

2003 SUMMARY ANNUAL REPORT

# PERFORMANCE FOCUSED

solid strategy | commitment to our customers | exceptional people



## financial summary

(dollars in thousands except per share amounts)

### BANK OF HAWAII CORPORATION AND SUBSIDIARIES

FOR THE YEAR ENDED DECEMBER 31	2003	2002
<b>EARNINGS HIGHLIGHTS AND PERFORMANCE RATIOS</b>		
Net Income	\$ 135,195	\$ 121,180
Basic Earnings Per Share	2.32	1.75
Diluted Earnings Per Share	2.21	1.70
Cash Dividends	50,589	50,635
Return on Average Assets	1.44%	1.22%
Return on Average Equity	15.02%	10.24%
Net Interest Margin	4.23%	3.99%
Efficiency Ratio	63.38%	64.94%
Efficiency Ratio excluding Technology Replacement and Restructuring Costs	59.51%	62.13%

AS OF DECEMBER 31	2003	2002
<b>STATEMENT OF CONDITION HIGHLIGHTS AND PERFORMANCE RATIOS</b>		
Total Assets	\$ 9,461,647	\$ 9,516,418
Net Loans	5,628,095	5,216,151
Total Deposits	7,332,779	6,920,161
Total Shareholders' Equity	793,132	1,015,759
Book Value Per Common Share	\$ 14.44	\$ 16.12
Allowance / Loans and Leases Outstanding	2.24%	2.67%
Shareholders' Equity / Total Assets	8.38%	10.67%
Employees (FTE)	2,702	2,891
Branches and Offices	89	93
<b>Market Price Per Share of Common Stock for the Year Ended December 31:</b>		
Closing	\$ 42.20	\$ 30.39
High	\$ 42.99	\$ 31.05
Low	\$ 29.25	\$ 22.79

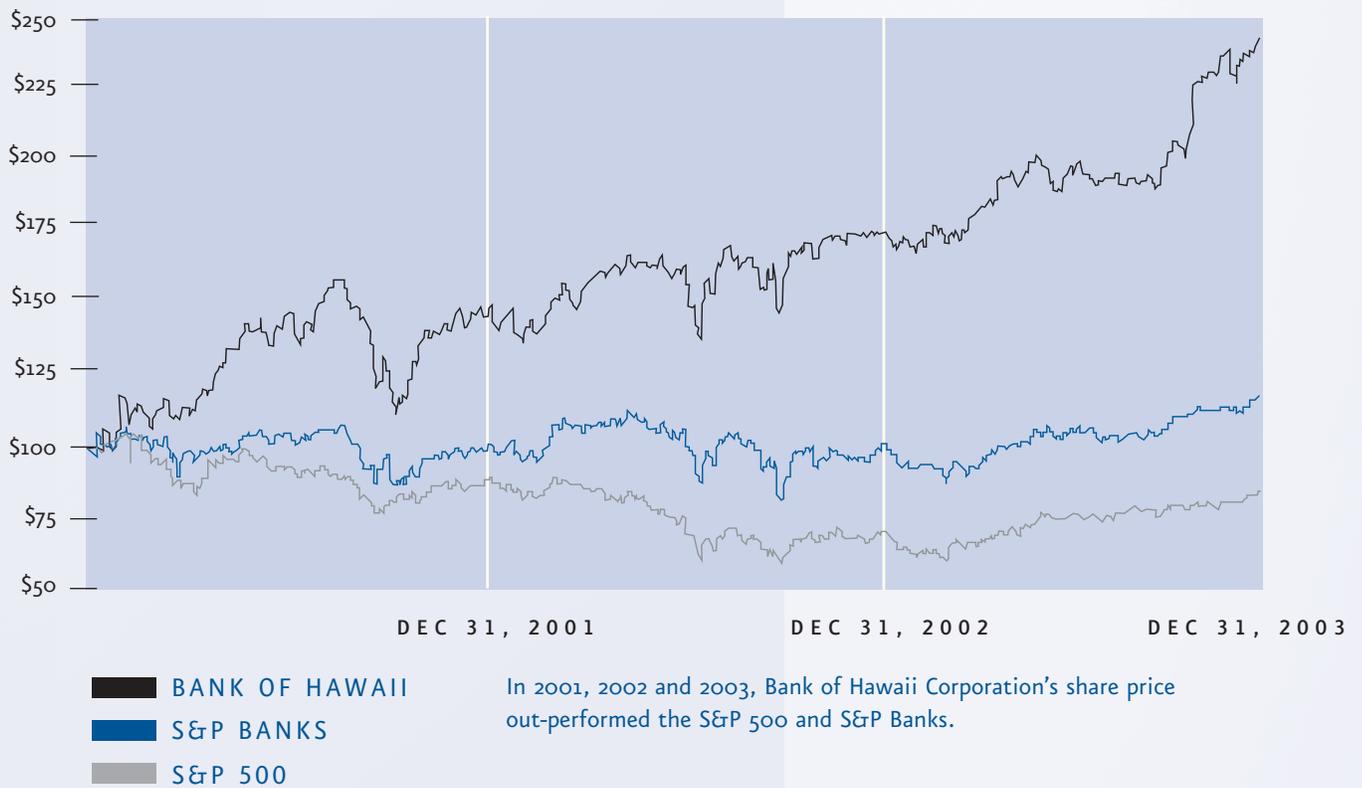
### ON THE COVER

Our three-year plan for 2004–2006 builds upon the winning strategy of our previous plan, which set the course for improved financial performance. Central to our new plan is our commitment to building value for our customers by enhancing our service levels. Our exceptional team is focused on exceeding our customers' expectations and ultimately delivering on our governing objective of maximizing shareholder value over time.

