BancWest

2016 Mid-Year Dodd Frank Act
Company-Run Capital Stress Test
Disclosure
BancWest Overview

Incorporated in this disclosure are the mid-year stress test results of BancWest Corporation and its two subsidiary banks.

BancWest Corporation

• Effective July 1, 2016, BancWest Corporation, became the new holding company for Bank of the West, under BancWest Holding Inc., and First Hawaiian Bank, under First Hawaiian, Inc. The new BancWest Corporation is a subsidiary of BNP Paribas USA, Inc., the U.S. Intermediate Holding Company for BNP Paribas. As of June 30, 2016, BancWest had proforma assets of $99.6 BN.

Subsidiary Banks

• Bank of the West (BOW) is a regional financial services company chartered in California and headquartered in San Francisco. It has more than 600 branch and office locations in 23 states, including representative offices in Chicago, Dallas and Atlanta and a branch in New York. Bank of the West has more than 2.9 million personal banking, commercial and wealth management customers.

• First Hawaiian Bank (FHB) is headquartered in Honolulu and is Hawaii’s oldest and largest financial institution. It holds a 36.5% deposit market share in Hawaii with 57 branches throughout Hawaii, three in Guam and two in Saipan.

BNP Paribas (BNPP)

• BNPP is a leading bank in the Eurozone with a strong global presence. It is active in 75 countries with approximately 190,000 global employees. BNPP maintains leading businesses in Europe, a significant presence in the United States and strong positions in Asia and emerging markets in retail banking, corporate institutional banking and wealth management.
BancWest Company-Run Stress Test Results and Process

The Federal Reserve and the Federal Deposit Insurance Corporation conduct tests every year to ensure that banks have enough capital to maintain continued safe and sound operations in a severe economic downturn.

BancWest is subject to the Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Test (DFAST) requirements under the Federal Reserve’s (FRB) capital planning rules and the Dodd-Frank Wall Street Reform and Consumer Protection Act.

This report shows the results of BancWest’s Mid-Year DFAST stress-test results under the hypothetical internal stress scenario for BancWest.

BancWest projects capital and financial results over a nine-quarter forecast horizon, starting July 1, 2016. The projection is not a forecast of economic conditions or financial results, but rather a hypothetical scenario designed by the BHC to help assess the strength and resilience of financial institutions in the event of a severe economic downturn.

Disclosure requirements include:

- Description of risks included and methodologies used in stress testing
- Aggregate cumulative financial estimates of major income statement categories
- Cumulative dollar loss and loss rates by portfolio
- Explanation of the most significant causes for changes in capital ratios
- Beginning, ending and minimum values of capital ratios
Stress Test Scenarios

Stress Test Scenarios:
For the mid-year BHCs are required to run at least three economic scenarios which include internal base, adverse and severely adverse scenarios to make sure that BancWest and the subsidiary banks have sufficient regulatory capital to continue lending and serving their customers during an economic downturn. Capital being an important measure of a bank’s strength; it is a bank’s cushion against various types of unexpected losses and protects depositors’ money.

BancWest's severely adverse scenario assumes a major global economic downturn that begins in Asia and spreads to the U.S. The scenario is characterized by a financial crisis in China with high corporate debt levels and overcapacity and imbalances in many Chinese industries. This includes rising corporate defaults and rising credit losses for Chinese banks and corporate bond investors.

BHC Severely Adverse Scenario
• Severe U.S. recession with peak-to-trough GDP contraction of 6.75% over a six quarter period
• Unemployment rate increases by 550 bps to peak at 10.5%
• Equity prices fall approximately 60% in five quarters, accompanied by a surge in market volatility
• Residential and commercial real estate property prices experience considerable declines, with the former declining by 30% peak-to-trough and the latter falling by 41%
• Business confidence and investment collapses as deflation takes hold. Consumer price drop over five quarters as oil prices drop to $25 per barrel
• Corporate credit spreads widen substantially and short-term liquidity dries up pushing 3 Month LIBOR spreads up by 200 bps
## Description of Risks

