

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2005

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 1-6887

**BANK OF HAWAII CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of incorporation)

**99-0148992**  
(IRS Employer Identification No.)

**130 Merchant Street, Honolulu, Hawaii**  
(Address of principal executive offices)

**96813**  
(Zip Code)

**1-(888)-643-3888**  
(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

**Title of Each Class**

**Name of Each Exchange on Which Registered**

Common Stock, \$.01 Par Value

New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:**

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the registrant's voting stock held by non-affiliates is approximately \$2,600,263,489 based on the June 30, 2005 closing price of said stock on the New York Stock Exchange (\$50.75 per share).

As of February 17, 2006, there were 51,106,794 shares of Common Stock outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 28, 2006, are incorporated by reference into Part III of this Report.

---

---

---

# Bank of Hawaii Corporation

Form 10-K

---

## INDEX

		<u>Page</u>	
<b>Part I</b>	Item 1.	Business	2
	Item 1A.	Risk Factors	7
	Item 1B.	Unresolved Staff Comments	9
	Item 2.	Properties	9
	Item 3.	Legal Proceedings	9
	Item 4.	Submission of Matters to a Vote of Security Holders	9
<hr/>			
<b>Part II</b>	Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	11
	Item 6.	Selected Financial Data	12
	Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
	Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	39
	Item 8.	Financial Statements and Supplementary Data	39
	Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	81
	Item 9A.	Controls and Procedures	81
	Item 9B.	Other Information	83
	<hr/>		
<b>Part III</b>	Item 10.	Directors and Executive Officers of the Registrant	84
	Item 11.	Executive Compensation	84
	Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	84
	Item 13.	Certain Relationships and Related Transactions	84
	Item 14.	Principal Accounting Fees and Services	84
<hr/>			
<b>Part IV</b>	Item 15.	Exhibits, Financial Statement Schedules	85
<b>SIGNATURES</b>			87

## PART I

### Item 1. *Business*

#### General

Bank of Hawaii Corporation (the "Company") is a Delaware corporation and a bank holding company ("BHC").

The Company's banking subsidiary, Bank of Hawaii (the "Bank"), was organized under the laws of Hawaii on December 17, 1897 and has its headquarters in Honolulu, Hawaii. Its deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC"). The Bank is a member of the Federal Reserve System. The only other direct subsidiary of the Company is Bancorp Hawaii Capital Trust I, a grantor trust organized to effect a financing transaction.

Through the Bank, the Company provides a range of financial services and products primarily in Hawaii and the Pacific Islands (Guam and nearby islands and American Samoa). The Bank's subsidiaries include Bank of Hawaii Leasing, Inc., Bankoh Investment Services, Inc., Pacific Century Life Insurance Corporation, Triad Insurance Agency, Inc., Bank of Hawaii Insurance Services, Inc., Pacific Century Insurance Services, Inc., Bankoh Investment Partners, LLC and Bank of Hawaii International, Inc. The Bank's subsidiaries are engaged in equipment leasing, securities brokerage and investment services, and insurance and insurance agency services.

The Company is aligned into the following business segments: Retail Banking, Commercial Banking, Investment Services Group and Treasury and Other Corporate. Financial and other additional information about the Company's business segments are presented in Table 5 of the Business Segments section of Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and Note 17 to the Consolidated Financial Statements in this report, which is incorporated by reference in this Item.

Information on foreign activities is presented in Table 9 of MD&A, which is incorporated by reference in this Item.

The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports can be found free of charge on its internet site at <http://www.boh.com> as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (the "SEC"). The SEC maintains an internet site, <http://www.sec.gov>, that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The Company's Corporate Governance Guidelines; the charters of the Audit Committee, the Executive and Strategic Planning Committee, the Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee; and the Code of Business Conduct and Ethics are available on the Company's website. Upon written request to the Corporate Secretary at 130 Merchant Street, Honolulu, Hawaii, 96813, the information is available in print to any shareholder.

The Company included the Chief Executive Officer and the Chief Financial Officer certifications regarding the Company's public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 of this report. Additionally, the Company filed with the New York Stock Exchange (the "NYSE") the Chief Executive Officer certification regarding the Company's compliance with the NYSE's Corporate Governance Listing Standards (the "Listing Standards") pursuant to Section 303A.12(a) of the Listing Standards. The certification was dated May 26, 2005 and indicated that the Chief Executive Officer was not aware of any violations of the Listing Standards by the Company.

#### Competition

The Company, the Bank and its subsidiaries are subject to substantial competition from banks, savings associations, credit unions, mortgage companies, finance companies, mutual funds, brokerage firms, insurance companies and other providers of financial services, including financial service subsidiaries of commercial and manufacturing

companies. The Company also competes with certain non-financial institutions and governmental entities that offer financial products and services. Some of the Company's competitors are not subject to the same level of regulation and oversight that is required of banks and BHCs.

## **Supervision and Regulation**

The Company and the Bank are each extensively regulated under both federal and state law. The following information describes certain aspects of those regulations applicable to the Company and the Bank and does not purport to be complete. To the extent statutory or regulatory provisions are described, the description is qualified in its entirety by reference to the particular statutory or regulatory provisions. Proposals to change the laws and regulations governing the banking industry are frequently raised in Congress, in state legislatures and before the various bank regulatory agencies. The likelihood and timing of any changes and the impact such changes might have on the Company or the Bank are impossible to determine with any certainty. A change in applicable laws or regulations, or a change in the way such laws or regulations are interpreted by regulatory agencies or courts, may have a material impact on the business, operations and earnings of the Company and the Bank.

### *The Company*

The Company is registered as a BHC under the Bank Holding Company Act of 1956, as amended (the "BHC Act"), and is subject to the supervision of and to examinations by the Board of Governors of the Federal Reserve System (the "FRB"). The Company is also registered as a financial institution holding company under the Hawaii Code of Financial Institutions (the "Code") and is subject to the registration, reporting and examination requirements of the Code.

The BHC Act prohibits, with certain exceptions, a BHC from acquiring beneficial ownership or control of more than 5% of the voting shares of any company, including a bank, without the FRB's prior approval and from engaging in any activity other than those of banking, managing or controlling banks or other subsidiaries authorized under the BHC Act, or furnishing services to or performing services for its subsidiaries. Among the permitted activities is the ownership of shares of any company the activities of which the FRB determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

Under FRB policy, a BHC is expected to serve as a source of financial and management strength to its subsidiary bank(s) and to commit resources to support its subsidiary bank(s) in circumstances where it might not do so absent such a policy. This support may be required at times when the BHC may not have the resources to provide it. Under this policy, a BHC is expected to stand ready to use available resources to provide adequate capital funds to its subsidiary bank(s) during periods of financial adversity and to maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary bank(s).

Subject to certain limits, under the Riegle-Neal Interstate Banking and Branching Efficiency Act ("Riegle-Neal"), an adequately capitalized and adequately managed BHC may acquire control of banks in any state. An interstate acquisition may not be approved if immediately following the acquisition the BHC would control 30% or more of the total FDIC-insured deposits in that state (or such lesser or greater amount set by the state), unless the acquisition is the BHC's initial entry into the state. An adequately capitalized and adequately managed bank may apply for permission to merge with an out-of-state bank and convert all branches of both parties into branches of a single bank. An interstate bank merger may not be approved, if immediately following the acquisition, the acquirer would control 30% or more of the total FDIC-insured deposits in that state (or such lesser or greater amount set by the state), unless the acquisition is the acquirer's initial entry into the state. Banks are also permitted to open newly established branches in any state in which it does not already have banking branches if such state enacts a law permitting such de novo branching.

In addition, under provisions of the Code enacted to authorize interstate branching under Riegle-Neal, out-of-state banks may engage in mergers with Hawaii banks or acquisitions of substantially all of their assets, following which any such out-of-state bank may operate the branches of the Hawaii bank it has acquired. The Hawaii Commissioner of

Financial Institutions is authorized to waive the federal limit on concentration of FDIC-insured deposits. This statute also permits out-of-state banks to acquire branches of Hawaii banks and to open branches in Hawaii on a de novo basis.

Under the Gramm-Leach-Bliley Act, a BHC may elect to become a financial holding company and thereby engage in a broader range of financial and other activities than are permissible for traditional BHCs. In order to qualify for the election, all of the depository institution subsidiaries of the BHC must be well capitalized and well managed and all of its insured depository institution subsidiaries must have achieved a rating of "satisfactory" or better under the Community Reinvestment Act (the "CRA"). Financial holding companies are permitted to engage in activities that are "financial in nature" or incidental or complementary thereto as determined by the FRB. The Gramm-Leach-Bliley Act identifies several activities as "financial in nature," including, among others, insurance underwriting and sales, investment advisory services, merchant banking and underwriting and dealing or making a market in securities. The Company has not elected to become a financial holding company.

#### *Bank of Hawaii*

The Bank is subject to supervision and examination by the Federal Reserve Bank of San Francisco and the State of Hawaii Department of Commerce and Consumer Affairs Division of Financial Institutions. Depository institutions, including the Bank, are subject to extensive federal and state regulation that significantly affect their business and activities. Regulatory bodies have broad authority to implement standards and to initiate proceedings designed to prohibit depository institutions from engaging in activities that represent unsafe and unsound banking practices or constitute violations of applicable laws, rules, regulations, administrative orders or written agreements with regulators. The standards relate generally to operations and management, asset quality, interest rate exposure, capital and executive compensation. The agencies are authorized to take action against institutions that fail to meet such standards, including the assessment of civil money penalties, the issuance of cease-and-desist orders and other actions.

Bankoh Investment Services, Inc., the broker dealer subsidiary of the Bank, is regulated by the National Association of Securities Dealers. The insurance subsidiaries, Bank of Hawaii Insurance Services, Inc., Triad Insurance Agency, Inc. and Pacific Century Insurance Services, Inc., are incorporated in Hawaii and are therefore regulated by the Hawaii State Department of Insurance. Pacific Century Life Insurance Corporation is incorporated in Arizona and regulated by the Insurance Department of Arizona.

#### *Capital Requirements*

The Federal Reserve Board has issued substantially similar risk-based and leverage capital guidelines applicable to BHCs and banks that they supervise. Under the risk-based capital requirements, the Company and the Bank are generally required individually to maintain a minimum ratio of total capital to risk-weighted assets of 8%. At least half of the total capital is to be composed of common equity, retained earnings and qualifying perpetual preferred stock, less certain intangibles ("Tier 1 capital"). The remainder may consist of certain subordinated debt, certain hybrid capital instruments and other qualifying preferred stock, and a limited amount of the loan loss allowance ("Tier 2 capital") and, together with Tier 1 capital, equals total capital ("Total capital"). Risk weighted assets are calculated by taking assets and credit equivalent amounts of off-balance-sheet items and assigning them to one of several broad risk categories, according to the obligor, or, if relevant, the guarantor or the nature of the collateral. The aggregate dollar value of the amount in each category is then multiplied by the risk weight associated with that category. At December 31, 2005, the Company's Tier 1 capital and Total capital ratios to total risk-weighted assets were 10.36% and 12.70%, respectively, and the ratios of Tier 1 capital and Total capital to total risk-weighted assets for the Bank were 10.06% and 12.38%, respectively.

In addition, each of the federal bank regulatory agencies has established minimum leverage capital ratio requirements for BHCs and banks. These requirements provide for a minimum leverage ratio of Tier 1 capital to adjusted quarterly average assets equal to 3% for BHCs and banks that meet certain specified criteria, including that they have the highest regulatory rating and are not experiencing significant growth or expansion. All other BHCs and banks will generally

be required to maintain a leverage ratio of at least 100 to 200 basis points above the stated minimum. The Company's leverage ratio at December 31, 2005 was 7.14% and the Bank's leverage ratio was 6.94%.

The Federal Reserve Board's risk-based capital standards identifies concentrations of credit risk and the risk arising from non-traditional activities, as well as an institution's ability to manage these risks, as important factors to be taken into account by the agency in assessing an institution's overall capital adequacy. The capital guidelines also provide that an institution's exposure to a decline in the economic value of its capital due to changes in interest rates be considered by the agency as a factor in evaluating a bank's capital adequacy. The Federal Reserve Board also has issued additional capital guidelines for certain BHCs that engage in trading activities. The Company does not believe that consideration of these additional factors will affect the regulator's assessment of the Company's or the Bank's capital position.

#### *Dividend Restrictions*

The Company is a legal entity separate and distinct from the Bank. The Company's principal source of funds to pay dividends on its common stock and to service its debt is dividends from the Bank. Various federal and state statutory provisions and regulations limit the amount of dividends the Bank may pay to the Company without regulatory approval, including requirements to maintain capital above regulatory minimums. The FRB is authorized to determine the circumstances when the payment of dividends would be an unsafe or unsound practice and to prohibit such payments. The right of the Company, its stockholders and creditors to participate in any distribution of the assets or earnings of its subsidiaries also is subject to the prior claims of creditors of those subsidiaries.

For information regarding the limitations on Bank dividends, see Note 9 to the Consolidated Financial Statements, which is incorporated by reference in this Item. Currently, the Bank has the requisite regulatory approval to pay dividends up to the amount of the Bank's income for 2006, subject to the absence of any material adverse change in the Bank's financial condition.

#### *Transactions with Affiliates*

The Bank is subject to restrictions under federal law that limit the transfer of funds or other items of value to the Company and any other non-bank affiliates in so-called "covered transactions." In general, covered transactions include loans and other extensions of credit, investments and asset purchases, as well as other transactions involving the transfer of value from the Bank to an affiliate or for the benefit of an affiliate. Unless an exemption applies, covered transactions by the Bank with a single affiliate are limited to 10% of the Bank's capital and surplus and, with respect to all covered transactions with affiliates in the aggregate, to 20% of the Bank's capital and surplus.

#### *FDIC Insurance*

The Bank's deposits are insured up to applicable limits by the Bank Insurance Fund ("BIF") of the FDIC. As an FDIC-insured bank, the Bank also is subject to FDIC insurance assessments. Currently, the amount of FDIC assessments paid by individual insured depository institutions ranges from zero to \$0.27 per \$100.00 of insured deposits, based on their relative risk to the deposit insurance funds, as measured by the institutions' regulatory capital position and other supervisory factors. The Bank currently pays the lowest premium rate, which is zero, based upon this risk assessment. However, the FDIC retains the ability to increase regular assessments and to levy special additional assessments.

In addition to deposit insurance fund assessments, beginning in 1997 the FDIC assessed BIF-assessable and Savings Association Insurance Fund ("SAIF")-assessable deposits to fund the repayment of debt obligations of the Financing Corporation ("FICO"). FICO is a government-sponsored entity that was formed to borrow the money necessary to carry out the closing and ultimate disposition of failed thrift institutions by the Resolution Trust Corporation. At December 31, 2005, the annualized rate established by the FDIC for both BIF-assessable and SAIF-assessable deposits was 1.32 basis points (hundredths of 1%).

On February 1, 2006, the FDIC Reform Act of 2005 was adopted by Congress. This legislation, will merge BIF and SAIF into one fund, increase insurance coverage for retirement accounts to \$250,000 and index the insurance levels for inflation, among other changes.

Under federal law, deposits and certain claims for administrative expenses and employee compensation against insured depository institutions are afforded a priority over other general unsecured claims against such an institution, including federal funds and letters of credit, in the liquidation or other resolution of such an institution by any receiver appointed by regulatory authorities. Such priority creditors would include the FDIC.

#### *Other Safety and Soundness Regulations*

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") the federal banking agencies possess broad powers to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institution in question is "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized," as defined by the law. Under regulations established by the federal banking agencies, a "well capitalized" institution must have a Total capital ratio of at least 10%, a Tier 1 capital ratio of at least 6% and a leverage ratio of at least 5% and not be subject to a capital directive order. An "adequately capitalized" institution must have a Total capital ratio of at least 8%, a Tier 1 capital ratio and leverage ratio of at least 4%. As of December 31, 2005, the Bank was classified as "well capitalized." The classification of depository institutions is primarily for the purpose of applying the federal banking agencies' prompt corrective action provisions and is not intended to be, and should not be, interpreted as a representation of overall financial condition or prospects of any financial institution.

The federal banking agencies' prompt corrective action powers (which increase depending upon the degree to which an institution is undercapitalized) can include, among other things, requiring an insured depository institution to adopt a capital restoration plan which cannot be approved unless guaranteed by the institution's parent company; placing limits on asset growth and restrictions on activities; including restrictions on transactions with affiliates; restricting the interest rates the institution may pay on deposits; prohibiting the payment of principal or interest on subordinated debt; prohibiting the holding company from making capital distributions without prior regulatory approval and, ultimately, appointing a receiver for the institution. Among other things, only a "well capitalized" depository institution may accept brokered deposits without prior regulatory approval.

As required by FDICIA, the federal banking agencies also have adopted guidelines prescribing safety and soundness standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal stockholder. In addition, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not in compliance with any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the prompt corrective action provisions described above.

#### *Community Reinvestment and Consumer Protection Laws*

In connection with its lending activities, the Bank is subject to a number of federal laws designed to protect borrowers and promote lending to various sectors of the economy and population. These include the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act and the CRA.

The CRA requires the appropriate federal banking agency, in connection with its examination of a bank, to assess the bank's record in meeting the credit needs of the communities served by the bank, including low-and moderate-income neighborhoods. Furthermore, such assessment also is required of any bank that has applied, among other things, to merge or consolidate with or acquire the assets or assume the liabilities of an insured depository institution, or to open or relocate a branch office. In the case of a BHC (including a financial holding company) applying for approval to acquire a bank or BHC, the Federal Reserve Board will assess the record of each subsidiary bank of the applicant BHC in considering the application. Under the CRA, institutions are assigned a rating of "outstanding," "satisfactory," "needs to improve" or "substantial non-compliance." The Bank was rated outstanding in its most recent CRA evaluation.

#### *Bank Secrecy Act / Anti-Money Laundering Laws*

The Bank is subject to the Bank Secrecy Act and its implementing regulations and other anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001. Among other things, these laws and regulations require the Bank to take steps to prevent the use of the Bank for facilitating the flow of illegal or illicit money, to report large currency transactions, to file suspicious activity reports and to implement appropriate compliance programs, training, risk assessments and "know your customer" programs. Violations of these requirements can result in substantial civil and criminal sanctions. In addition, provisions of the USA PATRIOT Act require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing bank mergers and BHC acquisitions.

#### *Sarbanes-Oxley Act of 2002*

The Sarbanes-Oxley Act of 2002 comprehensively revised the laws affecting corporate governance, accounting obligations and corporate reporting for companies, such as the Company, with equity or debt securities registered under the Securities Exchange Act of 1934 (the "Exchange Act"). In particular, the Sarbanes-Oxley Act established: 1) new requirements for audit committees, including independence, expertise, and responsibilities; 2) requirements with respect to the establishment and evaluation of disclosure controls and procedures and internal control over financial reporting, and the audit of internal control over financial reporting; 3) additional responsibilities regarding financial statements for the Chief Executive Officer and Chief Financial Officer of the reporting company with respect to financial statements and other information included in Exchange Act reports; 4) new standards for auditors and regulation of audits; 5) increased disclosure and reporting obligations for the reporting company and its directors and executive officers; and 6) new and increased civil and criminal penalties for violations of the securities laws.

#### **Employees**

At January 31, 2006, the Company and its subsidiaries had approximately 2,600 employees.

#### **Item 1A. Risk Factors**

There are a number of risks and uncertainties, many of which are beyond the Company's control that could have a material adverse impact on the Company's financial condition or results of operations. The Company describes below some of these risks and uncertainties.

*Changes in the Hawaii and island market economies could adversely impact the Company.*

The Company's business is closely tied to the economies of Hawaii and its other island markets, which are heavily influenced by tourism, government and other service-based industries. A sustained economic downturn could adversely affect the Company's financial condition or results of operations.

*Changes in interest rates could adversely impact the Company.*

The Company's earnings are highly dependent on the spread between the interest earned on loans and investments and the interest paid on deposits and borrowings. Changes in market interest rates impact the rates earned on loans and investment securities and the rates paid on deposits and borrowings. In addition, changes to the market interest rates could impact the level of loans, deposits and investments, and the credit profile of existing loans. These rates may be affected by many factors beyond the Company's control, including general and economic conditions and the monetary and fiscal policies of various governmental and regulatory authorities. Changes in interest rates may negatively impact the Company's ability to attract deposits, make loans and achieve satisfactory interest rate spreads which could adversely affect the Company's financial condition or results of operations.

*The Company's reserve for credit losses may not be adequate to cover actual loan losses.*

The risk of nonpayment of loans is inherent in all lending activities, and nonpayment, if it occurs, may have an adverse effect on the Company's financial condition or results of operation. The Company maintains a Reserve for Credit Losses (the "Reserve") to absorb estimated probable credit losses inherent in the loan and commitment portfolios as of the balance sheet date. In determining the level of the Reserve, management makes various assumptions and judgments about the loan portfolio. If the Company's assumptions are incorrect, the Reserve may not be sufficient to cover losses which could adversely affect the Company's financial condition or results of operations.

Many of the Company's loans are secured by real estate in Hawaii and Guam. If these locations experience an economic downturn that impacted real estate values and customers' ability to repay, loan losses could exceed the estimates that are currently included in the Reserve.

*The Company is subject to extensive regulation.*

The Company's operations are subject to extensive regulation by federal and state governmental authorities which impose requirements and restrictions on the Company's operations. The impact of changes to laws and regulations or other actions by regulatory agencies could make regulatory compliance more difficult or expensive for the Company and could adversely affect the Company's financial condition or results of operations.

*Competition may adversely affect the Company's business.*

The Company faces competition for its services from a variety of competitors. The Company's future growth and success depends on its ability to compete effectively. The Company competes for deposits, loans and other financial services with numerous banks, thrifts, credit unions, mortgage companies, broker dealers, and insurance companies that are based in and out of Hawaii. The financial services industry is also likely to become more competitive as further technological advances enable more companies to provide financial services, this could adversely affect the Company's financial condition or results of operations.

*The Parent's liquidity is dependent on dividends from the Bank.*

The Bank's ability to pay dividends to the Parent is limited by various statutes and regulations. It is possible, depending upon the financial condition of the Bank and other factors, that the Federal Reserve Board could assert that payment of dividends from the Bank to the Parent is an unsafe or unsound practice. In the event the Bank was unable to pay dividends to the Parent, dividends on the Company's common stock could be jeopardized. The Company's failure to pay dividends or a reduction in the dividend rate could have a material adverse effect on the market price of the Company's common stock.

*An interruption or breach in security of the Company's information systems may result in a loss of customers.*

The Company relies heavily on communications and information systems to conduct its business. In addition, the Company depends, to a significant extent, on several third party service providers. Third parties provide key components of the Company's infrastructure including loan, deposit and general ledger processing, internet connections and network access. Any disruption in service of these key components could adversely affect the Company's ability to deliver products and services to its customers and otherwise to conduct its business. Further, any security breach of the Company's information systems or data, whether managed by the Company or by third parties, could harm the Company's reputation, cause a decrease in the number of customers, and adversely affect the Company's financial condition or results of operations.

*Additional risks and uncertainties could have a negative effect on the Company's financial condition or results of operations.*

Such factors include, but are not limited to: new litigation or changes in existing litigation, claims and assessments; environmental liabilities, asset impairments; real or threatened acts of war or terrorist activity, adverse weather, public health; changes in accounting standards, taxing authority interpretations; and an inability on the Company's part to retain and attract skilled people.

#### **Item 1B. Unresolved Staff Comments**

Not Applicable.

#### **Item 2. Properties**

The principal offices of the Company and each of its business segments are located in the Financial Plaza of the Pacific in Honolulu, Hawaii. The Company and its subsidiaries own and lease other premises, consisting of branch offices and operating facilities located in Hawaii and the Pacific Islands which are primarily used by the Retail Banking and Commercial Banking business segments.

#### **Item 3. Legal Proceedings**

The Company and its subsidiaries are involved in various legal proceedings arising from normal business activities. In the opinion of management, after reviewing these proceedings with counsel, the aggregate liability, if any, resulting from these proceedings is not expected to have a material effect on the Company's consolidated financial condition or results of operations.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

No matter was submitted during the fourth quarter of 2005 to a vote of security holders through solicitation of proxies or otherwise.

**Executive Officers of the Registrant:**

Listed below are executive officers of the Company as of February 17, 2006.

Name	Age	Position
Allan R. Landon	57	Chairman and Chief Executive Officer since September 2004; President since December 2003; Chief Operating Officer from May 2004 to August 2004; Vice Chairman from February 2001 to December 2003; Chief Financial Officer from February 2001 to April 2004; and Director of Risk Management from April 2000 to January 2001.
Peter S. Ho	40	Vice Chairman and Chief Banking Officer since January 2006, areas of responsibility include Commercial Banking and Investment Services Group; Vice Chairman, Investment Services Group from April 2004 to December 2005; Executive Vice President, Hawaii Commercial Banking Group from February 2003 to April 2004; Executive Vice President, Corporate Banking Division Manager from January 2002 to January 2003; Senior Vice President, Corporate Banking from October 1999 to December 2001.
Neal C. Hocklander	53	Vice Chairman, Human Services since January 2006; Vice Chairman and Director of Information, Operations, & Human Services from May 2004 to December 2005; Vice Chairman and Director of Human Resources and Corporate Security from March 2003 to May 2004; Vice Chairman and Director of Human Resources from April 2001 to February 2003; Executive Vice President and Director of Human Resources from August 2000 to April 2001.
Richard C. Keene	46	Vice Chairman and Chief Financial Officer since May 2004; Executive Vice President and Controller from January 2002 to April 2004; independent consultant for the Bank, April 2001 to December 2001; Chief Operating Officer and Controller, MaxRate.com, Inc., March 2000 to March 2001.
Mary E. Sellers	49	Vice Chairman and Chief Risk Officer since July 2005; Executive Vice President and Director of Risk Management from June 2003 to June 2005; Executive Vice President, Credit Review Manager from January 2002 to June 2003; Senior Vice President, Credit Review Manager from December 2000 to December 2001.
Donna A. Tanoue	51	Vice Chairman, Corporate and Regulatory Administration and Chief Administrative Officer since April 2004; Vice Chairman, Investment Services Group from April 2002 to April 2004; independent consultant for the Bank, September 2001 to March 2002; Chairman of the Federal Deposit Insurance Corporation, May 1998 to July 2001.
David W. Thomas	54	Vice Chairman and Chief Operating Officer since January 2006, areas of responsibility include Retail Banking and Technology and Operations; Vice Chairman, Retail Banking from April 2001 to December 2005; Executive Vice President, Summit Bank, March 1999 to June 2001.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The common stock of the Company is traded on the New York Stock Exchange (NYSE Symbol: BOH) and quoted daily in leading financial publications. As of February 17, 2006, there were 7,902 common shareholders of record.

Information regarding the historical market prices of the Company's common stock and dividends declared on that stock are shown below.

#### Market Prices, Book Values and Common Stock Dividends Per Share

Year/Period	Market Price (MP) Range			Book Value (BV)	Dividends Declared
	High	Low	Close		
2005	\$ 54.44	\$ 43.82	\$ 51.54	\$ 13.52	\$ 1.36
First Quarter	50.95	44.33	45.26		0.33
Second Quarter	51.30	43.82	50.75		0.33
Third Quarter	54.44	47.44	49.22		0.33
Fourth Quarter	53.19	47.21	51.54		0.37
2004	\$ 51.10	\$ 40.97	\$ 50.74	\$ 14.83	\$ 1.23
First Quarter	47.45	41.75	46.33		0.30
Second Quarter	46.84	40.97	45.22		0.30
Third Quarter	48.07	43.55	47.25		0.30
Fourth Quarter	51.10	46.80	50.74		0.33
2003	\$ 42.99	\$ 29.25	\$ 42.20	\$ 14.44	\$ 0.87

The Company's Board of Directors considers on a quarterly basis the feasibility of paying a cash dividend to the Company's shareholders. Under the Company's general practice, dividends are declared at the beginning of a quarter to be paid prior to the end of the quarter and are based, in part, on the expected earnings for the quarter. For additional information regarding the limitation on the Company's ability to pay dividends, see "Dividend Restrictions" under "Supervision and Regulation" in Item 1 of this report and Note 9 to the Consolidated Financial Statements, which is incorporated by reference in this Item.

#### Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased <sup>1</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>2</sup>
October 1 - 31, 2005	117,500	\$ 49.23	117,500	\$ 44,494,756
November 1 - 30, 2005	232,115	51.43	231,400	32,594,634
December 1 - 31, 2005	282,734	51.84	281,900	17,980,143
<b>Total</b>	<b>632,349</b>	<b>\$ 51.20</b>	<b>630,800</b>	

<sup>1</sup> The months of November and December included 715 and 834 mature shares, respectively, purchased from employees in connection with stock option exercises. These shares were not purchased as part of the publicly announced program. The shares were purchased at the closing price of the Company's common stock on the dates of purchase.

<sup>2</sup> The Company repurchased shares during the fourth quarter of 2005 pursuant to its ongoing share repurchase program that was first announced in July 2001. The Company announced an additional authorization for share repurchases of \$100.0 million on January 23, 2006. As of February 17, 2006, \$97.5 million remained of the \$1.45 billion total repurchase amount authorized by the Company's Board of Directors under the share repurchase program. The program has no set



## Item 6. Selected Financial Data

### Summary of Selected Consolidated Financial Data <sup>1</sup>

(dollars in millions except per share amounts)	2005	2004	2003	2002	2001
<b>At December 31,</b>					
<b>Balance Sheet Totals</b>					
Net Loans and Leases	\$ 6,077.4	\$ 5,880.1	\$ 5,628.1	\$ 5,216.2	\$ 5,498.1
Total Assets	10,187.0	9,766.2	9,461.6	9,516.4	10,632.4
Deposits	7,907.5	7,564.7	7,332.8	6,920.2	6,678.2
Long-Term Debt	242.7	252.6	324.1	389.8	590.4
Shareholders' Equity	693.4	814.8	793.1	1,015.8	1,247.0
Average Assets	10,023.8	9,745.5	9,377.5	9,961.2	12,693.7
Average Loans and Leases	6,110.3	5,786.7	5,524.4	5,411.3	7,732.7
Average Deposits	7,766.5	7,422.3	7,045.8	6,599.9	8,066.7
Average Shareholders' Equity	731.1	761.0	900.1	1,183.5	1,344.1
<b>Year Ended December 31,</b>					
<b>Operating Results</b>					
Interest Income	\$ 506.4	\$ 455.0	\$ 442.5	\$ 516.5	\$ 828.3
Net Interest Income	407.1	390.6	365.9	370.2	459.7
Provision for Credit Losses	4.6	(10.0)	—	11.6	74.3
Net Income	181.6	173.3	135.2	121.2	117.8
Basic Earnings Per Share	3.50	3.26	2.32	1.75	1.49
Diluted Earnings Per Share	3.41	3.08	2.21	1.70	1.46
Dividends Declared Per Share	1.36	1.23	0.87	0.73	0.72
<b>Performance Ratios</b>					
Net Income to Average Total Assets (ROA)	1.81%	1.78%	1.44%	1.22%	0.93%
Net Income to Average Shareholders' Equity (ROE)	24.83	22.78	15.02	10.24	8.76
Net Interest Margin <sup>2</sup>	4.37	4.32	4.23	3.99	3.91
Efficiency Ratio <sup>3</sup>	53.15	56.14	63.38	64.94	65.40
Dividend Payout Ratio <sup>4</sup>	38.86	37.73	37.50	41.71	48.32
Average Equity to Average Assets	7.29	7.81	9.60	11.88	10.59
Allowance for Loan and Lease Losses to Loans and Leases Outstanding	1.48	1.78	2.24	2.67	2.81
Tier 1 Capital Ratio	10.36	12.13	12.54	16.59	19.76
Total Capital Ratio	12.70	14.89	15.81	19.96	23.29
Leverage Ratio	7.14	8.29	8.43	10.34	11.20
<b>Non-Financial Data</b>					
Common Shareholders of Record at Year-End	7,940	8,171	9,561	10,550	10,937
Basic Weighted Average Shares	51,848,765	53,232,815	58,338,566	69,385,745	78,977,011
Diluted Weighted Average Shares	53,310,816	56,241,044	61,085,567	71,447,333	80,577,763

<sup>1</sup> Comparison between years is affected by divestitures that occurred in 2001.

<sup>2</sup> The net interest margin is defined as net interest income, on a fully-taxable equivalent basis, as a percentage of average earning assets.

<sup>3</sup> The efficiency ratio is defined as non-interest expense divided by total revenue (net interest income and non-interest income).

<sup>4</sup> Dividend payout ratio is defined as dividends declared per share divided by basic earnings per share.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Forward-Looking Statements**

This report contains forward-looking statements concerning, among other things, the economic and business environment in the Company's service area and elsewhere, credit quality, anticipated net income and other financial and business matters in future periods. The Company's forward-looking statements are based on numerous assumptions, any of which could prove to be inaccurate and actual results may differ materially from those projected because of a variety of risks and uncertainties, including, but not limited to: 1) unanticipated changes in business and economic conditions, the competitive environment, fiscal and monetary policies, taxing authority interpretations, legislation in Hawaii and the other markets the Company serves, or the timing and interpretation of proposed accounting standards; 2) changes in the Company's credit quality or risk profile that may increase or decrease the required level of reserve for credit losses; 3) changes in market interest rates that may affect the Company's credit markets and ability to maintain its net interest margin; 4) unpredictable costs and other consequences of legal or regulatory matters involving the Company; 5) changes to the amount and timing of the Company's proposed equity repurchases; 6) real or threatened acts of war or terrorist activity affecting business conditions; and 7) adverse weather, public health and other natural conditions impacting the Company and its customers' operations. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included under the section entitled "Risk Factors" in Part 1 of this report. Words such as "believes," "anticipates," "expects," "intends," "targeted" and similar expressions are intended to identify forward-looking statements but are not exclusive means of identifying such statements. The Company does not undertake an obligation to update forward-looking statements to reflect later events or circumstances.

### **Critical Accounting Estimates**

The Company's Consolidated Financial Statements were prepared in accordance with U.S. generally accepted accounting principles and follow general practices within the industries in which it operates. The most significant accounting policies followed by the Company are presented in Note 1 to the Consolidated Financial Statements, which is incorporated by reference in this Item. Application of these principles requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. Critical accounting estimates are defined as those that require assumptions or judgments to be made based on information available as of the date of the financial statements. Certain policies inherently have a greater reliance on the use of estimates. Those policies have a greater possibility of producing results that could be materially different than reported if there is a change to any of the estimates, assumptions or judgments made by management. Based on the potential impact to the financial statements of the valuation methods, estimates, assumptions and judgments used, management identified the determination of the reserve for credit losses, the valuation of mortgage servicing rights, the valuation of leased asset residuals and the valuation of pension and postretirement obligations to be the accounting estimates that are the most subjective and/or judgmental.

#### *Reserve for Credit Losses*

A consequence of lending activities is that losses may be experienced. The amount of such losses will vary from time to time depending upon the risk characteristics of the loan portfolio as affected by economic conditions, including rising interest rates, and the financial performance of borrowers. The Company maintains a Reserve which consists of the Allowance for Loan and Lease Losses ("Allowance") and a Reserve for Unfunded Commitments ("Unfunded Reserve"). The Reserve provides for the risk of credit losses inherent in the credit extension process and is based on a range of loss estimates derived from a comprehensive quarterly evaluation, reflecting analyses of individual borrowers and historical loss experience, supplemented as necessary by credit judgment to address observed changes in trends, conditions, and other relevant environmental and economic factors. The Allowance and the Unfunded Reserve are both increased and decreased through the provisioning process. The adequacy of the Allowance and the Unfunded Reserve is based on a range of inherent loss estimates derived from a comprehensive quarterly analysis of historical loss experience, plus an amount for credit management judgment reflecting the evaluation of the impact of

environmental factors on portfolio performance, plus an amount for imprecision of estimates. There is no exact method of predicting specific losses or amounts that ultimately may be charged off on particular segments of the loan portfolio. Note 1 to the Consolidated Financial Statements, which is incorporated by reference in this Item, describes the methodologies used to develop the Reserve.

The determination of the amount of the Reserve is a critical accounting estimate as it requires the use of estimates and significant judgment related to the amount and timing of expected future cash flows on impaired loans, estimated loss rates on homogenous portfolios and deliberation on economic factors and trends. There is no exact method of predicting specific losses or amounts that ultimately may be charged-off on particular segments of the loan portfolio. Each quarter, senior-level committees approve specific credit and reserve-related activities. Also each quarter, the Audit Committee of the Board of Directors reviews and approves the Reserve prior to final affirmation by the Board of Directors.

#### *Mortgage Servicing Rights Valuation*

When mortgage loans are sold with servicing retained, a servicing asset is established and accounted for based on estimated fair values. Once mortgage servicing rights have been recorded, they must be periodically evaluated for impairment. Impairment occurs when the current estimated fair value of mortgage servicing rights is less than the book value. The current estimated fair value is determined using discounted cash flow modeling techniques, which require management to make estimates and assumptions regarding the amount and timing of expected future cash flows, loan repayment rates, costs to service and interest rates that reflect the risk involved. The value of these assets is sensitive to changes in the estimates and assumptions made. Had the Company assumed that interest rates would decrease and prepayment rates increase, then the value of the mortgage servicing rights could have been lower. Note 4 to the Consolidated Financial Statements, which includes further discussion on the accounting for these assets and a sensitivity analysis, is incorporated by reference in this Item.

#### *Residual Valuation of Leased Assets*

Lease financing receivables include a residual value component, which represents the estimated value of leased assets upon lease expiration. The determination of expected value at lease termination is derived from a variety of sources, including equipment valuation services, appraisals and publicly available market data on recent sales transactions on similar equipment. The length of time until termination, the cyclical nature of equipment values and the limited marketplace for re-sale for certain leased assets are important variables considered in making this determination. The Company updates its valuation analysis on an annual basis, or more often when events or circumstances warrant. When it is determined that a residual value is higher than the expected fair market value at lease expiration, the difference is recorded as an asset impairment in the period in which the analysis was completed. The Company is unable to predict future events or conditions that could result in future asset impairments. Note 3 to the Consolidated Financial Statements includes further discussion on the accounting for these assets and is incorporated by reference in this Item.

#### *Pension and Postretirement Plans*

The Company's pension and postretirement obligations and net periodic cost are actuarially determined based on the following key assumptions: discount rate, estimated future return on plan assets, and the health care cost trend rate. The determination of the pension and postretirement obligations and net periodic cost is a critical accounting estimate as it requires the use of estimates and judgment related to the amount and timing of expected future cash out-flows for benefit payments and cash in-flows for maturities and returns on investments, mortality rates, future health care cost and other factors, and changes in any or all of the underlying estimates, factors or assumptions could have a material impact to the financial statements. The discount rate is used to determine the present value of future benefit obligations and the net periodic cost. The discount rate used to value the future benefit obligation as of each year-end is the rate used to determine the periodic expense in the next year. The discount rate of 5.75% used for the December 31, 2005 valuations was determined based on match-funding maturities and interest payments on corporate bonds available in the market place to projected cash flows for future benefit payments. In determining the net periodic cost,

the Company lowered the discount rate to 6.00% in 2005 from 6.25% used in 2004 and 6.75% used in 2003, reflecting the decline in market interest rates during these periods. The estimated return on plan assets of 8.5% was based on historical trends and a building block approach taking into account the type of investments in the pension plan. The health care cost trend rate for 2005 was 9% and will decrease by 1% annually until reaching the ultimate trend rate of 5% in 2009. A 25 basis point decrease in the discount rate would have increased the total pension and postretirement net periodic cost in 2005 by approximately \$0.3 million and the benefit obligations at December 31, 2005 by \$4.1 million. A 25 basis point increase in the discount rate would have decreased the total pension and postretirement net periodic cost in 2005 by approximately \$0.3 million and the benefit obligations at December 31, 2005 by \$3.9 million. A 1% change in the health care cost trend rate would have changed the 2005 net periodic postretirement cost by approximately \$0.4 million.

The estimated pension and postretirement net periodic cost for 2006 is \$5.0 million based on a discount rate of 5.75%. A 25 basis point decrease in the discount rate would increase the total pension and postretirement net periodic cost by approximately \$0.3 million. Note 11 to the Consolidated Financial Statements includes further discussion on the accounting for these plans and is incorporated by reference in this Item.

## Overview

The Company is entering the final year of its 2004-2006 plan (the "Plan"), which continues to build on the governing objective of maximizing shareholder value over time.

The Plan consists of five key elements:

- *Accelerate revenue growth in our island markets.*
- Total revenue, consisting of net interest income and non-interest income, was up 3.5% in 2005 over 2004.
  
- *Better integrate our business segments and continue to develop our management teams.*
- An organizational change was announced in December 2005 that will better integrate significant areas of the Company. David Thomas, the head of Retail Banking, was named Chief Operating Officer and was given the added responsibilities of managing the Company's Technology and Operations functions. In addition, Peter Ho was named Chief Banking Officer and is responsible for the Commercial Banking and the Investment Services Group. These changes will improve the effectiveness and the efficiency of how our business units work together to provide service to our customers and to each other.
- In July 2005, Mary Sellers was appointed Chief Risk Officer as a successor to Bill Nelson, who retired from the Company.
  
- *Improve operating efficiency.*
- The efficiency ratio improved to 53% in 2005 from 56% in 2004.
- Operating leverage, defined as the percentage change in income before the provision for credit losses and income taxes, exceeded 10% in 2005 and 14% in 2004 (excluding the impact of the 2003 System Replacement Project costs).
  
- *Maintain a culture of dependable risk and capital management.*
- At December 31, 2005 non-performing assets represented 11 basis points of total loans and leases, foreclosed real estate and other investments.
- The Company's capital position remained strong with a leverage ratio of 7.14% at December 31, 2005.

During 2005 the Company continued to meet the key financial objectives of the Plan. Results for 2005 compared to 2004 included the following components:

- Net income for 2005 was \$181.6 million, up 4.7% from 2004
- Diluted earnings per share was \$3.41, an increase of 10.7% over 2004
- Return on average equity increased to 24.83% from 22.78% in 2004
- The net interest margin was 4.37%, an increase of five basis points over 2004

- Return on average assets increased to 1.81% from 1.78% in 2004

The Company's overall financial results are more fully discussed in the following sections of this report.

### **Analysis of Statement of Income**

Certain 2004 and 2003 information has been reclassified to conform to 2005 presentation.

#### *Net Interest Income*

Net interest income on a taxable equivalent basis increased \$16.5 million or 4.2% from 2004. The increase in net interest income was largely a result of higher income earned on the loan and investment securities portfolios. The investment securities portfolio, which consists primarily of mortgage-backed securities, experienced an increase in interest income due to higher yields on securities acquired and a reduction in prepayments. Interest income from loans increased from 2004 as a result of higher yields earned, which was consistent with increases in benchmark interest rates (e.g. prime), and higher average balances. The average balance of commercial and industrial loans increased 14% from 2004 as a result of continued new loan growth while home equity loans increased 32% during the year.

Partially offsetting these increases in interest income was a rise in interest expense on interest-bearing deposits and short-term borrowings, as a result of increases in short-term interest rates during the year.

The net interest margin was 4.37% in 2005, a five basis points increase from 2004. The improvement in the margin was attributable to the increase in the average yield earned on the loan and investment securities portfolio in 2005, partially offset by the rise in the Company's cost of funds.

In 2004, the net interest income on a taxable equivalent basis increased \$24.7 million or 6.7% from 2003. The increase in net interest income was due to higher income earned on the investment securities portfolio, resulting from reduction in prepayments in 2004, and lower expense paid on interest-bearing deposits. The increase in investment securities portfolio was partially offset by a decrease in interest income on loans. Interest income on loans decreased mainly due to the lower income earned on mortgage loans as a result of lower yields in 2004 compared to 2003. The decline in interest expense from interest-bearing deposits was mainly due to lower average rates paid on savings and time deposits.

The net interest margin was 4.32% in 2004, a nine basis points increase from 2003. The improvement in the margin was attributable to the improvement in the average yield earned on the investment securities portfolio and a 23 basis point decline in the average rate paid on interest-bearing deposits, primarily savings and time deposits which lowered the Company's cost of funds.

Average balances, related income and expenses, and resulting yields and rates are presented in Table 1. An analysis of the change in net interest income is presented in Table 2.

**Consolidated Average Balances and Interest Rates - Taxable Equivalent Basis**

**Table 1**

	2005			2004			2003		
(dollars in millions)	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
<b>Earning Assets</b>									
Interest-Bearing Deposits	\$ 7.1	\$ 0.2	3.07%	\$ 189.7	\$ 3.5	1.83%	\$ 227.3	\$ 4.8	2.12%
Funds Sold	39.3	1.3	3.38	85.6	1.0	1.24	162.9	1.9	1.18
<b>Investment Securities</b>									
Available for Sale	2,545.6	113.8	4.47	2,227.8	93.7	4.21	2,142.8	77.9	3.64
Held to Maturity	523.7	21.4	4.08	675.7	26.2	3.88	487.6	19.0	3.89
Loans Held for Sale	14.5	0.8	5.67	15.8	0.9	5.58	39.5	2.2	5.48
<b>Loans and Leases <sup>1</sup></b>									
Commercial and Industrial	953.4	59.8	6.27	834.3	43.2	5.17	877.6	42.9	4.89
Construction	138.6	8.8	6.35	85.7	3.7	4.39	78.5	3.3	4.20
Commercial Mortgage	582.6	34.8	5.97	639.1	34.5	5.40	644.8	37.4	5.81
Residential Mortgage	2,363.8	134.3	5.69	2,298.1	130.1	5.66	2,299.2	145.9	6.34
Other Revolving Credit and Installment	740.4	62.7	8.46	691.5	59.3	8.58	545.1	52.4	9.62
Home Equity	737.1	46.0	6.24	560.3	27.4	4.88	444.6	22.5	5.05
Purchased Home Equity	96.4	3.1	3.25	168.2	7.4	4.41	144.7	5.9	4.10
Lease Financing	498.0	18.3	3.67	509.5	21.5	4.21	489.9	22.3	4.55
<b>Total Loans and Leases</b>	<b>6,110.3</b>	<b>367.8</b>	<b>6.02</b>	<b>5,786.7</b>	<b>327.1</b>	<b>5.65</b>	<b>5,524.4</b>	<b>332.6</b>	<b>6.02</b>
Other	69.8	1.3	1.81	73.8	2.8	3.78	75.7	4.3	5.61
<b>Total Earning Assets <sup>2</sup></b>	<b>9,310.3</b>	<b>506.6</b>	<b>5.44</b>	<b>9,055.1</b>	<b>455.2</b>	<b>5.03</b>	<b>8,660.2</b>	<b>442.7</b>	<b>5.11</b>
<b>Cash and Non-Interest Bearing Deposits</b>									
Other Assets	313.0			314.6			328.4		
	400.4			375.8			388.9		
<b>Total Assets</b>	<b>\$ 10,023.7</b>			<b>\$ 9,745.5</b>			<b>\$ 9,377.5</b>		
<b>Interest-Bearing Liabilities</b>									
<b>Interest-Bearing Deposits</b>									
Demand	\$ 1,667.0	10.1	0.60	\$ 1,433.1	3.2	0.22	\$ 1,215.7	2.5	0.20
Savings	2,928.6	20.5	0.70	2,945.3	13.2	0.45	2,723.9	15.7	0.58
Time	1,197.8	27.8	2.32	1,114.8	20.3	1.82	1,352.3	29.3	2.17
<b>Total Interest-Bearing Deposits</b>	<b>5,793.4</b>	<b>58.4</b>	<b>1.01</b>	<b>5,493.2</b>	<b>36.7</b>	<b>0.67</b>	<b>5,291.9</b>	<b>47.5</b>	<b>0.90</b>
Short-Term Borrowings	843.5	25.9	3.07	884.0	11.3	1.27	724.2	9.0	1.24
Long-Term Debt	244.2	15.0	6.15	284.2	16.4	5.78	352.7	20.1	5.71
<b>Total Interest-Bearing Liabilities</b>	<b>6,881.1</b>	<b>99.3</b>	<b>1.44</b>	<b>6,661.4</b>	<b>64.4</b>	<b>0.97</b>	<b>6,368.8</b>	<b>76.6</b>	<b>1.20</b>
<b>Net Interest Income</b>	<b>\$ 407.3</b>			<b>\$ 390.8</b>			<b>\$ 366.1</b>		
Interest Rate Spread			4.00%			4.06%			3.91%
Net Interest Margin			4.37%			4.32%			4.23%

Non-Interest-Bearing			
Demand Deposits	1,973.1	1,929.1	1,753.9
Other Liabilities	438.4	394.0	354.7
Shareholders' Equity	731.1	761.0	900.1
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 10,023.7</b>	<b>\$ 9,745.5</b>	<b>\$ 9,377.5</b>
	<u>          </u>	<u>          </u>	<u>          </u>

<sup>1</sup> Non-performing loans and leases are included in the respective average loan and lease balances. Income, if any, on such loans and leases is recognized on a cash basis.

<sup>2</sup> Interest income includes taxable-equivalent basis adjustment based upon a statutory tax rate of 35%.

(dollars in millions)	Year Ended December 31, 2005 Compared to 2004			Year Ended December 31, 2004 Compared to 2003		
	Volume <sup>1</sup>	Rate <sup>1</sup>	Total	Volume <sup>1</sup>	Rate <sup>1</sup>	Total
<b>Change in Interest Income:</b>						
Interest-Bearing Deposits	\$ (4.7)	\$ 1.4	\$ (3.3)	\$ (0.7)	\$ (0.6)	\$ (1.3)
Funds Sold	(0.8)	1.1	0.3	(1.0)	0.1	(0.9)
<b>Investment Securities</b>						
Available for Sale	14.0	6.1	20.1	3.2	12.6	15.8
Held to Maturity	(6.1)	1.3	(4.8)	7.2	–	7.2
Loans Held for Sale	(0.1)	–	(0.1)	(1.3)	–	(1.3)
<b>Loans and Leases</b>						
Commercial and Industrial	6.7	9.9	16.6	(2.1)	2.4	0.3
Construction	3.0	2.1	5.1	0.2	0.2	0.4
Commercial Mortgage	(3.2)	3.5	0.3	(0.3)	(2.6)	(2.9)
Residential Mortgage	3.6	0.6	4.2	(0.1)	(15.7)	(15.8)
Other Revolving Credit and Installment	4.2	(0.8)	3.4	13.0	(6.1)	6.9
Home Equity	9.9	8.7	18.6	5.7	(0.8)	4.9
Purchased Home Equity	(2.7)	(1.6)	(4.3)	1.0	0.5	1.5
Lease Financing	(0.5)	(2.7)	(3.2)	0.9	(1.7)	(0.8)
<b>Total Loans and Leases</b>	<b>21.0</b>	<b>19.7</b>	<b>40.7</b>	<b>18.3</b>	<b>(23.8)</b>	<b>(5.5)</b>
Other	(0.1)	(1.4)	(1.5)	(0.1)	(1.4)	(1.5)
<b>Total Change in Interest Income</b>	<b>23.2</b>	<b>28.2</b>	<b>51.4</b>	<b>25.6</b>	<b>(13.1)</b>	<b>12.5</b>
<b>Change in Interest Expense:</b>						
<b>Interest-Bearing Deposits</b>						
Demand	0.6	6.3	6.9	0.5	0.2	0.7
Savings	(0.1)	7.4	7.3	1.2	(3.7)	(2.5)
Time	1.6	5.9	7.5	(4.7)	(4.3)	(9.0)
<b>Total Interest-Bearing Deposits</b>	<b>2.1</b>	<b>19.6</b>	<b>21.7</b>	<b>(3.0)</b>	<b>(7.8)</b>	<b>(10.8)</b>
Short-Term Borrowings	(0.6)	15.2	14.6	2.1	0.2	2.3
Long-Term Debt	(2.4)	1.0	(1.4)	(3.9)	0.2	(3.7)
<b>Total Change in Interest Expense</b>	<b>(0.9)</b>	<b>35.8</b>	<b>34.9</b>	<b>(4.8)</b>	<b>(7.4)</b>	<b>(12.2)</b>
<b>Change in Net Interest Income</b>	<b>\$ 24.1</b>	<b>\$ (7.6)</b>	<b>\$ 16.5</b>	<b>\$ 30.4</b>	<b>\$ (5.7)</b>	<b>\$ 24.7</b>

<sup>1</sup> The changes for each category of interest income and expense are divided between the portion of changes attributable to the variance in volume or rate for that category.

#### Provision for Credit Losses

The Provision for Credit Losses (the "Provision") reflects management's judgment of the adequacy of the Allowance and the Unfunded Reserve. It is determined through detailed quarterly analytical reviews of the loan and commitment portfolios. In 2005, the Company recorded a Provision of \$4.6 million whereas, in 2004, the Company returned \$10.0 million to income from a release from the Allowance. The Provision is based on the levels of net loan charge-offs, changes in the economic environment during the period, as well as management's ongoing assessment of the credit quality and growth of the loan portfolio. For information on the Allowance, refer to the "Corporate Risk Profile – Allowance for Loan and Lease Losses" section of this report.

Based on current conditions, the Company estimates a \$17.0 million Provision for 2006. However, the actual amount of the Provision is determined based upon analysis performed each quarter.



Non-Interest Income

Table 3 presents the major components of non-interest income.

**Non-Interest Income**

**Table 3**

(dollars in thousands)	Year Ended December 31,			Percent Change	
	2005	2004	2003	2005 to 2004	2004 to 2003
	Trust and Asset Management	\$ 56,830	\$ 53,465	\$ 50,996	6%
Mortgage Banking	10,399	8,012	15,556	30	(48)
Service Charges on Deposit Accounts	39,945	39,117	35,938	2	9
Fees, Exchange and Other Service Charges	59,588	54,907	56,221	9	(2)
Investment Securities Gains (Losses)	341	(794)	1,789	n.m.	n.m.
Insurance	19,643	19,241	19,145	2	1
Other Income:					
Income from Bank-Owned Life Insurance	6,037	7,336	7,301	(18)	–
Gain on the Sale of Leased Assets	5,084	6,076	1,877	(16)	224
Leasing Partnership Distribution	18	3,218	–	n.m.	n.m.
Gain on the Sale of Land	–	2,454	–	n.m.	n.m.
Other	11,429	12,062	9,897	(5)	22
<b>Total Other Income</b>	<b>22,568</b>	<b>31,146</b>	<b>19,075</b>	<b>(28)</b>	<b>63</b>
<b>Total Non-Interest Income</b>	<b>\$ 209,314</b>	<b>\$ 205,094</b>	<b>\$ 198,720</b>	<b>2%</b>	<b>3%</b>

n.m. – not meaningful.

Trust and asset management income is comprised of fees earned for the management and administration of assets. The fees are generally based on the market value of the assets that are managed. Total assets under administration were \$12.5 billion, \$11.5 billion and \$10.0 billion (adjusted for sale of corporate trust business in the first quarter of 2004) at December 31, 2005, 2004 and 2003, respectively. The increase in trust and asset management income in 2005 from 2004 is consistent with the increase in equity markets which led to an increase in the Company's average market value of assets under management. In addition, trust and asset management income increased due to higher advisory fees on money market assets.

Mortgage banking income is comprised primarily of gains from sales of loans and net servicing income. Net servicing income is income earned for servicing loans less the amortization of mortgage servicing rights. Mortgage banking income is highly influenced by the level and direction of mortgage interest rates. Mortgage banking income increased in 2005 as compared to 2004 largely as a result of a decline in the amortization of servicing rights attributable to a decrease in prepayments. Mortgage loan production volume (approximately \$1.0 billion) was consistent with 2004. Mortgage banking income declined in 2004 as compared to 2003 largely as a result of a 50% decrease in mortgage loan production. Mortgage interest rates hit record lows in 2003, which led to a record year for production. The decreased production volume in 2004 combined with competitive sales margins and a change in the mix of production to more variable rate loans led to lower gains on sale of loans. Gains from the sale of loans declined \$13.2 million and other fees declined \$2.9 million in 2004 from 2003. However, the decline in re-financings benefited the Company as loan prepayments declined by 68% resulting in an increase in net servicing income of 87%.

Fees, exchange and other service charges are primarily comprised of merchant service activity, fees from ATMs and other loan fees and service charges. Merchant service activity experienced growth in each period as a result of increased tourism levels in Hawaii during 2005. In 2003, a \$3.0 million prepayment fee on a commercial real estate loan was recognized.

Non-Interest Expense

Table 4 shows the major components of non-interest expense.