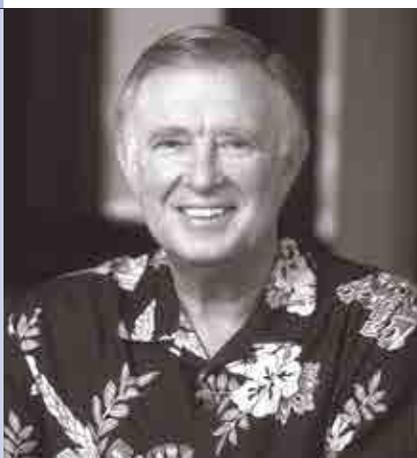
FOR THE QUARTER ENDED DECEMBER 31	2003	2002
<b>EARNINGS HIGHLIGHTS AND PERFORMANCE RATIOS</b>		
Net Income	\$ 38,673	\$ 28,908
Basic Earnings Per Share	0.70	0.45
Diluted Earnings Per Share	0.66	0.44
Cash Dividends	16,770	12,193
Return on Average Assets	1.66%	1.20%
Return on Average Equity	18.59%	10.72%
Net Interest Margin	4.35%	4.05%
Efficiency Ratio	58.41%	68.80%

**OUR VISION** Exceptional people  
building exceptional value  
for our customers, our  
island communities, our  
shareholders and each other.

**2001-2003 RELATIVE PRICE PERFORMANCE**



## My Fellow Shareholders



MICHAEL E. O'NEILL  
Chairman of the Board,  
Chief Executive Officer

Solid performance and positive results aptly describe 2003. The year marked the final phase of a complex and ambitious three-year strategic plan. It was a plan that fundamentally changed the direction of our company by reshaping the geographical footprint and refocusing on our core strengths. At the heart of our plan was Bank of Hawaii's Governing Objective: "To Maximize Shareholder Value Over Time."

Most notably, for our shareholders, has been the positive rise in our share price. For 2003, investors saw an increase of more than 37 percent – from \$30.78 to \$42.20. On December 30, 2003 we hit a high for the year of \$42.72. That was followed by a subsequent high of \$45.37 during the second week of February 2004. The graph on the prior page charts our stock's performance since the launch of the three-year plan. It is a clear picture validating the hard work of our employees, management and Board of Directors.

All critical elements of the plan have been successfully implemented, resulting in improved financial performance in each of the three years. In summary, here's what we accomplished:

- Divested non-core businesses and sharpened our focus on key markets of Hawaii, West Pacific and American Samoa.
- Improved credit risk management and the quality of our credit portfolio.
- Significantly elevated customer service levels in a measurable way.
- Returned approximately \$855 million in capital to shareholders since July 2001 through the share repurchase program.
- Converted our systems technology to increase efficiency and better reflect the reduced geographical scope of our operations.

“Clearly, our strategy has had a positive impact on the company’s profitability.”

The conversion of our core computer systems in July 2003 stood as the last major milestone, and was critical to our ongoing ability to become more efficient. The lower cost platform is expected to provide annual cost savings of more than \$17 million compared to second quarter 2002 expense levels.

Clearly, our strategy has had a positive impact on the company’s profitability and the return to shareholders. Net income for 2003 was \$135.2 million, up \$14 million or 11.6 percent from \$121.2 million in the previous year. Fully diluted earnings per share for 2003 were \$2.21, up \$0.51 or 30 percent from diluted earnings per share of \$1.70 in 2002. Our return on average assets in 2003 was 1.44 percent, up from 1.22 percent in 2002. Return on average equity in 2003 was 15.02 percent, an increase of 46.7 percent from 10.24 percent in 2002. The costs related to our systems conversion were absorbed in the first three quarters of the year; in the fourth quarter of 2003, our return on average equity reached 18.59 percent as the expected cost savings from the conversion began to be realized.

Our balance sheet remains strong. Allowance for loan and lease losses was \$129.1 million at the end of 2003. The ratio of the allowance for loan and lease losses to total loans was 2.24 percent at December 31, 2003, down from 2.67 percent at December 31, 2002. Credit quality continued to improve throughout the year. At December 31, 2003, the ratio of non-performing assets to total loans and foreclosed real estate was 0.55 percent compared with 1.01 percent at December 31, 2002.

The efficiency ratio for 2003 was 63.4 percent compared to 64.9 percent in 2002. Excluding systems replacement and restructuring costs, the efficiency ratio for 2003 was 59.5 percent, a significant improvement compared to 62.1 percent in the previous year.

We also finished the year in a strong, competitive position. Other highlights of 2003 included:

- Being named Small Business Administration’s “Lender of the Year” for our active role in meeting the needs of small businesses throughout Hawaii.
- Regaining our number one position for holding most deposits of any Hawaii financial institution. Total deposits for the year rose to \$7.3 billion.
- Increasing the quarterly cash dividend to \$.30 from \$.19.

#### MANAGEMENT

At the end of the year, we announced the appointment of Al Landon, Vice Chairman and Chief Financial Officer, as President of Bank of Hawaii Corporation. Our Board of Directors also recommended that he be added to the board of the parent company, which will be put before shareholders for their approval at the Annual Shareholders meeting.

As President, Al will now oversee key support groups including risk management, human resources, and technology and operations, as well as continue responsibility for finance, legal and corporate sourcing.

“Customer service is our key differentiator.”

Serving as Chief Financial Officer, Al earned an excellent reputation within the banking industry as well as on Wall Street, and is highly regarded throughout our organization. He not only contributed significantly to the success of our recent strategic plan, but was a major architect of the new plan. Al's strong leadership skills, combined with a keen ability to spearhead strategic initiatives, are critical to our company's future success. I'm confident he'll do an outstanding job in his new position.

#### LOOKING AHEAD - THE 2004-2006 PLAN

In January we announced our 2004-2006 plan which builds upon the winning strategy and momentum of the prior one. The new plan contains five essential elements – all critical to achieving our objectives and sustaining our desired financial performance.

The first element is accelerating revenue growth in our island markets. We intend to accomplish this by improving customer service levels and developing a more proactive, integrated sales culture across the company. We will continue to use our “Excellence in Sales/Service” program to provide enhanced customer service and satisfaction through needs-based selling.

