Bank of Hawaii Corporation First Quarter 2011 Financial Results

April 19, 2011

- Diluted Earnings Per Share $0.88
- Net Income $42.4 Million
- Board of Directors Declares Dividend of $0.45 Per Share

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HONOLULU, HI (April 18, 2011) -- Bank of Hawaii Corporation (NYSE: BOH) today reported diluted earnings per share of $0.88 for the first quarter of 2011, up from $0.84 in the previous quarter. Net income for the first quarter of 2011 was $42.4 million, up $1.8 million or 4.4 percent compared to net income of $40.6 million in the fourth quarter of 2010.

Deposit growth remained strong during the first quarter, increasing to $9.9 billion at March 31, 2011. Loan balances continued to stabilize with growth in commercial loan demand partially offsetting declines in the consumer loan portfolio. In response to market conditions and consistent with the Company's ongoing capital management strategy, $2.2 billion of investment securities held in the available-for-sale portfolio were reclassified to the held-to-maturity portfolio during the first quarter. The allowance for loan and lease losses remained unchanged at $147.4 million and currently represents 2.77 percent of outstanding loans and leases.

"Bank of Hawaii Corporation began 2011 with solid financial performance," said Peter S. Ho, Chairman, President and CEO. "Our net interest margin improved and credit costs continue to come down as the Hawaii economy maintains its recovery. Our hearts and prayers go out to the people of Japan as they recover from the disasters of March 11. The Hawaii economy will certainly be impacted somewhat in the short term although it is too early to determine how protracted the effects will be."

The return on average assets for the first quarter of 2011 was 1.32 percent, up from 1.24 percent in the previous quarter. The return on average equity for the first quarter of 2011 was 16.86 percent compared to 15.08 percent for the fourth quarter of 2010. The efficiency ratio for the first quarter of 2011 was 56.04 percent, an improvement from 60.05 percent in the previous quarter.

Financial Highlights

Net interest income, on a taxable equivalent basis, for the first quarter of 2011 was $100.1 million, up $3.5 million from net interest income of $96.6 million in the fourth quarter of 2010 and down $7.8 million from net interest income of $107.9 million in the first quarter of 2010. Results for the first quarter of 2010 included net interest recoveries of $2.8 million. Analyses of the changes in net interest income are included in Tables 7a and 7b.

The net interest margin was 3.24 percent for the first quarter of 2011, a 9 basis point increase from 3.15 percent in the fourth quarter of 2010 and a 48 basis point decrease from 3.72 percent in the first quarter of 2010. Adjusted for the previously mentioned net interest recoveries, the net interest margin in the first quarter of 2010 was 3.62 percent.

Results for the first quarter of 2011 included a provision for credit losses of $4.7 million compared with $5.3 million in the fourth quarter of 2010 and $20.7 million in the first quarter of 2010. The provision for credit losses equaled net charge-offs during the first quarter of 2011 and fourth quarter of 2010. The provision for credit losses exceeded net charge-offs of $18.0 million by $2.7 million in the first quarter of 2010.

Noninterest income was $53.9 million for the first quarter of 2011, an increase of $2.4 million compared to noninterest income of $51.5 million in the fourth quarter of 2010, and a decrease of $17.9 million compared to noninterest income of $71.8 million in the first quarter of 2010. Noninterest income in the first quarter of 2011 included net gains of $6.1 million on the sales of investment securities. Noninterest income in the first quarter of 2010 included $20.0 million in net gains on the sales of investment securities. Adjusted for the net gains on securities sales, the decrease in noninterest income was largely due to a reduction in overdraft fees, which were $1.7 million lower than the fourth quarter of 2010 and $3.5 million lower than the same quarter last year.

Noninterest expense was $86.1 million in the first quarter of 2011, down $2.6 million from noninterest expense of $88.7 million in the fourth quarter of 2010, and up $4.4 million from noninterest expense of $81.7 million in the same quarter last year. Noninterest expense in the fourth quarter of 2010 included $1.9 million for employee incentives, $1.2 million for a refresh of personal computers, and a donation of $1.0 million to the Bank of Hawaii Foundation. Partially offsetting these expenses were gains of $2.3 million on the sale of foreclosed real estate and the extinguishment of retiree life insurance obligations. An analysis of salary and benefit expenses is included in Table 8.

