Bank of the West/BancWest Corporation, Corporate Finance

Regulatory, Leadership, and Culture Communications | Change Management | Program Management

I was brought aboard to build the communications support infrastructure for Bank of the West's regulatory reporting to the Federal Reserve, including the Comprehensive Capital Analysis and Review (CCAR) assessment and the complementary Dodd-Frank Act Stress Test (DFAST) exercise. It was a startup environment, and I built the communications function from scratch, with no support from the corporate marketing and communications teams, whose focus was solely on retail banking. I led the communications effort through the bank's dress rehearsal and the first official reporting with the Federal Reserve.

My primary clients were six governance committees, the Board Risk Committee, and the Board. I wrote original content and curated content from internal partners (including the Finance, Risk, Capital Planning, Treasury, Data Governance, IT, Legal, Compliance, Internal Audit, Regulatory Relations, and the lines of business teams) for financial governance presentations, briefing statements, leadership memoranda, FAQs, media advisories, retail website posts, and social intranet posts.

I was asked to join the FARM data mart initiative in late February 2016. (The acronym "FARM" stands for finance and risk mart.) The project had kicked off in early December 2015, and I delivered the Group Leadership presentation that is included here in redacted form in early March 2016, when the project had already been underway for a good three months with no formal communication from the project committee. (Group Leadership was a community of practice conducted thorough a weekly conference call and included almost 100 people from entities across the enterprise, including Bank of the West, First Hawaiian Bank, and the intermediate holding company, BNP Paribas USA.)

The name of the initiative, FARM, had leaked out and, of course, barnyard jokes were flying across the organization. It was my job to put a stake in the ground and provide appropriate context.

Partnering with the chief data officer, our goal was to get everything about the initiative out into the leadership community to foster a free flow of questions and debate, create leadership alignment across the organization, and make clear the budget and resources required to support the initiative, the benefits of which were:

- The elimination of data errors
- Sophisticated reporting
- Ad hoc queries
- Data analytics
- Data modeling

Overview of the FARM Initiative
Integrated Change Management Plan

Redacted for Confidentiality

BANCWEST
BNP PARIBAS GROUP

Peter Speliopoulos
CCAR Change & Communications Lead
Group Leadership
March 9, 2016

Background & Redaction Notice

- Group Leadership was a weekly conference call and included almost 100 people from across the enterprise, including Bank of the West, First Hawaiian Bank, and the intermediate holding company, BNP Paribas USA.
- This is not the presentation that I would have delivered if I was standing in front of a live audience; instead, imagine all 100 participants looking at a PDF, printed, or on mobile devices.
- By necessity, and in accordance with regulatory compliance requirements, this deck was built for scrutiny by the Federal Reserve and the FDIC.
- This is a redacted version of my presentation to Group Leadership. My work at Bank of the West was highly confidential, so what I can share is restricted. It was therefore necessary that I eliminate confidential specifics regarding organizational structure, project funding, training, and messaging. Nevertheless, there is more than enough here to provide meaningful insights into the FARM initiative.

Confidential

Agenda

Executive Summary

Change Management Planning

- Change Management Objectives
- Audiences
- ~~Resistance Planning & Personal Transitions~~
- Change Readiness Assessment
- Integrated Change Management & Communications Approach
- Key Performance Indicators (KPIs)

Communications Planning

- The FARM Change Communications Manifesto
- Communications Objectives
- Communications Strategies
- Messaging

~~Implementation & Embedding Change in BAU~~

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Executive Summary

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Executive Summary

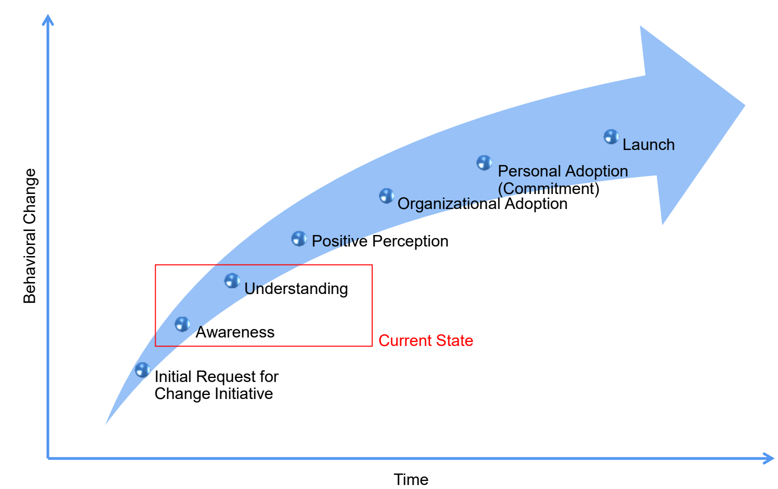
The FARM integrated change management plan includes a strategy and framework to align leadership teams across the BancWest ecosystem—Finance, Risk, Treasury, Data, IT, FHB, the LOBs, and the IHC—and to engage knowledge workers on their own terms and according to their specific needs in order to achieve our desired results and sustain the benefits of FARM over the long run. FARM's change management objectives include:

- Setting aggressive targets to drive deployment and maintain momentum
- Building and sustaining ownership across the organization
- Avoiding overload in executing change activities
- Fostering effective communications
- Mitigating resistance to change

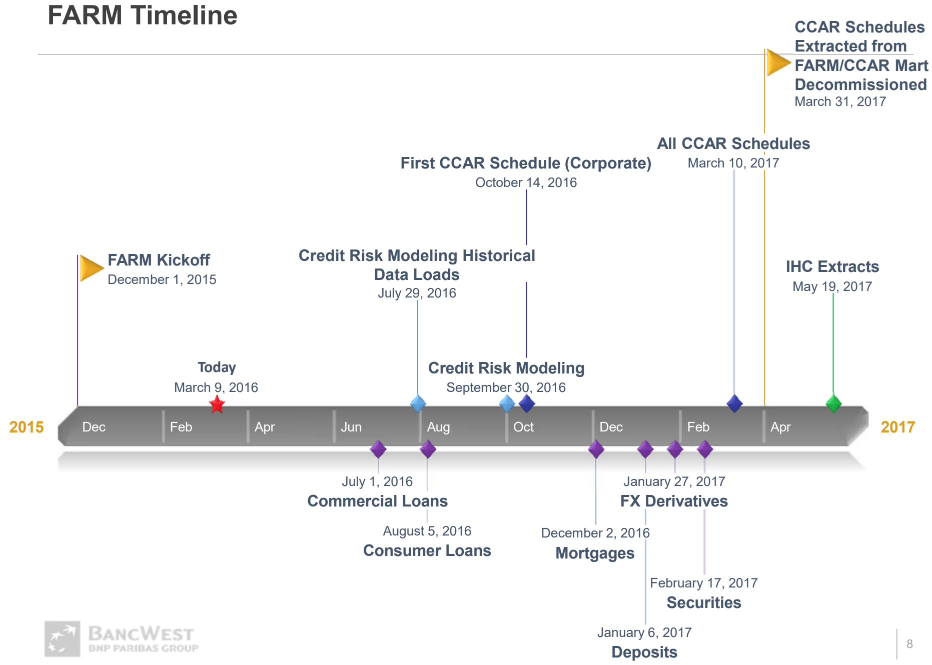
What Is FARM?

- FARM is a data mart. The acronym "FARM" stands for "finance and risk mart"
- A data warehouse is a repository for all an organization's historical data
- A data mart is a subset of a data warehouse and a repository for highly structured data that serves a specific community and is designed to meet the needs of a specific group of users, greatly easing the slicing and dicing of data required for reporting, analytics, and data mining
- While a data mart itself may contain millions of entries, it's still smaller than a data warehouse designed to serve an entire enterprise

Change Adoption Curve



FARM Timeline



Change Management Planning

Change Management Objectives

Our change management objectives are to:

- Deliver an internal, customer-focused data mart to achieve increased effectiveness, efficiency, and compliance resulting in significant financial benefit
- Ensure effective leadership commitment
- Build alignment across the organization
- Enable the organization to transform
- Manage the change
- Set aggressive targets to drive the need for change
- Mitigate resistance to change
- Build and sustain ownership
- Build and maintain the case for change
- Avoid overload in the introduction of the change activities
- Sustain the benefits of FARM by developing and communicating best-in-class capabilities

Audiences

Primary

- Enterprise data management (EDM)
- Data stewards
- Power users
- Data custodians
- Data modelers
- Middle management data users
- Basic data users

Secondary

- Finance, Risk, Data Governance, and Treasury leadership
- Executive leadership
- Federal Reserve & FDIC examiners

~~Resistance Planning & Personal Transitions~~

Change Readiness Assessment

To manage expectations, FARM will pay particular attention to possible risks that most affect the transformation and proactively manage the change to support the long-term success of the effort and the institutionalization of the changes across the Finance, Risk, and Treasury functions.

Change Risks	Mitigation Strategy
Low stakeholder adoption: • Business benefits are not well understood by stakeholders, potentially including executive leadership, finance, risk, and treasury leadership, and employees directly involved in data functions	FARM project committee to: • Continually assess and, as needed, strengthen business benefits • Validate progress against established metrics • Develop plans to mitigate the understanding gap and weave these actions into the communications timeline
Conflicting change initiatives: • Other programs and change activities are diverting stakeholder focus from the FARM initiative • Impact of other change activities hasn't been measured	• Identify other change activities and measure the impact against the FARM timeline and the stakeholder communications plan • Strengthen the alignment between FARM program leaders and finance, risk, and treasury leaders on concurrent goals and initiatives • The FARM program team will monitor conflicting rollout plans and expectations to develop metrics to communicate progress • Regular, highly targeted stakeholder updates by the FARM program team
Messaging inadequacies: • Inadequate communication by FARM program leaders • Internal communications not delivered or inconsistently delivered • Written communications aren't read by stakeholder groups • Lack of buy in by data users • Communication overload (i.e., too much, too many) • Inconsistent and conflicting messages that don't support the implementation objectives	• FARM project committee to open the lines of communication between FARM program leaders, finance, risk, and treasury leaders, and data user stakeholder groups • Audit change management and communications effectiveness through survey readiness assessments (i.e., informal, internal focus groups or surveys) • Utilize multiple communications tools and channels, expanding or adapting channels to meet information needs based on stakeholder feedback • Gain the engagement of data users with demonstrations, conference calls, and targeted leadership messages • Leverage integrated messaging, maintaining a one- to three-month view of planned communications • Review all communications for clarity and consistency across all stakeholder theaters • Develop standard messages and talking points to ensure the credibility of communications by FARM program team leaders

Integrated Change Management & Communications Approach

Change management communications strategies start with the question, "What do our stakeholders need from the FARM team to feel engaged in the rollout of the FARM initiative?"