The second critical element will be more fully integrating our three business segments – retail banking, commercial banking and the investment services group. They will be working more closely

with one another to improve the breadth of customer relationships, while concentrating on helping each other understand and meet customer needs.

Developing our management teams and ensuring deep roots in the community is the third component of the plan. We will assess leadership talent, build leadership capabilities and continue development of a comprehensive succession plan.

The fourth key element is continuing to improve efficiency. We will identify opportunities and implement changes that lower costs while maintaining customer service levels.

Maintaining a discipline of dependable risk and capital management is the fifth element. We will continue to balance risk, liquidity and capital. Risk will be prudently managed while supporting business units in making value-adding risk/return decisions. In the absence of viable options to redeploy excess capital, it will be returned to shareholders.

Fundamental to the plan is operating leverage, growing revenues more quickly than expenses. We plan to grow revenues annually at 4 percent and hold expenses flat. However, if we find revenue growth too risky or elusive, we have the latitude to reduce expenses and still achieve a targeted 10 percent growth in operating income.

The key measure we use to determine how much value we are creating for our shareholders is the amount of net income after capital charge or NIACC that we generate. We expect that our five strategies will serve as the framework under which NIACC is increased and shareholder value is maximized. In aggregate, we generated \$21 million in 2003, the first year of positive NIACC in recent history.

For 2004, we estimate that net income should be approximately \$157 million. Return on equity is expected to hit 20 percent with return on assets planned at 1.58 percent. Our efficiency ratio is anticipated to improve to 58 percent. Based on current conditions, we do not expect to record a provision for loan and lease losses in 2004. Earnings per share and return on equity projections continue to be dependent upon the terms and timing of share repurchases.

#### CUSTOMER SERVICE – KEY TO GROWTH

The thrust of future revenue growth evolves from a strategy of enhancing our ability at needs-based selling and positioning Bank of Hawaii as the preferred financial partner. As Hawaii's largest independent financial institution we enjoy an extensive and growing customer base which provides for significant cross-selling opportunities. The benefit of cross-sell potential is not in the immediate ringing up of sales, but rather developing long-term banking relationships with customers based on building value for them with products

and services that specifically meet their needs. There remains significant untapped potential to develop multiple product or service relationships with a large percentage of our customers. Customer service is our key differentiator.

We have launched several tangible initiatives to demonstrate our underlying commitment to customer service:

- Extensive training – The company continues to provide extensive ongoing training in the areas of sales and service. The fundamentals come from a program called Excellence in Sales/Service, which provides the structured framework around which we build a consistent approach to how we treat customers.
- Rapid Response Guarantee – Customers have their phone calls returned by the end of the work day or they get \$10 deposited into their checking or savings account. This has helped instill a sense of accountability among all of our staff when it comes to returning phone calls and improving followup. Performance has been good and payouts minimal.
- Stand By You Guarantee – Under this policy, customers are not passed from employee to employee in search of an answer to their question. The first employee to speak with a customer is responsible for ensuring that customer's question or concern is properly addressed.

We continue to make meaningful and measurable progress in customer service. In 2003 we earned our highest customer satisfaction ratings since we began quantitative market surveys to measure results.

#### STRONG ECONOMY

Domestic tourism, residential construction and growing numbers of mainland investors fueled economic strength during 2003. This was augmented by a favorable interest rate environment and should continue as interest rates are anticipated to rise only modestly in the coming year.

This was the third consecutive year in which Hawaii's economy outperformed expectations despite negative global shocks, which have included SARS, the Iraq War, and ongoing corporate governance scandals. Yet, by all measures Hawaii's state economy continues to outperform the national norm. Hawaii's 4 percent fourth quarter un-employment rate, employment growth rate of 4.5 percent (persons), and job growth rate of 2 percent (payrolls) ranked among the top five states nationwide.

Prospects for Hawaii's economy remain favorable for 2004. Renewed tourism growth, more construction growth, and a defense spending boost all point to a good outlook for the islands' economy in 2004. Defense spending will include significant volumes of military housing privatization and construction slated to move forward during the next three to five years.

Tourism growth for 2004 is forecast at 3.7 percent for domestic travel markets and 14.7 percent for international travelers, rebounding from the effect of SARS. Although geopolitical risks continue to exert some influence on travelers' decisions to journey overseas, we foresee domestic tourism to remain strong. International tourism is also expected to increase to perhaps 80 percent of its 1996 all-time high. These trends are in part supported by a weaker U.S. dollar in currency markets.

We expect Hawaii real personal income to grow 4 percent in 2004. Job growth may slow slightly to just under 2 percent – 1.8 percent in '04 – but this is against a backdrop of only 4 percent unemployment. Overall, we remain optimistic about Hawaii's economic outlook for the year.

#### CORPORATE GOVERNANCE

Your Board of Directors continues its vigilance in employing sound governance practices. During 2003, the Board completed a review of its committee charters, Code of Business Conduct and Ethics, and criteria for selection of directors and assessment of director independence. Here are a few highlights of actions taken during 2003:

- Our Nominating and Corporate Governance Committee charter and Corporate Governance Guidelines were amended, and the Audit Committee charter was revalidated. Robert Huret was redesignated as “financial expert.”

“We remain steadfastly committed to our Governing Objective of maximizing shareholder value over time.”

- To ensure executive compensation packages remain appropriate and aligned with shareholder interests, we engaged the services of an outside compensation advisor.
- A formal whistle-blower complaint process was adopted.

Your company’s board continues to operate with a Lead Independent Director and considers proper corporate governance a top priority. A majority of our board members are independent, and nonmanagement directors meet in regularly scheduled executive sessions. Additional information relating to our corporate governance efforts are posted on our website at [www.boh.com](http://www.boh.com).

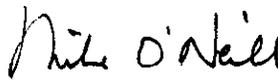
#### COMMUNITY

We believe companies do well if communities do well. As one of the state’s major corporations we are proud of our company’s tradition as a key supporter of charitable causes. Through grant-making, sponsorship and fundraising activities, as well as partnerships with non-profit organizations and government agencies, Bank of Hawaii is committed to supporting the communities in which we do business. Bank of Hawaii has earned an “Outstanding” rating from the Federal Reserve Bank for our Community Reinvestment Act activities.

