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Re: Applications by Bank of Montreal, BMO Financial Corp. and BMO
Harris Bank National Association to acquire Bank of the West

Dear Ms. Fried and Mr. Almonte:

This letter responds to additional comments received by the Federal Reserve Bank of Chicago (the "Reserve Bank") and the Office of the Comptroller of the Currency (the "OCC") regarding the application seeking the prior approval of the Board of Governors of the Federal Reserve System (the "Federal Reserve") for Bank of Montreal ("BMO") and BMO Financial Corp. ("BFC") to acquire all the shares of BancWest Holding Inc. ("BW Holding") and thereby

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acquire control of its subsidiary bank, Bank of the West (“BOTW”) (the “FRB Application”), and the application seeking prior OCC approval to merge BOTW with and into BMO Harris Bank National Association (“BHB”), with BHB as the surviving institution (the “OCC Application,” and together with the FRB Application, the “Applications”). We appreciate this opportunity to respond to the additional comments.

As discussed in the Applications, BMO, BHB, BNP Paribas S.A., BW Holding and BOTW entered into the Share Purchase Agreement on December 18, 2021, as amended by the First Amended and Restated Share Purchase Agreement, dated as of January 16, 2022, among BMO, BFC, BHB, BNP Paribas S.A., BNP Paribas USA, Inc., BW Holding and BOTW (the “Agreement”), for BFC to acquire 100% of the shares of BW Holding and thereby indirectly acquire BOTW (the “Share Acquisition”). Pursuant to the Agreement, BW Holding will be merged with and into BFC, with BFC continuing as the surviving corporation (the “Holdco Merger”). Within one business day after consummation of the Holdco Merger, BOTW will merge with and into BHB, with BHB continuing as the surviving bank (the “Bank Merger,” and together with the Share Acquisition and the Holdco Merger, the “Proposed Transaction”).

On July 14, 2022, the Federal Reserve and the OCC (together, the “Agencies”) held a virtual public meeting where a number of commenters expressed views on the Proposed Transaction, both positive and negative. The Agencies also extended the comment period on the Proposed Transaction through July 19, 2022. The Federal Reserve and the OCC received several follow-up written comments on the Proposed Transaction. This letter provides information regarding the comments made at the public meeting as well as those posed in written comments received by the Agencies.

Importantly, the overwhelming majority of the written comments, as well as the participants in the public meeting were positive. Over 1,000 letters were submitted to the Agencies and 56 individuals spoke at the public meeting representing community organizations, local governments, community development financial institutions, retail customers and small businesses that support the Proposed Transaction. The many positive comments from established community groups, individuals and businesses included detailed information regarding their partnership with BHB and/or BOTW. BHB and BOTW are grateful to the individuals, small businesses and community organizations from across the footprint of both banking organizations that shared their experiences of partnering with BHB and BOTW to support local communities.

Several commenters voiced opposition to the Proposed Transaction unless BHB enters into a community benefits plan prior to approval of the Proposed Transaction. These and other commenters also shared specific concerns about the Proposed Transaction, including concerns about:

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- BHB's home mortgage lending in Chicago, Milwaukee, the State of Wisconsin, Indianapolis and Minneapolis;
- BOTW's home mortgage lending in Denver, San Francisco, San Bernardino County and in California generally;
- BHB's and BOTW's small business lending;
- BHB's and BOTW's branch actions over the past five years;
- BHB's and BOTW's overdraft fee practices; and
- BMO's and BNP Paribas S.A.'s efforts related to climate resiliency and lending to the fossil fuel industry.

Commenters also expressed concerns about BHB's and BOTW's lending to certain parties that are accused of problematic practices towards tenants and requested that certain confidential documents be made public. Commenters also requested further extensions of the comment period and for the Agencies to hold additional public meetings in Los Angeles, San Francisco, and Fresno.

Each of these concerns are discussed in detail below.

I. Community Benefit Plan

As noted above, some commenters articulated a desire that BHB enter into a community benefits plan prior to approval of the Proposed Transaction. In connection with this, certain commenters made a number of requests that BHB agree to certain programs or practices related to a number of topics.

As discussed in our previous response to comment letters dated March 11, 2022 (the "March Response"), BHB and BOTW believe that the Proposed Transaction will result in meaningful benefits to the communities served by the combined organization and that their current outstanding record of community engagement is consistent with approval of the Proposed Transaction, independent of a possible community benefit plan.

BHB and BOTW have met and continue to meet with community and advocacy groups to understand the effects on, and needs of, low- and moderate-income ("LMI") borrowers and neighborhoods and underserved communities and will prioritize the findings to serve these communities throughout their respective Community Reinvestment Act ("CRA") assessment areas ("AAs"). As noted in the March Response, BHB and BOTW hosted a series of online listening sessions by geographic region: (a) West—CO, AZ, NM and OK; (b) Pacific Northwest—OR and WA; (c) Midwest—IL, WI, IN, MN and MO; (d) California; and (e) the Plains and others—FL, ID, IA, KS, NE, NV, NM, ND, SD, UT and WY. Several senior executives from BHB, including David Casper, CEO and President of BHB, participated in each of these listening sessions, which were attended by over 175 community groups. BHB and BOTW continue to meet with and gather further input from certain community organizations,

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including the National Community Reinvestment Coalition, the California Reinvestment Coalition and the Alliance to Close the Racial Wealth Gap.

BHB and BOTW view these discussions with community groups as extremely productive and look forward to continued engagement. BHB and BOTW also believe that the information shared in the public meeting was very valuable. BHB is in the process of reviewing the various requests and information received from community groups and evaluating possible ways to further grow and enhance the combined banking organization's commitment to serving the needs of its combined footprint. BHB has shared a framework for the bank's plan with several community groups. BHB looks forward to further dialog with community groups about this framework and continues to anticipate adopting and announcing a community benefits plan prior to consummation of the Proposed Transaction.

