



THE PBN EXCLUSIVE

# WHY PETER HO BANKS ON HAWAII

Hawaii's highest-paid CEO talks about  
Hawaii's economy, consumer demands  
and his family legacy. By Jason Ubay, 16-18



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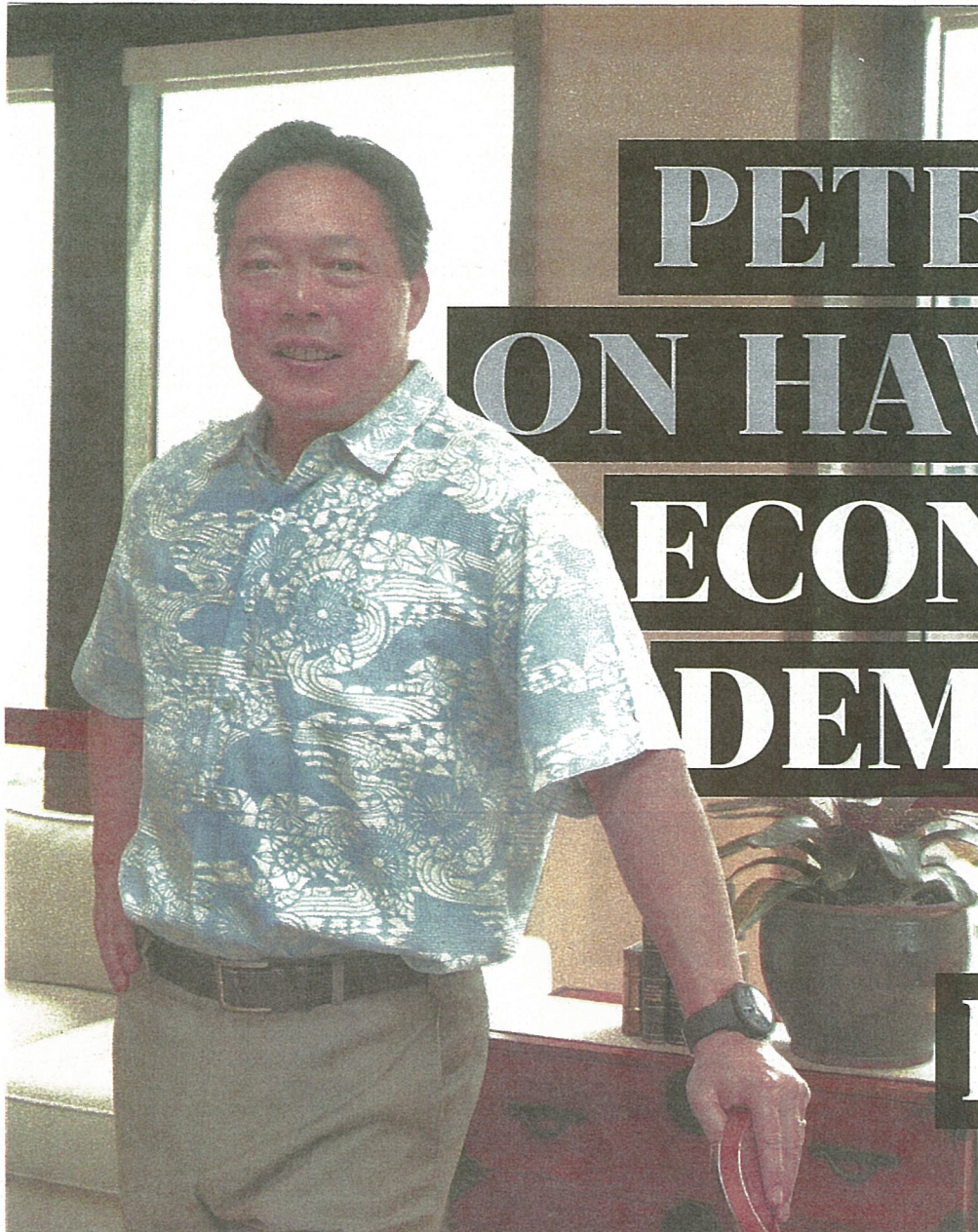