#### CONCLUSION

We are confident and excited about the future of our company as we move forward with our new three-year plan. While a three-year plan will not unfold without the need for some mid-course corrections, our management and employees have proven their ability to execute while staying flexible yet focused.

We remain steadfastly committed to our Governing Objective of maximizing shareholder value over time. Our vision is straightforward and also remains unchanged: Exceptional people building exceptional value for our customers, our island communities, our shareholders and each other. Thank you for your continued confidence in Bank of Hawaii.



MICHAEL E. O'NEILL  
*Chairman of the Board,  
Chief Executive Officer*

## managing committee

BANK OF HAWAII CORPORATION/BANK OF HAWAII (as of December 31, 2003)



### MANAGING COMMITTEE - Bank of Hawaii Corporation/Bank of Hawaii:

(Left to right) Gretchen M. Mohen, Scott E. Miller, William C. Nelson, Alton T. Kuioka, Neal C. Hocklander, Michael E. O'Neill, Allan R. Landon, Donna A. Tanoue, David W. Thomas and Peter S. Ho

#### **Michael E. O'Neill**

Chairman of the Board and  
Chief Executive Officer

#### **Allan R. Landon**

President and Chief Financial Officer

#### **Alton T. Kuioka**

Vice Chairman  
Commercial Banking

#### **Donna A. Tanoue**

Vice Chairman  
Investment Services Group

#### **David W. Thomas**

Vice Chairman  
Retail Banking

#### **Neal C. Hocklander**

Vice Chairman  
Human Resources and Security

#### **Gretchen M. Mohen**

Vice Chairman  
Technology and Operations

#### **William C. Nelson**

Vice Chairman and  
Chief Risk Officer

#### **Peter S. Ho**

Executive Vice President  
Hawaii Commercial Group

#### **Scott E. Miller**

Executive Vice President  
Commercial Insurance and Wholesale Credit

Commitment to

## CUSTOMER SERVICE

Our 2004-2006 plan builds upon the strategy and success of our previous three-year plan. Key to the new plan is a continued emphasis on building value for customers by enhancing customer service and satisfaction. In addition, we're focused on strengthening our teamed approach to serving clients by improving the partnership between our business units.

Our customers know they're number one with us — from the care we take in understanding and anticipating their needs, to offering them the best financial products and services available. And we'll continue to be the provider of choice in the markets we serve. We're confident of this because of what our customers are telling us.

## commitment to customer service



### BANK OF HAWAII TEAM

**STEVEN KANEKO**, business banking officer, Waialae-Kahala Business Banking Center; **ESTHER AWAYA**, consumer sales representative manager, Kaimuki Branch; **NOAH GROOTHUIS**, broker representative, Home Equity Department

“As a third generation kama’aina small business that takes pride in being the ‘helpful hardware folks,’ we are always focused on the day-to-day challenges of running our operations. We have limited time and energy to devote to managing our personal and family/estate asset issues. Bank of Hawaii’s branch, business banking and private banking personnel have worked with us as a team to answer our questions and help us plan for future estate contingencies. As a result, we consider our Bank of Hawaii team more as friends rather than business associates.”

**ALAN, TYLER AND DAGMAR ZANE** (left to right), owners of Kaimuki ACE Hardware in Honolulu

### FOCUS ON EXCEPTIONAL SERVICE

Bank of Hawaii is 100 percent committed to providing exceptional, responsive customer service. We’re guided by the principles of Excellence in Sales/Service (ESS) – an ongoing company-wide initiative that focuses on delivering outstanding service. Survey results indicate that our customer satisfaction levels are reaching new highs – in part due to efforts such as Stand By You, our latest service guarantee which promises that the first employee customers contact will either help them or put them in touch with someone who can, or we’ll pay them \$10. In addition, employee recognition programs, such as our Chairman’s Circle and Step Up to Excellence, are reinforcing our ESS culture.

“Our Bank of Hawaii representatives are honest, forthcoming and helpful in both our private and business banking. They provide us with the best investment options available at any given moment. The bank continually follows up on our account activity and keeps us updated with current seminars that could ultimately benefit Whalers Realty, Inc. Our business demands the most current information, and that’s what we get from Bank of Hawaii.”

BOB AND TESS CARTWRIGHT, owners of Whalers Realty, Inc., the largest independent real estate firm on Maui

BANK OF HAWAII TEAM

GLENN YAMASAKI KIMURA, team leader, Private Client Services – Maui; GREG KNUE, business banking manager, Maui Business Banking Center



A TEAMED APPROACH

Our customers have a wide range of financial needs, from personal to business, and employees in our three business segments – Retail Banking, Commercial Banking and Investment Services Group – will continue to closely partner with one another to meet those needs. This increased teamwork will enable us to deepen our relationships with customers while introducing them to competitive financial products and services that can benefit them.

EXTENSIVE AND IMPROVED OFFERINGS

Our customers enjoy convenient access to a wide array of services through our extensive network of branches in Hawaii, American Samoa and the West

Pacific; our more than 500 ATMs; and our 24-hour telephone and internet banking services.

Our strong lineup of products and services has contributed to significant growth for many of our business units. In 2003, our Consumer Lending Division posted outstanding results for its third-party auto loans offered through car dealers to retail customers. In addition, due to the division’s efforts, we maintained our number one position in home equity loans among Hawaii banks. Our Mortgage Banking Division – which introduced a 30-day turnaround guarantee on home mortgages – chalked up \$2 billion in loans financed last year, enabling us to maintain our dominant, double-digit market share in Hawaii’s mortgage industry. In 2003, the bank also regained the number one position for the most deposits in Hawaii.