**Non-Interest Expense**

**Table 4**

(dollars in thousands)	Year Ended December 31,			Percent Change	
	2005	2004	2003	2005 to 2004	2004 to 2003
<b>Salaries and Benefits:</b>					
Salaries	\$ 108,286	\$ 111,362	\$ 114,953	(3)%	(3)%
Incentive Compensation	16,145	15,458	15,747	4	(2)
Stock-Based Compensation	6,118	11,726	9,215	(48)	27
Commission Expense	8,112	7,682	10,797	6	(29)
Retirement and Other Benefits	17,962	15,900	14,353	13	11
Payroll Taxes	9,748	11,063	10,454	(12)	6
Medical, Dental and Life Insurance	8,027	8,354	7,371	(4)	13
Separation Expense	1,912	2,754	3,390	(31)	(19)
<b>Total Salaries and Benefits</b>	<b>176,310</b>	<b>184,299</b>	<b>186,280</b>	<b>(4)</b>	<b>(1)</b>
Net Occupancy	38,273	38,347	38,980	–	(2)
Net Equipment	21,541	23,926	33,652	(10)	(29)
Professional Fees	15,702	14,212	12,913	10	10
Information Technology System Replacement Project	–	–	21,871	–	n.m.
<b>Other Expense:</b>					
Data Services	12,128	10,364	6,271	17	65
Delivery and Postage Services	9,812	10,123	9,983	(3)	1
Other	53,876	53,169	47,925	1	11
<b>Total Other Expense</b>	<b>75,816</b>	<b>73,656</b>	<b>64,179</b>	<b>3</b>	<b>15</b>
<b>Total Non-Interest Expense</b>	<b>\$ 327,642</b>	<b>\$ 334,440</b>	<b>\$ 357,875</b>	<b>(2)%</b>	<b>(7)%</b>

n.m. – not meaningful.

Total salaries and benefits declined in both 2005 and 2004 compared to the respective preceding year, however, components have varied each year. The decrease in 2005 was primarily due to lower stock-based compensation expense associated with restricted stock units and lower base salaries as a result of a decline in the number of employees. The average number of employees declined 3% in both 2005 and 2004 compared to the respective preceding year. Offsetting the decline in base salaries in 2005 was an increase in retirement and other benefits due to increased expense for actuarial determined benefits as a result of changes in the discount rate. Total salaries and benefits declined in 2004 compared to 2003 due to decreases in salaries and commission expense, partially offset by an increase in stock-based compensation expense. Consistent with the trends in mortgage banking income, commission expense increased by \$0.4 million in 2005 and declined \$3.1 million in 2004 from the increased level in 2003. In 2003, the Company recognized a \$2.5 million curtailment gain on its post retirement benefits due to the termination of life insurance benefits. The Company also recognized expense for its frozen defined benefit plan in 2005 and 2004.

Professional fees increased in 2005 primarily due to legal fees and other expenses resulting from the now resolved SEC investigation related to alleged market timing and/or excessive trading in a mutual fund family to which the Bank serves as a registered investment adviser. In the fourth quarter of 2005, the SEC terminated its investigation and decided not to recommend enforcement action. The increased legal fees in 2005 were partially offset by decreases in other professional fees due to lower consulting fees. The increase in professional fees in 2004 from 2003 was mainly due to added professional services relating to the Company's mutual fund business and an increase in audit fees.

Other expense increased in 2005 primarily as a result of a goodwill impairment charge of \$1.3 million in the first quarter of 2005 relating to the Bank's insurance business. Other expense increased in 2004 from 2003 due to a legal settlement accrual of \$2.2 million. In 2003, other expenses were reduced due to a \$2.5 million gain on the sale of foreclosed real estate and a gain on the transfer of an affinity mileage program.



## *Income Taxes*

The provision for income taxes reflected an effective tax rate of 36.11% in 2005 and 36.09% in 2004, compared to an effective rate of 34.62% in 2003. For additional information regarding tax expense, including a reconciliation of the effective tax rate to the statutory tax rate, refer to Note 13 to the Consolidated Financial Statements, which is incorporated by reference in this Item.

## **Business Segments**

The Company's business segments are defined as Retail Banking, Commercial Banking, Investment Services Group and Treasury and Other Corporate. The Company's internal management accounting process measures the performance of the business segments based on the management structure of the Company. This process, which is not necessarily comparable with similar information for any other financial institution, uses various techniques to assign balance sheet and income statement amounts to the business segments, including allocations of interest income, expense overhead, the Provision and capital. This process is dynamic and requires certain allocations based on judgment and subjective factors. Unlike financial accounting, there is no comprehensive, authoritative guidance for management accounting that is equivalent to U.S. generally accepted accounting principles. Previously reported results have been reclassified to conform to the current organizational reporting structure.

The Company evaluates several performance measures of the business segments, the most important of which are net income after capital charge ("NIACC") and risk adjusted return on capital ("RAROC"). NIACC is economic net income less a charge for the cost of allocated capital. The cost of allocated capital is determined by multiplying management's estimate of a shareholder's minimum required rate of return on the cost of capital invested (currently 11%) by the segment's allocated equity. The Company assumes a cost of capital that is equal to a risk-free rate plus a risk premium. RAROC is the ratio of economic net income to risk-adjusted equity. Equity is allocated to each business segment based on an assessment of its inherent risk. The net interest income of the business segments reflects the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics and reflects the allocation of net interest income related to the Company's overall asset and liability management activities on a proportionate basis. The basis for the allocation of net interest income is a function of management decisions and assumptions that are subject to change based on changes in current interest rate and market conditions. Funds transfer pricing also serves to transfer interest rate risk to the Treasury segment. However, the other business segments have some latitude to retain certain interest rate exposures related to customer pricing decisions within guidelines. The Provision recorded in the Retail Banking, Commercial Banking and Investment Services Group segments represents actual net charge-offs of these segments. The Provision charged to the Treasury and Other Corporate segment represents residual changes in the level of the Reserve. The business segments are charged an economic provision which is a statistically derived estimate of average annual expected credit losses over an economic cycle.

On a consolidated basis, the Company considers NIACC a measure of shareholder value creation. For the year ended December 31, 2005, consolidated NIACC was \$89.1 million, compared to \$67.6 million in 2004, a result of improved financial performance and more efficient use of capital.

Financial results for each of the segments are presented in Table 5 and Note 17 of the Consolidated Financial Statements, which is incorporated by reference in this Item.

The following table summarizes NIACC and RAROC results for the Company's business segments:

**Business Segment Selected Financial Information**

**Table 5**

(dollars in thousands)	Retail Banking	Commercial Banking	Investment Services Group	Treasury and Other Corporate	Consolidated Total
<b>Year Ended December 31, 2005</b>					
Allocated Net Income	\$ 83,080	\$ 55,861	\$ 8,129	\$ 34,491	\$ 181,561
Allowance Funding Value	(688)	(2,332)	(23)	3,043	-
Provision for Credit Losses	14,151	8,942	(1)	(18,504)	4,588
Economic Provision	(13,547)	(9,763)	(406)	(4)	(23,720)
Tax Effect of Adjustments	31	1,167	159	5,722	7,079
Income Before Capital Charge	83,027	53,875	7,858	24,748	169,508
Capital Charge	(22,042)	(18,505)	(5,787)	(34,112)	(80,446)
<b>Net Income (Loss) After Capital Charge (NIACC)</b>	<b>\$ 60,985</b>	<b>\$ 35,370</b>	<b>\$ 2,071</b>	<b>\$ (9,364)</b>	<b>\$ 89,062</b>
<b>RAROC (ROE for the Company)</b>	<b>41%</b>	<b>32%</b>	<b>15%</b>	<b>17%</b>	<b>25%</b>
<b>Year Ended December 31, 2004</b>					
Allocated Net Income	\$ 68,575	\$ 55,893	\$ 8,319	\$ 40,552	\$ 173,339
Allowance Funding Value	(605)	(2,653)	(25)	3,283	-
Provision for Credit Losses	10,446	3,232	47	(23,725)	(10,000)
Economic Provision	(14,054)	(10,528)	(370)	(8)	(24,960)
Tax Effect of Adjustments	1,559	3,681	129	7,566	12,935
Income Before Capital Charge	65,921	49,625	8,100	27,668	151,314
Capital Charge	(22,157)	(19,887)	(5,227)	(36,458)	(83,729)
<b>Net Income (Loss) After Capital Charge (NIACC)</b>	<b>\$ 43,764</b>	<b>\$ 29,738</b>	<b>\$ 2,873</b>	<b>\$ (8,790)</b>	<b>\$ 67,585</b>
<b>RAROC (ROE for the Company)</b>	<b>33%</b>	<b>27%</b>	<b>17%</b>	<b>22%</b>	<b>23%</b>
<b>Year Ended December 31, 2003</b>					
Allocated Net Income	\$ 72,436	\$ 49,774	\$ 7,616	\$ 5,369	\$ 135,195
Allowance Funding Value	(595)	(3,987)	(32)	4,614	-
Provision for Credit Losses	6,909	8,415	(5)	(15,319)	-
Economic Provision	(11,932)	(12,120)	(432)	(25)	(24,509)
Tax Effect of Adjustments	2,079	2,846	174	3,969	9,068
Income (Loss) Before Capital Charge	68,897	44,928	7,321	(1,392)	119,754
Capital Charge	(22,715)	(21,874)	(5,047)	(49,405)	(99,041)
<b>Net Income (Loss) After Capital Charge (NIACC)</b>	<b>\$ 46,182</b>	<b>\$ 23,054</b>	<b>\$ 2,274</b>	<b>\$ (50,797)</b>	<b>\$ 20,713</b>
<b>RAROC (ROE for the Company)</b>	<b>33%</b>	<b>23%</b>	<b>16%</b>	<b>(1)%</b>	<b>15%</b>

*Retail Banking*

The Company's Retail Banking segment offers a broad range of financial products and services to consumers and small businesses. Loan and lease products include residential mortgage loans, home equity lines of credit, automobile loans and leases and installment loans. Deposit products include checking, savings and time deposit accounts. The Retail Banking segment also provides merchant services to its small business customers. Products and services from the Retail Banking segment are delivered to customers through 72 Hawaii branch locations, over 500 ATMs, e-Bankoh (on-line banking service) and a 24-hour telephone banking service. Also included in the segment is Bankoh Investment Services, Inc., a full service brokerage offering equities and bonds, mutual funds, life insurance and annuity products.

The increase in the Retail Banking financial measures from 2004 to 2005 was primarily due to higher net interest income and non-interest income. The increase in net interest income was the result of higher earnings credit on the



funds transfer pricing of the segment's deposit portfolio as well as increased loan and deposit balances. The increase in non-interest income was primarily due to improved application of fee schedules and growth in the number of deposit accounts, along with increased mortgage banking income. Non-interest expense in 2005 remained relatively flat as compared to 2004. The increase in the Provision was primarily due to increased charge-offs in the segment's growing loan portfolios.

The Retail Banking segment's financial measures in 2004 remained relatively consistent with 2003. Net interest income and non-interest income declined and were partially offset by a decrease in non-interest expense. The decrease in net interest income was mainly a result of lower earnings credit from funds transfer pricing on the segment's deposit account balances, reflective of the lower interest rate environment. During 2004, the segment experienced steady growth in its indirect auto, direct personal and home equity portfolios, partially offsetting the effect of the lower earnings credit on deposit accounts. The decrease in non-interest income primarily resulted from lower gains on the sale of mortgage loans due to lower production and related sales volume and competitive market conditions. The segment's decrease in non-interest expense was primarily due to reductions in technology and operations support, depreciation and software costs attributable to the Systems Replacement Project. The increase in the Provision was primarily due to increased charge-offs in the segment's growing loan portfolios.

### *Commercial Banking*

The Commercial Banking segment offers products including corporate banking and commercial real estate loans, lease financing, auto dealer financing, deposit and cash management products and property and casualty insurance products. Lending, deposit and cash management services are offered to middle-market and large companies in Hawaii. Commercial real estate mortgages are focused on customers that include investors, developers and builders primarily domiciled in Hawaii. The Commercial Banking unit also includes the Company's operations at its 12 branches in the Pacific Islands.

The improvement in the segment's financial measures for 2005 compared with 2004 was due to an increase in net-interest income and a decrease in non-interest expense, partially offset by a decrease in non-interest income. The increase in net-interest income was primarily due to higher deposit balances and the related earnings credit from funds transfer pricing. The decrease in non-interest income was due to large non-recurring transactions that resulted in higher gains in 2004. The reduction in non-interest expense was due to a gain realized on the sale of foreclosed assets in the first quarter of 2005 and lower salaries expense. Reductions in operating risk and the further refinement of credit risk factors resulted in a lower charge for capital. The increase in Provision over 2004 was primarily the result of a leveraged lease charge-off in relation to the bankruptcy of a major airline carrier.

The improvement in the segment's financial measures for 2004 compared with 2003 was primarily due to an increase in non-interest income and a decrease in capital charge, partially offset by a decrease in net interest income. The increase in non-interest income was a result of a gain on the sale of assets at the end of a leveraged lease transaction, a leasing partnership investment distribution and increased insurance income. This was offset by a decrease in net interest income due to a decrease in the earnings credit from funds transfer pricing on the segment's deposit account balances, reflective of lower interest rates. Total non-interest expense declined in 2004 from 2003 because of decreases in salaries and lower allocated expenses from support units within the Company. The charge for capital decreased because of the refinement of credit risk factors.

### *Investment Services Group*

The Investment Services Group includes private banking, trust services, asset management and institutional investment advice. A significant portion of this segment's income is derived from fees, which are generally based on the market values of assets under management. The private banking and personal trust group assists individuals and families in building and preserving their wealth by providing investment, credit and trust expertise to high net-worth individuals. The asset management group manages portfolios and creates investment products. Institutional sales and service offers investment advice to corporations, government entities and foundations.

The decline in the segment's financial measures for 2005 from 2004 was primarily due to previously announced charges for legal fees and other expenses as a result of the now resolved SEC investigation discussed above under "Analysis of Statement of Income – Non-Interest Expense." Increases in both net interest income and non-interest income partially offset the increased non-interest expenses. Trust and asset management fee income increased largely due to improved market conditions which resulted in an increase in the average market value of assets under management and an increase in investment advisory fees on money market accounts.

The improvement in the segment's financial measures for 2004 was a result of an increase in non-interest income. Non-interest income increased because of growth in trust and asset management fee income resulting from improved market conditions and an increase in other income due to the sale of the corporate trust business. These positive trends were offset by increases in both direct and allocated non-interest expense. The increase in non-interest expense was primarily due to increased professional fees relating to the Company's mutual fund business.

#### *Treasury and Other Corporate*

The primary income earning component of this segment is Treasury, which consists of corporate asset and liability management activities, including interest rate risk management and foreign exchange business. This segment's assets and liabilities (and related interest income and expense) consist of interest-bearing deposits, investment securities, funds sold and purchased, government deposits and short- and long-term borrowings. The primary sources of non-interest income are bank-owned life insurance and foreign exchange income related to customer driven currency requests from merchants and island visitors. The net residual effect of transfer pricing of assets and liabilities is included in Treasury, along with eliminations of inter-company transactions.

This segment also includes divisions (Technology and Operations, Human Resources, Finance, Credit and Risk Management and Corporate and Regulatory Administration) that provide a wide-range of support to the other business segments. Expenses incurred by these support units are charged to the business segments through an internal cost allocation process. Results for this segment in 2003 include the System Replacement Project costs that were not incurred by or allocated to the other business segments.

The segment's financial measures in 2005 remained relatively consistent with 2004, although net interest income and non-interest income decreases were offset by a decrease in non-interest expense. The reduction in net interest income was due to the impact on the Treasury unit of funding higher average deposit balances. Non-interest income decreased due to reduced income from bank-owned life insurance and the sale of a parcel of land in 2004. Non-interest expenses decreased due to reductions in stock-based compensation and separation expense.

The improvement in the segment's financial measures in 2004 compared to 2003 was primarily due to an increase in net interest income and the absence of System Replacement Project costs. The increase in net interest income was due to the impact of the lower cost of funding deposits by the Treasury unit and higher average balances in the investment securities portfolio. NIACC was also favorably impacted by a lower capital charge due to the reduction of the Company's excess capital as a result of the continuing share repurchase activity.

#### **Balance Sheet Analysis**

Certain 2004 information has been reclassified to conform to 2005 presentation.

#### *Investment Securities*

The Company's investment securities portfolio is managed in an effort to provide liquidity and interest income, offset interest rate risk positions and provide collateral for various banking activities. As of December 31, 2005, the investment securities portfolio totaled \$3.0 billion, a decrease of \$81.2 million from December 31, 2004. The investment securities portfolio was in a gross unrealized loss position of \$59.7 million or 2.0% of total amortized cost at December 31, 2005. The Company intends and has the ability to hold the securities for the time necessary to recover

the amortized cost value. See Note 2 to the Consolidated Financial Statements, which is incorporated by reference in this Item, for further information.

See Table 6 for the contractual maturity distribution, market value and weighted-average yield to maturity of investment securities.

### Supplementary Data - Contractual Maturity Distribution, Market Value and Weighted-Average Yield to Maturity of Investment Securities

Table 6

(dollars in millions)	1 Year or Less	Weighted Average Yield	After 1 Year-5 Years	Weighted Average Yield	After 5 Years-10 Years	Weighted Average Yield	Over 10 Years	Weighted Average Yield	Total	Weighted Average Yield	Approximate Market Value
<b>Contractual Maturity Distribution Based on Amortized Cost</b>											
<b>December 31, 2005</b>											
<b>Investment Securities – Available for Sale <sup>1</sup></b>											
U.S. Treasury Securities	\$ 0.6	3.9%	\$ 3.7	4.1%	\$ 0.2	5.2%	–	–%	4.5	4.1%	4.4
U.S. Government Agencies	11.8	3.4	76.7	4.7	5.3	5.4	2.3	5.1	96.1	4.6	95.7
Obligations of States and Political Subdivisions <sup>2</sup>	–	–	3.1	4.6	30.2	5.4	–	–	33.3	5.3	33.0
Mortgage-Backed Securities <sup>3</sup>	–	–	4.2	5.1	48.4	4.7	2,061.0	4.9	2,113.6	4.9	2,079.9
Other Debt Securities	5.0	3.2	328.4	3.7	–	–	–	–	333.4	3.7	325.2
<b>Total Investment Securities – Available for Sale</b>	<b>17.4</b>	<b>3.4%</b>	<b>416.1</b>	<b>3.9%</b>	<b>84.1</b>	<b>5.0%</b>	<b>2,063.3</b>	<b>4.9%</b>	<b>2,580.9</b>	<b>4.7%</b>	<b>2,538.2</b>
<b>Investment Securities – Held to Maturity</b>											
Obligations of States and Political Subdivisions <sup>2</sup>	–	–%	0.1	8.6%	–	–%	–	–%	0.1	8.6%	0.1
Mortgage-Backed Securities <sup>3</sup>	–	–	–	–	–	–	454.1	4.2	454.1	4.2	442.9
<b>Total Investment Securities – Held to Maturity</b>	<b>–</b>	<b>–%</b>	<b>0.1</b>	<b>8.6%</b>	<b>–</b>	<b>–%</b>	<b>454.1</b>	<b>4.2%</b>	<b>454.2</b>	<b>4.2%</b>	<b>443.0</b>
<b>Total Investment Securities</b>											
December 31, 2005	\$ 17.4		\$ 416.2		\$ 84.1		\$ 2,517.4		\$ 3,035.1		\$ 2,981.2
December 31, 2004	\$ 11.5		\$ 349.6		\$ 71.3		\$ 2,633.0		\$ 3,065.4		\$ 3,069.5
December 31, 2003	\$ 55.9		\$ 69.1		\$ 135.5		\$ 2,441.0		\$ 2,701.5		\$ 2,711.8

<sup>1</sup> Weighted-average yield on available for sale securities are based on amortized cost.

<sup>2</sup> Weighted-average yield on obligations of states and political subdivisions are generally tax-exempt and are computed on a tax-equivalent basis using a federal income tax rate of 35%.

<sup>3</sup> Contractual maturities do not anticipate reductions for periodic paydowns.

### Loans and Leases

Loans and leases represent the Company's largest category of interest earning assets and the largest source of revenue. The loan portfolio, which is divided into commercial and consumer components, increased 3% to \$6.2 billion at December 31, 2005 from 2004. Table 7 presents the geographic distribution of the loan and lease portfolio based on the location of the borrower and Table 8 presents maturities and sensitivity of loans to changes in interest rates.

The commercial loan portfolio is comprised of commercial and industrial loans, commercial mortgages, construction loans and lease financing. Commercial and industrial loans are extended primarily to corporations, middle market and small businesses. The purpose of these loans is for working capital needs, acquisitions, equipment or other expansion projects. Although the Company's primary market is Hawaii, the commercial portfolio contains some borrowers from the continental United States ("Mainland") that are principally shared national credits. Commercial mortgages and construction loans are offered to real estate investors, developers and builders primarily domiciled in Hawaii. Commercial mortgages are secured by real estate. The source of repayment for investor property is cash flow from the property and for owner-occupied property it is operating cash flow from the business. Construction loans are for the purchase or construction of a property for which repayment will be generated by the property. Lease financing consists of direct financing leases and leveraged leases. Overall, the commercial loan portfolio decreased compared to 2004 due to a significant loan payoff during the fourth quarter partially offset by the growth in construction loans mainly due to the strong local economy.



The consumer loan portfolio is comprised of residential mortgage loans, home equity loans, personal credit lines, direct installment loans and indirect auto loans and leases. These products are offered generally in the markets the Company serves through its branch network. Both the residential mortgage and home equity portfolios continued to benefit from higher home values in 2005. Median and average home sales prices in Hawaii increased more than 25% in 2005, resulting in higher purchase prices and additional equity in existing homes, bolstering growth in the residential mortgage and home equity portfolios. The Company used targeted marketing campaigns and promotions as well as improved service standards to make loans available to creditworthy customers. The Company expects to see continued growth in these portfolios in 2006. By contrast, the purchased home equity portfolio, which is comprised of Mainland borrowers, continues to run-off with no new purchases in 2005. Note 3 to the Consolidated Financial Statements, which is incorporated by reference in this Item, presents the composition of the loan and lease portfolio by major loan categories. For additional information, refer to the "Corporate Risk Profile – Credit Risk" section of this Item.

#### Geographic Distribution of Loan and Lease Portfolio

Table 7

As of December 31, 2005						
(dollars in thousands)	Hawaii	Mainland U.S.	Guam	Other Pacific Islands	Foreign	Total
<b>Commercial</b>						
Commercial and Industrial	\$ 562,528	\$ 155,893	\$ 132,265	\$ 37,293	\$ 30,798	\$ 918,777
Commercial Mortgage	454,399	15,579	84,769	3,599	–	558,346
Construction	134,313	16,084	2,949	47	–	153,393
Lease Financing	41,473	395,955	151	5	32,571	470,155
<b>Total Commercial</b>	<b>1,192,713</b>	<b>583,511</b>	<b>220,134</b>	<b>40,944</b>	<b>63,369</b>	<b>2,100,671</b>
<b>Consumer</b>						
Residential Mortgage	2,167,988	–	230,175	2,747	30,642	2,431,552
Home Equity	788,650	–	13,117	–	–	801,767
Purchased Home Equity	–	72,633	–	–	–	72,633
Other Revolving Credit and Installment	549,281	–	173,794	13,289	–	736,364
Lease Financing	25,549	–	–	–	–	25,549
<b>Total Consumer</b>	<b>3,531,468</b>	<b>72,633</b>	<b>417,086</b>	<b>16,036</b>	<b>30,642</b>	<b>4,067,865</b>
<b>Total Loans and Leases</b>	<b>\$ 4,724,181</b>	<b>\$ 656,144</b>	<b>\$ 637,220</b>	<b>\$ 56,980</b>	<b>\$ 94,011</b>	<b>\$ 6,168,536</b>
<b>Percentage of Total</b>	<b>76%</b>	<b>11%</b>	<b>10%</b>	<b>1%</b>	<b>2%</b>	<b>100%</b>

#### Maturities and Sensitivities of Loans to Changes in Interest Rates <sup>1</sup>

Table 8

December 31, 2005				
(dollars in thousands)	Due in One Year or Less	Due After One to Five Years <sup>2</sup>	Due After Five Years <sup>2</sup>	Total
Commercial and Industrial	\$ 464,197	\$ 268,338	\$ 186,242	\$ 918,777
Construction	102,861	33,445	17,087	153,393
<b>Total</b>	<b>\$ 567,058</b>	<b>\$ 301,783</b>	<b>\$ 203,329</b>	<b>\$ 1,072,170</b>

<sup>1</sup> Based on contractual maturities.

<sup>2</sup> As of December 31, 2005, loans maturing after one year consisted of \$362.5 million with floating rates and \$142.6 million with fixed rates.

#### Other Assets

During the second quarter of 2005, a deposit was placed with the Internal Revenue Service (the "IRS") relating to a review by the IRS of the Company's tax positions for certain leveraged lease transactions. The placing of the deposit will reduce additional accrual of interest associated with the potential underpayment of taxes related to these transactions. The Company believes its tax position related to these transactions was proper based on applicable statutes, regulations and case law at the time the transactions were entered into. This deposit is reported in other assets



in the Company's consolidated statement of condition. Note 5 to the Consolidated Financial Statements, which is incorporated by reference in this Item, presents the detail of other assets.

#### *Deposits*

Total deposits were \$7.9 billion at December 31, 2005, a 4.5% increase over the prior year-end. Demand and time deposits increased while savings deposits declined as a result of the balance movement to higher rate time deposits. The year-to-date average time deposits of \$100,000 or more was \$0.6 billion in both 2005 and 2004. See Note 6 to the Consolidated Financial Statements, which is incorporated by reference in this Item, for additional deposit information.

#### *Securities Sold Under Agreements to Repurchase*

Securities sold under agreements to repurchase ("repos") totaled \$609.4 million at December 31, 2005, an increase of \$40.4 million from December 31, 2004. The increase was due to \$175.0 million in repos placed with private entities in 2005, partially offset by a reduction in repos with government entities. The private repos are at floating interest rates tied to the London Inter Bank Offering Rate ("LIBOR") of which the weighted average rate was 3.69% at December 31, 2005. The terms of the repos are 10 to 15 years. The private entities have the right to terminate repos totaling \$100.0 million in two years, repos totaling \$50.0 million quarterly after the third year, and the remaining repos totaling \$25.0 million in five years. If the agreements are not terminated, the rates become fixed ranging from 3.85% to 4.25% for the respective remaining term.

#### *Borrowings*

Short-term borrowings, including funds purchased, commercial paper and other short-term borrowings, totaled \$277.6 million at December 31, 2005, an increase of \$112.9 million from December 31, 2004 primarily due to a higher funds purchased balance. The Company's long-term debt was lower in 2005 from 2004 due to maturing Federal Home Loan Bank advances. The source of funds used to repay the long-term debt was deposit growth, repos and other short-term borrowings. See Notes 7 and 8 to the Consolidated Financial Statements, which are incorporated by reference in this Item, for more information on short-term borrowings and long-term debt.

#### **Foreign Activities**

During 2005, the Company continued to hold U.S. dollar placements and securities issued by foreign entities, as a tax efficient investment structure to generate foreign source earnings. The Company had foreign tax credits available to reduce the tax on this income.

Table 9 presents a geographic distribution of international assets for which the Company has cross-border exposure exceeding 0.75% of total assets.

**Geographic Distribution of Cross-Border International Assets <sup>1</sup>**
**Table 9**

(dollars in thousands)	Government and Other Official Institutions		Banks and Other Financial Institutions		Commercial and Consumer		Total
<b>At December 31, 2005:</b>							
Netherlands							
Investment Securities	\$	–	\$	99,779	\$	–	\$ 99,779
Deposits		–		940		–	940
Loans and Leases		–		–		12,729	12,729
<b>Total Netherlands</b>		–		100,719		12,729	113,448
Australia							
Investment Securities		–		74,287		–	74,287
Deposits		–		327		–	327
Loans and Leases		–		–		10,258	10,258
<b>Total Australia</b>		–		74,614		10,258	84,872
All Others <sup>2</sup>							
Investment Securities		–		146,327		–	146,327
Deposits		–		2,531		–	2,531
Loans and Leases		–		–		71,955	71,955
<b>Total All Others</b>		–		148,858		71,955	220,813
<b>Total</b>	\$	–	\$	324,191	\$	94,942	\$ 419,133
<b>At December 31, 2004:</b>							
Netherlands	\$	–	\$	104,419	\$	12,729	\$ 117,148
Australia		–		76,161		12,615	88,776
All Others		67		156,203		80,151	236,421
<b>Total</b>	\$	67	\$	336,783	\$	105,495	\$ 442,345
<b>At December 31, 2003:</b>							
United Kingdom	\$	–	\$	100,951	\$	9,509	\$ 110,460
All Others		200		163,328		77,021	240,549
<b>Total</b>	\$	200	\$	264,279	\$	86,530	\$ 351,009

<sup>1</sup> This table details cross-border assets by country that individually amounted to 0.75% or more of consolidated total assets. Cross-border assets are defined as foreign monetary assets that are payable to the Company in U.S. dollars or other non-local currencies, plus amounts payable in local currency but funded with U.S. dollars or other non-local currencies. Cross-border assets include loans, acceptances, interest-bearing deposits with other banks, other interest-bearing investments and other monetary assets.

<sup>2</sup> At December 31, 2005, the significant items comprising All Others category included cross-border outstandings of \$61.5 million in United Kingdom, \$49.4 million in Sweden and \$48.8 million in Switzerland.

**Corporate Risk Profile**
**Credit Risk**

Credit Risk is defined as the risk that borrowers or counter parties will not be able to repay their obligations to the Company. Credit exposures reflect legally binding commitments for loans, leases, banker's acceptances, financial and standby letters of credit and overnight deposit account overdrafts.

The Company manages and controls risk in the loan portfolio by adhering to well-defined and uniform underwriting criteria and account administration standards established by management. Written credit policies establish underwriting standards, approval levels, exposure limits and other limits or standards deemed necessary and prudent. The Company generally does not participate in sub-prime lending activities. Portfolio diversification at the obligor, industry, product and/or geographic location levels is actively managed to mitigate concentration risk. In addition, credit risk management also includes an independent credit review process that assesses compliance with commercial and consumer credit policies, risk ratings and other critical credit information.



The Company's credit risk position remained stable and strong during 2005. The Company observed lower levels of internally criticized loans and non-performing assets. The ratio of non-accrual loans to total loans at December 31, 2005 was 0.09%, down from 0.23% at December 31, 2004.

Net loan charge-offs in 2005 as a percent of average loans outstanding was 0.36%, an increase from 0.09% from the same prior year period. The increase is primarily due to a \$10.0 million charge-off taken for a leveraged lease following the bankruptcy announcement of a national air carrier in the third quarter of 2005. This charge-off was fully reserved. During 2004, the Company benefited from a \$6.0 million recovery of a previously charged-off loan from its divested Asia business.

The Company's favorable credit risk profile reflects sustained expansion and strength in the Hawaii and Mainland economies and improving economic conditions in Guam as well as disciplined commercial and retail underwriting and portfolio management. The quality of the portfolio of Hawaii-based loans continued to improve, primarily due to the expanding local economy led by construction and real estate industries and record levels of domestic tourism despite sustained higher energy prices and some increasing inflationary trends.

Consumer loans increased \$192.3 million from 2004 to \$4.07 billion driven primarily by an increase in home equity loans. Home equity loans totaled \$801.8 million, an increase from \$657.2 million at December 31, 2004. Expansion primarily stems from organic growth in Hawaii as a result of a strong residential real estate market. The majority of credit facilities are to high credit-scoring owner occupants with credit line facilities less than \$250,000 and combined loan-to-value ratios of less than or equal to 80%.

Relative to the Company's total portfolio, domestic airline carriers continued to demonstrate a higher risk profile due to sustained high oil prices and marginal pricing power. In the evaluation of the Reserve, the Company considered the current financial strain on airlines, which offset the impact of the improvement in other components of the loan portfolio. Table 10 below summarizes the Company's air transportation credit exposure.

### Air Transportation Credit Exposure<sup>1</sup>

Table 10

(dollars in thousands)	December 31, 2005			Dec. 31, 2004	
	Outstanding	Unused Commitments	Total Exposure	Total Exposure	
Passenger Carriers Based In the United States	\$ 68,829	\$ –	\$ 68,829	\$ 92,358	
Passenger Carriers Based Outside the United States	20,678	–	20,678	25,910	
Cargo Carriers	13,240	–	13,240	13,771	
<b>Total Air Transportation Credit Exposure</b>	<b>\$ 102,747</b>	<b>\$ –</b>	<b>\$ 102,747</b>	<b>\$ 132,039</b>	

<sup>1</sup> Exposure includes loans, leveraged leases and operating leases.

### Non-Performing Assets

Non-performing assets ("NPAs") consist of non-accrual loans and leases, loans held for sale, foreclosed real estate and other non-performing investments. At December 31, 2005, the ratio of NPAs to total loans and leases, foreclosed real estate and other investments was 0.11%, a decline from 0.23% at December 31, 2004. The net decrease in NPAs at December 31, 2005 from December 31, 2004 primarily included \$11.0 million of payments and pay-offs, \$3.3 million of loans that returned to accrual status, \$0.8 million of charge-offs and offset by \$8.0 million of additions. The remaining NPAs are principally residential mortgages.

### Loans Past Due 90 Days or More and Still Accruing Interest

Accruing loans past due 90 days or more totaled \$2.9 million at December 31, 2005, an increase of \$0.8 million from December 31, 2004. The increase is primarily from residential mortgages in Guam. The Company believes the improved real estate market conditions in Guam will provide sufficient resilience to resolve any distressed properties within an acceptable time frame.

Table 11 presents a five-year history of non-performing assets and accruing loans past due 90 days or more.

**Consolidated Non-Performing Assets and Accruing Loans and Leases Past Due 90 Days or More**

**Table 11**

(dollars in thousands)	December 31,				
	2005	2004	2003	2002	2001
<b>Non-Performing Assets</b>					
Non-Accrual Loans and Leases					
Commercial					
Commercial and Industrial	\$ 212	\$ 683	\$ 6,015	\$ 5,912	\$ 18,888
Commercial Mortgage	72	2,106	9,337	20,323	16,301
Construction	–	–	–	529	9,290
Lease Financing	–	2,973	2,181	4,047	755
<b>Total Commercial</b>	<b>284</b>	<b>5,762</b>	<b>17,533</b>	<b>30,811</b>	<b>45,234</b>
Consumer					
Residential Mortgage	5,496	7,688	9,354	13,898	15,281
Home Equity	39	218	460	263	139
Other Revolving Credit and Installment	–	–	–	–	135
<b>Total Consumer</b>	<b>5,535</b>	<b>7,906</b>	<b>9,814</b>	<b>14,161</b>	<b>15,555</b>
<b>Total Non-Accrual Loans and Leases</b>	<b>5,819</b>	<b>13,668</b>	<b>27,347</b>	<b>44,972</b>	<b>60,789</b>
Loans Held for Sale	–	–	–	–	1,712
Foreclosed Real Estate	359	191	4,377	9,434	17,174
Other Investments	300	–	–	–	–
<b>Total Non-Performing Assets</b>	<b>\$ 6,478</b>	<b>\$ 13,859</b>	<b>\$ 31,724</b>	<b>\$ 54,406</b>	<b>\$ 79,675</b>
<b>Accruing Loans and Leases Past Due 90 Days or More</b>					
Commercial					
Commercial and Industrial	\$ –	\$ 52	\$ 725	\$ 162	\$ 137
Commercial Mortgage	–	–	–	298	–
Lease Financing	–	–	117	–	–
<b>Total Commercial</b>	<b>–</b>	<b>52</b>	<b>842</b>	<b>460</b>	<b>137</b>
Consumer					
Residential Mortgage	1,132	387	1,430	641	3,715
Home Equity	–	–	–	10	66
Purchased Home Equity	185	183	–	–	–
Other Revolving Credit and Installment	1,504	1,433	1,210	693	893
Lease Financing	29	30	–	14	56
<b>Total Consumer</b>	<b>2,850</b>	<b>2,033</b>	<b>2,640</b>	<b>1,358</b>	<b>4,730</b>
<b>Total Accruing Loans and Leases Past Due 90 Days or More</b>	<b>\$ 2,850</b>	<b>\$ 2,085</b>	<b>\$ 3,482</b>	<b>\$ 1,818</b>	<b>\$ 4,867</b>
<b>Total Loans and Leases</b>	<b>\$ 6,168,536</b>	<b>\$ 5,986,930</b>	<b>\$ 5,757,175</b>	<b>\$ 5,359,004</b>	<b>\$ 5,657,100</b>
Ratio of Non-Accrual Loans and Leases to Total Loans and Leases	0.09%	0.23%	0.48%	0.84%	1.07%
Ratio of Non-Performing Assets to Total Loans					

and Leases, Foreclosed Real Estate and Other Investments	0.11%	0.23%	0.55%	1.01%	1.40%
--	-------	-------	-------	-------	-------

Ratio of Non-Performing Assets and Accruing Loans and Leases Past Due 90 Days or More to Total Loans and Leases	0.15%	0.27%	0.61%	1.05%	1.49%
---	-------	-------	-------	-------	-------

Table 12 presents foregone interest on non-accrual loans.

**Foregone Interest on Non-Accrual Loans**

**Table 12**

(dollars in thousands)	Year Ended December 31,				
	2005	2004	2003	2002	2001
<b>Interest Income That Would Have Been Recorded Under Original Terms:</b>					
Domestic	\$ 911	\$ 2,123	\$ 2,829	\$ 5,344	\$ 6,510
Foreign	—	—	—	—	4,175
<b>Interest Income Recorded During the Current Year:</b>					
Domestic	763	532	1,336	1,927	1,592
Foreign	—	—	—	—	1,086

*Allowance for Loan and Lease Losses*

The Allowance was \$91.1 million at December 31, 2005, a decrease of \$15.7 million from December 31, 2004. Based on management's ongoing assessment of the credit quality of the loan portfolio and the economic environment, the Company recorded a Provision of \$4.6 million in 2005. In 2004, the Company returned \$10.0 million to income from a release of the Allowance. In addition, during 2004, \$6.8 million was reclassified to other liabilities from the Allowance relating to the Unfunded Reserve. See Note 3 to the Consolidated Financial Statements, which is incorporated by reference in this Item, for changes in the Allowance during the last five years.

The ratio of the Allowance to total loans and leases outstanding was 1.48% at December 31, 2005, down from 1.78% at December 31, 2004.

Net charge-offs for 2005 of \$22.0 million, or 0.36% of total average loans and leases, increased from \$5.5 million or 0.09% of total average loans and leases in 2004. Net charge-offs in 2005 included the \$10.0 million charge-off of a fully reserved aircraft lease and in 2004 net charge-offs included recoveries of \$8.2 million from divested businesses. Adjusted for activity from these non-recurring items, net charge-offs for 2005 and 2004 were \$12.0 million and \$13.7 million or 0.20% and 0.24%, respectively, of total average loans.

Although the Company determines the amount of each element of the Allowance separately, the Allowance was considered appropriate by management at December 31, 2005, based on an ongoing analysis of estimated probable credit losses, credit risk profiles, economic conditions, coverage ratios and other relevant factors.

Allowance allocations by loan category are presented in Table 13.

**Allocation of Allowance for Loan and Lease Losses**

**Table 13**

(dollars in thousands)	2005	2004	2003	2002	2001
<b>Domestic Loans</b>					
<b>Commercial</b>					
Commercial and Industrial	\$ 18,661	\$ 21,977	\$ 33,724	\$ 43,465	\$ 57,520
Commercial Mortgage	6,143	9,119	16,303	16,488	16,056
Construction	1,641	1,381	2,342	2,681	5,252
Lease Financing	32,381	41,272	24,247	20,519	19,992
<b>Total Commercial</b>	<b>58,826</b>	<b>73,749</b>	<b>76,616</b>	<b>83,153</b>	<b>98,820</b>
<b>Consumer</b>					
Residential Mortgage	5,160	5,483	4,800	6,371	9,004
Home Equity	2,405	1,900	959	600	1,276
Purchased Home Equity	1,104	607	899	—	—
Other Revolving Credit and Installment	19,097	19,825	14,349	15,029	12,885
Lease Financing	348	203	312	400	459
<b>Total Consumer</b>	<b>28,114</b>	<b>28,018</b>	<b>21,319</b>	<b>22,400</b>	<b>23,624</b>
<b>Total Domestic Loans</b>	<b>86,940</b>	<b>101,767</b>	<b>97,935</b>	<b>105,553</b>	<b>122,444</b>
<b>Foreign Loans</b>					
General <sup>1</sup>	—	—	719	718	644
<b>Total Allocation of Allowance for Loan and Lease Losses</b>	<b>\$ 91,090</b>	<b>\$ 106,796</b>	<b>\$ 129,080</b>	<b>\$ 142,853</b>	<b>\$ 158,979</b>

<sup>1</sup> Includes both foreign and domestic general reserves.

	2005		2004		2003		2002		2001	
	Alloc. Allow. as % of loan category	Loan category as % of total loans and leases	Alloc. Allow. as % of loan category	Loan category as % of total loans and leases	Alloc. Allow. as % of loan category	Loan category as % of total loans and leases	Alloc. Allow. as % of loan category	Loan category as % of total loans and leases	Alloc. Allow. as % of loan category	Loan category as % of total loans and leases
<b>Domestic Loans</b>										
<b>Commercial</b>										
Commercial and Industrial	2.03 %	14.89 %	2.38 %	15.43 %	4.13 %	14.18 %	4.97 %	16.33 %	4.92 %	20.68 %
Commercial Mortgage	1.10	9.05	1.51	10.07	2.55	11.11	2.79	11.03	2.51	11.33
Construction	1.07	2.49	1.30	1.77	2.31	1.76	2.10	2.38	3.10	3.00
Lease Financing	6.89	7.62	8.61	8.00	5.56	7.57	4.80	7.97	4.72	7.49
<b>Total Commercial</b>	<b>2.80</b>	<b>34.05</b>	<b>3.49</b>	<b>35.27</b>	<b>3.84</b>	<b>34.62</b>	<b>4.11</b>	<b>37.71</b>	<b>4.11</b>	<b>42.50</b>
<b>Consumer</b>										
Residential Mortgage	0.21	39.42	0.24	38.87	0.21	40.30	0.30	39.77	0.37	42.85
Home Equity	0.30	13.00	0.29	10.98	0.21	8.11	0.14	7.99	0.39	5.83
Purchased Home Equity	1.52	1.18	0.49	2.05	0.42	3.69	—	3.47	—	—
Other Revolving Credit and Installment	2.59	11.94	2.69	12.30	2.18	11.44	3.05	9.21	3.22	7.07
Lease Financing	1.36	0.41	0.62	0.53	0.88	0.62	1.16	0.64	1.18	0.69

Total Consumer	0.69	65.95	0.72	64.73	0.58	64.16	0.68	61.08	0.74	56.44
<b>Total Domestic Loans</b>	<b>1.41</b>	<b>100.00</b>	<b>1.70</b>	<b>100.00</b>	<b>1.72</b>	<b>98.78</b>	<b>1.99</b>	<b>98.79</b>	<b>2.19</b>	<b>98.94</b>
Foreign Loans	-	-	-	-	1.02	1.22	1.11	1.21	1.07	1.06
<b>Total</b>	<b>1.48 %</b>	<b>100.00 %</b>	<b>1.78 %</b>	<b>100.00 %</b>	<b>2.24 %</b>	<b>100.00 %</b>	<b>2.67 %</b>	<b>100.00 %</b>	<b>2.81 %</b>	<b>100.00 %</b>

### *Reserve for Unfunded Commitments*

Unfunded commitments to extend credit reflect banker's acceptances, financial and standby letters of credit, commercial letters of credit, overnight overdrafts and credit cards where the Company has issued a loss guarantee on behalf of its customers. The process used to determine the Unfunded Reserve is consistent with the process for determining the Allowance as adjusted for estimated funding probabilities or loan equivalency factors. The Unfunded Reserve at December 31, 2005 was \$5.1 million compared with \$6.8 million at December 31, 2004.

### **Market Risk**

Market risk is the potential of loss arising from adverse changes in interest rates and prices. The Company is exposed to market risk as a consequence of the normal course of conducting its business activities. Financial products that expose the Company to market risk include investment securities, loans, deposits, debt and derivative financial instruments. The Company's market risk management process involves measuring, monitoring, controlling and managing risks that can significantly impact the Company's financial condition and results of operations. In this management process, market risks are balanced with expected returns in an effort to enhance earnings performance and shareholder value, while limiting the volatility of each. The activities associated with these market risks are categorized into "trading" and "other than trading."

The Company's trading activities include foreign currency and foreign exchange contracts that expose the Company to a minor degree of foreign currency risk. These transactions are primarily executed on behalf of customers and at times for the Company's own account.

The Company's "other than trading" activities include normal business transactions that expose the Company's balance sheet profile to varying degrees of market risk. The Company's primary market risk exposure is interest rate risk. A key element in the process of managing market risk involves oversight by senior management and the Board of Directors as to the level of such risk assumed by the Company in its balance sheet. The Board of Directors reviews and approves risk management policies, including risk limits and guidelines and delegates oversight functions to the Asset Liability Management Committee ("ALCO"). The ALCO, consisting of senior business and finance officers, monitors the Company's market risk exposure and, as market conditions dictate, modifies balance sheet positions. The ALCO may also direct the use of derivative instruments.

### *Interest Rate Risk*

The Company's balance sheet is sensitive to changes in the general level of interest rates. This interest rate risk arises primarily from the Company's normal business activities of making loans, taking deposits and purchasing securities. Many other factors also affect the Company's exposure to changes in interest rates, such as general economic and financial conditions, customer preferences and historical pricing relationships.

The earnings of the Company and the Bank are affected not only by general economic conditions, but also by the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve System. The monetary policies of the Federal Reserve System influence, to a significant extent, the overall growth of loans, investments and deposits; the level of interest rates earned on assets and paid for liabilities; and interest rates charged on loans and paid on deposits. The nature and impact of future changes in monetary policies are generally not predictable.

A key element in the Company's ongoing process to measure and monitor interest rate risk is the utilization of a net interest income ("NII") simulation model. This model is used to estimate the amount that NII will change over a one-year time horizon under various interest rate scenarios. These estimates are based on assumptions on the behavior of loan and deposit pricing, prepayment speeds on mortgage-based assets, and principal amortization and maturities on other financial instruments. The model's analytics include the effects of embedded options. While such assumptions are inherently uncertain, management believes that these assumptions are reasonable. As a result, the NII

simulation model attempts to capture the dynamic nature of the balance sheet and provide a sophisticated estimate rather than a precise prediction of NII's exposure to changes in interest rates.

The Company continues to be asset sensitive and, as a result, net interest income will generally increase from higher interest rates. Interest rate risk was reduced in 2005 by effectively matching asset and liability durations in response to a more stable interest rate outlook.

Table 14 presents, as of December 31, 2005, 2004 and 2003, the estimate of the change in NII from a gradual 200 basis point increase or decrease in interest rates, moving in parallel fashion for the entire yield curve, over the next 12-month period relative to the measured base case scenario for NII.

#### Market Risk Exposure to Interest Rate Changes

Table 14

	December 31,					
	2005 Interest Rate Change (in basis points)		2004 Interest Rate Change (in basis points)		2003 Interest Rate Change (in basis points)	
	-200	200	-200	200	-200	200
<b>(dollars in thousands)</b>						
Estimated Exposure as a Percent of Net Interest Income	(3.0)%	1.2%	(6.5)%	2.0%	(4.8)%	4.0%
Estimated Exposure to Net Interest Income	\$ (12,213)	\$ 4,885	\$ (25,388)	\$ 7,812	\$ (17,565)	\$ 14,638

To enhance and complement the results from the NII simulation model, the Company also monitors interest rate risk utilizing measures such as sensitivity of market value of equity, value-at-risk, and the exposure to basis risk and non-parallel yield curve shifts. There are inherent limitations to these measures; however, used along with the NII simulation model, the Company obtains better overall insight for managing its exposure to changes in interest rates.

In managing interest rate risk, the Company uses several approaches to modify its risk position. Approaches that are used to shift balance sheet mix or alter the interest rate characteristics of assets and liabilities include changing product pricing strategies, modifying investment securities portfolio characteristics, or using financial derivative instruments. The use of financial derivatives, as detailed in Note 14 to the Consolidated Financial Statements, which is incorporated by reference in this Item, has generally been limited over the past several years.

#### Liquidity Management

Liquidity is managed in an effort to ensure that the Company has continuous access to sufficient, reasonably priced funding. Funding requirements are impacted by loan refinancings and originations, liability settlements and issuances and off-balance sheet funding commitments. The Company considers and complies with various regulatory guidelines regarding required liquidity levels and periodically monitors its liquidity position in light of the changing economic environment and customer activity. Based on periodic liquidity assessments, the Company may alter its assets, liabilities and off-balance sheet positions. The ALCO monitors sources and uses of funds and modifies asset and liability positions as liquidity requirements change. This process, combined with the Company's ability to raise funds in money and capital markets and through private placements, provides flexibility in managing the exposure to liquidity risk.

In an effort to ensure that its liquidity needs are met, the Company actively manages its assets and liabilities. The primary sources of liquidity are available-for-sale investment securities, interest-bearing deposits and cash flows from loans and investments, as well as the ability to sell certain assets. With respect to liabilities, liquidity is generated through growth in deposits, repos and other funding. During 2005, the Company continued to use liquidity to repurchase stock (see "Capital Management") and reduce debt where possible. In 2005, a total of \$10.0 million in Federal Home Loan Bank advances matured. In addition, excess liquidity was deployed into longer term assets.

## Off-Balance Sheet Arrangements, Commitments and Aggregate Contractual Obligations

The Company does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities ("SPEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements.

The Company's commitments and contractual obligations as of December 31, 2005 are summarized in Table 15. See the following Notes to the Consolidated Financial Statements which are incorporated by reference in this Item for additional information.

- Note 5 – Premises and Equipment and Other Assets and Liabilities
- Note 7 – Borrowings
- Note 8 – Long-Term Debt
- Note 14 – Derivatives
- Note 15 – Fair Values of Financial Instruments

### Commitments

Table 15

(dollars in thousands)	Amount of Commitment Expiration Per Period					
	Less Than One		Greater Than One Year	Total		
	Year					
Commitments to Extend Credit	\$	780,503	\$	1,955,117	\$	2,735,620
Standby Letters of Credit		93,792		100		93,892
Commercial Letters of Credit		21,502		–		21,502
Foreign Exchange Contracts		176,395		–		176,395
Mortgage Loan Forward Sales Commitments		35,239		–		35,239
<b>Total Commitments</b>	<b>\$</b>	<b>1,107,431</b>	<b>\$</b>	<b>1,955,217</b>	<b>\$</b>	<b>3,062,648</b>

### Contractual Obligations

(dollars in thousands)	Contractual Payments Due By Period					Total				
	Less Than One	1 – 3 Years	4 – 5 Years	After						
	Year			5 Years						
Deposits	\$	7,424,486	\$	406,292	\$	48,889	\$	27,801	\$	7,907,468
Securities Sold Under Agreements to Repurchase		434,380		–		–		175,000		609,380
Funds Purchased and Short-Term Borrowings		277,557		–		–		–		277,557
Banker's Acceptances Outstanding		1,056		–		–		–		1,056
Long-Term Debt		2,500		25,000		174,798		31,425		233,723
Capital Leases		605		1,270		1,330		5,775		8,980
Operating Leases		12,831		21,334		12,222		91,350		137,737
Purchase Obligations		17,665		27,143		17,809		–		62,617
Pension and Postretirement Contributions		2,000		4,400		4,900		14,300		25,600
<b>Total Contractual Obligations</b>	<b>\$</b>	<b>8,173,080</b>	<b>\$</b>	<b>485,439</b>	<b>\$</b>	<b>259,948</b>	<b>\$</b>	<b>345,651</b>	<b>\$</b>	<b>9,264,118</b>

The Company obtains liquidity through repos, funds purchased and commercial paper. The Company issues commercial paper in various denominations with maturities of generally 90 days or less.

Repos are financing transactions, under which securities are pledged as collateral for borrowings. Historically, these transactions were generally entered into with governmental entities, which have provided a stable source of funds via repos. During 2005, the Company entered into several repo transactions with private parties for terms greater than one year.

The Bank is a member of the Federal Home Loan Bank of Seattle (the "FHLB"), which provides an additional source for short- and long-term funding. Borrowings from the FHLB were \$77.5 million, at rates ranging from 3.2% to 5.69%, and \$87.5 million, at rates ranging from 3.2% to 5.91%, at the end of 2005 and 2004, respectively.

Additionally, the Bank maintains a \$1.0 billion senior and subordinated bank note program. Under this facility, the Bank may issue additional notes provided that the aggregate amount outstanding does not exceed \$1.0 billion. Subordinated notes outstanding under this bank note program totaled \$124.8 million bearing a fixed interest rate of 6.875% at the end of 2005 and 2004.

The largest purchase obligation included in the above table is an outsourcing agreement for technology services. Total payments over the remaining term (through 2010) of this contract will be approximately \$48.0 million. Other contracts included in purchase obligations consist of service agreements for the Company's asset management system, ATM system and cash management system.

## Capital Management

The Company and the Bank are subject to regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can cause certain mandatory and discretionary actions by regulators that, if undertaken, could have a material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative and qualitative measures. These measures were established by regulation to ensure capital adequacy. At December 31, 2005 and 2004, the Company and the Bank were "well capitalized" under this regulatory framework. There have been no conditions or events since December 31, 2005 that management believes have changed either the Company's or the Bank's capital classifications. Note 8 to the Consolidated Financial Statements, which is incorporated by reference in this Item, provides additional information on long-term debt while Note 9 provides information about the regulatory capital framework and the Company's capital amounts and ratios.

As of December 31, 2005, \$31.4 million of the 8.25% Capital Securities that mature in 2026 were outstanding. These securities qualify as Tier 1 capital for regulatory accounting purposes, but are classified as long-term debt in the consolidated statements of condition. In addition, the Company had subordinated debt of \$74.9 million at the end of 2005 that qualifies as Total capital for regulatory purposes.

At year-end 2005, the Company's shareholders' equity was \$693.4 million, a decrease of \$121.5 million or 15% from year-end 2004. The decrease in shareholders' equity resulted primarily from stock repurchases of \$247.4 million and dividends of \$70.8 million. The decrease was partially offset by current year earnings. Table 16 presents a five-year history of activities and balances in the Company's capital accounts, along with key capital ratios.

During 2005, the Company's Board of Directors approved additional authorizations of \$200.0 million to repurchase shares of common stock under the share repurchase program. In January 2006, an additional \$100.0 million authorization was approved, which combined with the Company's previously announced authorization of \$1.35 billion, brings the total authorized repurchase amount to \$1.45 billion. From the beginning of the share repurchase program in July 2001 through December 31, 2005, the Company had repurchased a total of 40.0 million shares and returned a total of \$1.33 billion to its shareholders at an average cost of \$33.31 per share. From January 1, 2006 through February 17, 2006, the Company repurchased an additional 0.4 million shares at an average cost of \$52.73 per share for a total of \$20.5 million. Remaining buyback authority was \$97.5 million at February 17, 2006.

In December 2005, the Company retired 25.0 million shares of its treasury stock.

## Equity Capital

Table 16

(dollars in thousands)	December 31,				
	2005	2004	2003	2002	2001
<b>Change in Shareholders' Equity</b>					
Net Income	\$ 181,561	\$ 173,339	\$ 135,195	\$ 121,180	\$ 117,795
Dividends Paid	(70,833)	(66,326)	(50,589)	(50,635)	(56,567)
Dividend Reinvestment Program	4,766	4,416	3,292	2,893	2,819
Stock Issued for Acquisition	—	—	—	—	1,299
Stock Repurchases	(247,376)	(238,077)	(329,978)	(332,217)	(195,687)
Other <sup>1</sup>	10,400	148,350	19,453	27,526	75,997
<b>Increase (Decrease) in Shareholders' Equity</b>	\$ (121,482)	\$ 21,702	\$ (222,627)	\$ (231,253)	\$ (54,344)
<b>Regulatory Capital</b>					
Shareholders' Equity	\$ 693,352	\$ 814,834	\$ 793,132	\$ 1,015,759	\$ 1,247,012
Add: 8.25% Capital Securities of Bancorp Hawaii Capital Trust I	31,425	31,425	31,425	31,425	100,000
Less: Goodwill	34,959	36,216	36,216	36,216	26,676
Unrealized Valuation and Other Adjustments	(27,281)	5,251	10,771	27,205	22,967
Tier I Capital	717,099	804,792	777,570	983,763	1,297,369
Allowable Reserve for Loan Losses	86,617	83,292	78,147	74,969	83,001
Subordinated Debt	74,883	99,808	124,709	124,658	148,423
Unrealized Gains on Available for Sale Equity Securities	—	31	66	132	—
<b>Total Capital</b>	\$ 878,599	\$ 987,923	\$ 980,492	\$ 1,183,522	\$ 1,528,793
<b>Risk Weighted Assets</b>	\$ 6,919,822	\$ 6,633,082	\$ 6,200,831	\$ 5,929,613	\$ 6,564,111
<b>Key Regulatory Capital Ratios</b>					
Average Equity/Average Assets Ratio	7.29%	7.81%	9.60%	11.88%	10.59%
Tier I Capital Ratio	10.36	12.13	12.54	16.59	19.76
Total Capital Ratio	12.70	14.89	15.81	19.96	23.29
Leverage Ratio	7.14	8.29	8.43	10.34	11.20

<sup>1</sup> Includes unrealized valuation adjustments for investment securities, foreign currency translation, pension liability adjustment, stock issuances under employee benefit plans and tax benefits related to stock option exercises.

## Recent Accounting Pronouncements and Developments

Note 1 to the Consolidated Financial Statements, which is incorporated by reference in this Item, discusses the expected impact of new accounting standards recently issued or proposed but not yet required to be adopted.