What our stakeholders need to know:

- Our goal, why the goal exists, and why the end state is needed (i.e., why the organization can't afford to go on without FARM)
- How the FARM change initiative fits with the organization's values and objectives
- The organizational and personal implications and expectations of the change initiative (with absolute clarity)

What we need to deliver to our stakeholders:

- Clear, unambiguous, understandable, and consistent messaging that answers those questions that stakeholders have about FARM (questions that the FARM program team anticipates in advance of communications outreach and those questions that arise through our feedback mechanisms)
- Consistent messaging that ensures that our stakeholders are aligned with FARM objectives and messaging so they are delivering consistent messages of their own (word of mouth is a powerful tool)
- A sufficient level of information so that stakeholders understand the change effort at their specific levels of need
- Information that is made available across all relevant channels of communication, with as much repetition as necessary to ensure that our messages are conveyed clearly and widely

Key Performance Indicators (KPIs)

KPIs are used to track the progress and effectiveness of organizational changes. These metrics help assess how well a change initiative is being adopted, the impact on the business, and areas needing improvement. They provide data to evaluate if goals are being met and allow for necessary adjustments to the change management strategy.

Employee Engagement & Satisfaction
- Employee readiness assessments
- Employee feedback & surveys
- Morale and productivity

Training Effectiveness
- Completion rates
- Knowledge retention
- Time to adoption

Communications Effectiveness
- Feedback strategy
- Message penetration

Resistance & Issues
- Resistance levels
- Issue tracking
- Number of unauthorized changes
- Number of incidents caused by changes

Benefit Realization
- Cost to change implementation
- Time & labor savings
- Cost savings

Stakeholder Satisfaction
- Stakeholder satisfaction
- Sponsor performance metrics

Project Management
- Achievement of project milestones
- Adherence to the delivery timeline
- Adherence to budget allocations
- Usage & utilization reports
- Compliance & adherence reports

Communications Planning

The FARM Change Communications Manifesto

- Speak with one voice to facilitate the seamless delivery of a consistent message through appropriate media and delivery sources
- Keep messages simple by providing relevant, accurate, timely, appropriate, jargon-free, and consistent communications
- Put the emphasis on high-touch, face-to-face communications that involve and engage stakeholders at all levels
- Clearly define expectations for those impacted by the change
- Clearly define and communicate benefits without overselling the benefits of FARM
- Quickly identify and remove barriers to resolve issues, both program and communications
- Ensure that agreed-to project milestones and the specific needs of target stakeholders drive change management communications
- Build feedback mechanisms into communications in order to assess user understanding of messages and to provide the opportunity for high-touch, two-way communications
- Enlist ambassadors to increase a sense of ownership among stakeholders and leverage this connection as a feedback mechanism
- Define metrics and mechanisms to measure the effectiveness of communications outreach

Communications Objectives

Our communications objectives are to:

- Create a coordinated change management infrastructure with a strong communications strategy that ensures sufficient support for the FARM change initiative in order to keep stakeholders informed of, involved in, and committed to FARM
- Provide awareness and understanding
- Reduce resistance in order to create ownership for the success of FARM
- Build credibility for the FARM initiative and minimize the number of questions by stakeholders
- Foster effective communications across all stakeholder groups
- Ensure audience buy-in
- Set aggressive targets to drive the need for change with cascading communications
- Sustain benefits by developing and communicating best-in-class capabilities
- Address stakeholder concerns as they arise
- Celebrate milestones, successes, and achievements

Communications Strategies

We will achieve our change management and communications objectives by:

- Rigorously outlining and reaching agreement on our communication objectives and guiding principles in order to ensure a disciplined and informative outreach
- Understanding and making use of the relationship between communications and strong sponsorship by leaders outside of the FARM program team
- Broadly defining stakeholder groups and the purpose of communications with each group
- Identifying our communications approach, including the use of cascading communications
- Defining risks related to and/or mitigated by communication
- Communicating a shared purpose to solidify adoption across all theaters of change
- Communicating that the project is led by strong leaders
- Communicating in a way that matches the way each of our audiences consume information (internal audiences have changed significantly in the past five years and even over the past 12 months; we must be cognizant of these generational shifts)
- Communicating in a timely and consistent manner (i.e., the right message to the right people at the right time, a still-relevant cliché)
- Communicating and communicating again the benefits of FARM (e.g., more effective use of user time; more relevant finance, risk, and treasury views of data; elimination of redundancies across departments; streamlined processes; better trained employees; updated technology)

Messaging (1 of 2)

The FARM program team will communicate key information to stakeholders by utilizing a variety of tools and channels to ensure consistency in messaging. The team will leverage subject matter expertise to create targeted outreach according to the specific needs of each audience.We will use a combination of high- and low-touch communications to increase the effectiveness of targeted stakeholder messaging:

- High-touch communications consist of face-to-face one-to-one and one-to-many communications, such as individual discussions, department presentations, and town hall meetings
- Low-touch communications consist of email messages, the Jive/Pulse social intranet, newsletters, memoranda, and fact sheets (FAQs)
- All communications will leverage the same key messages, adapted for the specific needs of stakeholder audiences and the intended outcomes of the communications
- There are several vehicles and mediums in place today that we will leverage to help move stakeholders along the commitment curve
- A cascading communications approach is necessary to deliver messages to different stakeholder groups in order to provide information at the appropriate time on the commitment curve and as a way to build ownership and commitment

Messaging (2 of 2)

Based on the scope and technical nature of the FARM initiative and the diversity of the impacted stakeholders across the organization, a cascading communications approach is necessary to align messaging, reinforce key messages, and leverage existing communications vehicles and channels:

- Selected communicators for each message must have name recognition and influence in the respective stakeholder group to which he or she is communicating
- Joint endorsement of messages will be utilized where appropriate in order to demonstrate unity in leadership and sponsorship
- Feedback from stakeholders will help modify and improve ongoing stakeholder communications and planned events
- Feedback from leadership stakeholders will be used to strengthen sponsorship and ownership in select areas requiring attention during the rollout and adoption periods

~~Implementation & Embedding Change in BAU~~

FARM Project Committee

- Dan Beck, Sponsor
- Cara Dailey, Leader
- Vipul Agochiya
- David Held
- Scott McCracken
- Gull Pavon
- Peter Speliopoulos

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First Hawaiian Bank.

BancWest Corporation
Comprehensive Capital Analysis and Review
Capital Plan Narrative
April 5, 2016
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Comprehensive Capital Analysis and Review
Capital Plan Narrative

April 5, 2016

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Dodd-Frank Act Stress Test
Capital Plan Narrative

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SMC MAY MEETING
MAY 13 - 15, 2015 | CALISTOGA, CA
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CCAR Program Update
Daniel J. Beck

Agenda

- Update on 2015 CCAR Results
- Review of the CCAR/DFAST Program and Capability Enhancements
- Lines of Business Participation in the CCAR Program
- Overview of the Run Cycles (Mid-Year, Dry Run, and the Formal CCAR Submission)
- Update on the Capital Infusion Plan
- Update on the IHC Transition

Update on 2015 CCAR Results

Summary of 2015 CCAR Results

- All 31 banks tested stayed above the 5% minimum for top-tier capital (CET1). Zions had the lowest stressed CET1 ratio at 6%.
- There were no outright ***quantitative*** failures. Several banks were just above the minimum ratios, but none fell below minimum capital levels for the FRB test.
- The FRB objected to the capital plans of Deutsche Bank and Santander on ***qualitative*** concerns:
  - For Deutsche Bank, the FRB identified significant deficiencies with the institution's: risk-identification, measurement, and aggregation processes; approaches to loss and revenue projection; and internal controls.
  - For Santander, the FRB identified a number of key areas in the capital plan, including: governance, internal controls, risk identification, and risk management; MIS; and assumptions and analysis that support the institution's capital planning processes.
- The FRB did not object to the capital plan of Bank of America; however, Bank of America is required to submit a new capital plan by September 30 to address weaknesses in its capital planning processes (i.e., loss and revenue modeling and internal controls).
- Three BHCs—Goldman, JPMorgan, and Morgan Stanley—were projected to have at least one minimum post-stress capital ratio lower than regulatory minimum levels based on original, planned capital actions. All three took “mulligans” and were able to maintain post-stress regulatory capital ratios above minimum requirements after resubmitting adjusted capital actions.

CCAR Is a Two-Part Test: Quantitative and Qualitative

The Federal Reserve Objectively Tests Capital Levels and Processes

Quantitative Failure CCAR

- SunTrust (2012)
- Ally (2012)
- Citi (2012)
- Ally (2013)
- Zions (2014)

Test 1: Quantitative Pass / Fail

Detailed Data

FRB Models

Public Report

Objective: Evaluate adequacy of capital levels

Test 2: Qualitative Pass / Fail

Regulatory Review

Grade Processes vs. Peers

Public Report

Objective: Evaluate effectiveness of internal capital processes

Qualitative Failure CCAR

- Fifth Third (2012)
- BB&T (2013)
- **Santander (2014)**
- **RBS Citizens (2014)**
- **HSBC (2014)**
- Citi (2014)
- **Deutsche Bank (2015)**
- **Santander (2015)**

FBOs

The Federal Reserve requires a pass for both tests to approve a BHC's capital plan

Review of the CCAR/DFAST Program and Capability Enhancements

Preliminary Regulatory Feedback and BWE Self-Assessment Formed the Basis for Development Plans

Summary of Key Findings

Principle 1 ***Foundational Risk Management***	Risk identification framework is first generation, with the risk taxonomy not being granular enough and level, and risk materiality thresholds have not been set. Variable aggregation, storage, and control processes are insufficient.
Principle 2 ***Loss Estimation Methodologies***	First-generation models, with significant limitations (e.g., data, segmentation, granularity) and insufficient documentation around projections, processes, and assumptions. Specific feedback on CRE and SFR loss models.
Principle 3 ***Resource Estimation Methodologies***	Model development plans, timelines, and segmentation need enhancement. There are significant data gaps and there is limited data history for PPNR models. There is insufficient documentation on model development and validation.
Principle 4 ***Capital Adequacy Impact Assessment***	Aggregation process is highly manual. Process of determination of qualitative buffers, including the self-assessment and model-uncertainty buffer processes, lack maturity and repetition. Current capital management reporting for BAU capital adequacy is in a nascent state.
Principle 5 ***Capital Policy and Capital Planning***	Linkage between the capital plan and the capital contingency plan and other polices (ERM, ALLL, RAF, ALM) needs to be enhanced. CCP needs to include additional macroeconomic and idiosyncratic triggers. Need to enhance documentation and rationale around goals, targets, and triggers.
Principle 6 ***Internal Controls***	Documentation lacks transparency and sufficient details in many areas, including the linkage from the capital plan to the FR Y-14A documentation. FHB's involvement is unclear. Internal controls are highly manual and the planning and timeliness for internal controls and audit need enhancement.
Principle 7 ***Governance***	The effective challenge framework is new and has not been fully implemented. Must enhance documentation around review and challenge materials presented to senior management and the board.