Bank of Hawaii has made a conscientious effort to understand our business, vision and goals, and they've structured our program to achieve these objectives. The bank's team is nothing short of incredible. They're knowledgeable and professional, and exhibit a genuine concern for our business. When you boil it all down, it's all about people, and Bank of Hawaii has wonderful people. If you say people are important, then you treat them like they're important. I believe the bank has that philosophy."

BANK OF  
HAWAII TEAM

DAWN HOFMANN,  
corporate banking officer,  
Corporate Banking;

STEVEN EDWARDS, team  
leader, Retirement Plan  
Services; TINA BERGER, team  
leader, Private Client  
Services – Ala Moana

GREG GOMES, president, Advantage Webco Dodge Hawaii, Hawaii's  
largest broker/distributor



Going forward, we'll continue to improve and introduce new products, streamline our processes, strengthen our relationships with referral partners, enhance employee product knowledge, and effectively use our branches and direct marketing programs to better serve customers.

**ENHANCED BRANCH SERVICE**

A number of initiatives are enabling our branches to improve customer service. The bank's new information technology system, which became operational last July, allows employees to more swiftly access client information. In addition, new, faster computers and software in our branches are improving efficiency and collaboration between business units.

Our Hawaii branch renovation project will continue for several years, allowing more efficient

use of space. Over the next few years, we will be optimizing branch staffing levels and locations to improve service.

In Guam, Saipan and the Republic of Palau, we recently expanded our offerings to include internet banking and Bankohana, our popular consumer banking package. In 2003, we also opened new branches in Palau and American Samoa that replaced existing structures.

**SERVING BUSINESSES  
IS OUR BUSINESS**

Bank of Hawaii is steadfastly committed to serving all of our business clients, which include small and mid-sized companies as well as large corporations. Our dedicated, experienced teams of specialists work closely with clients to understand their businesses

and provide them with the services and advice that will help them grow and succeed.

Small businesses are vital to our island economy and are an important market for the bank. To support this growing segment, we established our Business Banking Division, comprised of dedicated business banking officers and managers as well as business banking centers. The division also offers a service center with teleservice representatives trained to assist small business customers.

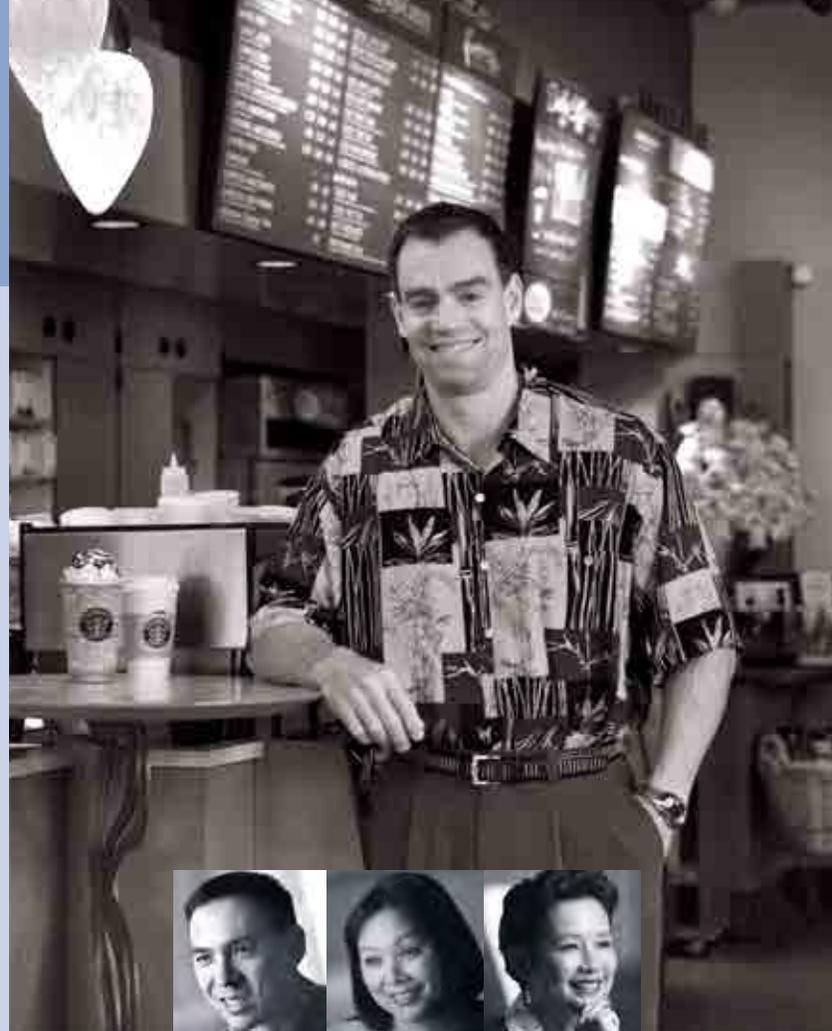
Over the past year, the bank has experienced double-digit growth in our small business loan portfolio and increases in major categories of our small business products. In addition, we earned top honors as the 2003 U.S. Small Business Administration (SBA) Lender of the Year - Category 1 for the State of Hawaii.

#### SOPHISTICATED SOLUTIONS FOR INDUSTRY LEADERS

Our Commercial Banking Group continues to forge and build longstanding relationships with mid-sized companies and large corporations in Hawaii by providing sophisticated capital-raising solutions and advisory services. It offers: corporate banking and commercial real estate loans, lease financing, auto dealer financing, deposit and cash management products, and property and casualty insurance products. In addition, its Japan Marketing group specializes in serving the financial needs of Japanese companies and individuals doing business in Hawaii. Commercial Banking remains focused on establishing value-added financial partnerships with industry leaders.