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COVER STORY



# PETER HO ON HAWAII'S ECONOMY, DEMANDS AND RISKS

TINA YUEN

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**P**eter Ho didn't know what to do after graduating from the University of Southern California in Los Angeles until a finance professor gave him some advice. ¶ "He said, 'When you work for a bank, you get to see all sorts of different businesses, so it's a great place to start your career because then you can figure out what you want to be when you grow up,'" Ho said. "That made absolute sense to me so that's what I did." ¶ He's still learning about Hawaii businesses today as the head of the state's second-largest bank and one of the largest publicly traded companies in the Islands. He worked on Wall Street in his 20s before moving back home and ascending up the ranks at Bank of Hawaii, where today he is the chairman, president and CEO of the bank and its parent company. Bank of Hawaii has consistently ranked in the top five on Forbes list of America's Best and Worst Banks for the past six years.

Ho also surpassed Connie Lau of Hawaiian Electric Industries this year as Hawaii's highest paid executive, receiving \$7.87 million in total compensation in 2014. In addition to running the bank, Ho is heavily involved with the community, sitting on more than a dozen boards.

Among those organizations, he has been on the board of trustees at the Hawaii Community Foundation for more than three years. Kelvin Taketa, president and CEO of HCF, said Ho has been deeply engaged since he joined and persuaded the bank and other philanthropists

to raise money for improving high school graduation rates and reducing homelessness.

"Peter is an unusual combination of compassion and intellect," Taketa said. "Besides his obvious business acumen, he follows the example of his late mother, Mary, who was a

remarkable social entrepreneur who helped start several of our leading nonprofit organizations in Hawaii. He is a leader who is committed to making Hawaii better and devotes a great deal of his personal energy and resources to making that happen."

Within his profession, Ho has achieved national prominence, serving on the board of the Federal Reserve Bank of San Francisco. He is the second Hawaii representative on the board behind Warren K.K. Luke, chairman and CEO of Hawaii National Bank. Ho's three-year term ends in December.

He also chaired the organizing committee of the Asia Pacific Economic Cooperation conference, held in Honolulu in 2011.

"He is an extremely even-keeled, collaborative but decisive leader," said U.S. Sen. Brian Schatz, D-Hawaii, who was



## COVER STORY

## “BEING ABLE TO HELP NURTURE OPPORTUNITY IN TECHNOLOGY OR VENTURE, I THINK, IS NOT THE RESPONSIBILITY OF THE BANK, BUT THE RESPONSIBILITY OF THE BUSINESS COMMUNITY.”

involved in APEC when he was the state's lieutenant governor “But he's shown that not only can he run the bank extraordinarily well, but he's got a passion for public service and making Hawaii better.”

He's also part of a dynasty of Hawaii businessmen who have shaped the Islands since statehood.

But Ho also is just someone trying to find work-life balance. His two children, ages 8 and 6, help start his day by jumping into their parents' bed.

“My day usually starts at 5ish, and it's usually not because I'm waking up, it's because I'm being woken up,” Ho said. He doesn't mind it, though, because he is usually out on nights and weekends and his mornings have been a consistent time to be home.

His morning routine includes watching financial news, seeing how the bank is doing on the stock market, checking email and wondering why an employee is emailing him at midnight. On the drive in, he listens to NPR, but indulges in sports talk radio on Friday. (He's a big USC football fan.)

As far as growing up is concerned, has he figured out what he wants to do yet?

“Actually, I've quite taken to the business,” he said. “It's interesting because I literally got into it because I would figure out what I wanted to do, and along the way I figured out that it's what I like to do. But those elements of seeing other people's lives was spot on.”

Ho sat down with PBN to talk about several different topics: Bank of Hawaii's changing consumer demands, Hawaii's economy, why banks don't loan to startups, and his family's legacy.