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CREDIT</strong></td>
<td>Risk that borrower or counterparty will fail to meet the terms of an obligation in accordance with agreed terms.</td>
</tr>
<tr>
<td><strong>OPERATIONAL</strong></td>
<td>Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes regulatory, compliance, technology and legal risk, but excludes strategic and reputation risk.</td>
</tr>
<tr>
<td><strong>MARKET/INTEREST RATE</strong></td>
<td>Risk resulting from adverse movement in market rates or prices, such as interest rates, foreign exchange rates or equity prices.</td>
</tr>
<tr>
<td><strong>LIQUIDITY</strong></td>
<td>Risk of the BHC’s inability to meet its obligations as they come due because of inability to liquidate assets or obtain adequate funding or because it cannot easily unwind or offset specific exposures without significant compromise to pricing.</td>
</tr>
<tr>
<td><strong>OTHER RISKS</strong></td>
<td>- Business/Strategic Risk is the risk that arises from adverse business decisions or business plans.</td>
</tr>
<tr>
<td></td>
<td>- Reputational Risk is related to the confidence placed on the BHC by its customers, clients, providers, counterparts, shareholders and regulators.</td>
</tr>
<tr>
<td></td>
<td>- Model Risk is the risk resulting from the use of models that fail to perform the tasks or capture the risks for which they were designed.</td>
</tr>
</tbody>
</table>
## Summary of Capital and Risk Components Captured in DFAST Projections

<table>
<thead>
<tr>
<th>Capital Components</th>
<th>Key Risks Captured</th>
</tr>
</thead>
</table>
| **Pre-Provision Net Revenue (PPNR)** | ▪ Business  
▪ Interest rate and Liquidity  
▪ Operational  
▪ Prepayment and other optionality |
| ▪ Projections based on macroeconomic factors  
▪ Major assumptions for growth and runoff are reviewed with lines of business | |
| **Other Income Related Items** | ▪ Credit  
▪ Interest rate  
▪ Market valuation |
| ▪ Net realized gains and losses on sales of securities and other-than-temporary impairment (OTTI) | |
| **Provisions for Credit Losses** | ▪ Credit: Changes in probability of default or loss given default (loss severity)  
▪ Changes in reserve levels  
▪ Changes in commitment utilization |
| ▪ Projections of expected losses, allowance for loan and lease losses, non-performing assets  
▪ Function of underlying commercial and consumer loan characteristics as well as macroeconomic factors | |
| **Capital Ratios and Projections** | ▪ Capital adequacy process including governance and challenge  
▪ Internal controls, data quality, process maturity and model risk |
| ▪ Risk-weighted asset computation with correlation to historical Call Report trends | |
## PPNR Risks and Methodologies

### Scope
- Net interest income
- Noninterest income and other fee-related revenues excluding realized gains and losses on investment securities
- Noninterest expense includes losses associated with operational risk

### Approach
- Net interest income components are based upon product level forecast for interest-earning assets and interest-bearing liabilities by scenario
- Loan yields and portfolio balances include assumptions for new business volumes, prepayments and runoff
- Available funding includes wholesale funds and advances from the Federal Home Loan Bank
- Fee revenues are tied to certain balance sheet forecasts and bank initiatives
- Major components of noninterest expense are based upon economic scenarios and management’s expectations

### Types of Risks Identified and Captured
- Business
- Interest rate and liquidity
- Operational
- Prepayment and optionality

### Methodologies
- Statistical models are used for major line item forecasts that link macroeconomic variables
- Net interest income output includes scheduled principal and projected prepayments based on balance sheet forecast by scenario
- Operational losses are based on historical experience and scenario analysis

### BHC Severely Adverse Scenario
**Nine-Quarter Cumulative PPNR $1.0 billion**
(July 1, 2016 – September 30, 2018)
# Provision for Credit Losses Risks and Methodologies

## Scope
- Represents credit-related loss retained in BancWest's loan and leases portfolios and related commitments through the planning horizon

## Approach
- Expected losses (EL) are based on the composition and characteristics of loans and lines in the BHC's portfolio.
- Credit quality is modeled using a loan-level EL-approach by projecting and combining Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for each outstanding exposure.
  - Commercial loans and lines are assessed based upon the BHC's internal credit risk ratings, estimated values of collateral, utilization rate, and other product-specific characteristics.
  - Consumer loans are assessed for credit quality based upon delinquency status, FICO score, loan-to-value deterioration, and a few other product-specific characteristics.
  - Credit loss models also use a set of portfolio-specific macroeconomic drivers as predictors.

