

Bank of the West Dodd-Frank Act Bank-Run Stress Test Results

March 25, 2014

BANK OF THE WEST 



BNP PARIBAS GROUP

Bank of the West Overview

Bank of the West (“the Bank”) is a State of California chartered bank serving customers from over 600 retail and commercial banking locations in 19 Western and Midwestern states as well as New York, Chicago and Dallas.

The Bank is wholly owned by BancWest Corporation, a financial holding company, which is a wholly owned subsidiary of BNP Paribas (“BNPP”), which:

- Is a leading bank in the Eurozone with a headquarters in Paris
- Has nearly 185,000 employees and is present in 75 countries
- Maintains leading businesses in Europe, a significant presence in the United States and strong positions in Asia and the emerging markets

The Bank offers a diversified portfolio of products and services for our customers including:

- **Personal Banking** – Branch, online, mobile and telephone banking services to meet the needs of the individuals, families and communities we serve
- **Small and Medium Enterprise Banking** – Financing, cash management and financial advice for small and medium-sized businesses and entrepreneurs
- **Commercial Banking** – Commercial lending combined with the breadth of products and expertise of a global financial institution
- **Wealth Management** – Wealth planning, investment management, personal banking, retirement, trust and estate services designed to meet the needs of affluent individuals and families
- **National Finance** – Credit products for homes, vehicles and other major consumer purchases

Bank of the West Run Stress Test Results and Process

Regulations implementing Dodd-Frank Act stress testing (“DFAST”) require the Bank to apply various economic and financial assumptions to our portfolio and publicly disclose those results.

The Bank projects financial results over a nine quarter forecast horizon, starting October 1, 2013 and ending on December 31, 2015. Capital actions included in this stress test disclosure include quarterly common dividend payments equal to the Bank’s trailing four quarter average of dividend payments as of September 30, 2013 and no common share repurchases, as required by the Dodd-Frank Act. Capital actions in this disclosure are not the Bank’s planned capital actions.

Disclosure requirements include:

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

This is not a forecast of economic conditions, but rather a hypothetical scenario designed by regulators to help assess the strength and resilience of financial institutions in the event of severe economic and financial environments. For additional information on the Supervisory Severely Adverse scenario, please see the 2013 Supervisory scenarios for Annual Stress Tests Required under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, published by the Federal Deposit Insurance Corporation on November 12, 2013.

Description of Risks Included in DFAST

CREDIT	Risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Bank.
LIQUIDITY	Risk that the Bank is unable to liquidate assets to satisfy debt or deposit obligations as they come due or fund increases in assets.
MARKET VALUATION	Risk of loss due to a decline in market sensitive items or items recorded at fair value.
OPERATIONAL	Risk of loss from external events or inadequate or failed internal processes, people or systems. This risk includes disruption in IT systems, errors and omissions in processes and fraudulent activity by internal and external parties.

Summary of Capital & Risk Components Captured in DFAST Projections

	CAPITAL COMPONENTS	KEY RISKS CAPTURED
PRE-PROVISION NET REVENUE (“PPNR”)	<ul style="list-style-type: none"> • Projections based on macroeconomic factors • Major assumptions for growth and runoff are reviewed with lines of businesses 	<ul style="list-style-type: none"> • Interest rate • Operational • Liquidity • Prepayment and optionality
OTHER INCOME RELATED ITEMS	<ul style="list-style-type: none"> • Net realized gains and losses on sales of securities and other-than-temporary impairment (“OTTI”) 	<ul style="list-style-type: none"> • Credit • Liquidity • Interest rate • Market valuation
PROVISIONS FOR CREDIT LOSSES	<ul style="list-style-type: none"> • Projections of expected losses, allowance for loan and lease losses and non-performing assets • Function of underlying commercial and consumer loan characteristics 	<p>Credit Risk:</p> <ul style="list-style-type: none"> • Credit migration • Changes in probability of default or loss given default (loss severity) • Changes in commitment utilization
CAPITAL RATIOS AND PROJECTIONS	<ul style="list-style-type: none"> • Risk-weighted assets computation with correlation to historical Call Report trends • Capital actions recommended using four quarter rolling average 	<ul style="list-style-type: none"> • Enterprise-wide risk assessment • Capital adequacy process including governance • Internal controls and data quality

PPNR Risks and Methodologies

**Severely Adverse Scenario
PPNR \$1.1 billion
(October 1, 2013 – December 31, 2015)**

<p>Scope</p>	<ul style="list-style-type: none"> • Net interest income • Noninterest income and other fee related revenues excluding realized gains on investment securities • Noninterest expense includes losses associated with operational risk
<p>Approach</p>	<ul style="list-style-type: none"> • 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
<p>Types of risks identified and captured</p>	<ul style="list-style-type: none"> • Interest Rate • Liquidity • Operational • Prepayment and optionality
<p>Methodologies</p>	<ul style="list-style-type: none"> • Statistical models are used for key performance indicators (growth) 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