II. BMO's and BOTW's Home Mortgage Lending

Commenters expressed concerns about BHB's and BOTW's home mortgage lending record. Comments ranged from general concerns to more particular concerns regarding BHB and BOTW's lending record to Minority individuals in certain areas. Commenters made a number of specific allegations, including that:

- BHB's home mortgage lending (applications, originations and denial rates) in Chicago, Milwaukee, the State of Wisconsin, Indianapolis and Minneapolis are disproportionately low when compared to peer lenders and local demographics; and
- BOTW's home mortgage lending (applications, originations and denial rates) in Denver, San Francisco, San Bernardino County and in California generally are disproportionately low when compared to peer lenders and local demographics.

BHB and BOTW provided detailed information about their home mortgage lending record in the initial application materials, as well as in the March Response. BHB and BOTW have strong home mortgage lending programs that offer an array of products and programs that are targeted to Minority and LMI individuals and businesses within their respective AAs. Importantly, the Proposed Transaction will bring together the best practices and complementary areas of expertise of these two financial institutions and result in a more competitive banking organization with a larger geographic footprint that will permit the combined bank to make an enhanced and more impactful contribution to the communities in which they operate.

A. Home Mortgage Lending Record

Commenters criticized BHB's and BOTW's home mortgage lending to Minority borrowers in a number of geographies. BHB and BOTW regularly evaluate their mortgage lending performance against Home Mortgage Disclosure Act ("HMDA") originations data from prior years, as well as against similarly regulated peer banks that lend in their respective AAs.

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BHB and BOTW are firmly committed to making their credit products and services available to prospective and existing customers on a fair and equitable basis and in strict compliance with both the letter and spirit of the fair lending laws and regulations.

BHB

As noted above, commenters criticized BHB's home mortgage lending (applications, originations and denial rates) in Chicago, Milwaukee, the State of Wisconsin, Indianapolis and Minneapolis. Although home mortgage lending is not a large part of BHB's current business model, BHB continuously works to improve its home mortgage lending program for all borrowers, including LMI and Minority borrowers.

BHB uses a centralized distribution strategy for home mortgage origination (versus in-market mortgage bankers). This centralized distribution process impacts the number and type of applications received by BHB. Specifically, the bank does not receive (a) the same variety of applications or (b) as many pre-vetted or pre-qualified applications as one would see with in-market mortgage bankers. As a consequence, this centralized process generally results in overall higher denial rates under traditional underwriting criteria for all borrowers across all AAs served by the bank, irrespective of race or ethnicity. BHB has comprehensive fair lending policies and procedures, risk assessments, monitoring and testing, internal controls, training and a customer complaint management and response process. BHB also has performed matched pair analysis with no evidence of discrimination. Additionally, BHB is subject to comprehensive fair lending supervision by the OCC and the Consumer Financial Protection Bureau. In connection with BHB's most recent CRA performance evaluation, the OCC did not express any concerns about discrimination or other illegal credit practices in connection with the bank's lending programs.

BHB understands that its applications and originations to Minority borrowers have been less than its peers in certain markets. Over the past year, and in line with the bank's BMO EMpower initiative, BHB made several changes to its operations and outreach in order to increase support and lending to minorities. Specific actions include:

- Hiring in-market mortgage bankers focused on LMI and Majority Minority geographies.
- Having CRA relationship managers in major markets that work with non-profits, realtors and housing agencies to increase referrals of LMI and Minority applicants.
- Instituting an internal referral system and operations second review process for any proposed denials for LMI or Minority borrowers.
- Enhancing the bank's marketing materials to highlight an expanded product suite that permits lower credit scores and raise eligible LTVs.

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- Implementing a new role called the Homebuyer Specialist (“HBS”) in December 2021, in order to improve the customer experience, reduce withdrawn applications, and simplify program utilization. The 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.
- Funding down payment assistance to qualified borrowers.
- Deploying CRA relationship managers to host housing seminars for first time homebuyers.
- Developing a special purpose credit program to provide borrowers purchasing homes in Majority Minority Census tracts in the Chicago and Phoenix areas with enhanced down payment assistance funded by BHB.
- Engaging in direct mailing campaigns to LMI and Majority Minority Census tracts in certain areas, including Chicago and Phoenix.

BHB is pleased with the results of the efforts to date and anticipates adding further initiatives to increase lending in key areas as part of the bank’s development of a comprehensive community benefits plan.

In contrast to BHB’s model, BOTW’s home mortgage origination strategy includes a significant number of in-market mortgage bankers. BHB plans to retain these in-market mortgage bankers and, over time, add in-market mortgage bankers to the BHB branch network. BHB’s primary current focus in mortgage banking recruiting is the staffing of in-market mortgage bankers that are focused on where the bank would like to strengthen its lending to LMI and Minority borrowers and geographies. The bank is currently recruiting to fill several mortgage banker positions.

Below is a discussion of BHB’s 2021 home mortgage lending data for each of the geographies cited by commenters. Tables with detailed data for each market can be found in the attached Exhibit A. This letter also includes relevant data through June 2022 in order to show the progress BHB has made in its lending to Minority geographies.

Chicago

One commenter criticized BHB’s home mortgage lending to Minority borrowers in Chicago, Illinois. BHB has 28 branch locations in the city of Chicago and a total of 178 branch locations in the Chicago-Naperville-Elgin, IL-IN-WI MSA.¹ Chicago has a competitive home

¹ Cook, DuPage, Kane, Lake and Will counties in Illinois and Lake County in Indiana.

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mortgage market with 787 HMDA reporters. In 2021, the top 10 lenders accounted for 57.9% of all applications. BHB has a mortgage market share of only 0.9% in the city of Chicago.

