

BancWest

2017 Dodd Frank Act Company-Run Capital Stress Test Disclosure



BANCWEST
BNP PARIBAS

BancWest Corporation
including Bank of the West and First Hawaiian Bank

BancWest Overview

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

BancWest Corporation

- BancWest Corporation (BWC), as of December 31, 2016, was the bank holding company (BHC) for Bank of the West (BOW) and First Hawaiian Bank (FHB).¹ As of December 31, 2016, BancWest had \$103.8 BN in assets. BancWest in turn is a wholly owned subsidiary of BNP Paribas USA, Inc. (BNPP USA), which is the intermediate holding company (IHC) for two direct subsidiaries; BWC and BNP Paribas US Wholesale Holding Corp.

Subsidiary Banks

- Bank of the West is a regional bank chartered in California and headquartered in San Francisco, with \$83.7 BN in assets as of December 31, 2016. BOW operates a network of retail, wealth, commercial and business banking branches and offices in 23 states.
- First Hawaiian Bank is headquartered in Honolulu and is Hawaii's oldest and largest financial institution. As of December 31, 2016 it held \$19.6 BN in assets, operated over 60 branches and had a 37% deposit market share in Hawaii.

BNPP USA (IHC)

- BNPP USA is a wholly-owned subsidiary of BNP Paribas (BNPP). BNPP is a well-capitalized and highly liquid global bank operating in 74 countries with consolidated assets of \$2.2 trillion as of December 31, 2016. BNPP established its IHC in July 2016 to consolidate its U.S. operations and comply with the Federal Reserve Board's (FRB) Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations

¹Per BNP Paribas intention to simplify its U.S. operations, BNPP USA will gradually divest FHB. To facilitate the Initial Public Offering (IPO) of FHB and the follow-on public market offerings, BancWest Holding Company (BWHI) and First Hawaiian Inc (FHI) became wholly owned subsidiaries of BWC and BHC's for BOW and FHB respectively. BWHI remains a wholly-owned subsidiary of BWC. BWC owns 62% of FHI's outstanding shares following the IPO in August 2016 and a secondary offering completed in February 2017

BancWest Company-Run Stress Test Results and Process

The Federal Reserve Board (FRB) and the Federal Deposit Insurance Corporation (FDIC) conduct stress tests every year to ensure that banks have enough capital to sustain 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 FRB's capital planning rules and the Dodd-Frank Wall Street Reform and Consumer Protection Act.

This report shows the results of BancWest's DFAST stress-test results under the hypothetical supervisory severely adverse scenario for BancWest and its two subsidiary banks.² The report uses Dodd-Frank Capital Action assumptions, and the results disclosed may differ from BancWest's own internal results, due to differences in methodology.

BancWest projects capital and financial results over a nine-quarter forecast horizon, starting January 1, 2017. This projection is not a forecast of economic conditions or financial results, but rather a hypothetical scenario designed by regulators to help assess the strength and resilience of financial institutions in the event of a severe economic downturn. The disclosure includes results for BWC and its subsidiaries, BOW and FHB.

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

²FHB's individually disclosed DFAST results may differ from the FHB stress test results disclosed here in BancWest's CCAR exercise due to timing differences in the release of results as per DFAST regulations

Stress Test Scenarios

Stress Test Scenarios:

BHCs and banks are required to run at least five economic scenarios, including an internal stress and a supervisory stress scenario to make sure that the BHC and the subsidiary banks have sufficient regulatory capital to continue lending and serving their customers during an economic downturn. Capital is an important measure of a bank's strength. It is a bank's cushion against various types of unexpected losses and protects depositors' money.

BHCs and banks are given the same three economic scenarios by their regulators, one of which reflects a severe economic crisis. Banks are also required to design two scenarios on their own, including an economic downturn scenario. The severely adverse scenario provided by regulators is the most severe of the three regulatory scenarios, and deals with a severe global recession that is accompanied by a period of heightened stress in corporate and commercial real estate lending markets .

