukee, WI of which 43 units are restricted LMI LIHTC income thresholds.
- A \$10 million line of credit to fill a funding gap for a State of Wisconsin managed care organization that helps eligible elders and adults with disabilities who qualify for Medicaid. The agency has been chosen by the Menominee Tribe and Oneida Nation to support the tribe’s transition from long-term care support systems.
- A \$8.5 million loan for an adaptive rehabilitation of a six-story former Holiday Inn into 100 one-bedroom units in the Tucson, AZ Market. The project will assist persons with 30% - 60% AMI. 80 of the 100 units will have project-based vouchers with the remaining 20 units set aside for the homeless.

BHB employees have a long history of volunteer engagement in the communities the bank serves, including serving on boards, committees, tutoring/mentoring, providing pro-bono legal assistance, financial education and working with food pantries. BHB performed CRA-qualified community service outreach to 312 community organizations and events, contributing approximately 7,770 employee service hours from January 2020 through November 2021. Examples of service activities in BHB AA’s include:

- BHB’s CEO is Chairman of the Board for Kids First Chicago, whose mission is to dramatically improve education for Chicago’s children by ensuring high-quality public schools are accessible to all families.
- A BHB commercial bank VP is Board Chair of The Children’s Place, a leader in trauma-responsive care for children and Kansas City’s specialized trauma treatment agency.
- A BHB commercial bank VP is Chairman of the Board of Center for Veterans Issues, a Milwaukee-based non-profit that supports the concerns of all veterans by providing information, resources, identification of funding, technical assistance, transitional housing and organizational development to veteran service organizations.
- When COVID hit in 2020, BHB’s Community Reinvestment Outreach team developed and implemented a series of webinars called the Community Impact Webinar Series, which kicked off in October of 2020. During the series, BHB partners with local non-profit counseling agencies and local realtors highlighting key topics such as homebuying, budgeting, savings, credit, among other topics. Since the launch, BHB has held 64 webinars throughout the bank’s footprint states

- Numerous BHB employees volunteered their time to the 1871 Chicago partnership with BHB. 1871 is a non-profit that was started to support Chicago's digital startup community. At the end of the mentorship the startups pitch their product to BHB senior executives who choose the top three, and all receive a cash prize. First place winners receive \$25,000, second place receives \$15,000, and third place receives \$10,000.

BOTW also is dedicated to providing support to economically disadvantaged communities within its footprint through making qualified community development loans and investments. Recent examples of BOTW's qualified community development loans and investments include:

- \$26.7 million LIHTC Affordable Housing Loan to fund an 82-unit affordable apartment property in San Jose, CA. One-third of the units will be permanent supportive housing for residents who are formerly homeless and have some disabling conditions.
- \$25.7 million LIHTC Affordable Housing Loan to fund a 108-unit affordable multifamily project located in West Linda, CA (Yuba County). All the units will be LIHTC units restricted to households with income levels at or below the 30, 40, 50 and 60 percent of AMI levels.
- \$20.6 million LIHTC Affordable Housing Loan to fund construction of a permanent supportive housing development for homeless veterans in San Diego. The former Motel 6 was transformed into a modern apartment community for 84 extremely low-income and homeless veterans. The property features studio apartments for veterans earning 30 to 40 percent of the AMI.
- \$2 million EQ2 investment with Grameen America Social Business Fund II. Grameen America Inc. is a CDFI dedicated to helping entrepreneurial women who live in poverty build businesses to enable financial mobility.

Examples of grants made to community development organizations include:

- Genesys Works Bay Area ("GWBA") (Oakland CA) - \$20,000 to support GWBA's mission to provide pathways to college and career success for high school students in underserved communities through skills training, meaningful work experiences, and impactful relationships. GWBA specifically partners with high schools serving high numbers of family living below the federal poverty line. To date, 99% of students served are students of color; 87% qualify for free or reduced lunch; and 88% are first generation college students.
- Rocky Mountain MicroFinance Institute ("RMMFI") (Denver CO) - \$30,000 grant to support RMMFI, which serves exclusively low-income entrepreneurs (i.e. individuals living with <80% AMI) in the Denver Metro Area. This grant support RMMFI's curriculum that aims at bringing qualified, committed entrepreneurs to successful launch of their business.

- Habitat for Humanity Greater San Francisco - This \$25,000 grant supports Habitat for Humanity's Home Preservation program, which is their key strategy to preserve existing housing stock, maintain stability of neighborhoods, and ensure that long-time residents and their families can stay in their community. The Home Preservation program targets specific neighborhoods and communities where low-income homeowners live. Home Preservation clients are predominantly very low and extremely low income.

As illustrated in its most recent CRA evaluation, the majority of BOTW community development lending targeted revitalization and stabilization efforts followed by economic development. BHB's current community development lending portfolio largest bucket is affordable housing, but also includes community services, economic development and other new categories that were a result of the OCC's 2020 rulemaking. These complementary programs further illustrate how the combined entities will bring a broader mix of products to LMI communities.