## Fourth Quarter Results and Other Matters

Net income in the fourth quarter of 2005 was \$44.8 million, down \$1.5 million or 3.2% from the comparable period in 2004. Diluted earnings per share for the fourth quarter of 2005 were \$0.86, an increase of \$0.04 or 4.9% from \$0.82 per diluted share for the same prior year period. The return on average assets for the fourth quarter of 2005 was 1.76%, down from 1.89% in the comparable period in 2004. Return on average equity for the fourth quarter of 2005 improved to 25.19% from 23.63% in the same quarter last year. Results for the fourth quarter of 2004 included a return to income of \$6.5 million before tax (\$4.1 million after tax or \$0.07 per diluted share), resulting from a release of the Reserve.

Net interest income, on a taxable equivalent basis for the fourth quarter of 2005 was \$103.5 million, up \$3.5 million from \$100.0 million in the fourth quarter last year. The increase in net interest income was largely due to an increase in the yield in average earning assets partially offset by a rise in deposit rates as a result of short term rate increases.

The net interest margin was 4.42% for the fourth quarter of 2005, a two basis point increase from 4.40% in the fourth quarter of 2004. The net interest margin improvement from the prior year quarter was a result of an increase in the yield on average earning assets partially offset by a rise in deposit rates as a result of short term rate increases.

Net income for the fourth quarter of 2005 included a Provision of \$1.6 million. As previously mentioned, the Company returned to income \$6.5 million of the Reserve during the fourth quarter of 2004.

Non-interest income was \$50.8 million for the fourth quarter, an increase of \$2.5 million or 5.1% compared to non-interest income of \$48.4 million in the same quarter last year. The increase was primarily a result of higher advisory fees on money market assets as well as higher mortgage servicing income due to lower amortization expense.

Non-interest expense was \$83.2 million in the fourth quarter of 2005, up \$1.1 million or 1.3% from \$82.1 million in the fourth quarter of 2004. The increase from the same quarter last year was due to an increase in legal fees relating to the Company's mutual fund business. Partially offsetting the increased legal fees were decreases in base salaries due to a lower employee count and lower stock-based compensation due to fewer restricted shares outstanding in the fourth quarter of 2005.

During the fourth quarter of 2005, the Company repurchased 0.6 million shares of common stock at a total cost of \$32.3 million under its share repurchase program. The average cost was \$51.20 per share.

Table 17 presents the Company's 2005 and 2004 quarterly results of operations.

### Consolidated Quarterly Results of Operations

Table 17

(dollars in thousands except per share amounts)	Three Months Ended 2005				Three Months Ended 2004			
	December	September	June	March	December	September	June	March
Interest Income	\$ 132,945	\$ 129,234	\$ 124,105	\$ 120,158	\$ 117,371	\$ 114,397	\$ 111,490	\$ 111,756
Interest Expense	29,489	27,274	23,066	19,500	17,440	15,618	15,641	15,725
<b>Net Interest Income</b>	<b>103,456</b>	<b>101,960</b>	<b>101,039</b>	<b>100,658</b>	<b>99,931</b>	<b>98,779</b>	<b>95,849</b>	<b>96,031</b>
Provision for Credit Losses	1,588	3,000	—	—	(6,500)	—	(3,500)	—
Investment Securities Gains (Losses)	(4)	8	337	—	(757)	—	(37)	—
Non-Interest Income	50,813	55,508	50,337	52,315	49,107	53,054	54,885	48,842
Non-Interest Expense	83,179	84,596	79,004	80,863	82,103	84,190	85,125	83,022
Income Before Income Taxes	69,498	69,880	72,709	72,110	72,678	67,643	69,072	61,851
Provision for Income Taxes	24,717	25,051	26,280	26,588	26,437	24,576	24,840	22,052
<b>Net Income</b>	<b>\$ 44,781</b>	<b>\$ 44,829</b>	<b>\$ 46,429</b>	<b>\$ 45,522</b>	<b>\$ 46,241</b>	<b>\$ 43,067</b>	<b>\$ 44,232</b>	<b>\$ 39,799</b>
Basic Earnings Per Share	\$ 0.88	\$ 0.87	\$ 0.90	\$ 0.85	\$ 0.86	\$ 0.82	\$ 0.84	\$ 0.73
Diluted Earnings Per Share	0.86	0.85	0.87	0.83	0.82	0.78	0.79	0.69
Net Income to Average Total Assets (ROA)	1.76%	1.74%	1.87%	1.88%	1.89%	1.77%	1.80%	1.65%
Net Income to Average Shareholders' Equity (ROE)	25.19	24.61	25.98	23.66	23.63	23.42	24.28	19.98
Net Interest Margin <sup>1</sup>	4.42	4.30	4.36	4.43	4.40	4.39	4.17	4.30
Efficiency Ratio <sup>2</sup>	53.92	53.72	52.07	52.86	55.37	55.45	56.49	57.31

<sup>1</sup> The net interest margin is defined as net interest income, on a fully-taxable equivalent basis, as a percentage of average earning assets.

<sup>2</sup> The efficiency ratio is defined as non-interest expense divided by total revenue (net interest income and non-interest income).

**2006 Outlook**

The Company currently estimates that its net income for 2006 will be approximately \$187.0 million, which exceeds its previous guidance by \$9.0 million. Net income estimates for 2006 include a \$17.0 million Provision. An analysis of credit quality is performed quarterly to determine the adequacy of the Reserve. The results of this analysis determine the timing and amount of the Provision.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

See the Market Risk section in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of this report.

**Item 8. Financial Statements and Supplementary Data**

Consolidated Quarterly Results of Operations – See Table 17 included in Item 7 of this report.

## Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders  
Bank of Hawaii Corporation

We have audited the accompanying consolidated statements of condition of Bank of Hawaii Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bank of Hawaii Corporation and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Bank of Hawaii Corporation and subsidiaries' internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Honolulu, Hawaii  
February 22, 2006

**Bank of Hawaii Corporation and Subsidiaries**  
**Consolidated Statements of Income**

	Year Ended December 31,		
(dollars in thousands except per share amounts)	2005	2004	2003
<b>Interest Income</b>			
Interest and Fees on Loans and Leases	\$ 368,664	\$ 327,953	\$ 334,793
Income on Investment Securities – Available for Sale	113,608	93,528	77,793
Income on Investment Securities – Held to Maturity	21,360	26,204	18,956
Deposits	219	3,480	4,816
Funds Sold	1,329	1,058	1,919
Other	1,262	2,791	4,244
<b>Total Interest Income</b>	<b>506,442</b>	<b>455,014</b>	<b>442,521</b>
<b>Interest Expense</b>			
Deposits	58,426	36,743	47,473
Securities Sold Under Agreements to Repurchase	21,187	9,353	7,939
Funds Purchased	4,515	1,815	944
Short-Term Borrowings	188	82	92
Long-Term Debt	15,013	16,431	20,131
<b>Total Interest Expense</b>	<b>99,329</b>	<b>64,424</b>	<b>76,579</b>
<b>Net Interest Income</b>	<b>407,113</b>	<b>390,590</b>	<b>365,942</b>
Provision for Credit Losses	4,588	(10,000)	–
<b>Net Interest Income After Provision for Credit Losses</b>	<b>402,525</b>	<b>400,590</b>	<b>365,942</b>
<b>Non-Interest Income</b>			
Trust and Asset Management	56,830	53,465	50,996
Mortgage Banking	10,399	8,012	15,556
Service Charges on Deposit Accounts	39,945	39,117	35,938
Fees, Exchange and Other Service Charges	59,588	54,907	56,221
Investment Securities Gains (Losses)	341	(794)	1,789
Insurance	19,643	19,241	19,145
Other	22,568	31,146	19,075
<b>Total Non-Interest Income</b>	<b>209,314</b>	<b>205,094</b>	<b>198,720</b>
<b>Non-Interest Expense</b>			
Salaries and Benefits	176,310	184,299	186,280
Net Occupancy	38,273	38,347	38,980
Net Equipment	21,541	23,926	33,652
Professional Fees	15,702	14,212	12,913
Information Technology Systems Replacement Project	–	–	21,871
Other	75,816	73,656	64,179
<b>Total Non-Interest Expense</b>	<b>327,642</b>	<b>334,440</b>	<b>357,875</b>
Income Before Income Taxes	284,197	271,244	206,787
Provision for Income Taxes	102,636	97,905	71,592
<b>Net Income</b>	<b>\$ 181,561</b>	<b>\$ 173,339</b>	<b>\$ 135,195</b>
Basic Earnings Per Share	\$3.50	\$3.26	\$2.32
Diluted Earnings Per Share	\$3.41	\$3.08	\$2.21
Dividends Declared Per Share	\$1.36	\$1.23	\$0.87
Basic Weighted Average Shares	51,848,765	53,232,815	58,338,566

---

Diluted Weighted Average Shares	53,310,816	56,241,044	61,085,567
---------------------------------	------------	------------	------------

---

See accompanying notes to Consolidated Financial Statements.

**Bank of Hawaii Corporation and Subsidiaries**  
**Consolidated Statements of Condition**

(dollars in thousands)	December 31, 2005	December 31, 2004
<b>Assets</b>		
Interest-Bearing Deposits	\$ 4,893	\$ 4,592
Investment Securities – Available for Sale		
Held in Portfolio	2,333,417	2,483,719
Pledged as Collateral	204,798	–
Investment Securities – Held to Maturity (Fair Value of \$442,989 and \$585,836)	454,240	589,908
Funds Sold	–	21,000
Loans Held for Sale	17,915	17,642
Loans and Leases	6,168,536	5,986,930
Allowance for Loan and Lease Losses	(91,090)	(106,796)
<b>Net Loans and Leases</b>	<b>6,077,446</b>	<b>5,880,134</b>
<b>Total Earning Assets</b>	<b>9,092,709</b>	<b>8,996,995</b>
Cash and Non-Interest-Bearing Deposits	493,825	225,359
Premises and Equipment	133,913	146,095
Customers' Acceptance Liability	1,056	1,406
Accrued Interest Receivable	43,033	36,044
Foreclosed Real Estate	358	191
Mortgage Servicing Rights	18,010	18,769
Goodwill	34,959	36,216
Other Assets	369,175	305,116
<b>Total Assets</b>	<b>\$ 10,187,038</b>	<b>\$ 9,766,191</b>
<b>Liabilities</b>		
Deposits		
Non-Interest-Bearing Demand	\$ 2,134,916	\$ 1,977,703
Interest-Bearing Demand	1,678,454	1,536,323
Savings	2,819,258	2,960,351
Time	1,274,840	1,090,290
<b>Total Deposits</b>	<b>7,907,468</b>	<b>7,564,667</b>
Securities Sold Under Agreements to Repurchase	609,380	568,981
Funds Purchased	268,110	149,635
Short-Term Borrowings	9,447	15,000
Banker's Acceptances Outstanding	1,056	1,406
Retirement Benefits Payable	71,116	65,708
Accrued Interest Payable	10,910	7,021
Taxes Payable and Deferred Taxes	269,094	229,928
Other Liabilities	104,402	96,373
Long-Term Debt	242,703	252,638
<b>Total Liabilities</b>	<b>9,493,686</b>	<b>8,951,357</b>
<b>Commitments and Contingencies (See Notes 10 and 15)</b>		
<b>Shareholders' Equity</b>		
Common Stock (\$.01 par value); authorized 500,000,000 shares; issued / outstanding: December 2005 – 56,827,483 / 51,276,286, December 2004 – 81,711,752 / 54,960,857	565	813
Capital Surplus	473,338	450,998
Accumulated Other Comprehensive Income (Loss)	(47,818)	(12,917)
Retained Earnings	546,591	1,282,425
Deferred Stock Grants	(11,080)	(8,433)

Treasury Stock, at Cost (Shares: December 2005 – 5,551,197, December 2004 – 26,750,895)	(268,244)	(898,052)
<b>Total Shareholders' Equity</b>	693,352	814,834
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 10,187,038</b>	<b>\$ 9,766,191</b>

See accompanying notes to Consolidated Financial Statements.

**Bank of Hawaii Corporation and Subsidiaries**  
**Consolidated Statements of Shareholders' Equity**

(dollars in thousands)	Total	Common Stock	Capital Surplus	Accum. Other Comprehensive Income (Loss)	Retained Earnings	Deferred Stock Grants	Treasury Stock	Comprehensive Income
<b>Balance at December 31, 2002</b>	\$ 1,015,759	\$ 806	\$ 372,192	\$ 11,659	\$ 1,115,910	\$ (1,424)	\$ (483,384)	
Comprehensive Income:								
Net Income	135,195	—	—	—	135,195	—	—	\$ 135,195
Other Comprehensive Income, Net of Tax:								
Change in Unrealized Gains and Losses on Investment Securities	(16,434)	—	—	(16,434)	—	—	—	(16,434)
Change in Minimum Pension Liability Adjustments	(936)	—	—	(936)	—	—	—	(936)
<b>Total Comprehensive Income</b>								<b>\$ 117,825</b>
Common Stock Issued under Stock Plans and Related Tax Benefits (1,683,424 shares)								
	40,115	1	19,509	—	(1,439)	(6,885)	28,929	
Treasury Stock Purchased (9,762,079 shares)	(329,978)	—	—	—	—	—	(329,978)	
Cash Dividends Paid	(50,589)	—	—	—	(50,589)	—	—	
<b>Balance at December 31, 2003</b>	793,132	807	391,701	(5,711)	1,199,077	(8,309)	(784,433)	
Comprehensive Income:								
Net Income	173,339	—	—	—	173,339	—	—	\$ 173,339
Other Comprehensive Income, Net of Tax:								
Change in Unrealized Gains and Losses on Investment Securities	(5,519)	—	—	(5,519)	—	—	—	(5,519)
Change in Minimum Pension Liability Adjustments	(1,687)	—	—	(1,687)	—	—	—	(1,687)
<b>Total Comprehensive Income</b>								<b>\$ 166,133</b>
Common Stock Issued under Stock Plans and Related Tax Benefits (5,280,205 shares)								
	159,972	6	59,297	—	(23,665)	(124)	124,458	
Treasury Stock Purchased (5,243,458 shares)	(238,077)	—	—	—	—	—	(238,077)	
Cash Dividends Paid	(66,326)	—	—	—	(66,326)	—	—	
<b>Balance at December 31, 2004</b>	814,834	813	450,998	(12,917)	1,282,425	(8,433)	(898,052)	
Comprehensive Income:								
Net Income	181,561	—	—	—	181,561	—	—	\$ 181,561
Other Comprehensive Income, Net of Tax:								
Change in Unrealized Gains and Losses on Investment Securities	(32,547)	—	—	(32,547)	—	—	—	(32,547)
Change in Minimum Pension Liability Adjustments	(2,354)	—	—	(2,354)	—	—	—	(2,354)
<b>Total Comprehensive Income</b>								<b>\$ 146,660</b>
Common Stock Issued under Stock Plans and Related Tax Benefits (1,430,416 shares)								
	50,067	2	22,090	—	(4,138)	(2,647)	34,760	
Treasury Stock Purchased (5,111,281 shares)	(247,376)	—	—	—	—	—	(247,376)	
Treasury Stock Retired (25,000,000 shares)	—	(250)	250	—	(842,424)	—	842,424	
Cash Dividends Paid	(70,833)	—	—	—	(70,833)	—	—	
<b>Balance at December 31, 2005</b>	\$ 693,352	\$ 565	\$ 473,338	\$ (47,818)	\$ 546,591	\$ (11,080)	\$ (268,244)	

See accompanying notes to Consolidated Financial Statements.



**Bank of Hawaii Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**

(dollars in thousands)	Year Ended December 31,		
	2005	2004	2003
<b>Operating Activities</b>			
Net Income			
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	\$	\$	\$
Provision for Credit Losses	181,561	173,339	135,195
Goodwill Impairment	4,588	(10,000)	–
Depreciation and Amortization	1,257	–	–
Amortization of Deferred Loan and Lease Fees	18,334	20,829	28,802
Amortization/Accretion of Premiums/Discounts on Investment Securities, Net	(901)	(2,006)	(6,167)
Deferred Stock Grants	8,611	12,248	33,462
Deferred Income Taxes	4,159	5,610	6,693
Net (Gain) Loss on Investment Securities	17,827	21,208	39,873
Proceeds from Sales of Loans Held for Sale	(341)	794	(1,789)
Originations of Loans Held for Sale	438,773	403,708	741,127
Net Change in Other Assets and Other Liabilities	(439,046)	(412,139)	(710,220)
	(4,473)	46,531	51,430
<b>Net Cash Provided by Operating Activities</b>	<b>230,349</b>	<b>260,122</b>	<b>318,406</b>
<b>Investing Activities</b>			
Proceeds from Sales and Redemptions of Investment Securities-Available for Sale	637,196	828,694	1,841,031
Purchases of Investment Securities-Available for Sale	(749,150)	(1,341,026)	(1,601,274)
Proceeds from Redemptions of Investment Securities-Held to Maturity	133,993	205,629	193,741
Purchases of Investment Securities-Held to Maturity	–	(70,238)	(692,292)
Net Increase in Loans and Leases	(199,276)	(246,833)	(405,777)
Premises and Equipment, Net	(6,152)	(2,920)	(11,838)
<b>Net Cash Used by Investing Activities</b>	<b>(183,389)</b>	<b>(626,694)</b>	<b>(676,409)</b>
<b>Financing Activities</b>			
Net Increase in Demand Deposits	299,344	223,768	398,793
Net (Decrease) Increase in Savings Deposits	(141,093)	126,972	298,160
Net Increase (Decrease) in Time Deposits	184,550	(118,852)	(284,335)
Net Increase (Decrease) in Borrowings	153,321	139,079	(238,971)
Proceeds from Long-Term Debt	–	25,000	50,000
Repayments of Long-Term Debt	(10,000)	(96,430)	(115,717)
Proceeds from Issuance of Common Stock	32,894	104,159	29,540
Repurchase of Common Stock	(247,376)	(238,077)	(329,978)
Cash Dividends Paid	(70,833)	(66,326)	(50,589)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>200,807</b>	<b>99,293</b>	<b>(243,097)</b>
Increase (Decrease) in Cash and Cash Equivalents	247,767	(267,279)	(601,100)
Cash and Cash Equivalents at Beginning of Period	250,951	518,230	1,119,330
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 498,718</b>	<b>\$ 250,951</b>	<b>\$ 518,230</b>

**Non-Cash Investing Activity**

In September 2004, the Company transferred a \$4.0 million foreclosed real estate property to premises.

During the years ended December 31, 2005, 2004 and 2003, interest payments of \$95.4 million, \$64.9 million and \$82.8 million, respectively, and income tax payments of \$39.8 million, \$5.2 million and \$23.8 million, respectively, were made.

See accompanying notes to Consolidated Financial Statements.

## **Note 1 – Summary of Significant Accounting Policies**

Bank of Hawaii Corporation (the "Company") is a Bank Holding Company ("BHC") providing a broad range of financial products and services to customers in Hawaii and the Pacific Islands (Guam, nearby islands and American Samoa). The majority of the Company's operations consist of customary commercial and consumer banking services including, but not limited to, lending, leasing, deposit services, trust and investment activities, brokerage services, insurance products and trade financing.

The accounting and reporting principles of the Company conform to U.S. generally accepted accounting principles ("GAAP") and prevailing practices within the financial services industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates and such differences could be material to the financial statements.

Certain prior period amounts have been reclassified to conform to current year presentation.

The following is a description of the significant accounting policies of the Company:

### *Consolidation*

The Company's Consolidated Financial Statements include the accounts of the Company and its subsidiaries. The Company's principal subsidiary is Bank of Hawaii (the "Bank"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company has investments in low-income housing projects and sponsors the Bank of Hawaii Charitable Foundation. These entities are not consolidated in the Company's financial statements. The Company also has investments in leveraged leases, as discussed in Note 3.

### *Cash and Cash Equivalents*

For purposes of reporting cash flows, cash and cash equivalents include cash and non-interest-bearing deposits, interest-bearing deposits and funds sold. All amounts are readily convertible to cash and have maturities less than 90 days.

### *Investment Securities*

Investment securities are accounted for according to their purpose and holding period. Debt securities that may not be held to maturity and marketable equity securities are classified as securities available for sale and are reported at fair value, with unrealized gains and losses, after applicable taxes, reported as a component of cumulative other comprehensive income. Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and are reported at amortized cost. Trading securities are those securities acquired for the purpose of funding the Company's liabilities associated with certain compensation plans. These securities are included in other assets and are carried at fair value with unrealized holding gains and losses recognized currently in non-interest income. Non-marketable equity securities (Federal Reserve Bank and Federal Home Loan Bank stock) are accounted for at cost and included in other assets.

The estimated fair value of a security is determined based on current market quotations. Declines in the value of debt securities and marketable equity securities that are considered other than temporary are recorded in non-interest income. Realized gains and losses are recorded in non-interest income using the specific identification method.

### *Loans Held for Sale*

Loans held for sale, principally mortgage loans, are valued on an aggregate basis at the lower of carrying amount or fair value. Gains and losses on loan sales (sales proceeds minus carrying value) are recorded in the mortgage banking component of non-interest income.

### *Loans and Leases*

Loans are reported at the principal amount outstanding, net of unearned income. Interest income is recognized on an accrual basis. Loan origination fees, certain direct costs, unearned discounts and premiums are deferred and amortized into interest income as an adjustment to yield using methods that approximate the effective yield method over the term or estimated life of the loan. Non-refundable fees and direct loan origination cost related to loans held for sale are deferred and recognized as a component of the gain or loss on sale. Loan commitment fees are generally deferred and amortized into interest income over the commitment period. Other credit-related fees are recognized as fee income, a component of non-interest income, when earned.

Direct financing leases are carried at the aggregate of lease payments receivable plus estimated residual value of the leased property, less unearned income. Leveraged leases, which are a form of financing leases, are carried net of non-recourse debt. Unearned income on direct financing and leveraged leases is amortized over the lease term by methods that approximate the interest method. Residual values on leased assets are reviewed regularly for other than temporary impairment.

### *Non-Performing Loans and Leases*

Generally, loans are placed on non-accrual status upon becoming contractually past due 90 days or more for principal or interest (unless adequately secured by collateral, and are in the process of collection and are reasonably expected to result in repayment), when terms are renegotiated below market levels, or where substantial doubt about full repayment of principal and or interest is evident.

When a loan is placed on non-accrual status, the accrued and unpaid interest receivable is reversed and the loan is accounted for on the cash or cost recovery method until qualifying for return to accrual status. A loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement.

Loans are charged-off when it is probable that a loss has been incurred and when it is possible to make a reasonable estimate of the loss. For commercial loans, a charge-off is determined on a judgmental basis after due consideration of the debtor's prospects for repayment and the fair value of collateral is deemed deficient. For residential mortgage and home equity loans, a charge-off is required at 120 days delinquency for the amount that the estimated fair value (sales price minus all costs to acquire title, to hold and to sell) is less than the loan balance. Other consumer loans are charged-off upon becoming past due 120 days.

### *Reserve for Credit Losses*

The Company's reserve for credit losses is comprised of two components, the Allowance for Loan and Lease Losses (the "Allowance") and the Reserve for Unfunded Commitments ("Unfunded Reserve"). The Unfunded Reserve was reclassified on a prospective basis at December 31, 2004 from the Allowance to other liabilities in the Company's Consolidated Statements of Condition. Changes to the level of the Reserve are recognized through charges or credits to the provision for credit losses (the "Provision").

### *Allowance for Loan and Lease Losses*

The Allowance is a valuation allowance for estimated probable credit losses inherent in the loan and lease portfolio as of a given balance sheet date. In accordance with accounting and regulatory guidance, the Company maintains an Allowance adequate to cover management's estimate of probable credit losses. Changes to the absolute level of the Allowance are recognized through charges or credits to the Provision. Losses represent a charge or reduction to the Allowance while recoveries are credited or added back. Credit exposures covered by the Allowance are defined as funded or outstanding amounts of loans and leases.

The Allowance is allocated based on analyses of individual borrowers and historical loss experience supplemented as necessary by credit judgment to address observed changes in trends and conditions and other relevant environmental and economic factors that may affect the collectibility of loans in the portfolio. Given the many subjective factors affecting the loan portfolio, observed changes in trends and conditions may not directly coincide with changes in credit risk ratings or current loss experience.

The allocation is separated between baseline and credit judgment segments. Baseline loss estimates reflect a "bottoms-up" approach based on a quarterly evaluation of individual commercial borrowers for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 114, *"Accounting by Creditors for Impairment of a Loan"* as amended by SFAS No. 118, *"Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures"* ("SFAS No. 114"). Identification of specific borrowers for review is based on non-accrual status and those identified by management as exhibiting above average levels of risk.

The baseline segment also includes analyses of historical loss patterns in various loan pools that have been grouped based on similar risk characteristics for collective evaluation of impairment in accordance with SFAS No. 5, *"Accounting for Contingencies"* ("SFAS No. 5"). Commercial loan pools are collectively evaluated for impairment based on line-of-business and internal risk rating segmentation and exclude those loans evaluated for impairment under SFAS No. 114. Loss estimates are calculated based on an analysis of historical risk rating migrations to loss. Consumer and small business loan pools reflect aggregation of similar products based on geography. A range of loss estimate is calculated based on historical rolling average loss rates, credit score band or tier-based loss rates and average delinquency flows to loss.

The credit judgment segment supplements the baseline and is based on assessments of portfolio performance not reflected in the historical analyses. Evaluation of these environmental and economic factors results in a range of probable loss from which the amount of credit judgment is set. Relevant factors include, but are not limited to, concentrations (geographic, large borrower and industry), economic trends and conditions, changes in underwriting standards, experience and depth of lending staff, and trends in delinquencies, loan impairment and net charge-offs. In addition, the Company uses a variety of other tools to estimate probable losses including, but not limited to, a rolling quarterly forecast of asset quality metrics; stress testing; and performance indicators based on the Company's own experience, peers or other industry sources.

The Allowance also contains an unallocated component that covers a measure for imprecision relative to quantitative and judgmental estimates that will inevitably be imprecise partially due to delayed information and interpretation of that information. Management recognizes that a measure of imprecision is in-and-of itself highly subjective and is based on collective experience. The level of the unallocated component may vary from period to period.

### *Reserve for Unfunded Commitments*

The Unfunded Reserve is a component of other liabilities and represents the estimate for probable credit losses inherent in unfunded commitments to extend credit. Unfunded commitments to extend credit include banker's acceptances, financial and standby letters of credit, commercial letters of credit, overnight overdrafts and credit cards where the Company has issued a loss guarantee on behalf of its customers to facilitate card issuance. The process used to determine the Unfunded Reserve is consistent with the process for determining the Allowance as adjusted for

estimated funding probabilities or loan equivalency factors. The Unfunded Reserve is increased or decreased through the Provision.

#### *Premises and Equipment*

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight line method over the estimated useful lives of the asset. Leasehold improvements are amortized over the term of the respective lease. Useful lives range from three to fifty years for premises and improvements, and three to ten years for equipment.

#### *Foreclosed Real Estate*

Foreclosed real estate consists of properties acquired through foreclosure proceedings or acceptance of a deed-in-lieu of foreclosure. These properties are carried at the lower of cost or fair value based on current appraisals less estimated selling costs. Losses arising at the time of acquiring such property are charged against the Allowance. Subsequent declines in property value are recognized through charges to non-interest expense.

#### *Mortgage Servicing Rights*

Mortgage servicing rights are recognized as assets when mortgage loans are sold and the rights to service those loans are retained. The assets are recorded at their relative fair values on the date the loans are sold and are carried at the lower of the initial recorded value, adjusted for amortization, or fair value. The assets are amortized in proportion to and over the period of estimated total net servicing income.

An impairment analysis is performed on a quarterly basis by estimating the fair value of the mortgage servicing rights and comparing that value to the carrying amount. The assets are stratified by certain risk characteristics, primarily loan type and note rate. The Company estimates the fair value using a discounted cash flow model to calculate the present value of estimated future net servicing income. The model uses factors such as loan prepayment rates, costs to service, ancillary income, impound account balances and interest rate assumptions in its calculations. An impairment in any one stratification would result in a valuation allowance of the mortgage servicing rights being recognized in mortgage banking income. No impairment charges were recognized in 2005 or 2003 but an expense of \$13,000 was recorded in 2004.

#### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is assessed at least annually for impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. There was a \$1.3 million impairment charge in 2005 related to the Company's insurance business. No impairment of goodwill occurred in 2004 or 2003.

#### *Securities Sold Under Agreements to Repurchase*

The Company enters into agreements under which it sells securities subject to an obligation to repurchase the same or similar securities. Under these arrangements, the Company may transfer legal control over the assets but still retain effective control through an agreement that both entitles and obligates the Company to repurchase the assets. As a result, repurchase agreements are accounted for as collateralized financing arrangements and not as a sale and subsequent repurchase of securities. The obligation to repurchase the securities is reflected as a liability in the Consolidated Statements of Condition while the securities underlying the agreements remain in the respective asset accounts. If the secured party can re-sell or re-pledge the securities, they are classified as pledged securities in the Consolidated Statements of Condition. If the secured party cannot resell or re-pledge the securities, they are not separately identified.

### *Asset Impairments*

Under Company policy, which is in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets are evaluated for impairment based on their future use. For an asset that is to be held and used, an impairment loss, which is measured as the difference between the carrying amount and fair value of the asset, is recognized only if the carrying value of the long-lived asset is not recoverable from its undiscounted cash flows. For a long-lived asset to be disposed of by sale, the asset is measured at the lower of its carrying amount or fair value less cost to sell and depreciation is ceased. There was no impairment of long-lived assets in 2005, 2004 or 2003; however, in 2003 depreciation was accelerated over their remaining useful life on assets related to the Systems Replacement Project, as further discussed below.

### *Information Technology System Replacement Project*

In 2003, the Company completed the Information Technology System Replacement Project, which was accounted for under SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. The costs associated with this project included employee termination benefits, costs to terminate contracts, asset abandonment and professional fees. Termination benefits for employees not required to render service beyond a minimum retention period were recognized at fair value at the communication date. Termination benefits for employees that were required to render service beyond a minimum retention period were recognized ratably over the remaining service period. Costs to terminate a contract before the end of its term were recognized and measured at fair value when the contract terminated. Professional fees were expensed ratably over the conversion period. Depreciation expense on assets abandoned was accelerated and recognized over the shortened life.

### *Income Taxes*

The Company files a consolidated federal income tax return with the Bank and its subsidiaries. Deferred income taxes are provided to reflect the tax effect of temporary differences between financial statement carrying amounts and the corresponding tax basis of assets and liabilities. Deferred taxes are calculated by applying enacted statutory tax rates and tax laws to future years in which temporary differences are expected to reverse. The impact on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the rate change is enacted. A deferred tax valuation reserve is established if it is more likely than not that a deferred tax asset will not be realized.

The Company maintains reserves for certain tax exposures that arise in the normal course of business. These exposures are evaluated based on an assessment of probabilities as to the likelihood of whether a liability has been incurred. Such assessments are reviewed as events occur and adjustments to the reserves are made as appropriate.

The Company's tax sharing policy provides for the settlement of income taxes between each relevant subsidiary as if the subsidiary had filed a separate return. Payments are made to the Company by subsidiaries with tax liabilities, and subsidiaries that generate tax benefits receive payments for those benefits as used.

### *Pension and Postretirement Benefits*

The Company incurs certain employment-related expenses associated with pensions and postretirement health benefits. In order to measure the expense associated with these benefits, various assumptions are made including the discount rate used to value certain liabilities, expected return on plan assets, anticipated mortality rates and expected future healthcare costs. The assumptions used are based on historical experience as well as current facts and circumstances. A third-party actuarial firm is used to assist the Company's management in properly measuring the expense and liability associated with these benefits. The Company uses a December 31 measurement date for all its plans. At the measurement date, plan assets are determined based on fair value, generally representing observable market prices. The projected benefit obligation is principally determined based on the present value of projected benefit distributions at an assumed discount rate.

Periodic pension expense (or credits) includes interest costs based on the assumed discount rate, the expected return on plan assets based on an actuarially derived market-related value and amortization of actuarial gains and losses. Periodic postretirement expense includes service cost, interest costs based on the assumed discount rate, amortization of unrecognized net transition obligation and recognized actuarial gains or losses.

#### *Earnings Per Share*

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the dilutive impact of common stock equivalents and uses the average share price during the period in determining the number of incremental shares to be added to the weighted average number of common shares outstanding. There were no adjustments to net income (the numerator) for purposes of computing basic EPS. A reconciliation of the weighted average common shares outstanding for computing diluted EPS for 2005, 2004 and 2003 follows:

	<b>Weighted Average Shares</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Denominator for Basic EPS</b>	51,848,765	53,232,815	58,338,566
Dilutive Effect of Stock Options and Restricted Stock	1,462,051	3,008,229	2,747,001
<b>Denominator for Diluted EPS</b>	<b>53,310,816</b>	<b>56,241,044</b>	<b>61,085,567</b>

#### *Risk Management Instruments*

The Company has authorization from its Board to use derivative financial instruments as an end-user in connection with its risk management activities and to accommodate the needs of customers. The Company has not qualified for any of the hedge accounting methods (i.e., fair value, cash flow or net investment in foreign operations hedges) addressed under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133"). All risk management derivative instruments are carried at fair value in the balance sheet and changes in fair values are reported in current period non-interest income.

#### *Stock-Based Compensation*

The Company has employee and director stock option plans that are more fully described in Note 12. As permitted by SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123") through December 31, 2005, the Company had elected to continue applying the intrinsic value method of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), in accounting for stock-based employee compensation plans. The Company adopted the provisions of SFAS No. 123(R), *Share-Based Payment*, ("SFAS No. 123(R)") on January 1, 2006. Generally, prior to the adoption of SFAS No. 123(R), no expense for stock option grants was reflected in the results of operations as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123.

(dollars in thousands except per share and option data)

	2005	2004	2003
Net Income, as reported	\$ 181,561	\$ 173,339	\$ 135,195
Add: Equity-Based Employee Compensation Expense Included in Reported Net Income, Net of Related Tax Effects <sup>1</sup>	2,731	3,585	4,338
Less: Total Equity-Based Employee Compensation Expense Determined Under Fair Value Method For All Option Awards, Net of Related Tax Effects <sup>1,2</sup>	(7,132)	(7,673)	(13,369)
<b>Pro Forma Net Income</b>	<b>\$ 177,160</b>	<b>\$ 169,251</b>	<b>\$ 126,164</b>
<b>Earnings Per Share:</b>			
Basic-as reported	\$ 3.50	\$ 3.26	\$ 2.32
Basic-pro forma	3.42	3.18	2.16
Diluted-as reported	3.41	3.08	2.21
Diluted-pro forma	3.32	3.01	2.07
<b>Weighted Average Fair Value of Options</b>			
Granted During the Year <sup>2</sup>	\$ 10.39	\$ 12.25	\$ 8.89
<b>Assumptions:</b>			
Average Risk Free Interest Rate	4.32%	4.37%	3.96%
Average Expected Volatility	22.07%	32.15%	32.04%
Expected Dividend Yield	2.80%	3.10%	3.21%
Expected Life	5.6 years	5.8 years	6.4 years

<sup>1</sup> Prior period amounts restated to include all equity-based compensation expense.

<sup>2</sup> A Black-Scholes option pricing model was used to determine the fair values of the options granted.

The method of estimating the average expected volatility was changed in 2005 to consider the change in daily market price of the Company's stock over the expected term of the options, excluding the interim years 2000-2003. During this excluded period, the Company divested most of its foreign and U.S. mainland operations in addition to outsourcing its information technology system. The volatility during that period was not considered representative of the Company's normal volatility measure. The change in the volatility assumption resulted in a decrease in the option fair value.

#### *Stock Repurchases*

Shares of the Company's common stock that are repurchased are recorded in treasury stock at cost.

#### *Advertising Costs*

The Company recognizes its advertising costs as incurred. Advertising costs were \$5.3 million, \$5.5 million and \$4.6 million in 2005, 2004 and 2003, respectively.

#### *International Operations*

The Bank has operations that are conducted in certain Pacific Islands that are denominated in U.S. dollars. These operations are classified as domestic.

#### *Recent Accounting Standards*

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R), which is a revision of SFAS No. 123. SFAS No. 123(R) supersedes APB No. 25 and amends FASB Statement No. 95, *Statement of Cash Flows*. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense through the income statement based on estimated fair value at issue date. Pro forma disclosure will no longer be an alternative. The Company adopted SFAS No. 123(R) on January 1, 2006.

The Company adopted SFAS No. 123(R) using the "modified prospective" method. Under this method, awards that are granted, modified, or settled after January 1, 2006, will be measured and accounted for in accordance with SFAS No. 123(R). Also under this method, expense will be recognized in the income statement for unvested awards that were granted prior to January 1, 2006, based upon the fair value determined at the grant date under SFAS No. 123.

The adoption of SFAS No. 123(R) is not expected to have a material adverse effect on the Company's overall financial condition or results of operations. Had the Company adopted SFAS No. 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net income and earnings per share shown in the table above.

In July 2005, the FASB issued an exposure draft, FASB Staff Position ("FSP") No. FAS 13-a "*Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction*" ("FSP 13-a"). Under FSP 13-a, a revision in the timing of expected cash flows of a leveraged lease may require a recalculation of the original lease assumptions. A material change in the net investment in a leveraged lease using different cash flow assumptions would be recognized as a gain or loss in the period in which the assumptions are revised. The Company has entered into one leveraged lease transaction known as Lease In/Lease Out ("LILLO") and several Sale In/Lease Out ("SILO") transactions that are currently under various stages of review by the Internal Revenue Service ("IRS"). The outcome of these reviews may change the timing of cash flows from these leases which, under the current draft of FSP 13-a, would result in gain or loss recognition. Under FSP 13-a, a one time implementation gain or loss (net of tax) would be recognized as a cumulative effect of change in accounting principle. The LILLO transaction is currently in the IRS appeals process. The range of settlement with the IRS may result in an approximate after-tax expense that could be as much as \$4.0 million which, under the current draft form of FSP 13-a, would be recorded as a cumulative effect of change in accounting principle (this charge would be recognized back into income over the remaining term of the affected lease). The SILO transactions currently have not entered the appeals process. Thus, based on the current set of facts known at this time, the Company cannot estimate a range of loss on the SILOs. The final FSP is expected to be issued in 2006.

## Note 2 – Investment Securities

The following presents the details of the investment securities portfolio:

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>At December 31, 2005</b>				
<b>Investment Securities – Available for Sale</b>				
Debt Securities Issued by the U.S. Treasury and Agencies	\$ 100,558	\$ 159	\$ (606)	\$ 100,111
Debt Securities Issued by States and Municipalities	33,240	54	(334)	32,960
Mortgage-Backed Securities	2,113,645	4,366	(38,159)	2,079,852
Other Debt Securities	333,418	127	(8,253)	325,292
<b>Total</b>	<b>\$ 2,580,861</b>	<b>\$ 4,706</b>	<b>\$ (47,352)</b>	<b>\$ 2,538,215</b>
<b>Investment Securities – Held to Maturity</b>				
Debt Securities Issued by States and Municipalities	\$ 70	\$ 2	\$ –	\$ 72
Mortgage-Backed Securities	454,170	1,069	(12,322)	442,917
<b>Total</b>	<b>\$ 454,240</b>	<b>\$ 1,071</b>	<b>\$ (12,322)</b>	<b>\$ 442,989</b>
<b>At December 31, 2004</b>				
<b>Investment Securities – Available for Sale</b>				
Debt Securities Issued by the U.S. Treasury and Agencies	\$ 38,551	\$ 406	\$ (15)	\$ 38,942
Debt Securities Issued by States and Municipalities	7,958	150	(27)	8,081
Mortgage-Backed Securities	2,090,510	15,195	(6,711)	2,098,994
Other Debt Securities	338,495	1,229	(2,022)	337,702
<b>Total</b>	<b>\$ 2,475,514</b>	<b>\$ 16,980</b>	<b>\$ (8,775)</b>	<b>\$ 2,483,719</b>
<b>Investment Securities – Held to Maturity</b>				
Debt Securities Issued by States and Municipalities	\$ 90	\$ 6	\$ –	\$ 96
Mortgage-Backed Securities	589,818	2,295	(6,373)	585,740
<b>Total</b>	<b>\$ 589,908</b>	<b>\$ 2,301</b>	<b>\$ (6,373)</b>	<b>\$ 585,836</b>
<b>At December 31, 2003</b>				
<b>Investment Securities – Available for Sale</b>				
Equity Securities	\$ 261	\$ –	\$ –	\$ 261
Debt Securities Issued by the U.S. Treasury and Agencies	59,339	1,651	–	60,990
Debt Securities Issued by States and Municipalities	5,957	263	–	6,220
Mortgage-Backed Securities	1,790,692	20,975	(6,394)	1,805,273
Other Debt Securities	118,040	458	(126)	118,372
<b>Total</b>	<b>\$ 1,974,289</b>	<b>\$ 23,347</b>	<b>\$ (6,520)</b>	<b>\$ 1,991,116</b>
<b>Investment Securities – Held to Maturity</b>				
Debt Securities Issued by the U.S. Treasury and Agencies	\$ 22,021	\$ –	\$ (3)	\$ 22,018
Debt Securities Issued by States and Municipalities	130	12	–	142
Mortgage-Backed Securities	705,082	3,500	(10,043)	698,539
<b>Total</b>	<b>\$ 727,233</b>	<b>\$ 3,512</b>	<b>\$ (10,046)</b>	<b>\$ 720,699</b>



The following presents an analysis of the contractual maturities of the investment securities portfolio as of December 31, 2005:

(dollars in thousands)

	Amortized Cost	Fair Value
<b>Investment Securities – Available for Sale</b>		
Due in One Year or Less	\$ 17,356	\$ 17,280
Due After One Year Through Five Years	411,830	403,245
Due After Five Years Through Ten Years	35,737	35,534
Due After Ten Years	2,293	2,304
	467,216	458,363
Mortgage-Backed Securities	2,113,645	2,079,852
<b>Total</b>	<b>\$ 2,580,861</b>	<b>\$ 2,538,215</b>
<b>Investment Securities – Held to Maturity</b>		
Due After One Year Through Five Years	\$ 70	\$ 72
Mortgage-Backed Securities	454,170	442,917
<b>Total</b>	<b>\$ 454,240</b>	<b>\$ 442,989</b>

Investment securities of \$1.7 billion and \$1.5 billion carrying value which approximated fair value were pledged to secure deposits of governmental entities and repurchase agreements at December 31, 2005 and 2004, respectively.

Gross gains and losses from sales of investment securities for the years ended December 31, 2005, 2004 and 2003 were as follows:

(dollars in thousands)

	2005	2004	2003
Gross Gains on Sales of Securities	\$ 697	\$ 318	\$ 1,838
Gross Losses on Sales of Securities	(356)	(1,112)	(49)
<b>Net Gains (Losses) on Sales of Investment Securities</b>	<b>\$ 341</b>	<b>\$ (794)</b>	<b>\$ 1,789</b>

The following presents temporarily impaired investment securities as of December 31, 2005 and 2004:

#### Temporarily Impaired Investment Securities

(dollars in thousands)	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>At December 31, 2005</b>						
Debt Securities Issued by the U.S. Treasury and Agencies	\$ 82,593	\$ (606)	\$ –	\$ –	\$ 82,593	\$ (606)
Debt Securities Issued by States and Municipalities	29,646	(324)	670	(10)	30,316	(334)
Mortgage-Backed Securities	1,294,721	(21,286)	950,360	(29,195)	2,245,081	(50,481)
Other Debt Securities	103,354	(1,617)	218,783	(6,636)	322,137	(8,253)
<b>Total</b>	<b>\$ 1,510,314</b>	<b>\$ (23,833)</b>	<b>\$ 1,169,813</b>	<b>\$ (35,841)</b>	<b>\$ 2,680,127</b>	<b>\$ (59,674)</b>
<b>At December 31, 2004</b>						
Debt Securities Issued by the U.S. Treasury and Agencies	\$ 10,860	\$ (15)	\$ –	\$ –	\$ 10,860	\$ (15)
Debt Securities Issued by States and Municipalities	762	(27)	–	–	762	(27)
Mortgage-Backed Securities	999,130	(8,310)	284,389	(4,774)	1,283,519	(13,084)
Other Debt Securities	174,111	(2,022)	–	–	174,111	(2,022)
<b>Total</b>	<b>\$ 1,184,863</b>	<b>\$ (10,374)</b>	<b>\$ 284,389</b>	<b>\$ (4,774)</b>	<b>\$ 1,469,252</b>	<b>\$ (15,148)</b>

The Company does not believe gross unrealized losses as of December 31, 2005, which is comprised of 211 securities, represent an other-

than-temporary impairment. The gross unrealized losses reported for mortgage-backed securities relate primarily to securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and private institutions. These gross unrealized losses, which represent 2.0% of total amortized cost basis, were attributable to changes in interest rates. The Company has both the intent and ability to hold the securities for a time necessary to recover the amortized cost.

Income taxes related to 2005 net realized gain on the sale of investment securities were \$0.1 million. The cumulative other comprehensive income from net unrealized losses on investment securities was \$(27.3) million (net of taxes) as of December 31, 2005.

### Note 3 – Loans and the Reserve for Credit Losses

The loan portfolio was comprised of the following at December 31:

(dollars in thousands)	2005	2004	2003	2002	2001
<b>Domestic Loans</b>					
Commercial					
Commercial and Industrial	\$ 918,777	\$ 923,643	\$ 816,246	\$ 875,000	\$ 1,169,785
Commercial Mortgage	558,346	602,678	639,354	591,055	640,723
Construction	153,393	105,967	101,321	127,539	169,595
Lease Financing	470,155	479,100	435,934	427,378	423,921
<b>Total Commercial</b>	<b>2,100,671</b>	<b>2,111,388</b>	<b>1,992,855</b>	<b>2,020,972</b>	<b>2,404,024</b>
Consumer					
Residential Mortgage	2,431,552	2,326,937	2,320,410	2,131,412	2,424,013
Home Equity	801,767	657,164	467,019	428,204	329,948
Purchased Home Equity	72,633	122,728	212,514	185,762	–
Other Revolving Credit and Installment	736,364	736,178	658,831	493,310	399,745
Lease Financing	25,549	32,535	35,320	34,456	38,906
<b>Total Consumer</b>	<b>4,067,865</b>	<b>3,875,542</b>	<b>3,694,094</b>	<b>3,273,144</b>	<b>3,192,612</b>
<b>Total Domestic Loans</b>	<b>6,168,536</b>	<b>5,986,930</b>	<b>5,686,949</b>	<b>5,294,116</b>	<b>5,596,636</b>
<b>Foreign Loans</b>					
Banks and Other Financial Institutions	–	–	1,364	1,886	1,416
Commercial and Industrial	–	–	22,317	15,018	12,174
Lease Financing	–	–	31,580	31,079	30,598
Other	–	–	14,965	16,905	16,298
<b>Total Foreign Loans</b>	<b>–</b>	<b>–</b>	<b>70,226</b>	<b>64,888</b>	<b>60,486</b>
<b>Total Loans and Leases</b>	<b>\$ 6,168,536</b>	<b>\$ 5,986,930</b>	<b>\$ 5,757,175</b>	<b>\$ 5,359,004</b>	<b>\$ 5,657,122</b>

Total loans and leases were reported net of unearned income totaling \$154.9 million and \$176.8 million as of December 31, 2005 and 2004, respectively.

The Company's lending activities are concentrated in its primary geographic markets of Hawaii and the Pacific Islands. As of December 31, 2005 and 2004, the Company had foreign loans which were not significant, and therefore, included in the appropriate loan category.

Commercial and mortgage loans totaling \$455.4 million and \$476.2 million were pledged to secure Federal Home Loan Bank and Federal Reserve Bank advances at December 31, 2005 and 2004, respectively.

The aggregate amount of gains and losses on sales of mortgage loans is shown below. There were no sales of commercial loans.

(dollars in thousands)	2005	2004
Gross Gains on Sales of Mortgage Loans	\$ 2,733	\$ 3,944
Gross Losses on Sales of Mortgage Loans	(322)	(649)
<b>Total Net Gains on Sales of Mortgage Loans</b>	<b>\$ 2,411</b>	<b>\$ 3,295</b>

The Company is the lessor in various leveraged lease agreements under which airplanes, rail cars and water-craft, with estimated economic lives ranging from 20 to 36 years, are leased for terms up to 29 years. The Company's equity investment typically represents between 20% and 30% of the purchase price, with the remaining percentage being furnished by third-party financing in the form of long-term debt that provides for no recourse against the Company and is secured by a first lien on the asset. The residual value of the asset is estimated at the beginning of the lease, based on



appraisals and other methods, and is reviewed at least annually for impairment. At the end of the lease term, the asset is returned to the Company. For federal income tax purposes, the Company receives the benefit of tax deductions for depreciation on the entire leased asset and for interest on the long-term debt. During the early years of the lease, tax deductions exceed lease rental income, resulting in reduced income taxes. In the later years of the lease, rental income will exceed the deductions and taxes will be payable. Deferred taxes are provided to reflect this timing difference. The investment in leveraged leases at December 31, 2005 of \$380.5 million is included in the commercial lease financing total of \$470.2 million shown in the loan portfolio table.

The Company's net investment in leveraged leases was comprised of the following:

(dollars in thousands)	December 31,	
	2005	2004
Rentals Receivable (Net of Principal and Interest on Non-Recourse Debt)	\$ 303,632	\$ 315,152
Estimated Residual Value of Leased Assets	200,842	196,170
Less: Unearned and Deferred Income	(123,942)	(132,797)
Investment in Leveraged Leases	380,532	378,525
Less: Deferred Taxes Arising from Leveraged Leases	(303,199)	(286,415)
<b>Net Investment in Leveraged Leases</b>	<b>\$ 77,333</b>	<b>\$ 92,110</b>

Certain directors and executive officers of the Company and its subsidiaries, companies in which they are principal owners, and trusts in which they are involved, have loans with the Bank. These loans were made in the ordinary course of business at normal credit terms, including interest rate and collateral requirements. At December 31, 2005 and 2004, such loans amounted to \$16.8 million and \$86.3 million, respectively. During 2005, the activity in these loans included new borrowings of \$5.2 million and repayments of \$76.3 million. The loan balances were also increased by \$1.6 million as a result of changes in the parties considered executive officers under SEC regulations.

Activity in the reserve for credit losses was as follows for the years ended December 31:

(dollars in thousands)	2005	2004	2003	2002	2001
<b>Balance at Beginning of Period</b>	\$ 113,596	\$ 129,080	\$ 142,853	\$ 158,979	\$ 246,247
<b>Loans and Leases Charged-Off</b>					
Commercial					
Commercial and Industrial	(2,507)	(4,408)	(5,311)	(13,039)	(97,686)
Commercial Mortgage	–	(575)	(548)	(2,868)	(19,456)
Construction	–	–	(529)	(495)	–
Lease Financing	(10,049)	(1,381)	(353)	(9,861)	(648)
Consumer					
Residential Mortgage	(646)	(819)	(1,877)	(3,496)	(8,942)
Home Equity	–	(20)	(339)	(234)	(564)
Purchased Home Equity	(959)	(807)	(257)	–	–
Other Revolving Credit and Installment	(19,268)	(18,390)	(17,412)	(12,470)	(19,190)
Lease Financing	(104)	(155)	(267)	(354)	(531)
Foreign	–	–	–	–	(21,987)
<b>Total Loans and Leases Charged-Off</b>	<b>(33,533)</b>	<b>(26,555)</b>	<b>(26,893)</b>	<b>(42,817)</b>	<b>(169,004)</b>
<b>Recoveries on Loans and Leases Previously Charged-Off</b>					
Commercial					
Commercial and Industrial	1,751	3,973	3,878	4,761	9,226
Commercial Mortgage	3,246	2,052	129	2,056	3,189
Construction	–	529	958	173	–
Lease Financing	189	19	106	–	291
Consumer					
Residential Mortgage	641	915	1,027	1,111	996
Home Equity	35	158	133	104	63
Purchased Home Equity	376	125	–	–	–
Other Revolving Credit and Installment	5,215	6,136	6,177	6,168	8,054
Lease Financing	63	103	82	31	101
Foreign	–	7,061	630	671	25,602
<b>Total Recoveries on Loans and Leases Previously Charged-Off</b>	<b>11,516</b>	<b>21,071</b>	<b>13,120</b>	<b>15,075</b>	<b>47,522</b>
Net Loan and Lease Charge-Offs	(22,017)	(5,484)	(13,773)	(27,742)	(121,482)
Provision for Credit Losses	4,588	(10,000)	–	11,616	74,339
Allowance Related to Divestitures	–	–	–	–	(40,227)
Other	–	–	–	–	102
<b>Balance at End of Period <sup>1</sup></b>	<b>\$ 96,167</b>	<b>\$ 113,596</b>	<b>\$ 129,080</b>	<b>\$ 142,853</b>	<b>\$ 158,979</b>
<b>Components</b>					
Allowance for Loan and Lease Losses	\$ 91,090	\$ 106,796	\$ 129,080	\$ 142,853	\$ 158,979
Reserve for Unfunded Commitments	5,077	6,800	–	–	–
<b>Total Reserve for Credit Losses</b>	<b>\$ 96,167</b>	<b>\$ 113,596</b>	<b>\$ 129,080</b>	<b>\$ 142,853</b>	<b>\$ 158,979</b>
<b>Average Loans and Leases Outstanding</b>	<b>\$ 6,110,264</b>	<b>\$ 5,786,663</b>	<b>\$ 5,524,423</b>	<b>\$ 5,411,387</b>	<b>\$ 7,732,691</b>
Ratio of Net Loan and Lease Charge-Offs to Average Loans and Leases Outstanding	0.36%	0.09%	0.25%	0.51%	1.57%
Ratio of Allowance for Loan and Lease Losses to Loans and Leases Outstanding	1.48%	1.78%	2.24%	2.67%	2.81%

<sup>1</sup> Included in this analysis is activity related to the Company's reserve for unfunded commitments, which is separately recorded in other liabilities in the Consolidated Statements of Condition. The reserve for unfunded commitments was transferred to other liabilities on a prospective basis on December 31, 2004.

Details of the Allowance related to foreign loans, which is included in the table above, were as follows:

<b>Balance at Beginning of Period</b>	\$ –	\$ 719	\$ 718	\$ 644	\$ 73,332
Charge-Offs	–	–	–	–	(21,987)
Recoveries	–	7,061	630	671	25,602
Net Loan Recoveries	–	7,061	630	671	3,615
Provision for Credit Losses	–	(7,344)	(629)	(597)	6,447

Allowance Related to Divestitures	-	-	-	-	(23,827)					
Other <sup>1</sup>	-	-	-	-	(58,923)					
<b>Balance at End of Period</b>	\$	-	\$	436	\$	719	\$	718	\$	644

<sup>1</sup> Includes amounts for balance transfers and foreign currency translation adjustments.

Non-accrual loans and leases as of December 31, 2005 and 2004 totaled \$5.8 million and \$13.7 million, respectively. Loans past due 90 days or more and still accruing interest totaled \$2.9 million and \$2.1 million as of December 31, 2005 and 2004, respectively.

The following table presents information on impaired loans as of December 31:

(dollars in thousands)	2005	2004	2003
Recorded Investment in Impaired Loans Not Requiring an Allowance for Loan and Lease Losses	\$ —	\$ 3,161	\$ 8,386
Recorded Investment in Impaired Loans Requiring an Allowance for Loan and Lease Losses	72	664	7,590
<b>Recorded Investment in Impaired Loans <sup>1</sup></b>	<b>\$ 72</b>	<b>\$ 3,825</b>	<b>\$ 15,976</b>
Allowance for Loan and Lease Losses on Impaired Loans	\$ 7	\$ 63	\$ 908
Average Recorded Investment in Impaired Loans During the Year	\$ 2,017	\$ 9,425	\$ 27,716

<sup>1</sup> There were no accruing market-rate troubled-debt restructurings in 2005 and 2004. Impaired loans in 2003 included accruing market-rate troubled-debt restructurings of \$0.2 million.

#### Note 4 – Mortgage Servicing Rights

As of December 31, 2005 and 2004, the Company's portfolio of residential loans serviced for third parties totaled \$2.5 billion and \$2.6 billion, respectively. The servicing portfolio is comprised primarily of fixed rate loans concentrated in Hawaii.

Changes in the carrying value of mortgage servicing rights, net of valuation allowance are summarized in the following table:

(dollars in thousands)	2005	2004
Balance at Beginning of Year	\$ 18,769	\$ 22,178
Originated Mortgage Servicing Rights	4,533	4,130
Mortgage Servicing Rights Valuation	—	(13)
Amortization	(5,292)	(7,526)
<b>Balance at End of Year</b>	<b>\$ 18,010</b>	<b>\$ 18,769</b>
<b>Fair Value at End of Year</b>	<b>\$ 25,689</b>	<b>\$ 22,154</b>

The key factors used in determining the fair value of mortgage servicing rights at December 31, 2005 and 2004 are presented below:

	2005	2004
Projected Weighted-Average Constant Prepayment Rate	13.45%	14.29%
Projected Weighted-Average Life (in years)	5.39	5.23
Projected Weighted-Average Discount Rate	8.59%	8.66%

Prepayment speeds for Hawaii loans were equal or slightly higher than the national averages in 2005.