In 2021, BHB received a total of 1,454 home mortgage applications and originated 626 mortgages for properties in the city of Chicago. The percent of BHB's home mortgage applications and originations to Black borrowers in the city of Chicago exceeded that of the relevant peer group for this time period (Applications-BHB 15.6%, peer lenders 14.7%; Originations-BHB 11.0%, peer lenders 9.5%). The percent of BHB's applications from Majority Minority Census tracts (BHB 51.8%, peer lenders 51.6%) was approximately equal to the relevant peer group, while the percent of originations (BHB 40.7%, peer lenders 47.1%) was less than that of the relevant peer group. The percent of BHB's originations to Hispanic (BHB 18.2%, peer lenders 19.9%) and Asian (BHB 7.7%, peer lenders 9.3%) borrowers was slightly below the relevant peer group. Similar to other geographies, BHB's denial rates on all mortgages was higher than the relevant peer group in the city of Chicago. However, the denial disparity ratios for Black (BHB 1.96, peer lenders 2.78), Hispanic (BHB 1.66, peer lenders 1.84) and Asian (BHB 1.03, peer lenders 1.15) borrowers as compared to White borrowers were all lower than the relevant peer group.

BHB also has seen material growth in lending to Minority borrowers in the Chicago area as a result of recent actions by the bank. BHB now has four in-market mortgage bankers in the Chicago area. BHB offers a variety of homebuyer programs to support Chicago homebuyers, including BHB-funded programs, which can be layered together with Illinois Housing Development Authority programs and the FHLBC Down Payment Plus program. In addition, BHB launched a special purpose credit program to support homebuyers in Majority Minority communities in Chicago. When layered together, homebuyers can receive up to \$20,000 in mortgage support. BHB has led various homebuyer events in partnership with Dearborn Realist to help educate Minority real estate agents and offered various homebuying webinars in partnership with non-profits and initiatives, such as the Spanish Coalition, the Chicago Urban League, the HOPE Chicago initiative, among others. Since 2020, BHB has increased its percentage of home mortgage lending to Majority Minority Census tracts in the city of Chicago from 34.2% in 2020, to 45% through June 2022.

Milwaukee

One commenter criticized BHB's home mortgage lending to Minority borrowers in Milwaukee, Wisconsin. BHB has 13 branch locations in the city of Milwaukee. BHB has 49 total branch locations in the Milwaukee-Waukesha, WI MSA.² Milwaukee is a highly competitive market with 631 HMDA reporters. In 2021, the top 10 lenders accounted for 42.2% of all applications. BHB has a market share of only 2% in this area.

² Milwaukee, Ozaukee, Washington, Waukesha counties.

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In 2021, BHB received a total of 1,048 home mortgage applications and originated 519 mortgages for properties in the city of Milwaukee. The percent of BHB's home mortgage applications (BHB 9.9%, peer lenders 15.1%) and originations (BHB 4.2%; peer lenders 10.9%) to Black borrowers in the city of Milwaukee was less than that of the relevant peer group for this time period. However, the percent of BHB's applications and originations to Majority Minority Census tracts (Applications-BHB 27.3%, peer lenders 27.4%; Originations-BHB 21%, peer lenders 21%), as well as Hispanic (Applications-BHB 15.5%, peer lenders 9.9%; Originations-BHB 14.5%, peer lenders 9.6%) and Asian (Applications-BHB 7.2%, peer lenders 4.5%; Originations-BHB 7.5%, peer lenders 4.9%) borrowers all equaled or exceeded that of the relevant peer group. BHB's denial rates on all mortgages is higher than that of the relevant peer group for all borrowers, including White, Black, Hispanic and Asian borrowers, in the city of Milwaukee. However, the denial disparity ratios for Black (BHB 2.55, peer lenders 2.48), Hispanic (BHB 1.53, peer lenders 1.84) and Asian (BHB 1.18, peer lenders 1.46) borrowers as compared to White borrowers were approximately the same or superior as the relevant peer group.

Milwaukee is an area where BHB has seen material improvement in lending to Minority borrowers since the implementation of the changes discussed above as well as other initiative specific to the area. BHB now has two in-market mortgage bankers in the Milwaukee area. BHB developed an Individual Development Account (IDA) program in partnership with Acts Housing to support savings toward homeownership for LMI and Minority communities in Milwaukee. BHB is serving as the lead bank in the launch of Project REACH in Milwaukee, which is an OCC-led initiative to remove barriers to financial inclusion for underserved communities. BHB also led a series of financial education seminars located in a renowned barbershop in Milwaukee. Since 2020, BHB has increased its percentage of home mortgage lending to Majority Minority Census tracts in the Milwaukee-Waukesha, WI MD from 10.4% in 2020, to 25% through June 2022.

State of Wisconsin

One commenter criticized BHB's home mortgage lending to Minority borrowers in the State of Wisconsin generally. BHB has 154 branch locations in the State of Wisconsin, located in 17 different AAs. Consistent with industry practice, BHB typically reviews its HMDA data and lending records for fair lending purposes by AA, or other particular geographies (such as by MSA), given the varying demographic characteristics of each market. BHB offers a variety of homebuyer programs to specifically support Wisconsin homebuyers, including BHB-funded programs, which can be layered together with Wisconsin Housing and Economic Development Authority programs and the Federal Home Loan Bank of Chicago ("FHLBC") Down Payment Plus program. BHB also serves as the lead bank for a special down payment assistance program offered through Movin' Out. Movin' Out is a nonprofit organization that specializes in supporting handicapped individuals by helping them pursue homeownership or by supporting existing homeowners through making a home handicap accessible.