Self-Assessment Completed in 2014 Is Guiding the Development Efforts in 2015-16

GO WEST

Absent / Ineffective | Functional, Yet Evolving | Developed and Sustainable | Strong and Mature

1. Sound Foundational Risk Management	
1.1 Strategic Planning	15
1.2 Risk Appetite/Limits	3, 15
1.3 Material Risk Identification	3
1.4 Risk Assessment and Measurement	3
1.5 Risk Management and Reporting	3
1.6 Scenario Development	3
2. Effective Loss Estimation Methodologies	
2.1 Credit Loss - Wholesale and Retail Projections	4b, 9
2.2 ALLL Projections	9
2.3 Trading/Counterparty Loss Projections	9
2.4 Operational Loss Projections	10
2.5 Other Projections (OTTI, DTA, etc.)	9
3. Solid Resource Estimation Methodologies	
3.1 Budgeting	15
3.2 PPNR Projections	4b, 8
3.3 Determination and Projection of Available Capital	15
4. Sufficient Capital Adequacy Impact Assessment	
4.1 Balance Sheet Projections	1
4.2 RWA Projections	1
4.3 Aggregation	1
4.4 Internal Measure of Risk/Required Capital	15
4.5 Assessment of Capital Adequacy	1, 6
5. Comprehensive Capital Policy and Capital Planning	
5.1 Capital Policy	6
6. Robust Internal Controls	
6.1 Documentation	6
6.2 Model Governance and Validation	4a, 7
6.3 Data/Technology	11-14
6.4 Independent Review	2, 6
6.5 Other Production Controls	5
6.6 Internal Audit	N/A
7. Effective Governance	
7.1 Board/SM Oversight and Effective Challenge	1-17

FRB Feedback

△ Current State ● Target State (End of 2015) Industry Range of Practices Key Areas of Focus for Mid-Year Run

Program Organized to Communicate Progress against Key Deliverables and Milestones

GO WEST

Mid-Cycle Run | **Dry Run** | **Submission**

Q1 15 | **Q2 15** | **Q3 15** | **Q4 15** | **Q1 16** | **16-17**

Design | ***Execution***

- CCAR Submission (1)
- Target Operations Model (2)
- BWE Risk Identification (3)
- Enhancement of Model/Tool Review Process (4a)
- Modeling Playbook (4b)
- Internal Controls (5)
- Documentation Framework (6)
- Sensitivity Analysis (7)

Model Development
- Credit Loss Models (9)

Generation 2 Models

Model Development
- PPNR /Balance Forecast Models (8)
- Credit Loss Models (9)
- Operating Loss Models (10)

Model Development
- PPNR /Balance Forecast (8)

Ongoing:
Data Trace and Data Quality (11); Data Management [Quarterly Releases, BAU, Certification, and History] (12)

Longer Term:
Data Standardization (13); Automate Workflow, Assemblage (14); Integration of Risk Appetite, Strategic and Capital Planning (15)

Mid-Cycle Run
Complete Governance, New Scenario, Documentation Update, Controls, and IA Review

Dry Run
Preview of CCAR/DFAST Run with New Models

Submission

CCAR Program Operations Model

05/01/2015

Program Sponsor: Jim Tyler

Program Office Leads: Matt Mihalik and Mark Taylor

- Process
- QA/Challenge

Groups: Program Governance, Controls, and Documentation

Project Sponsors: Matt Mihalik and Richard Payne

PMO PMs: Mark H.

Business Owners	Project Managers
Aman C. Kate C. (1) Diane F. (6) Randy N. (16)	Mark H. 1 CCAR Submission Process Mark H. 6 Documenta-tion Framework and Quality Control Mark H. 16 Methodology and Model Inventory Mapping to FR Y-14A
Raquel R. Tracey E.	Rita C. 2 Program Operating Model
Doug G. Pia B.	Asi S. 4a Model Review Process Asi S. Sufyan Q. 4c Capital Planning Tools
Brian M. Jade P.	Mark H. 5 Internal Controls
David Q. Raoul M.	Omer M. 15 Integration of Strategic and Capital Planning

Groups: Data and IT

Project Sponsors: Cara Dailey, Ashish Kapur, and Mark Taylor

PMO PMs: Joyce L.

Business Owners	Project Managers
David G. Mariam Y. Ernie B.	Brent C. 11a Data Trace Alex M. 11b Data Quality Alex M. 11c Business Glossary
David G. Darian D.	TBD 13 Data Standardiza-tion Paul S. 17 Data Remediation Source Systems and LOB Includes 56 subprojects
Cara D. Michael L. G.	Gita K. Dawn T. 12a Quarterly Releases Karina A. Dawn T. 12b BAU and Certifications Kimberly B. David H. 12c Data History Gita K. FHB 12d Historical Modeling Data Sourcing Anne L. 14 Workflow Automation

Groups: Modeling

Project Sponsors: Ken McMullen, Schyler Thiessen, and Mark Taylor

PMO PMs: Rita C.

Business Owners	Project Managers
Marilyn N. Raoul M.	Sufyan Q. Asi S. 3 Key BWE-Specific Risks and Stress Scenarios
Tim S. Schyler T. (4b) David Q (8) Hayward O.	Sufyan Q. Asi S. 4b Modeling Playbook Omer M. 8 PPNR Models and Tools
Schyler T. Scott G.	Sufyan Q. Asi S. 7 Sensitivity
Raphael K. Hayward O.	Sufyan Q. Asi S. 9 Credit Loss Models
Brad Y. Brent I.	Sufyan Q. Asi S. 10 Operational Loss Models

CCAR LOB Ambassadors

CBG:	NFG:	RBG:	WMG:	Admin:
Elise Fournier-Montgieux Jeffrey Bartak PM – Deborah Carsenti	Sue Bulloch Susan Barton Jeff Davidson PM – Paula Lim	Sylvie Brillaud Brian Hale PM -- Tamanna Saha	Craig Haskins	Kim Byce Susan Thompson

Lines of Business Participation in the CCAR Program

Governance Process Significantly Enhanced, including the Active Participation of the Lines of Business

Overall structure remains the same:

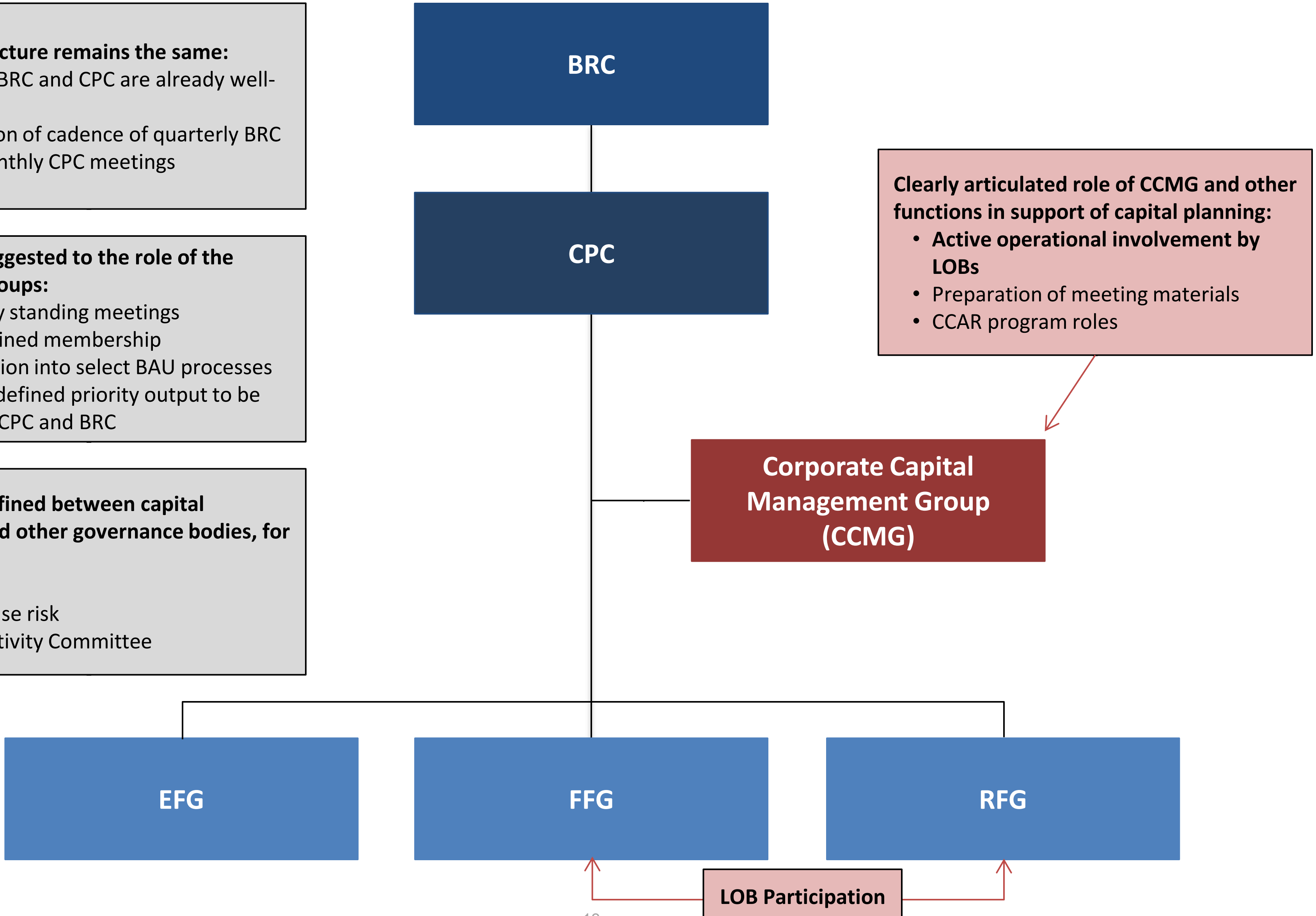
- Role of BRC and CPC are already well-defined
- Retention of cadence of quarterly BRC and monthly CPC meetings

Changes suggested to the role of the Working Groups:

- Monthly standing meetings
- Streamlined membership
- Integration into select BAU processes
- Clearly defined priority output to be used in CPC and BRC

Linkages defined between capital planning and other governance bodies, for example:

- ALCO
- Enterprise risk
- New Activity Committee



CCAR Program Communication

Sponsorship and engagement with LOBs and functions is critical to the successful implementation of the CCAR initiative across the entire enterprise:

- CCAR ambassador participation
- Subject matter experts (SMEs) in Finance, Risk, and Treasury

The CCAR PMO will partner with LOBs and contributors to communicate program status and address topics covering:

- Program progress
- Scope approach
- Resource and budget planning
- Risk and issue escalation
- Program achievements
- Key milestones and work products
- Business unit and functional sponsorship and engagement

To facilitate continuous engagement, the CCAR Program team meets once weekly with LOB/functional CCAR ambassadors to discuss the program status and key risks and issues specific to the LOB/function. Further engagement and alignment are achieved through weekly CCAR Group Leadership meetings:

- GL meets every Wednesday, from 4 p.m. to 5:30 p.m.
- Meetings include LOB ambassadors and workstream participants