The effective tax rate for the first quarter of 2011 was 32.60 percent compared to 24.51 percent in the previous quarter and 31.53 percent during the same quarter last year. The lower effective tax rate for the fourth quarter of 2010 was primarily due to an adjustment to tax reserves determined during the quarter. The lower effective tax rate for the first quarter of 2010 was primarily due to the expected utilization of capital losses resulting from the sale of a low-income housing investment.

The Company's business segments are defined as Retail Banking, Commercial Banking, Investment Services, and Treasury & Other. Results are determined based on the Company's internal financial management reporting process and organizational structure. Selected financial information for the business segments is included in Table 12.

Asset Quality

Overall credit quality continues to improve and reflects a recovering Hawaii economy, with most metrics showing positive movement through 2010 and the first quarter of 2011. Non-performing assets were $34.6 million at March 31, 2011, down from $37.8 million at December 31, 2010, and down from $41.6 million at March 31, 2010. The improvement was primarily due to the return to accrual of previously modified residential mortgages. As a percentage of total loans and leases, including loans held for sale and foreclosed real estate, non-performing assets were 0.65 percent at March 31, 2011, down from 0.71 percent as of December 31, 2010, and down from 0.74 percent at March 31, 2010.

Accruing loans and leases past due 90 days or more were $5.6 million at March 31, 2011, down from $7.6 million at December 31, 2010, and down from $16.0 million at March 31, 2010. Restructured loans not included in non-accrual loans or accruing loans past due 90 days or more were $29.5 million at March 31, 2011 and primarily comprised of loans with lowered monthly payments to accommodate the borrowers' financial needs for a period of time. More information on non-performing assets and accruing loans and leases past due 90 days or more is presented in Table 10.

Net charge-offs during the first quarter of 2011 were $4.7 million or 0.36 percent annualized of total average loans and leases outstanding. Charge-offs of $7.4 million during the quarter were partially offset by recoveries of $2.7 million. Net charge-offs in the fourth quarter of 2010 were $5.3 million, or 0.39 percent annualized of total average loans and leases outstanding, and were comprised of charge-offs of $15.7 million partially offset by recoveries of $10.4 million. Net charge-offs during the first quarter of 2010 were $18.0 million, or 1.28 percent annualized of total average loans and leases outstanding, and were comprised of charge-offs of $20.8 million partially offset by recoveries of $2.8 million. Details of charge-offs, recoveries and the components of the total reserve for credit losses are summarized in Table 11.

The allowance for loan and lease losses was $147.4 million at March 31, 2011, unchanged from December 31, 2010, and up $1.0 million from $146.4 million at March 31, 2010. The ratio of the allowance for loan and lease losses to total loans and leases was 2.77 percent at March 31, 2011. The reserve for unfunded commitments at March 31, 2011 remains unchanged at $5.4 million. The level of the allowance for loan and leases losses at March 31, 2011 includes management's assessment of the recent global events in Japan and higher energy prices, and the direct and indirect impact on tourism, employment, discretionary spending, and oil prices in Hawaii. However, with continued stability in the Hawaii economy and continued improvements in credit quality, including reductions in the higher risk loan segments, a lower level of the allowance for loan and lease losses may be required in future periods.

Other Financial Highlights

Total assets were $13.0 billion at March 31, 2011, down from total assets of $13.1 billion at December 31, 2010, and up from total assets of $12.4 billion at March 31, 2010. Average total assets were $13.0 billion during the first quarter of 2011, essentially flat with the previous quarter, and up from average assets of $12.4 billion during the same quarter last year.

As previously mentioned, $2.2 billion in available-for-sale investment securities were reclassified to the held-to-maturity category during the first quarter of 2011. As of March 31, 2011, the total carrying value of the investment securities portfolio was $6.5 billion, down from $6.7 billion at December 31, 2010, and up from $5.6 billion at March 31, 2010.

Total loans were $5.3 billion at March 31, 2011, down $8.9 million from December 31, 2010 as growth in commercial lending and residential mortgages were offset by continued declines in home equity, auto lending, and other consumer loans. Average total loans were $5.3 billion during the first quarter of 2011, essentially flat with the previous quarter, and down from average loans of $5.7 billion during the first quarter last year.