#### PERSONALIZED TOUCH

As a result of our teamed approach to customer service, many of our affluent small business, commercial and corporate banking clients have access to highly personalized private banking, personal trust, investment and retirement plan services through our Investment Services Group



#### BANK OF HAWAII TEAM

LUKE YEH, corporate banking officer, Corporate Banking; ELIZABETH LOUI TOM, private banking manager, Private Client Services; POM LUXTON, manager, Downtown Residential Loan Center

“When others were skeptical about the success of specialty coffee in a warm-weather climate, Bank of Hawaii stepped up with a financing program that fit our needs and has complemented our rapid growth. Our corporate bankers are also trusted advisors, who really understand our business and help to facilitate connections with other business leaders. And with our 60-plus locations statewide, we rely heavily on the bank’s convenient branch network. I also appreciate the bank’s private banking service, which is always there to help with my personal financial needs.”

GREG MEIER, president, Coffee Partners Hawaii and JJC Hawaii, exclusive licensees of Starbucks Coffee and Jamba Juice for Hawaii respectively

“Boys & Girls Club of Hawaii is a longtime Bank of Hawaii client. With the bank’s help, we established the Power Bank project at our Waianae clubhouse. It teaches youths basic financial principles, such as the importance of saving and budgeting. By running the Power Bank, they learn valuable skills and see the connection between education and the potential job market. Thanks to the bank, we’ve expanded this successful program to reach more young people.”

DAVID NAKADA, executive director, Boys & Girls Club of Hawaii, a not-for-profit youth guidance organization that is part of the Boys & Girls Clubs of America network of more than 3,100 clubs nationwide

BANK OF HAWAII TEAM

KEVIN SAKAMOTO, Central Market manager, Business Banking; SARAH BREDHOFF, business banking officer, Metro Business Banking Center



(ISG). The ISG team’s depth of expertise and breadth of sophisticated financial offerings enable them to develop and maintain close, long-term relationships with our clients and their families, helping them customize plans that build, preserve and protect their assets. Our clients feel secure in knowing that their complex financial affairs are in good hands.

**COMMITTED TO OUR ISLAND COMMUNITIES**

Bank of Hawaii continues its longstanding commitment to supporting organizations that provide care and assistance to the communities we serve.

An important way that we help our communities is through the Aloha United Way (AUW) and its member health and human services agencies – including the Boys & Girls Club of Hawaii. The bank’s AUW support was especially significant last year, with our Vice Chairman Dave Thomas serving as the 2003 AUW Campaign Chair. Not only did

the overall campaign reach its \$13 million goal, but the bank surpassed its own fundraising record by contributing \$1.03 million – the first time ever that a company has donated \$1 million to AUW.

Last year the bank helped form and currently supports the Hawaii HomeOwnership Center, whose mission is to provide education and assistance to first-time homebuyers in Hawaii. We also support the Hawaii Community Services Council by providing sessions on financial management for non-profits among its workshop offerings statewide.

In 2003, our charitable foundation contributed grants totaling \$1.4 million – more than 30 percent of which supported non-profits that serve low- to moderate-income people. As a result of these and other community development efforts, we maintain a CRA Outstanding rating.

Bank of Hawaii will continue to seek new and innovative ways to build stronger communities and make a positive difference in people’s lives.

## report of independent auditors

### SHAREHOLDERS AND BOARD OF DIRECTORS

Bank of Hawaii Corporation

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated statements of condition of Bank of Hawaii Corporation at December 31, 2003 and 2002 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003 appearing in the Company's Annual Report on Form 10-K, but not presented separately herein. In our report dated January 26, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated financial statements is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

*Ernst & Young LLP*

Honolulu, Hawaii  
January 26, 2004

## consolidated statements of income

(dollars in thousands except per share amounts)

YEAR ENDED DECEMBER 31	2003	2002	2001
<b>INTEREST INCOME</b>			
Interest and Fees on Loans and Leases	\$ 334,793	\$ 366,366	\$ 619,447
Income on Investment Securities - Held to Maturity	18,956	16,774	33,521
Income on Investment Securities - Available for Sale	77,793	104,261	137,320
Deposits	4,816	20,020	27,596
Funds Sold and Security Resale Agreements	1,919	3,503	5,034
Other	4,244	5,614	5,344
Total Interest Income	442,521	516,538	828,262
<b>INTEREST EXPENSE</b>			
Deposits	47,473	84,348	217,305
Security Repurchase Agreements	7,939	30,173	77,764
Funds Purchased	944	1,030	10,099
Short-Term Borrowings	92	1,489	9,562
Long-Term Debt	20,131	29,267	53,854
Total Interest Expense	76,579	146,307	368,584
Net Interest Income	365,942	370,231	459,678
Provision for Loan and Lease Losses	-	11,616	74,339
Net Interest Income After Provision for Loan and Lease Losses	365,942	358,615	385,339
<b>NON-INTEREST INCOME</b>			
Trust and Asset Management	50,996	55,733	59,924
Mortgage Banking	15,556	18,866	20,133
Service Charges on Deposit Accounts	35,938	32,617	38,467
Fees, Exchange, and Other Service Charges	56,221	51,594	77,833
Gains on Sales of Banking Operations, Net of Venture Investment Losses	-	-	173,426
Investment Securities Gains	1,789	615	32,982
Insurance	13,680	10,938	9,241
Other	24,540	27,972	36,744
Total Non-Interest Income	198,720	198,335	448,750
<b>NON-INTEREST EXPENSE</b>			
Salaries and Benefits	186,280	186,563	240,793
Net Occupancy Expense	38,980	39,149	46,344
Net Equipment Expense	33,652	41,253	53,395
Goodwill Amortization	-	-	13,342
Restructuring and Other Related Costs	-	2,364	104,794
Information Technology Systems Replacement Project	21,871	13,628	-
Other	77,092	86,292	135,462
Total Non-Interest Expense	357,875	369,249	594,130
Income Before Income Taxes	206,787	187,701	239,959
Provision for Income Taxes	71,592	66,521	122,164
<b>NET INCOME</b>	<b>\$ 135,195</b>	<b>\$ 121,180</b>	<b>\$ 117,795</b>
Basic Earnings Per Share	\$ 2.32	\$ 1.75	\$ 1.49
Diluted Earnings Per Share	\$ 2.21	\$ 1.70	\$ 1.46
Dividends Declared Per Share	\$ 0.87	\$ 0.73	\$ 0.72
Basic Weighted Average Shares	58,338,566	69,385,745	78,977,011
Diluted Weighted Average Shares	61,085,567	71,447,333	80,577,763

