FEDERAL RESERVE SYSTEM

BNP Paribas
Paris, France

BancWest Corporation
Honolulu, Hawaii

Order Approving the Acquisition of a Bank Holding Company

BNP Paribas ("BNP") and its subsidiary, BancWest Corporation ("BancWest") (collectively "Applicants"), financial holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 3 of the BHC Act to acquire USDB Bancorp ("USDB") and its subsidiary bank, Union Safe Deposit Bank ("USDB Bank"), both in Stockton, California.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (69 Federal Register 31,821 (2004)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

[1] (12 U.S.C. § 1842). BancWest's wholly owned subsidiary bank, Bank of the West, San Francisco, California, has requested the approval of the Federal Deposit Insurance Corporation ("FDIC') under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) to merge with USDB Bank, with Bank of the West as the surviving institution. Today, the Board approved the separate application filed by Applicants to acquire Community First Bankshares, Inc. and Community First National Bank, both in Fargo, North Dakota ("the CFB transaction"), under section 3 of the BHC Act. See BNP Paribas, 90 Federal Reserve Bulletin __ (2004) (Order dated October 15, 2004) ("CFB Order").

BNP, with total consolidated assets of approximately $1.2 trillion, is the tenth largest banking organization in the world.[2] BNP operates branches in Chicago, New York City, and San Francisco; agencies in Houston and Miami; and representative offices in Atlanta, Dallas, and Los Angeles.

BancWest, with total consolidated assets of $40 billion, is the 29th largest depository organization in the United States, controlling deposits of $24 billion.[3] In California, BancWest is the eighth largest depository organization, controlling deposits of $16 billion. BancWest also operates subsidiary insured depository institutions in Hawaii, Idaho, Nevada, New Mexico, Oregon, Washington, Guam, and the Northern Mariana Islands. USDB, with total consolidated assets of approximately $1.1 billion, is the 61st largest depository organization in California and controls deposits of $786 million.

On consummation of this proposal and the CFB transaction, BancWest would become the 27th largest depository organization in the United States, with total consolidated assets of $46 billion, and would control deposits of $30 billion, representing less than 1 percent of the total amount of deposits of insured depository institutions in the United States. BancWest would remain the eighth largest insured depository organization in California, controlling deposits of approximately $17 billion, which represent approximately 3 percent of the total amount of deposits of insured depository institutions in the state.

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[2] Asset data are as of March 31, 2004. International ranking data are as of December 31, 2003, and are based on the exchange rate then available.

[3] National deposit and ranking data are as of March 31, 2004, and statewide deposit and ranking data are as of June 30, 2003, adjusted for transactions through August 1, 2004.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. It also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal clearly are outweighed in the public interest by its probable effect in meeting the convenience and needs of the community to be served.[4]

BancWest and USDB compete directly in the Modesto and Stockton banking markets, both in California.[5] The Board has reviewed carefully the competitive effects of the proposal in each of these banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the markets, the relative shares of total deposits in depository institutions in the markets ("market deposits") controlled by BancWest and USDB,[6] the concentration levels of market deposits and the

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[4] 12 U.S.C. § 1842(c)(1).

[5] The Modesto banking market is defined as the Modesto Ranally Metro Area ("RMA") and the towns of Crows Landing, Denair, Gustine, Hilmar, Newman, Patterson, and Ripon. The Stockton banking market is defined as the Stockton RMA and the towns of Galt, Lockeford, Manteca, and Walnut Grove.

[6] Market share data are based on Summary of Deposits reports filed as of June 30, 2003, updated to include transactions through September 10, 2004, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Board 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on

increases in these levels as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[7] and other characteristics of the markets.

Consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines in both banking markets.[8] The Modesto banking market would remain moderately concentrated and the Stockton banking market would remain highly concentrated, as measured by the HHI. In both markets the increases in concentration would be small and numerous competitors would remain.

The Department of Justice also has reviewed the competitive effects of the proposal and advised the Board that consummation of the proposal would not have a significantly adverse effect on competition in these banking markets or in any other relevant banking market. The appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on these and all other facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on

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a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[7] Under the DOJ Guidelines, 49 Federal Register 26,823 (1984), a market is considered moderately concentrated if the post-merger HHI is between 1000 and 1800 and highly concentrated if the post-merger HHI is more than 1800. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

[8] The effects of the proposal on the concentration of banking resources in these markets are described in the Appendix.

competition or on the concentration of banking resources in any relevant banking market and that competitive considerations are consistent with approval.

Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including confidential supervisory and examination information from the various banking supervisors of the institutions involved, publicly reported and other financial information, information provided by Applicants, and public comments received on the proposal.[9] The Board also has consulted with the French Banking Commission ("FBC"), which is responsible for the supervision and regulation of French financial institutions.

In evaluating financial factors in expansion proposals by banking organizations, the Board consistently has considered capital adequacy to be especially important. BNP and its U.S. subsidiary depository institutions are considered to be well capitalized and would remain so on consummation of the proposal. BNP's capital levels exceed the minimum levels that would be required under the Basel Capital Accord, and its capital levels are considered equivalent to the capital levels that would be required of a U.S. banking organization. The proposed transaction is structured as a share purchase, and the consideration to be

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[9] One commenter expressed several concerns about Applicants that related to employment discrimination litigation, business relationships with certain foreign projects or companies operating in foreign countries, and the United Nations' Oil-for-Food program. These concerns are discussed in the CFB Order. The Board hereby reaffirms and adopts the facts and findings detailed in the CFB Order with respect to these allegations and concerns.

received by USDB shareholders would be funded from BNP's available resources. The Board finds that the Applicants have sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of BNP, BancWest, USDB, and their subsidiary banks, particularly the supervisory experience of the various bank supervisory agencies with the organizations and their records of compliance with applicable banking laws. The Board has reviewed assessments of the organizations' management and risk-management systems by the relevant federal and state banking supervisory agencies. Domestic banking organizations and foreign banks operating in the United States are required to implement and operate effective anti-money laundering programs. Accordingly, the Board has also considered the existing anti-money laundering programs at BNP and the assessment of these programs by the relevant federal supervisory agencies, state banking agencies, and the FBC. Furthermore, the Board has considered additional information provided by BNP on enhancements it has made and is currently making to its systems as the organization expands its operations. The Board expects that BNP will take all necessary steps to ensure that sufficient resources, training, and managerial efforts are dedicated to maintaining a fully effective anti-money laundering program. The Board also has considered BancWest's plans to implement the proposal, including its proposed management after consummation and the company's record of successfully integrating acquired institutions into its existing operations. Based on these and all other facts of record, the Board concludes that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval.

Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign bank unless the bank is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country.[10] In addition, the foreign bank must have provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.[11] The Board has carefully reviewed these matters in light of the facts of record in considering Applicants' application for approval of the CFB transaction. For the reasons set forth in the CFB Order, the Board concludes that BNP continues to be subject to comprehensive supervision on a consolidated basis by its home country supervisor and that the other supervisory factors it is required to consider are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant insured depository institutions under the Community Reinvestment Act ("CRA").[12] The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.

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[10] 12 U.S.C. § 1842(c)(3)(B).

[11] See 12 U.S.C. § 1842(c)(3)(A).

[12] 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 et seq.

The Board has considered carefully the convenience and needs factor and the CRA performance records of the subsidiary banks of BancWest and USDB in light of all the facts of record, including public comment on the proposal. One commenter opposed the proposal and alleged, based on data reported under the Home Mortgage Disclosure Act ("HMDA"),[13] that Bank of the West and USDB Bank engaged in disparate treatment of minority individuals in home mortgage lending in the banks' assessment areas. The commenter also expressed concern about possible branch closures.

A. CRA Performance Evaluations

The Board has carefully reviewed the CRA performance records of Bank of the West and USDB Bank. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[14] Bank of the West, BancWest's largest subsidiary bank as measured by total deposits, received a "satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of February 3, 2003 ("February 2003 Evaluation").[15] Applicants have indicated that after the merger of Bank of the West and USDB Bank, the CRA activities of the resulting bank would conform to Bank of the West's current CRA program.

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[13] 12 U.S.C. § 2801 et seq.

[14] See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

[15] First Hawaiian Bank, Honolulu, Hawaii, BancWest's other subsidiary bank, received an "outstanding" rating at its most recent CRA performance evaluation by the FDIC, as of August 19, 2003.