CCAR/DFAST Program Responsibilities

Program Design

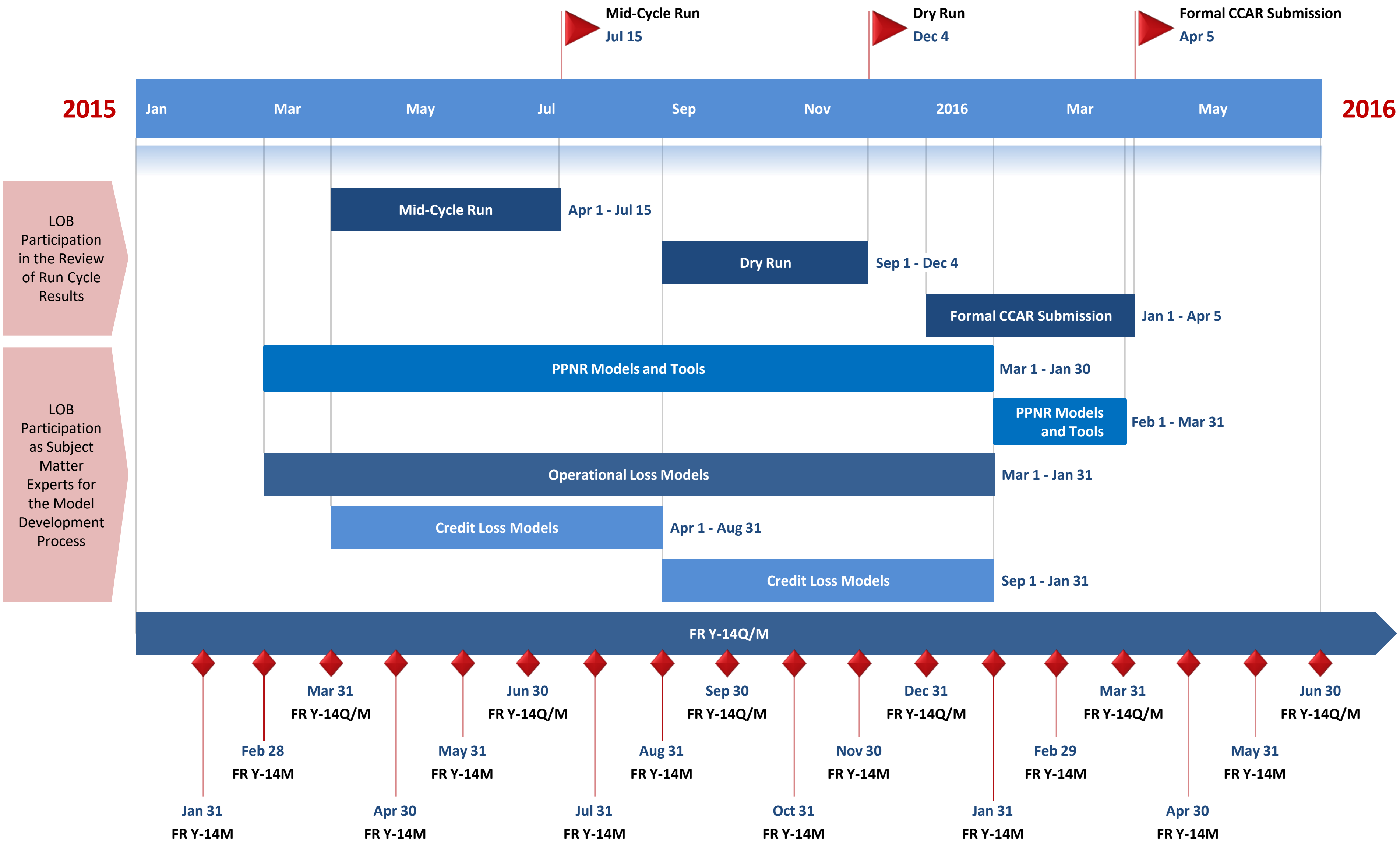
Clear scope and accountability for projects, including cross-functional efforts

Position	Key Roles and Responsibilities (based on PM COP)
Program Sponsor	• Accountable for the success of the CCAR/DFAST program • Responsible for ensuring adequate reporting for CPC decision-making • Responsible for securing organizational support and funding for the program
Program Office	• Responsible for the success of the CCAR/DFAST program • Responsible for program process management and quality assurance
Project Sponsors	• Accountable for project deliverables • Responsible for making critical project decisions, when needed • Responsible for resourcing across all efforts
Business Owners	• Responsible for project deliverables • Accountable for execution in compliance with CCAR/DFAST program methodology
LOB Ambassadors	• Accountable for supporting CCAR/DFAST program business owners in execution of project scope • Responsible for execution in compliance with CCAR/DFAST program methodology • Responsible for identifying and resolving risks, issues, and constraints
Project Managers	• Responsible for execution in compliance with CCAR/DFAST program methodology (i.e., tracking and reporting progress; managing and reporting risks and mitigation plans) • Responsible for identifying and resolving risks, issues, and constraints
Working Teams	• Responsible for executing the activities for their respective projects • Responsible for providing timely status reporting to their project managers, business owners, and project sponsors • Responsible for identifying and resolving risks, issues, and, constraints

Accountable for Project Delivery

Overview of the Run Cycles (Mid-Year, Dry Run, and Formal CCAR Submission)

Capital Process, Data, Modeling, and Governance



Update on the Capital Infusion Plan

Update on the Proposed BWE Capital Increase

GO WEST.

Work is in progress with BNPP to infuse capital into BWE, focused on capital needs, levels, and timing. The following information was presented to BNPP executive management:

Capital Need

- **BancWest Corporation completed the CCAR-like exercise**, providing insight into stressed capital levels and identifying total capital as the primary constraint
- **Recommendation** is to benchmark to first-time CCAR-filers (FBO peer group for total capital and Tier 1 capital)
- **Propose first infusion** prior to expiration of SR 01-1 in July 2015, with remainder by December 2015

Proposal

- **≈$700M on July 1, 2015**
- **$[1-1.5]Bn Tier 1 by December 31, 2015**

DRAFT


Update on the IHC Transition

CCAR Timeline for BNPP Entities

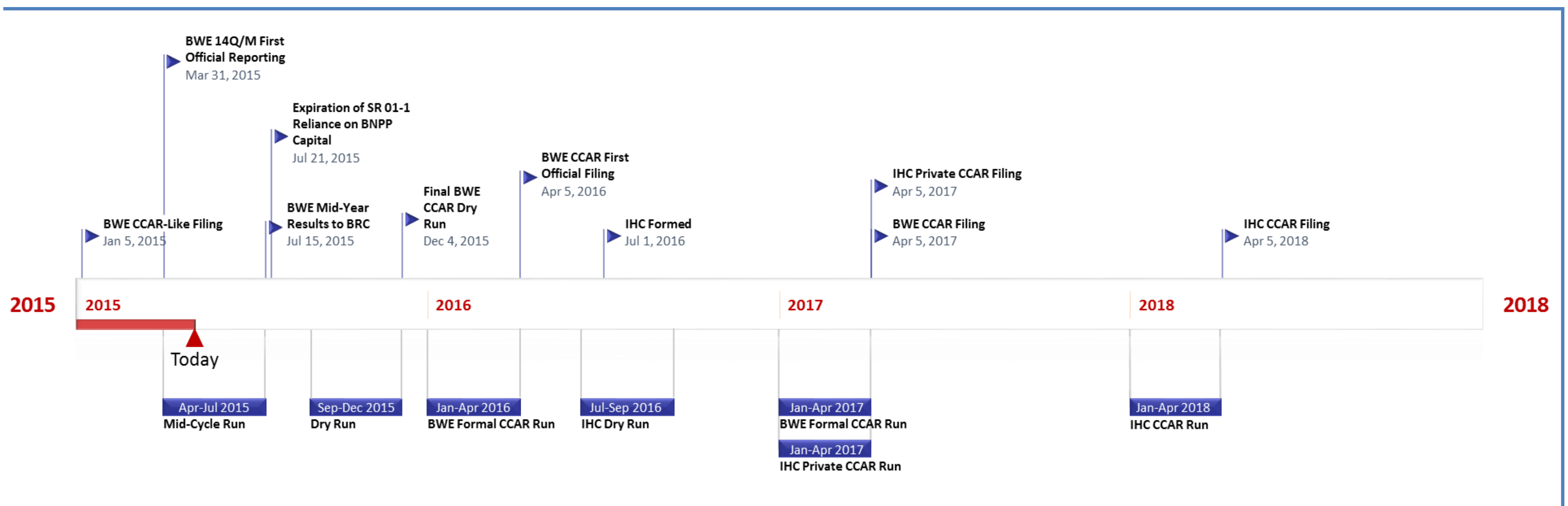
GO WEST

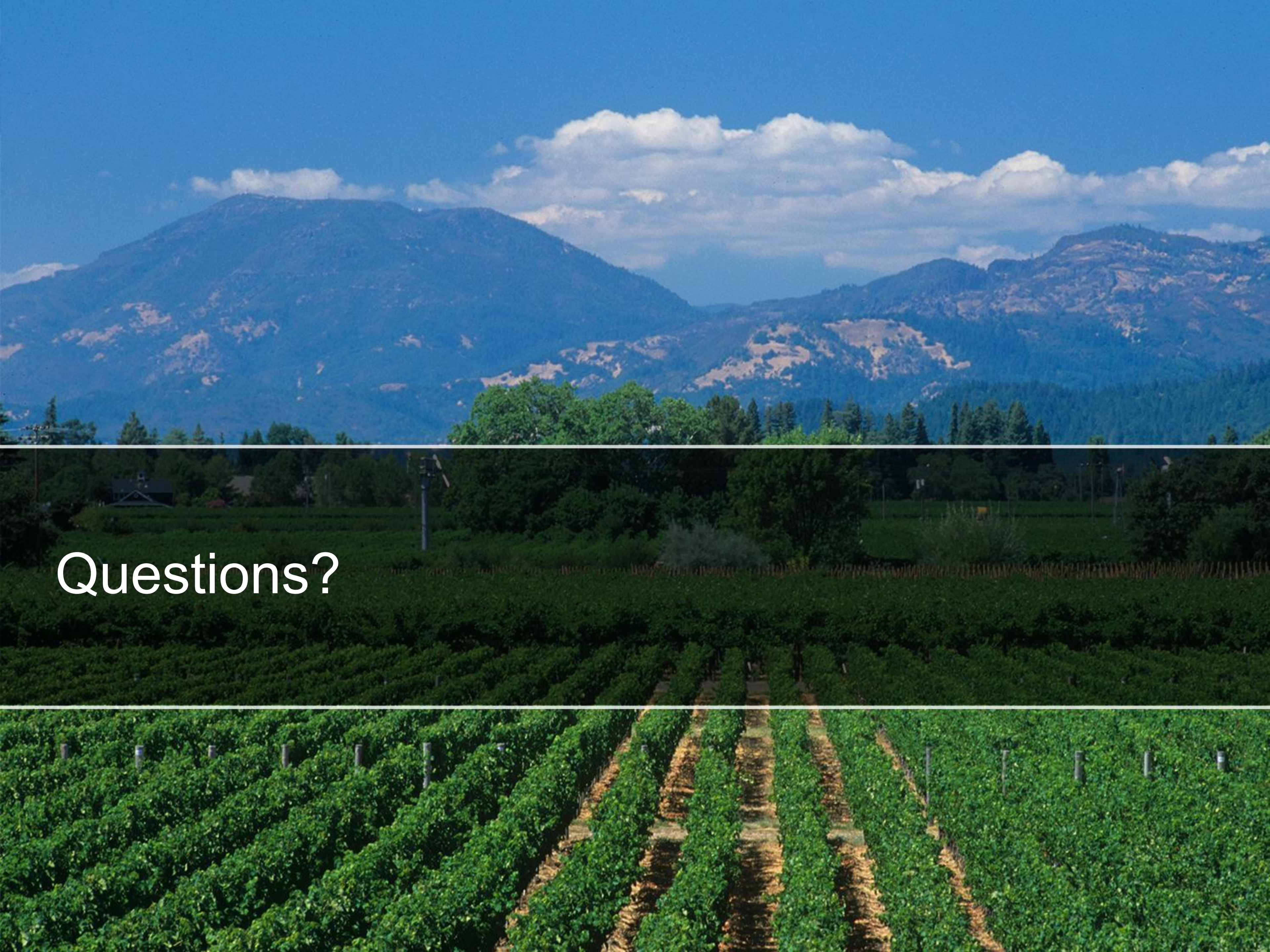
BWE CCAR
Filings: April 5, 2016
April 5, 2017