### The bank

Bank of Hawaii has been performing well in several areas. In the first quarter, the bank reported a profit of \$42.4 million, or 97 cents per diluted share, up from \$38.6 million, or 87 cents per diluted share in the first quarter of 2014. Total deposits rose to \$12.98 billion as of March 31, from \$12.04 billion on March 31, 2014. Loans and lease

### OUTSIDE THE BANK

Peter Ho sits on the boards of more than a dozen organizations outside of the bank.

- ▶ American Red Cross
- ▶ Catholic Charities
- ▶ Chamber of Commerce Hawaii, Military Affairs Council
- ▶ Downtown Athletic Club Hawaii
- ▶ Federal Reserve Bank of San Francisco
- ▶ Financial Services Roundtable
- ▶ Hawaii Bankers Association
- ▶ Hawaii Community Foundation
- ▶ Hawaii Medical Service Association
- ▶ Hawaii Pacific Association
- ▶ McInerney Foundation
- ▶ Shane Victorino Foundation
- ▶ Strong Foundation
- ▶ University of Hawaii, Ahahui Koa Anuenue
- ▶ Young Presidents' Organization

balances increased 15.6 percent to \$7.2 billion at the end of the quarter, up from \$6.2 billion a year ago.

Both commercial and consumer sides have been strong, and Ho said the bank's performance is a reflection of Hawaii's economy.

The bank also has done well with mortgages, on refinancing as well as purchases.

“Purchase has been very strong, but the challenge has been inventory,” Ho said. “People want to buy a home, it's just a matter of having a home to buy.”

There's been a dearth of single-family homes on the market, and Ho said it's good to see Castle & Cooke Hawaii's Koa Ridge project in Central Oahu get the green light, though it will be years until the homes come to market.

“It's an in-town, vertical, in-fill game for the foreseeable future,” Ho said. The bank was the lead lender on 801 South Street, one such high-rise offering work-force housing near downtown.

“Those units,” Ho said, snapping his fingers, “as quickly as you could put them to market, they were absorbed.” Bank of Hawaii also will be the lead lender for the project's second tower.

As far as the banking industry goes, like many others it is in a state of change.

“There's probably never been as much change in the industry as what the industry faces today,” he said. When he started in banking in 1987, there were 13,000 banks in the U.S.; today, there are fewer than 6,000.

The bank's senior management team spends time thinking about the business moving forward, including how to work with customers who “can have what they want, how they want it, when they want it, in the form that they want it, basically at a price that they want it at,” Ho said.

That includes online, mobile and by-phone banking, new smart ATMs and in-store branches with evening and weekend hours.

“We have to be able to anticipate almost what their demands and desires are,” Ho said. “That creates a very different operating model than banks are used to because, let's face it, banks are used to opening at 9 and closing at 3. It's the only retail operation in the world that wishes to close its doors.”

Bank of Hawaii has 17 in-store branches across the state, mostly in Safeway supermarkets but also at KTA Super Stores and Times Supermarket. On Oahu, those branches are open from 10 a.m. to 7 p.m., and 10 a.m. to 3 p.m. on the weekend.

The bank also installed new self-service ATMs at branches on Oahu and Maui.

“Here in the Islands it's not as popular, but on the Mainland, if you go to a market like New York City, they'll take 50 percent of their transactions through an ATM machine versus a live teller,” Ho said.

### On the economy and startups

Ho thinks Hawaii's economy is performing well on the strength

of its traditional pillars of tourism, military and construction and should do well for the foreseeable future. The tourism industry is seeing record-breaking visitor arrivals and spending and is in a better position to weather a downturn because visitors are coming from different markets. On defense, even though funding decisions are made in Washington, D.C., Hawaii still has an advantage due to its location. In construction, the current housing situation means that there is almost an endless demand.

“Because the supply and demand dynamics of housing are so out of balance from a supply standpoint, it doesn't feel like we're building this giant bubble of housing that no one is going to buy, because that's not the case,” Ho said. “We're actually inventory constrained.”