A detailed discussion of the February 2003 Evaluation and the policies and programs implemented by Bank of the West to help meet the credit needs of its communities is provided in the CFB Order. Based on its review of the record in this case, the Board hereby reaffirms and adopts the facts and findings detailed in the CFB Order.

In summary, examiners characterized Bank of the West's overall record of home mortgage and small business lending as good and stated that the bank had a high level of community development lending. Examiners noted favorably that the bank offered several flexible lending products designed to address affordable housing needs of low-income and first-time homebuyers and reported that the bank had taken a leadership role in providing qualified investments. They also found that the bank provided a relatively high level of community development services and that the bank's branch distribution generally mirrored community demographics.

USDB Bank received a "satisfactory" rating at its most recent CRA performance evaluation by the Federal Reserve Bank of San Francisco, as of December 2, 2002 ("December 2002 Evaluation"). Examiners reported that USDB Bank had a good distribution of home mortgage and small business loans by geography, borrower income, and sizes of business. They also reported that the bank funded an adequate level of qualified investments and provided an adequate level of community development services.

B. <u>HMDA Data, Subprime Lending, and Fair Lending Records</u>

The Board has carefully considered the lending records of Applicants and USDB in light of comments on the HMDA data reported by their subsidiary banks. The commenter repeated the allegations it made about Applicants in connection with the CFB transaction. These allegations are addressed in detail in the CFB Order and the Board hereby reaffirms and adopts the HMDA analysis of Bank of the West detailed in the CFB order.

The commenter also alleged, based on 2002 HMDA data, that USDB Bank disproportionately excluded or denied African-American applicants for home mortgage loans in the Modesto and Stockton-Lodi Metropolitan Statistical Areas ("MSAs."). The Board reviewed HMDA data for 2002 and 2003 reported by USDB Bank in these MSAs. The data indicate that, in 2003, the bank's denial disparity ratios for African Americans for HMDA-reportable loans in these MSAs were less favorable than those ratios for the aggregate of lenders ("aggregate lenders") and that the bank's percentages of total HMDA-reportable loans to African-American borrowers in these areas were lower than the percentages for the aggregate lenders.[16] However, the bank's percentages of total HMDA-reportable loans to borrowers in predominantly minority census tracts in both MSAs in 2003 exceeded or was comparable with the percentages for the aggregate lenders in those MSAs.

Although the HMDA data may reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial groups, the HMDA data generally do not indicate that Bank of the West and USDB Bank is excluding any racial groups or geographic areas on a prohibited basis. The Board is concerned when HMDA data for an institution indicate disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race or income

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[16] The lending data of the aggregate of lenders represent the cumulative lending for all financial institutions that have reported HMDA data in a given market. The denial disparity ratio equals the denial ratio of a particular racial category (e.g., African-American) divided by the denial rate for whites.

level. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending and provide only limited information about covered loans.[17] HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information, including examination reports that provide an on-site evaluation of compliance by the subsidiary depository institutions of BancWest and USDB with fair lending laws. Examiners noted no fair lending law issues or concerns in the February 2003 Evaluation or the December 2002 Evaluation. The Board has consulted with the Federal Reserve Bank of San Francisco about USDB Bank's record since the last examination. The Board also has consulted with the FDIC, which has responsibility for enforcing compliance with fair lending laws by Bank of the West, about this proposal and the record of the Bank of the West since the last examination.

The record also indicates that Bank of the West and USDB Bank have taken steps to ensure compliance with fair lending laws. The banks have instituted policies and procedures to help ensure compliance with all fair lending and other consumer protection laws and regulations. Bank of the West's compliance

[17] The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

programs include a second-review process, regular internal fair lending examinations, risk-based regulatory audits, and compliance self-assessments. USDB Bank's compliance program includes a second-review process, along with regular internal fair lending audits. Applicants have represented that, on consummation of the proposed bank merger, USDB Bank's compliance function will be integrated into Bank of the West's compliance management system.

The Board has also considered the HMDA data in light of the programs described above and the overall performance records of the subsidiary banks of BancWest and USDB under the CRA. These established efforts demonstrate that the banks are actively helping to meet the credit needs of their entire communities.