BOTW employees logged over 13,000 hours of volunteer service from January 2020 through November 2021. Employees engaged with nonprofit organizations in a variety of activities supporting LMI communities throughout its footprint. Due to the pandemic, employees and nonprofits made extraordinary efforts to transition what had been primarily in-person volunteer opportunities to nearly all virtual volunteering activities. Some examples include:

- Reviewing loan applications for clients of Habitat for Humanity Greater San Francisco;
- Advising entrepreneurs on business plans at the Renaissance Entrepreneurship Center in California;
- Teaching financial education through Junior Achievement;
- Assisting LMI individuals in refining their job search and career skills through programs offered by organizations such as Jewish Vocational Services, BankWork\$ and Year Up;
- Preparing tax returns for low income individuals through Volunteer Income Tax Assistance program;
- Volunteering over 800 hours in 2021 at food banks and food pantries stocking shelves, packing, sorting and distributing food to communities in need and
- Devoting over 100 hours annually to sponsor clients in the Federal Home Loan Bank of San Francisco's Affordable Housing Program ("AHP"). The BOTW Community Development Finance team manages the AHP process from start to finish, starting with the application process and following up on all post-award documentation and progress reporting requirements over multiple years.

Many employees also served on nonprofit boards and committees in financial capacities. Some examples include:

- The BOTW CEO serves on the Board of Grameen America Inc. This organization is dedicated to helping entrepreneurial women who live in poverty build businesses to enable financial mobility by providing microloans (starting at no more than \$2,000), financial training, and support to members.
- The BOTW EVP & Chief Operating Officer serves on the Finance Committee of Raphael House of San Francisco. Their mission is to help low-income families and families experiencing homelessness strengthen family bonds by achieving stable housing and financial independence.
- A BOTW VP Branch Manager in Southern California serves on the Board and the Audit, Operations and Finance Committees of East Valley Community Health Center. Their mission is to provide quality and accessible comprehensive health care and health education services to the low-income and underserved populations of the East San Gabriel and Pomona valleys.
- A BOTW VP Wealth Management Relationship Manager in Omaha, Nebraska serves on the Board and Executive Committee of Completely KIDS. Their mission is to educate and empower kids and families to create a safe, healthy, successful and connected community. Their programming approach involves the entire family by providing an afterschool program for the kids, employment and skill-building opportunities for teens, and expanded services for the parents.
- A BOTW SVP & Regional Retail Bank Manager serves on the Board as Treasurer for WESST – Women’s Economic Self-Sufficiency Team in Albuquerque, New Mexico. They provide consulting, training and lending to clients so they can successfully strengthen and grow their businesses through sustainable sales, financial knowledge and job creation. Founded by three women in 1989, WESST proudly targets its services to women, people of color and low-wealth New Mexicans.

D. Pro Forma CRA Program at BHB

As noted earlier, BHB will continue to be committed to advancing the strong record of CRA performance of each legacy institution while helping to serve the needs of its communities throughout its footprint after consummation of the Proposed Transaction. After consummation of the Proposed Transaction, the combined bank’s network of over 1,000 branch locations will allow for an opportunity for BHB and BOTW to bring the best CRA practices and products of both entities to their new respective markets. The combined bank will service all of the current AAs of both BHB and BOTW. There is minimal overlap in AAs between BMO and BOTW. Combining the two organizations will result in 46 new AAs to the BHB footprint (CA, CO, OR, NM, NE, IA, WY, NV, WA, OK, ND, UT, SD, ID and NY), five new AAs in states where BHB is currently located (AZ, MN and KS), an expansion of six current AAs with additional counties (Phoenix, Minneapolis, Kansas City, Non-MSA Kansas, Non-MSA WI and La Crosse) and two AAs where there is an exact overlap (Prescott Valley – Prescott, AZ and Tucson, AZ MSAs).

91% of the combined CRA AAs will have no overlap in the 24-state footprint therefore bringing incremental practices and products to these states. Please see Exhibit 16 for a list of the *pro forma* AAs for the combined bank.

On consummation of the Proposed Transaction, the combined banking organization will continue to operate under BHB's policies and procedures. BHB will work with BOTW to evaluate CRA activities, programs, products, and business strategies and collaborate to retain best practices and ensure continued strong performance under the CRA. Care will be taken to meet with the existing BOTW CRA staff to understand their current compliance practices, policies and procedures, in addition to understanding how to best integrate the BOTW CRA and Outreach Teams and data into the BHB CRA program and governance structure.

As noted earlier, BHB intends to hire additional affordable mortgage originators in the newly combined 24 state branch retail footprint and explore the expansion of the small business SPCP. In addition, as noted in the *Convenience and Needs of the Community* section, the combined banking organization will continue to have a wide array of deposit (including *Bank On* certified products), checking and loan products and access to customer friendly programs with features that may assist LMI or minority individuals. BHB will work with BOTW to understand its product set in more detail, and how the products and programs are currently meeting, or not meeting the needs of the community. Where there are gaps, BHB will explore developing new products to meet the needs of the community. The combined entities will leverage respective learning and capabilities on strategies for LMI borrower and LMI geography origination. BHB is a member of the Chicago Federal Home Loan Bank and will expand its offering of self-funded down payment assistance programs in the expanded footprint. The BHB Credit Builder loan product will be offered in the expanded footprint. The Credit Builder loan helps individuals begin to establish or repair credit through a certificate of deposit secured loan which serves a dual function for savings and credit establishment. At loan maturity, the borrower is awarded the full balance plus accrued interest in addition to establishing credit that is reported to all three credit reporting agencies.

BHB will engage with BOTW staff in meeting with community and advocacy groups to understand the impacts and needs of LMI and underserved communities and will prioritize the findings to serve the communities throughout their respective AAs, including LMI and other underserved communities. Both BHB and BOTW have similar outreach models with dedicated business development and/or relationship managers focused on engaging community partners and internal bank staff to increase mortgage lending to LMI and minority borrowers and communities. The combined bank will have a community outreach team that has a comprehensive skill and broad community development expertise.

