2015 Bank of Hawaii Annual Stress Test Disclosure

About Bank of Hawaii

Bank of Hawaii Corporation (the "Parent") is a Delaware corporation and a bank holding company ("BHC") headquartered in Honolulu, Hawaii.

The Parent's principal operating subsidiary, Bank of Hawaii (the "Bank"), was organized on December 17, 1897 and is chartered by the State of Hawaii. The Bank's deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC") and the Bank is a member of the Federal Reserve System.

The Bank provides a broad range of financial services and products primarily to customers in Hawaii, Guam, and other Pacific Islands. Operations include 74 branches and more than 450 ATMs. The Bank's subsidiaries include Bank of Hawaii Leasing, Inc., Bankoh Investment Services, Inc., and Pacific Century Life Insurance Corporation. The Bank's subsidiaries are engaged in equipment leasing, securities brokerage, investment services, and providing credit insurance.

Summary of Test Results

In accordance with the rules of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Bank of Hawaii Corporation ("BOHC") is publicly disclosing the results of the Severely Adverse scenario from the Dodd-Frank Act Stress Test (DFAST) in this document. This is the Bank's first such annual disclosure.

Bank of Hawaii had positive net income in each quarter of the Severely Adverse scenario and remained well-capitalized in all scenarios. The tests revealed that significant additional stress would be required to cause the Bank to fall below its regulatory well-capitalized minimums. This included testing with its current planned share repurchases. No capital actions were required and the results supported the current capital plan and planned capital actions, including dividends and share repurchases.

Public Disclosure

Background and Requirements

Bank of Hawaii

Stress Test Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) requires that financial companies with total consolidated assets of more than $10 billion conduct “stress tests” on an annual basis. These stress tests evaluate the capital sufficiency and capital planning required to support the Bank’s operations during periods of economic and financial strain.

Three test scenarios are provided by the Federal Reserve based on different economic and financial market conditions. These scenarios are: 1) Baseline, 2) Adverse, and 3) Severely Adverse. Each scenario includes 28 variables such as economic activity, unemployment, exchange rates, prices, incomes and interest rates. The Adverse and Severely Adverse scenarios are hypothetical scenarios designed to assess the organization’s financial strength.

These stress test results are not intended to reflect the likely management actions the leadership team would take to counter such severe or adverse economic conditions. As such the stress tests do not reflect the likely performance of the Bank of Hawaii under such conditions. Instead, they are meant to test the Bank’s capital adequacy against a prescribed scenario and set of capital actions.

Stress Test Requirements

- “2015 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule” published by the Federal Reserve provides the macroeconomic environments in the Supervisor Stress Scenarios.
- Scenarios are nine quarters long, beginning in Q4 2014 and ending in Q4 2016.
- Bank of Hawaii Corporation’s Severely Adverse scenario is not an expected forecast, but a hypothetical stress scenario using BOHC’s projections by applying the rules and conditions set forth by the Federal Reserve. The scenarios examine governance as well as internal control measures.

Types of Risk Included in the Stress Test

- **Credit Risk** - Credit Risk is defined as the risk of losses resulting from the occurrence of default and the subsequent failure to collect in full the balances owed at the time of default.
- **Market Risk** - Market Risk is defined as the potential of loss arising from adverse changes in interest rates and market pricing.
- **Operational Risk** - Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events other than from credit or market risk.
- **Liquidity Risk** – Risk that the Bank is unable to liquidate assets to satisfy debt or deposit obligations as they come due or fund increases in assets.