## consolidated statements of condition

(dollars in thousands)

DECEMBER 31	2003	2002
<b>ASSETS</b>		
Interest-Bearing Deposits	\$ 154,735	\$ 549,978
Investment Securities - Held to Maturity (Market Value of \$720,699 and \$236,016)	727,233	229,720
Investment Securities - Available for Sale	1,991,116	2,287,201
Funds Sold	-	195,000
Loans Held for Sale	9,211	40,118
Loans	5,757,175	5,359,004
Allowance for Loan and Lease Losses	(129,080)	(142,853)
Net Loans	<u>5,628,095</u>	<u>5,216,151</u>
Total Earning Assets	8,510,390	8,518,168
Cash and Non-Interest Bearing Deposits	363,495	374,352
Premises and Equipment	160,005	176,969
Customers' Acceptance Liability	1,707	2,680
Accrued Interest Receivable	32,672	36,722
Foreclosed Real Estate	4,377	9,434
Mortgage Servicing Rights	22,178	28,820
Goodwill	36,216	36,216
Other Assets	330,607	333,057
TOTAL ASSETS	<u>\$ 9,461,647</u>	<u>\$ 9,516,418</u>
<b>LIABILITIES</b>		
Deposits		
Non-Interest Bearing Demand	\$ 1,933,928	\$ 1,719,633
Interest Bearing Demand	1,356,330	1,171,832
Savings	2,833,379	2,535,219
Time	<u>1,209,142</u>	<u>1,493,477</u>
Total Deposits	7,332,779	6,920,161
Securities Sold Under Agreements to Repurchase	472,757	735,621
Funds Purchased	109,090	64,467
Short-Term Borrowings	12,690	33,420
Current Maturities of Long-Term Debt	96,505	114,781
Banker's Acceptances Outstanding	1,707	2,680
Retirement Benefits Payable	61,841	61,385
Accrued Interest Payable	7,483	13,731
Taxes Payable	207,101	196,813
Other Liabilities	138,999	82,596
Long-Term Debt	<u>227,563</u>	<u>275,004</u>
TOTAL LIABILITIES	8,668,515	8,500,659
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock (\$.01 par value); authorized 500,000,000 shares; issued / outstanding: December 2003 - 81,647,729 / 54,928,480, December 2002 - 81,294,730 / 63,015,442	807	806
Capital Surplus	391,701	372,192
Accumulated Other Comprehensive Income (Loss)	(5,711)	11,659
Retained Earnings	1,199,077	1,115,910
Deferred Stock Grants	(8,309)	(1,424)
Treasury Stock, at Cost (Shares: December 2003 - 26,719,249, December 2002 - 18,279,288)	<u>(784,433)</u>	<u>(483,384)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>793,132</u>	<u>1,015,759</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 9,461,647</u>	<u>\$ 9,516,418</u>

## board of directors

BANK OF HAWAII (as of December 31, 2003)

### **S. Haunani Apoliona**

Chairman and Trustee  
Office of Hawaiian Affairs

### **Peter D. Baldwin\***

Owner  
Piipolo Ranch, LLC

### **Mary G. F. Bitterman\***

Director  
Osher Lifelong Learning Institutes

### **Michael J. Chun**

President and Headmaster  
Kamehameha Schools

### **Clinton R. Churchill\***

Trustee  
The Estate of James Campbell

### **David A. Heenan\***

Trustee  
The Estate of James Campbell

### **Robert A. Huret\***

Managing Member  
FTV Management Company, LLC

### **Alton T. Kuioka**

Vice Chairman, Commercial Banking  
Bank of Hawaii Corporation  
and Bank of Hawaii

### **Allan R. Landon**

President and Chief Financial Officer  
Bank of Hawaii Corporation  
and Bank of Hawaii

### **William C. Nelson**

Vice Chairman and Chief Risk Officer  
Bank of Hawaii Corporation  
and Bank of Hawaii

### **Michael E. O'Neill\***

Chairman and  
Chief Executive Officer  
Bank of Hawaii Corporation  
and Bank of Hawaii

### **Martin A. Stein\***

President  
Sonoma Mountain Ventures, LLC

### **Donald M. Takaki\***

Chairman and CEO  
Island Movers, Inc.

### **Barbara J. Tanabe**

Partner  
Ho'akea Communications, LLC

### **Donna A. Tanoue**

Vice Chairman  
Investment Services Group  
Bank of Hawaii Corporation  
and Bank of Hawaii

### **David W. Thomas**

Vice Chairman, Retail Banking  
Bank of Hawaii Corporation  
and Bank of Hawaii

### **Robert W. Wo, Jr.\***

President and Director  
C.S. Wo & Sons, Ltd.



#### **BOARD OF DIRECTORS - Bank of Hawaii:**

(Left to right) Robert A. Huret, Peter D. Baldwin, S. Haunani Apoliona, Donna A. Tanoue, Robert W. Wo, Jr., Michael J. Chun, Alton T. Kuioka, David W. Thomas, Michael E. O'Neill, David A. Heenan, Barbara J. Tanabe, Clinton R. Churchill, William C. Nelson, Martin A. Stein, Allan R. Landon, Donald M. Takaki, and Mary G. F. Bitterman

\* Bank of Hawaii Corporation Board of Directors

## shareholder information

### Corporate Headquarters

Bank of Hawaii Corporation  
130 Merchant Street  
Honolulu, Hawaii 96813

### Annual Meeting

The annual meeting of shareholders will be held on Friday, April 30, 2004 at 8:30 a.m. at the Bank of Hawaii Main Office, 6th Flr., 111 South King Street, Honolulu, Hawaii.