IHC CCAR
Filing: April 5, 2018

- **BancWest Corporation** will make its first official CCAR filing on April 5, 2016, with a public disclosure and FRB challenger models:
  - BOW DFAST filing date moved **back one quarter** to April 5, 2016 to match CCAR filing
  - FHB DFAST is due on July 31, 2016
- IHC CCAR filings: April 5, 2017 (private) and April 5, 2018 (public)
  - April 2018 filing required only at the IHC level; no BancWest CCAR filing (DFAST continues for BOW and FHB)
- The San Francisco Federal Reserve's **supervisory plan** for 2015 will be **heavily focused on CCAR readiness**, including targeted reviews of specific areas

Timeline




Questions?

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Capital Planning Process Program Update

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Capital Planning Committee
July 7, 2016

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Agenda

Topics	Desired Actions	Presenters	Time
I. Special Agenda Topics	R	Michael Geraghty, Matt Mihalik, Cara Dailey	60 minutes
CCAR Program Update 1. CCAR 2016 Results (Matt Mihalik) 2. Governance Meetings Calendar and the Agenda for Upcoming CPC Meetings (Michael Geraghty) 3. Update on the Q3 Run (Matt Mihalik) 4. Overview of Projects (Michael Geraghty) 5. Data Governance, Quality, and Control Update (Cara Dailey)			
II. Standing Capital Reports	R	Matt Mihalik	30 minutes
Standing Capital Reports: Updated through May			
			90 minutes
III. Appendix (Separate Attachment)	I		
1. CCAR Program Update 2. BWC Data Management Committee Update for June 24, 2016 3. BWC Data Management Committee Update for May 31, 2016 4. IDI Standing Capital Reports 5. BWC RWA and Capital Trends 6. Governance Meetings through Year-End			

Desired Actions	
I	Inform: Include, but no agenda time
R	Review: Discussion with agenda time
A	Approve: Request for approval

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I. Special Agenda Topics: CCAR Program Update

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CCAR Program Update Agenda

We have five focus areas for today's discussion:

1. CCAR 2016 Results
2. Governance Meetings Calendar and the Agenda for Upcoming CPC Meetings
3. Update on the Q3 Run
4. Overview of Projects
5. Data Governance, Quality, and Control Update

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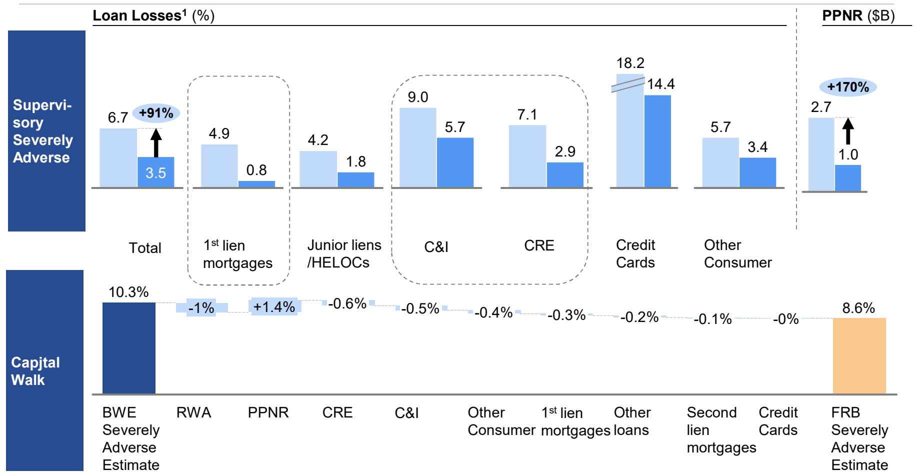
1 BWE Passed CCAR; However, Significant Differences Were Noted Between Fed Results and Internal Results



- FRB estimated showed substantially higher loan loss rates across most portfolios, but particularly SFR, CRE, and C&I
- Higher PPNR partially offset larger losses resulting netting in a 1.7% larger stress impact for the FRB assessment than internal

1 To facilitate comparison, 9Q cumulative results for Other Loans from the FRB are not included in the chart

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1 Out of 33 Bank Holding Companies, Two Failed and One Received a Conditional Non-Objection

2016 feedback

Qualitative assessment (areas of deficiency)[1]		Santander	1
1. Risk identification and management	✓	✓	✓
2. Governance		✓	✓
3. Internal controls	✓	✓	✓
4. Loss and revenue projections			✓
5. Data	✓		

- Restrictions on M&A
- No dividend payouts, and share buybacks
- Resubmission of capital plan
- Reputational Risk
- Strategic Risk

Past objected BHCs

2015[2]

Qualitative assessment (areas of deficiency)		Santander	Bank of America
1. Risk identification and management	✓	✓	
2. Governance		✓	
3. Internal controls	✓	✓	✓
4. Loss and revenue projections	✓		✓
5. Data		✓	

2014

Qualitative assessment: citi, Santander, HSBC, RBS, ZIONS BANK

Quantitative assessment: Bank of America[3]

Next steps for BWE

- Review FRB detailed feedback (letter expected end of July)
- Integrate additional initiatives based on the feedback provided by regulators
- Finalize cadence of governance meetings

1 Morgan Stanley received a conditional non-objection
2 No quantitative objections
3 Bank of America received a late objection on April 28, 2014 following disclosure by the bank on incorrect reporting of data used in calculation of regulatory capital ratios

2 Agenda for Upcoming CPC and BRC Meetings

Date to be fixed

CPC meetings[1]

	Details
July 25	▪ Approve formal FHB DFAST submission ▪ Provide update on project and BAU status for Q3 mid-year run and Q4/Q1 runs ▪ Review model landscape
August 11	▪ Review feedback letter from FRB regarding CCAR submission ▪ Provide preliminary view of key remediation items (e.g., 14A project)
September 08	▪ Review draft midyear results ▪ Review response to FRB feedback letter
September 15 / 16	▪ Review midyear results

In all meetings share:
- Standing monthly capital reports
- Standing monthly data reports

BRC meetings

	Details
July 21	▪ Provide update on CCAR results ▪ Provide update on project and BAU status for Q3 mid-year run and Q4/ Q1 runs
September (date to be decided)	▪ Approve mid-year results ▪ Review response to the FRB feedback letter
October TBD	▪ Deep dive on education session on 14A and data quality remediation (particularly consumer)

1 Please see calendar view of upcoming governance forums in appendix

3 Elements for the Q3 Run Can Be Streamlined and Pared Compared to the Q1 Submission

	Q1 CCAR run	Q3 mid-year run
Elements required	▪ >1500 pages of documents ▪ 14A templates ▪ Public disclosure	▪ 14A templates ▪ Public disclosure ▪ BRC/CPC review
Elements that BWE can choose to emphasize	▪ All 16 CCAR elements	▪ Enhanced14A process ▪ G-meetings, including review of 14A outputs ▪ Review of new models, if ready
Elements that can be de-emphasized	▪ >100 hours of meetings to review results with lines of business ▪ New approaches designed to estimated overlays (e.g., all deposits models)	▪ No lines of business meetings prior to G-meetings ▪ Production team emails for each model – Key results – Overlays made in Q1 ▪ Business lines send updated Q1 overlay templates for June 30th jump-off, if applicable ▪ Official approval occurs in G-meetings (with LOB involvement)

Streamlining the Q3 submission will release capacity to prepare for the Q4/Q1 runs by building capabilities and addressing regulatory feedback

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4 Program Shifting from Project-Based to BAU with Select Projects to Address Deficiencies: Seven New Projects for 2017

DRAFT

Challenges identified	Projects proposed
1. 14 mapping issues noticed by regulators	1. 14 A/ Internal controls
2. The FRB highlighted issues in data quality (e.g., in consumer portfolios)	2. Enhance data quality
3. Risk ID process relatively nascent with limited integration with other parts of the program	3. Risk ID project (including emerging risks, risk dashboard, and program integration)
4. BWE is integrating with BNPP IHC for the April 2017 non-public IHC submission	4. IHC integration
5. Lack of alignment between CCAR effort and strategic plan	5. Strategic planning
6. Several models did not perform in line with business expectations (e.g., deposit models)	6. Model redevelopment (for selected models across PPNR, credit loss, operational loss)
7. Lack of maturity of the Review and Challenge process	7. Review and Challenge improvements

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4 We Have Aligned on Seven Additional Projects to Address the Challenges Faced during the 2016 Run

DRAFT

Project	Overview	Timeline
1. 14 A/ Internal controls	• Ensure that CCAR projections are reviewed in a format/hierarchy that is most relevant to the audience (e.g., Y-14A for regulators, planning point for LOB balance review) with clear reconciliations between these views • Streamline process to arrive at these hierarchies and ensure that the process has appropriate controls	December 2016
2. Enhance data quality	• Improve data quality across portfolios, with a focus on Consumer data	March 2017
3. Risk ID project	• Identify emerging risks, align risk identification reports to ERM dashboard, and integrate risk identification with other workstreams (e.g., model development, scenario generation)	October 2016
4. IHC integration	• Ensure all workstreams leads are coordinated with IHC counterparts integrating key workstreams	March 2017
5. Strategic planning	• Ensure linkage between CCAR and strategic planning process (e.g., Risk ID)	March 2017
6. Model redevelopment	• Re-develop select models based on 2016 run results and feedback; select models include: – Deposit models (focusing on approach) – Balance models / sets of models that required large overlays (C&I Loan, Ag, SFR) – Credit loss models recalibration (including ALLL)	December 2016 (September submission to MRMG)
7. Review and Challenge improvements	• Streamline Review & Challenge process (e.g., automate material development)	December 2016

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5 BWE CCAR Data Program Progress To-Date