Lastly, the BHB community development lending and investment teams will work with BOTW staff to understand each other's products and programs to best meet the needs of the community. As noted earlier, the community development team will bring a new product offering to the expanded footprint and will continue important programs needed by CDFIs, such as equity investments.

In summary, the merging of BHB and BOTW bring together two strong banking entities with a strong commitment in CRA. Both entities have different but complimentary business

models that bring a comprehensive set of programs, tools and expertise to underserved and LMI communities. The combination of the best practices and complementary areas of expertise of these two financial institutions will result in an enhanced and more impactful contribution to the communities in which they operate.

Conclusion

The Proposed Transaction will join two banks with highly compatible cultures, business models, risk management systems and dedication to superior customer service, resulting in a stronger BMO-FG that is better able to serve consumers, businesses and other customers across the nation. All of the statutory factors that the Federal Reserve must consider in acting on the Application are consistent with approval. BMO-FG has ample financial and managerial resources to successfully consummate the Proposed Transaction. BMO, BFC, BHB and BOTW are well capitalized, and BMO, BFC and BHB will remain so upon consummation of the Proposed Transaction.

BMO-FG, including BHB, has established an Integration Management Office with cross-divisional representatives and workstreams to ensure a successful integration of BOTW into BHB. Both BHB and BOTW have robust risk management programs, including for BSA/AML/Sanctions Compliance and Consumer Compliance. The combined organization will build upon the existing risk management and compliance frameworks to ensure continued safe and sound operations.

The Proposed Transaction will not adversely impact competition in any banking market. The pro forma market concentrations in the six overlapping banking markets are all within the Federal Reserve's and the DOJ's "safe harbor" levels and multiple competitors will remain in each banking market.

In addition, the Proposed Transaction will not result in any material increased risk to the U.S. banking or financial system. Instead, the Proposed Transaction will have a systemically stabilizing impact by creating a combined company that is more geographically diversified and has increased earnings capability and financial strength. These benefits will enable the combined organization to compete more effectively against the largest U.S. banking organizations that operate nationally and are aggressively seeking to increase their deposit market shares, particularly in the major metropolitan areas of the United States, as well as the larger regional banks that also operate on a national level and have seen substantial growth over the last decade. BMO-FG's financial strength will also support its continued high level of investment in technologies and innovation to effectively address the evolving needs of customers and communities for innovative banking services and cybersecurity protections.

The continuation of the outstanding CRA performance records of BHB and BOTW will benefit the customers and communities served by the combined bank. Customers of BHB and BOTW will also benefit from the resulting larger branch and ATM networks, and broader banking product and service offerings of the combined organization. In addition, customers and communities will benefit from the reinforced culture and dedication of BMO-FG that is focused on providing superior customer service to consumers and businesses alike and economic support to all its communities, including LMI and other underserved communities. In addition, the

continuation of BMO-FG and BOTW's shared prioritization of ESG, diversity and inclusion of customers, communities and employees will benefit all of BMO-FG's constituents.

For all the reasons discussed in this Application, including the exhibits, BMO and BFC respectfully submit that the Application should be approved as promptly as possible.

RESPONSES TO THE FORM FR Y-3 INFORMATION REQUEST ITEMS

Proposed Transaction

- 1. Describe the transaction's purpose. Identify any changes to the business plan of the Bank/Bank Holding Company to be acquired or the Resultant Institution. Identify any new business lines.**

The purpose of the transaction is to combine two highly compatible banking organizations with complementary cultures, business models, strong financials and capital ratios, rigorous risk management and dedication to the communities they serve. The combined organization does not anticipate any new business lines as a result of the Proposed Transaction. BMO and BHB will gain enhanced ability to serve customers and communities, including LMI and other disadvantaged customers and communities; a banking franchise across the Western and Midwestern United States.

Please see the discussion in the *Preliminary Statement* and *Convenience and Needs Considerations* for additional information.

- 2. Provide the following with respect to the Bank/Bank Holding Company to be acquired:**

- a. Total number of shares of each class of stock outstanding;**

The authorized capital stock of BW Holding, as of January 14, 2022, consists of (1) 320,000,000 shares of Common Class A Shares, par value \$0.01 per share, of which 102,658,851 shares are issued and outstanding; (2) 10,000,000 shares of Common Class B Shares, par value \$0.01 per share, of which 1,286,800 shares are issued and outstanding; (3) 10,000,000 shares of Common Class C Shares, par value \$0.01 per share, of which 1,286,800 shares are issued and outstanding; and (4) 10,000,000 shares of Preferred Shares, par value \$0.01 per share, none of which are issued and outstanding.

- b. Number of shares of each class now owned or under option by the applicant, by subsidiaries of the applicant, by principals of the applicant,⁷⁹ by trustees for the benefit of the applicant, its subsidiaries, shareholders, and employees as a class, or by an escrow arrangement instituted by the applicant;**

To the best of BMO's knowledge, none of BMO, BFC or BHB, or any of their subsidiaries or principals (including directors or senior executive officers), or any trustee for the benefit of any of the foregoing or employees of BMO or its subsidiaries (as a class), own or hold

⁷⁹ The term principal as used herein means any individual, corporation, or other entity that (1) owns, or controls, directly or indirectly, individually or as a member of a group acting in concert, 10 percent or more of any class of voting securities or other voting equity interest of the entity; (2) is a director, trustee, partner, or executive officer; or (3) with or without ownership interest, participates, or has the authority to participate in major policy-making functions, whether or not the individual has an official title or is serving without compensation. If the applicant believes that any such individual should not be regarded as a principal, the applicant should so indicate and give reasons for such opinion.

an option to acquire any shares of BW Holding or BOTW. All the shares of BW Holding are owned by BNP Paribas USA, Inc. All the shares of BOTW are owned by BW Holding.