In the long term, Ho noted that industries have life cycles and Hawaii needs to always be thinking about the next opportunity.

“Probably the biggest risk the state and the community face is the risk of being ambivalent and not caring that we really need to be pressing on things,” he said, which can be technology, consulting or other professional services. “I think having a marketplace that is awfully attractive, that is part of the United States and within close proximity to the fastest-growing economy of the world should give rise to something positive for us from an industry standpoint.”

The bank can support the local startup and technology industry, but not necessarily in the form of capital. Ho said venture capital is usually located close to where it makes its investment, which is why Silicon Valley is successful in the sector.

“Bank capital is not necessarily the most efficient or effective form of startup capital. In fact, it's really not startup capital,” Ho said. “So the bank finding ways to support startups – including bringing capital within proximity of this marketplace – is something valuable. One of the things

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that I think we're beginning to see are people whose first, second or tertiary careers had been in venture capital, technology or in that neck of the woods, and making Hawaii their home. As far as I can tell, that may be the easiest, highest likelihood way for technology and startups in Hawaii to have a chance."

Ho said the local banks can help build and support the startup community.

"The access to capital is and will continue to be an issue because startup equity capital is just not what banks provide today," he said. "In fact, regulations are moving the other way."

While it may not invest in these projects, he thinks it is imperative to be a cheerleader for the industry.

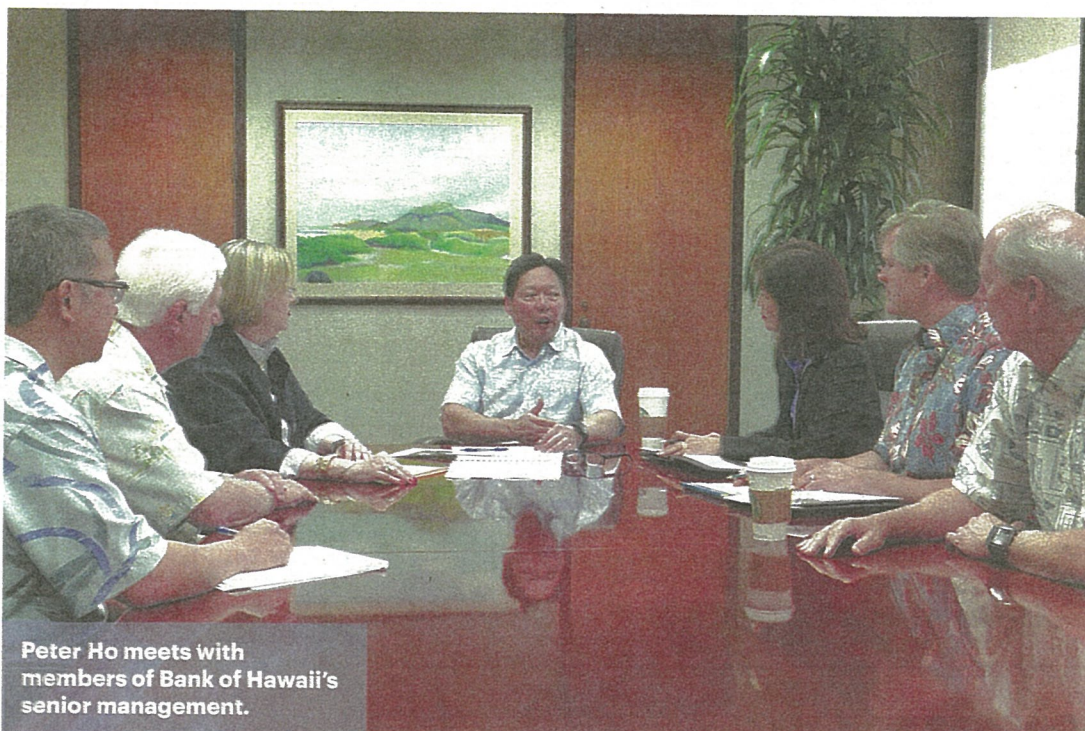
"I think it's important for us to be thinking about what is the next sandalwood around here," Ho said. "The history has always been one that no one quite figured out what would be the next opportunity, but that opportunity came regardless. So, between Hawaii being an incredibly desirable place to hang your shingle, an incredibly desirable place to raise your family, being smack in the middle of the two largest economies in the world — those are all positive things. Being able to help nurture opportunity in technology or venture, I think, is not the responsibility of the bank, but the responsibility of the business community."