	Description	Current Status / Next Steps
Data Governance	• Data standards and policies for "key data elements" • Data Management Oversight, effective challenge, and escalation	▪ Enterprise Customer definition discussions launched, working sessions in progress ▪ Upcoming review of 14A instrument table and maintenance process
Data Quality and Remediation	• Assess the quality of data across key domains • Prioritize remediation actions across portfolios • Develop views to track issue management progress • Report issues for escalation	▪ Data quality reviews with Modeling and Reporting teams focused on First Lien FRB results ▪ Historical trends and dashboards complete for each element within M/Q submission ▪ Prioritization of LOB remediation focused on FRB results
Data Controls	• Define and execute controls for Y-14 and liquidity data based on quality, reconciliation, attestation and certification processes	▪ New 14A reconciliation controls designed for Mid-Year (A/Q/M and QRM/ERA/Y14) ▪ Revision of certification and attestation materials for CFO / LOB
Data Infrastructure	• Centralize and integrate Risk, Finance, and Treasury data coming from systems of record (SOR) • Develop FARM "Data Foundation," a single source of truth for governed data across BWE	▪ 14A Instrument reference table build/test in progress by major stakeholders (ERA/QRM) ▪ FARM in UAT, on track for Q3'16 deployment

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5 14A Data Management Issues Identified During CCAR Exam and Progress Toward Remediation

Issues Identified	Issues identified during the CCAR exam focused on reconciliation differences between modeling and regulatory reporting views: ▪ Loan segment "Small Business" definition did not align between FR Y14A and Q reporting ▪ Manual process breakdown resulted in two CPT failures when generating the 14A view
Progress to Address	The following steps will address definitional inconsistencies and enhance controls: ▪ A master reference table will store every loan exposure by reporting category (Y9, Y14). Table will facilitate reconciliation of Finance, Risk, and Reg views without significant manual intervention ▪ More robust analytics on historical and projected loss rates have been developed and will drive critical detective control absent in the initial filing ▪ NIR/NIX 14A categorization automated within Essbase cube to ensure straight through processing of projections ▪ Enhanced Data Governance and reconciliation controls are being implemented to ensure consistency between definitional decisions and actual practice
Next Steps	Status of mid-year run enhancements: ▪ Reference table, NIR/NIX automation, and trend analytics will be in place prior to mid-year run ▪ Risk and Treasury are currently testing the BOW reference data to ensure the table is complete, accurate, and usable to create desired reporting views; FHB data is in build and testing is expected to start within the next week.

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5 14A Data Management Solution Provides Linkage Between Every Loan and Reporting Category

Data Management Process

1. **Central data table** stores every loan and reporting location by reporting category (e.g. Y-9C)
2. **QRM** "tags" every loan coming in and going out to deliver results in 14A format
3. **ERA** links modeling results to each reporting category to ensure consistency

Master Reference Table

Loan #	Loan $	Y-9C	Y14Q/M	Y14A
Loan_10	$100	4.a	C&I	Graded
Loan_20	$100	4.a	Small Biz	Scored
Loan_30	$100	4.a	C&I	Graded
Loan_40	$100	4.a	Small Biz	Scored
Loan_50	$100	3	C&I	Agriculture

Alternative Reporting Views

Y-9C	
3	$100
4.a	$400
Total	$500

Y14Q/M	
C&I	$300
SB	$200
Total	$500

Y14A	
Graded	$200
Scored	$200
Ag	$100
Total	$500

Single reconciled reference data common across all reporting categories...ensures consistencies across Finance, Risk, and Treasury

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5 Wholesale KDEs with Worst Percentage of Completion Q1 16

KDE 100 Max Score | KDE > 40 High Score | KDE < 40 Low Score

BancWest CRE Loans – least populated KDEs[1]
Percent Populated out of 2,094 records
Committed Exposure $9,129,437,865

	Current Value Basis KDE 44	Loan Purpose KDE 100	NOI Current KDE 27	Property Type KDE 100	Value at Origination KDE 54
BWE Missing Exposure[2]	0.55%	0.22%	0.16%	0.13%	0.13%
	$50M	$20M	$15M	$12M	$12M
Percentage of populated data. Ranked by top 5 KDE score with lowest data completeness	98.95%	99.14%	99.67%	99.90%	99.90%

BancWest Corporate Loans - least populated KDEs[1]
Percent Populated out of 5357 records
Committed Exposure $31,686,932,145

	Date of Financials KDE 40	Interest Rate KDE 54	Industry Code KDE 100	Guarantor Flag KDE 30	Obligor Internal Risk Rating KDE 27
BWE Missing Exposure[2]	13.74%	4.26%	0.28%	0.46%	0.05%
	$3B	$1B	$89M	$145M	$14M
Percentage of populated data. Ranked by top 5 KDE score with lowest data completeness	84.94%	91.60%	99.46%	99.51%	99.83%

Updates

CRE Loans:

- **Current Value Basis:** FHB remediated majority, but still a few remaining where data not in SOR. Est. resolution Q2 16
- **Loan Purpose:** Primarily non-allowable value of '0' reported for FHB records. FHB resolution TBD. BOW TDA file missing data for 2 records. BOW resolution Q2 16
- **NOI Current (and corresponding Last NOI Date):** Some instances where FHB data is not in SOR. Est. resolution Q1 17
- **Property Type & Value at Origination**: Data not provided in BOW TDA file for 2 records. Several elements impacted. Estimated resolution Q2 16

Corporate Loans:

- **Date of Financials:** Indicator for all 31 Customer Financial Elements. BOW issue with linking the Moody's MRA ID. Est resolution ranges Q4 16 to TBD. FHB data gaps related to possible business process change needed to collect the data going forward. Estimated resolution is TBD.
- **Interest Rate:** Indicator for all 6 Interest Rate-related fields. BOW LS not mapped. TDA solution Q2 16, automation Q3 16
- **Guarantor Flag:** FHB LP mapping issue. Est. resolution TBD
- **Internal Rating:** FHB TSYS data (8 records), and 1 BOW record were blank. Estimated resolution TBD.

Next steps for remediation

Continue to focus improvements on Corporate Customer Financial Fields. Review additional issues related to Moody's MRA Linkage and rounding issues. MRA ID Remediation is in process

1. Graphs excludes elements where high population of blank is the expected value to report or FRB allowable nulls.
2. BWE Missing Exposure Percentage: Calculated as [Sum of Committed Exposure for Missing Records / Sum of Committed Exposure for All Records]

5 Retail KDEs with Worst Percentage of Completion Q1 16

KDE 100 Max Score KDE > 40 High Score KDE < 40 Low Score

BancWest Home Equity – least populated KDEs[1]
Percent Populated out of 62,458 records- March 2016

	Current Combined LTV	Credit Line Frozen Flag	Monthly Draw Amount	Foreclosure Suspended	Settlement Negotiated Amount
BWE Missing Exposure[2]	75.39%	71.02%	59.91%	28.19%	23.38%
	$2,763M	$2,603M	$2,196M	$1,033M	$857M
Percentage of populated data ranked by top 5 KDEs with lowest data completeness	20.52%	29.61%	37.54%	79.71%	80.54%
KDE score	27	40	40	30	30

Updates

- **Current Combined LTV:** Code fix in place to improve the population rate to at least 90% in R8
- **Credit Line Frozen Flag:** Code fix in place to improve the population rate to at least 90% in R7
- **Monthly Draw Amount:** Fix will improve the population rate to at least 95% as part of R7
- **Foreclosure Suspended:** Majority of failures are from ALS source system, TDA from April 2016 data.
- **Settlement Negotiated Amount:** Majority of failures are from ALS source system, Mapping fix R8.

BancWest First Lien - least populated KDEs[1]
Percent Populated out of 76,557 records- March 2016

	Net Recovery Amount	Ever 90+ DPD in the Past 12 Months	Current Credit Bureau Score Date	Original Interest Rate	Income Documentation
BWE Missing Exposure[2]	0.00%	93.95%	22.27%	10.67%	9.88%
	$0.26M	$15,838M	$3,754M	$1,799M	$1,666M
Percentage of populated data ranked by top 5 KDEs with lowest data completeness	0%	11.14%	78%	87.25%	87.34%
KDE score	22	44	37	32	44

Updates

- **Net Recovery Amount:** Nulls to be addressed. Data Mapping to be fixed in R8
- **Ever 90+ DPD: Manual updates -** TDA will be reflected from May 2016. Plan to automate in future releases.
- **Current Credit Bureau Score Date:** There is a dependent Field for this 'Current Credit Bureau Score'. Per FHB Business Process, only Portfolio Loans have these populated. Discussions with FHB to get the Non Portfolio Loans populated.
- **Original Interest Rate:** Majority of failures are on FHB MSP, FHB to remediate in Q4'16
- **Income Documentation:** Majority of failures are on FHB MSP, FHB to remediate in Q1'17

Next steps for remediation

- **Finalize mapping of CPI** - this will improve the overall completeness of First Lien schedule. 137 elements will be mapped for 1,975 loans. BOW CPI loans will be moved to Loanserv starting November 2016. Timeline has to be confirmed.
- **Continue focus on major efforts** underway on retail (e.g. R7 fixes to improve FEC pass rate, initiatives to improve on KDE population rate, Data Quality projects to improve source system data)

1. Elements are adjusted for allowable instances of blank per FRB instructions. Excludes elements where high population of blank is the expected value to report.
2. The ratio of missing exposure to the unpaid principal balance exposure. Calculated as [Sum of Exposure for Missing Records / Sum of Exposure for Total Loan Population]

II. Standing Capital Reports: Updated through May

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BWE (BWC) Current Capital Ratios and Forecasted Stress Results – No Breaches Noted for Actuals or Stress Scenarios

Purpose: Highlights breach of capital ratios under actual or stressed conditions which would prompt consideration of capital actions

Actual capital ratios

	Current level May 2016	Previous level Q1 2016	1Q16 CCAR Int Base	Real Time Target	Trigger for Target	Cushion to Trigger
CET 1 ratio	12.76	12.40	12.16	9.4	9.9	2.86
Tier 1 Capital Ratio	12.78	12.42	12.18	10.8	11.2	1.58
Total Capital Ratio	15.05	14.70	14.48	12.6	13.0	2.05
Tier 1 Leverage Ratio	10.56	10.19	9.97	8.3	8.8	1.76

- Above target trigger
- Between the trigger for the target and the target
- Between the target and the goal trigger
- Between goal trigger and goal
- Below goal

Forecasted stress results – Internal stress scenario (9Q minimum)

	1Q2016 CCAR	Previous CCAR-Like	4Q15 Dry-Run	Post Stress Goal	Trigger for Goal	Cushion to Trigger
CET 1 ratio	9.73	8.35	8.81	5.4	7.0	2.73
Tier 1 Capital Ratio	9.76	8.38	8.83	6.8	8.5	1.26
Total Capital Ratio	12.28	9.71	11.41	8.8	10.5	1.78
Tier 1 Leverage Ratio	8.05	6.9	6.88	4.8	6.1	1.95