Results are Not Comparable to Other Institutions

Results among institutions are not comparable, due to the basis and assumptions built into different scenarios. Each institution defines how it will address the variables and these may be specific to the individual institutions. For example:

- Among banks in the range of $10 billion and $50 billion in asset size, there are varying regional exposures. There are also tailored regulatory expectations among different-sized banks. It is also common to find varying levels of model complexity among banks within this asset range.
- Scenarios and modeling methods may change each year, so year-to-year results are not comparable.
- The scenarios are hypothetical and do not necessarily represent the Bank's or FRB/OCC/FDIC expectations.
- Guidance on how to interpret results and what the disclosed data points represent
  - Capital ratios are based on prescribed economic scenarios
  - Some of the expected change in capital ratios is due to changing regulatory capital rules/requirements (Impact of Basel III)
  - DFAST requirement primarily emphasizes capital adequacy
  - Results may not include full quantification of all risks such as operational and idiosyncratic risk
  - Banks may perform other quantitative and qualitative stress testing activities outside of DFAST

Summary Description of Methodologies Used

BOHC developed a number of statistical models to consider applicable material risks and exposures. In forecasting revenues and losses, these models consider the impact of macroeconomic conditions on loan charge-offs, prepayments, renewals, pay downs, etc. The models are designed to capture BOHC's material exposures and consider BOHC's specific portfolio and business characteristics.

For estimating the provision for loan losses, BOHC leverages its regular provision methodology based on several key considerations. These include:

- Loan-loss forecasts
- Projections of portfolio balances over the forecast horizon
- Macroeconomic factors of the scenario, as applicable

In addition to model outputs, BOHC's capital adequacy process also considers qualitative components that are guided by management's review and governance regarding the stress test results and processes. These management reviews involve subject matter experts from business units and risk areas across the institution and may result in conservative overlays to modeled outcomes.

Changes to BOHC's capital position and capital ratios are calculated by analyzing the impact to capital of projected earnings and changes in asset balances based on the aggregated results of the model outputs and qualitative components, as well as prescribed capital actions. Risk-weighted asset projections are based on risk weightings as specified in applicable regulations pertaining to each type of asset category and projected balance sheet changes.

Cumulative Results over 9-Quarter Planning Horizon

Severely Adverse Scenario Estimated Results ($000)

- Aggregate Credit Losses = $169,553
- Pre-Provision Net Revenue = $406,183
- Provisions = $227,857
- Net Income = $150,535

Pro-forma Regulatory Capital Ratios

PROJECTED CAPITAL RATIOS	BANK OF HAWAII CORPORATION			Regulatory Minimum
	ACTUAL	SCENARIO CAPITAL RATIOS		
		Severely Adverse		
	Q3 2014	Q4 2016	Lowest Observation	Well-Capitalized
CET1 Risk-Based Capital Ratio (%)	NA*	14.3%	14.2%	6.5%
Tier 1 Risk-Based Capital Ratio (%)	15.1%	14.3%	14.2%	8.0%
Total Risk-Based Capital Ratio (%)	16.3%	15.6%	15.5%	10.0%
Tier 1 Leverage Ratio (%)	7.2%	7.1%	7.0%	5.0%

*Basel III implemented in Q1 2015

Most Significant Causes for the Changes in Regulatory Capital Ratios

- Elevated credit-related losses, predominately in the form of net loan charge-offs and a provision for loan losses necessary to build the allowance for loan losses.
- Pre-provision net revenue that, although adversely affected by the severe economic conditions of the scenario, partially offsets the capital impact from credit losses.
- Capital actions included continuation of dividends throughout the 9-quarter scenario and actual share repurchases during the 4th quarter of 2014.

Conclusion

- Bank of Hawaii remained well-capitalized throughout the Severely Adverse scenario.
- Significant additional stress would be required to fall below the regulatory well-capitalized minimums.
- The results presented represent hypothetical estimates under the Supervisory Severely Adverse scenario prescribed by the Federal Reserve that reflects an economic outcome that is more adverse than expected, and do not represent Bank of Hawaii's forecast of expected losses, revenue, net income before taxes, capital, risk-weighted assets, or capital ratios.

Forward-Looking Statements

This disclosure contains forward-looking statements, including estimates of BOHC's financial results and condition under a hypothetical scenario that incorporates a set of assumed economic and financial conditions prescribed by our regulators. The estimates are not intended to be a forecast of expected future economic or financial conditions or a forecast of BOHC's expected future financial results or condition, but rather reflect estimates under the prescribed hypothetical scenario. Our future financial results and condition will be influence by actual economic and financial conditions and various other factors described in BOHC's reports filed with the Securities and Exchange Commission and available at www.sec.gov.