PBN asked pointedly, "We've had people sit here — and these are high-risk people normally — and they'll say banks will loan money to people who don't need the money. Is that a fair or unfair assessment?"

Ho replied, "The banks lend money to appropriate borrowing situations. Banks get in trouble when they don't get repaid. That's kind of the classic boom-bust credit bubble, and venture capital is a business that is highly risky and oftentimes speculative. So, to compare one form of lending to another form of capital, in my view, isn't quite an apples-to-apples comparison or analysis."

### Family legacy

Ho is the third in a family line of well-known Hawaii businessmen. His grandfather, Chinn Ho, was a developer famous for building the iconic Ilikai Hotel in Waikiki. Peter never thought



Peter Ho meets with members of Bank of Hawaii's senior management.

TINA YUEN

**HAVING THAT KIND OF FAMILY BACKGROUND IS OBVIOUSLY HELPFUL IN GETTING A LEG UP IN THE BUSINESS WORLD, ESPECIALLY HERE IN HAWAII. BUT IT ALSO COMES WITH EXPECTATIONS. IT COMES WITH PEOPLE LIKING NOTHING MORE THAN TO SEE YOU FAIL. ON THE BALANCE, IT'S BEEN HELPFUL, BUT IT'S BEEN CHALLENGING."**

of going into that field.

"There are different times in the world and he came up in a really interesting and special moment in the history of Hawaii," Peter said. "So no, I never really thought about doing the development route, but having grown up in his presence and seeing what he did, I've always been really proud of what he did and how he did it."

His father, Stuart T.K. Ho, had a long, wide-ranging career, serving as a state representative, heading Rehabilitation Hospital of the Pacific, and serving on dozens of corporate and charitable boards. PBN awarded him its Lifetime Achievement Award in 2007.

Stuart said he didn't recall Peter wanting to be a banker, but said it fits him well.

"At a very early age I think he understood risk and he was around a lot of risk takers, and some of those risks worked out and some of them didn't," Stuart said. He and Peter's mother were always conscious of their son's

potential, and noted that he was outgoing, had great friends and took his academic studies seriously.

"Beyond that, in our family, there was day-to-day exposure to a lot of people who were in business and from various aspects of the business community," Stuart said. "Just sitting around listening, you couldn't help but absorb how these guys behaved and conducted themselves, what they knew and what they were talking about." Those people included Peter's godfather, Samuel Silverman, Chinn's financial adviser originally from New York City.

Peter said the family legacy has been both positive and negative.

"Having that kind of family background is obviously helpful in getting a leg up in the business world, especially here in Hawaii," Ho said. "But it also comes with expectations. It comes with people liking nothing more than to see you fail. On the balance, it's been helpful,

but it's been challenging."

His family has impacted how he does business.

"[My grandfather] was someone who really believed that business was all about interactions with people, so he was just an exceptional person," Peter said. "So, in my view and what I've heard, he never put business dealings in front of relationships. I think my father was very much the same way in his business career, and I've tried somewhat to pattern myself after that as well."

Peter has not asked his own children about banking.

"They're a little too young for me to advise them of this, but I'd advise them to do what they enjoy doing," Ho said. "Clearly, I've enjoyed doing this, and it's worked out."

It's the same advice he gives to Bank of Hawaii interns.

"You can't fake it, so just try it. If it works, great," Ho said. "They're always, like, 'What if I fail?' Well, you're 23 years old. Who cares?! Try it again." ❧