A sensitivity analysis of the current fair value of mortgage servicing rights to immediate 10% and 20% adverse changes in those assumptions as of December 31, 2005 and 2004 are presented in the table below. These sensitivities are hypothetical and should be used accordingly. Estimated changes in fair value are based on assumptions and

generally cannot be extrapolated while the effect of a variation in a particular assumption on the fair value of the servicing rights is calculated without changing other assumptions.

(dollars in thousands)	December 31,	
	2005	2004
Fair Value	\$ 25,689	\$ 22,154
Prepayment Rate		
Decrease in fair value from 10% adverse change	(1,176)	(1,193)
Decrease in fair value from 20% adverse change	(2,258)	(2,354)
Discount Rate		
Decrease in fair value from 10% adverse change	(758)	(2,480)
Decrease in fair value from 20% adverse change	(1,475)	(5,369)

#### Note 5 – Premises and Equipment and Other Assets and Liabilities

The following is a summary of premises and equipment:

(dollars in thousands)	Cost	Accumulated Depreciation and Amortization	Net Book Value
<b>December 31, 2005</b>			
Premises	\$ 281,658	\$ (164,383)	\$ 117,275
Capital Leases	4,464	(2,321)	2,143
Equipment	188,582	(174,087)	14,495
<b>Total</b>	<b>\$ 474,704</b>	<b>\$ (340,791)</b>	<b>\$ 133,913</b>
<b>December 31, 2004</b>			
Premises	\$ 279,094	\$ (153,719)	\$ 125,375
Capital Leases	4,464	(2,143)	2,321
Equipment	187,065	(168,666)	18,399
<b>Total</b>	<b>\$ 470,623</b>	<b>\$ (324,528)</b>	<b>\$ 146,095</b>

Depreciation and amortization (including capital lease amortization) included in non-interest expense totaled \$18.3 million, \$20.8 million and \$28.8 million in 2005, 2004 and 2003, respectively.

The Company leases certain branch premises and equipment with lease terms extending through 2030. The Company's headquarters' building lease term is through 2052. Most of the leases for premises provide for a base rent over a specified period with renewal options thereafter. Portions of certain properties are subleased for periods expiring in various years through 2014. Lease terms generally provide for the Company to pay taxes, maintenance and other operating costs.

Future minimum payments for capital leases and non-cancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2005:

(dollars in thousands)	Capital Leases	Operating Leases
2006	\$ 605	\$ 12,831
2007	605	11,252
2008	665	10,082
2009	665	6,734
2010	665	5,488
Thereafter	27,911	91,350
<b>Total Future Minimum Lease Payments</b>	<b>31,116</b>	<b>\$ 137,737</b>
Amounts Representing Interest	(22,136)	

<b>Present Value of Net Minimum Lease Payments</b>	<b>\$</b>	<b>8,980</b>
--	-----------	--------------

Minimum future rentals receivable under subleases for non-cancelable operating leases amounted to \$11.6 million at December 31, 2005.

Rental expense for all operating leases for the years ended December 31, 2005, 2004 and 2003 is presented below:

(dollars in thousands)	2005	2004	2003
Minimum Rentals	\$ 16,801	\$ 16,547	\$ 17,593
Sublease Rental Income	(2,533)	(2,308)	(1,378)
<b>Total</b>	<b>\$ 14,268</b>	<b>\$ 14,239</b>	<b>\$ 16,215</b>

The components of other assets and other liabilities as of December 31, 2005 and 2004 were:

(dollars in thousands)	2005	2004
<b>Other Assets:</b>		
Bank-Owned Life Insurance	\$ 150,407	\$ 144,370
Federal Reserve Bank and Federal Home Loan Bank Stock	79,415	53,847
Low Income Housing Investments	28,529	34,597
Accounts Receivable	22,055	25,568
Federal Tax Deposit	43,000	-
Other	45,769	46,734
<b>Total Other Assets</b>	<b>\$ 369,175</b>	<b>\$ 305,116</b>
<b>Other Liabilities:</b>		
Incentive Plans Payable	\$ 12,609	\$ 12,090
Insurance Premiums Payable	8,395	7,940
Reserve for Unfunded Commitments	5,077	6,800
Self Insurance Reserve	6,273	6,366
Other	72,048	63,177
<b>Total Other Liabilities</b>	<b>\$ 104,402</b>	<b>\$ 96,373</b>

#### Note 6 – Deposits

Time deposits with balances of \$100,000 or more totaled \$695.7 million and \$569.4 million at December 31, 2005 and 2004, respectively. Deposits of governmental entities totaling \$2.6 million at December 31, 2005 require collateralization by acceptable securities.

Maturities of time deposits of \$100,000 or more at December 31, 2005 were as follows:

(dollars in thousands)	Amount
Due in 0 to 3 Months	\$ 226,134
Due in 4 to 6 Months	157,306
Due in 7 to 12 Months	110,085
Due in 2007	139,945
Due in 2008	35,759
Due in 2009	18,986
Due in 2010	4,220
Due Thereafter	3,293
<b>Total</b>	<b>\$ 695,728</b>

## Note 7 – Borrowings

Details of short-term borrowings for 2005, 2004 and 2003 were as follows:

(dollars in thousands)	2005	2004	2003
<b>Securities Sold Under Agreements to Repurchase <sup>1</sup></b>			
Amount Outstanding at December 31,	\$ 434,380	\$ 568,981	\$ 472,757
Average Amount Outstanding During Year	621,103	732,121	622,225
Maximum Amount Outstanding at Any Month End	849,195	1,039,204	813,472
Weighted Average Interest Rate During Year <sup>2</sup>	3.03%	1.28%	1.28%
Weighted Average Interest Rate End of Year	3.96%	1.90%	1.01%
<b>Funds Purchased</b>			
Amount Outstanding at December 31,	\$ 268,110	\$ 149,635	\$ 109,090
Average Amount Outstanding During Year	138,190	143,881	89,291
Maximum Amount Outstanding at Any Month End	268,110	317,330	159,530
Weighted Average Interest Rate During Year <sup>2</sup>	3.27%	1.26%	1.06%
Weighted Average Interest Rate End of Year	4.04%	2.21%	0.89%

<sup>1</sup> Excludes long-term securities sold under agreements to repurchase with private entities totaling \$175.0 million which are discussed below.

<sup>2</sup> Average rates for the year are computed by dividing actual interest expense on borrowings by average daily borrowings.

Securities sold under agreements to repurchase ("repos") are accounted for as financing transactions and the obligations to repurchase these securities are recorded as liabilities in the Consolidated Statements of Condition. The securities underlying the agreements to repurchase continue to be reflected as assets of the Company and are delivered to and held in collateral accounts with third party trustees.

Funds purchased generally mature on the next business day following the date of purchase.

Other short-term borrowings include Treasury Tax and Loan balances, which represent tax payments collected on behalf of the U.S. Government, callable at any time and bearing market interest rates, and commercial paper which is issued in various denominations generally maturing 90 days or less from date of issuance.

During 2005, the Bank entered into other repo agreements with private entities for terms greater than one year. At December 31, 2005, these long-term private repos totaled \$175.0 million. The long-term private repos are at floating interest rates tied to the London Inter Bank Offering Rate ("LIBOR"), of which the weighted average rate was 3.69% at December 31, 2005. The terms of the repos are 10 to 15 years. The private entities have the right to terminate repos totaling \$100.0 million in two years, repos totaling \$50.0 million quarterly after the third year, and the remaining repo totaling \$25.0 million in five years. If the agreements are not terminated, the rates become fixed ranging from 3.85% to 4.25% for the respective remaining terms.

## Note 8 – Long-Term Debt

Amounts outstanding for long-term debt as of December 31, 2005 and 2004 were as follows:

(dollars in thousands)	2005	2004
Subordinated Notes	\$ 124,798	\$ 124,760
Federal Home Loan Bank Advances	77,500	87,500
8.25% Capital Securities	31,425	31,425
Capital Leases	8,980	8,953
<b>Total Long-Term Debt</b>	<b>\$ 242,703</b>	<b>\$ 252,638</b>

As of December 31, 2005, \$124.8 million of subordinated notes issued by the Bank, bearing a fixed interest rate of 6.875%, were outstanding. The notes were issued in 1999 under the Bank's \$1.0 billion note program and mature in 2009. Under the terms of this program, the Bank may issue additional notes provided that at any time the aggregate amount outstanding does not exceed \$1.0 billion.

The Bank is a member of the Federal Home Loan Bank of Seattle (the "FHLB"). The Bank may borrow funds from the FHLB in amounts that equal up to 15% of the Bank's total assets, provided the Bank is able to pledge an adequate amount of qualified assets to secure the borrowing. The Bank is required to hold FHLB stock as a condition of membership. As of December 31, 2005, the Bank held \$60.9 million of FHLB stock.

FHLB advances of \$77.5 million were outstanding at December 31, 2005. The advances bear interest at rates ranging from 3.2% to 5.69% and mature from 2006 through 2010. At December 31, 2005, mortgage loans totaling \$93.4 million were pledged as collateral.

Bancorp Hawaii Capital Trust I (the "Trust"), a grantor trust wholly-owned by the Company, issued \$100.0 million 8.25% Capital Securities (the "Securities"). The Securities bear a cumulative fixed interest rate of 8.25% and mature on December 15, 2026. Interest payments are semi-annual. The Company is subject to an expense agreement with the Trust obligating the Company to pay any costs, expenses or liabilities of the Trust, other than obligations of the Trust to pay amounts due pursuant to the terms of the Securities. The sole assets of the Trust are Junior Subordinated Debt Securities (the "Debt") issued by the Company to the Trust. The Debt is redeemable prior to the stated maturity at the Company's option. The Securities are subject to mandatory redemption upon repayment of the related Debt at their stated maturity dates, or their earlier redemption at a redemption price equal to their liquidation amount plus accrued distributions to the date fixed for redemption and the premium, if any, paid by the Company upon concurrent repayment of the related Debt. The Securities are redeemable, in whole or in part, at the option of the Trust at any time on or after December 15, 2006. The redemption price for the securities is equal to 104.125% for the 12-month period beginning December 15, 2006 and gradually decreases each year to 100% if redeemed on or after December 15, 2016. The Company has issued guarantees for the payment of distributions and payments on liquidation or redemption of the Securities, but only to the extent of funds held by the Trust. The guarantees are junior subordinated obligations of the Company. Distributions to securities holders may be deferred for up to five consecutive years. During any such deferral period the Company's ability to pay dividends on its common shares will be restricted. The Federal Reserve has announced that certain cumulative preferred securities having the characteristics of the Securities qualify as capital, and therefore are included in Tier 1 capital for BHCs. The Company repurchased \$68.6 million of the Securities in 2002. No repurchases were made in 2005, 2004 or 2003.

Capitalized lease obligations relate to office space at the headquarters of the Company. The lease began in 1993 and has a 60 year term. Lease payments are fixed at \$0.6 million per year through 2007, \$0.7 million per year from 2008 to 2012 and are negotiable thereafter.

As of December 31, 2005, future principal payments on long-term debt, excluding the capital lease obligation, are expected to be:

(dollars in thousands)	Amount
2006	\$ 2,500
2007	25,000
2008	—
2009	124,798
2010	50,000
Thereafter	31,425
<b>Total</b>	<b>\$ 233,723</b>

## Note 9 – Shareholders' Equity

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of Tier 1 and Total capital. Tier 1 capital is common shareholders' equity plus qualifying capital securities, reduced by unrealized gains and losses accumulated in other comprehensive income and certain intangible assets. Total capital is Tier 1 capital plus qualifying subordinated debt and allowable allowance for loan and lease losses. Three capital ratios are used to measure capital adequacy: Tier 1 capital divided by risk-weighted assets, as defined; Total capital divided by risk-weighted assets; and the leverage ratio, which is Tier 1 capital divided by quarterly average total assets.

As of December 31, 2005, the Company and the Bank were well capitalized as defined in the regulatory framework for prompt corrective action. There were no conditions or events since year-end that management believes have changed the Company's or the Bank's capital ratings.

The table below sets forth the minimum required capital for well capitalized institutions and the actual capital amounts and ratios for the Company and the Bank at December 31, 2005 and 2004:

(dollars in thousands)	Well Capitalized Minimum Ratio	Bank of Hawaii Corporation	Bank of Hawaii
<b>At December 31, 2005:</b>			
Shareholders' Equity		\$ 693,352	\$ 695,694
Tier 1 Capital		717,099	702,144
Total Capital		878,599	864,371
Tier 1 Capital Ratio	6%	10.36%	10.06%
Total Capital Ratio	10%	12.70%	12.38%
Leverage Ratio	5%	7.14%	6.94%
<b>At December 31, 2004:</b>			
Shareholders' Equity		\$ 814,834	\$ 713,433
Tier 1 Capital		804,792	686,096
Total Capital		987,923	870,007
Tier 1 Capital Ratio	6%	12.13%	10.25%
Total Capital Ratio	10%	14.89%	12.99%
Leverage Ratio	5%	8.29%	7.03%

Federal Reserve Board regulations require the Bank to maintain reserve balances based on the amount of deposits held. The required reserve balance was \$31.0 million and \$29.6 million at December 31, 2005 and 2004, respectively.

The Bank is subject to federal and state regulatory restrictions that limit cash dividends and loans to the Company. These restrictions generally require advanced approval from the Bank's regulator for payment of dividends in excess of earnings for the prior three years. No special dividends were paid in 2005, while \$66.0 million in special dividends were paid in 2004 by the Bank. Because of these special dividends, which were used by the Company for share repurchases, advanced approval is required for future dividends. Such approval was granted for an amount up to the

level of the Bank's income for 2005, subject to the absence of any adverse material change in the Bank's financial condition. This same approval has been granted for 2006.

The components of accumulated other comprehensive income (loss), net of tax, which is a component of shareholders' equity, were:

(dollars in thousands)	Minimum Pension Liability Adjustment	Net Unrealized Gains (Losses) on Securities	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2002	\$ (15,546)	\$ 27,205	\$ 11,659
Net change	(936)	(16,434)	(17,370)
Balance, December 31, 2003	(16,482)	10,771	(5,711)
Net change	(1,687)	(5,519)	(7,206)
Balance, December 31, 2004	(18,169)	5,252	(12,917)
Net change	(2,354)	(32,547)	(34,901)
<b>Balance, December 31, 2005</b>	<b>\$ (20,523)</b>	<b>\$ (27,295)</b>	<b>\$ (47,818)</b>

The following table presents the changes to accumulated other comprehensive income (loss) and the related tax effect allocated to each component:

(dollars in thousands)	Before Tax Amount	Tax Effect	Net of Tax
<b>2005:</b>			
Net Unrealized Losses on Available for Sale Securities			
Arising During the Year	\$ (50,510)	\$ (18,184)	\$ (32,326)
Reclassification of Net Gains on Investment Securities Included in Net Income	(341)	(120)	(221)
Net Unrealized Losses on Available for Sale Securities			
Arising During the Year	(50,851)	(18,304)	(32,547)
Minimum Pension Liability Adjustment	(3,622)	(1,268)	(2,354)
<b>Accumulated Other Comprehensive Loss</b>	<b>\$ (54,473)</b>	<b>\$ (19,572)</b>	<b>\$ (34,901)</b>
<b>2004:</b>			
Net Unrealized Losses on Available for Sale Securities			
Arising During the Year	\$ (9,416)	\$ (3,389)	\$ (6,027)
Reclassification of Net Losses on Investment Securities Included in Net Income	794	286	508
Net Unrealized Losses on Available for Sale Securities			
Arising During the Year	(8,622)	(3,103)	(5,519)
Minimum Pension Liability Adjustment	(2,596)	(909)	(1,687)
<b>Accumulated Other Comprehensive Loss</b>	<b>\$ (11,218)</b>	<b>\$ (4,012)</b>	<b>\$ (7,206)</b>
<b>2003:</b>			
Net Unrealized Losses on Available for Sale Securities			
Arising During the Year	\$ (23,494)	\$ (8,223)	\$ (15,271)
Reclassification of Net Gains on Investment Securities Included in Net Income			

Securities Included in Net Income	(1,789)	(626)	(1,163)
<hr/>			
Net Unrealized Losses on Available for Sale Securities			
Arising During the Year	(25,283)	(8,849)	(16,434)
Minimum Pension Liability Adjustment	(1,440)	(504)	(936)
<hr/>			
<b>Accumulated Other Comprehensive Loss</b>	<b>\$ (26,723)</b>	<b>\$ (9,353)</b>	<b>\$ (17,370)</b>
<hr/>			

During 2005, the Company's Board of Directors increased the authorization under the share repurchase program by an additional \$200.0 million. The authorizations, combined with the Company's previously announced authorizations of \$1.15 billion, brought the total authorized repurchase amount to \$1.35 billion. Shares repurchased under this program were held in treasury stock for reissue in connection with stock compensation plans and for general corporate purposes. In 2005, the Company retired 25.0 million shares of treasury stock. The Company repurchased 5.1 million shares during both 2005 and 2004 and 9.7 million shares during 2003 under this program. From the beginning of the share repurchase program in July 2001 through December 31, 2005, the Company repurchased a total of 40.0 million shares and returned a total of \$1.33 billion to its shareholders at an average cost of \$33.31 per share. Remaining buyback authority was \$18.0 million at December 31, 2005. In January 2006, an additional authorization of \$100.0 million was approved by the Board of Directors. From January 1, 2006 through February 17, 2006, the Company repurchased an additional 0.4 million shares at an average cost of \$52.73 per share for a total of \$20.5 million. Remaining buyback authority was \$97.5 million at February 17, 2006.

#### **Note 10 – Commitments and Contingencies**

The Company and its subsidiaries are subject to various pending and threatened legal proceedings arising out of normal course of business or operations. Based on current knowledge and after consultation with legal counsel, management believes current reserves determined in accordance with SFAS No. 5 are adequate and the amount of an incremental liability arising from these matters is not expected to have a material adverse effect on the Company's consolidated financial condition or results of operations.

#### **Note 11 – Employee Benefits**

##### *Defined Contribution Plans*

The Bank of Hawaii Retirement Savings Plan ("Savings Plan") has three Company contribution components: 1) 401(k) matching; 2) a 3% fixed amount based on eligible compensation; and 3) a discretionary value sharing contribution. Under the 401(k) component, participating employees may contribute up to 50% of their eligible compensation (within federal limits) to the Savings Plan. The Company makes matching contributions on behalf of participants each calendar quarter equal to \$1.25 for each \$1.00 contributed by participants, up to 2% of the participants' eligible compensation, and \$0.50 for every \$1.00 contributed by participants over 2% up to 5% of the participants' eligible compensation. A 3% fixed contribution and a discretionary value sharing contribution that is linked to the Company's financial goals are made regardless of whether the member contributes to the Savings Plan under the 401(k) and are invested in accordance with the participant's selection of investment options available under the Savings Plan. The Company also has a non-qualified Savings Plan which covers certain employees for amounts exceeding the limits under the Savings Plan. Total expense under all Savings Plans was \$12.4 million in 2005, \$12.1 million in 2004 and \$11.5 million in 2003.

##### *Defined Benefit Plans (Pension Plans)*

In 1995, the Company froze its non-contributory, qualified defined benefit retirement plan ("Retirement Plan") and excess retirement plan ("Excess Plan"), which covered employees of the Company and participating subsidiaries who met certain eligibility requirements. Beginning December 31, 2000, the Retirement Plan no longer provided for compensation increases in the determination of benefits.

Retirement Plan assets primarily consist of a collective investment fund and marketable securities including stocks, U.S. government treasury and agency securities, corporate bonds, a money market fund and mutual funds. The assets of the Retirement Plan include investments in a Bank of Hawaii collective investment fund and securities of related parties (Pacific Capital Funds mutual funds). The Asset Management Group of the Bank, an SEC registered investment adviser, serves as investment advisor to the Pacific Capital Funds family of mutual funds. The Bank manages the Bank of Hawaii collective investment fund. The fair value of securities of related parties was \$24.7 million and \$22.9 million as of December 31, 2005 and 2004, respectively.

The Excess Plan is a non-qualified excess retirement benefit plan which covers certain employees of the Company and participating subsidiaries for amounts exceeding the limits allowed under the Retirement Plan. The Excess Plan has no plan assets. The projected benefit obligation, accumulated benefit obligation and accrued benefit liability each totaled \$5.9 million as of December 31, 2005 and \$5.8 million as of December 31, 2004.

## Postretirement Benefit Plans

The Company's postretirement benefit plan provides retirees with life, dental and medical insurance coverage. The retiree life insurance benefit for participants who retired after 2003 was terminated as of December 31, 2003, which resulted in a curtailment gain of \$2.5 million in 2003. Employees who were retired as of December 31, 2003 are still eligible for the life insurance benefits. The costs of providing postretirement benefits are "shared costs" where both the employer and former employees pay a portion of the premium. Most employees of the Company and its subsidiaries who have met the eligibility requirements are covered by this plan. The Company recognizes the transition obligation over 20 years, ending in 2013. The Company has no segregated assets to provide postretirement benefits.

The Company uses a December 31 measurement date for all its plans.

The following table sets forth the change in benefit obligation, change in fair value of plan assets, funded status and net amount recognized in the Consolidated Statements of Condition for the aggregated pension plans (Retirement Plan and Excess Plan) and postretirement benefit plan for the years ended December 31, 2005 and 2004.

	Pension Benefits		Postretirement Benefits	
	2005	2004	2005	2004
(dollars in thousands)				
<b>Change in Benefit Obligation</b>				
Benefit Obligation at Beginning of Year	\$ 76,083	\$ 70,825	\$ 29,887	\$ 28,861
Service Cost	–	–	1,055	883
Interest Cost	4,502	4,395	1,868	1,693
Actuarial (Gain) Loss	4,866	3,302	3,591	(425)
Employer Benefits Paid <sup>1</sup>	(2,708)	(2,439)	(1,347)	(1,125)
<b>Benefit Obligation at End of Year</b>	<b>\$ 82,743</b>	<b>\$ 76,083</b>	<b>\$ 35,054</b>	<b>\$ 29,887</b>
<b>Change in Fair Value of Plan Assets</b>				
Fair Value of Plan Assets at Beginning of Year	\$ 57,783	\$ 55,700	\$ –	\$ –
Actual Return on Plan Assets	4,269	4,025	–	–
Employer Contribution	580	497	1,347	1,125
Employer Benefits Paid	(2,708)	(2,439)	(1,347)	(1,125)
<b>Fair Value of Plan Assets at End of Year</b>	<b>\$ 59,924</b>	<b>\$ 57,783</b>	<b>\$ –</b>	<b>\$ –</b>
Funded Status	\$ (22,819)	\$ (18,300)	\$ (35,054)	\$ (29,887)
Unrecognized Net Actuarial (Gain) Loss	31,575	27,953	(4,927)	(8,725)
Unrecognized Transition Obligation	–	–	4,101	4,687
<b>Net Amount Prepaid (Accrued)</b>	<b>\$ 8,756</b>	<b>\$ 9,653</b>	<b>\$ (35,880)</b>	<b>\$ (33,925)</b>
Amounts Recognized in the Consolidated Statements of Condition consist of:				
Accrued Benefit Liability	\$ (22,819)	\$ (18,300)	\$ (35,880)	\$ (33,925)
Accumulated Other Comprehensive Income	31,575	27,953	–	–
<b>Net Amount Prepaid (Accrued)</b>	<b>\$ 8,756</b>	<b>\$ 9,653</b>	<b>\$ (35,880)</b>	<b>\$ (33,925)</b>

<sup>1</sup> Participants' contributions relative to the Postretirement Benefits Plan are offset against employer benefits paid in the above table. For the years ended December 31, 2005 and 2004, participants' contributions for postretirement benefits totaled \$1,151,000 and \$1,105,000, respectively.

At December 31, 2005, the accumulated benefit obligations for the aggregated pension plans exceeded the fair value of Plan Assets. Included in other comprehensive income was a charge of \$2.4 million, net of deferred taxes, related to this obligation. The accumulated benefit obligation for the pension plans was \$82.7 million and \$76.1 million as of December 31, 2005 and 2004, respectively.

Components of net periodic benefit or cost for the aggregated pension plans and the postretirement benefit plan are presented in the following table for the years ended December 31, 2005, 2004 and 2003.

(dollars in thousands)	Pension Benefits			Postretirement Benefits		
	2005	2004	2003	2005	2004	2003
<b>Components of Net Periodic (Benefit) Cost:</b>						
Service Cost	\$ —	\$ —	\$ —	\$ 1,055	\$ 883	\$ 1,071
Interest Cost	4,502	4,395	4,253	1,868	1,693	1,858
Expected Return on Plan Assets	(4,735)	(4,712)	(4,697)	—	—	—
Amortization of Unrecognized Net Transition Obligation	—	—	—	586	586	653
Recognized Net Actuarial (Gain) Loss	1,709	1,393	874	(207)	(582)	(486)
<b>Net Periodic Benefit Cost</b>	<b>1,476</b>	<b>1,076</b>	<b>430</b>	<b>3,302</b>	<b>2,580</b>	<b>3,096</b>
<b>Curtailment (Gain) Loss</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(2,480)</b>
<b>Total Net Periodic Cost</b>	<b>\$ 1,476</b>	<b>\$ 1,076</b>	<b>\$ 430</b>	<b>\$ 3,302</b>	<b>\$ 2,580</b>	<b>\$ 616</b>

Assumptions used to determine benefit obligations as of December 31, 2005 and 2004 for the aggregated pension plans and postretirement benefit plan were as follows:

	Pension Benefits		Postretirement Benefits	
	2005	2004	2005	2004
<b>Weighted Average Assumptions as of December 31:</b>				
Discount Rate	5.75%	6.00%	5.75%	6.00%
Health Care Cost Trend Rate Assumed For Next Year	—	—	8.00%	9.00%

The health care cost trend rate assumption will decrease by 1% annually, until reaching the ultimate trend rate of 5% in 2009.

The Company employs a building block approach in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equities and fixed-income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established with proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed for reasonableness and appropriateness.

Assumptions used to determine the net periodic benefit or cost for the aggregated pension plans and postretirement benefit plan for years ended December 31, 2005, 2004 and 2003 were as follows:

	Pension Benefits			Postretirement Benefits		
	2005	2004	2003	2005	2004	2003
<b>Weighted Average Assumptions as of December 31:</b>						
Discount Rate	6.00%	6.25%	6.75%	6.00%	6.25%	6.75%
Expected Return on Plan Assets	8.50%	8.50%	8.50%	—	—	—
Health Care Cost Trend Rate	—	—	—	9.00%	6.00%	6.00%

A one percent change in the health care cost trend rate assumption (with all other assumptions remaining constant) would impact the service and interest cost components of the net periodic postretirement benefit cost and the postretirement benefit obligation for 2005 as follows:

(dollars in thousands)	<b>One Percent Increase</b>	<b>One Percent Decrease</b>
Effect on the Total of Service and Interest Cost Components	\$ 336	\$ (277)
Effect on Postretirement Benefit Obligation	2,626	(2,266)

The Company expects to fund \$0.6 million to the Excess Plan and \$1.4 million to the postretirement benefit plan in 2006.

As of December 31, 2005, expected benefits to be paid in each of the next five years and in the aggregate for the five years thereafter are as follows:

(dollars in thousands)	<b>Pension Benefits</b>	<b>Postretirement Benefits</b>
2006	\$ 2,700	\$ 1,400
2007	2,900	1,500
2008	3,100	1,700
2009	3,500	1,800
2010	3,700	1,900
Years 2011-2015	25,100	11,300

The Benefit Plans Committee of the Company provides oversight of the Retirement Plan's investment objective, which is to provide its participants with retirement income and to assist retirees in coping with inflation. To achieve this goal, the Benefit Plans Committee seeks a return on investment which will enhance the purchasing power of the principal amount of these assets over the long term through capital appreciation and reinvestment of income. The Benefit Plans Committee seeks a compounded annual total rate of return greater than the return of the "Market Index" or 400 basis points above the return of 90-day Treasury Bills, whichever is higher, on a trailing three year basis. The "Market Index" is composed of 60% S&P 500, 15% Russell 2000 Index, and 25% Lehman Brothers Government/Corporate Bond Index. The Benefit Plans Committee also seeks to protect the Retirement Plan assets through prudent asset allocation, manager selection and periodic review. Investments in stocks and fixed income investments should be diversified in a way that is consistent with the risk tolerance and investment objective of the Retirement Plan.

The percentages of the Retirement Plan assets by major category, based upon their fair values, as of December 31, 2005 and 2004 were as follows:

Asset Category	<b>Percentage of Plan Assets at December 31,</b>		<b>Target Allocation</b>
	<b>2005</b>	<b>2004</b>	
Equities	74%	71%	50%-80%
Bonds	24	26	25%-40%
Cash and Cash Equivalents	2	3	0%-50%
<b>Total</b>	100%	100%	

The Retirement Plan's assets included investments in funds managed by the Bank as of December 31, 2005 were as follows:

2005

(dollars in thousands)	Number of Shares	Dividends Received	Number of Shares		Fair Value	
			Purchased	Sold	2005	2004
Bank of Hawaii Money Market Fund	—	\$ —	—	2,002,312	\$ —	\$ 2,002
Pacific Capital Cash Assets Trust	33,559	2	2,769,380	2,735,820	34	—
Pacific Capital Diversified Fixed Income Fund	1,300,807	586	52,854	82,380	14,257	14,860
Pacific Capital Small-Cap Fund	219,413	263	15,174	2,948	3,763	3,522
Pacific Capital Growth Stock Fund	507,532	5	226,114	5,889	4,588	2,520
Pacific Capital Mid-Cap Fund	167,829	124	167,829	—	2,061	—
<b>Total</b>	<b>2,229,140</b>	<b>\$ 980</b>	<b>3,231,351</b>	<b>4,829,349</b>	<b>\$ 24,703</b>	<b>\$ 22,904</b>

**Note 12 – Stock Compensation**

*Director Stock Compensation Program*

The Company has a Director Stock Compensation Program that annually grants shares of restricted common stock ("Restricted Shares") and options to purchase common shares to each non-employee director. The exercise price of the options is based on the closing market price of the shares on the date that the options were granted. The Restricted Shares and the options are generally not transferable.

The options granted in 2005 vest ratably over three years and expire the earliest of 1) three months after termination of the Director's membership on the Board for any reason other than death or disability; 2) one year after termination of the Director's membership on the Board due to death or disability; or 3) ten years after the grant date. The Restricted Shares vest after three years or upon death or disability, if earlier.

Options granted prior to 2005 are immediately exercisable and expire ten years from the date of grant. However, the shares received upon exercise of the options ("Option Shares") are restricted. The restriction period for both Restricted Shares and Option Shares continues as long as the Director remains on the Board. If an optionee ceases to serve as a director prior to the end of his or her term, for any reason other than death, disability or change in control of the Company, the Option Shares will be redeemed by the Company at the exercise price and any unexercised options and restricted shares are forfeited.

At December 31, 2005, 223,427 options and 32,205 Restricted Shares were outstanding under this program.

*Employee Stock Option Plan*

The Company's Stock Option Plans (the "Plans") are administered by the Compensation Committee of the Board of Directors. Awards under the Plans may include stock options, stock appreciation rights (SARs), restricted stock and restricted stock units.

*Stock Options*

Stock options provide grantees with the option to purchase shares of common stock at a specified exercise price and, generally, expire ten years from the date of grant. Stock option grants include incentive and nonqualified stock options whose vesting may be based on a service period and/or Company performance measures. Generally, grants issued prior to December 2005 had vesting terms of one or three years. Options granted in December 2005 were vested as of December 31, 2005. The exercise prices are equal to the fair market value of the shares on the dates the options were granted.

In December 2005, the Company vested all employee stock options. The options would have vested in future periods based on completion of service. The accelerated vesting precluded the recognition of stock compensation expense related to these options in future periods that would have been recognized as a result of the implementation of SFAS No. 123(R). The accelerated vesting resulted in an expense of approximately \$117,000 in 2005.

The following information relates to options outstanding under all plans as of December 31, 2005:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Number of Options Exercisable	Weighted Average Exercise Price
\$13.56 - \$18.80	442,207	\$ 17.57	4.5	442,207	\$17.57
20.06 - 26.06	398,459	23.28	4.2	398,459	23.28
27.01	715,846	27.01	5.9	715,846	27.01
27.86 - 29.92	323,678	28.98	6.7	323,678	28.98
30.98 - 33.44	624,440	32.15	7.2	624,440	32.15
41.42 - 43.72	225,897	41.76	8.0	225,897	41.76
47.35 - 50.72	281,126	50.45	9.9	258,499	50.72
<b>Total</b> <sup>1</sup>	<b>3,011,653</b>	<b>29.71</b>	<b>6.3</b>	<b>2,989,026</b>	<b>29.57</b>

<sup>1</sup> The difference between the number of options outstanding and the number of options exercisable of 22,627 represents options issued to directors which were not part of the accelerated vesting described above.

The following table presents the activity related to options of the Plans for the years ended December 31, 2005, 2004 and 2003:

	2005		2004		2003	
	Options	Weighted Average Price	Options	Weighted Average Price	Options	Weighted Average Price
Options Outstanding at January 1,	3,961,574	\$ 26.03	9,112,505	\$ 21.99	8,989,440	\$ 19.78
Granted	278,126	50.45	36,000	44.28	1,625,050	32.78
Exercised <sup>1</sup>	(1,179,766)	22.14	(5,080,040)	18.79	(1,224,561)	19.49
Forfeited	(42,714)	34.23	(106,391)	31.80	(274,037)	23.47
Expired	(5,567)	19.03	(500)	27.74	(3,387)	21.21
Options Outstanding at December 31,	<b>3,011,653</b>	<b>29.71</b>	<b>3,961,574</b>	<b>26.03</b>	<b>9,112,505</b>	<b>21.99</b>
Options Exercisable at December 31,	<b>2,989,026</b>	<b>29.57</b>	<b>3,091,943</b>	<b>24.21</b>	<b>6,675,161</b>	<b>19.14</b>
Shares Available for Future Grants <sup>2</sup>	<b>443,763</b>		<b>855,244</b>		<b>296,000</b>	

<sup>1</sup> The price per share of options exercised on an actual exercise price basis ranged between \$13.56 and \$41.42 for 2005, \$12.88 and \$41.42 for 2004 and \$12.88 and \$27.01 for 2003.

<sup>2</sup> Consists of restricted shares and stock options. The authority to grant options under the 1994 employee stock option plan expired on December 31, 2003. In 2004, shareholders approved a new employee stock plan which increased the shares available for future grants.

### Restricted Stock

Restricted Stock provides grantees with rights to shares of stock upon completion of a service period or achievement of Company performance measures. During the restriction period, all shares are considered outstanding and dividends are paid on the Restricted Stock. The Restricted Stock vests over periods ranging from three to ten years from date of grant, although accelerated vesting was provided in

certain grants, based on attainment of defined Company performance measures. The Company recognizes compensation expense, measured as the quoted market price of the Restricted Stock on the grant date, on a straight-line basis over the vesting period for service period vesting, plus additional recognition of the cost associated with accelerated vesting based upon projected attainment of the

performance measures. The unamortized compensation is shown as a separate component of shareholders' equity. Restricted Stock is cancelled if an employee terminates prior to the vesting of the stock. Total compensation expense recognized by the Company for Restricted Stock was \$4.2 million, \$5.6 million and \$5.8 million in 2005, 2004 and 2003, respectively.

The following table presents the activity for Restricted Stock for the years ended December 31, 2005, 2004 and 2003.

	Number of Shares	Weighted Average Price
Balance as of December 31, 2002	558,100	
Granted	391,200	\$ 34.53
Vested	(204,500)	
Forfeited	(63,000)	
Balance as of December 31, 2003	681,800	
Granted	80,556	\$ 42.05
Vested	(364,400)	
Forfeited	(22,125)	
Balance as of December 31, 2004	375,831	
Granted	127,250	\$ 50.42
Vested	(131,210)	
Forfeited	(17,624)	
<b>Balance Unvested as of December 31, 2005</b>	<b>354,247</b>	

Approximately 39,000 shares of Restricted Stock vested in January 2006 due to the achievement of certain Company performance targets in 2005.

#### *Restricted Stock Units*

Restricted Stock Units ("RSUs") entitle grantees to a cash payment based upon the fair market value of the Company's stock at the time the award vests. During the vesting period, the participant is entitled to dividend equivalent payments equal to the actual dividends declared on the Company's stock. All expense associated with RSUs is considered compensation expense and is recognized over the vesting period. The primary RSU grant was made in 2003. Under this grant, upon the achievement of certain performance objectives, 50% of the grant vested April 30, 2004 and the remaining 50% vested March 31, 2005. For certain grantees the original award entitled them to a supplemental cash payment after the vesting based upon the achievement of certain performance objectives. Total expense recognized by the Company for RSUs in 2005, 2004 and 2003 was \$1.8 million, \$7.0 million and \$2.6 million, respectively.

The following table presents the activity for RSUs for the years ended December 31, 2005, 2004 and 2003.

	Number of Units
Balance as of December 31, 2002	—
Granted	195,000
Balance as of December 31, 2003	195,000
Granted	64,000
Vested	(107,500)
Forfeited	(37,500)
Balance as of December 31, 2004	114,000
Vested	(97,500)
Forfeited	(1,500)
<b>Balance as of December 31, 2005</b>	<b>15,000</b>

## Note 13 – Income Taxes

The significant components of the provision for income taxes for the years ended December 31, 2005, 2004 and 2003 were as follows:

(dollars in thousands)	2005	2004	2003
<b>Current:</b>			
Federal	\$ 65,642	\$ 63,812	\$ 27,430
State	15,113	7,829	(278)
Foreign	4,054	5,056	4,567
<b>Total Current</b>	<b>84,809</b>	<b>76,697</b>	<b>31,719</b>
<b>Deferred:</b>			
Federal	15,353	15,997	31,810
State	2,474	5,211	8,063
<b>Total Deferred</b>	<b>17,827</b>	<b>21,208</b>	<b>39,873</b>
<b>Provision for Income Taxes</b> <sup>1</sup>	<b>\$ 102,636</b>	<b>\$ 97,905</b>	<b>\$ 71,592</b>

<sup>1</sup> The tax effects of fair value adjustments on available for sale investment securities, minimum pension liability adjustments and tax benefits related to stock options are recorded directly in shareholders' equity as a component of accumulated other comprehensive income (loss). The net tax charge (benefit) recorded directly to shareholders' equity was \$9.5 million in 2005, \$(48.6) million in 2004 and \$4.2 million in 2003.

The current income tax provision included taxes on realized gains and losses on the sale of securities of \$0.1 million, \$(0.3) million and \$0.7 million for 2005, 2004 and 2003, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The 2004 deferred tax liabilities and assets were reclassified based on the 2004 filed tax returns. Significant components of the Company's deferred tax liabilities and assets as of December 31, 2005 and 2004 are presented below:

(dollars in thousands)	2005	2004
<b>Deferred Tax Liabilities:</b>		
Accrued Pension Cost	\$ (5,354)	\$ (5,789)
Federal Home Loan Bank Stock	(10,271)	(10,200)
Lease Transactions	(313,677)	(304,665)
Net Unrealized Gains on Investment Securities – Available for Sale	–	(2,550)
Other	(3,816)	(3,816)
<b>Gross Deferred Tax Liabilities</b>	<b>(333,118)</b>	<b>(327,020)</b>
<b>Deferred Tax Assets:</b>		
Accelerated Depreciation	14,707	12,183
Allowance for Loan and Lease Losses	25,959	29,789
Minimum Pension Liability	10,632	8,961
Net Unrealized Losses on Investment Securities – Available for Sale	15,352	–
Accrued Expenses	21,679	17,380
Postretirement Benefits	14,783	13,984
Other	12,004	25,850
<b>Gross Deferred Tax Assets</b>	<b>115,116</b>	<b>108,147</b>
<b>Net Deferred Tax Liabilities</b>	<b>\$ (218,002)</b>	<b>\$ (218,873)</b>

Management believes that it is more likely than not that the deferred tax assets will be realized through future reversals of existing taxable temporary differences.

The following is a reconciliation of the Federal statutory income tax rate to the effective consolidated income tax rate:

	2005	2004	2003
Statutory Federal Income Tax Rate	35.00%	35.00%	35.00%
Increase (Decrease) in Tax Rate Resulting From:			
State Taxes, Net of Federal Income Tax	4.15	3.30	2.70
Foreign Tax Credits	(3.38)	(0.44)	(0.49)
Low-Income Housing Investments	(0.22)	(0.40)	(0.80)
Corporate Owned Life Insurance	(0.74)	(1.00)	(1.30)
Leveraged Leases	1.27	–	–
Other	0.03	(0.37)	(0.49)
<b>Effective Tax Rate</b>	<b>36.11%</b>	<b>36.09%</b>	<b>34.62%</b>

For financial statement purposes, no deferred income tax liability was recorded for tax related to bad debt reserves that arose in tax years beginning before December 31, 1987. Such tax bad debt reserves totaled approximately \$18.2 million. If these amounts are used for purposes other than to absorb bad debt losses, they will be subject to federal income taxes at the then applicable rates.

#### Note 14 – Derivatives

The Company is a party to derivative financial instruments in the normal course of its business to meet the financing needs of its customers and to manage its own exposure to fluctuations in interest and foreign exchange rates. These financial instruments have been limited to foreign exchange contracts, interest rate lock commitments and mortgage loan forward sales commitments.

SFAS No. 133, as amended, requires derivative instruments to be carried at fair value on the Consolidated Statements of Condition. As of December 31, 2005 and 2004, the Company did not designate any derivative instruments as fair value, cash flow or net investment in foreign operations hedges. Hedges, free-standing and embedded derivatives required to be bifurcated, have been recorded at fair value in the Company's results of operations.

The Company utilizes foreign exchange contracts to offset risks related to transactions executed on behalf of customers.

The Company also enters into forward contracts for the future delivery of residential mortgage loans to reduce interest rate risk associated with loans held for sale and commitments to fund loans at a specified rate (interest rate locks). Interest rate lock commitments for residential mortgage loans that the Company intends to sell are considered free-standing derivatives. The forward commitments and free-standing derivatives are carried at fair value with changes in fair value recorded as a part of mortgage banking component of non-interest income. The Company records a zero fair value for a derivative loan commitment at inception. Changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will fund within the terms of the commitment, which is affected primarily by changes in interest rates and passage of time.

At December 31, 2005 and 2004, no interest rate swaps were in effect.

As with any financial instrument, derivative instruments have inherent risks. Adverse changes in interest rates, foreign exchange rates, commodity prices and equity prices affect the Company's market risks. The market risks are balanced with the expected returns to enhance earnings performance and shareholder value, while limiting the volatility of each. The Company uses various processes to monitor its overall market risk exposure, including sensitivity analysis, value-at-risk calculations and other methodologies.

The Company's exposure to derivative credit risk is defined as the possibility of sustaining a loss due to the failure of the counterparty to perform in accordance with the terms of the contract. Credit risks associated with derivative financial instruments are similar to those relating to traditional on-balance sheet financial instruments. The Company manages derivative credit risk with the same standards and procedures applied to its commercial lending activity.

The derivatives identified and recorded at fair value as of December 31, 2005 and 2004 were as follows:

(dollars in thousands)	2005		2004	
	Book or Notional Value	Fair Value	Book or Notional Value	Fair Value
Foreign Exchange Contracts	\$ 176,395	\$ 274	\$ 166,415	\$ 108
Mortgage Loan Forward Sales Commitments	35,239	(99)	35,100	28
Interest Rate Locks – Mortgage Loans	28,615	194	28,145	14

#### Note 15 – Fair Values of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. When possible, fair values are measured based on quoted market prices for the same or comparable instruments. Because many of the Company's financial instruments lack an available market price, management must use its best judgment in estimating the fair value of those instruments based on present value or other valuation techniques. Such techniques are significantly affected by estimates and assumptions, including the discount rate, future cash flows, economic conditions, risk characteristics and other relevant factors. These estimates are subjective in nature and involve uncertain assumptions and, therefore, cannot be determined with precision. Many of the derived fair value estimates cannot be substantiated by comparison to independent markets and could not be realized in immediate settlement of the instrument. Certain financial instruments and all non-financial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

*Cash and Cash Equivalents:* The carrying amounts reported in the Consolidated Statements of Condition for cash and short-term investments approximated the fair value of these assets.

*Available for Sale and Held to Maturity Investment Securities:* Fair values for investment securities were based on quoted market prices, where available. If quoted market prices were not available, fair values were based on quoted market prices of comparable instruments.

*Loans:* Fair values of loans were determined by discounting the expected future cash flows of pools of loans with similar characteristics. Loans were first segregated by type such as commercial, real estate and consumer, and were then further segmented into fixed and adjustable rate and loan quality categories. Expected future cash flows were projected based on contractual cash flows, adjusted for estimated prepayments.

*Deposit Liabilities:* Fair values of non-interest bearing and interest-bearing demand deposits and savings deposits were equal to the amount payable on demand (e.g., their carrying amounts) because these products have no stated maturity. Fair values of time deposits were estimated using discounted cash flow analyses. The discount rates used were based on rates currently offered for deposits with similar remaining maturities.

*Borrowings:* The carrying amounts of repos, funds purchased, commercial paper and other short-term borrowings approximated their fair values.

*Long-Term Debt:* Fair values of long-term debt were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowings.

*Financial Instruments:* Fair values of financial instruments (e.g., commitments to extend credit, standby letters of credit, commercial letters of credit, interest rate locks, foreign exchange and mortgage loan forward contracts) were based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the

agreements and the counterparties' credit standing and current settlement values or quoted market prices of comparable instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of the terms or conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments may expire without being drawn, the total commitment amount does not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support borrowing agreements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds cash and deposits as collateral on those commitments for which collateral is deemed necessary.

The following table presents the fair values of the Company's financial instruments:

	2005		2004	
	Book or Notional Value	Fair Value	Book or Notional Value	Fair Value
(dollars in thousands)				
<b>Financial Instruments – Assets</b>				
Loans <sup>1</sup>	\$ 6,095,361	\$ 6,117,265	\$ 5,897,776	\$ 6,035,017
Investment Securities <sup>2</sup>	3,035,101	2,981,204	3,065,422	3,069,555
Other Financial Assets <sup>3</sup>	92,554	92,554	88,546	88,546
<b>Financial Instruments – Liabilities</b>				
Deposits	7,907,468	7,895,267	7,564,667	7,562,008
Borrowings <sup>4</sup>	886,937	886,937	733,616	733,616
Long-Term Debt <sup>5</sup>	233,723	246,597	243,685	266,356
<b>Financial Instruments – Off-Balance Sheet Risk</b>				
Financial Instruments Whose Contract Amounts Represent Credit Risk:				
Commitments to Extend Credit	2,735,620	6,687	2,462,825	5,604
Standby Letters of Credit	93,892	32	102,304	33
Commercial and Similar Letters of Credit	21,502	17	37,493	28
Financial Instruments Whose Notional or Contract Amounts Exceed the Amount of Credit Risk:				
Foreign Exchange Contracts	176,395	274	166,415	108
Mortgage Loan Forward Sales Commitments	35,239	(99)	35,100	28
Interest Rate Locks – Mortgage Loans	28,615	194	28,145	14

<sup>1</sup> Includes loans held for sale and loans, net of unearned income and Allowance.

<sup>2</sup> Includes available for sale and held to maturity investment securities.

<sup>3</sup> Includes interest-bearing deposits, funds sold, FRB and FHLB stock and other financial instruments included in other assets.

<sup>4</sup> Includes repos, funds purchased, commercial paper and other short-term borrowings.

<sup>5</sup> Excludes capitalized lease obligations.

#### Note 16 – Information Technology Systems Replacement Project

In July 2002, the Company entered into contracts with Metavante Corporation to provide for technology services, including professional services to convert existing systems to Metavante systems. The conversion was completed in the third quarter of 2003. The following summarizes costs incurred in connection with the transition to this outsourcing arrangement:

(dollars in thousands)	Professional Fees	Employee Termination Benefits	Accelerated Depreciation	Other Associated Costs <sup>1</sup>	Total
<b>Costs Incurred:</b>					
2003	\$ 7,720	\$ 3,730	\$ 3,959	\$ 6,462	\$ 21,871
2002	5,157	1,241	5,357	1,873	13,628

**Total Project Costs**                    \$     12,877     \$                    4,971     \$                    9,316     \$                    8,335     \$ 35,499

---

<sup>1</sup>     Includes contract termination, equipment, excise tax and other costs.

Changes in related liability balances during the years ended December 31, 2004 and 2003 were as follows:

(dollars in thousands)	Professional Fees	Employee Termination Benefits	Other Associated Costs	Total
Liability Balance at December 31, 2002	\$ 100	\$ 300	\$ –	\$ 400
2003 Activity:				
Accruals	7,820	3,731	6,462	18,013
Payments	(6,918)	(3,560)	(5,949)	(16,427)
Liability Balance at December 31, 2003	1,002	471	513	1,986
2004 Activity:				
Payments	(951)	(471)	(564)	(1,986)
Adjustments	(51)	–	51	–
<b>Liability Balance at December 31, 2004</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>

The Company incurred expenses of \$9.3 million and \$7.8 million in 2005 and 2004, respectively, under the technology services contract that became effective in July 2003. The Company's actual payments under the contract will depend, in part, upon future transaction volumes. Based upon the estimated future transaction volumes used in the contract, estimated payments in future years are:

(dollars in thousands)	Amount
2006	\$ 9,934
2007	10,232
2008	10,538
2009	10,855
2010	6,522
<b>Total</b>	<b>\$ 48,081</b>

#### Note 17 – Business Segments

Business segment results are determined based on the Company's internal financial management reporting process and organizational structure. This process uses various techniques to assign balance sheet and income statement amounts to business segments, including allocations of overhead, Provision and capital. This process is dynamic and requires certain allocations based on judgment and subjective factors. Unlike financial accounting, there is no comprehensive, authoritative guidance for management accounting that is equivalent to U.S. generally accepted accounting principles. The management accounting process measures the performance of the operating segments based on the management structure of the Company and is not necessarily comparable with similar information for any other financial institution. Previously reported results have been reclassified to conform to the current organizational reporting structure.

The Company's business segments are as follows:

##### *Retail Banking*

The Company's Retail Banking segment offers a broad range of financial products and services to consumers and small businesses. Loan and lease products include residential mortgage loans, home equity lines of credit, automobile loans and leases and installment loans. Deposit products include checking, savings and time deposit accounts. The Retail Banking segment also provides merchant services to its small business customers. Products and services from the Retail Banking segment are delivered to customers through 72 Hawaii branch locations, over 500 ATMs, e-Bankoh (on-line banking service) and a 24-hour telephone banking service. Also included in the segment is Bankoh Investment Services, Inc., a full service brokerage offering equities and bonds, mutual funds, life insurance and annuity products.

### *Commercial Banking*

The Commercial Banking segment offers products including corporate banking and commercial real estate loans, lease financing, auto dealer financing, deposit and cash management products, and property and casualty insurance products. Lending, deposit and cash management services are offered to middle-market and large companies in Hawaii. Commercial real estate mortgages are focused on customers that include investors, developers and builders primarily domiciled in Hawaii. The Commercial Banking unit also includes the Company's operations at its 12 branches in the Pacific Islands.

### *Investment Services Group*

The Investment Services Group includes private banking, trust services, asset management and institutional investment advice. A significant portion of this segment's income is derived from fees, which are generally based on the market values of assets under management. The private banking and personal trust group assists individuals and families in building and preserving their wealth by providing investment, credit and trust expertise to high-net-worth individuals. The asset management group manages portfolios and creates investment products. Institutional sales and service offers investment advice to corporations, government entities and foundations.

### *Treasury and Other Corporate*

The primary income earning component of this segment is Treasury, which consists of corporate asset and liability management activities, including interest rate risk management and foreign exchange business. This segment's assets and liabilities (and related interest income and expense) consist of interest-bearing deposits, investment securities, funds sold and purchased, government deposits and short- and long-term borrowings. The primary sources of non-interest income are bank-owned life insurance and foreign exchange income related to customer driven currency requests from merchants and island visitors. The net residual effect of transfer pricing of assets and liabilities is included in Treasury, along with eliminations of inter-company transactions.

This segment also includes divisions (Technology and Operations, Human Resources, Finance, Credit and Risk Management, and Corporate and Regulatory Administration) that provide a wide-range of support to the other business segments. Expenses incurred by these support units are charged to the business segments through an internal cost allocation process. Results for this segment in 2003 include the majority of the System Replacement Project costs.

## Business Segment Selected Financial Information

(dollars in thousands)	Retail Banking	Commercial Banking	Investment Services Group	Treasury and Other Corporate	Consolidated Total
<b>Year Ended December 31, 2005</b>					
Net Interest Income	\$ 220,617	\$ 142,436	\$ 12,632	\$ 31,428	\$ 407,113
Provision for Credit Losses	14,151	8,942	(1)	(18,504)	4,588
Net Interest Income After Provision for Credit Losses	206,466	133,494	12,633	49,932	402,525
Non-Interest Income	100,292	42,558	57,142	9,322	209,314
	306,758	176,052	69,775	59,254	611,839
Non-Interest Expense	(174,885)	(87,315)	(56,872)	(8,570)	(327,642)
Income Before Income Taxes	131,873	88,737	12,903	50,684	284,197
Provision for Income Taxes	(48,793)	(32,876)	(4,774)	(16,193)	(102,636)
<b>Allocated Net Income</b>	<b>83,080</b>	<b>55,861</b>	<b>8,129</b>	<b>34,491</b>	<b>181,561</b>
<b>Total Assets at December 31, 2005</b>	<b>\$ 3,890,498</b>	<b>\$ 2,462,257</b>	<b>\$ 210,260</b>	<b>\$ 3,624,023</b>	<b>\$ 10,187,038</b>
<b>Year Ended December 31, 2004</b>					
Net Interest Income	\$ 203,541	\$ 135,472	\$ 11,529	\$ 40,048	\$ 390,590
Provision for Credit Losses	10,446	3,232	47	(23,725)	(10,000)
Net Interest Income After Provision for Credit Losses	193,095	132,240	11,482	63,773	400,590
Non-Interest Income	90,424	47,278	54,040	13,352	205,094
	283,519	179,518	65,522	77,125	605,684
Non-Interest Expense	(174,670)	(90,797)	(52,317)	(16,656)	(334,440)
Income Before Income Taxes	108,849	88,721	13,205	60,469	271,244
Provision for Income Taxes	(40,274)	(32,828)	(4,886)	(19,917)	(97,905)
<b>Allocated Net Income</b>	<b>68,575</b>	<b>55,893</b>	<b>8,319</b>	<b>40,552</b>	<b>173,339</b>
<b>Total Assets at December 31, 2004</b>	<b>\$ 3,773,950</b>	<b>\$ 2,376,763</b>	<b>\$ 117,615</b>	<b>\$ 3,497,863</b>	<b>\$ 9,766,191</b>
<b>Year Ended December 31, 2003</b>					
Net Interest Income	\$ 208,189	\$ 137,159	\$ 11,520	\$ 9,074	\$ 365,942
Provision for Credit Losses	6,909	8,415	(5)	(15,319)	-
Net Interest Income After Provision for Credit Losses	201,280	128,744	11,525	24,393	365,942
Non-Interest Income	95,168	40,655	50,318	12,579	198,720
	296,448	169,399	61,843	36,972	564,662
Information Technology Systems Replacement Project	(986)	(23)	(333)	(20,529)	(21,871)
Non-Interest Expense	(180,484)	(91,128)	(49,422)	(14,970)	(336,004)
Income Before Income Taxes	114,978	78,248	12,088	1,473	206,787
Provision for Income Taxes	(42,542)	(28,474)	(4,472)	3,896	(71,592)
<b>Allocated Net Income</b>	<b>72,436</b>	<b>49,774</b>	<b>7,616</b>	<b>5,369</b>	<b>135,195</b>

---

<b>Total Assets at December 31, 2003</b>	\$	3,667,095	\$	2,323,248	\$	109,023	\$	3,362,281	\$	9,461,647
--	----	-----------	----	-----------	----	---------	----	-----------	----	-----------

---

## Note 18 – Parent Company Financial Statements

Condensed financial statements of Bank of Hawaii Corporation (Parent only) follow:

### Condensed Statements of Income

(dollars in thousands)	Year Ended December 31,		
	2005	2004	2003
Dividends from Bank of Hawaii	\$ 172,767	\$ 237,835	\$ 292,617
Interest Income from Subsidiaries	1,573	1,930	2,125
Other Income	(296)	(115)	(448)
<b>Total Income</b>	<b>174,044</b>	<b>239,650</b>	<b>294,294</b>
Interest Expense			
Long-Term Debt with Affiliated Grantor Trust	8,505	8,505	8,505
Other Interest Expense	9	1,360	2,631
Total Interest Expense	8,514	9,865	11,136
Non-Interest Expense	7,782	8,300	8,691
<b>Total Expense</b>	<b>16,296</b>	<b>18,165</b>	<b>19,827</b>
Income Before Income Tax Benefits and Equity in Undistributed Income of Bank of Hawaii	157,748	221,485	274,467
Income Tax Benefit	6,651	6,991	7,701
Equity in Undistributed Income (Distributions in Excess of Income) of Bank of Hawaii	17,162	(55,137)	(146,847)
Other Subsidiaries	–	–	(126)
Total Equity in Undistributed Income (Distributions in Excess of Income)	17,162	(55,137)	(146,973)
<b>Net Income</b>	<b>\$ 181,561</b>	<b>\$ 173,339</b>	<b>\$ 135,195</b>

### Condensed Statements of Condition

(dollars in thousands)	December 31,	
	2005	2004
<b>Assets</b>		
Cash with Bank of Hawaii	\$ 356	\$ 222
Interest-Bearing Deposits with Bank of Hawaii	1,000	–
Funds Sold to Bank of Hawaii	10,600	135,900
Investment Securities	6,330	5,557
Goodwill	14,129	14,129
Other Assets	81,597	62,400
Equity in Net Assets of Bank of Hawaii	695,694	713,432
Equity in Net Assets of Bancorp Hawaii Capital Trust I	3,093	3,093
<b>Total Assets</b>	<b>\$ 812,799</b>	<b>\$ 934,733</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Commercial Paper and Short-Term Borrowings	\$ –	\$ 5,000
Long-Term Debt with Affiliated Grantor Trust	103,093	103,093

Other Liabilities	16,354	11,806
<b>Total Liabilities</b>	119,447	119,899
<b>Shareholders' Equity</b>	693,352	814,834
<b>Total Liabilities and Shareholders' Equity</b>	\$ 812,799	\$ 934,733

## Condensed Statements of Cash Flows

(dollars in thousands)	Year Ended December 31,		
	2005	2004	2003
<b>Operating Activities</b>			
Net Income	\$ 181,561	\$ 173,339	\$ 135,195
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
(Equity in Undistributed Income) Distributions in Excess of Income	(17,162)	55,137	146,973
Net Change in Other Assets and Other Liabilities	1,660	7,950	5,080
<b>Net Cash Provided by Operating Activities</b>	<b>166,059</b>	<b>236,426</b>	<b>287,248</b>
<b>Investing Activities</b>			
Proceeds (Purchases) of Investment Securities	90	(120)	–
Return of Capital from Subsidiaries	–	–	939
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>90</b>	<b>(120)</b>	<b>939</b>
<b>Financing Activities</b>			
Net Payments on Borrowings	(5,000)	(88,186)	(5,721)
Proceeds from Issuance of Common Stock	32,894	104,159	29,540
Repurchase of Common Stock	(247,376)	(238,077)	(329,978)
Cash Dividends Paid	(70,833)	(66,326)	(50,589)
<b>Net Cash Used by Financing Activities</b>	<b>(290,315)</b>	<b>(288,430)</b>	<b>(356,748)</b>
Decrease in Cash and Cash Equivalents	(124,166)	(52,124)	(68,561)
Cash and Cash Equivalents at Beginning of Period	136,122	188,246	256,807
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 11,956</b>	<b>\$ 136,122</b>	<b>\$ 188,246</b>

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

*Disclosure Controls and Procedures*

The Company's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2005. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There were no changes in the Company's internal controls over financial reporting that occurred during the quarter ended December 31, 2005 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

*Management's Annual Report on Internal Control over Financial Reporting*

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting. Internal control is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation of reliable published financial statements. Internal control over financial reporting includes self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Because of inherent limitations in any system of internal control, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of the circumvention or overriding of controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the Company's internal control over financial reporting as of December 31, 2005. This assessment was based on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Chief Executive Officer and Chief Financial Officer assert that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on the specified criteria.