Supervisory Severely Adverse Scenario

- Unemployment rate increases by 5.25% to 10% by the third quarter of 2018
- CPI falls to 1.25% by 2017 Q2 and then rises to 1.75% by mid-2018
- Short-term Treasury rates fall and remain near 0% through to the end of the scenario
- 10-year Treasury yield drops to 0.75% in the first quarter of 2017, rising gradually to 1.5% by the first quarter of 2019
- Financial conditions in corporate and real estate lending markets are stressed severely
- Equity prices fall by 50% through the end of 2017 accompanied by a surge in market volatility, which approaches the levels attained in 2008
- National home prices decline 25% and commercial real estate prices decline 35% through the first quarter of 2019

Description of Risks

CREDIT	Risk that borrower or counterparty will fail to meet the terms of an obligation in accordance with agreed terms.
OPERATIONAL	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 reputational risk.
MARKET/ INTEREST RATE	Risk resulting from adverse movement in market rates or prices, such as interest rates, foreign exchange rates or equity prices.
LIQUIDITY	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.
OTHER RISKS	Business/Strategic Risk is the risk that arises from adverse business decisions or business plans. Reputational risk is related to the confidence placed on the BHC by its customers, clients, providers, counterparts, shareholders and regulators. 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.

Summary of Capital and Risk Components Captured in CCAR Projections

	Capital Components	Key Risks Captured
Pre-Provision Net Revenue (PPNR)	<ul style="list-style-type: none"> ▪ Projections based on macroeconomic factors and management judgment ▪ Major assumptions for growth and runoff are reviewed with lines of business 	<ul style="list-style-type: none"> ▪ Business/Strategic ▪ Interest rate and Liquidity ▪ Operational ▪ Prepayment and other 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 ▪ Interest rate ▪ Market valuation
Provisions for Credit Losses	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ Credit: Changes in probability of default or loss given default (loss severity) ▪ Changes in reserve levels ▪ Changes in commitment utilization
Capital Ratios and Projections	<ul style="list-style-type: none"> ▪ Risk-weighted assets forecast with correlation to historical Call Report trends ▪ Tax impact 	<ul style="list-style-type: none"> ▪ Capital adequacy process including governance and challenge ▪ Internal controls, data quality, process maturity and model risk

PPNR Risks and Methodologies

Supervisory Severely Adverse Scenario
 Nine-Quarter Cumulative PPNR \$1.8 BN
 (January 1, 2017 – March 31, 2019)

<p>Scope</p>	<ul style="list-style-type: none"> ▪ Net interest income ▪ Non-interest income and other fee-related revenues excluding realized gains and losses on investment securities ▪ Non-interest 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 forecasts for new business volumes, prepayments and runoff ▪ Available funding includes wholesale funds and advances from the Federal Home Loan Bank ▪ Fee revenues are generally tied to certain balance sheet forecasts and bank initiatives ▪ Major components of non-interest expense are based upon economic scenarios and management's expectations
<p>Types of Risks Identified and Captured</p>	<ul style="list-style-type: none"> ▪ Business/Strategic ▪ Interest rate and liquidity ▪ Operational ▪ Prepayment and optionality
<p>Methodologies</p>	<ul style="list-style-type: none"> ▪ Statistical models are used for major line item forecasts that link to macroeconomic variables where appropriate ▪ Net interest income output includes scheduled principal and projected prepayments based on balance sheet forecast by scenario ▪ Operational losses are based on business indicator model and idiosyncratic scenario analysis

Provision for Credit Losses Risks and Methodologies

Supervisory Severely Adverse Scenario
 Nine-Quarter Cumulative Provision for Credit Losses \$3.0 BN
 (January 1, 2017 – March 31, 2019)

<p>Scope</p>	<ul style="list-style-type: none"> Represents credit-related loss retained in BancWest's loan and leases portfolios and related commitments through the planning horizon as well as the reserve for the expected losses
<p>Approach</p>	<ul style="list-style-type: none"> 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 approach by projecting and combining Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for each outstanding exposure <ul style="list-style-type: none"> 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
<p>Types of Risks Identified and Captured</p>	<p>Credit risks, which are impacted by:</p> <ul style="list-style-type: none"> 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
<p>Methodologies</p>	<ul style="list-style-type: none"> 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

Capital Ratios and Projections Risks and Methodologies

Supervisory Severely Adverse Scenario
Ending Projection Period Tier 1 Capital \$10.2 BN
(January 1, 2017 – March 31, 2019)