Total deposits were $9.9 billion at March 31, 2011, up $23.4 million from December 31, 2010, and up $418.3 million from total deposits of $9.5 billion at March 31, 2010. Average total deposits were $9.9 billion in the first quarter of 2011, higher than average deposits of $9.7 billion during the previous quarter, and up from $9.4 billion during the first quarter last year. The increase compared with the previous quarter was largely due to strong growth in noninterest bearing demand deposits.

During the first quarter of 2011, the Company repurchased 442.5 thousand shares of common stock at a total cost of $20.8 million under its share repurchase program. The average cost was $46.93 per share repurchased. From April 1 through April 15, 2011, the Company repurchased an additional 92.5 thousand shares of common stock at an average cost of $47.63 per share repurchased. From the beginning of the share repurchase program initiated during July 2001 through March 31, 2011, the Company has repurchased 46.5 million shares and returned nearly $1.7 billion to shareholders at an average cost of $35.66 per share. Remaining buyback authority under the share repurchase program was $43.1 million at March 31, 2011.

Total shareholders' equity was $996.2 million at March 31, 2011, compared to $1.01 billion at December 31, 2010 and $939.4 million at March 31, 2010. The ratio of tangible common equity to risk-weighted assets was 19.04 percent at March 31, 2011, compared with 19.29 percent at December 31, 2010 and 16.75 percent at March 31, 2010. The Tier 1 leverage ratio at March 31, 2011 was 7.16 percent, up from 7.15 percent at December 31, 2010 and 6.97 percent at March 31, 2010.

The Company's Board of Directors has declared a quarterly cash dividend of $0.45 per share on the Company's outstanding shares. The dividend will be payable on June 14, 2011 to shareholders of record at the close of business on May 31, 2011.

Hawaii Economy

Hawaii's economy continued to improve during the first quarter of 2011 due to increasing visitor arrivals and spending. For the first two months of 2011, visitor arrivals increased 11.9% and visitor spending rose 19.3% compared to the same period in 2010. Hotel occupancy and revenue per available room have also continued to show signs of improvement. Overall, state job growth has begun to stabilize and the statewide seasonallyadjusted unemployment rate remained at 6.3% at the end of March 2011. The volume of sales and median sales price of single-family homes on Oahu were down slightly in March 2011 largely due to low inventory levels. More information on Hawaii economic trends is presented in Table 14.

On March 11, 2011, a massive earthquake and resulting tsunami devastated portions of northeast Japan. A smaller tsunami inflicted some damage in the State of Hawaii. Visitor arrivals from Japan were approximately 17.4% of the total number of visitors to Hawaii in 2010. At this time, the Company is not able to predict the effects of this disaster on the Hawaii visitor industry or the Hawaii economy. However, it is likely that the number of Japanese visitors will decline due to this event, at least in the near term.

Conference Call Information

The Company will review its first quarter 2011 financial results today at 8:00 a.m. Hawaii Time (2:00 p.m. Eastern Time). The conference call will be accessible via teleconference and the Investor Relations link of Bank of Hawaii Corporation's web site, http://www.boh.com/. Conference call participants in the United States should dial 800-798-2801. International participants should dial 617-614-6205. Use the pass code "Bank of Hawaii" to access the call. A replay will be available for one week beginning Monday, April 18, 2010 by calling 888-286-8010 in the United States or 617-801-6888 internationally and entering the pass code number 89606650 when prompted. A replay will also be available via the Investor Relations link on the Company's web site.

Forward-Looking Statements

This news release, and other statements made by the Company in connection with it may contain "forward-looking statements", such as forecasts of our financial results and condition, expectations for our operations and business prospects, and our assumptions used in those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results might differ significantly from our forecasts and expectations because of a variety of factors. More information about these factors is contained in Bank of Hawaii Corporation's Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the U.S. Securities and Exchange Commission. We have not committed to update forward-looking statements to reflect later events or circumstances.

Bank of Hawaii Corporation is a regional financial services company serving businesses, consumers and governments in Hawaii, American Samoa and the West Pacific. The Company's principal subsidiary, Bank of Hawaii, was founded in 1897 and is the largest independent financial institution in Hawaii. For more information about Bank of Hawaii Corporation, see the Company's web site, http://www.boh.com/.