Management's assessment of the effectiveness in internal control over financial reporting as of December 31, 2005, has been audited by Ernst & Young LLP, the Company's independent registered public accounting firm who also audited the Company's financial statements. Ernst & Young LLP's attestation report on management's assessment of the Company's internal control over financial reporting is included herein.

**Report of Independent Registered Public Accounting  
Firm on Internal Control Over Financial Reporting**

Board of Directors and Shareholders  
Bank of Hawaii Corporation

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that Bank of Hawaii Corporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Bank of Hawaii Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Bank of Hawaii Corporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Bank of Hawaii Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of condition of Bank of Hawaii Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005 and our report dated February 22, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Honolulu, Hawaii  
February 22, 2006

## Item 9B. Other Information

On December 16, 2005, Messrs. Thomas and Ho, and Ms. Tanoue received grants of restricted stock pursuant to restricted share grant agreements with the Company and Mr. Ho and Ms. Tanoue received grants of stock options pursuant to stock option agreements with the Company. These awards were made under the 2004 Stock and Incentive Compensation Plan as follows:

- Mr. Thomas received 40,000 performance-based restricted shares with a two-year vesting period subject to certain budget and performance objectives (as discussed below).
- Mr. Ho received grants totaling 26,500 restricted shares, of which 11,250 are performance-based shares and 15,250 are service-based shares. The performance based shares have a four-year vesting period subject to certain budget and performance objectives (as discussed below). Of the 15,250 service-based shares, 2,000 shares will vest in December 2006, 3,875 shares will vest in December 2007, 5,625 shares will vest in December 2008 and 3,750 shares will vest in December 2009. In addition, Mr. Ho was awarded 54,919 stock options.
- Ms. Tanoue received grants totaling 6,000 restricted shares, of which 1,500 are performance-based and 4,500 are service-based restricted shares. The performance-based shares have a four-year vesting period subject to certain budget and performance objectives (as discussed below). Of the service-based shares, 1,500 shares will vest in December 2006, 2,250 shares will vest in December 2007, and 750 shares will vest in December 2008. In addition, Ms. Tanoue was awarded 28,654 stock options.

The fair market value of the Company's common stock on the date of the grants was \$50.72. Performance objectives in 2006 are based on operating income growth and credit loss management for the Company. Performance objectives for calendar years after 2006 will be determined no later than 90 days after the commencement of the respective calendar year. A form of the restricted stock grant agreement for the service-based shares and a form of the restricted stock grant agreement for the performance-based shares are being filed with this annual report as Exhibits 10.15 and 10.16, and the foregoing summary of the restricted share awards is qualified by reference to those forms of agreements, the terms of which are incorporated by this reference.

Each stock option (i) was awarded at an exercise price of \$50.72 (the fair market value of the Company's common stock on the grant date), (ii) expires ten years from the date of grant, (iii) is generally not transferable, and (iv) vested on December 21, 2005. Upon exercise of an option prior to July 1, 2006, the optionee may not sell, transfer, pledge, hypothecate, encumber or otherwise dispose of shares acquired until the earliest of (a) July 1, 2006, (b) the optionee's termination of employment, or (c) the occurrence of a change in control of the Company. If an optionee terminates his or her employment prior to July 1, 2006, the optionee has two business days to exercise the options. A form of the stock option agreement is filed with this annual report as Exhibit 10.14, and the foregoing summary of the stock option awards is qualified by reference to that form of agreement, the terms of which are incorporated by this reference.

### PART III

Except as otherwise indicated, the following information required by the Instructions to Form 10-K is incorporated herein by reference from various sections of the Bank of Hawaii Corporation Proxy Statement for the annual meeting of shareholders to be held on April 28, 2006, as summarized below:

#### **Item 10. *Directors and Executive Officers of the Registrant***

"Board of Directors"; "Section 16(a) Beneficial Ownership Reporting Compliance."

Information regarding the executive officers of the Company is incorporated by reference from "Executive Officers of the Registrant" at the end of Part I of this report.

The Company's Board of Directors has determined that Robert Huret, a member of the Company's Audit Committee, is a financial expert within the meaning of Section 3(a)(58) of the Exchange Act. This financial expert is independent within the meaning of Section 10A(m)(3) of the Exchange Act.

The Company has adopted a written code of ethics within the meaning of Item 406 of Regulation S-K that applies to its Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. A copy of the Senior Financial Officers Code of Ethics is available on the Company's website, [www.boh.com](http://www.boh.com).

#### **Item 11. *Executive Compensation***

"Executive Compensation."

#### **Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

"Beneficial Ownership."

#### **Item 13. *Certain Relationships and Related Transactions***

"Certain Transactions with Management and Others."

#### **Item 14. *Principal Accounting Fees and Services***

Fees paid to the Company's independent registered public accounting firm are disclosed under the caption "Proposal 3: Ratification of Selection of an Independent Registered Public Accounting Firm" and related pre-approval policies are in the Company's Audit Committee Charter, a copy of which is available on the Company's website, [www.boh.com](http://www.boh.com).

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

#### (a) Financial Statements and Schedules

The following Consolidated Financial Statements of Bank of Hawaii Corporation and Subsidiaries are included in Item 8 of this report:

Consolidated Statements of Income – Years ended December 31, 2005, 2004 and 2003

Consolidated Statements of Condition – December 31, 2005 and 2004

Consolidated Statements of Shareholders' Equity – Years ended December 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows – Years ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

All other schedules to the Consolidated Financial Statements stipulated by Article 9 of Regulation S-X and all other schedules to the financial statements of the registrant required by Article 5 of Regulation S-X are not required under the related instructions or are inapplicable and, therefore, have been omitted.

### Exhibit Table

Exhibit Number	
3.1	Certificate of Incorporation of Bank of Hawaii Corporation (the "Company") (f/k/a Pacific Century Financial Corporation and Bancorp Hawaii, Inc.), as amended
3.2	By-Laws of the Company
4.1	Instruments defining the rights of holders of long-term debt of the Company are not filed as exhibits because the amount of debt authorized under any such instrument does not exceed 10% of the total assets of the Company and its consolidated subsidiaries. The Company agrees to furnish a copy of any such instrument to the Commission upon request
10.1	The Company's Key Executive Severance Plan dated April 27, 1983*
10.2	The Company's Executive Incentive Plan, as amended*
10.3	Form of Key Executive Change-in-Control Severance Agreement*
10.4	The Company's Executive Base Salary Deferral Plan (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 22, 2005 (the "December 22, 2005 8-K"))*
10.5	Retention Agreement with D.W. Thomas dated December 16, 2005 (incorporated by reference from Exhibit 10.2 to the December 22, 2005 8-K)*
10.6	Retention Agreement with A.T. Kuioka dated December 16, 2005 (incorporated by reference from Exhibit 10.3 to the December 22, 2005 8-K)*
10.7	The Company's Directors' Deferred Compensation Plan, as amended*
10.8	The Company's Director Stock Compensation Program, as amended*
10.9	The Company's Amended and Restated Director Stock Compensation Plan (incorporated by reference from Appendix B to the Company's Definitive Proxy Statement on Schedule 14A for the 2005 Annual Meeting of Shareholders filed on March 17, 2005)*

- 10.10 The Company's Amended and Restated Director Stock Compensation Plan—Form of Restricted Stock Agreement (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2005 filed on July 27, 2005 (the "June 30, 2005 10-Q"))\*
- 10.11 The Company's Amended and Restated Director Stock Compensation Plan—Form of Stock Option Agreement (incorporated by reference from Exhibit 10.2 to the June 30, 2005 10-Q)\*
- 10.12 The Company's Stock Option Plan of 1994, as amended\*
- 10.13 The Company's 2004 Stock and Incentive Compensation Plan (incorporated by reference from Appendix C to the Company's Definitive Proxy Statement on Schedule 14A for the 2004 Annual Meeting of Shareholders, as filed on March 18, 2004)\*
- 10.14 The Company's 2004 Stock and Incentive Compensation Plan—Form of Stock Option Agreement\*
- 10.15 The Company's 2004 Stock and Incentive Compensation Plan—Form of Service-Based Restricted Share Agreement\*
- 10.16 The Company's 2004 Stock and Incentive Compensation Plan—Form of Performance-Based Restricted Share Agreement\*
- 10.17 Form of Retention Agreement (incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2004 filed on July 28, 2004)\*
  - 12.1 Statement Regarding Computation of Ratios
  - 21.1 Subsidiaries of the Registrant
  - 23.1 Consent of Independent Registered Public Accounting Firm
  - 31.1 Certification of Annual Report on Form 10-K pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Chairman of the Board, Chief Executive Officer and President
  - 31.2 Certification of Annual Report on Form 10-K pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Chief Financial Officer
  - 32 Certification of Annual Report on Form 10-K pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) by Chairman of the Board, Chief Executive Officer and President and Chief Financial Officer

---

\* Management contract or compensatory plan or arrangement

- (b) Response to this item is the same as Item 15(a).
- (c) Response to this item is the same as Item 15(a).

**SIGNATURES**

**Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.**

Date: February 28, 2006

Bank of Hawaii Corporation and Subsidiaries

By: /s/ Allan R. Landon

---

Allan R. Landon  
Chairman of the Board,  
Chief Executive Officer and President

**Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the date indicated.**

Date: February 28, 2006

/s/ Allan R. Landon

---

Allan R. Landon,  
Chairman of the Board,  
Chief Executive Officer and President

/s/ S. Haunani Apoliona

---

S. Haunani Apoliona, Director

/s/ Mary G. F. Bitterman

---

Mary G. F. Bitterman, Director

/s/ Michael J. Chun

---

Michael J. Chun, Director

/s/ Clinton R. Churchill

---

Clinton R. Churchill, Director

/s/ David A. Heenan

---

David A. Heenan, Director

/s/ Robert Huret

---

Robert Huret, Director

/s/ Martin A. Stein

---

Martin A. Stein, Director

/s/ Donald M. Takaki

---

Donald M. Takaki, Director

/s/ Barbara J. Tanabe

---

Barbara J. Tanabe, Director

/s/ Robert W. Wo, Jr.

---

Robert W. Wo, Jr., Director

/s/ Richard C. Keene

---

Richard C. Keene,  
Chief Financial Officer

/s/ Brian T. Stewart

---

Brian T. Stewart,  
Principal Accounting Officer

QuickLinks

[PART I](#)

- [Item 1. Business](#)
- [Item 1A. Risk Factors](#)
- [Item 1B. Unresolved Staff Comments](#)
- [Item 2. Properties](#)
- [Item 3. Legal Proceedings](#)
- [Item 4. Submission of Matters to a Vote of Security Holders](#)

[PART II](#)

- [Item 6. Selected Financial Data](#)
- [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)
- [Item 7A. Quantitative and Qualitative Disclosures About Market Risk](#)
- [Item 8. Financial Statements and Supplementary Data](#)

[Report of Independent Registered Public Accounting Firm](#)

- [Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure](#)
- [Item 9A. Controls and Procedures](#)

[Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting](#)

- [Item 9B. Other Information](#)

[PART III](#)

- [Item 10. Directors and Executive Officers of the Registrant](#)
- [Item 11. Executive Compensation](#)
- [Item 13. Certain Relationships and Related Transactions](#)
- [Item 14. Principal Accounting Fees and Services](#)

[PART IV](#)

- [Item 15. Exhibits, Financial Statement Schedules](#)

[SIGNATURES](#)

**CERTIFICATE OF INCORPORATION  
OF  
PACIFIC CENTURY FINANCIAL CORPORATION**

I, the undersigned, for the purposes of incorporating and organizing a corporation under the General Corporation Law of the State of Delaware, do hereby execute this Certificate of Incorporation and do hereby certify as follows:

**ARTICLE I  
NAME**

The name of this corporation (the "Corporation") is Pacific Century Financial Corporation.

**ARTICLE II  
DEFINITIONS**

For the purposes of this Certificate of Incorporation:

A. "Affiliate" and "Associate" have the meanings set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

B. A person shall be deemed to "Beneficially Own" shares of Voting Stock (i) that such person or any of its Affiliates and Associates beneficially owns, directly or indirectly, (ii) that such person or any of its Affiliates or Associates has (a) the right to acquire or to dispose of (whether such right is exercisable immediately or only after the passage of time or only upon the occurrence or nonoccurrence of a contingency or event), or to direct the acquisition or disposition of, pursuant to any agreement, arrangement, understanding or relationship or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote or to direct the voting of pursuant to any agreement, arrangement, understanding or relationship, or (iii) that are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its Affiliates or Associates has any agreement, arrangement, understanding or relationship for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of the Corporation. Notwithstanding the foregoing, a person shall not be deemed to "Beneficially Own" shares of Voting Stock as a result of any agreement, arrangement or understanding to vote such security (i) arising solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (ii) is not reportable on Schedule 13D under the Exchange Act (or any comparable or successor report) by (a) such person, (b) any of such person's Affiliates or Associates, or (c) any other person with which such first mentioned person or any of its Affiliates or Associates has any agreement, arrangement, understanding or relationship for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of the Corporation.

C. "Business Combination" means (i) any merger or consolidation of the Corporation or any Subsidiary with or into (a) any Related Person, or (b) any other corporation (whether or not itself a Related Person) that, after such merger or consolidation, would be an Affiliate or Associate of a Related Person, or (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of related transactions) to or with any Related Person of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value equal to ten percent (10%) or more of the book value of the consolidated assets of the Corporation, as shown on the quarterly or annual financial statements of the Corporation last filed with the Securities and Exchange Commission prior to the date in question, or (iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of related transactions, and other

---

than by way of a pro rata distribution to all stockholders or a reclassification, dividend or subdivision of such securities and other than in connection with the exercise or conversion of securities exercisable for or convertible into securities of the Corporation or a Subsidiary that have been distributed pro rata to stockholders) of any securities of the Corporation or any Subsidiary to any Related Person in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value equal to ten percent (10%) or more of the Fair Market Value of the issued and outstanding shares of Common Stock (as defined herein) of the Corporation, or (iv) the adoption of any plan or proposal proposed by or on behalf of a Related Person for the liquidation or dissolution of the Corporation, or (v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with or into any of its Subsidiaries or any similar transaction (whether or not with or into or otherwise involving a Related Person) that has the effect, directly or indirectly, of increasing by more than one percent (1%) the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary that are directly or indirectly owned by any Related Person.

D. "Continuing Director" means, as to any Related Person, any member of the Board of Directors of the Corporation (the "Board") who (i) is unaffiliated with and is not the Related Person and (ii) was a member of the Board of Directors of the Corporation prior to the time that the Related Person became a Related Person, and any successor of a Continuing Director who is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

E. "Disinterested Shares" means, as to any Related Person, shares of Voting Stock that are Beneficially Owned and owned of record by stockholders other than such Related Person.

F. "Fair Market Value" means: (i) in the case of shares of stock and other securities, the highest closing sale price during the thirty (30) day period immediately preceding and including the date in question of a share of such stock or other security, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock or other security is listed or admitted to trading, or, if such stock or other security is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock or other security during the thirty (30) day period preceding and including the date in question on the National Association of Securities Dealers, Inc. Automated Quotation System or any other quotation reporting system then in general use, or, if no such quotations are available, the fair market value on the date in question of a share of such stock or other security as determined by the Board in good faith; and (ii) in the case of property other than stock or other securities, the fair market value of such property on the date in question as determined by the Board in good faith.

G. A "person" shall mean any individual, firm, corporation, partnership, limited liability company or other entity.

H. "Related Person" means and includes (i) any person, or any group of two or more persons that act together or have agreed to act together, that, together with its or their Affiliates and Associates, Beneficially Owns, directly or indirectly, in the aggregate, ten percent (10%) or more of the combined voting power of the then-outstanding shares of Voting Stock, and any Affiliate or Associate of any such person; (ii) an Affiliate of the Corporation that at any time within two years prior thereto Beneficially Owned, directly or indirectly, ten percent (10%) or more of the combined voting power of the outstanding shares of Voting Stock; or (iii) an assignee of or successor to any shares of capital stock of the Corporation that were at any time within two years prior thereto Beneficially Owned by any Related Person, if such assignment or succession shall have occurred other than pursuant to a "public offering" within the meaning of the Securities Act of 1933, as amended; provided, however, that the term "Related Person" shall not include the Corporation, any Subsidiary, any employee benefit plan or employee stock plan of the Corporation or of any Subsidiary, or any person or entity organized, appointed, established or holding Voting

---

Stock for or pursuant to the terms of any such plan, nor shall such term encompass shares of Voting Stock held by any of the foregoing (whether or not held in a fiduciary capacity or otherwise).

I. "Subsidiary" means any corporation or other entity of which the Corporation owns, directly or indirectly, securities that entitle the Corporation to elect a majority of the board of directors or other persons performing similar functions of such corporation or entity or that otherwise give to the Corporation the power to control such corporation or entity.

J. "Voting Stock" means all outstanding shares of capital stock of the Corporation that pursuant to or in accordance with this Certificate of Incorporation are entitled to vote generally in the election of directors of the Corporation, and each reference herein, where appropriate, to a percentage or portion of shares of Voting Stock shall refer to such percentage or portion of the voting power of such shares entitled to vote. The outstanding shares of Voting Stock shall include shares owned through application of Paragraph B of Article II of this Certificate of Incorporation, where applicable, but shall not otherwise include any other shares of Voting Stock that may be issuable pursuant to any agreement, or upon the exercise or conversion of any rights, warrants or options or otherwise.

### **ARTICLE III REGISTERED OFFICE**

The address of the registered office of the Corporation in the State of Delaware is 314 South State Street, Dover, County of Kent, Delaware 19901, and the name of its registered agent at that address is Capitol Corporate Services, Inc.

### **ARTICLE IV BUSINESS**

The nature of the business and the purposes to be conducted or promoted by the Corporation are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "General Corporation Law").

### **ARTICLE V AUTHORIZED CAPITAL STOCK**

A. The Corporation shall be authorized to issue two classes of shares of stock to be designated, respectively, "Common Stock" and "Preferred Stock"; the total number of shares of Common Stock that the Corporation shall have authority to issue shall be Five Hundred Million (500,000,000), and each such share shall have a par value of \$.01; and the total number of shares of Preferred Stock that the Corporation shall have the authority to issue shall be Twenty Million (20,000,000), and each such share shall have a par value of \$.01.

B. Shares of Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the Board, each of said series to be distinctly designated. The voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, if any, of each such series may differ from those of any and all other series of Preferred Stock at any time outstanding, and the Board is hereby expressly granted authority to fix or alter, by resolution or resolutions, the designation, number, voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof, of each such series, including, but without limiting the generality of the foregoing, the following:

(1) The distinctive designation of, and the number of shares of Preferred Stock that shall constitute, such series, which number (except where otherwise provided by the Board in the resolution establishing such series) may be increased or decreased (but not below the number of shares of such series then outstanding) from time to time by like action of the Board;

---

(2) The rights in respect of dividends, if any, of such series of Preferred Stock, the extent of the preference or relation, if any, of such dividends to the dividends payable on any other class or classes or any other series of the same or other class or classes of capital stock of the Corporation, and whether such dividends shall be cumulative or noncumulative;

(3) The right, if any, of the holders of such series of Preferred Stock to convert the same into, or exchange the same for, shares of any other class or classes or of any other series of the same or any other class or classes of capital stock of the Corporation, and the terms and conditions of such conversion or exchange;

(4) Whether or not shares of such series of Preferred Stock shall be subject to redemption, and the redemption price or prices and the time or times at which, and the terms and conditions on which, shares of such series of Preferred Stock may be redeemed;

(5) The rights, if any, of the holders of such series of Preferred Stock upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation or in the event of any merger or consolidation of or sale of assets by the Corporation;

(6) The terms of any sinking fund or redemption or purchase account, if any, to be provided for shares of such series of the Preferred Stock; and

(7) The voting powers, if any, of the holders of any series of Preferred Stock generally or with respect to any particular matter, which may be less than, equal to or greater than one vote per share, and which may, without limiting the generality of the foregoing, include the right, voting as a series by itself or together with the holders of any other series of Preferred Stock or all series of Preferred Stock as a class, to elect one or more directors of the Corporation generally or under such specific circumstances and on such conditions, as shall be provided in the resolution or resolutions of the Board adopted pursuant hereto, including, without limitation, in the event there shall have been a default in the payment of dividends on or redemption of any one or more series of Preferred Stock.

C. (1) After the provisions with respect to preferential dividends on any series of Preferred Stock (fixed in accordance with the provisions of Paragraph B of this Article V), if any, shall have been satisfied and after the Corporation shall have complied with all the requirements, if any, with respect to redemption of, or the setting aside of sums as sinking funds or redemption or purchase accounts with respect to, any series of Preferred Stock (fixed in accordance with the provisions of Paragraph B of this Article V), and subject further to any other conditions that may be fixed in accordance with the provisions of Paragraph B of this Article V, then and not otherwise the holders of Common Stock shall be entitled to receive such dividends as may be declared from time to time by the Board.

(2) In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after distribution in full of the preferential amounts, if any (fixed in accordance with the provisions of Paragraph B of this Article V), to be distributed to the holders of Preferred Stock by reason thereof, the holders of Common Stock shall, subject to the additional rights, if any (fixed in accordance with the provisions of Paragraph B of this Article V), of the holders of any outstanding shares of Preferred Stock, be entitled to receive all of the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by them respectively.

(3) Except as may otherwise be required by law, and subject to the provisions of such resolution or resolutions as may be adopted by the Board pursuant to Paragraph B of this Article V granting the holders of one or more series of Preferred Stock exclusive voting powers with respect to any matter, each holder of Common Stock shall have one vote in respect of each share of Common Stock held on all matters voted upon by the stockholders.

(4) Subject to Paragraph A of Article XIV, the authorized amount of shares of Common Stock and of Preferred Stock may, without a class or series vote, be increased or decreased from

---

time to time by the affirmative vote of the holders of a majority of the combined voting power of the then outstanding shares of Voting Stock, voting together as a single class.

## **ARTICLE VI INCORPORATOR**

The name and mailing address of the incorporator are Mark A. Morton, 1201 Market St., Suite 1500, Wilmington, DE 19801.

## **ARTICLE VII ELECTION OF DIRECTORS**

A. The business and affairs of the Corporation shall be conducted and managed by, or under the direction of, the Board. Except as otherwise provided for or fixed pursuant to the provisions of Article V of this Certificate of Incorporation relating to the rights of the holders of any series of Preferred Stock to elect additional directors, the total number of directors constituting the entire Board shall be not less than three (3) nor more than fifteen (15), with the then-authorized number of directors being fixed from time to time by or pursuant to a resolution passed by a majority of the then-authorized number of directors. The initial Board shall consist of eleven (11) members.

B. The Board, other than those directors elected by the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Article V of this Certificate of Incorporation, shall be divided into three classes to be designated Class I, Class II and Class III and to be as nearly equal in number as possible. The initial directors of each class shall be named by the incorporator. The terms of the initial Class I directors shall expire at the 1999 annual meeting of stockholders, the terms of the initial Class II directors shall expire at the 2000 annual meeting of stockholders and the terms of the initial Class III directors shall expire at the 2001 annual meeting of stockholders. At each succeeding annual meeting of stockholders beginning in 1999, successors to the class of directors whose terms expire at that annual meeting shall be elected for a three-year term. Any increase or decrease in the number of directors shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible.

C. Except as otherwise provided for or fixed pursuant to the provisions of Article V of this Certificate of Incorporation relating to the rights of the holders of any series of Preferred Stock to elect additional directors, and subject to the provisions hereof, newly created directorships resulting from any increase in the authorized number of directors, and any vacancies on the Board resulting from death, resignation, disqualification, removal, or other cause, may be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or in which the vacancy occurred, and until such director's successor shall have been duly elected and qualified, subject to his earlier death, disqualification, resignation or removal. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

D. During any period when the holders of any series of Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of Article V of this Certificate of Incorporation, then upon commencement and for the duration of the period during which such right continues (i) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions, and (ii) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his earlier death, disqualification, resignation or removal. Except as otherwise provided by the Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, the terms of office of all

---

such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total and authorized number of directors of the Corporation shall be reduced accordingly.

E. Except for such additional directors, if any, as are elected by the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Article V of this Certificate of Incorporation, any director may be removed from office only for cause and only by the affirmative vote of the holders of sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) or more of the combined voting power of the then-outstanding shares of Voting Stock at a meeting of stockholders called for that purpose, voting together as a single class.

## **ARTICLE VIII MEETINGS OF STOCKHOLDERS**

A. Meetings of stockholders of the Corporation may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. Except as otherwise provided for or fixed pursuant to the provisions of Article V of this Certificate of Incorporation relating to the rights of the holders of any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, the President or the Board pursuant to a resolution adopted by a majority of the then-authorized number of directors of the Corporation; provided, however, that where such special meeting of stockholders is called for the purpose of acting upon a proposal made by or on behalf of a Related Person or, at any time that one or more Related Persons exist, by or at the request of a director who is not a Continuing Director as to all Related Persons, or where a Related Person otherwise seeks action requiring approval of stockholders, then, in addition to the aforesaid vote of directors, the affirmative vote of a majority of the Continuing Directors, if any, shall also be required to call such special meeting of stockholders. Special meetings of stockholders may not be called by any other person or persons or in any other manner. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

B. In addition to the powers conferred on the Board by this Certificate of Incorporation and by the General Corporation Law, and without limiting the generality thereof, the Board is specifically authorized from time to time, by resolution of the Board without additional authorization by the stockholders of the Corporation, to adopt, amend or repeal the Bylaws of the Corporation, in such form and with such terms as the Board may determine, including, without limiting the generality of the foregoing, Bylaws relating to (i) regulation of the procedure for submission by stockholders of nominations of persons to be elected to the Board, (ii) regulation of the attendance at annual or special meetings of the stockholders of persons other than holders of record or their proxies, and (iii) regulation of the business that may properly be brought by a stockholder of the Corporation before an annual or special meeting of stockholders of the Corporation.

## **ARTICLE IX STOCKHOLDER CONSENT**

Except as otherwise provided for or fixed pursuant to the provisions of Article V of this Certificate of Incorporation relating to the rights of the holders of any series of Preferred Stock, no action required to be taken or that may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, and the power of the stockholders of the Corporation to consent in writing, without a meeting, to the taking of any action is specifically denied.

## **ARTICLE X FACTORS TO CONSIDER**

The Board, when evaluating any proposed transaction that would result in a person or entity becoming a Related Person, or in a Related Person increasing his ownership of capital stock of the Corporation, or any transaction or any proposed transaction with any other party, whether or not such

---

other party is a Related Person, that would constitute a Business Combination if the other party to the transaction were or would thereby become a Related Person, may, to the fullest extent permitted by law, give due consideration to the independence and integrity of the Corporation's operations, and the social, economic and environmental effects on the stockholders, employees, customers, suppliers and other constituents of the Corporation and its Subsidiaries and on the communities in which the Corporation and its Subsidiaries operate or are located or that they serve.

#### **ARTICLE XI LIMITATION OF LIABILITY**

A director of this Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the General Corporation Law as the same exists or may hereafter be amended.

Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a director of the Corporation existing hereunder with respect to any act or omission occurring prior to such repeal or modification.

#### **ARTICLE XII EXECUTIVE COMMITTEE**

The Board, pursuant to the Bylaws of the Corporation or by resolution passed by a majority of the then-authorized number of directors, may designate any of their number to constitute an Executive Committee, which Executive Committee, to the fullest extent permitted by law and provided for in said resolution or in the Bylaws of the Corporation, shall have and may exercise all of the powers of the Board in the management of the business and affairs of the Corporation, and shall have power to authorize the seal of the Corporation to be affixed to all papers that may require it.

#### **ARTICLE XIII BUSINESS COMBINATIONS**

A. In addition to any affirmative vote required by law, and except as otherwise expressly provided in Paragraph B of this Article XIII, a Business Combination shall require the affirmative vote of the holders of sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) or more of the combined voting power of the then-outstanding shares of Voting Stock, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that some lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. The provisions of Paragraph A of this Article XIII shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provisions of this Certificate of Incorporation or the Bylaws, if there are one or more Continuing Directors then in office and if such Business Combination has been approved by the Board by (i) the affirmative vote of at least a majority of the then-authorized number of directors and (ii) the affirmative vote of at least a majority of the Continuing Directors then in office.

#### **ARTICLE XIV AMENDMENT OF CORPORATE DOCUMENTS**

A. *Certificate of Incorporation.* In addition to any affirmative vote required by applicable law and in addition to any vote of the holders of any series of Preferred Stock provided for or fixed pursuant to the provisions of Article V of this Certificate of Incorporation, any alteration, amendment, repeal or rescission (a "Change") of any provision of this Certificate of Incorporation must be approved by at least a majority of the then authorized number of directors and by the affirmative vote of the holders of at least a majority of the combined voting power of the then-outstanding shares of Voting Stock, voting together as a single class; provided, however, that if any such Change relates to Articles II, V, VII, VIII, IX, X, XI or XIII hereof or to this Article XIV, such Change must also be approved by the

---

affirmative vote of the holders of at least sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) of the combined voting power of the then-outstanding shares of Voting Stock, voting together as a single class and, if at the time there exist one or more Related Persons, such Change must also be approved by the affirmative vote of the holders of at least a majority of the combined voting power of the Disinterested Shares; provided further, however, that the vote(s) required by the immediately preceding proviso shall not be required if such Change has been first approved by at least two-thirds of the then authorized number of directors and, if at the time there exist one or more Related Persons, by a majority of the Continuing Directors then in office, if any.

Subject to the provisions hereof, the Corporation reserves the right at any time, and from time to time, to amend, alter, repeal or rescind any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the rights reserved in this article.

B. *Bylaws.* In addition to any affirmative vote required by law, any Change of the Bylaws of the Corporation may be adopted either (i) by the Board by the affirmative vote of at least a majority of the then-authorized number of directors and, if at the time there exist one or more Related Persons, by the affirmative vote of at least a majority of the Continuing Directors then in office, if any, or (ii) by the stockholders by the affirmative vote of the holders of at least sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) of the combined voting power of the then-outstanding shares of Voting Stock, voting together as a single class and, if at the time there exist one or more Related Persons, by the affirmative vote of the holders of at least a majority of the combined voting power of the Disinterested Shares.

IN WITNESS WHEREOF, I, the undersigned, being the incorporator hereinabove named, do hereby further certify that the facts hereinabove stated are truly set forth, and accordingly I hereunto set my hand this 4th day of February, 1998.

/s/ MARK A. MORTON

---

Mark A. Morton, Incorporator

---

**AMENDMENT OF PACIFIC CENTURY FINANCIAL CORPORATION  
CERTIFICATE OF INCORPORATION TO REDUCE THE PERCENTAGE  
OF SHARES REQUIRED TO REMOVE A DIRECTOR FOR CAUSE**

Pacific Century's Board of Directors has approved, and recommends that shareholders approve, an amendment to Article VII, Section E of the Company's Certificate of Incorporation to reduce the percentage required to remove a director for cause from sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) of the outstanding shares, to a majority of the voting power of then outstanding shares. This is intended to increase the power of shareholders to remove a director for cause. The language in Article VII, Section E of the existing Certificate of Incorporation would be amended as follows (new language in bold, old language lined out):

"Except for such additional directors, if any, as are elected by the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Article V of this Certificate of Incorporation, any director may be removed from office only for cause and only by the affirmative vote of the holders of sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) or more **at least a majority** of the combined voting power of the then-outstanding shares of Voting Stock at a meeting of stockholders called for that purpose, voting together as a single class"

**The Board of Directors recommends a vote "for" the foregoing proposal.**

**AMENDMENT OF PACIFIC CENTURY FINANCIAL CORPORATION  
CERTIFICATE OF INCORPORATION TO PERMIT TEN PERCENT  
OF THE SHAREHOLDERS TO CALL A SPECIAL MEETING**

Pacific Century's Board of Directors has approved, and recommends that shareholders approve, an amendment to Article VIII, Section A of the Company's Certificate of Incorporation to permit ten percent (10%) of the combined voting power of the outstanding shares of the Company to call a special meeting of shareholders. At present, the Certificate of Incorporation does not provide an opportunity for shareholders to call a special meeting. The language in Article VIII, Section A of the existing Certificate of Incorporation would be amended by adding the phrase in bold type below:

"Meetings of stockholders of the Corporation may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. Except as otherwise provided for or fixed pursuant to the provisions of Article V of this Certificate of Incorporation relating to the rights of the holders of any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, the President or the Board pursuant to a resolution adopted by a majority of the then-authorized number of directors of the Corporation, **or by the holders of not less than 10 percent of the combined voting power of the then-outstanding shares of voting stock**; provided, however, that where such special meeting of stockholders is called for the purpose of acting upon a proposal made by or on behalf of a Related Person or, at any time that one or more Related Persons exist, by or at the request of a director who is not a Continuing Director as to all Related Persons, or where a Related Person otherwise seeks action requiring approval of stockholders, then, in addition to the aforesaid vote of directors, the affirmative vote of a majority of the Continuing Directors, if any, shall also be required to call such special meeting of stockholders. Special meetings of stockholders may not be called by any other person or persons or in any other person or persons or in any other manner. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

**The Board of Directors recommends a vote "for" the foregoing proposal.**

---



QuickLinks

[CERTIFICATE OF INCORPORATION OF PACIFIC CENTURY FINANCIAL CORPORATION](#)

**BY-LAWS  
OF  
PACIFIC CENTURY FINANCIAL CORPORATION**

**ARTICLE I  
STOCKHOLDERS**

Section 1.1. *Annual Meetings.* An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Hawaii, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2. *Special Meetings.* Special meetings of stockholders may be called only in accordance with ARTICLE VIII of the Certificate of Incorporation of the corporation.

Section 1.3. *Notice of Meetings.* Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given that shall state the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the certificate of incorporation or these by-laws, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation.

Section 1.4. *Adjournments.* Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.5. *Quorum.* Except as otherwise provided by law, the certificate of incorporation or these by-laws, at each meeting of stockholders the presence in person or by proxy of the holders of one-third of the shares of stock entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum. In the absence of a quorum, the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided in Section 1.4 of these by-laws until a quorum shall attend.

Section 1.6. *Organization.* Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chair of the Board, if any, or in his absence by the President, or in his absence by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting. The chairman of the meeting shall announce at the meeting of stockholders the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote.

Section 1.7. *Voting; Proxies.* Except as otherwise provided by the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by him which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and

---

only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by delivering a proxy in accordance with applicable law bearing a later date to the Secretary of the corporation. Voting at meetings of stockholders need not be by written ballot. At all meetings of stockholders for the election of directors a plurality of the votes cast shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law, the certificate of incorporation or these by-laws, be decided by the affirmative vote of the holders of a majority in voting power of the shares of stock which are present in person or by proxy and entitled to vote thereon.

Section 1.8. *Fixing Date for Determination of Stockholders of Record.* In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date: (1) in the case of determination of stockholders entitled to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law, not be more than sixty nor less than ten days before the date of such meeting; and (2) in the case of any other action, shall not be more than sixty days prior to such other action.

If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and (2) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 1.9. *List of Stockholders Entitled to Vote.* The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. Upon the willful neglect or refusal of the directors to produce such a list at any meeting for the election of directors, they shall be ineligible for election to any office at such meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 1.10. *Inspectors of Election.* The corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability.

---

The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

Section 1.11. *Conduct of Meetings.* The Board of Directors of the corporation may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 1.12. *Notice of Business and Nominations.* To be properly brought before any stockholders' meeting, business and nominations of persons for election to the Board of Directors of the corporation must be (a) specified in the notice of meeting given by or at the direction of the Chairman of the Board or the President or a majority of the whole Board of Directors, (b) otherwise properly brought before such meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before such meeting by a stockholder or stockholders who was a stockholder or were stockholders, respectively, of record at the time of giving notice provided for in this By-Law, who is entitled to vote for the election of Directors at such meeting and who complies with the notice procedures set forth in this By-Law.

For business to be properly brought before any stockholders' meeting by a stockholder or stockholders, the stockholder or stockholders must have given timely notice thereof in writing to the Secretary of the corporation and such business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's or stockholders' notice shall be delivered to or received at the principal executive offices of the corporation not later than eighty (80) days nor earlier than ninety (90) days prior to (a) in the case of a special meeting called by such stockholder or stockholders, the date the stockholder has, or the stockholders have, as applicable, selected for such special meeting, and (b) in the case of an annual meeting, the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by such stockholder or stockholders to be timely must be so received by the Secretary of the corporation (i) not later than the close of business on the later of the eightieth (80th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such annual meeting is first made by the corporation and (ii) not earlier than the ninetieth (90th) day prior to such annual meeting. In the event that the number of directors to be elected to the Board of Directors of the corporation is increased and there is no public announcement by the corporation naming all of the nominees for

---

director or specifying the size of the increased Board of Directors at least ninety (90) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's or stockholders' notice required by this By-Law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by this By-Law shall be delivered to the Secretary at the principal executive offices of the corporation (i) not later than the close of business on the later of the eightieth (80th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting and (ii) not earlier than the close of business on the ninetieth (90th) day prior to such special meeting. In no event shall the public announcement of an adjournment of a meeting commence a new time period for the giving of a stockholder's notice as described above.

A stockholder's notice to the Secretary of the corporation shall set forth as to each matter that the stockholder proposes to bring before such meeting (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before such meeting and the reasons for conducting such business at such meeting of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf such nomination or proposal of business is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, (ii) the class and number of shares of the securities of the corporation that are beneficially owned by such stockholder and such beneficial owner; and (d) any material interest of such stockholder and such beneficial owner in such nomination and such business.

Only such persons who are nominated in accordance with the procedures set forth in this By-Law shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-Law. Except as otherwise provided by law, the Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that the nomination or business that the stockholder proposes to bring before such meeting was not properly brought before such meeting in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting, and the defective proposal or nomination shall be disregarded.

For purposes of this By-Law:

(a) "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(b) calculating the number of days elapsed between (a) the date on which a notice is given and (b) (i) the date on which a special meeting is to be held, (ii) the date that is the anniversary of an annual meeting, or (iii) the date that is the tenth (10th) day following the day on which public announcement of the date of an annual meeting is first made, shall be made inclusive of dates between which such calculation is made.

---

Notwithstanding the foregoing provisions of this By-Law, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-Law. Nothing in this By-Law shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of preferred stock to elect directors under specified circumstances.

## **ARTICLE II BOARD OF DIRECTORS**

Section 2.1. *Number; Qualifications.* The number of members on the Board of Directors shall be determined by reference to ARTICLE VII of the Certificate of Incorporation. Directors need not be stockholders. No member of the board shall be eligible for election or re-election as a member of the Board of Directors after his or her 70th birthday and no member shall continue in office past the date of the annual meeting of the stockholders that is held subsequent to his or her 70th birthday.

Section 2.2. *Election; Resignation; Vacancies.* The Board of Directors shall initially consist of the persons named by the incorporator, and each director so elected shall hold office until the first annual meeting of stockholders or until his successor is elected and qualified. At the first annual meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect directors in accordance with **Article VII** of the Certificate of Incorporation of the corporation and each director so elected shall hold office for a term of three years or until his successor is elected and qualified. Any director may resign at any time upon written notice to the corporation. Any newly created directorship or vacancy occurring in the Board of Directors for any cause shall be filled in accordance with **Article VII** of the Certificate of Incorporation of the corporation.

Section 2.3. *Regular Meetings.* Regular meetings of the Board of Directors may be held at such places within or without the State of Hawaii and at such times as the Board of Directors may from time to time determine, and if so determined notices thereof need not be given.

Section 2.4. *Special Meetings.* Special meetings of the Board of Directors may be held at any time or place within or without the State of Hawaii whenever called by the President, any Vice Chair, any Vice President, the Secretary, or by any member of the Board of Directors. Notice of a special meeting of the Board of Directors shall be given by the person or persons calling the meeting at least twenty-four hours before the special meeting.

Section 2.5. *Telephonic Meetings Permitted.* Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting thereof by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 2.6. *Quorum; Vote Required for Action.* At all meetings of the Board of Directors a majority of the whole Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which the certificate of incorporation or these by-laws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.7. *Organization.* Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chairman of the Board, if any, or in his absence by the President, or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8. *Informal Action by Directors.* Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the

---

Board of Directors or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or such committee.

### **ARTICLE III COMMITTEES**

Section 3.1. *Committees.* The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it.

Section 3.2. *Committee Rules.* Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these by-laws.

### **ARTICLE IV OFFICERS**

Section 4.1. *Executive Officers; Election; Qualifications; Term of Office; Resignation; Removal; Vacancies.* The principal officers of the corporation shall consist of a Chairman of the Board, a President, one or more Vice Chair, one or more Vice Presidents, one or more of whom may be designated as an Executive Vice President and one or more of whom may be designated as a Senior Vice President, a Treasurer and a Secretary. The Board of Directors may also choose one or more Assistant Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his election, and until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 4.2. *Chairman of the Board.* The Chairman shall preside at all meetings of the stockholders and the Board of Directors at which he is present, and shall perform such other duties and have such other powers as the Board of Directors may prescribe.

Section 4.3. *President.* The President shall preside at all meetings of the Board of Directors and of the stockholders at which the Chairman is absent. Subject to the control of the Board of Directors, the President shall have general charge and care of the business and property of the corporation, shall appoint and discharge employees and agents of the corporation and determine their compensation and shall do and perform such additional duties as shall be prescribed by the Board of Directors. When authorized by the Board of Directors so to do, he may delegate to one of the Vice Presidents the whole or any part of the general management and care of the business and property of the corporation including the employment and discharge of agents and employees.

Section 4.4. *Vice Chairs.* It shall be the duty of the Vice Chairs, in the order determined by the Board of Directors, to assume and perform the duties of the President in the absence or disability of

---

the President or whenever the office of President is vacant. Each Vice Chair shall do and perform such additional duties as shall be prescribed by the Board of Directors.

Section 4.5. *Vice Presidents.* It shall be the duty of the Vice Presidents, in the order determined by the Board of Directors, to assume and perform the duties of the Vice Chairs in the absence or disability of any of the Vice Chairs or whenever the office of one or more of the Vice Chairs is vacant. Each Vice President shall do and perform such additional duties as shall be prescribed by the Board of Directors.

Section 4.6. *Treasurer.* The Treasurer shall be the financial and accounting officer of the corporation. The Treasurer shall have custody of all moneys, valuable papers and documents of the corporation, shall keep the same for safekeeping in such depositories as may be designated by the Board of Directors and shall expend the funds of the corporation as directed by the Board of Directors. He shall keep or cause to be kept a book or books setting forth a true record of the receipts and expenditures, assets and liabilities, losses and gains of the corporation and shall, when and as required by the Board of Directors, render a statement of the financial condition of the corporation. He shall also do and perform such additional duties as shall be prescribed by the Board of Directors. In the absence or disability of the Treasurer, his duties shall be performed by the Secretary or by an Assistant Treasurer.

Section 4.7. *Secretary.* The Secretary shall be ex officio secretary of the Board of Directors, shall give or cause to be given all required notices of meetings of the stockholders and directors, shall record the proceedings of meetings of the stockholders and directors in a book or books to be kept for that purpose, and shall perform such other duties as may be assigned to him from time to time by the Board of Directors and by the President. In the absence or disability of the Secretary, his duties shall be performed by the Treasurer or by an Assistant Secretary.

Section 4.8. *Powers and Duties of Executive Officers.* The officers of the corporation shall have such powers and duties in the management of the corporation as may be prescribed in a resolution by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his duties.

Section 4.9. *Stock in Other Corporations.* Unless the Board of Directors otherwise directs with respect to any meeting or meetings of the stockholders of any corporation shares of the stock of which are owned by this corporation, whether or not such corporation is a subsidiary of this corporation: the Chairman of the Board or the President or any Vice Chair or Vice President designated by the Board of Directors, the Chairman of the Board or the President shall have full authority to attend any meeting of the stockholders of any such corporation and to vote at such meeting the shares of stock of such corporation owned by this corporation; and the Chairman of the Board or the President or any such Vice Chair or Vice President shall have full authority to execute on behalf of this corporation any proxy authorizing any other person or persons to vote the shares of stock of any such corporation owned by this corporation at any meeting or meetings of the stockholders of such corporation; and the Chairman of the Board or the President or any such Vice Chair or Vice President, or any such person authorized to act on behalf of the corporation by any proxy executed by any of the foregoing director or officers of the corporation, shall have full authority to consent in writing, in the name of the corporation as owner of shares of stock of any such corporation, to any action by such other corporation, and may execute or cause to be executed in the name and on behalf of the corporation and under its corporate seal or otherwise, all such written proxies and other instruments as the Chairman of the Board, the President, such Vice Chair or such Vice President, or such authorized person, as applicable, may deem necessary or proper in the premises.

## **ARTICLE V STOCK**

Section 5.1. *Certificates.* Every holder of stock shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman or Vice Chair of the Board of Directors, if any, or the

---

President, a Vice Chair or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the corporation certifying the number of shares owned by him in the corporation. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 5.2. *Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates.* The corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

## **ARTICLE VI INDEMNIFICATION**

Section 6.1. *Right to Indemnification.* The corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person. The corporation shall be required to indemnify a person in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors of the corporation.

Section 6.2. *Prepayment of Expenses.* The corporation shall pay the expenses (including attorneys' fees) incurred in defending any proceeding in advance of its final disposition, PROVIDED, HOWEVER, that the payment of expenses incurred by a director or officer in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to be indemnified under this Article or otherwise.

Section 6.3. *Claims.* If a claim for indemnification or payment of expenses under this Article is not paid in full within sixty days after a written claim therefor has been received by the corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 6.4. *Nonexclusivity of Rights.* The rights conferred on any person by this Article VI shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these by-laws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 6.5. *Other Indemnification.* The corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit enterprise.

---

Section 6.6. *Amendment or Repeal.* Any repeal or modification of the foregoing provisions of this Article VI shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

## **ARTICLE VII MISCELLANEOUS**

Section 7.1. *Fiscal Year.* The fiscal year of the corporation shall be determined by resolution of the Board of Directors.

Section 7.2. *Seal.* The corporate seal shall have the name of the corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 7.3. *Waiver of Notice of Meetings of Stockholders, Directors and Committees.* Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

Section 7.4. *Interested Directors; Quorum.* No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if: (1) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 7.5. *Form of Records.* Any records maintained by the corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs, or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time.

Section 7.6. *Amendment of By-laws.* These by-laws may be altered or repealed, and new by-laws made, by the Board of Directors and stockholders in accordance with **Articles VIII** and **XIV** of the Certificate of Incorporation.

---

QuickLinks

[BY-LAWS OF PACIFIC CENTURY FINANCIAL CORPORATION](#)

**BANCORP HAWAII, INC.  
KEY EXECUTIVE SEVERANCE PLAN**

1. Purpose. The purpose of this Plan, which takes effect as of April 27, 1983, is to assure Bancorp Hawaii, Inc. ("Bancorp") that it will have the continued dedication of, and the availability of objective advice and counsel from, key executives of Bancorp and its subsidiary, Bank of Hawaii, notwithstanding the possibility or occurrence of a bid to take over control of Bancorp. In the event that Bancorp receives any such bids, the Board of Directors believes it imperative that Bancorp and its shareholders be able to rely upon such key executives to continue in their positions so that business will be unaffected and such key executives will be available to advise, if asked, as to whether such bids would be in the best interests of Bancorp and its shareholders, and to take such actions as the Board might deem appropriate, without concern that those individuals might be distracted by the personal uncertainties and risks created by such a bid.

2. Plan Participants. Participants under this Plan shall consist of those executives of Bancorp and its subsidiary, Bank of Hawaii (the "Bank"), who are from time to time designated by the Board of Directors (acting on the advice of the Compensation Committee of the Board) as "key executives" to be included within this Plan. A Participant whom the Board determines has ceased to be a "key executive" for purposes of this Plan shall cease to be a Participant in the Plan when notified in writing by the Board of such determination; provided, however, a determination that a Participant has ceased to be such a key executive may not be made, and if made shall have no effect, (i) during any period of time when Bancorp has knowledge that any third party has taken steps reasonably calculated to effect a Change of Control (as defined herein) until, in the opinion of the Board, such third party has abandoned or terminated its efforts to effect a change of control or (ii) within two years after a Change of Control.

3. Severance Agreements. A Severance Agreement shall be executed by Bancorp and each Participant and shall provide for the following benefits in the event of termination of the Participant's employment with Bancorp or the Bank for any reason (whether voluntary or involuntary, other than as a consequence of death, disability, or retirement at or after the normal retirement date under the Employees' Retirement Plan of Bank of Hawaii (the "Retirement Plan")) within two years after a Change of Control: (i) a cash payment will be made in an amount equal to three times the Participant's highest compensation (consisting of salary, bonuses and incentive compensation) paid or payable for any 12 consecutive month period during the three years immediately preceding such termination; (ii) special, unfunded, nonqualified retirement benefits for those Participants who would have qualified for benefits under the Retirement Plan if they had remained in the employ of Bancorp or the Bank for an additional period of three years; (iii) other fringe benefits which the Executive received immediately prior to such termination will be continued, or equivalent benefits will be provided, for a period of three years following termination; and (iv) such other arrangements will be made as the Board of Directors deems appropriate.

4. Options and Rights. In the event of a Change of Control of Bancorp, outstanding stock options and stock appreciation rights, if any, will become immediately exercisable for a period of 30 days following the date of such Change of Control.

5. Additional Terms. The Severance Agreement to be entered into pursuant to this Plan may contain such other terms and conditions not inconsistent with this Plan as shall be determined by the Board of Directors.

6. Non-Assignability. Each Participant's rights under this Plan shall be non-transferable except by will or the laws of descent and distribution.

7. Definition of Change of Control. A "Change of Control" shall be deemed to have taken place if: (i) any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of shares of stock of Bancorp having 25% or more of the total number of votes that may be cast for the election of directors of Bancorp; or (ii) as a result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were directors of Bancorp before the transaction shall cease to constitute a majority of the Board of Directors of Bancorp or any successor to Bancorp; or (iii) a majority of the Board of Directors determines in good faith that a "Change of Control" is imminent.

8. Plan Funding. The Plan shall not be funded. Neither Bancorp nor the Board of Directors shall be required to segregate any assets with respect to benefits under the Plan. Neither Bancorp nor the Directors shall be deemed to be a trustee of any amounts to be paid under the Plan. Any liability of Bancorp to any Participant with respect to any benefit shall be based solely upon any contractual obligations created by the Plan and the related Severance Agreement, and no obligation under the Plan shall be deemed to be secured by any pledge or any encumbrance on any property of Bancorp, the Bank, or any subsidiary of either.

9. Termination and Amendment of this Plan. The Board of Directors of Bancorp shall have power at any time, in its discretion, to amend or terminate this Plan, in whole or in part; provided, however, that no amendment or termination shall alter the obligations of Bancorp under any Severance Agreement previously entered into pursuant to this Plan.

QuickLinks

[BANCORP HAWAII, INC. KEY EXECUTIVE SEVERANCE PLAN](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

**Exhibit 10.2**

**PACIFIC CENTURY FINANCIAL CORPORATION**

**ONE-YEAR INCENTIVE PLAN**

(Effective as of January 1, 1999)

---

## Contents

Article 1.	Establishment, Objectives, and Effective Date	1
Article 2.	Definitions	1
Article 3.	Administration	2
Article 4.	Eligibility and Participation	3
Article 5.	Contingent Awards	3
Article 6.	Determination and Payment of Final Awards	3
Article 7.	Termination of Employment	4
Article 8.	Beneficiary Designation	5
Article 9.	Rights of Employees	5
Article 10.	Change in Control	5
Article 11.	Amendment, Modification, and Termination	5
Article 12.	Withholding	6
Article 13.	Indemnification	6
Article 14.	Successors	6
Article 15.	Legal Construction	6

---

**PACIFIC CENTURY FINANCIAL CORPORATION  
ONE-YEAR INCENTIVE PLAN**

**ARTICLE 1. ESTABLISHMENT, OBJECTIVES, AND EFFECTIVE DATE.**

1.1. *Establishment of the Plan.* Pacific Century Financial Corporation, a Delaware corporation ("PCFC"), hereby establishes an incentive compensation plan to be known as the "Pacific Century Financial Corporation One-Year Incentive Plan" ("Plan"), as set forth in this document.

1.2. *Objectives of the Plan.* The objectives of the Plan are to optimize the profitability and growth of PCFC and its Subsidiaries through incentives for each current annual period which are consistent with PCFC's goals and which link the personal interests of Participants to those of PCFC's stockholders; to provide Participants with an incentive for excellence in individual performance; and to promote teamwork among Participants.

1.3. *Effective Date.* The Plan shall become effective as of January 1, 1999 ("Effective Date"). The Plan shall commence on the Effective Date and shall remain in effect, subject to the right of the Board of Directors to amend or terminate the Plan at any time pursuant to Article 11 hereof, until January 1, 2009.

**ARTICLE 2. DEFINITIONS.**

Whenever used in the Plan, the following capitalized terms shall have the meanings set forth below:

2.1. "*Award Agreement*" shall mean an agreement entered into by PCFC and each Participant setting forth the terms and conditions applicable to an Award granted under this Plan.

2.2. "*Board of Directors*" or "*Board*" shall mean the Board of Directors of PCFC.

2.3. "*Change in Control*" of PCFC shall mean any one or more of the following: (i) any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of shares of PCFC having 25% or more of the total number of votes that may be cast for the election of Directors of PCFC; or (ii) as a result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were Directors of PCFC before the transaction shall cease to constitute a majority of the Board of Directors of PCFC or any successor to PCFC.

2.4. "*Code*" shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.5. "*Committee*" shall mean the Compensation Committee of the Board of Directors of PCFC.

2.6. "*Contingent Award*" or "*Award*" shall mean an award which is contingent on the achievement of designated performance goals which is granted to an Eligible Employee at the outset of the Performance Period.