Similarly, to the best of BOTW's knowledge, none of BW Holding, BOTW or their subsidiaries or principals (including directors or senior executive officers), or any trustee for the benefit of any of the forgoing or employees of BW Holding or BOTW or its subsidiaries (as a class), own or hold an option to acquire any shares of BMO.

c. Number of shares of each class to be acquired by cash purchase; the amount to be paid, per share and in total; and the source of funds to be applied to the purchase;

BFC will pay BNPP \$16.3 billion cash consideration for all the capital stock of BOTW (noted in response to item 2.a. above), minus the BOTW's transaction expenses. If the Share Acquisition has not closed by December 31, 2022, then BFC will also pay 25% of (i) Closing Tangible Common Equity (as defined in the Agreement) *less* (ii) \$10.5 billion (reduced by any pre-Closing dividends).

Please see Article II of the Agreement in Exhibit 1 for more detailed information on the consideration to be paid by BMO to BNPP.

d. Number of shares of each class to be acquired by exchange of stock, the exchange ratio, and the number and description of each class of the applicant's shares to be exchanged; and

As discussed in the *Preliminary Statement – Structure and Terms of the Proposed Transaction*, the Proposed Transaction is an all cash transaction for all the shares of capital stock of BW Holding.

e. A copy of the purchase, operating, shareholder, trust or other agreements associated with the proposed transaction. Also, provide the expiration dates of any contractual arrangement between the parties involved in this application and a brief description of any unusual contractual terms, especially those terms not disclosed elsewhere in the application. Note any other circumstances that might affect timing of the proposal. Note any other circumstances that might affect timing of the proposal.

A summary of the principal terms of the Proposed Transaction is provided in the *Preliminary Statement – Structure and Terms of the Proposed Transaction* section above. An execution version of the Agreement is provided in Exhibit 1. BMO will provide the Federal Reserve a copy of the Bank Merger Agreement promptly after it is executed.

Resolutions approving the Share Acquisition by BMO's Board of Directors and joint resolutions of the Boards of Directors of BFC and BHB approving the Bank Merger and the filing of the related regulatory filings, as well as the related consent of BFC as the sole shareholder of BHB approving the Bank Merger, are provided in Exhibit 4. Shareholder consent of BMO as the sole shareholder of BFC and resolutions by BFC's Board of Directors approving the Holdco Merger are provided in Exhibit 5.

Relevant resolutions of the Boards of Directors of BNPP, BNP-US and BW Holding approving the Share Acquisition and the Bank Merger and of BOTW approving the Bank Merger and the filing of the Bank Merger application, as well as the related consent of BW Holding as the sole shareholder of BOTW, are provided in Exhibit 6. Resolutions of the Board of Directors of BW Holding and the related consent of BNP Paribas USA Inc. as the sole shareholder of BW Holding, approving the Holdco Merger are provided in Exhibit 7.

BMO and BNPP are planning to consummate the Proposed Transaction as soon as practicable, in order to preserve the benefits of the Proposed Transaction and minimize the loss of employees and customers that results from a protracted period between announcing and closing a transaction.

- 3. If the proposed transaction is an acquisition of assets and assumption of liabilities, indicate the total price and the source of funds that the applicant intends to use for the proposed purchase, and discuss the effect of the transaction on the operations of the applicant.**

Not applicable. The Proposed Transaction is not an acquisition of assets and assumption of liabilities.

- 4. If the proposed transaction involves the acquisition of an unaffiliated banking operation or otherwise represents a change in ownership of established banking operations, describe briefly the due diligence review conducted on the target operations by Applicant. Indicate the scope of and resources committed to the review, explain any significant adverse findings, and describe the corrective action(s) to be taken to address those weaknesses.**

A summary of BMO's due diligence review is provided in Confidential Exhibit D and the *Preliminary Statement – Financial and Managerial Resources and Future Prospects/Managerial Resources/Integration Planning* section above.

- 5. Provide a list of all regulatory approvals and filings required for the proposed transaction and the status of each filing.**

Please see the *Preliminary Statement – Required Approvals* section above for responsive information.

- 6. Provide a copy of any findings, orders, approvals, denials or other documentation regarding the proposed transaction issued by any regulatory authority.**

Not applicable. There is no such documentation regarding the Proposed Transaction issued by any regulatory authority.

- 7. For applications filed pursuant to section 3(a)(1) of the BHC Act, if the proposed transaction would result in an organization other than a shell one-bank holding company, submit a pro forma organization chart showing the applicant's percentage of ownership of all banks and companies, both domestic and foreign, in**

which it directly or indirectly will own or control more than 5 percent of the outstanding voting shares.

Not applicable. The Application is filed pursuant to sections 3(a)(3) and 3(a)(5) of the BHC Act.

Financial and Managerial Information

8.

- a. For an applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction,⁸⁰ provide parent company balance sheet as of the end of the most recent quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by detailed footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheet. The pro forma balance sheet should reflect the adjustments required under business combination and fair value accounting standards.**

Not applicable. BMO is subject to consolidated capital standards, which will continue to be the case after consummation of the Holdco Acquisition.