<p>Scope</p>	<ul style="list-style-type: none"> 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
<p>Approach</p>	<ul style="list-style-type: none"> 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 AOCI in the capital On and off-balance sheet exposures were risk-weighted, taking into account the prepayment, new volume and other outputs from the modeling process Internal controls framework overseeing all elements of Capital Planning Process Governance review
<p>Types of Risks Identified and Captured</p>	<ul style="list-style-type: none"> Covers all material risks identified throughout the enterprise, which were subject to governance that includes challenge from business units, executive management and the Board Data limitations, process maturity and other weaknesses factored into the overlay process. Model risk captured directly through the capital buffer
<p>Methodologies</p>	<ul style="list-style-type: none"> Accumulation of all modeling processes for the forecast inclusive of balance sheet, PPNR, loan and lease losses and other elements

Supervisory Severely Adverse Scenario Results (1 of 2)

Projected Loan Losses by Type of Loans for Q1 2017 through Q1 2019 under the Supervisory Severely Adverse Scenario						
Loan losses (\$ in Billions)	BANCWEST		BOW		FHB	
	9-Quarter losses	Loss rate ³	9-Quarter losses	Loss rate ³	9-Quarter losses	Loss rate ³
	2.37	3.3%	2.17	3.6%	0.20	1.7%
First Lien Mortgages, Domestic	0.06	0.5%	0.05	0.6%	0.01	0.3%
Junior Liens and HELOCs, Domestic	0.08	1.9%	0.07	2.0%	0.02	1.5%
Commercial and Industrial	0.83	5.0%	0.77	5.7%	0.05	1.8%
Commercial Real Estate, Domestic	0.60	3.4%	0.57	3.7%	0.03	1.3%
Credit Cards	0.07	14.7%	0.02	12.0%	0.05	16.3%
Other Consumer	0.56	3.5%	0.52	3.6%	0.04	3.1%
Other Loans ⁴	0.18	2.9%	0.17	3.2%	0.00	0.7%

Cumulative P&L Metrics (Q1 2017 through Q1 2019)			
(\$ in Billions)	BANCWEST	BOW	FHB
Pre-Provision Net Revenue ⁵	1.8	1.7	0.5
Other Revenues ⁶	0.0	0.0	0.0
Provision for Loan and Lease Losses	(3.0)	(2.7)	(0.3)
Net Income (loss) Before Taxes	(1.2)	(1.0)	0.2

Note: Totals may not sum due to rounding

³ 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

⁴ Other Loans include Other Loans and Leases, Loans Secured by Farmland, and Real Estate Loans (Not in Domestic Offices)

⁵ PPNR for BOW and FHB do not add up to BWE's PPNR primarily due to interest expense, non-interest expenses and consolidating entries of \$0.4 BN at the holding company level.

⁶ Other Revenues include net realized gains and losses on securities and OTTI

Supervisory Severely Adverse Scenario Results (2 of 2)

Basel III Capital Ratios				
Capital Ratios ⁷	Actual	Stressed Capital Ratios		Regulatory Minimum ⁸
	4Q16	1Q19	Lowest (over the projection horizon)	
BANCWEST				
CET 1 Ratio	13.1%	12.0%	11.8%	4.5%
Tier 1 Capital Ratio	13.4%	12.5%	12.3%	6.0%
Total Risk-Based Capital Ratio	15.3%	14.7%	14.4%	8.0%
Tier 1 Leverage Ratio	11.1%	10.4%	10.1%	4.0%
BOW				
CET 1 Ratio	12.2%	9.6%	9.6%	4.5%
Tier 1 Capital Ratio	12.2%	9.6%	9.6%	6.0%
Total Risk-Based Capital Ratio	13.2%	11.2%	11.2%	8.0%
Tier 1 Leverage Ratio	10.7%	8.3%	8.3%	4.0%
FHB				
CET 1 Ratio	12.5%	11.4%	11.2%	4.5%
Tier 1 Capital Ratio	12.5%	11.4%	11.2%	6.0%
Total Risk-Based Capital Ratio	13.6%	12.6%	12.5%	8.0%
Tier 1 Leverage Ratio	8.2%	7.3%	7.3%	4.0%