Other Income Items Risks and Methodologies

**Severely Adverse Scenario
Other Revenue \$0.0 billion
(October 1, 2013 – December 31, 2015)**

Scope	<p>Includes the following revenue components not included in PPNR:</p> <ul style="list-style-type: none"> • Net realized gains and losses on the sale of investment securities • Other-than-temporary impairment ("OTTI") of investment securities
Approach	<ul style="list-style-type: none"> • OTTI projections are based upon CUSIP-level projections • Minimal OTTI is expected within our securities portfolio as most of the decline in the value of these assets is expected to be temporary and due to factors other than credit, such as illiquidity and interest rate movements • Assumes that we will be able to sell certain securities at a gain as part of our continued management of the portfolio
Types of risks identified and captured	<ul style="list-style-type: none"> • Credit • Liquidity • Interest rate • Market Valuation
Methodologies	<p>We use the methods described below in addition to management’s judgment for the valuation of our investment security portfolios:</p> <ul style="list-style-type: none"> • Ratings-based approach for U.S. Treasuries and municipal security portfolio valuations • Cash flow models for mortgage- and asset-backed securities

Provision for Credit Losses Risks & Methodologies

**Severely Adverse Scenario
Provision for Credit Losses \$1.6 billion
(October 1, 2013 – December 31, 2015)**

<p>Scope</p>	<ul style="list-style-type: none"> • Represents inherent credit-related loss retained in the Bank's loan portfolios and related commitments
<p>Approach</p>	<ul style="list-style-type: none"> • Expected losses are based on the composition and characteristics of loans and lines in our portfolio • Credit quality is modeled using the probability of default and loss given default with differing methodologies for commercial and consumer loans as follows: <ul style="list-style-type: none"> • Commercial loans are assessed based upon our internal credit risk ratings and estimated values of collateral • Consumer loans are assessed for credit quality by delinquency status, FICO migration and loan-to-value deterioration
<p>Types of risks identified and captured</p>	<p>Credit risks, which are impacted by:</p> <ul style="list-style-type: none"> • Probability of obligor or counterparty downgrade or default • Consumer loan transition statuses (current, delinquent, default) • Loss severity • Collateral valuation • Changes in commitment utilization
<p>Methodologies</p>	<ul style="list-style-type: none"> • Statistical analyses that consider the inherent and idiosyncratic characteristics of our portfolio • Reflects reserve levels estimated in accordance with accounting standards, regulatory guidance and the Bank's internal accounting policies • Losses are not computed based upon banking industry averages and instead consider Bank-specific characteristics such as geography, product mix and collateral requirements

Capital Ratios and Projections Risks & Methodologies

Severely Adverse Scenario
Ending Tier 1 Capital \$5.8 billion
(as of December 31, 2015)

<p>Scope</p>	<ul style="list-style-type: none"> • Tier 1 Capital, Total Risk-Based Capital, Tier 1 Leverage and Tier 1 Common Ratios are computed • Granular forecast of risk-weighted assets
<p>Approach</p>	<ul style="list-style-type: none"> • Full projection of balance sheet and income statement for each scenario • On and off-balance sheet exposures were risk-weighted taking into account the prepayment and other outputs from the modeling process • Includes impact of Disallowed Deferred Tax Asset (where appropriate) • Changes in capital are reconciled back to the stress testing results • Robust internal controls and governance review part of approach • Assessment of data quality
<p>Types of risks identified and captured</p>	<ul style="list-style-type: none"> • Enterprise-wide risk assessment with multiple layers of governance • Summary of the Bank's overall Capital Adequacy Process • Idiosyncratic portfolio risk and sensitivity analysis • Model uncertainty and data assessment • Internal controls framework
<p>Methodologies</p>	<ul style="list-style-type: none"> • Accumulation of all of the Bank's modeling processes for the forecast of the balance sheet, PPNR, losses and other elements • Model uncertainty and maturity stage is basis for capital buffer embedded into the process

DFAST Supervisory Severely Adverse Scenario Results

Projected Loan Losses by Type of Loans for Q4 2013 through Q4 2015 under the Supervisory Severely Adverse Scenario		
	9-Quarter losses in Billions	Loss rate ⁽¹⁾
Loan losses	\$1.2	2.7%
First Lien Mortgages, Domestic	0.1	0.9
Junior Liens and HELOCs, Domestic	0.1	2.8
Commercial and Industrial	0.2	3.2
Commercial Real Estate	0.3	2.5
Credit Cards	0.0	20.9
Other Consumer	0.3	2.7
Other Loans	0.3	3.8

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.