2.7. "*Disability*" shall have the meaning ascribed to such term under the long-term disability plan sponsored by PCFC or a Subsidiary and applicable to the Participant, or if no such plan exists, the meaning as determined at the sole discretion of the Committee.

2.8. "*Effective Date*" shall have the meaning ascribed to such term in Article 1.3 hereof.

2.9. "*Eligible Employees*" shall mean officers or other employees of PCFC or any Subsidiary, who, in the opinion of the Committee, are or give promise of becoming of exceptional importance to PCFC or any Subsidiary, and of making substantial contributions to the success, growth, and profit of PCFC

and its Subsidiaries. Neither members of the Committee nor any member of the Board who is not an employee of PCFC or a Subsidiary shall be an Eligible Employee.

2.10. "*Final Award*" shall mean the award ultimately paid out to each Participant based on the Committee's determination under Article 6.

2.11. "*Named Executive Officer*" shall mean a Participant who, as of the date of vesting or payout of an Award, as applicable, is one of the group of "covered employees" as defined under Code Section 162(m) and regulations thereunder.

2.12. "*Net Income*" shall mean PCFC's consolidated net income before taxes for the Performance Period, as reported in the annual report to shareholders (or as otherwise reported to shareholders) adjusted as described in this Section. The Committee may, in its sole discretion, adjust PCFC's reported net income for the following in determining Net Income:

- (a) Expenses associated with this incentive plan;
- (b) Any extraordinary or unusual gain or loss transaction;
- (c) Securities gains or losses; and
- (d) Dividends on preferred shares.

The Committee will, in its sole discretion, determine any adjustments to be made pursuant to this definition.

2.13. "*Participant*" shall mean a person that the Committee, in its sole discretion, selects from among the Eligible Employees to be granted a Contingent Award.

2.14. "*Performance-Based Exception*" means the performance-based exception from the tax deduction limitations of Code Section 162(m).

2.15. "*Performance Period*", with respect to any Award, shall mean PCFC's fiscal year.

2.16. "*Plan*" shall mean this PCFC One-Year Incentive Plan, as it may be amended from time to time.

2.17. "*Retirement*" shall mean the termination of a Participant's employment with PCFC or a Subsidiary under circumstances where the Participant terminates on or after the retirement dates specified under the Employees' Retirement Plan of Bank of Hawaii.

2.18. "*Salary*" shall mean the actual base salary for the Performance Period.

2.19. "*Subsidiary*" shall mean any corporation in which PCFC or any Subsidiary (as defined hereby) owns 50 percent or more of the total combined voting power of all classes of stock.

### **ARTICLE 3. ADMINISTRATION.**

3.1. *The Committee.* The Plan shall be administered by the Committee. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors.

3.2. *Authority of the Committee.* Except as limited by law or by the articles of incorporation or bylaws of PCFC, and subject to the provisions herein, the Committee shall have full power to interpret and administer the Plan, including to: identify and designate Eligible Employees and Participants under the Plan; determine the size of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any Award Agreement or any other agreement or instrument entered into under the Plan; establish, amend, or waive rules and regulations for the Plan's administration; amend the terms and conditions of any outstanding Award or Award Agreement to the extent such terms and conditions are within the discretion of the Committee as

provided in the Plan; and amend, modify, or terminate the Plan in the manner described in Article 11. As permitted by law, the Committee may delegate its authority as identified herein.

3.3. *Decisions Binding.* All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders and resolutions of the Committee shall be final, conclusive, and binding on all persons, including PCFC and its Subsidiaries, their shareholders, their employees, and the directors, Eligible Employees, Participants, and their estates and beneficiaries.

#### **ARTICLE 4. ELIGIBILITY AND PARTICIPATION.**

4.1. *Eligibility.* Eligible Employees of PCFC or any Subsidiary shall be eligible to participate in the Plan.

4.2. *Participation.* Subject to the provisions of the Plan, the Committee may, from time to time and at its sole discretion, designate the Eligible Employees who shall be Participants and receive grants of Contingent Awards under the Plan.

#### **ARTICLE 5. CONTINGENT AWARDS.**

5.1. *Grant.* The Committee may, from time to time and at its sole discretion, make a grant of a Contingent Award to each Participant. The Contingent Award for any Participant shall be an amount or range of amounts (expressed either in dollars or as percentages of Salary for the Performance Period). The Committee shall cause notice to be given to each Participant of his or her participation under the Plan.

In the event that the Committee determines that it is advisable to grant Awards to Named Executive Officers which do not qualify for the Performance-Based Exception, the Committee may make such grants without satisfying the requirements of Code Section 162(m).

5.2. *Incentive Pool.* In the case of a Contingent Award to a Named Executive Officer which is intended by the Committee to qualify for the Performance-Based Exception, the Contingent Award shall be determined by the Committee by the end of the first quarter of the applicable Performance Period and shall not exceed a percent of the Incentive Pool for the Performance Period specified by the Committee. The Incentive Pool shall be established for each Performance Period and shall be an amount designated as a percent of PCFC's Net Income for the Performance Period, which percent of PCFC's Net Income shall be determined by the Committee prior to the end of the first quarter of the Performance Period. The aggregate of Contingent Awards made to Named Executives for a Performance Period that are intended to qualify for the Performance-Based Exception shall not exceed the Incentive Pool for the Performance Period. The Committee may, but need not, grant such Contingent Awards up to the full amount of the Incentive Pool.

5.3. *Value.* A Contingent Award shall be of no immediate and certain value, and rather the amount payable to a Participant with respect to a Contingent Award for any given Performance Period shall be the Final Award as determined under Article 6.

#### **ARTICLE 6. DETERMINATION AND PAYMENT OF FINAL AWARDS.**

6.1. *Determination of Final Awards.* Subject to the terms and conditions of the Plan, after the applicable Performance Period has ended, the Committee shall determine the Final Award to be paid to each Participant. Each Participant's performance during the Performance Period shall be assessed by the Participant's manager, who shall make a recommendation of Final Award to the Chief Executive Officer of PCFC. The Chief Executive Officer shall thereafter also assess each Participant's performance during the Performance Period and shall make a recommendation of Final Award to the Committee. However, the determination of Final Award for a Participant shall be within the sole discretion of the Committee. In this regard, the Committee may follow the recommendation by the

Chief Executive Officer or may make a lesser or greater Final Award, taking into account the Participant's overall contribution to PCFC and its Subsidiaries for the Performance Period, the corporate performance of PCFC and its Subsidiaries for the Performance Period, and such other criteria as the Committee may determine to promote the objectives of the Plan in an individual case. The Committee may determine the amount of any Final Award to a Participant without regard to the amount of the Participant's Contingent Award. Except as otherwise provided in the case of a Change in Control or other event as described in Article 10, the Committee may modify or repeal the Contingent Award of any Participant at any time before the determination of the Participant's Final Award. However, in the case of a Contingent Award which is designed to qualify for the Performance-Based Exception with respect to a Named Executive Officer, the Final Award shall not result in an upward adjustment of the Contingent Award to an amount greater than the maximum percent of the Incentive Pool determined pursuant to Article 5.2 (although the Committee shall retain the discretion to adjust such the Contingent Award downward).

6.2. *Maximum Awards.* Notwithstanding any other provision of the Plan, the maximum aggregate payout with respect to a Contingent Award granted in any one Plan Year to any one Participant shall be \$2,000,000.

6.3. *Payment.* Payment of Final Awards shall be made in a single lump sum as soon practicable following the close of the applicable Performance Period and the determination of the Final Awards.

However, a Participant may make a request, on a form approved by the Committee, for the deferral of all or part of any payment he or she may receive, provided that such request is delivered to the Human Resources Division no later than November 1 of the Performance Period. The Committee may accept or reject any such request for a deferral and may determine the conditions of such deferral at the Committee's sole discretion.

Payment of Final Awards shall be made normally in the form of cash. However, the Committee, in its sole discretion, may provide for payment of Final Awards in the form of PCFC stock, restricted stock or nonqualified stock options.

6.4. *Participation During Performance Period.* Unless determined otherwise by the Committee and set forth in the Participant's Award Agreement, in the event that an Eligible Employee's participation commences or terminates (for reason other than a termination of employment as described in Article 7) mid-term during a Performance Period, the Participant shall receive a payout of the Award which is prorated in a manner determined by the Committee in its sole discretion.

## **ARTICLE 7. TERMINATION OF EMPLOYMENT.**

7.1. *Termination of Employment Due to Death, Disability, or Retirement.* Unless determined otherwise by the Committee and set forth in the Participant's Award Agreement, in the event the employment of a Participant is terminated by reason of death, Disability, or Retirement during a Performance Period, the Participant shall receive a payout of the Final Award which is prorated in a manner determined by the Committee in its sole discretion. Payments of any prorated Final Awards shall be made at the similar time as payments are made to Participants who did not terminate employment during the applicable Performance Period.

7.2. *Termination of Employment for Other Reasons.* Unless determined otherwise by the Committee and set forth in the Participant's Award Agreement, in the event that a Participant's employment terminates during a Performance Period for any reason other than those reasons set forth in Article 7.1, all Awards for that Performance Period shall be forfeited by the Participant.

**ARTICLE 8. BENEFICIARY DESIGNATION.**

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by PCFC, and shall be effective only when filed by the Participant in writing with PCFC during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

**ARTICLE 9. RIGHTS OF EMPLOYEES.**

9.1. *Employment.* Nothing in the Plan shall interfere with or limit in any way the right of PCFC or a Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the of PCFC or a Subsidiary.

9.2. *Participation.* No Employee shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

9.3. *Nontransferability.* No Award shall be sold, assigned, transferred, encumbered, hypothecated, or otherwise anticipated by a Participant and, during the lifetime of a Participant, any payment shall be payable only to the Participant.

**ARTICLE 10. CHANGE-IN-CONTROL.**

10.1. *Treatment of Outstanding Awards.* Notwithstanding any other provision of the Plan to the contrary, in the event of a dissolution or liquidation of PCFC, or a Change in Control of PCFC, the amount of cash payable with respect to any Contingent Award for a Performance Period that ends after such event shall be determined and payable as if the Performance Period ended on the date of such event and a Final Award shall be calculated and paid under the Plan in an amount equal to two times the Contingent Award. The Contingent Award shall be calculated based on the annualized Salary of the Participant for the shortened Performance Period. The Final Award calculated under this Article 10 shall be multiplied by a fraction, the numerator of which shall be the number of full months of the Performance Period, as adjusted under this Article 10, and the denominator of which shall be the number of full months in the intended Performance Period. The Final Award under this Article 10 shall be paid to such Participant within ten days of the end of the shortened Performance Period.

10.2. *Termination, Amendment, and Modifications of Change in Control Provisions.* Notwithstanding any other provision of the Plan or any Award Agreement provision, the provisions of this Article 10 may not be terminated, amended, or modified on or after the date of a Change in Control to affect adversely any Award theretofore granted under the Plan without the prior written consent of the Participant with respect to the Participant's outstanding Awards; provided, however, the Board of Directors, upon recommendation of the Committee, may terminate, amend, or modify this Article 10 at any time and from time to time prior to the date of a Change in Control.

10.3. *Pooling of Interests Accounting.* Notwithstanding any other provision of the Plan to the contrary, in the event that the consummation of a Change in Control is contingent on using pooling of interests accounting methodology, the Board may take any action necessary, including but not limited to the amendment or repeal of any Contingent Award, to preserve the use of pooling of interests accounting.

**ARTICLE 11. AMENDMENT, MODIFICATION AND TERMINATION.**

11.1. *Amendment, Modification and Termination.* The Board or the Committee, may, at any time, terminate, amend, modify, or suspend this Plan provided that no such amendment, modification,

suspension, or termination of the Plan shall in any manner (except as allowable under Section 10.3) adversely affect in any material way any Final Award made under the Plan without the consent of the Participant holding the Final Award.

11.2. *Compliance with Code Section 162(m).* Except as otherwise provided by this Article 11.2, at all times when Code Section 162(m) is applicable, all Awards granted under this Plan shall comply with the requirements of Code Section 162(m). However, in the event the Committee determines that such compliance is not desired with respect to the initial grant of any Award under the Plan, then compliance with Code Section 162(m) shall not apply and be required for such Award. In addition, in the event that changes are made to Code Section 162(m) to permit greater flexibility with respect to any Award available under the Plan, the Committee may, subject to this Article 11, make any adjustments it deems appropriate.

**ARTICLE 12. WITHHOLDING.**

PCFC shall have the power and the right to deduct, withhold, or require a Participant to remit to PCFC an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

**ARTICLE 13. INDEMNIFICATION.**

Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by PCFC against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with PCFC's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give PCFC an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under PCFC's articles of incorporation or bylaws, as a matter of law, or otherwise, or any power that PCFC have to indemnify them or hold them harmless.

**ARTICLE 14. SUCCESSORS.**

All obligations of PCFC under the Plan with respect to Awards granted hereunder shall be binding on any successor to PCFC, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of PCFC.

**ARTICLE 15. LEGAL CONSTRUCTION.**

15.1. *Gender and Number.* Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

15.2. *Severability.* In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

15.3. *Requirements of Law.* The granting of Contingent Awards and the payment of Final Awards under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

15.4. *Governing Law.* To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the state of Delaware.

**BANK OF HAWAII CORPORATION  
HUMAN RESOURCES AND COMPENSATION COMMITTEE OF  
THE BOARD OF DIRECTORS RESOLUTIONS**

**RE: ADOPTION OF AMENDMENT NO. 2003-1 TO THE PACIFIC CENTURY FINANCIAL CORPORATION ONE-YEAR INCENTIVE PLAN**

WHEREAS, Bank of Hawaii Corporation ("BOHC") maintains the Pacific Century Financial Corporation One-Year Incentive Plan, effective as of January 1, 1999 ("Plan"); and

WHEREAS, under Section 11.1 of the Plan, the Human Resources and Compensation Committee of the Board of Directors of BOHC ("Committee") is authorized to amend the Plan.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Committee hereby adopts Amendment No. 2003-1 to the Plan in the form substantially as attached hereto, effective as of January 1, 2003.
2. The appropriate members of the Committee are hereby authorized and directed to take any and all actions necessary and desirable to carry out the intent of the foregoing resolution.

I, *David A. Heenan*, hereby certify that I am the duly appointed and acting Chairperson of the Human Resources and Compensation Committee of the Board of Directors of Bank of Hawaii Corporation, and that the above resolutions were adopted at a meeting of the Committee held on *January 24, 2003*, at which meeting a quorum was at all times present and acting, and that said resolutions are still in full force and effect.

DATED: *January 24, 2003*

**HUMAN RESOURCES AND COMPENSATION COMMITTEE OF THE  
BOARD OF DIRECTORS OF BANK OF HAWAII CORPORATION**

By \_\_\_\_\_ /s/ DAVID A. HEENAN

\_\_\_\_\_  
Its Chairperson

---

**AMENDMENT NO. 2003-1 TO THE  
PACIFIC CENTURY FINANCIAL CORPORATION  
ONE-YEAR INCENTIVE PLAN**

1. Effective as of January 1, 2003, the Pacific Century Financial Corporation One-Year Incentive Plan ("Plan") shall be amended by removing references to the "Pacific Century Financial Corporation One-Year Incentive Plan" and inserting in lieu thereof references to the "Bank of Hawaii Corporation Executive Incentive Plan" as the name of the Plan.

2. Effective as of January 1, 2003, the Plan shall be amended by removing references to the "Pacific Century Financial Corporation" and "PCFC" and inserting in lieu thereof references to the "Bank of Hawaii Corporation" and "BOHC", respectively, as sponsoring employer of the Plan.

3. Effective as of January 1, 2003, the following new paragraph shall be added at the end of Section 6.1 of the Plan: "The Final Award shall constitute compensation that is earned as of the date of determination and payment of such Final Award. Further, in accordance with Article 7 and subject to certain exceptions as provided under Article 7, a Participant shall not be entitled to a payment of a Final Award unless such Participant is employed in good standing by BOHC or a Subsidiary throughout the Performance Period and the period ending on the date of the determination and payment of such Final Award."

4. Effective as of January 1, 2003, Section 7.2 of the Plan shall be revised to read as follows: "Unless determined otherwise by the Committee and set forth in the Participant's Award Agreement, in the event that a Participant is not employed in good standing throughout the Performance Period and the period ending on the date of the determination and payment of a Final Award other than for those reasons set forth in Section 7.1, the Participant shall not be entitled to any Final Awards for the Performance Period."

5. Effective as of January 1, 2003, Section 7.1 of the Plan shall be revised to read as follows: "In the event the employment of a Participant is terminated by reason of death, Disability, or Retirement during a Performance Period, the Committee in its sole discretion shall determine whether the Participant shall be entitled to the payout of any Final Award and, if so, shall also determine the manner in which any Final Award shall be prorated. The Participant shall not be entitled to any Final Award until the date of determination and payment of the Final Award. Payments of any prorated Final Awards in this case shall be made at the similar time as payments are made to Participants who did not terminate employment during the applicable Performance Period."

---

**BANK OF HAWAII CORPORATION  
HUMAN RESOURCES AND COMPENSATION COMMITTEE OF  
THE BOARD OF DIRECTORS RESOLUTIONS**

**RE: ADOPTION OF AMENDMENT NO. 2004-1 TO THE BANK OF HAWAII CORPORATION EXECUTIVE INCENTIVE PLAN**

WHEREAS, Bank of Hawaii Corporation ("BOHC") maintains the Bank of Hawaii Corporation Executive Incentive Plan ("EIP"), originally effective as of January 1, 1999;

WHEREAS, BOHC also maintains the Bank of Hawaii Corporation 2004 Stock and Incentive Compensation Plan ("2004 Plan"), effective as of April 30, 2004;

WHEREAS, Article 10 of the 2004 Plan provides for cash-based performance awards in a manner that meets the \$1 million deduction limitation requirements under Section 162(m) of the Internal Revenue Code of 1986, as amended ("Code");

WHEREAS, BOHC desires to designate the EIP as an underlying "subplan" of the 2004 Plan that comprises the operating administrative guidelines for contingent incentive cash awards made under Article 10 of the 2004 Plan, where awards under the EIP shall constitute awards under Article 10 of the 2004 Plan for purposes of meeting the requirements of Code Section 162(m); and

WHEREAS, under Section 11.1 of the EIP, the Human Resources and Compensation Committee of the Board of Directors of BOHC ("Committee") is authorized to amend the Plan.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Committee hereby adopts Amendment No. 2004-1 to the EIP in the form substantially as attached hereto effective as of the date of its adoption.
2. The Committee hereby approves and acknowledges that the awards made under the guidelines of the EIP shall be granted in a manner consistent with the terms and conditions of the 2004 Plan and shall constitute awards granted under Article 10 of the 2004 Plan.
3. The appropriate members of the Committee are hereby authorized and directed to take any and all actions necessary and desirable to carry out the intent of the foregoing resolutions.

I, David A. Heenan, hereby certify that I am the duly appointed and acting Chairperson of the Human Resources and Compensation Committee of the Board of Directors of Bank of Hawaii Corporation, and that the above resolutions were adopted at a meeting of the Committee held on December 10, 2004, at which meeting a quorum was at all times present and acting, and that said resolutions are still in full force and effect.

DATED: December 10, 2004

**HUMAN RESOURCES AND COMPENSATION COMMITTEE OF THE  
BOARD OF DIRECTORS OF BANK OF HAWAII CORPORATION**

By           /s/ DAVID A. HEENAN          

**Its Chairperson**

---

**AMENDMENT NO. 2004-1 TO THE  
BANK OF HAWAII CORPORATION  
EXECUTIVE INCENTIVE PLAN**

1. The following new Article 1.4 shall be added at the end of Article 1 of the Bank of Hawaii Corporation Executive Incentive Plan:

1.4. Status of Plan. Effective as of December 10, 2004, the Plan shall constitute and be administered as a subplan of the Bank of Hawaii Corporation 2004 Stock and Incentive Compensation Plan ("2004 Plan"), where the Plan shall comprise the administrative guidelines for the grant of cash-based awards under Article 10 of the 2004 Plan. Accordingly, an award granted hereunder shall constitute an award under the 2004 Plan for purposes of applying the performance measures described in Article 11 of the 2004 Plan and meeting the "performance-based compensation" requirements under Code Section 162(m). In the event of any inconsistency between the terms of the Plan and the 2004 Plan, the terms of the 2004 Plan shall apply to the extent such terms are more restrictive or impose additional requirements. Thus, for example, the term "Change in Control" as described in Article 2.3 hereunder shall mean such term as defined in Section 2.8 of the 2004 Plan.

---

QuickLinks

[PACIFIC CENTURY FINANCIAL CORPORATION ONE-YEAR INCENTIVE PLAN \(Effective as of January 1, 1999\)](#)

**Key Executive**  
**Change-in-Control**  
**Severance Agreement**  

---

***Bank of Hawaii Corporation***

## Contents

	<u>Page</u>
Article 1. Establishment and Purpose	3
Article 2. Definitions and Construction	3
Article 3. Severance Benefits	5
Article 4. Just Cause	7
Article 5. Form and Timing of Severance Benefits	7
Article 6. Parachute Payments	7
Article 7. Other Rights and Benefits Not Affected	7
Article 8. Successors	8
Article 9. Administration	8
Article 10. Legal Fees	8

# Bank of Hawaii Corporation

## Key Executive

### Change-in-Control Severance Agreement

#### Article 1. Establishment and Purpose

**1.1 Effective Date.** This Executive Change-in-Control Severance Agreement (*the "Agreement"*) is made and entered into pursuant to Bank of Hawaii Corporation's Key Executive Severance Plan (*the "Plan"*), and is effective as of this       day of       , 2004 (*the "Effective Date"*), by and between Bank of Hawaii Corporation (*"BOHC"*), a Delaware corporation, and       , an executive (*the "Executive"*) of BOHC and its subsidiary, Bank of Hawaii (*the "Bank"*). This Agreement shall supersede and replace any prior severance agreement entered into between BOHC and the Executive.

**1.2 Term of the Agreement.** The Agreement shall commence as of the Effective Date written above, and shall continue until the Board of Directors of BOHC (*the "Board"*) determines, in good faith and in its sole discretion, that the Executive is no longer to be included in the Plan and so notifies in writing the Executive during the term of this Agreement of such determination.

Provided, however, in the event that a Change in Control of BOHC, as defined in Section 2.1 herein, occurs during the term of this Agreement, this Agreement shall remain irrevocably in effect for the greater of twenty-four (24) months from the date of such Change in Control, or until all benefits have been paid to the Executive hereunder.

Further, in the event that the Board has knowledge that a third party has taken steps reasonably calculated to effect a Change in Control of BOHC, including, but not limited to, the commencement of a tender offer for the voting stock of BOHC, or the circulation of a proxy to BOHC's shareholders, then this Agreement shall remain irrevocably in effect until the Board, in good faith, determines that such third party has fully abandoned or terminated its effort to effect a Change in Control of BOHC.

**1.3 Purpose of the Agreement.** The purpose of this Agreement pursuant to the Plan, is to advance the interests of BOHC and the Bank by assuring that BOHC and the Bank will have the continued employment and dedication of the Executive and the availability of his advice and counsel in the event that an acquisition or Change in Control of BOHC occurs. This Agreement shall also assure the Executive of equitable treatment during the period of uncertainty that surrounds an acquisition or Change in Control, and allow the Executive to act at all times in the best interests of BOHC and its shareholders.

**1.4 Contractual Right to Benefits.** This Agreement establishes and vests in the Executive a contractual right to the benefits which he or she is entitled hereunder, enforceable by the Executive against BOHC. However, nothing herein shall require BOHC to segregate, earmark, or otherwise set aside any funds or other assets to provide for any payments hereunder.

This Agreement shall be considered an unfunded agreement to provide benefits to a select group of management or highly compensated employees, and is therefore intended to be a "top-hat" plan exempt from the requirements of the provisions of Parts 2, 3, and 4 of Title I of ERISA.

#### Article 2. Definitions and Construction

**2.1 Definitions.** Whenever used in the Agreement, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized.

- (a) **"Base Salary"** means the annualized salary at the beginning of each Year, which includes all regular basic wages, before reduction for any amounts deferred on a tax-qualified or

nonqualified basis, payable in cash to an Executive for services rendered during the Year. Base Salary shall exclude bonuses, incentive compensation, special fees or awards, commissions, allowances, or any other form of premium or incentive pay, or amounts designated by BOHC as payment toward or reimbursement of expenses.

- (b) **"Beneficial Owner"** shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (*the "Exchange Act"*).
- (c) **"Beneficiary"** with respect to an Executive means the person or entities designated or deemed designated by an Executive pursuant to Section 8.2 herein.
- (d) **"Board"** means the Board of Directors of BOHC.
- (e) **"Change in Control"** of BOHC means any one or more of the following occurrences:
  - (i) Any Person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of shares of BOHC having 25 percent or more of the total number of votes that may be cast for the election of Directors of BOHC; or
  - (ii) As the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the person who were Directors of BOHC before the transaction shall cease to constitute a majority of the Board of Directors of BOHC or any successor to BOHC.
- (f) **"Code"** means the Internal Revenue Code of 1986, as amended.
- (g) **"BOHC"** means Bank of Hawaii Corporation, a Delaware corporation, or any successor thereto that adopts the Agreement, as provided in Section 8.1 herein.
- (h) **"Committee"** means the Human Resources and Compensation Committee of the Board of Directors of BOHC or any other committee appointed by the Board to administer this Agreement.
- (i) **"Disability"** means a physical or mental condition which renders an Executive unable to discharge his or her normal work responsibility with BOHC or the Bank and which, in the opinion of a licensed physician selected by the Executive, subject to reasonable approval by the Committee based upon sufficient medical evidence, can be reasonably expected to continue for a period of at least one full calendar year. If an Executive fails to select a physician with ten (10) business days of a written request made by BOHC, then BOHC may select a physician for purposes of this paragraph.
- (j) **"Effective Date"** means the date the Agreement is approved by the Board, or such other date as the Board shall designate in its resolution approving the Agreement, and as provided in Section 1.1 herein.
- (k) **"Effective Date of Termination"** means the date on which a voluntary employment termination or involuntary employment termination other than for Just Cause occurs within twenty-four (24) months of a Change in Control which triggers Severance Benefits hereunder.
- (l) **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor act thereto.
- (m) **"Expiration Date"** means the date the Agreement expires, as provided in Section 1.2 herein.

- (n) **"Just Cause"** means a termination of an Executive's employment by BOHC for which no Severance Benefits are payable hereunder, as provided in Article 4 herein.
- (o) **"Normal Retirement Date"** shall mean the date the Executive reaches 65 years of age.
- (p) **"Person"** shall have the meaning ascribed to such terms in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d).
- (q) **"Plan"** means the Bank of Hawaii Corporation Key Executive Severance Plan, adopted **April 27, 1983**.
- (r) **"Severance Benefit"** means the payment of severance compensation as provided in Article 3 herein.
- (s) **"Year"** means the consecutive 12-month period beginning each January 1 and ending December 31.

**2.2 Gender and Number.** Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

**2.3 Severability.** In the event any provision of the Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

**2.4 Modification.** No express provisions of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to by the Executive in writing and approved by the Human Resources and Compensation Committee of the Board of Directors.

**2.5 Applicable Law.** To the extent not preempted by the laws of the United States, the laws of the State of Hawaii shall be the controlling law in all matters relating to the Agreement.

### **Article 3. Severance Benefits**

**3.1 Right to Severance Benefits.** The Executive shall be entitled to receive from BOHC Severance Benefits as described in Section 3.2 herein, if there has been a Change in Control of BOHC, as defined in Section 2.1(e) herein, and if, within twenty-four (24) months thereafter, the Executive voluntarily terminates employment or is involuntarily terminated without Just Cause with BOHC. An Executive shall not be entitled to receive Severance Benefits if the Executive's employment with BOHC or Bank of Hawaii ends due to an involuntary termination by BOHC for Just Cause, as provided under Article 4 herein.

**3.2 Description of Severance Benefits.** In the event that an Executive becomes entitled to receive Severance Benefits, as provided in Section 3.1 herein, BOHC shall pay to the Executive and provide the Executive with the following:

- (a) An amount equal to three (3) times the Executive's highest annual Base Salary earned (i) at any time during the three (3) complete fiscal years immediately preceding the Effective Date of Termination, or (ii) if the Executive was not employed during such time period, at any time thereafter; and
- (b) An amount equal to three (3) times the Executive's highest annual bonusearned under the annual incentive plan (which, for purposes of this Agreement, means the One-Year Incentive Plan, or Key Contributor Incentive Plan, or any successor or alternative plan or arrangement providing for an annual incentive bonus) during the three (3) complete fiscal years prior to the Effective Date of Termination, or, if shorter, over the Executive's entire

period of employment. However, if the Executive's period of employment is less than one year, the bonus shall be considered zero (0); and

- (c) An amount equal to three (3) times the Executive's highest annual incentive compensation earned under the Bank of Hawaii Corporation Profit Sharing Plan, the Sustained Profit Growth Plan or any successor or alternative plan or arrangement providing for a long-term incentive bonus, or any successor plans thereto over the three (3) complete fiscal years prior to the Effective Date of Termination, or, if shorter, over the Executive's entire period of employment. However, if the Executive's period of employment is less than one year, the average incentive compensation shall be considered zero (0); and
- (d) An amount equal to the excess of (i) the maximum payment the Executive would have received under the annual incentive plan if he had continued in the employment of BOHC and the Bank through the end of the performance period following the Effective Date of Termination, and if the Bank had met its maximum performance goals as provided under the terms of the Plan and the maximum amount payable to the Executive had been paid, over (ii) the actual payout under the annual incentive plan resulting from the Executive's termination of employment; and
- (e) A payout under the long-term incentive plan, in accordance with the terms of such plan; and
- (f) A continuation of all welfare benefits at no direct cost to the Executive, including medical insurance, long-term disability, and group term life insurance for three (3) full years from the Effective Date of Termination or until the Executive reaches his Normal Retirement Date, whichever occurs earlier.

**3.3 Reduction of Severance Benefits.** In the event there are fewer than thirty-six (36) whole or partial months remaining from the Executive's Effective Date of Termination until the Executive's Normal Retirement Date, as defined under the Retirement Plan, then the amounts provided for under Sections 3.2(a), (b), and (c) above shall be reduced by a fraction, the numerator of which shall be the number of whole or partial months remaining until the Executive's Normal Retirement Date, and the denominator of which shall be thirty-six (36).

**3.4 Fringe Benefits.** The Executive's participation in fringe benefits prior to the Executive's Effective Date of Termination shall be continued, or equivalent benefits shall be provided, at no cost to the Executive, for a period of three (3) years from the Executive's Effective Date of Termination (or until he or she reaches his Normal Retirement Date, whichever occurs earlier).

**3.5 Relocation Benefits.** Should the Executive move his residence in order to pursue other business opportunities within two (2) years of Executive's Effective Date of Termination, the Executive shall be reimbursed for any moving expenses (as defined in Section 217(b) of the Code) incurred in that relocation (including taxes, if any, payable on the reimbursement) which are not reimbursed by another employer. Benefits provided herein shall not exceed the assistance and benefits customarily provided by BOHC to transferred employees prior to the Change in Control.

**3.6 Incentive Compensation.** Any deferred awards previously granted to the Executive under BOHC's incentive compensation plans and not previously paid to the Executive, shall immediately vest on the date of the Executive's Effective Date of Termination and shall be paid no later than ninety (90) calendar days following that date, and be included as compensation in the month paid.

**3.8 Stock Options and SARs.** Stock options ("options"), stock appreciation rights ("SARs") and restricted shares, if any, granted to the Executive by BOHC will be exercisable or payable pursuant to the terms of the applicable plans.

#### **Article 4. Just Cause**

**4.1 Just Cause.** Nothing in this Agreement shall be construed to prevent BOHC or the Bank from terminating an Executive's employment for Just Cause. In such case, no Severance Benefits shall be payable to the Executive under this Agreement.

Just Cause shall mean the criminal conviction of the Executive for an act of fraud, embezzlement, theft or any other act constituting a felony.

The determination that the Executive's actions constitute Just Cause for termination shall be made by the Board, acting in good faith.

#### **Article 5. Form and Timing of Severance Benefits**

**5.1 Form and Timing of Severance Benefits.** The Severance Benefits described in Sections 3.2 (a), (b), (c), (d) and (e), shall be paid in cash to the Executive in a single lump sum as soon as practicable following the Executive's Effective Date of Termination, but in no event beyond ninety (90) calendar days from such date.

The Severance Benefits described in Section 3.2(f) and 3.5 herein shall be provided by BOHC to the Executive immediately upon the Executive's Effective Date of Termination and shall continue to be provided for three (3) full calendar years from the Executive's Effective Date of Termination or until the Executive reaches his or her Normal Retirement date, whichever occurs earlier.

**5.2 Withholding of Taxes.** BOHC shall withhold from any amounts payable under this Agreement all Federal, state, city, or other taxes as legally shall be required.

#### **Article 6. Parachute Payments**

**6.1 Excise Tax Cap.** In the event that a Change in Control of BOHC shall occur and a determination is made by BOHC, pursuant to Sections 280G and 4999 of the Code (*and corresponding state law provisions*) that a golden parachute excise tax is due, the Executive's Severance Benefits under this Plan shall be grossed up for the amount equal to and only equal to the amount necessary to pay the excise tax.

**6.2 Subsequent Recalculation.** In the event the Internal Revenue Service adjusts the excise tax computation of BOHC, as provided in Section 6.1 herein, such that the Executive is liable for the payment of a greater excise tax under Sections 280G and 4999 of the Code, or such that the Executive does not receive the full benefit that he or she would have received, BOHC shall reimburse the Executive for the full amount necessary to make the Executive whole (*less any amounts received by the Executive that he or she would not have received had the computation initially been computed as subsequently adjusted*), including the value of the excise tax and all corresponding interest and penalties due to the Internal Revenue Service.

#### **Article 7. Other Rights and Benefits Not Affected**

**7.1 Other Benefits.** Neither the provisions of this Agreement nor the Severance Benefits provided for hereunder shall reduce any amounts otherwise payable, or in any way diminish the Executive's rights as an employee of BOHC, whether existing now or hereafter, under any benefit, incentive, retirement, stock option, stock bonus, stock purchase plan, or any employment agreement, or other plan or arrangement.

**7.2 Employment Status.** This Agreement does not constitute a contract of employment or impose on the Executive or BOHC any obligation to retain the Executive as an employee, to change the status of the Executive's employment, or to change BOHC's policies regarding termination of employment.

## **Article 8. Successors**

**8.1 Successors.** BOHC will require any successor (*whether direct or indirect, by purchase, merger, consolidation, or otherwise*) of all or substantially all of the business and/or assets of BOHC or of any division or subsidiary thereof to expressly assume and agree to perform this Agreement in the same manner and to the same extent that BOHC would be required to perform it if no such succession had taken place. Failure of BOHC to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from BOHC in the same amount and on the same terms as they would be entitled hereunder if terminated voluntarily following a Change in Control. Except for the purposes of implementing the foregoing, the date on which any succession becomes effective shall be deemed the Effective Date of Termination.

This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If an Executive should die while any amount would still be payable hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement, to the Executive's devisee, legatee, or other designee, or if there is no such designee, to the Executive's estate.

**8.2 Beneficiaries.** The beneficiary of the Executive under the Bank of Hawaii Corporation Money Purchase Plan shall be the beneficiary of the Executive's benefits under this Agreement, unless a beneficiary is otherwise designated by the Executive in the form of a signed writing acceptable to the Committee. An Executive may make or change such designation at any time.

## **Article 9. Administration**

**9.1 Administration.** This Agreement shall be administered by the Human Resources and Compensation Committee of the Board of Directors. The Committee is authorized to interpret this Agreement, to prescribe and rescind rules and regulations, to provide conditions and assurances deemed necessary and advisable, to protect the interests of BOHC, and to make all other determinations necessary or advisable for the Agreement's administration.

In fulfilling its administrative duties hereunder, the Committee may rely on outside counsel, independent accountants, or other consultants to render advice or assistance.

**9.2 Indemnification and Exculpation.** The members of the Board, its agents and officers, directors, and employees of BOHC and its affiliates shall be indemnified and held harmless by BOHC against and from any and all loss, cost, liability, or expense that may be imposed upon or reasonably incurred by them in connection with or resulting from any claim, action, suit, or proceeding to which they may be a party or in which they may be involved by reason of any action taken or failure to act under this Agreement and against and from any and all amounts paid by them in settlement (*with BOHC's written approval*) or paid by them in satisfaction of a judgment in any such action, suit, or proceeding. The foregoing provision shall not be applicable to any person if the loss, cost, liability, or expense is due to such person's gross negligence or willful misconduct.

## **Article 10. Legal Fees**

**10.1 Legal Fees and Expenses.** BOHC shall pay all reasonable legal fees, costs of litigation, and other expenses incurred in good faith by the Executive as a result of BOHC's refusal to provide the Severance Benefits to which the Executive becomes entitled under this Agreement, or as a result of BOHC's contesting the validity, enforceability, or interpretation of the Agreement. Provided, however, that such payments shall not exceed the amount permitted by law and BOHC's Restated Articles of Incorporation.

IN WITNESS WHEREOF, BOHC has caused this Agreement to be executed by a resolution of the Board of Directors, as of the day and year first above written.

Bank of Hawaii Corporation

By:

---

Chairman & CEO

By:

---

*(Executive)*

ATTEST:

---

---

QuickLinks

[Key Executive Change-in-Control Severance Agreement](#)

[Contents](#)

[Bank of Hawaii Corporation Key Executive Change-in-Control Severance Agreement](#)

**BANCORP HAWAII, INC.**  
**DIRECTORS' DEFERRED COMPENSATION PLAN**  
(Restatement Effective as of January 1, 1996)

Article 1. *Purpose.* This Bancorp Hawaii, Inc. Directors' Deferred Compensation Plan ("Plan") is intended to advance the interests of Bancorp Hawaii, Inc. ("Company") by providing deferred compensation benefits to the non-employee members of the Board of Directors of the Company and the Bank of Hawaii ("Bank") ("Directors") and thereby strengthening the ability of the Company to attract and retain valued Directors upon whose judgment, initiative, and efforts the successful conduct and development of the Company depends.

Article 2. *Effective Date.* This Plan shall become effective as of January 1, 1996 ("Effective Date"), upon adoption by the Board of Directors of the Company, and shall operate on the basis of the calendar year ("Plan Year"). This Plan constitutes a restatement in its entirety and continuation of the prior version of the Plan.

Article 3. *Eligibility.* Any Director entitled to compensation by the Company or the Bank for service as a Director ("Eligible Director"), other than a Director who is also a salaried officer or employee of the Company or any of its subsidiaries, may elect to become a participant ("Participant") under the Plan by written notice to the Company.

Article 4. *Election of Deferral.* Each Participant may elect to defer receipt of either all of his annual retainer fees and meeting fees, or all of his annual retainer fees, which are earned for the Plan Year commencing after the date of the election ("Deferral Election"). The Deferral Election for a Plan Year shall be irrevocable as to the designated fees earned for the Plan Year.

By written notice to the Company on or before any December 31, any Participant may elect to terminate future deferrals with respect to fees earned for the succeeding Plan Year commencing after the December 31. In such event, the amount accumulated pursuant to the Plan prior to the effective date of his termination election shall continue to be subject to the provisions of the Plan. An Eligible Director who elects to terminate his participation shall not be permitted to make a new Deferral Election under the Plan until one year from the effective date of the termination election.

Article 5. *Deferred Compensation Account.* A separate account shall be established and maintained on behalf of each Participant under the Plan ("Account"), which Account shall reflect the balance of the Deferral Election amounts credited to the Participant as provided in Article 4 above. The deferred fees of each Participant shall be credited to the Participant's Account as soon as reasonably practicable following the date on which such fees would be otherwise payable to the Participant.

The amounts credited to the Participant's Account, including that portion of the Account comprising the preexisting Account balance under the prior version of the Plan, shall be invested and reinvested in one or more of the Pacific Capital Funds as may be directed by the Participant. Each Account shall be appropriately increased or decreased, as the case may be, to reflect the appreciation or depreciation in value of the Account, the net income or loss attributable to funds credited to the Account, and distributions and expenses that may be charged to the Account. The Participant agrees on behalf of himself and any designated beneficiary to assume all risks and responsibilities for his investment directions under his Account, and the Company shall not be liable for any investment losses that may be incurred under the Account.

Article 6. *Vesting.* Except as provided in Article 11, a Participant shall have a 100% vested and nonforfeitable interest in the balance of his Account.

Article 7. *Distribution Due to Termination.* The amount credited to the Account of a Participant shall be paid to the Participant in a single lump sum or in equal annual installments over a period of years, not exceeding ten years, as the Participant may elect. Such distribution shall commence on the

---

first day of the first calendar month after the Participant ceases to be a Director of the Company. Each Participant shall file with the Company at the time of his Deferral Election an irrevocable election regarding the method of distribution of that portion of his Account derived from the Deferral Election.

Article 8. *Distribution Due to Death.* Upon the death of an active Participant, or terminated Participant prior to expiration of the period during which his Account is payable, the balance of his Account shall be paid in a single lump sum to his designated beneficiary. The Account shall be paid in full on the second day of the Plan Year following the year of death. The Participant's designated beneficiary shall be designated or changed by the Participant (without the consent of any prior beneficiary) through written notice delivered to the Company. If no such beneficiary is designated, or if no designated beneficiary survives the Participant, the amount payable due to the Participant's death shall be payable to the Participant's estate.

Article 9. *Incapacity.* If the Compensation Committee of the Board of Directors finds that any person to whom payment is payable under this Plan is unable to care for his affairs because of illness or accident, or is a minor, any payment due (unless a prior claim for such payment has been made by a duly appointed guardian, committee, or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any person deemed by the Committee to have incurred expense for such person otherwise entitled to payment.

Article 10. *Funding.* The amounts payable under this Plan shall be paid in cash or in kind from the general funds of the Company, as the Compensation Committee of the Board of Directors may determine, and a Participant shall have no right, title, or interest whatsoever in or to investments, if any, which the Company may make to aid it in meeting its obligations under this Plan. Title to and beneficial ownership of any such investments shall at all times remain in the Company. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and the Participant and any other person. To the extent that any person acquires a right to receive a payment from the Company under this Plan, such right shall be no greater than the right of any unsecured creditor.

Article 11. *Legal Status.* This Plan is intended to constitute a nonqualified deferred compensation plan not subject to the qualification requirements of Section 401(a) of the Internal Revenue Code or the Employee Retirement Income Security Act of 1974 ("ERISA"). Specifically, prior to the actual payment of the amounts credited to an Account, there is no transfer of any assets to a Participant or for the benefit of the Participant under this Plan, and the Plan is intended to confer no current benefit that would be immediately taxable to the Participant under the constructive receipt rule or economic benefit doctrine under the tax laws. Further, this Plan is intended to benefit non-employee Directors exclusively, and not employees of the Company, and is thereby not subject to the requirements of ERISA.

Article 12. *Continued Service.* Nothing contained in this Plan shall be construed as conferring upon a Participant the right to continue in the service of the Company as a Director or in any other capacity. Further, nothing contained in this Plan shall be deemed to create an obligation on the part of the Board to nominate any Director for reelection by the Company stockholders.

Article 13. *Nonassignment.* The interests of a Participant hereunder may not be sold, transferred, signed, pledged, or hypothecated. No Participant may borrow against his Account.

Article 14. *Administration.* The Compensation Committee of the Board of Directors shall have full power and authority to interpret, construe, and administer this Plan, in its sole and absolute discretion, and the Committee's interpretation and construction of this Plan, including any valuation of an Account, or the amount or recipient of any payment, shall be binding and conclusive on all persons. The Committee may at its sole discretion determine the costs of implementing and administering the Plan, and it may charge all or a portion of such costs to Participants either by charging their respective Accounts or by direct charge.

Article 15. *Amendment and Termination.* The Plan may, at any time or from time to time, be amended, modified, or terminated at the sole and complete discretion of the Board of Directors.

---

However, no amendment, modification, or termination of the Plan shall adversely affect such Participant's rights with respect to amounts then accrued in his Account.

Article 16. *Enforceability and Controlling Law.* If any provision of this Plan is held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions shall continue in full force and effect. The provisions of this Plan shall be construed, administered, and enforced according to the laws of the State of Hawaii.

Article 17. *Gender.* Wherever any words are used under the Plan in the masculine, feminine, or neuter gender, they shall be construed as though they were also used in another gender in all cases where they would so apply.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly authorized officers on this 13th day of December, 1995.

**BANCORP HAWAII, INC.**

By /s/ LAWRENCE M. JOHNSON

---

Its LAWRENCE M. JOHNSON  
Chairman of the Board &  
Chief Executive Officer

By /s/ RICHARD J. DAHL

---

Its Richard J. Dahl,  
President

"Company"

---

**AMENDMENT NO. 96-1 TO  
THE BANCORP HAWAII, INC.  
DIRECTORS' DEFERRED COMPENSATION PLAN**

In accordance with the provisions of its Article 15, the Bancorp Hawaii, Inc. Directors' Deferred Compensation Plan ("Plan") is amended, effective as of September 1, 1996, as follows:

1. The second paragraph of Article 5 of the Plan shall be revised to read as follows:

For purposes of determining the value of the balance of each Participant's Account, the amount allocated to the Participant's Account shall be treated as if such amount were invested and reinvested in one or more of the Pacific Capital Funds or shares of Company common stock ("Company Stock") as may be directed by the Participant. Each Account shall be appropriately increased or decreased, as the case may be, to reflect the appreciation or depreciation in the value attributable to the Funds or Company Stock, the net income or loss attributable to the Funds or Company Stock, and distributions and expenses that may be charged to the Account. The Participant agrees on behalf of himself and any designated beneficiary to assume all risks and responsibilities for his investment directions under his Account, and the Company shall not be liable for any deemed investment losses that may be incurred under the Account. However, notwithstanding the preceding portion of this paragraph, in order to meet the requirements for exemption from the short-swing profit recovery provisions of Section 16 of the Securities Exchange Act of 1934 ("Exchange Act"), the Participant's investment direction in Company Stock shall be subject to the limitations described below in Article 5A.

2. New Article 5A of the Plan shall be inserted at the end of Article 5 as follows:

*Article 5A. Rule 16b-3 Requirements.* With respect to Directors who are subject to the provisions of Section 16 of the Exchange Act, the provisions of the Plan and all transactions hereunder are intended and shall be construed and applied so as to comply with all applicable requirements and conditions for exemption under Rule 16b-3 or any successor Rule under the Exchange Act.

In this regard, a Participant's investment election directing the investment, disinvestment, or reinvestment of his Account in Company Stock as allowed under Article 5 shall meet the requirements of a "discretionary transaction" under Code of Federal Regulation Section 240.16b-3(f). Specifically, a Participant shall be allowed to make such investment election with respect to the acquisition or disposition of Company Stock only if such election is made on or after the date that is six months following the date of the most recent investment election for an "opposite way" transaction under any employee benefit plan sponsored by the Company. For this purpose, an "opposite way" transaction means, a previous acquisition if the current transaction is a disposition, and vice versa.

Further, with respect to a Participant's Account, an acquisition or disposition of Company Stock resulting from an election to receive, or defer the receipt of, Company Stock or cash in connection with the death, disability, retirement, or termination of service of the Participant shall be made only if such acquisition or disposition is approved in advance by the Committee, or other qualifying approval is obtained, pursuant to Rules 16b-3(d) and (e).

3. The following provision shall be inserted at the end of Article 7:

Subject to the limitations of Article 5A, the form of the distribution under this Article 7 and Article 8 below shall be in cash or in kind as the Participant (or beneficiary) may elect at the time of distribution.

---

To record the adoption of this amendment to the Plan, Bancorp Hawaii, Inc. has executed this document this 26th day of July, 1996.

**BANCORP HAWAII, INC.**

By /s/ LAWRENCE M. JOHNSON

---

Its Chairman and Chief  
Executive Officer

By /s/ RICHARD J. DAHL

---

Its President and Chief  
Operating Officer

**TRUST AGREEMENT  
FOR THE BANCORP HAWAII, INC.  
DIRECTORS' DEFERRED COMPENSATION PLAN**

(Effective as of September 1, 1996)

---

**TRUST AGREEMENT  
FOR THE BANCORP HAWAII, INC.  
DIRECTORS' DEFERRED COMPENSATION PLAN**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Section 1. The Trust Assets</b>	2
<b>Section 2. Investment</b>	2
<b>Section 3. Administration</b>	3
<b>Section 4. Trustee's Powers</b>	3
<b>Section 5. Nominees</b>	4
<b>Section 6. Records</b>	4
<b>Section 7. Reports</b>	4
<b>Section 8. Distributions</b>	4
<b>Section 9. Signatures</b>	4
<b>Section 10. Expenses</b>	5
<b>Section 11. Liability</b>	5
<b>Section 12. Amendment and Termination</b>	5
<b>Section 13. Nonassignment and General Creditors</b>	5
<b>Section 14. Resignation or Removal of Trustee</b>	6
<b>Section 15. Change-In-Control</b>	6
<b>Section 16. Acceptance and Jurisdiction</b>	7
<b>Section 17. Illegality</b>	7

---

**TRUST AGREEMENT  
FOR THE BANCORP HAWAII, INC.  
DIRECTORS' DEFERRED COMPENSATION PLAN**

THIS AGREEMENT, between Bancorp Hawaii, Inc., a Hawaii corporation ("Company"), and Hawaiian Trust Company, Ltd., a Hawaii trust company ("Trustee"), shall be effective as of September 1, 1996.

W I T N E S S E T H:

WHEREAS, the Company maintains the Bancorp Hawaii, Inc. Directors' Deferred Compensation Plan ("Plan"), restatement effective as of January 1, 1996, as a nonqualified deferred compensation agreement for the benefit of non-employee Directors eligible to participate in the Plan ("Participants") and their beneficiaries.

WHEREAS, the Plan is maintained as a deferred compensation plan exclusively for non-employee Directors and falls outside the coverage of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

WHEREAS, it is the intention of the Company to make contributions to this trust ("Trust") to provide itself with a source of funds to assist it in the meeting of its liabilities under the Plan, and it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan as an unfunded plan maintained for purposes of providing benefits not covered under Title I of ERISA.

WHEREAS, the Trust hereby created is intended to be a grantor trust (as that term is defined in Section 671 of the Internal Revenue Code of 1986, as amended), and the Company shall include all items of Trust income and expenses in its income tax return for the year in which such income is earned and such expenses are incurred.

WHEREAS, the Company has, concurrent with the execution and delivery of this Trust Agreement, delivered to the Trustee certain monies and other assets to fund the Trust equal in value to the balance of Participants' Accounts under the Plan as of the date of delivery, and the Trustee has agreed to hold the same, together with any such monies and other assets, as the Company shall in the future determine and deliver to the Trustee, in trust. All property, monies, securities, and other assets as the Trustee may hereafter at any time hold or acquire, including any gains or losses thereon, shall constitute the corpus of the Trust. The Trust thus created has been created solely to aid in the proper execution of the Plan and, except as otherwise provided in Sections 12 and 13, shall be availed of solely for such purposes.

WHEREAS, except as otherwise provided in Sections 12 and 13, it shall be impossible, whether by operation or termination of the Trust, or by any other means, for any part of the Trust assets to be used for, or diverted to, purposes other than the exclusive benefit of any Participant or beneficiary and the payment of the expenses of the administration of the Plan and Trust prior to the satisfaction of all liabilities for benefits and expenses under the Plan and the Trust.

WHEREAS, the definitions of defined terms under the Plan shall apply to this Agreement wherever applicable, and each gender shall include the others, and the singular shall include the plural, and the term "Participant" shall include the Participant's beneficiary who is entitled to current payments from the Trust under the terms of the Plan.

---

NOW, THEREFORE, in consideration of the foregoing promises and of the mutual covenants hereinafter contained, the Company and the Trustee hereby agree as follows:

**Section 1. The Trust Assets.**

a. Company contributions and Plan assets shall be paid or transferred to the Trustee from time to time as the Committee may determine. All Company contributions and Plan assets paid or transferred to the Trustee and all investments thereof, together with all accumulations, accruals, earnings and income with respect thereto, shall be held in trust by the Trustee as the Trust assets. The Trust assets shall be held and invested by the Trustee pursuant to written instructions to the Trustee from the Committee. The Trustee shall not be responsible for the computation or collection of Company contributions, but shall hold, invest, reinvest, manage, administer and distribute the Trust assets, as directed by the Committee and as provided herein, for the exclusive benefit of Participants and their beneficiaries (except as provided in Sections 12 and 13).

b. However, for each Plan year, the Company shall irrevocably deposit additional cash or other property to the Trust in the amount to be allocated to Participants' Accounts for the Plan year. Such deposits shall be made on, or as soon as administratively practicable following, the date on which the contributions would have otherwise been paid directly to the Participants.

**Section 2. Investment.**

a. The Trustee shall, as directed by the Committee, place Trust assets in life insurance and/or annuity contracts, savings accounts, certificates of deposit, stocks and bonds of corporations, any kind of investment fund (open-end or otherwise), common trust fund, or in any other kind of realty or personalty.

b. If all or any portion of the Trust shall be invested at any time in life insurance or annuity contracts ("insurance contracts"), such insurance contracts shall be assets of the Trust. The Trustee shall be the owner and beneficiary under such insurance contracts. All rights and privileges granted under the insurance contracts (including, but not limited to, the right to collect the death benefit of the insurance contracts, the right to make policy loans on the insurance contracts, and the right to determine the timing and method of payment under the insurance contracts) shall be exercised by the Trustee as directed by the Committee.

c. The Trustee shall not be liable for the making, retaining, or selling of any investment or reinvestment by it as is provided for in this Section 2, or for any loss to or diminution of the Trust assets, so long as such actions are taken in accordance with proper direction of the Committee, except the Trustee shall remain liable for its own willful misconduct or failure to act in good faith.

d. Notwithstanding any provision of the Plan or Trust to the contrary, the Company shall at all times have the power to reacquire Trust assets by substituting other assets (other than stock, an obligation, or other security issued by the Company or related entity) of an equivalent value, and such other assets shall, following such substitution, constitute the Trust fund.

e. The Committee may, in its sole discretion, direct the Trustee to create one or more separate investment funds having such different specific investment objectives as the Committee shall from time to time determine. The Committee shall determine and may from time to time redetermine investment funds or the investments which shall be authorized. The Committee may allow each Participant the right to direct the Trustee in writing to invest an amount equivalent to the balance of his Account in one or more separate investment funds or investments, provided that such right to direct shall apply on a nondiscriminatory basis to all Participants who meet the requirements of the Committee. The Committee may at any time make such uniform and nondiscriminatory rules as it determines necessary regarding the administration of a directed investment option. The Committee shall develop and

maintain rules governing the rights of Participants to change their investment directions and the frequency with which such changes can be made.

### **Section 3. Administration.**

a. The Trustee shall open and maintain and administer separate Accounts for Participants. Each Participant's Account shall reflect the amounts allocated thereto and distributed therefrom and such other information as affects the value of such Account pursuant to the Plan. The records of the Participants' Accounts shall be maintained by the Trustee and shall accurately disclose the value of the Participants' Accounts.

b. For each Plan year, the Trustee shall allocate Company contributions to Participants' Accounts and maintain such Accounts pursuant to the terms of the Plan. The Trustee shall have the authority and responsibility to establish the fair market value of the Trust assets, to value Accounts as of each valuation date, and to render accountings of its administration of the Trust. As of each valuation date, being the last day of each Plan year and any other date the Committee directs the Trustee to value the Trust assets, including on a daily valuation basis for appropriate investments, the net income or loss of the aggregate Trust assets since the preceding valuation date, including net appreciation or depreciation and any expenses paid by the Trust, shall be allocated to each Account in the ratio that the value, as of the next preceding valuation date, of each such Account invested in Trust assets bears to the value, as of the next preceding valuation date, of all Accounts invested as Trust assets. If one or more separate investment funds have been established under the Trust, the net income or loss of each investment fund shall be similarly but separately allocated to each Account invested in such investment fund in proportion to the value of each Account invested in such fund as of the preceding valuation date. The Trustee shall adopt equitable procedures to establish a proportionate crediting of Trust income or loss to those portions of Participants' Accounts in the case of contributions, transfers, withdrawals, distributions, or other transactions that have occurred in the interim period since the next preceding valuation date.

c. All determinations made by the Trustee with respect to the value of the Trust assets shall be made in accordance with generally accepted principles of trust accounting, and such determinations when so made by the Trustee, shall be conclusive and binding on all persons having an interest under the Trust.

### **Section 4. Trustee's Powers.**

a. As directed by the Committee, the Trustee shall have the authority and power to:

- (i) Sell, transfer, mortgage, pledge, lease or otherwise dispose of, or grant options with respect to any Trust assets at public or private sale;
- (ii) Vote any stocks, bonds or other securities held in the Trust, or otherwise consent to or request any action on the part of the issuer in person or by proxy;
- (iii) Give general or specific proxies or powers of attorney with or without powers of substitution;
- (iv) Exercise any options, subscription rights and conversion privileges;
- (v) Sue, defend, compromise, arbitrate or settle any suit or legal proceeding or any claim due it or on which it is liable;
- (vi) Perform all acts which the Trustee shall deem necessary or appropriate and exercise any and all power and authority of the Trustee under this Agreement; and
- (vii) Exercise any of the powers of an owner with respect to Trust assets.

b. The Committee may authorize the Trustee to act on any matter or class of matters with respect to which direction or instruction to the Trustee by the Committee is called for hereunder without specific direction or other instruction from the Committee.