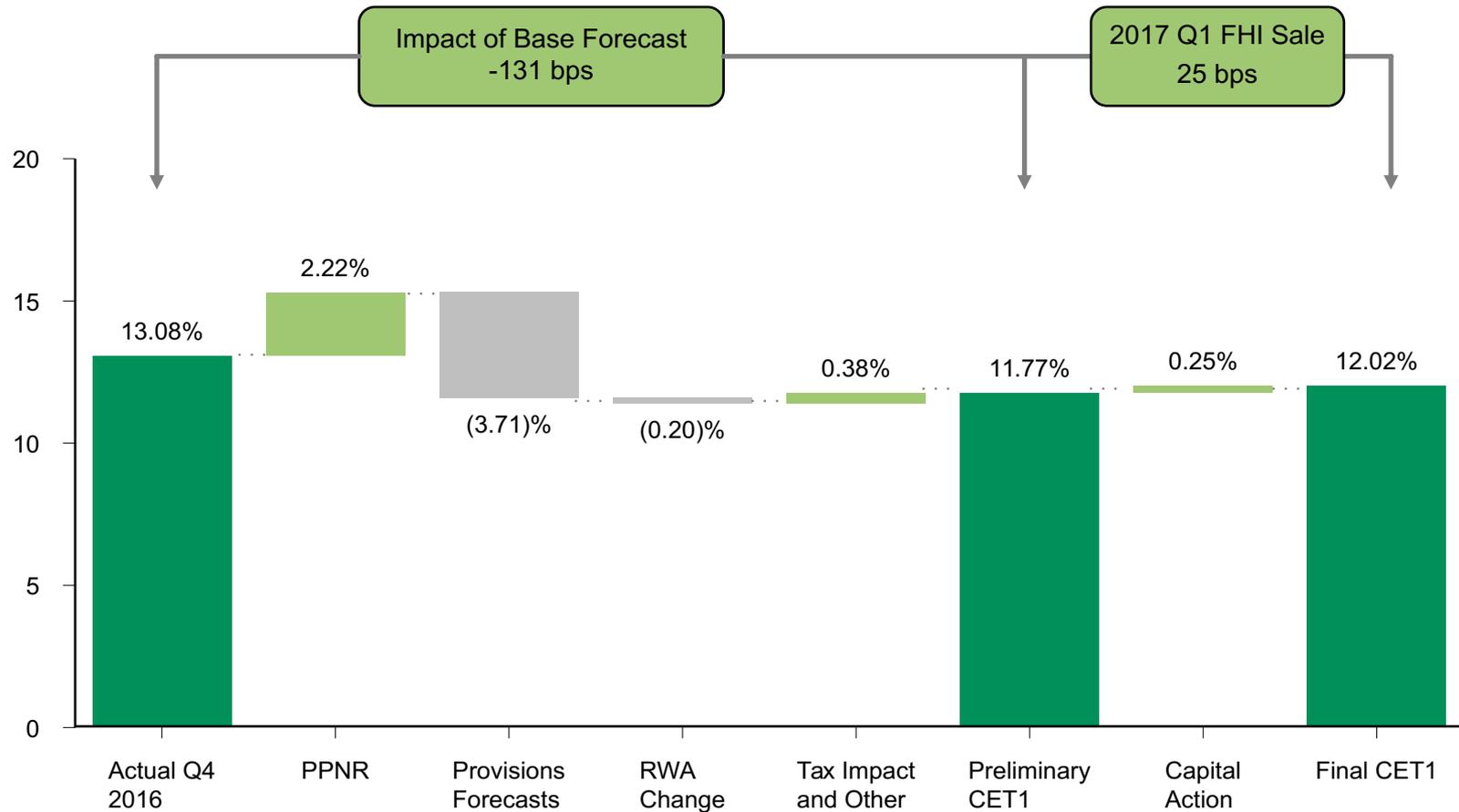
RWA (\$'s in Billions) ⁹	Actual RWA Q4, 2016	RWA Projection Q1, 2019
BWC	80.1	81.3
BOW	67.3	68.5
FHB	12.3	11.7

⁷ Capital Ratios include any capital action across the forecasting horizon under DFAST capital actions assumptions

⁸ Regulatory minimums as defined in the Comprehensive Capital Analysis Review 2017 Summary Instructions

⁹ Risk Weighted Assets calculated under Basel III Standardized Approach. Totals may not sum due to consolidation entries

Significant Drivers of Changes to the Projected CET 1 Capital Ratio under the Supervisory Severely Adverse Scenario for BancWest



Note: Totals may not sum due to rounding

Cautionary Statements

- This disclosure contains statements related to stress tests conducted by BancWest under the DFAST requirements. 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.
- Forecast includes nine-quarter projection of FHI in consolidated BWC results as submitted. Based on management decision and market conditions, the deconsolidation of FHI might occur prior to the end of the nine quarter forecasting period.
- 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.