- Stress results above goal trigger
- Stress results between goal trigger and goal
- Stress results below goal

- **No** breaches of Goals, Target or Triggers under May 2016 levels

Capital Breach Report – No Breaches Noted as of May

Purpose: Demonstrates consideration of actions upon breach of targets or goals. Provides updates on relevant capital actions and raises any approvals needed to take action

Breach	May 2016 Level	Sources of breach	Proposed capital action	Rationale	Forecasted ratio after action	Timing	Approved / approval needed?	Comments
Common Equity Tier 1 vs Target	12.76%	n/a	No breach noted, no remedial action needed.	No CCP actions needed at this time	n/a	-	-	
Tier 1 vs Target	12.78%	n/a	No breach noted, no remedial action needed.	No CCP actions needed at this time	n/a	-	-	
Total capital ratio tripped the trigger for the target	15.05%	n/a	No breach noted, no remedial action needed.	No CCP actions needed at this time	n/a	-	-	
Leverage ratio	10.56%	n/a	No breach noted, no remedial action needed.	No CCP actions needed at this time	n/a	-	-	
Tier 1 capital (stress minimum)	9.76%	n/a	No breach noted, no remedial action needed.	No CCP actions needed at this time	n/a	-	-	

Macro Early Warning Indicators and Trigger Levels – No Breaches Noted

Purpose: Demonstrates consistent monitoring of early warning indicators that may impact capital ratios and prompts a discussion of any limits are breached

(as of 2016 Q1)	Current quarter value	Previous quarter value	Qtrly trigger Check	Trigger	3 Qtr trigger Check	Trigger	Management action for Breach
Unemployment	4.8%	5.0%	-0.1%	0.6% absolute rise	-0.6%	1.3% absolute 3-quarter (3Q) rise	• In case of breach, **CPC to discuss sensitivities** and **potential manage-ment action**
HPI	177.0	176.2	0.4%	2.1% drop over prior value	3.5%	5.6% drop of prior value over 3Q	
Real GDP	$16.5T	$16.5T	0.5%	0.3% drop over prior value	1.4%	0.07% drop of prior value over 3Q	
NCREIF property Index	2.65%	2.38%	0.3%	1% absolute drop	-0.5%	3% absolute drop over 3Q	
BBB Corporate Yield – 10 year Tbill spread[1]	2.0%	1.9%	2.0%	3.4% quarterly spread	1.9%	3.1% three quarter average spread	
S&P Index[1]	2099	2105	-0.3%	7.3% quarterly drop over prior value	-0.1%	20% drop of prior value over 3Q	

Brexit issue caused S&P to decline by 5% by 6/27, Recovered by 7/1.

No breach   Breach of limit

1 As of July 1rd, 2016. Previous quarter value represents change from last CPC report (June, 2016 meeting. 06/09 valuation date)
2 Other source: Moody's analytics, SNL

Internal Early Warning Indicators and Proposed Trigger Levels – No Breaches Noted

Purpose: Demonstrates consistent monitoring of early warning indicators that may impact capital ratios and prompts a discussion of any limits that may be breached

Net Income for Q2 not available yet in Hyperion as of this report date

	Metrics to track	Current value	Previous value	Trigger	Proposed management action
Earnings (as of 2016 Q1)	Net Income	$193.9M	$188.2M	Negative	In case of breach, **CPC to discuss sensitivities** and **potential management action**
	Quarterly change	3.0% incr	4.8%incr	30% drop	
Asset quality[1] (as of 2016 Q1)	Rolling 12-month Net Charge-offs/ Average Total Loans and Leases	0.16%	0.16%	0.5%[3]	
	Texas ratio[2]	6%	6%	20%[3]	
Idiosyncratic events (as of **7/1/2016**)	Delta in BNP CDS over 30 days	10.3% increase	2.7% increase	15% incr.	
	BNP stock price change over 30 days	5.1% drop	2.0% gain	20% drop	

No breach   Breach of limit

1 Source: SNL financial
2 (Non-performing assets + 90PD)/ (Tangible Common Equity + Loan Loss Reserve)
3 Set at risk appetite guideline

Major Quarterly Changes on the Sources and Uses of Capital

Capital uses | Capital sources

NOTE: June preliminary Capital Ratios will be reported at the July 26th meeting (1Q report shown below)

	Sources & Uses of Capital (Millions $)	1Q16	Var to 4Q15	Tier 1 Ratio Impact, bps	Assessment
BancWest	Net Income	193.9	n/a	27	▪ Changes to capital from Net Income increases capital by 27bps ▪ The change in total RWA was due to an increase in Total Net Loans and Leases of $661.9MM, primarily commercial loans at 100% RW, offset by decreases in All Other Assets and Cash and Due from Banks of $158.0MM and $24.1MM, respectively
	Dividend	-	n/a	0	
	Other Capital Component	8,924.2	185.6	26	
	Loans (RWA)	60,026.4	714.7	-12	
	Securities (RWA)	795.8	(9.5)	0	
	Other Assets (RWA)	3,733.7	(231.6)	4	
	Others (RWA)	8,858.5	354.1	-6	
	Total RWA	73,414.3	827.7	-14	
	Tier 1 Capital Ratio	**12.42%**	**0.12%**	**12**	
Bank of the West	Net Income	170.0	n/a	28	▪ Changes to capital from Net Income increases capital by 28bps, offset by dividend of $100MM (-16bps of capital) ▪ The change in total RWA was due to increases in Total net Loans and Leases of $422.3MM primarily commercial loans at 100% RW, offset by decreases in All Other Assets of $187.3 MM
	Dividend	(100.0)	n/a	-16	
	Other Capital Component	8,032.6	69.4	11	
	Loans (RWA)	50,619.2	500.2	-11	
	Securities (RWA)	545.0	(7.6)	0	
	Other Assets (RWA)	2,642.5	(208.4)	5	
	Others (RWA)	7,604.5	287.9	-6	
	Total RWA	61,411.2	572.1	-12	
	Tier 1 Capital Ratio	**13.19%**	**-0.01%**	**-1**	
First Hawaiian Bank	Net Income	68.6	n/a	58	▪ Net Income offset by Dividend of $361.2MM decreasing capital by 245bps ▪ Decrease of capital from RWA by 264bps, primary drivers: CRE up $48MM, C&I up $140XMM and Auto up $30MM (per Call Report) ▪ Increase of capital from other assets by 9bps mainly due to decrease in BOLLI by $29MM (per Call Report)
	Dividend	(361.2)	n/a	-303	
	Other Capital Component	1,783.0	8.6	7	
	Loans (RWA)	9,407.1	214.5	-27	
	Securities (RWA)	250.9	(1.9)	0	
	Other Assets (RWA)	996.1	(71.4)	9	
	Others (RWA)	1,254.0	66.2	-9	
	Total RWA	11,908.1	207.4	-26	
	Tier 1 Capital Ratio	**12.52%**	**-2.72%**	**-272**	

Major Monthly Changes on the Sources and Uses of Capital – May Update

Capital uses | Capital sources

Purpose: Provides an assessment of the sources and use of capital at across BWE and the IDIs and their impact on the tier 1 capital ratios

	Sources & Uses of Capital (Millions $)	May 16	Var to Apr 16	Tier 1 Ratio Impact, bps	Assessment
BancWest	Net Income	47.6	n/a	6	▪ Changes to capital from QTD Net Income increases capital by 6bps ▪ The change in total RWA was due to net increase (after risk-weighting) in Total Net Loans and Leases of $912.1 million and increase (after risk-weighting) in Due From Banks of $75.2 million
	Dividend	-	n/a	0	
	Other Capital Component	9,235.9	0.7	0	
	Loans (RWA)	60,938.5	510.7	-9	
	Securities (RWA)	816.5	18.4	0	
	Other Assets (RWA)	3,607.2	81.7	-1	
	Others (RWA)	8,858.5	0.0	0	
	Total RWA	74,454.7	610.8	-11	
	Tier 1 Capital Ratio	**12.78%**	**-0.04%**	**-4**	
Bank of the West	Net Income	43.1	n/a	7	▪ Changes to capital from QTD Net Income and Dividend Paid increase capital by 7bps ▪ The change in total RWA was due to net increases (after risk-weighting) in Total net Loans and Leases of $746.1 million and Due From Bank accounts of $86.1 million
	Dividend	0.0	n/a	0	
	Other Capital Component	7,934.2	0.7	0	
	Loans (RWA)	51,365.4	433.0	-9	
	Securities (RWA)	542.1	(1.5)	0	
	Other Assets (RWA)	2,648.3	107.1	-2	
	Others (RWA)	7,604.5	0.0	0	
	Total RWA	62,323.5	538.7	-11	
	Tier 1 Capital Ratio	**12.97%**	**-0.04%**	**-4**	
First Hawaiian Bank	Net Income				▪ NOTE: FHB Nov capital ratios are not available. For the monthly Board reports (off-quarter end reports), ratios are kept constant with previous quarter.
	Dividend				
	Other Capital Component				
	Loans (RWA)				
	Securities (RWA)				
	Other Assets (RWA)				
	Others (RWA)				
	Total RWA				
	Tier 1 Capital Ratio				

Monitoring of Payout Ratios – Breach Noted Due to FHB Exceptional Dividend of $300MM, As Planned

No breach | Breach of limit

Purpose: Prompts discussion on amount of capital being paid out by entity and whether or not payout ratio is to high to support capital growth within risk appetite thresholds

	Current, %	Previous, %	Limit, %	Rationale for limit
Dividend payout ratio at BWE (as of 2016 Q1)	0	0	40	▪ Averages four approaches to set limit at 40% – 2007-14 CCAR bank average quarterly payout at 40% – Benchmarks against peer limits indicate 40-50%
Dividend payout ratio at IDIs (as of 2016 Q1)	BOW: 59 FHB: 526	BOW: 58 FHB: 87	100	▪ Limit of 100% of current quarter earnings acceptable: – BOW and FHB 2007-14 historical average dividend payout at 70% – While there is no clear limit from the FDIC on subsidiary payout ratio limits, a comparable rule by OCC for national banks indicates a limit of 100% of prior two years earnings

FHB distributes a regular dividend of 61.2 MM (89% of Q1 net income) and an exceptional dividend of $300MM

Process on breach

- Notification to the CPC
- Identification of source of breach
- Determination of relevant management action

Risk Appetite Metrics – No Breaches Noted

No breach | Breach of appetite | Breach of tolerance

Purpose: Allows for a review of breaches on risk appetite as they would impact capital action decisions, particularly interest rate and liquidity risk metrics which have been recommended by regulators; demonstrates linkage between risk appetite and capital policy

Risk area (as of 2016Q1)	Metric breached	Level (limit breached)	Impact on Capital, if any	Remediation already underway	Proposed capital actions	Approvals	Comments
Capital Adequacy							
Operational Risk							
Liquidity							
Market/Interest Rate Risk							
Credit Risk							
Model Risk							