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In 2021, BHB received a total of 7,183 home mortgage applications and originated 3,915 mortgages for properties in the State of Wisconsin. Similar to Milwaukee, the percent of BHB's home mortgage applications (BHB 2.4%, peer lenders 3.4%) and originations (BHB 1.1%, peer lenders 2.7%) to Black borrowers in the State of Wisconsin was less than that of the relevant peer group for this time period. However, the percent of BHB's applications and originations to Majority Minority Census tracts (Applications-BHB 4.9%, peer lenders 4.6%; Originations-BHB 3.5%, Peer 3.5%), as well as Hispanic (Applications-BHB 5.7%, peer lenders 5.0%; Originations-BHB 4.6%, Peer 4.6%) and Asian (Applications-BHB 3.2%, peer lenders 2.8%; Originations-BHB 2.5%, Peer 2.6%) borrowers all equaled or exceeded that of the relevant peer group. BHB's denial rates on all mortgages is higher than that of the relevant peer group for all borrowers in the State of Wisconsin. However, the denial disparity ratios for Black (BHB 2.51, peer lenders 2.21), Hispanic (BHB 1.27, peer lenders 1.41) and Asian (BHB 1.26, peer lenders 1.20) borrowers as compared to White borrowers were approximately the same as the relevant peer group.

Indianapolis

One commenter criticized BHB's home mortgage lending to Black borrowers and Census tracts in the city of Indianapolis and Marion County specifically. BHB has 15 locations in Marion County, which houses the city of Indianapolis. BHB has 33 total branch locations in the Indianapolis-Carmel-Anderson, IN MSA.³ Indianapolis is also a highly competitive market with 745 HMDA reporters. In 2021, the top 10 lenders accounted for 33.9% of all applications. BHB has a market share of only approximately 0.8% in this area.

The commenter also noted that BHB had no branch locations in Minority Census tracts in Marion County. In Marion County, BHB has nine branches located in LMI Census tracts, one branch located in a Majority Minority Census tract and nine branches located in Census tracts with Minority populations between 30% and 50%.

In 2021, BHB received a total of only 762 home mortgage applications and originated 386 mortgages for properties in the city of Indianapolis. Given the small sample size, a relatively small number of loans will have a disproportionate impact on the statistical comparisons for this area. With that in mind, the percent of BHB's home mortgage applications and originations to Black borrowers in the city of Indianapolis was less than that of the relevant peer group for this time period (Applications-BHB 9.3%, peer lenders 14.5%; Originations-BHB 4.1%, peer lender 11.1%). The percent of BHB's originations to Majority Minority Census tracts (BHB 13.0%, peer lenders 15.1%) and Asian borrowers (BHB 3.4%, peer lenders 6.0%) also was slightly less than that of the relevant peer group. Similar to other markets, BHB's denial rates on all mortgages is higher than that of the relevant peer group in the city of Indianapolis. The denial

³ Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Morgan, Putnam, and Shelby counties.

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disparity ratios for the city of Indianapolis for Black borrowers (BHB 2.76, peer lenders 1.77) as compared to White borrowers was higher than the relevant peer group and the denial disparity ratio for Hispanic (BHB 1.65, peer lenders 1.43) and Asian (BHB 1.44, peer lenders 1.15) borrowers as compared to White borrowers were similar to the relevant peer group.

Indianapolis is another area where BHB has seen material improvement in lending to Minority borrowers. BHB now has an in-market mortgage banker in this area. BHB partners with 12 organizations within the Indianapolis MSA, including Indy Gateway, NEAR, and INHP, on improving homeownership options for LMI and Minority borrowers. BHB collaborates with these organizations on webinars and other events. BHB found these webinars to be a helpful tool given its limited market presence and the limitations on in person engagement during the pandemic. Over the past year, BHB conducted eight homebuyer events in Indiana that targeted LMI and Minority borrowers. As a result of these efforts, since 2020, BHB has increased its percent of percentage of home mortgage lending to Majority Minority Census tracts in the Indianapolis-Carmel-Anderson, IN MSA from 3.5% in 2020, to 10.5% through June 2022.

Minneapolis

One commenter criticized BHB's home mortgage lending to Minority borrowers in Minneapolis, Minnesota. BHB has two locations in the city of Minneapolis and a total of 23 branch locations in the Minneapolis-St. Paul-Bloomington, MN-WI MSA.⁴ Minneapolis has a competitive mortgage market with 782 HMDA reporters. In 2021, the top 10 lenders accounted for 36.3% of all applications. BHB has a mortgage market share of only 0.34% in this area. BHB offers a variety of homebuyer programs to support buyers in Minnesota, including BMO-funded programs, which can be layered together with Minnesota Housing Finance Agency programs and the FHLBC Down Payment Plus program. BHB has offered homebuying webinars in partnership with the Greater Metropolitan Housing Corporation and PRG, Inc., a non-profit working to support community-based affordable housing.

In 2021, BHB received a total of only 430 home mortgage applications and originated 196 mortgages for properties in the city of Minneapolis. Similar to Indianapolis, given the small sample size, a relatively small number of loans will have a disproportionate impact on the statistical comparisons for this area. The percent of BHB's home mortgage applications and originations to Black borrowers (Applications-BHB 4.0%, peer lenders 8.6%; Originations-BHB 1.0%, peer lenders 6.9%) and in Majority Minority Census tracts (Applications-BHB 8.4%, peer lenders 13.6%; Originations-BHB 5.1%, peer lenders 12.5%) in the city of Minneapolis was less than that of the relevant peer group for this time period. The percent of BHB's originations to Hispanic (BHB 4.6%, peer lenders 5.2%) and Asian borrowers (BHB 6.1%, peer lenders 7.3%) also was slightly less than that of the relevant peer group. Similar to other markets, BHB's

⁴ Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Le Sueur, Mille Lacs, Ramsey, Scott, Sherburne, Washington, and Wright counties in MN and Pierce and St. Croix counties in WI.

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denial rates on all mortgages is higher than that of the relevant peer group in the city of Minneapolis. The denial disparity ratios for the city of Minneapolis for Black (BHB 2.22, peer lenders 2.25), Hispanic (BHB 1.60, peer lenders 1.48) and Asian (BHB 0.95, peer lenders 1.12) borrowers as compared to White borrowers were approximately the same as the relevant peer group.