### Transfer Agent and Registrar

Continental Stock Transfer & Trust Company  
17 Battery Place, New York, NY 10004

### Common Stock Listing

#### NYSE: BOH

The common stock of Bank of Hawaii Corporation is traded on the New York Stock Exchange under the ticker symbol BOH and is quoted daily in leading financial publications as “Bank of Hawaii.”

### Dividend Reinvestment and Stock Purchase Plan (DRP)

Bank of Hawaii Corporation’s Dividend Reinvestment and Stock Purchase Plan (DRP) allows existing shareholders to purchase common shares of the company’s stock by either reinvesting their stock dividends or by optional cash payments.

- Individuals must possess at least one share of the company’s stock to participate in the DRP.
- Shares are purchased on the 10th business day of each month based on the average of five trading days ending on the day of purchase.
- Minimum payment for purchase of shares is \$25 and the maximum is \$5,000 per calendar quarter.
- There are no fees for purchasing shares or for the safekeeping of stock certificates. Fees are assessed on the sale of shares in the DRP.

Detailed information about Bank of Hawaii Corporation’s DRP can be found online at [www.boh.com](http://www.boh.com) or by calling Continental Stock Transfer & Trust Company at 1-800-509-5586.

### Inquiries

Shareholders with questions about stock transfer services, share holdings or dividend reinvestment may contact Continental Stock Transfer & Trust Company at 1-800-509-5586 between 8:30 a.m. and 5:30 p.m. Eastern Standard Time.

### Investors and Analysts

#### Seeking Financial Information

May Contact:

Allan R. Landon

President and Chief Financial Officer

Telephone: 808-537-8888

or

Cindy G. Wyrick

Senior Vice President, Investor Relations

Telephone: 808-537-8430

### For general inquiries:

Phone 1-888-643-3888

### [www.boh.com](http://www.boh.com)

Information about Bank of Hawaii Corporation and Bank of Hawaii, as well as economic information on the markets they serve, can be found online at [www.boh.com](http://www.boh.com).

At the company’s Investor Relations site, investors can access Bank of Hawaii Corporation’s stock quotes, historical stock charts, financial media releases, SEC filings, corporate governance information and more. The e-mail alert listing enables those interested to be notified when announcements about Bank of Hawaii Corporation are released.

## Bank of Hawaii locations



(Maps not shown to scale.)

### Bank of Hawaii Branches & ATMs

(as of December 31, 2003)

	Branches & In-Store Branches	ATMs
STATE OF HAWAII	74	464
Island of Oahu	42	342
Island of Hawaii	12	49
Island of Maui	12	40
Island of Kauai	6	31
Island of Lanai	1	1
Island of Molokai	1	1
AMERICAN SAMOA	3	6
WEST PACIFIC	11	47
Commonwealth of Northern Mariana Islands/Saipan	2	8
Guam	8	37
Republic of Palau	1	2
<b>GRAND TOTAL</b>	<b>88</b>	<b>517</b>

### Facts About Hawaii

- **Businesses:** 95% percent have fewer than 50 employees, and 58% percent have fewer than five.<sup>1</sup>
- **Job count by industry:** Manufacturing (2.6%); Retail (11.8%); Financial Activities (4.9%); Professional & Business Services (12.1%); Healthcare (7.1%); Accommodation & Food Services (15.5%); Government (21%).<sup>1</sup>
- **Main industries (Gross State Product):** visitor (25%), government, including defense (21.8%).<sup>2</sup>
- **Fastest growing industries since 2000 (inflation-adjusted earnings by industry, compound annual growth):** farm earnings (10.69%); management and administrative services (6.68%); state and local government (6.11%); professional and technical services (6.03%); educational services (5.39%); construction (4.78%); military (4.60%); mining (4.39%); real estate, rental and leasing (4.30%); healthcare and social assistance (4.20%).<sup>2</sup>
- **Resident population:** 1,224,398.<sup>3</sup>

#### Sources:

<sup>1</sup> <http://www.state.hi.us/dbedt/facts/statefact.html>

<sup>2</sup> Economic data: Bank of Hawaii

<sup>3</sup> Population data: 2001 estimate based on 2000 U.S. Census

<sup>4</sup> Pacific Islands Development Program, East-West Center, Honolulu, Hawaii

#### Facts About Guam<sup>4</sup>

- U.S. territory
- Capital: Hagåtña (Agana)
- Resident population: 159,547
- Main industries: government, including defense; tourism; construction.

#### Facts About America Samoa<sup>4</sup>

- U.S. territory
- Capital: Pago Pago
- Resident population: 58,900
- Main industries: tuna fishing and processing, and government services.

BANK OF HAWAII CORPORATION is a regional financial services company serving businesses, consumers and governments in Hawaii, American Samoa and the West Pacific. Our principal subsidiary, Bank of Hawaii, was founded in 1897 and is the largest independent financial institution in Hawaii. For more information, visit our website, [www.boh.com](http://www.boh.com).

#### FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements concerning, among other things, the economic environment in our service area, the expected level of loan loss provisioning, anticipated savings of our systems replacement project, the effect of our new three-year plan, and anticipated dividends, revenues and expenses during 2004 and beyond. We believe the assumptions underlying our forward-looking statements are reasonable. However, any of the assumptions could prove to be inaccurate and actual results may differ materially from those projected for a variety of reasons, including, but not limited to: unanticipated changes in business and economic conditions, the competitive environment, fiscal and monetary policies, or legislation in Hawaii and the other markets we serve; changes in our credit quality or risk profile which may increase or decrease the required level of allowance for loan and lease losses; changes in market interest rates that may affect our credit markets and ability to maintain our net interest margin; changes to the amount and timing of our proposed equity repurchases; inability to achieve expected benefits of our business process changes due to adverse changes in implementation processes or costs, operational savings, or timing; real or threatened acts of war or terrorist activity affecting business conditions; and adverse weather, public health concerns and other natural conditions impacting our and our customers' operations. We do not undertake any obligation to update forward-looking statements to reflect later events or circumstances.