**Section 5. Nominees.** The Trustee may register any securities or other property held by it as Trust assets hereunder in its own name or in the name of its nominees with or without the addition of words indicating that such securities are held in a fiduciary capacity, and may hold any securities in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust.

**Section 6. Records.** The Trustee shall keep accurate and detailed accounts of all investments, receipts and disbursements and other transactions hereunder, and all accounts, books and records relating thereto shall be open to inspection by any person designated by the Committee at all reasonable times. The Trustee shall maintain such records, make such computations, and perform such ministerial acts as the Committee may from time to time request.

**Section 7. Reports.** Within sixty (60) days after each Plan Year, or the removal or resignation of the Trustee, and as of any other date specified by the Committee, the Trustee shall file a report with the Committee. This report shall show all purchases, sales, receipts, disbursements, and other transactions effected by the Trustee during the year or period for which the report is filed, and shall contain an exact description, the cost as shown on the Trustee's books, and the fair market value as of the end of such period, of every asset held in the Trust and the amount and nature of any debt obligation owed by the Trust. Within sixty (60) days after each Plan year, the Trustee shall also file with the Committee valuation and allocation reports reflecting the investment and value of Participants' Accounts determined as of the last day of the Plan year.

**Section 8. Distributions.**

a. The Trustee shall make distributions from the Trust at such times and amounts to the person entitled thereto under the Plan, as the Committee directs in writing. Consistent with the Plan, the Committee shall deliver to the Trustee a schedule that indicates the amounts payable in respect to each Participant, the form in which such amount is to be paid (as provided for or available under the Plan), and the time of commencement for payment of such amounts.

The Trustee shall make provision for reporting and withholding of any federal or State taxes that may be required to be withheld with respect to the payment of benefits and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld, and paid by the Company.

b. The Company may make payment of benefits directly to Participants as they become due under the terms of the Plan. The Company shall notify the Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to Participants. In addition, if Trust assets are not sufficient to make payments of benefits in accordance with the terms of the Plan, the Company shall make the balance of each such payment as it falls due. The Trustee shall notify the Company where Plan assets are not sufficient.

**Section 9. Signatures.** All communications required hereunder from the Committee to the Trustee shall be in writing signed by any individual authorized to sign on its behalf. The Committee shall authorize one or more individuals to sign on its behalf all communications required hereunder between the Committee and the Trustee. The Committee shall at all times keep the Trustee advised of the names and specimen signatures of all individuals authorized to sign on behalf of the Committee. The Trustee shall be fully protected in relying on any such communication and shall not be required to verify the accuracy or validity thereof unless it has reasonable grounds to doubt the authenticity of any signature.

**Section 10. Expenses.** The Trustee may employ suitable agents and advisors for the Trust. The expenses incurred by the Trustee in the performance of its duties hereunder, and all other proper and reasonable charges and administrative expenses of the Trust, shall be paid by the Company. However, normal brokerage charges, commissions, taxes and other costs incident to the purchase and sale of securities which are included in the cost of securities purchased (or charged against the proceeds, in the case of sales) shall be charged to and paid out of Trust assets. The Trustee shall be entitled to such compensation as may be agreed upon from time to time between the Trustee and the Committee. If the Trustee undertakes or defends any litigation arising in connection with this Trustee, the Company agrees to indemnify the Trustee against the Trustee's costs, expenses, and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments.

**Section 11. Liability.** The Trustee shall not be liable for the making, retention or sale of any investment or reinvestment made by it as herein provided, nor for any loss to or diminution of the Trust assets, nor for any action it takes or refrains from taking at the direction of the Committee. The Trustee shall not be required to pay interest on any part of the Trust assets which are held uninvested pursuant to the direction of the Committee.

**Section 12. Amendment and Termination.**

a. The Trust shall be irrevocable and may not be amended or terminated by the Company. However, the Trust may be amended by a written agreement between the Trustee and the Company (i) with the written consent of affected Participants; or (ii) as necessary to obtain a favorable ruling from the Internal Revenue Service with respect to the tax consequences of the Plan and the Trust; or (iii) to conform its provisions to the requirements of applicable laws or regulations; or (iv) to supply any omission, cure any ambiguity, correct or supplement any defective or inconsistent provision, or otherwise modify any Trust provision in any way. Any modification or amendment shall not adversely affect the rights of the Participants or their beneficiaries under the Plan or Trust with respect to benefits accrued as of the date of the modification or amendment, unless such modification or amendment is made with the consent of affected Participants. Before any amendment is made pursuant to clause (i), the Company shall deliver to the Trustee a certification of proper compliance with the consent requirements of this paragraph.

b. The Trust shall terminate upon receipt by the Trustee from the Company of an accounting confirming that all such liabilities have been satisfied. After the satisfaction of all liabilities under the Plan, the Trust shall terminate and any assets remaining in the Trust shall be distributed by the Trustee to the Company.

**Section 13. Nonassignment and General Creditors.**

a. Except as otherwise required by law, the Trust assets shall not be subject to the assignment, alienation, pledge, or attachment for the benefit of any Participant, or claims of the creditors of any Participant, and shall not otherwise be voluntarily or involuntarily alienated or encumbered by any Participant. Participants shall have no preferred claims on, or beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan and this Trust shall be mere unsecured contractual rights of Participants against the Company.

b. Notwithstanding any provision herein to the contrary, the income and principal of this Trust shall remain subject to the claims of the Company's general creditors as if the assets of the Trust were general assets of the Company. In no event, however, shall creditors of the Company be paid with assets of the Trust unless the Trustee has been so directed by a court, or a person appointed by a court, having competent jurisdiction over the financial affairs of the Company. In addition, the Company shall be prohibited from creating a security interest in the Trust in favor of any of its creditors.

c. If any entity is or becomes the successor employer under the Plan, it shall automatically become the successor employer to this Trust Agreement.

d. The Committee shall have the duty to inform the Trustee in writing if and when the Company becomes "Insolvent" as hereinafter defined. When so informed, the Trustee shall immediately discontinue payments to Participants under this Trust Agreement, shall hold the portion of the Trust assets for the benefit of the Company's general creditors, and shall resume payments to Participants only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent, assuming an initial determination that the Company was Insolvent) or after receipt of an order of a court of competent jurisdiction to such effect. The Company shall be considered "Insolvent" for purposes of this Trust Agreement at any time: (a) the Company is unable to pay its debts as they mature, or (b) the Company is a debtor in a pending proceeding under the Bankruptcy Code. If the Trustee receives other written allegations from a person claiming to be a creditor of the Company that the Company has become Insolvent, the Trustee shall independently determine whether the Company is Insolvent and, pending such determination, the Company shall discontinue payments to Participants, shall hold the Trust assets for the benefit of the Company's general creditors, and shall resume payments to Participants only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent, assuming the Trustee initially determined the Company to be Insolvent) or after receipt of an order of a court of competent jurisdiction to such effect. If the Trustee discontinues payments under this Section 13, and subsequently resumes such payments, the first payments to Participants following such discontinuance shall include the aggregate amount of all payments that would have been made to Participants during the period of such discontinuance, less the aggregate amount of payments made to Participants by the Company during any such period of discontinuance. Nothing in this Trust Agreement shall in any way diminish any rights of Participants to pursue their rights as general creditors of the Company with respect to benefits due under the Plan.

e. Unless the Trustee has actual knowledge of the Company's Insolvency, or has received notice on behalf of the Company or a person claiming to be a creditor of the Company, the Trustee shall have no duty to inquire whether the Company is Insolvent. The Trustee may rely on such evidence concerning the Company's Insolvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning the Company's Insolvency.

#### **Section 14. Resignation or Removal of Trustee.**

a. The Trustee may resign at any time upon sixty (60) days written notice to the Company. The Trustee may be removed at any time by the Company upon sixty (60) days written notice to the Trustee. Upon the receipt of instructions or directions from the Committee with which the Trustee is unable or unwilling to comply, the Trustee may resign upon notice in writing to the Company given within a reasonable time, under the circumstances then prevailing, after the receipt of such instructions or directions; and, notwithstanding any other provisions hereof, in that event, the Trustee shall have no liability to the Company, or any person interested herein, for failure to comply with such instructions or directions.

b. Upon resignation or removal of the Trustee, the Company shall appoint a successor trustee or trustees. The successor trustee shall have the same powers and duties as are conferred upon the Trustee hereunder, and the Trustee shall assign, transfer and pay over to such successor trustee all the Trust assets, together with such records or copies thereof as may be necessary to the successor trustee.

c. If the Trustee resigns or is removed within one year of a "Change-in-Control", as defined below, the Trustee, and not the Company, shall select a successor trustee or trustees prior to the effective date of the Trustee's resignation or removal.

#### **Section 15. Change-in-Control.**

a. Notwithstanding any provision herein to the contrary, in the event of a "Change-in-Control" of the Company, the authority of the Committee to direct the Trustee under this Trust Agreement shall terminate, and the Trustee shall act on its own discretion to carry out the terms of this Trust

Agreement in accordance with the Plan. For this purpose, a "Change-in-Control" shall mean any one or more of the following occurrences: (a) any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of shares of the Company having a 25% or more of the total number of votes that may be cast for the election of Directors of the Company; or (b) as a result of, or in connection with, any such tender or exchange offer, merger, or other business combination, sale of assets, or contested election, or any combination of the foregoing transactions, the persons who were Directors of the Company before the transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company. Notwithstanding the foregoing portion of this paragraph, the authority of the Committee to direct the Trustee under this Trust Agreement shall be retained by or reverted to the Committee in the event of a Change-in-Control if such authority is approved by the unanimous written consent of the Participants.

b. Upon a Change-in-Control, the Company shall, as soon as possible, but in no event longer than 15 days following the Change-in-Control, make an irrevocable contribution to the Trust in an amount that is sufficient to pay each Participant the benefits to which Participants would be entitled pursuant to the terms of the Plan as of the date on which the Change-in-Control occurs.

**Section 16. Acceptance and Jurisdiction.** The Trustee hereby accepts this Trust and agrees to hold the existing Trust assets, and all additions and accretions thereto, subject to all the terms and conditions of this Agreement, which shall be interpreted and construed under the laws of the United States, and to the extent such laws are inapplicable, under the laws of the State of Hawaii.

**Section 17. Illegality.** In the event any provisions of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Agreement, but shall be fully severable, and the Agreement shall be construed and enforced as if the illegal or invalid provisions had never been inserted herein.

IN WITNESS WHEREOF, the Company and the Trustee have agreed to the terms of this Trust Agreement, executed this 26th day of July, 1996.

**BANCORP HAWAII, INC.**

By /s/ LAWRENCE M. JOHNSON

\_\_\_\_\_  
Its Chairman and  
Chief Executive Officer

By /s/ RICHARD J. DAHL

\_\_\_\_\_  
Its President and Chief  
Operating Officer

"Company"

**HAWAIIAN TRUST COMPANY,**

By /s/ WALTER J. LASKEY

\_\_\_\_\_  
Its Chairman and  
Chief Executive Officer

By /s/ LAWRENCE M. JOHNSON

\_\_\_\_\_  
Its Vice Chairman

"Trustee"

QuickLinks

[BANCORP HAWAII, INC. DIRECTORS' DEFERRED COMPENSATION PLAN \(Restatement Effective as of January 1, 1996\)](#)

**BANCORP HAWAII, INC.**  
**DIRECTOR STOCK COMPENSATION PROGRAM**  
**(EFFECTIVE AS OF JANUARY 1, 1996)**

1. *Purpose.* This Bancorp Hawaii, Inc. Director Stock Compensation Program (the "Program") is established by Bancorp Hawaii, Inc. (the "Company"). The purpose of the Program is to advance the interests of the Company by encouraging and enabling members of the Board of Directors of the Company or of Bank of Hawaii ("Directors") to acquire and retain throughout each member's tenure as a Director a proprietary interest in the Company by ownership of shares of the Company's common stock ("Common Stock").

2. *Elements of the Program.* The Program is composed of two parts. The first part is the Bancorp Hawaii, Inc. Director Stock Option Plan ("Stock Option Plan"), and the second part is the Bancorp Hawaii, Inc. Director Restricted Share Plan ("Restricted Share Plan") (collectively, the "Plans"). The Stock Option Plan and Restricted Share Plan respectively comprise Plan I and Plan II of the Program.

3. *Applicability of General Provisions.* The Plans shall be administered, construed, governed, and amended in accordance with their respective terms. Unless any Plan specifically indicates to the contrary, all Plans shall be subject to the General Provisions of the Stock Compensation Program set forth below.

**GENERAL PROVISIONS OF STOCK COMPENSATION PROGRAM**

Article 1. *Administration.* The Program shall be administered by the Compensation Committee of the Company's Board of Directors (the "Committee").

The Committee shall hold meetings at such times and places as they may determine, shall keep minutes of their meetings, and shall adopt, amend, and revoke such rules and procedures as they may deem proper with respect to the Program. Any action of the Committee shall be taken by majority vote or the unanimous written consent of the Committee members.

Article 2. *Authority of Committee.* Subject to the other provisions of this Program, and with a view to effecting its purpose, the Committee shall have sole authority, in its absolute discretion: (a) to construe and interpret the Program; (b) to define the terms used herein; (c) to determine, to the extent not provided by the Program or the relevant Plan, the terms and conditions of options and restricted shares granted pursuant to the terms of the Program; and (d) to make all other determinations and do all other things necessary or advisable for the administration of the Program. All decisions, determinations, and interpretations made by the Committee shall be binding and conclusive on all participants in the Program and on their legal representatives, heirs, and beneficiaries.

Article 3. *Maximum Number of Shares Subject to the Program.* The aggregate number of shares of Company common stock ("Common Stock") which may be granted under the Plans shall be 250,000 shares. The shares of Common Stock to be issued upon exercise of an option or issued as restricted shares may be authorized but unissued shares or reacquired shares.

If any of the options granted under the Program expire or terminate for any reason before they have been exercised in full, the unpurchased shares subject to those expired or terminated options shall cease to reduce the number of shares available for purposes of the Program. However, notwithstanding that the conditions associated with a grant of restricted shares are not achieved within the period specified for satisfaction of the applicable conditions, or that the restricted share grant terminates for any reason before the date on which the conditions must be satisfied, the shares of Common Stock associated with such restricted shares shall reduce the number of shares available for purposes of the Program.

---

Article 4. *Eligibility and Participation.* Any Director entitled to compensation by the Company or Bank of Hawaii for service as a Director, other than a Director who is also a salaried officer or employee of the Company or any of its subsidiaries, shall be entitled to receive options and restricted shares according to the terms of the Plans. In addition, those salaried officers or employees of the Company or any of its subsidiaries who as of January 1, 1996, are members of the Board of Directors of Bank of Hawaii shall be entitled to receive restricted shares pursuant to the Restricted Share Plan.

All references herein to "Directors" shall be construed to mean those persons who are eligible to participate in the Stock Option Plan and/or the Restricted Share Plan, as the context may require.

Article 5. *Effective Date and Term of Program.* The Program shall become effective as of January 1, 1996, conditioned upon its adoption by the Board of Directors of the Company and subject to approval of the Program by the holders of a majority of the Company's outstanding stock entitled to vote thereon at a meeting of the Company's stockholders following adoption of the Program by the Board of Directors, which vote shall be taken within 12 months of adoption of the Program by the Company's Board of Directors; provided, however, that options and restricted shares may be granted under this Program prior to obtaining stockholder approval of the Program, but any such options or restricted shares shall be contingent upon such stockholder approval being obtained and may not be exercised prior to such approval. The Program shall continue in effect for a term of ten years from January 1, 1996, unless sooner terminated under Article 7 of these General Provisions.

Article 6. *Adjustments.* If the then outstanding shares of Common Stock are changed into or exchanged for a different number or kind of shares or securities through merger, consolidation, combination, exchange of shares, other reorganization, recapitalization, reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made in the maximum number and kind of shares or securities as to which options and restricted shares may be granted under this Program. A corresponding adjustment changing the number and kind of shares or securities allocated to unexercised options, restricted shares, or portions thereof, which shall have been granted prior to any such change, shall likewise be made. Any such adjustment in outstanding options shall be made without change in the aggregate purchase price applicable to the unexercised portion of the option, but with a corresponding adjustment in the price for each share or other unit of any security covered by the option.

Article 7. *Termination and Amendment of Program.* The Program shall terminate at the end of the term of the Program described in Article 5, or shall terminate at such earlier time as the Board of Directors may determine. No options or restricted shares shall be granted under the Program after that date. Subject to the limitation contained in Article 8 of these General Provisions, the Board of Directors may at any time without further reference to the Company's stockholders terminate or suspend the Program or amend or revise its terms, including the form and substance of the option and restricted share agreements to be used hereunder; provided, however, that without approval by the stockholders of the Company representing a majority of the voting power (as contained in Article 5 of these General Provisions) no amendment or revision shall (a) increase the maximum aggregate number of shares that may be sold or distributed pursuant to options or restricted shares granted under this Program, except as permitted under Article 6 of these General Provisions; (b) increase the maximum term established under the Plans for any option or restricted share; (c) permit the granting of an option or restricted share to anyone other than as provided in Article 4 of the General Provisions; or (d) alter the exercise price for any option; and provided further that no amendment which requires stockholder approval in order for the Program to continue to comply with Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act"), including any successor to such Rule, shall be effective unless such amendment shall be approved by the requisite vote of stockholders of the Company entitled to vote thereon.

Article 8. *Prior Rights and Obligations.* No amendment, suspension, or termination of the Program shall, without the consent of the individual who has received an option or restricted share, alter or impair any of that person's rights or obligations under any option or restricted share granted under the Program prior to that amendment, suspension, or termination. However, the grant of an

---

option or restricted share shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure; to merge or consolidate; or to dissolve, liquidate, or sell or transfer all or any part of its business or assets.

Article 9. *Privileges of Stock Ownership.* Notwithstanding the exercise of any option granted pursuant to the terms of this Program or the achievement of any conditions specified in any restricted share granted pursuant to the terms of this Program, no individual shall have any of the rights or privileges of a stockholder of the Company in respect of any shares of stock issuable upon the exercise of his or her option or the satisfaction of his or her restricted share conditions until certificates representing the shares have been issued and delivered. No shares shall be required to be issued and delivered upon exercise of any option or satisfaction of any conditions with respect to a restricted share unless and until all of the requirements of law and of all regulatory agencies having jurisdiction over the issuance and delivery of the securities shall have been fully complied with.

Article 10. *Reservation of Shares of Common Stock.* The Company, during the term of this Program, shall at all times reserve and keep available such number of shares of its Common Stock as shall be sufficient to satisfy the requirements of the Program.

Article 11. *Continued Service.* Nothing contained in this Program shall be construed as conferring upon a Director the right to continue in the service of the Company or of Bank of Hawaii as a Director or in any other capacity. Further, nothing contained in this Program or in any option or restricted share granted hereunder shall be deemed to create any obligation on the part of the Board of Directors of the Company or of Bank of Hawaii to nominate any Director for reelection.

Article 12. *Tax Withholding.* The exercise of any option or restricted share granted under this Program is subject to the condition that if at any time the Company shall determine, in its discretion, that the satisfaction of withholding tax or other withholding liabilities under any state or federal law is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares pursuant thereto, then in such event, the exercise of the option or restricted share shall not be effective unless such withholding shall have been effected or obtained in a manner acceptable to the Company.

Article 13. *Gender.* Wherever any words are used under the Program in the masculine, feminine, or neuter gender, they shall be construed as though they were also used in another gender in all cases where they would so apply.

Article 14. *Rule 16b-3 Requirements.* With respect to Directors who are subject to the provisions of Section 16 of the Exchange Act, the provisions of the Program and all transactions thereunder are intended and shall be construed and applied so as to comply with all applicable requirements and conditions of Rule 16b-3 or any successor Rule under the Exchange Act. To the extent any provision of the Program or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

---

**AMENDMENT NO. 97-1 TO  
THE PACIFIC CENTURY FINANCIAL CORPORATION  
DIRECTOR STOCK COMPENSATION PROGRAM**

In accordance with the provisions of its Article 7, the Pacific Century Financial Corporation Director Stock Compensation Program ("Program") is amended effective as of November 1, 1997, as follows:

1. New Section 8A shall be added at the end of Section 8, Plan I, Pacific Century Financial Corporation Director Stock Option Plan, as follows:

Section 8A. Option Rights Upon Disability of Optionee. If an optionee under this Plan ceases to serve as a Director due to "Disability", his option shall expire one year after the date of such termination of service unless by its terms it expires sooner. During this one year or shorter period, the option may be exercised, to the extent that it remains unexercised on the date of such termination of service, by the optionee or by his legal guardian on behalf of the optionee. For purposes of this Section 8A, the term "Disability" shall mean disability as defined under the then existing insured disability income benefit program maintained by the Bank of Hawaii, regardless of whether the optionee is covered under such program.

2. The reference to "death" in Section 7, Plan I, Pacific Century Financial Corporation Director Stock Option Plan, shall be revised to refer to the phrase "death or Disability (as described in Section 8A below)".

3. The first sentence, Section 7, Plan II, Pacific Century Financial Corporation Restricted Share Plan, shall be removed and the following provisions shall be inserted in lieu thereof:

---

The restrictions set forth in Section 3 above relating to the forfeiture or redemption of restricted shares and Section 4 above relating to the nontransferability of restricted shares shall lapse and no longer apply upon the earlier of (a) the expiration of the Restriction Period, (b) the death of the Director, (c) the cessation of service as a Director due to "Disability", (d) the occurrence of a "Change in Control" of the Company, or (e) the removal of the Director from office by stockholders without cause. A "Disability" shall mean disability as defined under the then existing insured disability income benefit program maintained by the Bank of Hawaii, regardless of whether the Director is covered under such program.

4. The references to "clause (b), (c), or (d) of Section 7 below" which are contained in Section 3, Plan II, Pacific Century Financial Corporation Restricted Share Plan, shall be revised to refer to "clause (b), (c), (d), or (e) of Section 7 below".

To record the adoption of this amendment to the Program, Pacific Century Financial Corporation has executed this document this 24th day of October, 1997.

PACIFIC CENTURY FINANCIAL CORPORATION

By /s/ LAWRENCE M. JOHNSON

---

Its Chief Executive Officer

By /s/ RICHARD J. DAHL

---

Its President

---

**RESOLUTIONS OF  
THE BOARD OF DIRECTORS OF  
PACIFIC CENTURY FINANCIAL CORPORATION**

**RE: APPROVAL OF AMENDMENT NO. 2001-1 TO THE PACIFIC CENTURY FINANCIAL CORPORATION DIRECTOR STOCK COMPENSATION PROGRAM**

WHEREAS, Pacific Century Financial Corporation (the "Corporation") maintains the Pacific Century Financial Corporation Director Stock Compensation Program (the "Program") for the purpose of enabling Directors of the Corporation or the Bank of Hawaii to acquire and retain a proprietary interest in the Corporation by ownership of common stock of the Corporation;

WHEREAS, Article 7 of the Program provides that the Program may be amended at any time by action of the Corporation's Board of Directors; and

WHEREAS, the Corporation desires to amend the Program for purposes of modifying the grant amounts for options and restricted shares.

NOW, THEREFORE, BE IT RESOLVED THAT the Corporation hereby adopts Amendment No. 2001-1 to the Program, in the form substantially as attached hereto, effective as of the date of adoption.

RESOLVED FURTHER, that the appropriate officers of the Corporation are hereby authorized and directed to take any and all actions necessary or desirable to carry out the intent of the foregoing resolutions.

I, Cori C. Weston, hereby certify that I am the duly appointed Secretary of the Board of Directors of Pacific Century Financial Corporation, and that the above resolutions were adopted at a meeting of the Board of Directors of such Corporation held on April 27, 2001, at which meeting a quorum was at all times present and acting, and that said resolutions are still in full force and effect.

DATED: April 27, 2001

---

BOARD OF DIRECTORS OF  
PACIFIC CENTURY FINANCIAL  
CORPORATION

By /s/ CORI C. WESTON

---

Its Secretary

---

**AMENDMENT NO. 2001-1 TO  
THE PACIFIC CENTURY FINANCIAL CORPORATION  
DIRECTOR STOCK COMPENSATION PROGRAM**

In accordance with the provisions of its Article 7, the Pacific Century Financial Corporation Director Stock Compensation Program is amended effective as of the date of adoption of this Amendment 2001-1, as follows:

i) The following provision shall be added at the end of Section 2 of the Pacific Century Financial Corporation Director Stock Option Plan:

Effective as of the 2001 annual meeting, in lieu of the formula grant amounts as described in the preceding sentence, the following formula grant amount shall apply: an option for the purchase of 3,000 shares to a Director who is a Director of either or both of the Company and the Bank of Hawaii. In addition to the above formula grants, the Committee may at its sole discretion designate the Directors to whom other options shall be granted and determine the amount of the options so granted.

ii) The following provision shall be added at the end of Section 2 of the Pacific Century Financial Corporation Director Restricted Share Plan:

Effective as of the 2001 annual meeting, in lieu of the formula grant amount as described in the preceding sentence, the automatic grant shall be equal to 200 restricted shares, and the maximum aggregate limitation shall not apply. In addition to the above formula grants, the Committee may at its sole discretion designate the Directors to whom other restricted shares shall be granted and determine the amount of the restricted shares so granted.

---

QuickLinks

[BANCORP HAWAII, INC. DIRECTOR STOCK COMPENSATION PROGRAM \(EFFECTIVE AS OF JANUARY 1, 1996\)](#)

**BANCORP HAWAII, INC.**  
**STOCK OPTION PLAN OF 1994**  
Effective January 1, 1994

**ARTICLE 1. ESTABLISHMENT, PURPOSE, AND DURATION**

1.1 *Establishment of the Plan.* Bancorp Hawaii, Inc., a Hawaii corporation (hereinafter referred to as the "Company"), hereby establishes an incentive compensation plan to be known as the "Bancorp Hawaii, Inc. Stock Option Plan of 1994" (hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Units, and other similar Awards; and it offers flexibility in determining the time of payment and whether Awards will be conditioned on the attainment of performance goals and whether they will be settled in cash.

Subject to ratification by an affirmative vote of a majority of Shares, the Plan shall become effective as of January 1, 1994 (the "Effective Date"), and shall remain in effect as provided in Section 1.3 herein.

1.2 *Purpose of the Plan.* The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of Participants to those of Company shareholders, and by providing Participants with an incentive for outstanding performance.

The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Participants upon whose judgment, interest, and special effort the successful conduct of its operation largely is dependent.

1.3 *Duration of the Plan.* The Plan shall commence on the Effective Date, as described in Section 1.1 herein, and shall remain in effect, subject to the right of the Board of Directors to terminate the Plan at any time pursuant to Article 13 herein, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions. However, in no event may an Award be granted under the Plan on or after January 1, 2004.

**ARTICLE 2. DEFINITIONS**

2.1 *Definitions.* Whenever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

(a) "Award" means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Unit, or other vehicles described in the Plan.

(b) "Award Agreement" means an agreement entered into by each Participant and the Company, setting forth the terms and provisions applicable to Awards granted to Participants under this Plan.

(c) "Beneficial Owner" shall have the meaning ascribed to such term in rule 13d-3 of the General Rules and Regulations under the Exchange Act.

(d) "Board" or "Board of Directors" means the Board of Directors of the Company.

(e) "Cause" means (i) willful misconduct on the part of a Participant that is detrimental to the Company; or (ii) the conviction of a Participant for the commission of a felony or crime involving turpitude. "Cause" under either (i) or (ii) shall be determined in good faith by the Committee.

---

(f) "Change in Control" shall be deemed to have occurred if:

(1) Any person [other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the shareowners of the Company in substantially the same proportions as their ownership of stock of the Company], including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, is or becomes the beneficial owner of shares of stock of the Company having 25% or more of the total number of votes that may be cast for the election of directors of the Company; or

(2) As a result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets, contested election, or any combination of the foregoing transactions, the persons who were directors of the Company before the transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor of the Company; or

(3) A majority of the Board of Directors determines in good faith that a "Change in Control" is imminent.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(h) "Committee" means the committee, as specified in Article 3, appointed by the Board to administer the Plan with respect to grants of Awards.

(i) "Company" means Bancorp Hawaii, Inc., a Hawaii corporation, or any successor thereto as provided in Article 15 herein.

(j) "Director" means any individual who is a member of the Board of Directors of the Company.

(k) "Disability" means a disability as defined in the then existing insured disability income benefit program maintained by the Bank of Hawaii (regardless of whether the Participant is covered under that program.)

(l) "Employee" means any full-time, nonunion employee of the Company or of the Company's Subsidiaries. Directors who are not otherwise employed by the Company shall not be considered Employees under this Plan. Individuals described in the first sentence of this definition who are foreign nationals or are employed outside of the United States, or both, are considered to be "Employees" and may be granted Awards on the terms and conditions set forth in the Plan or on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to further the purpose of the Plan, provided that any maximum amount for an individual Award that is provided in the Plan shall continue to apply to such Employees in the same manner as with respect to other Employees.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor Act thereto.

(n) "Fair Market Value" means

(1) When Shares are not listed on an established stock exchange, the mean between the closing dealer "bid" and "ask" prices for the Shares as quoted by NASDAQ on the date of the determination, and if no "bid" and "ask" prices are quoted for such date, "Fair Market Value" shall be determined by reference to such prices on the next preceding date on which such prices were quoted; or

(2) When Shares are listed on an established stock exchange (or exchanges), "Fair Market Value" shall be deemed to be the highest closing price of a Share on such stock exchange, and if no sale of Shares shall have been made on any stock exchange on that day, "Fair Market Value" shall be determined by reference to such price for the next preceding day on which a sale shall have occurred; or

---

(3) If Shares are not traded on an established stock exchange and no closing dealer "bid" and "ask" prices are available, "Fair Market Value" shall be determined by the Committee based on objective criteria.

(o) "Freestanding SAR" means a SAR that is granted independently of any Options.

(p) "Incentive Stock Option" or "ISO" means an option to purchase Shares, granted under Article 6 herein, which is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code.

(q) "Insider" shall mean an Employee who is, on the relevant date, a specifically identified officer, director, or ten percent (10%) beneficial owner of the Company, as defined under Section 16 of the Exchange Act.

(r) "Nonqualified Stock Option:" or "NQSO" means an option to purchase Shares, granted under Article 6 herein, which is not intended to be an Incentive Stock Option.

(s) "Option" means an Incentive Stock Option or a Nonqualified Stock Option.

(t) "Option Price" means the price at which a Share may be purchased by a Participant pursuant to an Option as determined by the Committee.

(u) "Participant" means an Employee of the Company who has outstanding an Award granted under the Plan.

(v) "Performance-Based Compensation" means compensation under an Award that is granted in order to provide remuneration solely on account of the attainment of one or more preestablished, objective performance goals under circumstances that satisfy the requirements of Code Section 162(m)(4)(C).

(w) "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion), and the Shares are subject to a substantial risk of forfeiture, as provided in Article 8 herein.

(x) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d).

(y) "Reload Option" means a NQSO that allows the holder to receive a new Option for the same or some other specified number of Shares if he or she exercises the NQSO by tendering previously owned Shares.

(z) "Restricted Stock" means an Award of Shares subject to restrictions that include a requirement to complete a specified period of employment in order to avoid forfeiture of such Shares.

(aa) "Restricted Stock Unit" means a unit representing a Share that is subject to restrictions like those applicable to Restricted Stock and that, depending on its terms, may be settled either in cash or by the issuance of an unrestricted Share upon the lapse of the restrictions.

(ab) "Retirement" means termination of employment after attainment of both age 62 and entitlement to an unreduced retirement allowance under the Employees' Retirement Plan of Bank of Hawaii.

(ac) "Shares" means the shares of common stock of the Company.

(ad) "Stock Appreciation Right" or "SAR" means an Award pursuant to the terms of Article 7 herein.

(ae) "Subsidiary" means any corporation in which the Company has at least a 50-percent direct or indirect ownership interest.

---

(af) "Tandem SAR" means a SAR that is granted in connection with a related Option, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

(ag) "Window Period" means the period beginning on the third business day following the date of public release of the Company's quarterly sales and earnings information, and ending on the twelfth business day following such date.

### **ARTICLE 3. ADMINISTRATION**

3.1 *The Committee.* The Plan shall be administered by a compensation committee of the Board consisting of two or more outside Directors who meet the requirements of this section. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of the Board of Directors.

The Committee shall be comprised solely of Directors who are eligible to administer the Plan pursuant to Rule 16b-3(c)(2) under the Exchange Act and whose status allows the Plan to meet the requirement of Code Section 162(m)(4)(C)(i) that performance goals under the Plan must be determined by a compensation committee of the Board comprised solely of two or more outside Directors. If for any reason the existing Committee does not qualify to administer the Plan under these criteria, the Board of Directors may appoint a new Committee so as to comply with Rule 16b-3(c)(2) and Code Section 162(m)(4)(C)(i).

3.2 *Authority of the Committee.* The Committee shall have full power except as limited by law or by the Articles of Incorporation or Bylaws of the Company, and subject to the provisions herein, to determine the Participants, the size and types of Awards; to determine the terms and conditions of such Awards in a manner consistent with the Plan; to construe and interpret the Plan and any agreement or instrument entered into under the Plan; to establish, amend, or waive rules and regulations for the Plan's administration; and (subject to the provisions of Article 13 herein) to amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law, the Committee may delegate its authorities as identified hereunder.

All Participants under the Plan are eligible to receive Awards that may provide Performance-Based Compensation. The Committee shall determine when granting each Award whether or not it is intended to provide Performance-Based Compensation, and shall cause the agreement covering any Award that is so intended to indicate this fact and to include such other information as may be necessary to satisfy the requirements for treatment as compensation described in Code Section 162(m)(4)(C). Until the maximum dollar Award is changed and approved by the Company's stockholders, the maximum dollar amount that will be paid in settlement of any Award that provides Performance-Based Compensation is the Fair Market Value (determined on the date the Award is exercised or otherwise settled) of 20 percent of the total authorized pool of Shares specified in Section 4.1. Notwithstanding the foregoing, if an initial dollar maximum is specifically provided for a particular type of Award elsewhere in this Plan, that specific maximum shall be substituted in place of the maximum in the preceding sentence. A change in the foregoing maximum may be made by Plan amendment or other means, provided that it is made and approved by the Company's stockholders in a manner that satisfies regulatory guidance under Code Section 162(m)(4)(C). Once made, the changed maximum dollar amount(s) shall apply to Awards providing Performance-Based Compensation, and the maximum specified in this section shall cease to apply.

The terms and conditions of any Award (other than an Award of an Option and the related Tandem SAR, if any) that is intended to provide Performance-Based Compensation shall include the requirement that such Award shall be payable only on account of the attainment of one or more preestablished performance goals. The agreement covering the Award shall specify the performance goals to which payment under the Award is subject and shall state, in terms of an objective formula or standard, the method for computing the amount of compensation payable to the Participant if the goal

---

is obtained. In addition, before the payment of any such Award, the Committee shall certify that the performance goals and any other material terms of the Award have in fact been satisfied.

For purposes of the foregoing, the Committee shall specify the performance goals and certify the attainment of such goals with respect to performance-related Awards in accordance with Code section 162(m) and related rules and regulations followed by the Internal Revenue Service. Except as otherwise permitted or required by such authorities, the performance goals applicable to each Award subject to this paragraph shall be determined by the Committee in a manner such that any compensation of a Participant under the Award is paid pursuant to a preestablished objective performance formula or standard that precludes discretion and generally allows a third party with knowledge of the relevant performance results to calculate the amount to be paid to the Participant.

In general, the reservation of a right to reduce or eliminate the compensation or other economic benefit that was due upon attainment of the performance goal shall not be considered to constitute impermissible discretion, but the choice to pay upon the attainment of either of two performance goals shall not be allowed under the rules precluding Committee discretion. The performance goals applicable to each Award intended to provide Performance-Based Compensation award may be based on but not limited to the following business criteria: control of net overhead expenses, control of nonperforming loans, adequacy of loan loss reserves, control of noninterest expenses, control of interest margin, increase in the Company's common stock price, increase in earnings per share, growth in net income per employee, return on equity, increase in bank deposit levels, return on average equity, return on assets, increase in capitalization levels, increase in noninterest income and growth in earnings.

**3.3 Decisions Binding.** All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders or resolutions of the Board shall be final, conclusive, and binding on all persons, including the Company, its stockholders, Employees, Participants, and their estates and beneficiaries.

#### **ARTICLE 4. SHARES SUBJECT TO THE PLAN**

**4.1 Number of Shares.** Subject to adjustment as provided in Section 4.3 herein, the total number of Shares available for grant under the Plan shall be 1,250,000. These Shares may be either authorized but unissued or reacquired Shares.

The following rules will apply for purposes of the determination of the number of Shares available for grant under the Plan:

- (a) While an Award is outstanding, it shall be counted against the authorized pool of Shares, regardless of its vested status.
- (b) The grant of an Option or Freestanding SAR shall reduce the Shares available for grant under the Plan by the number of Shares subject to such Award.
- (c) The grant of a Tandem SAR shall reduce the number of Shares available for grant by the number of Shares subject to the related Option (i.e., there is no double counting of Options and their related Tandem SARs).
- (d) To the extent that an Award is settled in cash rather than in Shares, the authorized Share pool shall be credited with the appropriate number of Shares represented by the cash settlement of the Award, as determined at the sole discretion of the Committee (subject to the limitation set forth in Section 4.2 herein).

**4.2 Lapsed Awards.** If any Award granted under the Plan is canceled, terminates, expires, or lapses for any reason (with the exception of the termination of a Tandem SAR upon exercise of the related Option or the termination of a related Option upon exercise of the corresponding Tandem SAR), any Shares subject to such Award again shall be available for the grant of an Award under the Plan. However, in the event that prior to the Award's cancellation, termination, expiration, or lapse, the holder of the Award at any time received one or more "benefits of ownership" pursuant to such Award

---

(as defined by the Securities and Exchange Commission, pursuant to any rule or interpretation promulgated under Section 16 of the Exchange Act), the Shares subject to such Award shall not be made available for regrant under the Plan. Further, any Award of an Option or Freestanding SAR that is canceled, terminated, expires, or lapses, shall continue to be counted against the maximum number of Shares for which an Option, or Freestanding SAR, may be granted to an Employee, under Article 6 or Article 7.

4.3 *Adjustments in Authorized Shares.* In the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, split-up, Share combination, or other change in the corporate structure of the Company affecting the shares, such adjustment shall be made in the number and class of Shares which may be delivered under the Plan, and in the number and class of and/or price of Shares subject to outstanding Awards granted under the Plan, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; and provided that the number of Shares subject to any Award shall always be a whole number.

## **ARTICLE 5. ELIGIBILITY AND PARTICIPATION**

5.1 *Eligibility.* Persons eligible to participate in this Plan include all full-time, active, salaried Employees of the Company and its subsidiaries, as determined by the Committee, including Employees who are members of the Board, but excluding Directors who are not Employees.

5.2 *Actual Participation.* Subject to the provisions of the Plan, the Committee may from time to time, select from all eligible employees, those to whom Awards shall be granted and shall determine the nature and amount of each Award.

## **ARTICLE 6. STOCK OPTIONS**

6.1 *Grant of Options.* Subject to the terms and provisions of the Plan, Options may be granted to Employees at any time and from time to time as shall be determined by the Committee. The Committee shall have discretion in determining the number of Shares subject to Options granted to each Participant; provided, however, that the maximum number of Shares subject to Options which may be granted to any single Participant during the term of the Plan is 20 percent of the total authorized pool of Shares specified in Section 4.1. The Committee may grant ISOs, NQSOs, or a combination thereof. Subject to any specific Plan rules that may apply to particular Option types, the NQSOs that may be granted include premium Options as well as performance-based Options, Options issued in tandem with SARs, Reload Options, and various combinations of the foregoing.

6.2 *Award Agreement.* Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions (including performance-based goals, if applicable) as the Committee shall determine. The Option Agreement also shall specify whether the Option is intended to be an ISO within the meaning of Section 422 of the Code, or a NQSO whose grant is intended not to fall under the Code provisions of Section 422.

6.3 *Option Price.* The Option Price for each Option (except a premium Option described in the next following sentence) shall be equal to 100 percent of the Fair Market Value of a Share on the date the Option is granted. The Option Price for each grant of a premium Option shall be a price determined by the Committee that, expressed as a percentage of the Fair Market Value of a Share on the date the Option is granted, shall not be less than 101 percent. The Option Price shall in all cases be determined as of the date on which the Option is granted, and shall in no event reflect a discount from the Fair Market Value of a Share on such date. Accordingly, the Option Price of an ISO shall never be less than 100 percent of the Fair Market Value of a Share on the date the ISO is granted. Except in the case of an equitable adjustment pursuant to Section 4.3, the Option Price of an outstanding Option shall not be changed by means of repricing or other means after the date of the Option grant.

---

6.4 *Duration of Options.* Each Option shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no Option shall be exercisable later than the tenth anniversary date of its grant.

6.5 *Exercise of Options.* Options granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant. However, in no event may any Option granted under this Plan become exercisable prior to six months following the date of its grant.

6.6 *Payment.* Options shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent, or (b) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Option Price (provided that the Shares which are tendered must have been held by the Participant for at least six months prior to their tender to satisfy the Option Price if NQSOs, and one year prior to tender if ISOs), or (c) by a combination of (a) and (b).

The Committee also may allow cashless exercise for NQSOs as permitted under Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant one or more Share certificates or other appropriate evidence of ownership indicating the number of Shares purchased under the Option(s).

6.7 *Restrictions on Share Transferability.* The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option under the Plan as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

#### 6.8 *Termination of Employment Due to Death, Disability, or Retirement*

(a) *Termination by Death.* In the event the employment of a Participant is terminated by reason of death after becoming eligible for Retirement, all outstanding Options granted to that Participant shall remain exercisable at any time prior to their original expiration date, or for five years after the date of death, whichever period is shorter, by such person or persons as shall have been named as the Participant's Beneficiary, or by such persons that have acquired the Participant's rights under the Option by will or by the laws of descent and distribution.

(b) *Termination by Disability.* In the event the employment of a Participant is terminated by reason of Disability after becoming eligible for Retirement, all outstanding Options granted to that Participant shall remain exercisable at any time prior to their original expiration date, or for five years after the date that the Committee determines the definition of Disability to have been satisfied, whichever period is shorter.

(c) *Termination by Retirement.* In the event the employment of a Participant is terminated by reason of Retirement, all outstanding Options granted to that Participant shall remain exercisable at any time prior to their original expiration date, or for five years after the effective date of Retirement, whichever period is shorter.

(d) *Employment Termination Followed by Death.* In the event that a Participant's employment terminates by reason of Disability or Retirement, and within the exercise period following such termination the Participant dies, then the remaining exercise period under outstanding Options shall equal the longer of: (i) one year following death; or (ii) the remaining portion of the exercise period which was triggered by the employment termination; but in no event

---

shall such remaining exercise period extend beyond the original expiration date. Such Options shall be exercisable by such person or persons who shall have been named as the Participant's Beneficiary, or by such persons who have acquired the Participant's rights under the Option by will or by the laws of descent and distribution.

(e) *Exercise Limitations on ISOs.* The time limit for exercising an ISO is subject to the limits in Code Section 422(a)(2) (as modified by Section 421(c)(1)(A) and 422(c)(6)). In general, these sections provide that an Option, in order to be treated as an ISO, must be exercised within three months after a Participant ceases to be an Employee, except that this three-month period does not apply if the Option is exercised after the Employee's death and it is changed to one year in the case of an Employee who is permanently and totally disabled (within the meaning of Code Section 22(e)(3)). Accordingly, if an Option intended to qualify as an ISO is not exercised within the applicable ISO time limit, it will be treated as an NQSO instead of an ISO.

6.9 *Termination of Employment for Cause.* If the employment of a Participant shall be terminated by the Company for Cause, all outstanding Options held by the Participant shall be forfeited to the Company immediately and no additional exercise period shall be allowed, regardless of the vested status of the Options.

6.10 *Termination of Employment for Other Reasons.* If the employment of a Participant shall be terminated by the Company for any reason other than the reasons set forth in Section 6.8 or 6.9, all Options held by the Participant which are not vested as of the effective date of employment termination shall be forfeited to the Company immediately.

Options which are vested as of the effective date of employment termination may be exercised by the Participant within the period beginning on the effective date of employment termination, and ending three months after such date.

6.11 *Nontransferability of Options.* No Option granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all Options granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

## **ARTICLE 7. STOCK APPRECIATION RIGHTS**

7.1 *Grant of SARs.* Subject to the terms and conditions of the Plan, a SAR may be granted to an Employee at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs. Other SARs such as limited SARs may not be granted under this Plan.

The Committee shall have complete discretion in determining the number of SARs granted to each Participant (subject to Article 4 herein) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs; provided, however, that the maximum number of SARs which may be granted to any single Participant during the term of the Plan is 20 percent of the total authorized pool of Shares specified in section 4.1.

The grant price of a Freestanding SAR shall equal the Fair Market Value of a Share on the date of grant of the SAR. The grant price shall in all cases be determined when the SAR is granted. Except in the case of an equitable adjustment pursuant to Section 4.3, the grant price of an outstanding SAR shall not be changed by means of repricing or other means after the date of the SAR grant. In no event shall any SAR granted hereunder become exercisable within the first six months of its grant.

7.2 *Exercise of Tandem SARs.* Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO, (i) the Tandem SAR will expire no later than the expiration of the

---

underlying ISO; (ii) the value of the payout with respect to the Tandem SAR may be for no more than 100 percent of the difference between the Option Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (iii) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

7.3 *Exercise of Freestanding SARs.* Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes on them.

7.4 *SAR Agreement.* Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Committee shall determine.

7.5 *Term of SARs.* The term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that the term of a Tandem SAR shall not exceed the term of the related Option, and the term of a Freestanding SAR shall not exceed ten years.

7.6 *Payment of SAR Amount.* Upon exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The difference between the Fair Market Value of a Share on the date of exercise over the grant price; by
- (b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

7.7 *Rule 16b-3 Requirements.* Notwithstanding any other provision of the Plan, the Committee may impose such conditions on exercise of a SAR (including, without limitation, the right of the Committee to limit the time of exercise to specified periods) as may be required to satisfy the requirements of Section 16 (or any successor rule) of the Exchange Act.

For example, if the Participant is an Insider, the ability of the Participant to exercise SARs for cash will be limited to Window Periods. However, if the Committee determines that the Participant is not an Insider, or if the securities laws change to permit greater freedom of exercise of SARs, then the committee may permit exercise at any point in time, to the extent the SARs are otherwise exercisable under the Plan.

7.8 *Termination of Employment Due to Death, Disability, or Retirement.* In the event the employment of a Participant is terminated by reason of death, Disability, or Retirement: (i) the forfeiture or vesting and continued exercisability of all outstanding Tandem SARs granted to that Participant shall be the same as the forfeiture, vesting and continued exercisability, if any, of the related Options, as determined under Section 6.8 of this Plan, and (ii) the forfeiture or vesting and continued exercisability of all outstanding Freestanding SARs shall be the same as if each Freestanding SAR were an Option subject to the rules of Section 6.8.

7.9 *Termination of Employment for Cause.* If the employment of a Participant shall be terminated by the Company for Cause, all outstanding SARs held by the Participant shall be forfeited to the Company immediately and no additional exercise period shall be allowed, regardless of the vested status of the SARs.

7.10 *Termination of Employment for Other Reasons.* If the employment of a Participant shall terminate for any reason other than the reasons set forth in Section 7.8 or 7.9: (i) the forfeiture or vesting and continued exercisability of all outstanding Tandem SARs granted to that Participant shall be the same as the forfeiture vesting and continued exercisability, if any, of the related Options, as determined under Section 6.10 of this Plan, and (ii) the forfeiture or vesting and continued exercisability of all outstanding Freestanding SARs shall be the same as if each Freestanding SAR were an Option subject to the rules of Section 6.10.

---

7.11 *Nontransferability of SARs.* No SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

## **ARTICLE 8. RESTRICTED STOCK AND RESTRICTED STOCK UNITS**

8.1 *Grant of Restricted Stock/Restricted Stock Units.* Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to eligible Employees in such amounts as the Committee shall determine.

8.2 *Restricted Stock/Restricted Stock Unit Agreement.* Each Restricted Stock or Restricted Stock Unit grant shall be evidenced by an Agreement that shall specify the Period of Restriction, or Periods, the number of Restricted Stock Shares (or Restricted Stock Units) granted, and such other provisions as the Committee shall determine.

8.3 *Transferability.* Except as provided in this Article 8, the Shares of Restricted Stock and Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the governing Agreement. However, in no event may any Restricted Stock or Restricted Stock Unit granted under the Plan become vested in a Participant prior to six months following the date of its grant. All rights with respect to any Restricted Stock or Restricted Stock Unit granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant.

8.4 *Other Restrictions.* The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Share provided in settlement of a Restricted Stock Unit, restrictions based upon the achievement of specific performance goals (Company-wide, divisional, and/or individual), and/or restrictions under applicable federal or state securities laws; and may legend the certificates representing Restricted Stock or Restricted Stock Units to give appropriate notice of such restrictions.

8.5 *Certificate Legend.* In addition to any legends placed on certificates pursuant to Section 8.4 herein, each certificate representing Shares of Restricted Stock granted pursuant to the Plan may bear a legend such as the following:

"The sale or other transfer of the Shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Company's Stock Plan of 1994, and in a Restricted Stock Agreement. A copy of the Plan and such Restricted Stock Agreement may be obtained from Bancorp Hawaii, Inc."

The Company shall have the right to retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

8.6 *Removal of Restrictions.* Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the Period of Restriction. Once the Shares are released from the restrictions, the Participant shall be entitled to have the legend required by Section 8.5 removed from his or her Share certificate.

8.7 *Voting Rights.* During the Period of Restriction, Participants holding Shares of Restricted stock granted hereunder may exercise full voting rights with respect to those Shares.

8.8 *Dividends and Other Distributions.* During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder shall be entitled to receive all regular cash dividends paid with respect to all Shares while they are so held. Except as provided in the succeeding sentence, in the

---

sole discretion of the Committee, other cash dividends and other distributions paid with respect to Shares of Restricted Stock may be paid to Participants or may be subjected to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid. If any such dividends or distributions are paid in Shares, the Shares shall be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

In the event that any dividend constitutes a "derivative security" or an "equity security" pursuant to Rule 16(a) under the Exchange Act, such dividend shall be subject to a vesting period equal to the longer of: (i) the remaining vesting period of the Shares of Restricted Stock with respect to which the dividend is paid; or (ii) six months. The Committee shall establish procedures for the application of this provision.

**8.9 Termination of Employment Due to Death or Disability.** In the event the employment of a Participant is terminated by reason of death or Disability, all outstanding Shares of restricted Stock shall immediately vest 100 percent as of the date of employment termination (in the case of Disability, the date employment terminates shall be deemed to be the date that the Committee determines the definition of Disability to have been satisfied). The holder of the certificates of Restricted Stock shall be entitled to have any nontransferability legends required under Sections 8.4 and 8.5 of this Plan removed from the Share certificates.

**8.10 Termination of Employment for Other Reasons.** If the employment of a Participant shall terminate for any reason other than those specifically set forth in section 8.9 herein, all Shares of Restricted Stock held by the Participant which are not vested as of the effective date of employment termination shall be forfeited immediately and returned to the Company; provided, however, that in the case of termination of employment by reason of retirement, the Committee may provide for accelerated vesting of some or all such Shares upon such terms as the Committee, in its sole discretion, deems appropriate.

## **ARTICLE 9. BENEFICIARY DESIGNATION**

A Participant's "Beneficiary" is the person or persons entitled to receive payments or other benefits or exercise rights that are available under the Plan in the event of the Participant's death. A Participant may designate a Beneficiary or change a previous Beneficiary designation at any time by using forms and following procedures approved by the Committee for that purpose. If no Beneficiary designated by the Participant is eligible to receive payments or other benefits or exercise rights that are available under the Plan at the Participant's death, the Beneficiary shall be the Participant's estate. Notwithstanding the provisions above, the Committee may in its discretion, after notifying the affected Participants, modify the foregoing requirements, institute additional requirements for Beneficiary designations, or suspend the existing Beneficiary designations of living Participants or the process of determining Beneficiaries under this section, or both. If the Committee suspends the process of designating Beneficiaries on forms and in accordance with procedures it has approved pursuant to this section, the determination of who is a Participant's Beneficiary shall be made under the Participant's will and applicable state law.

## **ARTICLE 10. DEFERRALS AND SHARE SETTLEMENTS**

The Committee may permit a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, or with respect to the lapse or waiver of restrictions with respect to Restricted Stock or Restricted Stock Units. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals. In addition, the Committee may require or permit a Participant to receive settlement in the form of Shares of equal or greater Fair Market Value that are provided under this Plan in lieu of any cash payment that the Participant would otherwise receive under the Company's One-Year Incentive Plan and/or Sustained Profit Growth Plan, or under any successor to either or both of these cash incentive plans.

---

## **ARTICLE 11. RIGHTS OF EMPLOYEES**

11.1 *Employment.* Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

For purposes of the Plan, transfer of employment of a Participant between the Company and any one of its Subsidiaries (or between Subsidiaries) shall not be deemed a termination of employment.

11.2 *Participation.* No Employee shall have the right to be selected to receive an Award under this Plan, or having been so selected, to be selected to receive a future Award.

## **ARTICLE 12. CHANGE IN CONTROL**

Upon the occurrence of a Change in Control, unless otherwise specifically prohibited by the terms of Article 16 herein:

(a) Any and all Options and SARs granted hereunder shall become immediately exercisable;

(b) Any period of restriction for Restricted Stock and Restricted Stock Units granted hereunder that have not previously vested shall end, and such Restricted Stock and Restricted Stock Units shall become fully vested;

(c) Subject to Article 13 herein, the Committee shall have the authority to make any modifications to the Awards as determined by the Committee to be appropriate before the effective date of the Change in Control.

## **ARTICLE 13. AMENDMENT, MODIFICATION, AND TERMINATION**

The Board may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part; provided, that no amendment which requires shareholder approval in order for the Plan to continue to comply with Rule 16b-3 under the Exchange Act, including any successor to such Rule, shall be effective unless such amendment shall be approved by the requisite vote of shareholders of the Company entitled to vote thereon. Further, no amendment, modification, suspension, or termination of the Plan shall in any material manner affect any Award theretofore granted under the Plan without the written consent of the affected Participant or any person validly claiming under or through such Participant.

## **ARTICLE 14. WITHHOLDING**

14.1 *Tax Withholding.* The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any taxable event arising or as a result of this Plan.

14.2 *Share Withholding.* With respect to withholding required upon the exercise of Options or SARs upon the lapse of restrictions on Restricted Stock or Restricted Stock Units, or upon any other taxable event hereunder, Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. All elections shall be irrevocable, made in writing, signed by the Participant, and elections by Insiders shall additionally comply with the applicable requirement set forth in (a) or (b) of this section 14.2.

(a) Awards Having Exercise Timing Within Participants' Discretion. The Insider must either:

(1) Deliver written notice of the stock withholding election to the Committee at least six months prior to the date specified by the Insider on which the exercise of the Award is to occur; or

---

(2) Make the stock withholding election in connection with an exercise of an Award which occurs during a Window Period.

(b) Awards Having a Fixed Exercise/Payout Schedule Which is Outside Insider's Control. The Insider must either:

(1) Deliver written notice of the stock withholding election to the Committee at least six months prior to the date on which the taxable event (e.g., exercise or payout) relating to the Award is scheduled to occur; or

(2) Make the stock withholding election during a Window Period which occurs prior to the scheduled taxable event relating to the Award (for this purpose, an election may be made prior to such a Window Period, provided that it becomes effective during a Window Period occurring prior to the applicable taxable event).

## **ARTICLE 15. SUCCESSORS**

All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

## **ARTICLE 16. LEGAL CONSTRUCTION**

16.1 *Gender and Number.* Except where otherwise indicated by the context any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

16.2 *Severability.* In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

16.3 *Requirements of Law.* The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Notwithstanding any other provision set forth in the Plan, if required by the then-current Section 16 of the Exchange Act, any "derivative security" or "equity security" offered pursuant to the Plan to any Insider may not be sold or transferred for at least six months after the date of grant of such Award. The terms "equity security" and "derivative security" shall have the meanings ascribed to them in the then-current Rule 16(a) under the Exchange Act.

16.4 *Securities Law Compliance.* With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions or Rule 16b-3 or its successors under the 1934 Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

16.5 *Governing Law.* To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Hawaii.

---

**AMENDMENT 97-1 TO  
THE BANCORP HAWAII, INC.  
STOCK OPTION PLAN OF 1994**

In accordance with Article 13 of the Bancorp Hawaii, Inc. Stock Option Plan of 1994 (hereinafter "Plan"), and conditioned on the approval of shareholders no later than one year after the date of adoption by the Board of Directors of Bancorp Hawaii, Inc., the Plan is hereby amended by this Amendment No. 97-1 effective as of the date of adoption by the Board of Directors.