BOTW

Commenters also criticized BOTW's home mortgage lending (applications, originations and denial rates) in Denver, San Francisco, San Bernardino County and in California generally. As noted above, BOTW is firmly committed to making its credit products and services available to customers on a fair and equitable basis. BOTW has comprehensive fair lending policies and procedures, risk assessments, monitoring and testing, internal controls, training and a customer complaint management and response process.

Below is a discussion of BOTW's 2021 home mortgage lending data for each of the geographies mentioned by commenters.⁵ Tables with detailed data for each market can be found in the attached Exhibit 1.

Denver

One commenter criticized BOTW's home mortgage lending to Minority borrowers in Denver, Colorado. BOTW operates a total of 40 retail branches in the Denver-Aurora-Lakewood MSA,⁶ eight of which are located in the city and county of Denver. Denver County is a highly competitive market with 706 HMDA reporters. BOTW has a mortgage market share of only 0.5% in Denver County. In 2021, the top 10 lenders accounted for 31.5% of all applications in Denver County.

BOTW received only 30 applications for single-family, home purchase loans that were not primarily for business or commercial use. An analysis of these home mortgage loans is not statistically meaningful given the extremely small sample size. As noted in previous submissions, BOTW established the Community Lending and Diverse Market unit within the BOTW's 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 business development officers ("BDOs") covering key geographies. BOTW has a BDO who is dedicated to increasing homeownership opportunities for underserved community members in the Denver area. This BDO proactively searches for and builds partnerships with non-profit community organizations and diverse Realtor groups that focus on increasing homeownership. The BDO

⁵ BOTW's 2021 home mortgage lending data in Exhibit A and used in this section includes single family, non-business or commercial, home purchase loans.

⁶ Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park counties.

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serves on organization boards, coordinates homebuyer education opportunities for consumers, identifies down payment assistance program opportunities, and provides product and program training.

San Francisco

One commenter criticized BOTW's home mortgage lending to Minority borrowers in San Francisco, California. BOTW has a total of 51 retail branches locations in the San Francisco–Oakland–Berkeley, CA MSA⁷ and 10 of these locations are within the city and county of San Francisco. San Francisco County has a highly competitive mortgage market with 549 HMDA reporters. The top 10 lenders accounted for 48.1% of all applications. BOTW has a mortgage market share of only 1.1% in the city and county of San Francisco.

In 2021, BOTW received only 72 applications for single-family, home purchase loans that were not primarily for business or commercial use in the City and County of San Francisco. Similar to Denver, it is difficult to do a statistically meaningful analysis of these home mortgage loans given the small sample size. However, with that caveat, BOTW's percentage of applications from Black individuals and Majority Minority Census tracts, as well as BOTW's percentage of originations to Black individuals and Majority Minority Census tracts all exceeded the relevant peer group. BOTW also has a BDO who is dedicated to increasing homeownership opportunities for underserved community members in Northern California, including San Francisco County.

San Bernardino County

One commenter criticized BOTW's home mortgage lending to Minority borrowers in San Bernardino County, California. BOTW operates two retail branch locations in San Bernardino County. San Bernardino County has a highly competitive mortgage market with a total of 775 HMDA reporters. In 2021, the top 10 lenders accounted for 35.6% of all applications. BOTW has a mortgage market share of only 0.2%.

In 2021, BOTW received only 30 applications for single-family, home purchase loans that were not primarily for business or commercial use in San Bernardino County. Similar to Denver, it is difficult to do a statistically meaningful analysis of these home mortgage loans given the extremely small sample size. BOTW has a BDO that serves Southern California, including the Inland Empire metropolitan area (which encompasses the cities of San Bernardino and Riverside and borders Los Angeles County), and is dedicated to increasing homeownership opportunities for underserved community members.

⁷ Alameda, Contra Costa, Marin, San Francisco, San Mateo counties.

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State of California

Some commenters criticized BOTW's home mortgage lending in the State of California generally. As discussed in the March Response, when reviewing BOTW's 2020 home mortgage originations in California as compared to originations of all other HMDA reporting insured depository institutions, BOTW outperforms those lenders in Majority Minority Census tracts (BOTW 48%; peer lenders 46%). Using the same data, in California, BOTW slightly exceeds peer lending to Asian borrowers (BOTW 19%; peer lenders 18%) and is on par with peer lending to Hispanic borrowers (BOTW and peer lenders 11%) and to Black borrowers (BOTW and peer lenders 2%).

When reviewing BOTW's 2021 home mortgage originations in California as compared to originations of all other HMDA reporting insured depository institutions, BOTW is near par with those lenders in Majority Minority Census tracts (BOTW 48%; peer lenders 46%). Using the same data, in California, BOTW exceeds peer lending to Asian borrowers (BOTW 21%; peer lenders 18%) and is slightly below peer lending to Hispanic borrowers (BOTW 9%; peer lenders 11%) and to Black borrowers (BOTW 1%; peer lenders 2%).

B. BHB and BOTW Home Mortgage Lending Programs and Strategies

As discussed in the March Response, 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. In response to additional information questions, dated March 31, 2022, from the OCC, BHB and BOTW provided detailed information regarding the programs, organizations and groups that the parties engage with in order to help reach Black and Hispanic borrowers and Majority Minority Census tracts.

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 Freddie Mac Home Possible Program, Neighborhood Home Loan Product, FHA loans, and down payment and closing cost assistance from the Federal Home Loan Bank of Chicago and other local non-profit/housing agencies.

Over the past few years, BHB introduced a number of new products to assist homebuyers, including the Community Home Improvement Loan Program, Illinois Housing Development Authority SmartBuy Program, homebuying programs for Deferred Action for Childhood Arrivals (DACA) recipients, expanded FHA guidelines, Freddie Mac BorrowSmart DPA program and additional Federal Home Loan Bank down payment assistance programs.