DFAST Supervisory Severely Adverse Scenario Results

Calculated Capital Ratios				
	Actual	Stressed Capital Ratios		Well-Capitalized Requirements ⁽⁵⁾
	3Q13	4Q15	Lowest ⁽⁴⁾	
Tier 1 Common Ratio ⁽¹⁾	14.7%	11.6%	11.6%	5.0% ⁽¹⁾
Tier 1 Capital Ratio	14.7	11.6	11.6	6.0
Total Risk-based Capital Ratio	16.0	12.9	12.9	10.0
Tier 1 Leverage Ratio	12.7	9.7	9.7	5.0

Bank of the West Cumulative P&L Metrics (4Q13 through 4Q15)

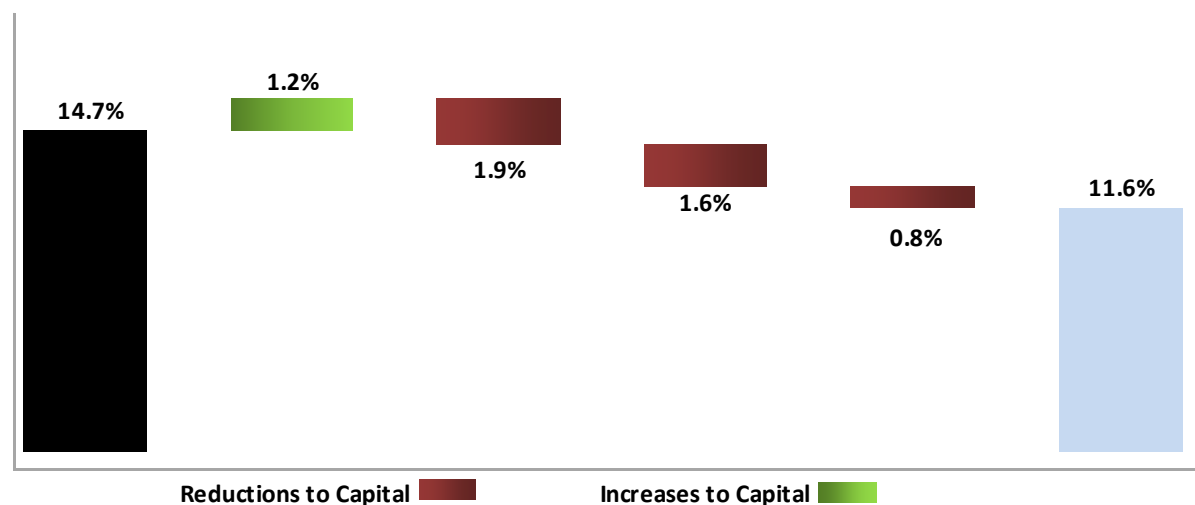
	(\$ in billions)
Pre-provision net revenue ⁽²⁾	\$1.1
Other revenues ⁽³⁾	0.0
Provision for loan and lease losses	1.6
Net income (loss) before taxes	(0.5)

- (1) Tier 1 Common Capital is a non-GAAP financial measure used by banking regulators, investors and analysts and is presented for informational purposes only. Tier 1 Common Capital is defined as Tier 1 Capital less elements of Tier 1 Capital not in the form of common equity, such as perpetual preferred stock, noncontrolling interests in subsidiaries and trust preferred capital debt securities. The Tier 1 Common Ratio was computed by dividing Tier 1 Capital by risk-weighted assets, as defined by the general capital standards. The Federal Reserve's Comprehensive Capital Analysis and Review ("CCAR") capital rule requires Bank Holding Company's to demonstrate their ability to maintain a Tier 1 Common Ratio above 5.0%.
- (2) Pre-provision net revenue (PPNR) includes operational risk losses and excludes net realized gains and other-than-temporary impairment within the securities portfolio.
- (3) Includes net realized gains and losses, including other-than-temporary impairment within the investment securities portfolio.
- (4) Lowest capital ratio over the nine quarter projection horizon.
- (5) Requirements to be well-capitalized under prompt corrective action provision. These ratios are in excess of the minimum requirements for the FDIC's capital adequacy purposes.

Most Significant Causes for Changes in Tier 1 Common Ratio⁽¹⁾

(in Billions \$)

9 Quarter DFAST Results - 3Q13 Actual to 4Q15 Supervisory Severely Adverse



	Starting 3Q13 Actuals	PPNR and Other Revenues ⁽²⁾	Provisions ⁽²⁾	Net Capital Distributions ⁽³⁾	Other ⁽⁴⁾	Ending 4Q15 Supervisory Severely Adverse
Pretax impact:		\$1.1	(\$1.6)			
After-tax		\$0.6	(\$1.0)	(\$0.8)	(\$0.6)	

Note: Totals may not sum due to rounding

- (1) Tier 1 Common Capital is a non-GAAP financial measure used by banking regulators, investors and analysts. Tier 1 common capital is defined as Tier 1 capital less elements of Tier 1 capital not in the form of common equity, such as perpetual preferred stock, noncontrolling interests in subsidiaries and trust preferred capital debt securities. The Tier 1 Common Ratio was computed by dividing Tier 1 Capital by risk-weighted assets, as defined by the general capital standards.
- (2) Consolidated tax rate assumed to be 40.6%.
- (3) As required by the Dodd-Frank Act, common dividends in the capital plan must equal the trailing four quarter average as of September 30, 2013.
- (4) Includes the combined impact of other changes to capital and risk-weighted assets not identified above.