- b. For an applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction,⁸¹ provide parent company and consolidated balance sheets as of the end of the most recent quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by detailed footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheets; and the financial information provided should be prepared in accordance with GAAP, and be in sufficient detail to reflect any:**

- Common equity and preferred stock;**
- Other qualifying capital;⁸²**
- Long- and short-term debt;**
- Goodwill and all other types of intangible assets; and**

⁸⁰ This type of applicant includes a company or similar organization that on a pro forma basis would be subject to the Board's Small Bank Holding Company Policy Statement.

⁸¹ This type of applicant includes a company or similar organization that on a pro forma basis would not be subject to the Board's Small Bank Holding Company Policy Statement.

⁸² Other qualifying capital includes, but is not limited to, trust preferred securities.

- **Material changes between the date of the balance sheet and the date of the application (explained by footnotes).**

Please see Confidential Exhibit B, which includes the requested balance sheet information, as of September 30, 2021.

- c. Provide a broad discussion on the valuation of the target entity and any anticipated goodwill and other intangible assets. Also discuss the application of fair value and any election to apply push-down accounting adjustments, as appropriate.**

Please see Confidential Exhibit B, which includes the requested information in the Notes or Assumptions to the financial charts provided.

- 9. For an applicant that is or would be subject to consolidated capital requirements under Regulation Q (12 CFR part 21) following consummation of the proposed transaction, provide a breakdown of the organization's existing and pro forma risk-weighted assets as of the end of the most recent quarter, showing each principal group of on and off-balance sheet assets and the relevant risk-weight. Also, identify the existing and pro forma components of common equity tier 1, additional tier 1 and tier 2 capital pursuant to the capital adequacy regulations as of the end of the most recent quarter, and provide calculations of applicant's existing and pro forma common equity tier 1 capital, tier 1 capital, total capital, and leverage ratios pursuant to the capital adequacy regulations. If applicable, also provide the applicant's existing and pro forma supplementary leverage ratio pursuant to the capital adequacy regulations.**

Please see Confidential Exhibit B, which includes the requested capital-related information for the Proposed Transaction.

- 10. Provide for the applicant and any other Bank(s)/Bank Holding Company(ies) that would result from the proposal:**
 - a. A description of any plans (in connection with the proposed transaction, or otherwise) to issue, incur, or assume additional common equity, preferred stock, other qualifying capital, and/or debt. Specify the amount, purpose, name and location of the issuer and/or lender; provide a copy of any loan agreement, loan commitment letter from the lender, or other underlying agreement which provides the interest rate, maturity, collateral, and proposed amortization schedule; and discuss what resources would be used to service any debt or capital instruments arising from the proposed transaction.**

Please see Confidential Exhibit O for responsive information.

- b. If the proposed transaction results in a change in ownership of the company (e.g., due to an exchange of stock), provide a current and pro forma shareholders list.**

Not applicable. As a cash transaction, there would be no change in ownership of BMO, BFC or BHB as a result of the Proposed Transaction.

c. Cash flow projections under the following limited circumstances:

- (i) For an applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt in the proposal such that parent company long-term debt would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next three years, along with supporting schedules for each material cash receipt and disbursement. If an applicant projects that dividends or other payments from subsidiary banks will be used to service parent company debt and/or other obligations, provide projections of subsidiary bank(s) assets, earnings, and dividends, as well as common equity tier 1, additional tier 1, total capital, and leverage ratios (including the supplementary leverage ratio, if applicable) pursuant to the capital adequacy regulations. If the combined assets of the subsidiary banks exceed the asset threshold of the Board's Small Bank Holding Company Policy Statement, subsidiary bank data may be shown on an aggregate basis;**

Please see Confidential Exhibit P for information about BMO's long term debt and cash flow projections.

- (ii) For an applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt or other obligations in the proposal such that parent company debt⁸³ would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next twelve years, along with supporting schedules for each material cash receipt and disbursement. These projections must clearly demonstrate the ability of the parent company to reduce the debt to equity ratio to 30 percent or less within twelve years of consummation and must take into account the schedule of principal reduction required by the parent company's creditor(s). Include projections of subsidiary bank(s) assets, earnings, dividends, and other payments to affiliates, as well as common equity tier 1 capital, tier 1 capital, total capital and leverage ratios. Explain the methods and assumptions utilized in the projections, and support all assumptions which deviate from historical performance.**

Not applicable. BMO is subject to consolidated capital standards, which will continue to be the case after consummation of the Proposed Transaction.

⁸³ Including any debt issued/incurred by nonbanking subsidiaries, such as trust preferred securities.

- d. **If the subject transaction will be funded in whole, or in part, through the issuance of additional stock instruments, describe the current status of the stock raising efforts. Provide copies of the prospectus, private placement memorandum, and other documents associated with the capital raise. In addition, provide copies of any stock commitments, subscription agreements, or escrow account statements evidencing capital raised. Before submitting a final application, please contact the appropriate Federal Reserve Bank to discuss the timing considerations of the capital raising efforts with regard to submission of the application.**

Please see the response to item 10.a. above and Confidential Exhibit P.