Additionally, BHB has a Community Reinvestment Outreach Team (the "Outreach Team") dedicated to the bank's support of LMI clients and communities. The Outreach Team

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works with local community partners, including seven housing finance agencies, over 100 non-profit organizations/counseling agencies and various local governments to develop programs, initiatives and opportunities to support LMI communities.

Similarly, BOTW also participates in several 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. BOTW also offers innovative down payment assistance programs. 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. 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.

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 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.

One commenter encouraged BHB to develop lending products and fund community outreach to help customers avoid what are viewed as predatory lending products, such as land installment contracts and contracts for deed. As noted above, BHB participates in a number of programs that promote homeownership. BHB intends to expand its current program offerings, as well as take advantage of current BOTW programs, to reflect the expanded footprint of the combined organization. BHB will continue to offer financial education/literacy classes and webinars on affordable homeownership, down payment assistance, budgeting/savings, credit and other topics, in partnership with key community partners, such as non-profits, housing agencies and local realtors supporting LMI and Minority communities. These outreach activities and financial education efforts will be expanded across the new footprint of the combined bank. BHB also will continue to explore flexible approaches in underwriting and new partnerships and programs targeted at LMI, Minority and rural areas. BHB will offer a mortgage loan product that allows FICO scores as low as 580 and BHB’s current mortgage product for individual tax identification number (ITIN) borrowers across the footprint of the combined banks.

Importantly, BHB continues to refine its home lending programs to meet the needs of the communities it serves. This work is ongoing and tailored to fit the needs of each of its lending markets and will continue to be expanded to address the needs of communities served by BOTW after consummation of the Proposed Transaction.

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III. BHB's and BOTW's Small Business Lending

Some commenters criticized BHB's and BOTW's small business lending, particularly in California, as well as alleged reliance on credit card lending. Commenters specifically urged the combined organization to originate at least 50% of its small business loans to businesses with revenues less than \$1 million and in amounts less than \$250,000.

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. One example of BHB's dedication to reaching out to its small business customers includes its Special Purpose Credit Programs for Black & Latinx and Women In Business. These programs offer lines of credit up to \$50,000 through an expanded risk acceptance with favorable pricing. These programs will be expanded to BOTW branch locations after consummation of the Proposed Transaction.

For BHB, from 2018 to 2021 (excluding loans originated under the Paycheck Protection Program ("PPP")), Transportation Finance ("TF") loans made up 96% of the small business lending in California.⁸ These are not credit card loans. TF lending is a very specialized field with a narrow group of businesses making it difficult to target revenues \$1 million or less, or those located in LMI Census tracts. Many of the loans with revenues of \$1 million or less are in fact to smaller "owner/operator" businesses that have one-to-three trucks.

Despite the limitations discussed in the prior paragraph, for the same time period, 48% of small business loans originated by BHB (excluding PPP loans) in California were to businesses with revenues of \$1 million or less, which significantly exceeded the peer average of 41%. In addition, 27% of small business loans originated by BHB in California were to businesses in LMI Census tracts. This percentage exceeds the peer average of 25% and is on par with the percent of businesses located in LMI Census tracts in California.⁹

BOTW also 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 Federal Deposit Insurance Corporation (the "FDIC")).

⁸ Because PPP loans were a response to extraordinary circumstances and not an accurate reflection of the normal course of business, as well as being grants in substance rather than loans, those loans will be excluded from the analysis presented below.

⁹ Based on 2021 D&B data and 2020 peer aggregate data.

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In contrast to data provided in certain comments, BOTW originating 16,906 small business loans from 2018-2020 in California. According to BOTW data that was submitted on the CRA Loan Register in 2018, 2019, and 2020, BOTW’s small business lending exceeded both demographic and aggregate markers for lending to LMI neighborhoods. Additionally, BOTW lending in California to smaller revenue businesses significantly exceeds all lenders over the same time period. During the 2018-2020 timeframe, 73% of BOTW’s small business loans, excluding credit cards, were made in amounts up to \$250,000.

BOTW California SB Lending 2018-2020			
Excludes PPP	% BOTW Loans	% Aggregate Loans¹⁰	% Businesses
LMI Neighborhoods	30%	26%	26%
Business Revenue <=\$1 million	53%	41%	88%

Certain commenters also raised a concern about BOTW small business lending being skewed towards credit cards. In the 2018-2020 timeframe, 38% of BOTW’s small business loans in California were credit card loans. However, as the table below shows, distribution in LMI neighborhoods and to smaller businesses remains consistent when credit card lending is removed from the analysis.

BOTW California SB Lending 2018-2020			
Excludes PPP and Credit Cards	% BOTW Loans	% Aggregate Loans	% Businesses
LMI Neighborhoods	31%	26%	26%
Business Revenue <=\$1 million	47%	41%	88%

Both banks are proud of their record of small business lending and the combined programs and expertise of BHB and BOTW will only benefit the community through increased lending to LMI businesses and areas.

¹⁰ Aggregate Loans represent all lenders in California who reported business purpose loans of up to \$1 million at origination during the 2020 calendar year.

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IV. Branch Actions

Some commenters expressed concerns about the general rate of branch closures across the country. Commenters suggested that BHB and BOTW closed too many branches between 2017 and 2021, and that the branch closures disproportionately impacted Majority Minority and LMI areas.

In line with nationwide trends, both BHB and BOTW consolidated or closed some branch locations over the five years spanning 2017 to 2021. Below are tables that lay out the number of branch actions (consolidations and closures) taken by BHB and BOTW as well as the percentage of those actions taken in LMI or Majority Minority Census tracts.¹¹

BHB Branch Consolidations/Closures 1/1/17 - 12/31/21		
	Consolidated/Closed	Consolidated/Closed
Tract Income	(#)	(%)
Low-Moderate	10	19%
Middle-Upper	44	81%
Grand Total	54	100%

BHB Branch Consolidations/Closures 1/1/17 - 12/31/21		
	Consolidated/Closed	Consolidated/Closed
Tract Minority Level	(#)	(%)
Majority Minority	10	19%
Majority White	44	81%
Grand Total	54	100%

BOTW Branch Consolidations/Closures 1/1/17 - 12/31/21		
	Consolidated/Closed	Consolidated/Closed
Tract Income	(#)	(%)
Low-Moderate	12	24%
Middle-Upper	37	76%
Grand Total	49¹²	100%

¹¹ Note that some Commenters did not reflect accurate branch counts for BHB.