1. The first sentence of Section 4.1 of the Plan shall be amended to increase the total number of Shares reserved and available for grant under the Plan by inserting the number "2,875,000" in lieu of the reference to "1,250,000".

---

**AMENDMENT 97-2 TO  
THE PACIFIC CENTURY FINANCIAL CORPORATION  
STOCK OPTION PLAN OF 1994**

In accordance with Article 13 of the Pacific Century Financial Corporation Stock Option Plan of 1994 (hereinafter "Plan"), and conditioned on the approval of shareholders no later than one year after the date of adoption by the Board of Directors of Pacific Century Financial Corporation, the Plan is hereby amended by this Amendment No. 97-2 effective as of the date of adoption by the Board of Directors.

1. The Plan shall be amended by adding the following Article 17 at the end thereof:

Article 17. CU Bancorp Replacement Options

Pursuant and subject to the provisions of the Agreement and Plan of Reorganization dated February 24, 1997 between the Company and CU Bancorp (the "Merger Agreement"), Options shall be issued under the Plan in assumption of or substitution for certain unexercised options to acquire shares of common stock of CU Bancorp. Notwithstanding any other provision of this Plan, options so issued (the "Replacement Options") shall be in such amounts and shall have such terms as are required by the Merger Agreement and such additional terms as are approved by the Committee and set forth in the option agreements with each optionee contemplated by the Merger Agreement, and shall also be subject to those provisions of the Plan that the Committee determines are not inconsistent with the Merger Agreement or such option agreements and that, in the case of CU Bancorp stock options that are "incentive stock options" within the meaning of Section 422 of the Code, would not constitute or result in a "modification" of such options within the meaning of Section 424 thereof. Subject to the foregoing, the Committee shall have the authority and discretion to establish the terms and conditions of each option agreement providing for the issuance of Replacement Options.

2. Article 13 of the Plan shall be amended to include the following at the end thereof:

Without limiting the foregoing, if the Company or any of its subsidiaries is a party to a merger, consolidation, reorganization, share exchange, acquisition of stock or assets, or similar transaction, the Committee or the Board may grant Awards (including Options) hereunder in connection with the assumption, substitution or conversion by the Company or its subsidiaries of similar stock compensation awards that have been issued by another party to such transaction, and the Board may amend the Plan, or adopt supplements to the Plan, in such manner as it deems appropriate to provide for such assumption, substitution or conversion, all without further action by the Company's shareholders.

To record the adoption of this amendment to the Plan, Pacific Century Financial Corporation has executed this document this 25th day of April, 1997.

Pacific Century Financial Corporation

By /s/ LAWRENCE M. JOHNSON

---

Its Chairman of the Board and Chief  
Executive Officer

By /s/ RICHARD J. DAHL

---

Its President and Chief Operating  
Officer

---

**AMENDMENT 99-1 TO THE  
PACIFIC CENTURY FINANCIAL CORPORATION  
STOCK OPTION PLAN OF 1994**

In accordance with Article 13 of the Pacific Century Financial Corporation Stock Option Plan of 1994 (hereinafter "Plan"), and conditioned on the approval of shareholders no later than one year after the date of adoption by the Board of Directors of Pacific Century Financial Corporation, the Plan is hereby amended by this Amendment No.99-1, effective as of the date of adoption by the Board of Directors, as follows:

1. The first sentence of Section 4.1 of the Plan shall be amended to increase the total number of Shares reserved and available for grant under the Plan by revising such sentence to read in its entirety as follows:

4.1 *Number of Shares.* Subject to adjustment as provided in Section 4.3 herein, the total number of Shares available for grant under the Plan shall be 9,650,000.

---

**AMENDMENT 99-2 TO  
THE PACIFIC CENTURY FINANCIAL CORPORATION  
STOCK OPTION PLAN OF 1994 AND RELATED AWARDS**

In accordance with Article 13 of the Pacific Century Financial Corporation Stock Option Plan of 1994 (hereinafter "Plan"), the Plan and related Awards are hereby amended by this Amendment No. 99-2, effective as of the date of adoption by the Board of Directors, in the following respects:

1. Section 2.1(ag) of the Plan shall be deleted.
2. Section 3.1 of the Plan shall be amended to read in its entirety as follows:

3.1 *The Committee.* The Plan shall be administered by the Compensation Committee of the Board of Directors, which shall be comprised of two or more Directors who satisfy the requirements of an "outside" Director under Code Section 162(m)(4)(C)(i). The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of the Board.

Notwithstanding any other provision of the Plan (and without limiting the Committee's authority), in connection with any action concerning grants of Awards to or a transactions by Insiders the Committee may adopt such procedures as it deems necessary or desirable to assure the availability of exemptions from Section 16 of the Exchange Act afforded by Rule 16b-3 thereunder or any successor rule. Without limiting the foregoing, in connection with approval of any transaction by an Insider involving a grant, award or other acquisition from the Company, or involving the disposition to the Company of the Company's equity securities, the Committee may delegate its approval authority to a subcommittee thereof comprised of two or more "Non-Employee Directors" (as defined in Rule 16b-3), or take action by the affirmative vote of two or more Non-Employee Directors (with all other members of the Committee abstaining or recusing themselves from participating in the matter), or refer the matter to the full Board of Directors for action.

3. The final sentence of Section 3.2 shall be amended to read as follows:

The performance goals applicable to each Award intended to provide Performance-Based Compensation shall be based on one or more of the following performance measures: earnings per share (actual or targeted growth), economic value added, net income after capital cost, net income (before or after taxes), various return measures (either absolute or relative to peers) including: return on average assets, return on average equity, risk-adjusted return on capital ("RAROC"), efficiency ratio, full time equivalency ("FTE") control, stock price (actual or targeted growth), total shareholder return ("TSR", absolute or relative to an index), and non-interest income to net interest income ratio.

4. The second paragraph of Section 7.7 of the Plan shall be deleted.
5. Section 14.2 of the Plan shall be revised to read in its entirety as follows:

14.2 *Share Withholding.* With respect to withholding required upon the exercise of Options or SARs or upon the lapse of restrictions on Restricted Stock or Restricted Stock Units, or upon any other taxable event hereunder, Participants may elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. All elections shall be irrevocable, made in writing, and signed by the Participant.

6. Section 16.4 shall be revised to read as follows:

16.4 *Securities Law Compliance.* With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act (except to the extent that noncompliance of a particular transaction would not result in liability under Section 16 of the Exchange Act or the rules adopted thereunder). To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

---

7. Article 13 shall be revised to read as follows:

**Article 13. Amendment, Modification and Termination.** The Board may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part; provided that no amendment, modification, suspension or termination of the Plan shall in any material manner affect any Award theretofore granted under the Plan without the written consent of the affected Participant or any person validly claiming under or through such Participant. Without limiting the foregoing, if the Company or any of its subsidiaries is a party to a merger, consolidation, reorganization, share exchange, acquisition of stock or assets, or similar transaction, the Committee or the Board may grant Awards (including Options) hereunder in connection with the assumption, substitution or conversion by the Company or its subsidiaries of similar stock compensation awards that have been issued by another party to such transaction, and the Board may amend the Plan, or adopt supplements to the Plan, in such manner as it deems appropriate to provide for such assumption, substitution or conversion, all without further action by the Company's shareholders.

8. Each outstanding Award held by an Insider shall be and hereby is amended to the extent necessary to conform such Award to the Plan amendments set forth above (other than paragraph 3). Without limiting the foregoing:

(a) Section 5.4 of each such Award shall be amended by revising the last sentence thereof to read as follows:

Any provision herein contained to the contrary notwithstanding (a) the exercise of the Tandem SAR involving the receipt of cash shall be subject to approval of the Committee or a subcommittee thereof, which approval may be made subject to limitations or conditions, may be given in advance of or following a request by the Optionee therefor, and may be granted or withheld by the Committee or subcommittee in its sole discretion with or without cause; and (b) the Tandem SAR may be exercised only when the Fair Market Value of the Option Shares exceeds the Option Price.

(b) Section 5.5 shall be deleted; and

(c) Section 14 shall be amended by deleting the third sentence thereof, and by revising the second sentence to read: "The Optionee may elect to satisfy withholding requirements by having the Company withhold shares of Company Stock made available upon exercise of the Option."

---

**AMENDMENT 2000-1 TO THE  
PACIFIC CENTURY FINANCIAL CORPORATION  
STOCK OPTION PLAN OF 1994**

In accordance with Article 13 of the Pacific Century Financial Corporation Stock Option Plan of 1994 (hereinafter "Plan"), the Plan is hereby amended by this Amendment No. 2000-1, effective as of the date of adoption by the Board of Directors, in the following respect:

1. Section 2.1(ab) of the Plan shall be amended to read in its entirety as follows:

(ab) "Retirement" means termination of employment after satisfying the age and service requirements for the current payment of an unreduced retirement allowance under the Employees' Retirement Plan of Bank of Hawaii (whether or not the Participant actually participates in the Employees' Retirement Plan of Bank of Hawaii). For this purpose, a Participant's termination of employment shall be treated as a Retirement to the extent that such termination is deemed to meet such age and service requirements pursuant to a written agreement between the Company and the Participant.

To record the adoption of this amendment, Pacific Century Financial Corporation has executed this document this 27th day of October, 2000.

**PACIFIC CENTURY FINANCIAL CORPORATION**

By /s/ RICHARD J. DAHL

---

Its Richard J. Dahl  
President & Chief Financial Officer

By /s/ NEAL C. HOCKLANDER

---

Its Neal C. Hocklander  
Executive Vice President

---

**AMENDMENT 2000-2 TO THE  
PACIFIC CENTURY FINANCIAL CORPORATION  
STOCK OPTION PLAN OF 1994**

In accordance with Article 13 of the Pacific Century Financial Corporation Stock Option Plan of 1994 (hereinafter "Plan"), the Plan is hereby amended by this Amendment No. 2000-2, effective as of November 3, 2000, in the following respect:

1. Section 6.1 of the Plan shall be amended by inserting the following provision immediately after the second sentence of Section 6.1:

However, the number of Shares subject to Options granted to a Participant who is hired as Chief Executive Officer of the Company at the time of such Participant's initial hire shall not be limited by, and shall be disregarded in applying, the 20 percent of authorized pool limitation as described in the preceding sentence, and rather the Shares subject to such Options granted upon initial hire shall be limited to a separate maximum limitation equal to 23 percent of the total authorized pool of Shares specified in Section 4.1.

To record the adoption of this amendment, Pacific Century Financial Corporation has executed this document this 17th day of November, 2000.

**PACIFIC CENTURY FINANCIAL CORPORATION**

By           /s/ MICHAEL E. O'NEILL          

Its Chief Executive Officer

By           /s/ RICHARD J. DAHL          

Its President

---

**AMENDMENT 2000-3 TO THE  
PACIFIC CENTURY FINANCIAL CORPORATION  
STOCK OPTION PLAN OF 1994**

In accordance with Article 13 of the Pacific Century Financial Corporation Stock Option Plan of 1994 (hereinafter "Plan"), the Plan is hereby amended by this Amendment No. 2000-3, effective as of the date of adoption by the Board of Directors, in the following respect:

Section 6.10 of the Plan shall be amended by removing the second sentence in Section 6.10 and inserting the following provisions in lieu thereof:

If the employment of a Participant is terminated by the Company for any reason other than the reasons set forth in Section 6.8 or 6.9, all Options held by the Participant which are vested as of the effective date of such employment termination shall be exercisable only within the period beginning on such date and ending three months after such date, and such Options shall be forfeited immediately following the end of such period. However, notwithstanding the preceding sentence, a vested Option which is an NQSO may be exercisable following such employment termination for a period longer than the otherwise applicable three-month period in accordance with the terms and conditions of the NQSO as may be established by the Committee.

To record the adoption of this amendment, Pacific Century Financial Corporation has executed this document this 8th day of December, 2000.

**PACIFIC CENTURY FINANCIAL CORPORATION**

By /s/ RICHARD J. DAHL

---

Its Richard J. Dahl  
President & Chief Operating Officer

By /s/ NEAL C. HOCKLANDER

---

Its Neal C. Hocklander  
Executive Vice President

---

**AMENDMENT 2001-1 TO THE  
PACIFIC CENTURY FINANCIAL CORPORATION  
STOCK OPTION PLAN OF 1994**

In accordance with Article 13 of the Pacific Century Financial Corporation Stock Option Plan of 1994 (hereinafter "Plan"), and conditioned upon the approval of shareholders no later than one year after the date of adoption by the Board of Directors of Pacific Century Financial Corporation, the Plan is hereby amended by this Amendment No. 2001-1, effective as of the date of adoption by the Board of Directors, as follows:

The first sentence of Section 4.1 of the Plan shall be amended to increase the total number of Shares reserved and available for grant under the Plan by revising such sentence to read in its entirety as follows:

4.1 *Number of Shares.* Subject to adjustment as provided in Section 4.3 herein, the total number of Shares available for grant under the Plan shall be 14,650,000.

To record the adoption of this amendment to the Plan, Pacific Century Financial Corporation has executed this document this 26th day of January, 2001.

**PACIFIC CENTURY FINANCIAL CORPORATION**

By /s/ RICHARD J. DAHL

---

Its Richard J. Dahl  
President & Chief Operating Officer

By /s/ NEAL C. HOCKLANDER

---

Its Neal C. Hocklander  
Executive Vice President

---

**AMENDMENT 2001-2 TO THE  
PACIFIC CENTURY FINANCIAL CORPORATION  
STOCK OPTION PLAN OF 1994**

In accordance with Article 13 of the Pacific Century Financial Corporation Stock Option Plan of 1994 (hereinafter "Plan", and conditioned upon the approval of shareholders no later than one year after the date of adoption by the Board of Directors of Pacific Century Financial Corporation, the Plan is hereby amended by this Amendment No. 2001-2, effective as of the date of adoption by the Board of Directors, as follows:

Section 2.1(1) shall be amended by adding the following provisions at the end thereof:

For purposes of this Plan, the term "Employee" shall include any independent contractor providing services to the Company or a Subsidiary, other than a Director who is not also an employee of the Company or a Subsidiary, and such Employee shall be eligible to participate in the Plan as selected by the Committee in accordance with Article 5. Notwithstanding any other provision in the Plan to the contrary, the following shall apply in the case of an independent contractor who is included within the term "Employee" pursuant to the preceding sentence: (a) with respect to any reference in this Plan to the working relationship between such Employee and the Company or a Subsidiary, the term "service" shall apply as may be appropriate in lieu of the term "employment" or "employ"; (b) no such Employee shall be eligible for a grant of an ISO; (c) the exercise period and vesting of an Award following such Employee's termination from service shall be specified and governed under the terms and conditions of the Award as may be determined by the Committee (and, accordingly, the post-termination exercise and vesting provisions of Sections 6.8 - 6.10 relating to Options, and Sections 7.8 - 7.10 relating to SARs, and Sections 8.9 - 8.10 relating to Restricted Stock and Restricted Stock Units shall not apply); and (d) the required "full-time, active, salaried" status described as a condition for eligibility in Section 5.1 shall not apply to such Employee. The inclusion of an independent contractor within the term "Employee" under this Section 2.1(1) is intended exclusively for the purpose of extending this Plan's coverage to independent contractors, and such inclusion shall not mean or imply that an independent contractor is in fact an employee for any purpose.

To record the adoption of this amendment to the Plan, Pacific Century Financial Corporation has executed this document this 26th day of January, 2001.

**PACIFIC CENTURY FINANCIAL CORPORATION**

By /s/ RICHARD J. DAHL

---

Its Richard J. Dahl  
President & Chief Operating Officer

By /s/ NEAL C. HOCKLANDER

---

Its Neal C. Hocklander  
Executive Vice President

---

**RESOLUTIONS OF  
THE BOARD OF DIRECTORS OF  
BANK OF HAWAII CORPORATION**

**RE: ADOPTION OF AMENDMENT NO. 2002-1 TO THE BANK OF HAWAII CORPORATION STOCK OPTION PLAN OF 1994**

WHEREAS, Bank of Hawaii Corporation ("BOHC") maintains the Bank of Hawaii Corporation Stock Option Plan of 1994 ("Plan") as an omnibus stock compensation award plan;

WHEREAS, BOHC desires to amend the Plan in order to allow for the transferability of nonqualified stock options to a revocable trust subject to administrative requirements and limitations; and

WHEREAS, Article 13 of the Plan provides that the Plan may be amended at any time by action of the Board of Directors of BOHC.

NOW, THEREFORE, BE IT RESOLVED THAT, BOHC hereby adopts Amendment No. 2002-1 to the Plan, in the form substantially as attached, effective immediately as of this date of adoption.

RESOLVED FURTHER, that the appropriate directors and officers of BOHC are hereby authorized and directed to take any and all actions necessary and desirable in order to consummate the matters authorized in these resolutions, including execution of the Amendment.

I, Cori C. Weston, hereby certify that I am the duly appointed and acting Secretary of Bank of Hawaii Corporation and that the above resolutions were adopted at a meeting of the Board of Directors of BOHC held on July 26, 2002, at which meeting a quorum was at all times present and acting, and that said resolutions are still in full force and effect.

DATED: July 26, 2002.

**BANK OF HAWAII CORPORATION**

By    /s/ CORI C. WESTON

\_\_\_\_\_  
Its Secretary

---

**AMENDMENT 2002-1 TO THE  
BANK OF HAWAII CORPORATION  
STOCK OPTION PLAN OF 1994**

In accordance with Article 13 of the Bank of Hawaii Corporation Stock Option Plan of 1994 ("Plan"), the Plan is hereby amended by this Amendment No. 2002-1, effective as of the date of adoption by the Board of Directors, as follows:

Section 6.11 of the Plan shall be amended by adding the following provision at the end thereof:

However, subject to the approval of the Committee, the Participant may transfer an NQSO for no consideration to a revocable trust under which, during the Participant's lifetime: (a) the Participant is the sole grantor and beneficiary of the trust; (b) the Participant is the sole trustee of the trust or the Participant and his or her spouse are the sole co-trustees of the trust; and (c) the Participant as grantor of the trust maintains the authority to revoke the trust without the consent of any other person and have all trust assets revert to himself or herself. Such transfer shall be subject to any additional conditions or limitations as the Committee may establish, and the trust as transferee shall remain subject to all the terms and conditions applicable to the NQSO prior to such transfer.

To record the adoption of this amendment to the Plan, Bank of Hawaii Corporation has executed this document this *26th day of July, 2002*.

**BANK OF HAWAII CORPORATION**

By           /s/ CORI C. WESTON          

Its Secretary

By           /s/ NEAL C. HOCKLANDER          

Its Vice Chairman

---

QuickLinks

[BANCORP HAWAII, INC. STOCK OPTION PLAN OF 1994 Effective January 1, 1994](#)

**STOCK OPTION GRANT UNDER THE  
BANK OF HAWAII CORPORATION  
2004 STOCK AND INCENTIVE COMPENSATION PLAN**

**STOCK OPTION AGREEMENT  
(FOR STOCK WITH TRANSFERABILITY LIMITATION)**

This Agreement dated \_\_\_\_\_, between Bank of Hawaii Corporation, a Delaware corporation ("Company"), with its registered office at 130 Merchant Street, Honolulu, Hawaii 96813, and \_\_\_\_\_, an employee of the Company or subsidiary of the Company ("Optionee").

1. *Grant of Option.* The Company hereby grants to Optionee, effective as of \_\_\_\_\_ ("Grant Date"), the right and option ("Option") to purchase from the Company, for a price equal to the exercise price determined as described below ("Exercise Price"), up to \_\_\_\_\_ shares of Company common stock ("Company Stock" or "Shares"). This grant of Option shall be subject to the applicable terms and conditions set forth below and is being granted pursuant to the Bank of Hawaii Corporation 2004 Stock and Incentive Compensation Plan ("Plan") in accordance with the authority and direction of the Human Resources and Compensation Committee ("Committee") of the Company's Board of Directors. The Option shall constitute a nonqualified stock option which is not a qualified stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended ("Code").

2. *Terms and Conditions of Option.*

a. *Exercise Price.* The Exercise Price shall be \$ \_\_\_\_\_ per Share, which is the fair market value per Share on the Grant Date as determined in accordance with the Plan.

b. *Term of Option.* The term of the Option over which the Option may be exercised shall commence on the Grant Date and, subject to the provisions of Section 3.b below, shall terminate ten years thereafter. The Option shall not be exercisable after the term of the Option.

c. *Exercisability of Option.* As to the total number of Shares with respect to which the Option is granted, the Option shall be exercisable on or after \_\_\_\_\_.

In addition, the Option shall be fully exercisable upon the occurrence of a "Change in Control" of the Company (as described in Section 2.8 of the Plan).

3. *Additional Terms and Conditions.*

a. *Exercise of Option; Payments for Shares.* An Option may be exercised from time to time with respect to all or any portion of the number of Shares with respect to which the Option has become exercisable by written notice to the Corporate Secretary of the Company or other authorized personnel of the Company.

When Optionee gives notice of exercise of the Option, Optionee must pay the full Exercise Price for the Option Shares being purchased. Optionee may make payment: (i) by certified check or bank check payable to the order of the Company; or (ii) by delivering (either by actual delivery or attestation) previously acquired shares of Company common stock held by Optionee for at least six months or acquired by Optionee on the open market and having an aggregate fair market value at the time of exercise equal to the full Exercise Price; or (iii) by a combination thereof. In addition, with the approval of the Committee, the Company may cooperate with Optionee in arranging a "cashless exercise" of the Option through a broker approved by the Company, under which the broker will sell shares acquired by Optionee upon exercise of the Option and remit to the Company a sufficient portion of the sales proceeds to pay the full Exercise Price and any tax withholding required upon such exercise.

---

The Option shall not be exercised for any fractional Shares and no fractional Shares shall be issued or delivered. The date of actual receipt by the Company of the notice of exercise shall be treated as the date of exercise of the Option for the Shares being purchased. If Optionee fails to pay for any Option Shares specified in the notice of exercise or fails to accept delivery of the Option Shares, the Company may terminate Optionee's rights to purchase the Option Shares.

b. *Termination of Option.* Except as otherwise provided herein, the Option shall terminate and shall not be exercisable following Optionee's termination of employment.

If Optionee's employment with the Company or any subsidiary terminates, the Option shall continue to be exercisable, to the extent it is exercisable on the date such employment is terminated, for three months after such termination, but in no event after the original termination date of the Option. However, if Optionee's employment terminates because of Optionee's death or "permanent and total disability" as determined under the Plan, the Option shall continue to be exercisable, to the extent it is exercisable on the date such employment terminated, for 12 months after such termination, but in no event after the original termination date of the Option.

If Optionee's employment terminates because of Optionee's death, disability, or other termination of employment with the Company or any subsidiary, and if such event occurs after Optionee attains age 62 and would be eligible for an immediate payment of an unreduced retirement allowance under the Employees' Retirement Plan of Bank of Hawaii (whether or not Optionee is actually eligible under the Retirement Plan), then the Option may be exercised during the five-year period after the death, disability, or other termination of employment, but in no event after the original termination date of the Option. Further, if Optionee dies during the five-year period after Optionee's disability or other termination of employment as described in the preceding sentence, the Option may be exercised, during the one-year period after death or the remaining portion of the applicable five-year period, whichever is longer, but in no event after the original termination date of the Option.

If Optionee's employment with the Company or any of its subsidiaries terminates for "Cause" (as described in Section 2.7 of the Plan), the Option shall immediately terminate at such time.

Finally, notwithstanding any other provision in this Section 3.b that would otherwise result in a later termination of the Option under the preceding two paragraphs, if Optionee's employment with the Company or any of its subsidiaries terminates (for any reason (including, but not limited to, death, disability, or retirement after age 62) prior to July 1, 2006, the Option shall continue to be exercisable, to the extent it is exercisable on the date such employment is terminated, for two business days after such termination, but in no event after the original termination date of the Option. The Option shall terminate at the end of such two business day period.

For purposes of this Section 3.b, Optionee's employment shall not be treated as terminated in the case of continued employment with the Company or any of its subsidiaries, or a transfer of employment within or between the Company and its subsidiaries, or in the case of sick leave or other approved leaves of absences.

c. *Option Shares Subject to Transferability Limitation.* The Option Shares acquired upon the exercise of the Option prior to July 1, 2006, shall be nontransferable, and therefore Optionee shall not offer, sell, pledge, hypothecate, encumber, or otherwise dispose of such Option Shares, during the period from the date of exercise until the earliest of: (i) July 1, 2006; (ii) the date on which Optionee's employment with the Company and its subsidiaries terminates; or (iii) the date of the occurrence of a "Change in Control" of the Company (as described in Section 2.8 of the Plan) (where such earliest date shall be referred to herein as the "Release Date"). The foregoing transferability limitation shall apply even in the case of Shares otherwise required to cover the Exercise Price in connection with a broker-assisted "cashless exercise" as described above in Section 3.a and, also, to Shares necessary to satisfy governmental withholding tax requirements as described below in Section 3.d. Notwithstanding the nontransferability limitation described above, with the approval of the Committee, Optionee may transfer the Option Shares to a revocable trust

---

under which Optionee is both the trustee and beneficiary. Prior to the Release Date, and unless otherwise provided under the Plan and this Agreement, Optionee shall have all the rights of a stockholder of the Company with respect to the Option Shares, including the right to vote the Shares, and the right to receive any dividends and other distributions thereon.

d. *Issuance of Shares; Registration; Withholding Taxes.* As soon as practicable after the exercise date of the Option, the Company shall cause to be issued and delivered to Optionee, or for Optionee's account, a certificate or certificates for the Option Shares purchased.

The Company may postpone the issuance or delivery of the Shares until (i) the completion of registration or other qualification of such Shares or transaction under any state or federal law, rule or regulation, or any listing on any securities exchange, as the Company shall determine to be necessary or desirable; (ii) the receipt by the Company of such written representations or other documentation as the Company deems necessary to establish compliance with all applicable laws, rules and regulations, including applicable federal and state securities laws and listing requirements, if any; and (iii) the payment to the Company, upon its demand, of any amount requested by the Company to satisfy any federal, state or other governmental withholding tax requirements related to the exercise of the Option. The Company shall have the right to withhold with respect to the payment of any Option Shares any taxes required to be withheld because of such payment, including the withholding of Shares otherwise payable due to exercise of the Option. Optionee shall comply with any and all legal requirements relating to Optionee's resale or other disposition of any Shares acquired under this Agreement. The certificates representing the Shares acquired pursuant to the Option may bear such legend reflecting the nontransferability limitation as described in Section 3.c above and such legend as described in Section 6, and as counsel to the Company otherwise deems appropriate to assure compliance with applicable law.

e. *Nontransferability of Options.* The Option and this Agreement shall not be assignable or transferable by Optionee other than by will or by the laws of descent and distribution. During Optionee's lifetime, the Option and all rights of Optionee under this Agreement may be exercised only by Optionee (or by his or her legal guardian or legal representative). If the Option is exercised after Optionee's death, the Committee may require evidence reasonably satisfactory to it of the appointment and qualification of Optionee's personal representatives and their authority and of the right of any heir or distributee to exercise the Option. Any purported transfer or assignment of the Option shall be void and of no effect, and shall give the Company the right to terminate the Option as of the date of such purported transfer or assignment. Notwithstanding the foregoing, with the approval of the Committee, Optionee may transfer the Option to a revocable trust under which Optionee is both the trustee and beneficiary.

4. *Share Adjustments.* The number of Shares subject to the Option and the Exercise Price shall be adjusted proportionately for any increase or decrease in the number of issued shares of common stock by reason of a merger, reorganization, recapitalization, reclassification, stock split, stock dividend, or other capital adjustments under Section 4.2 of the Plan. The adjustment required shall be made by the Committee, whose determination shall be conclusive. In no event shall the adjusted Exercise Price be less than the fair market value of the adjusted shares on the Date of Grant in accordance with the requirements of Code Section 409A.

5. *No Rights as Shareholder.* Optionee shall acquire none of the rights of a shareholder of the Company with respect to the Shares until a certificate for the Shares are issued to Optionee upon the exercise of the Option. Except as otherwise provided in Section 4 above, no adjustments shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such certificate is issued.

6. *Registration of Shares.* If a registration statement under the Securities Act of 1933 with respect to the shares issuable upon exercise of any option granted under the Plan is not in effect at the time of exercise, or if a registration statement with respect to said shares to Optionee is in effect but not with respect to Optionee's resale thereof and Optionee is an "affiliate" of the Company, then, in either such case, (a) as a condition of the issuance of the shares the person exercising such Option

---

shall give the Company a written statement, satisfactory in form and substance to the Company, acknowledging that said shares may be reoffered or resold by Optionee only pursuant to Rule 144 under the Securities Act of 1933 or pursuant to a separate registration statement under said Act and (b) the Company may place upon any stock certificate for shares issuable upon exercise of such Option the following legend or such other legend as the Company may prescribe to prevent disposition of the shares in violation of the Securities Act of 1933:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT WITH RESPECT TO THEM UNDER THE ACT OR THE AVAILABILITY OF AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS. FURTHERMORE, NO OFFER, SALE, TRANSFER, PLEDGE, OR HYPOTHECATION MAY BE MADE WITHOUT APPROVAL OF COUNSEL FOR BANK OF HAWAII CORPORATION, AFFIXED TO THIS CERTIFICATE. THE STOCK TRANSFER AGENT HAS BEEN ORDERED TO EFFECTUATE TRANSFERS OF THIS CERTIFICATE ONLY IN ACCORDANCE WITH THE ABOVE INSTRUCTIONS.

7. *Optionee Bound by Plan.* Optionee hereby acknowledges receipt of a copy of the Plan and acknowledges that Optionee shall be bound by its terms, regardless of whether such terms have been set forth in the Agreement. Notwithstanding the foregoing, if there is an inconsistency between the terms of the Plan and the terms of this Agreement, Optionee shall be bound by the terms of the Plan, which terms are incorporated herein by reference.

8. *Employment Rights.* Neither the Plan nor the granting of the Option shall be a contract of employment with the Company or any of its subsidiaries. Optionee may be discharged from employment at any time by the employing Company or subsidiary.

9. *Amendment.* This Agreement may be amended by the Committee at any time based on its determination that the amendment is necessary or advisable in light of any addition to, or change in, the Internal Revenue Code of 1986, as amended, or regulations issued thereunder, or any federal or state securities law or other law or regulation, or the Plan, or based on any discretionary authority of the Committee under the Plan. However, unless necessary or advisable due to a change in law, any amendment to this Agreement which has a material adverse effect on the interest of Optionee under this Agreement shall be adopted only with the consent of Optionee.

10. *Notices.* Any notice or other communication made in connection with this Agreement shall be deemed duly given when delivered in person or mailed by certified or registered mail, return receipt requested, to Optionee at Optionee's address shown on Company records or such other address designated by Optionee by similar notice, or to the Company at its then principal office, to the attention of the Corporate Secretary of the Company. Further, such notice or other communication shall be deemed duly given when transmitted electronically to Optionee at Optionee's electronic mail address shown on Company records or, to the extent that Optionee is an active employee, through the Company's intranet.

11. *No Advice, Warranties, or Representations.* The Company is not providing Optionee with advice, warranties, or representations regarding any of the legal or tax effects to Optionee with respect to the Option. Optionee is responsible to seek legal and tax advice from Optionee's own legal and tax advisors as may be appropriate or desirable.

12. *Code Section 409A.* This grant of Option has been structured and is intended to meet the requirements for a stock option that does not provide for a "deferral of compensation" in accordance with Code Section 409A and underlying guidelines.

13. *Miscellaneous.* This Agreement and the Plan set forth the final and entire agreement between the parties with respect to the subject matter hereof, which shall be governed by and shall be construed in accordance with the laws of the State of Delaware. This Agreement shall bind and benefit

---

Optionee, the heirs, distributees and personal representative of Optionee, and the Company and its successors and assigns.

14. *Counterparts.* This Agreement may be signed in counterparts, each of which shall be deemed an original, and said counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

**BANK OF HAWAII CORPORATION**

**By** \_\_\_\_\_

**Its**

**"Company"**

\_\_\_\_\_  
**Name:**

\_\_\_\_\_  
**"Optionee"**

QuickLinks

[STOCK OPTION GRANT UNDER THE BANK OF HAWAII CORPORATION 2004 STOCK AND INCENTIVE COMPENSATION PLAN](#)  
[STOCK OPTION AGREEMENT \(FOR STOCK WITH TRANSFERABILITY LIMITATION\)](#)

**RESTRICTED SHARE GRANT UNDER THE  
BANK OF HAWAII CORPORATION  
2004 STOCK AND INCENTIVE COMPENSATION PLAN  
SERVICE-BASED RESTRICTED SHARE AGREEMENT**

This Agreement dated \_\_\_\_\_ ("Agreement"), between Bank of Hawaii Corporation, a Delaware corporation ("Company"), with its registered office at 130 Merchant Street, Honolulu, Hawaii 96813 and \_\_\_\_\_ ("Grantee"), an employee of the Company or subsidiary of the Company.

1. *Grant of Restricted Shares.* The Company hereby grants to Grantee, effective as of \_\_\_\_\_ ("Grant Date"), \_\_\_\_\_ shares ("Restricted Shares") of the Company's common stock ("Company Stock" or "Shares"). This grant of Restricted Shares shall be subject to the applicable terms and conditions set forth below and is being made pursuant to the Bank of Hawaii Corporation 2004 Stock and Incentive Compensation ("Plan") in accordance with the authority and direction of the Human Resources and Compensation Committee ("Committee") of the Company's Board of Directors.

2. *Restrictions During Restriction Period.*

a. *Service Restriction.* Unless otherwise provided in this Agreement, each Restricted Share shall be forfeited and transferred to the Company upon Grantee's termination of employment for any reason, whether voluntary or involuntary, as an employee of the Company or its subsidiary prior to the expiration of the "Restriction Period" (as defined below) for such Restricted Share. For this purpose, Grantee's employment shall not be treated as terminated in the case of a transfer of employment within the Company and its subsidiaries or in the case of sick leave and other approved leaves of absence.

b. *Transfer Restriction.* During the Restriction Period for a particular Restricted Share, such Restricted Share shall not be sold, assigned, pledged, or otherwise transferred, voluntarily or involuntarily, by Grantee. In the event of any attempt by Grantee to transfer the Restricted Shares, the Committee may terminate and cause the forfeiture of the Restricted Shares by notice to Grantee.

c. *Restriction Period.* For purposes of this Agreement and with respect to any particular Restricted Share granted under this Agreement, the term "Restriction Period" shall mean a period which commences on the Grant Date and terminates on designated dates. Specifically, with respect to the first \_\_\_\_\_ % of the Restricted Shares granted under this Agreement, the Restriction Period shall terminate on \_\_\_\_\_. Thereafter, with respect to the remaining \_\_\_\_\_ % of the Restricted Shares granted under this Agreement, the Restriction Period shall terminate on \_\_\_\_\_. Accordingly, on \_\_\_\_\_, the Restriction Period shall have been terminated for \_\_\_\_\_ % of the Restricted Shares.

d. *Other Termination of Restriction Period.* Notwithstanding Section 2.c above, the Restriction Period shall terminate upon the earlier of (i) the death of Grantee; (ii) the termination of service of Grantee due to "permanent and total disability" as may be determined under the Plan; or (iii) the occurrence of a "Change in Control" of the Company (as described in Section 2.8 of the Plan).

e. *Lapse of Restrictions.* The restrictions set forth above in this Sections 2.a and 2.b shall lapse and no longer apply as to any Restricted Shares upon the termination of the Restriction Period as to such Shares.

3. *Issuance of Shares; Registration; Withholding Taxes.* As part of the grant under this Agreement, certificates for the Restricted Shares shall be issued in Grantee's name and shall be held by the Company until all restrictions lapse or such shares are forfeited as provided herein. A certificate or

---

certificates representing the Restricted Shares as to which the Restriction Period has terminated shall be delivered to Grantee upon such termination.

The Company may postpone the issuance or delivery of the Shares until (a) the completion of registration or other qualification of such Shares or transaction under any state or federal law, rule or regulation, or any listing on any securities exchange, as the Company shall determine to be necessary or desirable; (b) the receipt by the Company of such written representations or other documentation as the Company deems necessary to establish compliance with all applicable laws, rules and regulations, including applicable federal and state securities laws and listing requirements, if any; and (c) the payment to the Company, upon its demand, of any amount requested by the Company to satisfy any federal, state or other governmental withholding tax requirements related to the issuance or delivery of the Shares. The Company shall have the right to withhold with respect to the payment of any Restricted Shares any taxes required to be withheld because of such payment, including the withholding of Shares otherwise payable as part of the grant. Grantee shall comply with any and all legal requirements relating to Grantee's resale or other disposition of any Shares acquired under this Agreement. The certificates representing the Shares may bear such legend as described in Section 6 below and as counsel to the Company otherwise deems appropriate to assure compliance with applicable law.

4. *Share Adjustments.* As the Committee shall determine, the number of Restricted Shares shall be adjusted proportionately for any increase or decrease in the number of issued shares of common stock by reason of a merger, reorganization, recapitalization, reclassification, stock split, stock dividend, or other capital adjustments in accordance with Section 4.2 of the Plan. The adjustment required shall be made by the Committee, whose determination shall be conclusive.

5. *Rights as Shareholder.* Unless otherwise provided herein, Grantee shall be entitled to all of the rights of a shareholder with respect to the Restricted Shares, including the right to vote such Shares and to receive dividends and other distributions (not including share adjustments as described in Section 4 above) payable with respect to such Shares on or after the Grant Date. Grantee's rights as a shareholder shall terminate in the event of Grantee's forfeiture of the Restricted Shares.

6. *Legends.* All certificates evidencing Shares issued under this Agreement shall bear a legend similar to the following (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

THE SALE OR OTHER TRANSFER OF THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE, WHETHER VOLUNTARY, INVOLUNTARY, OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE BANK OF HAWAII CORPORATION 2004 STOCK AND INCENTIVE COMPENSATION PLAN, AND IN THE ASSOCIATED RESTRICTED SHARE AWARD AGREEMENT. A COPY OF THE PLAN AND SUCH RESTRICTED SHARE AWARD AGREEMENT MAY BE OBTAINED FROM THE BANK OF HAWAII.

If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares granted under this Agreement is no longer required, Grantee under such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but without such legend.

7. *Grantee Bound by Plan.* Grantee hereby acknowledges receipt of a copy of the Plan and acknowledges that Grantee shall be bound by its terms, regardless of whether such terms have been set forth in this Agreement. Notwithstanding the foregoing, if there is an inconsistency between the terms of the Plan and the terms of this Agreement, Grantee shall be bound by the terms of the Plan, which terms are incorporated herein by reference.

8. *Employment Rights.* Neither the Plan nor the granting of the Restricted Shares shall be a contract of employment with the Company or any of its subsidiaries. Grantee may be discharged from employment at any time by the employing Company or subsidiary.

---

9. *Amendment.* This Agreement may be amended by the Committee at any time based on its determination that the amendment is necessary or advisable in light of any addition to, or change in, the Internal Revenue Code of 1986, as amended ("Code"), or regulations issued thereunder, or any federal or state securities law or other law or regulation, or the Plan, or based on any discretionary authority of the Committee under the Plan. However, unless necessary or advisable due to a change in law, any amendment to this Agreement which has a material adverse effect on the interest of Grantee under this Agreement shall be adopted only with the consent of Grantee.

10. *Notices.* Any notice or other communication made in connection with this Agreement shall be deemed duly given when delivered in person or mailed by certified or registered mail, return receipt requested, to Grantee at Grantee's address shown on Company records or such other address designated by Grantee by similar notice, or to the Company at its then principal office, to the attention of the Corporate Secretary of the Company. Further, such notice or other communication shall be deemed duly given when transmitted electronically to Optionee at Optionee's electronic mail address shown on Company records or, to the extent that Optionee is an active employee, through the Company's intranet.

11. *No Advice, Warranties, or Representations.* The Company is not providing Grantee with advice, warranties, or representations regarding any of the legal or tax effects to Grantee with respect to the Restricted Shares. Grantee is responsible to seek legal and tax advice from Grantee's own legal and tax advisors as be appropriate or desirable.

12. *Code Section 409A.* Because it is governed under Code Section 83, this grant of Restricted Shares has been structured and is intended not to be subject to Code Section 409A pursuant to Proposed Treasury Regulation Section 1.409A-1(b)(6).

13. *Miscellaneous.* This Agreement and the Plan set forth the final and entire agreement between the parties with respect to the subject matter hereof, which shall be governed by and shall be construed in accordance with the laws of the State of Hawaii. This Agreement shall bind and benefit Grantee, the heirs, distributees, and personal representative of Grantee, and the Company and its successors and assigns.

14. *Counterparts.* This Agreement may be signed in counterparts, each of which shall be deemed an original, and said counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the date first above written.

**BANK OF HAWAII CORPORATION**

**By**

\_\_\_\_\_

**Its**

**"Company"**

\_\_\_\_\_

**Name:**

\_\_\_\_\_

**"Grantee"**

---

QuickLinks

[RESTRICTED SHARE GRANT UNDER THE BANK OF HAWAII CORPORATION 2004 STOCK AND INCENTIVE COMPENSATION PLAN SERVICE-BASED RESTRICTED SHARE AGREEMENT](#)

**BANK OF HAWAII CORPORATION  
2004 STOCK AND INCENTIVE COMPENSATION PLAN**

**PERFORMANCE-BASED RESTRICTED SHARE AGREEMENT**

This Agreement dated \_\_\_\_\_ ("Agreement"), between Bank of Hawaii Corporation, a Delaware corporation ("Company"), with its registered office at 130 Merchant Street, Honolulu, Hawaii 96813 and \_\_\_\_\_ ("Grantee"), an employee of the Company or subsidiary of the Company.

1. *Grant of Restricted Shares.* The Company hereby grants to Grantee, effective as of \_\_\_\_\_ ("Grant Date"), \_\_\_\_\_ shares ("Restricted Shares") of the Company's common stock ("Company Stock" or "Shares"). This grant of Restricted Shares shall be subject to the applicable terms and conditions set forth below and is being made pursuant to the Bank of Hawaii Corporation 2004 Stock and Incentive Compensation Plan ("Plan") in accordance with the authority and direction of the Human Resources and Compensation Committee ("Committee") of the Company's Board of Directors.

2. *Restrictions During Restriction Period.*

a. *Service Restriction.* Unless otherwise provided in this Agreement, each Restricted Share shall be forfeited and transferred to the Company upon Grantee's termination of employment for any reason, whether voluntary or involuntary, as an employee of the Company or its subsidiary prior to the expiration of the "Restriction Period" (as defined below) for such Restricted Share. For this purpose, Grantee's employment shall not be treated as terminated in the case of a transfer of employment within the Company and its subsidiaries or in the case of sick leave and other approved leaves of absence.

b. *Transfer Restriction.* During the Restriction Period for a particular Restricted Share, such Restricted Share shall not be sold, assigned, pledged, or otherwise transferred, voluntarily or involuntarily, by Grantee. In the event of any attempt by Grantee to transfer the Restricted Shares, the Committee may terminate and cause the forfeiture of the Restricted Shares by notice to Grantee.

c. *Restriction Period.* For purposes of this Agreement and with respect to the Restricted Shares granted under this Agreement, the term "Restriction Period" shall mean a period which commences on the Grant Date and terminates with respect to all or a portion of the Restricted Shares based on dates as of which certain performance criteria are determined to be achieved with respect to the vesting period.

(1) *Performance Criteria and Post-Performance Criteria*

Specifically, the Restriction Period shall terminate under this Section 2.c as of \_\_\_\_\_, for a portion of the Restricted Shares ("vested Shares"). The applicable performance criteria for the \_\_\_\_\_ calendar year shall be designated by the Committee in writing and attached hereto as addendums to this Agreement prior to or no later than 90 days after the commencement of the respective calendar year.

The Restriction Period shall terminate under this Section 2.c following the Committee's determination of whether the performance objectives have been achieved for a given calendar year and as of the last day of the February following such calendar year. Accordingly, the Restriction Period shall terminate as of the last day of the February following the given calendar year, regardless of whether prior to such date the Committee determines the extent to which the performance criteria have been satisfied for such calendar year.

The termination of the Restriction Period shall be conditioned upon the achievement of the designated performance objectives. The Committee shall not maintain the discretion to increase the vesting of Restricted Shares by terminating the Restriction Period for all or a portion of the Restricted

---

Shares that would otherwise not become vested. However, the Committee shall maintain the discretion to decrease the vesting of Restricted Shares by determining that the Restriction Period shall not terminate for all or a portion of the Restricted Shares that would otherwise become vested.

To the extent that the Restriction Period does not terminate by \_\_\_\_\_ (i.e., performance for the \_\_\_\_\_ through \_\_\_\_\_ calendar years), with respect to any Restricted Shares, such unvested Restricted Shares shall be forfeited and transferred to the Company as of \_\_\_\_\_.

d. *Other Termination of Restriction Period.* Notwithstanding Section 2.c above, the Restriction Period shall terminate upon the earlier of (i) the death of Grantee; (ii) the termination of service of Grantee due to "permanent and total disability" as may be determined under the Plan; or (iii) the occurrence of a "Change in Control" of the Company (as described in Section 2.8 of the Plan).

e. *Lapse of Restrictions.* The restrictions set forth above in Sections 2.a. and 2.b. shall lapse and no longer apply as to any Restricted Shares upon the termination of the Restriction Period as to such Shares.

3. *Issuance of Shares; Registration; Withholding Taxes.* As part of the grant under this Agreement, certificates for the Restricted Shares shall be issued in Grantee's name and shall be held by the Company until all restrictions lapse or such shares are forfeited as provided herein. A certificate or certificates representing the Restricted Shares as to which the Restriction Period has terminated shall be delivered to Grantee upon such termination.

The Company may postpone the issuance or delivery of the Shares until (a) the completion of registration or other qualification of such Shares or transaction under any state or federal law, rule or regulation, or any listing on any securities exchange, as the Company shall determine to be necessary or desirable; (b) the receipt by the Company of such written representations or other documentation as the Company deems necessary to establish compliance with all applicable laws, rules and regulations, including applicable federal and state securities laws and listing requirements, if any; and (c) the payment to the Company, upon its demand, of any amount requested by the Company to satisfy any federal, state or other governmental withholding tax requirements related to the issuance or delivery of the Shares. The Company shall have the right to withhold with respect to the payment of any Restricted Shares any taxes required to be withheld because of such payment, including the withholding of Shares otherwise payable as part of the grant. Grantee shall comply with any and all legal requirements relating to Grantee's resale or other disposition of any Shares acquired under this Agreement. The certificates representing the Shares may bear such legend as described in Section 6 below and as counsel to the Company otherwise deems appropriate to assure compliance with applicable law.

4. *Share Adjustments.* As the Committee shall determine, the number of Restricted Shares shall be adjusted proportionately for any increase or decrease in the number of issued shares of common stock by reason of a merger, reorganization, recapitalization, reclassification, stock split, stock dividend, or other capital adjustments in accordance with Section 4.2 of the Plan. The adjustment required shall be made by the Committee, whose determination shall be conclusive.

5. *Rights as Shareholder.* Unless otherwise provided herein, Grantee shall be entitled to all of the rights of a shareholder with respect to the Restricted Shares, including the right to vote such Shares and to receive dividends and other distributions (not including share adjustments as described in Section 4 above) payable with respect to such Shares since the Grant Date. Grantee's rights as a shareholder shall terminate in the event of Grantee's forfeiture of the Restricted Shares.

6. *Legends.* All certificates evidencing Shares issued under this Agreement shall bear a legend similar to the following (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

THE SALE OR OTHER TRANSFER OF THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE, WHETHER VOLUNTARY, INVOLUNTARY, OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFERAS SET FORTH IN THE BANK OF HAWAII CORPORATION 2004 STOCK AND INCENTIVE COMPENSATION PLAN, AND IN THE ASSOCIATED RESTRICTED SHARE AWARD AGREEMENT. A COPY OF THE PLAN AND SUCH RESTRICTED SHARE AWARD AGREEMENT MAY BE OBTAINED FROM THE BANK OF HAWAII.

If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares granted under this Agreement is no longer required, Grantee under such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but without such legend.

7. *Grantee Bound by Plan.* Grantee hereby acknowledges receipt of a copy of the Plan and acknowledges that Grantee shall be bound by its terms, regardless of whether such terms have been set forth in this Agreement. Notwithstanding the foregoing, if there is an inconsistency between the terms of the Plan and the terms of this Agreement, Grantee shall be bound by the terms of the Plan, which terms are incorporated herein by reference.

8. *Employment Rights.* Neither the Plan nor the granting of the Restricted Shares shall be a contract of employment with the Company or any of its subsidiaries. Grantee may be discharged from employment at any time by the employing Company or subsidiary.

9. *Amendment.* This Agreement may be amended by the Committee at any time based on its determination that the amendment is necessary or advisable in light of any addition to, or change in, the Internal Revenue Code of 1986, as amended, or regulations issued thereunder, or any federal or state securities law or other law or regulation, or the Plan, or based on any discretionary authority of the Committee under the Plan. However, unless necessary or advisable due to a change in law, any amendment to this Agreement which has a material adverse effect on the interest of Grantee under this Agreement shall be adopted only with the consent of Grantee.

10. *Notices.* Any notice or other communication made in connection with this Agreement shall be deemed duly given when delivered in person or mailed by certified or registered mail, return receipt requested, to Grantee at Grantee's address shown on Company records or such other address designated by Grantee by similar notice, or to the Company at its then principal office, to the attention of the Corporate Secretary of the Company. Further, such notice or other communication shall be deemed duly given when transmitted electronically to Optionee at Optionee's electronic mail address shown on Company records or, to the extent that Optionee is an active employee, through the Company's intranet.

11. *Code Section 409A.* Because it is governed under Code Section 83, this grant of Restricted Shares has been structured and is intended not to be subject to Code Section 409A pursuant to Proposed Treasury Regulation Section 1.409A-1(b)(6).

12. *Miscellaneous.* This Agreement and the Plan set forth the final and entire agreement between the parties with respect to the subject matter hereof, which shall be governed by and shall be construed in accordance with the laws of the State of Hawaii. This Agreement shall bind and benefit Grantee, the heirs, distributees and personal representative of Grantee, and the Company and its successors and assigns.

13. *Counterparts.* This Agreement may be signed in counterparts, each of which shall be deemed an original, and said counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

**BANK OF HAWAII CORPORATION**

**By** \_\_\_\_\_

**Its**

**"Company"**

\_\_\_\_\_  
**Name:** \_\_\_\_\_

**"Grantee"**

QuickLinks

[BANK OF HAWAII CORPORATION 2004 STOCK AND INCENTIVE COMPENSATION PLAN PERFORMANCE-BASED RESTRICTED SHARE AGREEMENT](#)

**Bank of Hawaii Corporation and Subsidiaries  
Statement Regarding Computation of Ratios  
Year Ended December 31, 2005 and 2004**

	Year Ended December 31,	
	2005	2004
	(dollars in thousands)	
<b>Earnings:</b>		
1. Income Before Income Taxes	\$ 284,197	\$ 271,244
2. Plus: Fixed Charges Including Interest on Deposits	99,329	64,424
	383,526	335,668
3. Earnings Including Fixed Charges and Including Interest on Deposits		
4. Less: Interest on Deposits	58,426	36,743
	325,100	298,925
5. Earnings Excluding Interest on Deposits		
<b>Fixed Charges:</b>		
6. Fixed Charges Including Interest on Deposits	\$ 99,329	\$ 64,424
7. Less: Interest on Deposits	58,426	36,743
	40,903	27,681
8. Fixed Charges Excluding Interest on Deposits		
<b>Ratio of Earnings to Fixed Charges:</b>		
Including Interest on Deposits (Line 3 divided by Line 6)	3.9x	5.2x
Excluding Interest on Deposits (Line 5 divided by Line 8)	7.9x	10.8x

QuickLinks

[Bank of Hawaii Corporation and Subsidiaries Statement Regarding Computation of Ratios Year Ended December 31, 2005 and 2004](#)

**Bank of Hawaii Corporation  
Subsidiaries of the Registrant**

The required information with respect to subsidiaries of Bank of Hawaii Corporation at December 31, 2005 is provided below. All domestic subsidiaries are wholly owned. Each entity is consolidated with its immediate parent company except as noted.

BANK OF HAWAII CORPORATION (Parent)  
Bank Holding Company—Delaware

Subsidiaries:

BANCORP HAWAII CAPITAL TRUST I  
Delaware

BANK OF HAWAII  
Hawaii

Subsidiaries:

Bank of Hawaii International, Inc.  
Hawaii

Bankoh Investment Services, Inc. (Brokerage)  
Hawaii

Bankoh Investment Partners, LLC  
Hawaii

Pacific Century Insurance Services, Inc. (Captive Insurance)  
Hawaii

RGA Corp.  
Hawaii

Pacific Century Advisory Services, Inc.—(Advisory Services)  
Hawaii

Bank of Hawaii Leasing, Inc. (Parent)—(Leasing)  
Hawaii

Subsidiaries:

BNE Airfleets Corporation  
Barbados

Pacific Century Leasing International, LLC  
Delaware

Pacific Century Life Insurance Corporation (Insurance)  
Arizona

Triad Insurance Agency, Inc. (Insurance)  
Hawaii

Bank of Hawaii Insurance Services, Inc. (Insurance)  
Hawaii

---

QuickLinks

[Bank of Hawaii Corporation Subsidiaries of the Registrant](#)

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements of Bank of Hawaii Corporation of our reports dated February 22, 2006 with respect to the consolidated financial statements of Bank of Hawaii Corporation and subsidiaries, Bank of Hawaii Corporation management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Bank of Hawaii Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

- (1) Registration Statements (Form S-3 No. 33-25036, Form S-3 No. 33-54775, Form S-3 No. 33-44395 and Form S-3 No. 333-64248), pertaining to the Bancorp Hawaii, Inc. Dividend Reinvestment and Stock Purchase Plan;
- (2) Registration Statements (Form S-4 No. 333-22497 and Form S-4 No. 333-22497-01), pertaining to an Offer to Exchange its 8.25% Capital Securities that have been Registered under the Securities Act of 1933 for any and all of its Outstanding 8.25% Capital Securities (Bancorp Hawaii Capital Trust I);
- (3) Registration Statement (Form S-4 No. 333-24379 and Form S-4 No. 333-24379-01), pertaining to shares issued in the Merger between CU Bancorp and Pacific Century Financial Corporation;
- (4) Registration Statements (Form S-8 No. 33-54777, Form S-8 No. 333-80127 and Form S-8 No. 33-61134), pertaining to the Pacific Century Financial Corporation Stock Option Plan of 1994 (formerly Bancorp Hawaii, Inc. Stock Option Plan of 1994);
- (5) Registration Statements (Form S-8 No. 2-96329, Form S-8 No. 33-29872 and Form S-8 No. 33-57267), pertaining to the Pacific Century Financial Corporation Profit Sharing Plan (formerly the Bank of Hawaii Profit Sharing Plan);
- (6) Registration Statement (Form S-8 No. 333-02835), pertains to the Pacific Century Financial Corporation Directors' Stock Compensation Program (formerly the Bancorp Hawaii, Inc. Director Stock Compensation Program);
- (7) Registration Statement (Form S-8 No. 333-14929), pertaining to Pacific Century Financial Corporation Directors Deferred Compensation Plan (formerly the Bancorp Hawaii, Inc. Directors' Deferred Compensation Plan); and
- (8) Registration Statement (Form S-8 No. 333-115325), pertaining to Bank of Hawaii Corporation 2004 Stock and Incentive Compensation Plan.

/s/ Ernst & Young LLP

Honolulu, Hawaii  
February 22, 2006

---

QuickLinks

[Consent of Independent Registered Public Accounting Firm](#)

**Bank of Hawaii Corporation and Subsidiaries  
Rule 13a-14(a) Certifications**

I, Allan R. Landon, certify that:

1. I have reviewed this annual report on Form 10-K of Bank of Hawaii Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2006

/s/ Allan R. Landon

---

Allan R. Landon  
Chairman of the Board,  
Chief Executive Officer and President

---

QuickLinks

[Exhibit 31.1](#)

[Bank of Hawaii Corporation and Subsidiaries Rule 13a-14\(a\) Certifications](#)

**Bank of Hawaii Corporation and Subsidiaries  
Rule 13a-14(a) Certifications**

I, Richard C. Keene, certify that:

1. I have reviewed this annual report on Form 10-K of Bank of Hawaii Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2006

/s/ Richard C. Keene

---

Richard C. Keene  
Chief Financial Officer

---

QuickLinks

[Exhibit 31.2](#)

[Bank of Hawaii Corporation and Subsidiaries Rule 13a-14\(a\) Certifications](#)

**Bank of Hawaii Corporation and Subsidiaries  
Section 1350 Certification**

We hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Bank of Hawaii Corporation (the "Company") for the year ended December 31, 2005 (the "Annual Report"):

- fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2006

/s/ Allan R. Landon

---

Allan R. Landon  
Chairman of the Board,  
Chief Executive Officer and President

/s/ Richard C. Keene

---

Richard C. Keene  
Chief Financial Officer

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Company and furnished to the staff of the Securities and Exchange Commission upon request.

---

QuickLinks

[Exhibit 32](#)

[Bank of Hawaii Corporation and Subsidiaries Section 1350 Certification](#)