11. **For applications filed pursuant to section 3(a)(1) of the BHC Act, provide for the applicant and the Bank a list of principals (including changes or additions to this list to reflect consummation of the transaction), providing information with respect to each as follows:**
 - a. **Name and address (City and State/Country). If the principal's country of citizenship is different from his or her country of residence, then state the country of citizenship;**
 - b. **Title or positions with the applicant and the Bank;**
 - c. **Number and percentage of each class of shares of the applicant and the Bank owned, controlled, or held with power to vote by this individual;⁸⁴**
 - d. **Principal occupation if other than with the applicant or the Bank;**
 - e. **Percentage of direct or indirect ownership, if such ownership represents 10 percent or more of any class of shares, or positions held in any other depository institution or depository institution holding company.⁸⁵ Give the name and location of such other depository institution or depository institution holding company. (Information that has been collected or updated within the past 12 months may be submitted, unless the applicant has reason to believe that such information is incorrect.);**
 - f. **Interagency Biographical and Financial Reports (IBFRs) are required for certain individuals. Consult with the appropriate Reserve Bank for guidance on who should provide an IBFR. See SR 15-8 Name Check Process for Domestic and International Applications for more details; and**

⁸⁴ Include shares owned, controlled or held with power to vote by principal's spouse, dependents and other immediate family members. Give record ownership and, to the extent information is available, beneficial ownership of shares held by trustees, nominees, or in street names.

⁸⁵ For purposes of this application, a "depository institution" is defined as a commercial bank (including a private bank), a savings bank, a trust company, a savings and loan association, a homestead association, a cooperative bank, an industrial bank, or a credit union.

- g. If the principal is a corporation or partnership, provide financial statements (balance sheets and income statements) for the two most recent fiscal years and the most recent quarter end. Discuss any negative trends in the financial statements.**

Not applicable. The Application is being filed under sections 3(a)(3) and 3(a)(5) of the BHC Act.

- 12. For applications filed pursuant to sections 3(a)(3) or 3(a)(5) of the BHC Act, list any changes in management or other principal relationships for the applicant and any other Bank(s)/Bank Holding Company(ies) that would result from the proposal. For any existing or proposed principal of the applicant or the Bank/Bank Holding Company that is also a principal of any other depository institution or depository institution holding company, provide the following information:**

- a. Name, address, and title or position with Applicant, Bank/Bank Holding Company, and any other depository institution or depository institution holding company (give the name and location of the other depository institution or depository institution holding company);**
- b. Number and percentage of each class of shares of the applicant and the Bank/Bank Holding Company owned, controlled, or held with power to vote by this individual;⁸⁶**
- c. Principal occupation if other than with the applicant or the Bank/Bank Holding Company; and**
- d. Percentage of direct or indirect ownership held in the other depository institution or depository institution holding company if such ownership represents 10 percent or more of any class of shares (Information that has been collected or updated within the past 12 months may be submitted, unless the applicant has reason to believe that such information is incorrect.); and**
- e. For any new (to applicant) principal shareholders, directors, or senior executive officer, provide an IBFR including completion of all required financial information.**

Please see the *Preliminary Statement – Financial and Managerial Resources and Future Prospects* section above for information on the directors and senior executive officers of BMO, BFC and BHB. Management and the BFC and BHB Boards of Directors will evaluate the proposed composition of the Boards of BFC and BHB to ensure the appropriate size, skill sets, geographic representation, diversity and other governance considerations. The Board of BFC and/or BHB will include representation from BOTW’s current board of directors. In accordance with BMO FG’s established talent management practices, BMO, BFC and BHB are evaluating and considering the management of BHB post-closing, which will include members of BOTW’s

⁸⁶ As defined in footnote number 81.

current management. Decisions have not been made at this time. In the period prior to conversion, BMO, BFC and BHB anticipate that most or all of the senior management of BOTW will remain to help ensure a smooth transition and conversion.

No principal of BMO, BFC, BHB or BOTW is a principal of any other unaffiliated insured depository institution or insured depository institution holding company.

- 13. If the consolidated assets of the resulting organization are less than the asset threshold of the Board's Small Bank Holding Company Policy Statement for each principal of the applicant who either would retain personal indebtedness or act as guarantor for any debt that was incurred in the acquisition of shares of the applicant or the Bank/Bank Holding Company, provide the following:**
- a. Name of borrower and title, position, or other designation that makes the borrower a principal of the applicant;**
 - b. Amount of personal indebtedness to be retained;**
 - c. A description of the terms of the borrowing, the name and location of the lender, and a copy of any related loan agreement or loan commitment letter from the lender;**
 - d. Statement of net worth as of a date within three months of the applicant's final filing of the application. The statement of net worth should be in sufficient detail to indicate each principal group of assets and liabilities of the reporting principal, and the basis for the valuation of assets (provide supporting documentation, as appropriate). In addition to debts and liabilities, the reporting principal should state on a separate schedule, any endorsed, guaranteed, or otherwise indirect or contingent liability for the obligation of others; and**
 - e. Statement of most current year's income. In addition to indicating each principal source of annual income, the reporting principal should list annual fixed obligations arising from amortization and other debt servicing. (If the most current year's statement is not representative of the future, the reporting principal should submit a pro forma income statement and discuss the significant changes and the basis for those changes.)**

Not applicable. The total banking assets of the resulting organization will exceed the asset threshold of the Board's Small Bank Holding Company Policy Statement.

- 14. Describe any litigation or investigation by local, state, or federal authorities involving the applicant or any of its subsidiaries or the target or any of its subsidiaries that is currently pending or was resolved within the last two years.**

Except as provided in Exhibit 19 and in Confidential Exhibits Q and R, none of BMO, BFC, BHB, BW Holding or BOTW, nor any of their respective affiliates, has been subject to any

litigation or investigation by local, state or federal authorities (whether ongoing, pending or resolved) within the last two years.⁸⁷

Competition

If the subject transaction is a bank holding company formation involving only one bank or an application filed pursuant to section 3(a)(3) or 3(a)(5) of the BHC Act to acquire a *de novo* bank, a response to items 14 and 15 is not required. Otherwise, the applicant should contact the appropriate Reserve Bank to determine whether a response to items 14 and 15 will be necessary. If a response is required, the applicant should obtain a preliminary definition of the relevant banking markets from the appropriate Reserve Bank. If the applicant disagrees with the Reserve Bank’s preliminary definition of the banking market(s), it may in addition to supplying the information requested on the basis of the Reserve Bank’s definition of the banking market(s), include its own definition of the banking market(s), with supportive data, and answer the questions based on its definition. If later analysis leads Federal Reserve staff to alter the preliminary definition provided, The applicant will be so informed.