¹² Four of these branch actions did not involve full service branch locations.

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BOTW Branch Consolidations/Closures 1/1/17 - 12/31/21		
Tract Minority Level	Consolidated/Closed (#)	Consolidated/Closed (%)
Majority Minority	10	20%
Majority White	39	80%
Grand Total	49¹³	100%

As the data illustrates, a significant majority of both BHB’s and BOTW’s branch consolidations/closures occurred in middle or upper income Census tracts and majority white Census tracts.

Both banks have branch closing policies and conduct enhanced analyses of the impact of a specific branch action on LMI and Majority Minority Census tracts that include reviews by CRA, fair lending and responsible banking teams. This practice will continue on consummation of the Proposed Transaction. Anytime a decision is made to close a branch, BHB first looks at any customer and community impacts. For example, when considering a branch closure at 3900 W. Madison Street, Chicago, IL, which was in an LMI and Majority Minority Census tract, BHB worked with the city of Chicago to identify a new location to ensure that the community continued to have access to a BHB branch location. The new location, at 743 N. Pulaski Road, Chicago, IL, which is also in an LMI and Majority Minority Census tract, is equipped with expanded services, updated technology, customer meeting rooms and access to parking and nearby public transit lines.¹⁴

Additionally, BHB’s and BOTW’s branch actions from 2017-2019 were reviewed by the OCC and the FDIC, respectively, in connection with their most recent CRA performance evaluations. The performance evaluations found that the banks’ opening and closing of branches had not adversely affected the accessibility of the banks’ offerings, particularly in LMI geographies and/or to LMI individuals.

BHB did consolidate or close a number of branch locations in 2020 and 2021. These branch actions were part of a larger annual review of branch usage at the bank unrelated to the pandemic. In fact, most of decisions on branch actions in 2020 were made in 2019. BHB continually assesses its operations, including branch locations, to ensure that the bank is best positioned to be able to respond to the changing needs of customers and how they do their banking. In connection with these reviews, BHB reviews usage data, traffic patterns, population shifts, and market share, among other things. BHB specifically reviewed branch locations where

¹³ Four of these branch actions did not involve full service branch locations.

¹⁴ <https://www.humboldtsparkportal.org/bmo-harris-bank-brings-larger-branch-to-humboldt-park/>.

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there were other BHB branches located within a short distance. Usage data showed that customers were actively using other BHB branches or BHB ATMs in close proximity. The closed branches experienced on average about 50% less unique customer visits than those remaining. In 2020 and 2021, BHB did review changes in traffic patterns and customer behaviour that resulted from the pandemic. BHB found that about 50% of the closing branches' customers are using the bank's digital offerings to complete their banking, with numbers increasing (including at LMI branches) over time. In making these branch action decisions, BHB felt that customers would continue to be fully served by the remaining branch locations in the area.

BHB continues to operate over 500 branch locations in nine states and BOTW operates over 500 branch locations in 20 states. The combined organization will have over a thousand branch locations serving customers in 24 states. BHB does not expect to consolidate or 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.

V. Overdraft Fees

Commenters also expressed concerns regarding overdraft fees charged to customers by BHB and BOTW. These commenters encouraged BHB and BOTW to lower or eliminate these fees moving forward.

On June 30, 2022, BHB announced that it is eliminating both non-sufficient funds (“NSF”) and overdraft transfer fees and significantly reducing overdraft fees. BHB understands that it is important to help its consumer and small business customers work toward their financial goals and these reductions in fees will help customers achieve these goals. The elimination of NSF fees and the reduction of overdraft fees to \$15 per occurrence is effective beginning August 23, 2022, and the elimination of overdraft transfer fees was effective beginning on July 12, 2022. These changes apply to both consumer and small business banking accounts. In November 2021, BHB reduced the number of overdraft or NSF charges a customer may incur to three per day. It also eliminated consecutive day overdraft fees for accounts that remain overdrawn for an extended period. BHB anticipates that current BOTW customers would transition to BHB NSF and overdraft policies after systems conversion.

Additionally, as discussed in the Applications, BHB offers a number of low- and no-cost products and tools that help clients budget, save, spend and borrow carefully and confidently. For example, BHB offerings include:

- Savings Builder Account – BHB contributes a cash reward to customer's savings balance when they meet monthly savings goals.

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- BankOn Certified Account – BHB’s Smart Money Account has been awarded Bank On certification for allowing access to safe, affordable financial products and services. Bank On standards include low costs, no overdraft fees, transaction capabilities such as a debit or prepaid card, and online bill pay.
- BMO Real Financial Progress Checks – Goal-based conversations that track customers’ goals and ensures they have the right financial tools to meet them.
- Smart Progress - Online tools and advice available to BHB personal banking customers.
- Total Look - Money management tool in BMO Digital Banking that allows customers to view and manage their whole financial picture, including non-BHB accounts, in one dashboard.

BHB anticipates that these products and services will be available at all branch locations, including current BOTW branches, after systems conversion.