## Types of Risks Identified and Captured
- Credit risks, which are impacted by:
  - Evolution and current state of BancWest's internal risk grade for commercial exposures
  - Consumer loan delinquency status (current, delinquent, default)
  - Loss severity
  - Changes in reserves
  - Collateral type and collateral valuation
  - Obligor/product-specific characteristics
  - Changes in commitment utilization

## Methodologies
- Statistical analyses that consider the idiosyncratic characteristics of BancWest's portfolio
- Reflects stress reserve levels estimated in accordance with accounting standards, regulatory guidance and BancWest's internal accounting policies
- Losses are computed at the loan-level based upon BHC specific characteristics such as credit quality, geography, product mix and collateral requirements, and then aggregated

## BHC Severely Adverse Scenario

<table>
<thead>
<tr>
<th>Nine-Quarter Cumulative Provision for Credit Losses</th>
<th>$3.6 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(July 1, 2016 – September 30, 2018)</td>
<td></td>
</tr>
</tbody>
</table>
## Capital Ratios and Projections Risks and Methodologies

### Scope
- Common Equity Tier 1 (CET 1), Tier 1 Capital, Total Risk Based Capital and Tier 1 Leverage Ratios are computed on a quarterly basis
- Granular forecast of risk-weighted assets

### Approach
- Full projection of balance sheet and income statement for each scenario
- Based upon Standardized Approach for Revised Regulatory Capital Guidelines (Basel III Standardized) with opt-out of including impact of Accumulated Other Comprehensive Income (AOCI) in capital
- On and off-balance sheet exposures were risk-weighted taking into account the prepayment, new volume and other outputs from the modeling process
- Robust internal controls and governance review

### Types of Risks Identified and Captured
- Covers all material risks identified throughout the enterprise, which were subject to governance that includes challenge from business units, executive management and the Board
- Model risk, data limitations and process maturity covered in capital buffer and based on material risk assessment
- Internal controls framework overseeing all elements of Capital Planning Process

### Methodologies
- Accumulation of all of the BHC's modeling processes for the forecast of the balance sheet, PPNR, losses and other elements

### BHC Severely Adverse Scenario
**Ending Projection Period Tier 1 Capital $8.0 billion (September 30, 2018)**
# BHC Severely Adverse Scenario Results (1 of 2)

## Projected Loan Losses by Type of Loans for Q3 2016 through Q3 2018 under the BHC Severely Adverse Scenario

<table>
<thead>
<tr>
<th>Loan losses ($ in Billions)</th>
<th>BANCWEST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9-Quarter losses</td>
</tr>
<tr>
<td>First Lien Mortgages, Domestic</td>
<td>0.11</td>
</tr>
<tr>
<td>Junior Liens and HELOCs, Domestic</td>
<td>0.11</td>
</tr>
<tr>
<td>Commercial and Industrial</td>
<td>0.95</td>
</tr>
<tr>
<td>Commercial Real Estate, Domestic</td>
<td>0.63</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>0.10</td>
</tr>
<tr>
<td>Other Consumer</td>
<td>0.60</td>
</tr>
<tr>
<td>Other Loans(^2)</td>
<td>0.23</td>
</tr>
</tbody>
</table>

Note: Totals may not sum due to rounding

1 Loss rates are calculated by summing the nine quarters of losses and dividing by the nine-quarter average balance for a given loan portfolio. Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option.