- 15. Discuss the effects of the proposed transaction on competition considering the structural criteria specified in the Board’s Rules Regarding Delegation of Authority (section 265.11c(11)(v)). The applicant may be required to provide additional information if Federal Reserve staff determines that the proposal exceeds existing competitive guidelines. Also, if divestiture of all or any portion of any bank or nonbanking company constitutes part of this proposal, discuss in detail the specifics and timing of such divestiture.**

Please refer to the *Preliminary Statement – Competitive Effects* and Exhibit 11.

- 16. If the proposal involves the acquisition of nonbank operations under sections 4(c)(8) and 4(j) of the Bank Holding Company Act, a Form FR Y-4 should be submitted in connection with FR Y-3 filing. At a minimum, the information related to the nonbank operations should include the following:**
- a. A description of the proposed activity(ies);**
 - b. The name and location of the applicant’s and the Bank’s direct or indirect subsidiaries that engage in the proposed activity(ies);**
 - c. Identification of the geographic and product markets in which competition would be affected by the proposal;**

⁸⁷ In addition to litigation and investigations by governmental authorities, BMO, BFC, BHB, BW Holding, BOTW and their respective affiliates are involved in a number of judicial proceedings relating to matters arising from conducting normal business activities. For information on material proceedings, please see BMO’s 2021 Annual Financial Statement, Note 24, “Legal Proceedings” available at https://www.bmo.com/ir/archive/en/bmo_ar2021.pdf and BOTW 2021 Annual Financial Statement, Note 14, “Litigation,” available at <https://www.bankofthewest.com/about-us/our-company/-/media/CAF47D4520994D469FBE7660356455B8.ashx>.

d. A description of the effect of the proposal on competition in the relevant markets; and

e. A list of major competitors in each affected market.

Not applicable.

In addition, the applicant should identify any other nonbank operations to be acquired, with brief descriptions of the activities provided.

Please see Exhibits 2 and 3, respectively, for existing organization charts of (i) BMO, BFC and BHB and (ii) BNPP and BOTW, which include brief descriptions of the activities. A pro forma organization chart of BFC and BHB is provided in Confidential Exhibit A.

17. In an application in which any principal of the applicant or the Bank/Bank Holding Company is also a principal of any other insured depository institution or depository institution holding company, give the name and location of each office of such other institution that is located within the relevant banking market of the Bank/Bank Holding Company, and give the approximate road miles by the most accessible and traveled route between those offices and each of the offices of Bank/Bank Holding Company.

Not applicable. Please see the response to item 12. above.

Convenience and Needs

18. Describe how the proposal would assist in meeting the convenience and needs of the community(ies) to be served, including but not limited to the following:

a. Summarize efforts undertaken or contemplated by the applicant to ascertain and address the needs of the community(ies) to be served, including community outreach activities, as a result of the proposal.

b. For the combining institutions, list any significant anticipated changes in services or products offered by the depository subsidiary(ies) of the applicant or target that would result from the consummation of the transaction.

c. To the extent that any products or services of the depository subsidiary(ies) of the applicant or target would be offered in replacement of any products or services to be discontinued, indicate what these are and how they would assist in meeting the convenience and needs of the communities affected by the transaction.

d. Discuss any enhancements in products or services expected to result from the transaction.

Please see the *Preliminary Statement – Convenience and Needs Considerations and Commitment to the CRA* sections above for information on how the Proposed Transaction will

meet the convenience and needs of the communities to be served by the combined company and bank, including the expanded products and services that customers of BOTW will have access to as a result of the Proposed Transaction.

19. Describe how the applicant and resultant institution, including its depository subsidiary(ies) would assist in meeting the existing and anticipated needs of its community(ies) under the applicable criteria of the Community Reinvestment Act (CRA) and its implementing regulations, including the needs of low and moderate income geographies and individuals. This discussion should include, but not necessarily be limited to, a description of the following:

a. The significant current and anticipated programs, products, and activities, including lending, investments, and services, as appropriate, of the depository subsidiary (ies) of the applicant and the resultant institution.

Please see the *Preliminary Statement – Convenience and Needs and Commitment to the CRA* sections above for information on the CRA performance records, including their products and programs that are designed to meet the needs of LMI communities and individuals, and other responsive information.

b. The anticipated CRA assessment areas of the depository subsidiary(ies) of the combined institution. If assessment areas of the depository subsidiary(ies) of the resultant institution would not include any portion of the current assessment area of that subsidiary, describe the excluded areas.

Please see Exhibit 16 for the CRA AAs of BOTW that will be added to BMO's CRA AAs upon consummation of the Bank Merger, to the extent they are not already included in BMO's current CRA AAs. BMO will inform the Federal Reserve and OCC if there are any changes to these CRA AAs.

c. The plans for administering the CRA program for the depository subsidiary(ies) of the resultant institution following the transaction.