VI. Climate Resiliency and Lending to the Fossil Fuel Industry

Commenters criticized BNP Paribas S.A.’s¹⁵ and BMO’s efforts related to climate resiliency and lending to the fossil fuel industry. As a globally recognized leader in sustainability, BMO takes seriously its accountability to act on the urgent issue of climate change. In 2021, BMO announced its Net-Zero Climate Ambition to be its clients’ lead partner in the transition to a net zero world. The BMO Climate Institute provides thought leadership at the intersection of climate change and finance, allowing BMO to be the premier advisor to clients and partners on climate risk and opportunity. BMO is a member of the Net-Zero Banking Alliance, the Partnership for Carbon Accounting Financials, was a founding signatory of the Net Zero Asset Managers Initiative, and through its commitment to the United Nations Principles for Responsible Banking is working to align its business strategy with the United Nations Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

BMO has committed \$272 million to the Impact Investment Fund across both the United States and Canada to drive sustainable outcomes by backing technologies that address sustainability and impact. Since 2019, BMO has mobilized \$176 billion, including \$71 billion in support of green objectives such as clean transportation, low-carbon energy, green buildings, waste management, and sustainable agriculture. Additional information about BMO’s progress

¹⁵ The data presented in the Comment represents BNP Paribas as a consolidated global organization, which spans 65 countries. BMO is acquiring Bank of the West, which is one entity within that consolidated global organization.

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towards these goals and its commitment to sustainable outcomes can be found in BMO's 2021 Climate Report.¹⁶

Similarly, BNP Paribas and BOTW have some of the financial services industry's most restrictive financing policies concerning the most damaging forms of fossil fuel extraction and have minimal exposure to the fossil fuel exploration and extraction sectors. BOTW is committed to supporting the transition to clean, renewable energy and recently achieved—two years ahead of schedule—its goal to originate \$1 billion in financing by 2023 to support energy transition.

BOTW has demonstrated a commitment to our climate and to biodiversity. In 2020, for example, BOTW launched its 1% for the Planet Checking Account, which gives one percent of the annual net revenue related to this account back to environmental non-profits and empowers customers to track the carbon footprint of their purchases. BOTW's Sustainable Finance and Clean Energy vertical is dedicated to bringing together players in energy transition and provide sustainable finance products to our clients. This includes delivering Sustainability-Linked Loans, eco-friendly commercial real estate projects and renewable energy leasing solutions. In addition, the 2020 Banking on Climate Chaos Fossil Fuel Finance Report published by the Rainforest Action Network, ranked BOTW number one in a wide range of categories, including fossil fuel expansion, liquefied natural gas, fracking and coal mining. BOTW is the only major bank member of Protect Our Winters, 1% For the Planet, The Conservation Alliance and the Sustainable Ocean Alliance.

VII. Other Topics

A. Reclassification of Certain Confidential Information

One commenter requested that certain confidential exhibits to the April 12, 2022 responses to the Federal Reserve as well as certain confidential exhibits to the initial Federal Reserve application be made public. The parties have reviewed this information and have concluded that some of this information can be public. The parties continue to request confidential treatment for some of this information under the Federal Freedom of Information Act, and the implementing regulations of the Federal Reserve and the OCC as specified below.¹⁷

April 12 Response Exhibits

- Confidential Exhibit A includes a list of BHB's community investment partnerships. A redacted version of this document can be made public and is attached as Exhibit 2 to this letter.

¹⁶ https://our-impact.bmo.com/wp-content/uploads/2022/03/BMO_2021_Climate-Report_EN_FINAL_aoda.pdf.

¹⁷ 5 U.S.C. § 552; 12 CFR 4 and 261.

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- Confidential Exhibit B includes a list of CRA-qualified investments made by BHB and a break down based on whether the recipient was Minority- or women-led. Federal and State law prohibits banks from publicly sharing detailed information regarding loans made to specific parties; as a result BHB continues to request confidential treatment for this information.
- Confidential Exhibit C includes a list of grants made by BHB to community organizations. A redacted version of this document can be made public and is attached as Exhibit 3 to this letter.
- Confidential Exhibit D includes information regarding organizations that BOTW engages with for purposes of community outreach, particularly to Minority communities. This document can be made public and is attached as Exhibit 4 to this letter.

Initial Application Exhibits

- Confidential Exhibit P from the initial application includes internal information regarding debt and cash flows. This exhibit includes *pro forma* financial information and information regarding the business strategies and plans of the parties. None of this information is public or the type of information that would otherwise be made available to the public under any circumstances. The parties continue to request confidential treatment for this information.
- Confidential Exhibit Q from the initial application includes information regarding pending litigation or related matters that are not public. Neither party is permitted to make the information contained in this exhibit public under applicable laws and regulations. The parties continue to request confidential treatment for this information.

B. Lending to Certain Parties

One commenter discussed possible extensions of credit made by BOTW to Breckenridge Property Fund 2016, LLC. Another commenter mentioned possible extensions of credit by BHB to Invitation Homes. Federal and State law prohibits banks from publicly sharing detailed information regarding loans made to specific parties. Please see Confidential Exhibit A for additional information.

C. Public Meetings and Comment Period

One commenter repeated a request for an additional extension of the public comment period and that public hearings be held in Los Angeles, San Francisco, and Fresno. As noted above, the Agencies held a virtual public meeting online on July 14, 2022. On May 17, 2022, the Agencies announced this public meeting and organizations had 35 days to register to participate. More than 75 organizations made presentations at the public meeting. On May 17,


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2022, the Agencies also extended the comment period on the Proposed Transaction. Under the extended comment period, the agencies accepted comments until July 19, 2022, giving commenters a total of 90 days to provide feedback on the Proposed Transaction. Interested members of the public had ample time, through a variety of venues, to comment on the Applications. Accordingly, we do not believe the public comment period on the Applications should be extended or that additional public meetings are necessary.

* * * * *

Once again, we appreciate this opportunity to respond to the comments received. If you have any questions about this submission or need additional information, please do not hesitate to contact me at 212-403-1134 or Richard K. Kim at 212-403-1354.

Sincerely,

A handwritten signature in black ink that reads "Amanda K. Allexon". The signature is written in a cursive, flowing style.

Amanda K. Allexon

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Commenters:

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