C. Branch Closings

The Board has considered the commenter's concern about possible branch closings in light of all the facts of record. Applicants have indicated that as a result of the transaction, they plan to consolidate three branches of USDB Bank with branches of Bank of the West in the same neighborhoods. The Board has considered Bank of the West's branch banking policy and its record of opening and closing branches. In the February 2003 Evaluation, examiners concluded that Bank of the West's record of opening and closing branches had not adversely affected the bank's delivery of services in LMI areas and to LMI individuals and that the bank's branch closing policy met all regulatory requirements.

The Board also has considered the fact that federal banking law provides a specific mechanism for addressing branch closings.[18] Federal law

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[18] Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 Federal Register 34,844 (1999)), requires that a bank provide the public with at least 30 days' notice and the appropriate federal supervisory agency and customers

requires an insured depository institution to provide notice to the public and to the appropriate federal supervisory agency before closing a branch. In addition, the Board notes that the FDIC, as the appropriate federal supervisor of Bank of the West, will continue to review the bank's branch closing record in the course of conducting CRA performance evaluations.

D. Conclusion on Convenience and Needs Factor

The Board has carefully considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by Applicants, public comments on the proposal, and confidential supervisory information. Applicants have stated that the proposal would provide USDB customers with access to BNP's international banking and financial services network. Based on all the facts of record, and for the reasons discussed above and in the CFB Order, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance records of the relevant depository institutions are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.[19] In reaching

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of the branch with at least 90 days' notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

[19] The commenter requested that the Board extend the comment period. The Board believes that the record in this case does not warrant postponing its consideration of the proposal. During the applications process, the Board has accumulated a significant record, including reports of examination, supervisory information, public reports and information, and public comment. The Board believes this record is sufficient to allow it to assess the factors it is required to consider under the BHC Act. The BHC Act and the Board's processing rules establish time periods for consideration and action on acquisition proposals. Moreover, as discussed above, the CRA requires the Board to consider the existing

its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes.[20] The Board's approval is specifically conditioned on compliance by Applicants with the conditions imposed in this order and the commitments made to the Board in connection with the application, including compliance with state law. The commitments made to the Board in the applications process are deemed to be

record of performance of an organization and does not require an organization to enter into contracts or agreements with interested parties to implement its CRA programs. For the reasons discussed above, the Board believes that commenter has had ample opportunity to submit its views, and in fact, commenter has provided substantial written submissions that the Board has considered carefully in acting on the proposal. Based on a review of all the facts of record, the Board concludes that granting an extension of the comment period is not warranted.

[20] The commenter requested that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authorities. Under its regulations, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. 225.16(e). The Board has considered carefully commenter's request in light of all the facts of record. In the Board's view, the commenter had ample opportunity to submit its views, and in fact, commenter has submitted written comments that the Board has considered carefully in acting on the proposal. The commenter's request fails to demonstrate why the written comments do not present its views adequately. The request also fails to identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the request for a public meeting or hearing on the proposal is denied.

conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order unless such period is extended for good cause by the Board or the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,[21] effective October 15, 2004.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

[21] Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.

APPENDIX

Banking Market Data

Modesto, California

BancWest operates the third largest depository institution in the Modesto banking market, controlling $340 million in deposits, which represents 7.6 percent of market deposits. USDB operates the eighth largest depository institution in the market, controlling $234 million in deposits, which represents 5.2 percent of market deposits. On consummation of the proposal, BancWest would continue to operate the third largest depository institution in the market, controlling deposits of approximately $575 million, which represent approximately 12.9 percent of market deposits. The HHI would increase 80 points to 1,104. Twenty-one bank and thrift competitors would remain in the market.

Stockton, California

BancWest operates the tenth largest depository institution in the Stockton banking market, controlling $153 million in deposits, which represents 1.8 percent of market deposits. USDB operates the fifth largest depository institution in the market, controlling $542 million in deposits, which represents 6.3 percent of market deposits. On consummation of the proposal, BancWest would operate the fourth largest depository institution in the market, controlling deposits of $695 million, which represent 8.1 percent of market deposits. The HHI would increase 22 points to 2,402. Twenty-five bank and thrift competitors would remain in the market.