2 Other Loans include primarily Loans Secured by Farmland and some International Real Estate Loans.

3 Other Revenues include net realized gains and losses on securities

4 Excludes impact from taxes and minority interests

## Cumulative P&L Metrics (Q3 2016 through Q3 2018)

<table>
<thead>
<tr>
<th>($ in Billions)</th>
<th>BANCWEST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Provision Net Revenue</td>
<td>1.0</td>
</tr>
<tr>
<td>Other Revenues(^3)</td>
<td>0.0</td>
</tr>
<tr>
<td>Provision for Loan and Lease Losses</td>
<td>(3.6)</td>
</tr>
<tr>
<td>Net Income (Loss) Before Taxes(^4)</td>
<td>(2.6)</td>
</tr>
</tbody>
</table>

Note: Totals may not sum due to rounding
### BHC Severely Adverse Scenario Results (2 of 2)

#### BANCWEST Basel III Capital Ratios

<table>
<thead>
<tr>
<th>Capital Ratios &lt;sup&gt;5&lt;/sup&gt;</th>
<th>Actual</th>
<th>Stressed Capital Ratios</th>
<th>Reg. Minimum &lt;sup&gt;6&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2Q 2016</td>
<td>3Q 2018</td>
<td>Lowest (over projection horizon)</td>
</tr>
<tr>
<td><strong>BANCWEST</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CET 1 Ratio</td>
<td>12.6%</td>
<td>10.5%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Tier 1 Capital Ratio</td>
<td>12.6%</td>
<td>10.8%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Total Risk-Based Capital Ratio</td>
<td>14.8%</td>
<td>13.2%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Tier 1 Leverage Ratio</td>
<td>10.6%</td>
<td>8.9%</td>
<td>8.9%</td>
</tr>
<tr>
<td><strong>BOW</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CET 1 Ratio</td>
<td>12.7%</td>
<td>9.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Tier 1 Capital Ratio</td>
<td>12.8%</td>
<td>9.1%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Total Risk-Based Capital Ratio</td>
<td>13.7%</td>
<td>10.3%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Tier 1 Leverage Ratio</td>
<td>11.3%</td>
<td>7.9%</td>
<td>7.9%</td>
</tr>
<tr>
<td><strong>FHB</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CET 1 Ratio</td>
<td>12.3%</td>
<td>11.7%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Tier 1 Capital Ratio</td>
<td>12.3%</td>
<td>11.7%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Total Risk-Based Capital Ratio</td>
<td>13.4%</td>
<td>12.9%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Tier 1 Leverage Ratio</td>
<td>8.2%</td>
<td>7.6%</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

#### RWA ($'s in Billions) <sup>7</sup>

<table>
<thead>
<tr>
<th>RWA ($'s in Billions) &lt;sup&gt;7&lt;/sup&gt;</th>
<th>Actual RWA 2Q 2016</th>
<th>RWA Projection 3Q 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>BWE</td>
<td>76.1</td>
<td>74.3</td>
</tr>
<tr>
<td>BOW</td>
<td>63.8</td>
<td>61.1</td>
</tr>
<tr>
<td>FHB</td>
<td>12.1</td>
<td>12.7</td>
</tr>
</tbody>
</table>

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<sup>5</sup> Capital Ratios include capital actions, including any capital distributions from the IDIs to the BHC

<sup>6</sup> Regulatory minimums as defined in the Comprehensive Capital Analysis Review 2016 Summary Instructions

<sup>7</sup> Risk Weighted Assets are calculated under Basel III Standardized Approach
Significant Drivers of Changes to the Projected Common Equity Tier 1 Capital Ratio under the BHC Severely Adverse Scenario for BancWest

Note: Similar driver changes were noted in the capital walks for the IDIs
Note: Totals may not sum due to rounding
Cautionary Statements

• This disclosure contains statements related to stress tests conducted by BancWest under the Dodd-Frank Act Stress Test (DFAST). The stress test projections are based on hypothetical scenarios under severely stressed economic conditions. These estimates are not forecasts of BancWest's actual expected losses, revenues, net income before taxes, or capital ratios.

• FRB conducts its own stress testing, based on its internally developed models and methodologies. BancWest may not be able to explain variances between its own internal stress test results and the FRB's projections.

• This disclosure does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities from any of the entities herein.