Please see the *Preliminary Statement – Commitment to the CRA* section above for a discussion of the plans for administering the CRA Program after the Propose Transaction.

d. The plans for administering the CRA program for the depository subsidiary (ies) of the resultant institution following the transaction. For a subsidiary of the applicant or target that has received a CRA composite rating of “needs to improve” or “substantial noncompliance” institution-wide or, where applicable, in a state or multi-state Metropolitan Statistical Area (MSA), or has received an evaluation of less than satisfactory performance in an MSA or in the non-MSA portion of a state in which the applicant is expanding as a result of the transaction, describe the specific actions, if any, that have been taken to address the deficiencies in the institution’s CRA performance record since the rating.

Not applicable.

- 20. List all offices of the depository subsidiary (ies) of the applicant or target that (a) will be established or retained as branches, including the main office, of the target's depository subsidiary (ies), (b) are approved but unopened branch(es) of the target's depository subsidiary (ies), including the date the current federal and state agencies granted approval(s), and (c) are existing branches that will be closed or consolidated as a result of the proposal (to the extent the information is available) and indicate the effect on the branch customers served. For each branch, list the popular name, street address, city, county, state, and zip code specifying any that are in low and moderate-income geographies.⁸⁸**

BHB and BOTW believe that customers will be well served by the combined bank's resulting branch network following consummation of the Proposed Transaction. Please see Exhibit 20 for a list of the current branch offices of BOTW, which will be retained as branch offices of BHB.

Please see Exhibit 21 for information regarding:

- a. BOTW's plans to open a *de novo* branch in the second quarter of 2022 to be located at 46691 Mission Blvd., Suite 230, Fremont, CA 94539. BOTW has already received regulatory approval to open this branch. This new branch opening is unrelated to the Proposed Transaction. Upon the Bank Merger, the branch will be retained as a branch office of BHB.
- b. BOTW's plans to relocate its branch located at 414 S. California Ave., Palo Alto CA 94306 to 2600 El Camino Real, Suite 110, Palo Alto CA 94306. This branch relocation is expected to take place on or about February 22, 2022 and is unrelated to the Proposed Transaction. BOTW has already notified its regulators about this branch relocation. Upon the Bank Merger, the relocated branch will be retained as a branch office of BHB.

Please also see Confidential Exhibit S.

There are no expected branch consolidations or closures in connection with the Proposed Transaction. BHB had pre-existing plans to consolidate or close a limited number of branch locations unrelated to the Proposed Transaction. These plans are outlined in Confidential Exhibit N. BHB will follow its usual branch consolidation and closing procedures and abide by all applicable regulatory requirements and guidance in connection with these branch consolidations and closures. These considerations are discussed in Exhibit 15.

Also unrelated to the Proposed Transaction:

- a. BHB plans to relocate its full service branch located at 1795 South Washington Street, Naperville, Illinois 60565 in February 2022 to 1315 S. Naper Boulevard,

⁸⁸ Please designate branch consolidations as those terms are used in the Joint Policy Statement on Branch Closings, [64 FR 34844 (June 29, 1999)].

Naperville, Illinois 60540. BHB has separately notified the OCC about this relocation.

- b. BHB plans to open a new full service branch on April 4, 2022 located at 338 S. Canal Street, Chicago, Illinois 60611. BHB has separately applied to the OCC for regulatory approval to open this branch.
- c. BHB plans to relocate its branch located at 1007 West Euclid Avenue, Arlington Heights, Illinois 60005 to 630 West Northwest Highway, Arlington Heights, Illinois 60004. This branch relocation is expected to take place in October 2022. BHB will provide a regulatory notice to the OCC about this relocation soon.

Interstate Banking

- 21. If the transaction involves the acquisition of a bank located in a State other than the home State of the applicant, please provide the following information, as applicable:**
- a. Identify any host state(s) involved with this transaction that require the target to be in operation for a minimum number of years and discuss compliance with this age requirement.**
 - b. Discuss compliance with nationwide and statewide deposit concentration limits to the transaction.**
 - c. Discuss compliance with state-imposed deposit caps.**
 - d. Discuss compliance with community reinvestment laws.**
 - e. Discuss any other restrictions that the host state(s) seek to apply (including state antitrust restrictions).**

Please see the *Preliminary Statement – Interstate Banking Requirements* section above for an analysis of the Proposed Transaction’s compliance with section 3(d) of the BHC Act.

Financial Stability

If either the acquirer or the target’s total assets exceeds \$10 billion as of the most recent quarter for which data is available, address the following questions:

- 22. If either the acquirer or the target conducts any cross-border activities, please describe the nature of these activities and the amounts of cross-border assets and liabilities as of the most recent quarter for which data is available.**
- 23. For each financial service below, if the dollar volume related to the service provided either by the acquirer or the target exceeds \$1 billion, please report the annual volume over the past 12 months (otherwise, do not report).**

Financial Service	Acquirer	Target
Short-term funding (e.g., in repos, fed funds)		
Underwriting services (e.g., equity, corporate bonds, commercial paper, ABS)		
Trading activities (e.g., equity, corporate bonds, derivatives)		
Payments, clearing, settlement, and custody services		
Prime brokerage		
Securities lending		
Corporate trust		
Correspondent banking		
Wealth management		
Insurance (including reinsurance)		

Please see the *Preliminary Statement – Financial Stability Risk Considerations* section above for a discussion of why the Proposed Transaction would not result in greater or more concentrated risks to the stability of the United States banking or financial system. In addition, please see Exhibits 12, 13, and 14 and Confidential Exhibits K and M for responsive information to this item.

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