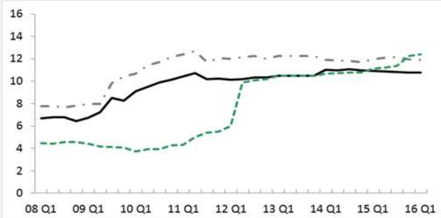
Currently no breaches of any risk appetite metrics

Peer Capital Comparison – BWE

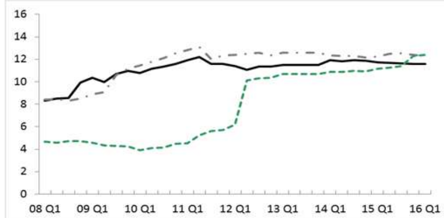
Banks with similar risk profile[1] | Peer FBO banks | BWE

4Q15 Ratios added and include infusion of $700mm CET1 and $200mm of Tier 2, all BWE's capital ratios in line with Peers

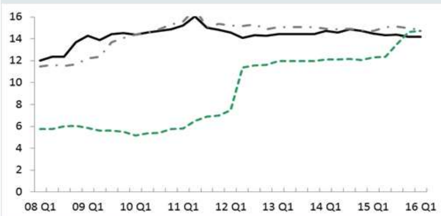
Common Equity Tier 1 Ratio (Move to tracking CET1 as sufficient peer historical data becomes available)



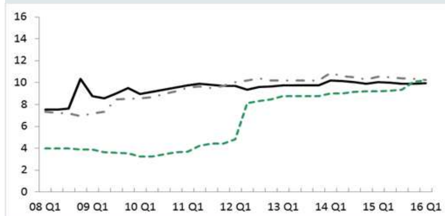
Tier 1 Capital Ratio



Total Risk-based Capital Ratio



Tier 1 Leverage Ratio



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1 BHCs with similar risk profile: BB&T, Comerica, Citizens Financial, PNC, US Bancorp and BMO
2 FBO peers: BBVA, BMO, Citizens Financial, MUFG Americas and Santander
SOURCE: SNL Financial

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BWC CCAR Governance Meeting Inventory

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Prepared by: Peter P. Speliopoulos
Prepared for: Michael Geraghty, Matt Mihalik
August 3, 2016

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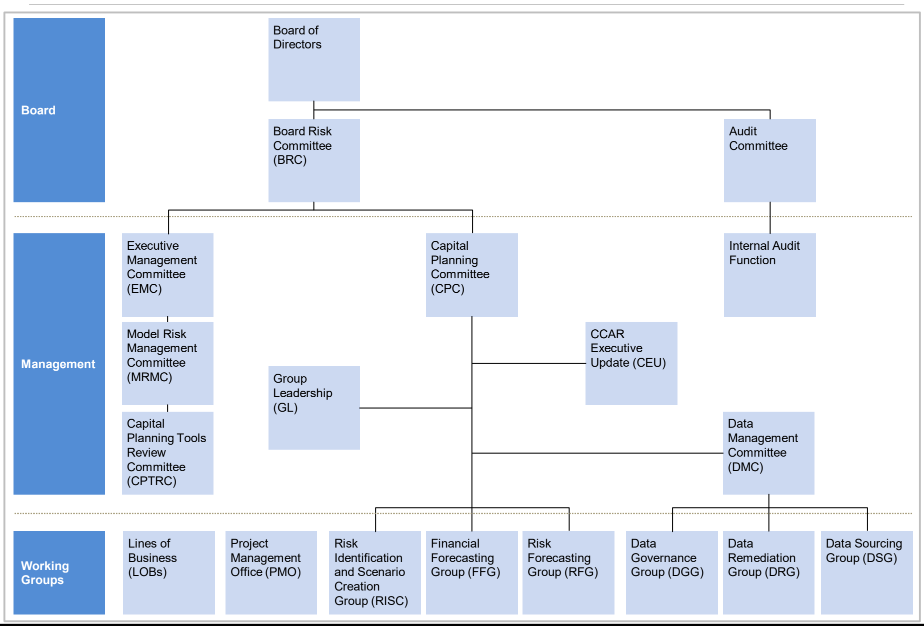
BancWest Capital Planning Governance Structure



BWC Capital Planning Committee (CPC)

Capital Planning Committee (CPC)	Chairs	Thibault Fulconis, Russ Playford/Raj Gopal
	Owners	Dan Beck, Jim Tyler
	Administrator	Peter Speliopoulos
	Minutes	Shawn Malhotra
	Frequency	Monthly (the second week of each month) for 90 minutes
	Composition	BWC's chair and CEO, vice chairs, controller, and representatives from treasury and the forecasting groups
	Invitees	Nandita Bakhshi, Daniel Beck, Mike Ching, Thibault Fulconis, Raj Gopal, Robert Harrison, Ken McMullen, Mitchell Nishimoto, Russ Playford, J. Michael Shepherd, Mark Taylor, Jim Tyler (Emma Pertat: observer)
	Purpose	Reviews and approves the BWE capital plan ahead of the BRC; reviews BWE's emerging material risks, capital position, capital actions, and capital contingencies, and provides the BRC with recommendations thereof; reviews and approves governing policies and documents, including the capital policy, the risk appetite framework, and the enterprise-wide stress-testing policy; reviews and challenges key assumptions, overlays, and results of the capital planning process at a consolidated level, following working group reviews; addresses gaps and weaknesses in the capital planning and CCAR processes

BWC CCAR Executive Update (CEU)

CCAR Executive Update (CEU) **[UNCHARTERED]**	Chairs	Dan Beck, Jim Tyler
	Owner	Jim Tyler
	Administrator	Peter Speliopoulos
	Minutes	Peter Speliopoulos (only items requiring follow up are captured)
	Frequency	Monthly (the first week of each month) for 60 minutes
	Composition	BWC's chair and CEO, vice chairs, controller, and representatives from treasury and the forecasting groups
	Invitees	Nandita Bakhshi, Daniel Beck, Mike Ching, Thibault Fulconis, Raj Gopal, Robert Harrison, Ken McMullen, Mitchell Nishimoto, Russ Playford, J. Michael Shepherd, Mark Taylor, Jim Tyler (Emma Pertat: observer)
	Purpose	Provides forward-looking executive stewardship over the CCAR program; oversees the incorporation of sound program practices; positively influences the impact of the various steps along the CCAR development process, accelerating deployment, when and where necessary; assesses funding requirements using a deliberative and consistent approach across the entire CCAR program

CCAR Group Leadership (GL) (1 of 2)

Group Leadership (GL) **[UNCHARTERED]**	Chair	Michael Geraghty
	Owner	Michael Geraghty
	Administrator	Peter Speliopoulos
	Minutes	Peter Speliopoulos
	Frequency	Weekly (on Wednesdays) for 60 minutes
	Composition	While no longer aligned with the new BAU environment, CCAR project business owners and stakeholders at BWC and its IDIs at BOW, and FHB, as defined by the CCAR program operations model
	Invitees	Please see the next page for a complete list of GL invitees
	Purpose	Forum for escalating issues and risks to the CPC: facilitates the exchange of critical information between key stakeholders across the BWE CCAR program in order to ensure that the team has a solid understanding of program interdependencies, risks, issues, and proposed mitigation plans

CCAR Group Leadership (GL) (2 of 2)

Group Leadership (GL) **[UNCHARTERED]**	Categories	Invitees
	BOW Business Owners	Vipul Agochiya, Daniel Beck, Chris Charlesworth, Aman Chug, Cara Dailey, Michael Geraghty, Cherie Green, David Held, Robert Hildebrand, Ashish Kapur, Raphael Kuznetsovski, Brian Maier, Ken McMullen, Matt Mihalik, Randy Nissen, Marilyn Noah, Adi Omer, David Quinn, Tim Shore, Schyler Thiessen, Jim Tyler, Brad Yee
	FHB Business Owners	Pia Berg-Yuen, Kate Cronenwett, Darian DeSellem, Tracey Edwards, Diane Fujiwara, Scott Grant, Brent Igawa, Dotty Korsey, Michael Lawrence Gallagher, Raoul Magana, Hayward Oblad, Richard Payne, Jade T. C. Pong, Mark Taylor
	LOB Ambassadors	CBG: Jeffrey Bartak, Deborah Carsenti (PM) NFG: Sue Bulloch, Susan Barton, Jeff Davidson, Linda Bunger (PM) RBG: Sudip Banerjee, Lara Gureje, Kevin Smith, Aakanksha Bhardwaj (PM) WMG: Craig Haskins
	Audit	David Fong
	On-Phone Invitees	Steven Ahn, Abhinav Agarwal, Rachel Allen, Michael Anderson, Sudip Banerjee, Amit Banjara, Nitin Bhatnagar, Bridget Bobo, Ian Broff, Rita Carr, Christina Catechi, Erin Curry, Jeffrey Davidson, Albert De Melo, Hilton De Paoli, Lidia Dubon, Doug Gardner, Raj Gopal, Mark Locatelli, Pauline Loh-Sakashita, Elliott Lum, Shawn Malhotra, Jastin Mostowtt, Alex Meng, Golnaz Nassabeh, Sufyan Qteishat, Jennifer Reed, Jim Rossini, Peter Speliopoulos, Ann Todd, Winnie Wong, Grace Zhao

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Financial Forecasting Group (FFG)

Financial Forecasting Group (FFG)	Chair	Ken McMullen
	Owner	Ken McMullen
	Administrator	Grace Zhao
	Minutes	Shawn Malhotra (temporary resource pending FTE)
	Frequency	A minimum of three meetings in every run; plus joint FFG/RFG for assessing sensitivities
	Composition	Senior finance and treasury managers, LOB representatives, and independent model risk management managers (as observers)
	Purpose	Reviews and approves model outputs and material assumptions for PPNR; reviews and approves any management overlays proposed for PPNR and applies additional overlays

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Risk Forecasting Group (RFG)

Risk Forecasting Group (RFG)	Chair	Raj Gopal
	Owner	Schyler Thiessen
	Administrator	Kevin Nguyen
	Minutes	Shawn Malhotra (temporary resource pending FTE)
	Frequency	Two during a run (credit loss and operational loss); plus joint FFG/RFG for assessing sensitivities
	Composition	Senior finance and treasury managers, LOB representatives, and independent model risk management managers (as observers)
	Purpose	Ensures effective governance of the forecasting process and results for key credit and operational risks: reviews and approves model outputs and material assumptions for credit losses, ALLL, and provisions, including the potential application of overlays; reviews and approves operation loss scenarios

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Risk Identification and Scenario Creation Group (RISC)

Risk Identification and Scenario Creation Group (RISC)	Chair	Scott Anderson
	Owner	Scott Anderson
	Administrator	Persila Gill
	Minutes	Persila Gill
	Frequency	Between six and 10 meetings in the lead up to a run
	Composition	Senior risk, economics, finance, and treasury managers
	Purpose	Ensures that the risk inventory and its materiality are robust and comprehensive; develops the internal stress scenarios and ensures that BWE's specific material risks are adequately reflected; coordinates the macroeconomic variable augmentation effort for internal and supervisory scenarios; reviews the mandated supervisory scenarios and outlines their potential implications to stakeholders