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

FORM 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
for the quarterly period ended September 30, 2004

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	**99-0148992**
(State of incorporation)	(IRS Employer Identification No.)
130 Merchant Street, Honolulu, Hawaii	**96813**
(Address of principal executive offices)	(Zip Code)

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

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 Par Value; outstanding at October 22, 2004 – 52,968,560 shares

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Bank of Hawaii Corporation and Subsidiaries
Consolidated Statements of Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands except per share amounts)	**2004**	**2003**	**2004**	**2003**
Interest Income				
Interest and Fees on Loans and Leases	$ 82,079	$ 82,715	$ 243,853	$ 254,442
Income on Investment Securities - Available for Sale	24,543	16,483	67,134	58,761
Income on Investment Securities - Held to Maturity	6,370	6,407	20,057	11,773
Deposits	496	1,179	3,373	3,647
Funds Sold	108	248	702	1,834
Other	801	1,032	2,524	3,237
Total Interest Income	114,397	108,064	337,643	333,694
Interest Expense				
Deposits	8,990	10,284	26,750	38,040
Securities Sold Under Agreements to Repurchase	2,085	1,947	6,233	6,580
Funds Purchased	683	271	1,420	695
Short-Term Borrowings	15	26	43	75
Long-Term Debt	3,845	4,431	12,538	15,714
Total Interest Expense	15,618	16,959	46,984	61,104
Net Interest Income	98,779	91,105	290,659	272,590
Provision for Loan and Lease Losses	—	—	(3,500)	—
Net Interest Income After Provision for Loan and Lease Losses	98,779	91,105	294,159	272,590
Non-Interest Income				
Trust and Asset Management	12,672	12,511	39,531	38,237
Mortgage Banking	1,711	5,888	6,496	12,232
Service Charges on Deposit Accounts	9,472	8,901	28,962	26,496
Fees, Exchange, and Other Service Charges	13,741	16,034	41,223	42,496
Investment Securities Gains (Losses)	—	639	(37)	1,809
Insurance	3,560	3,988	10,506	10,083
Other	11,898	5,830	30,063	17,930
Total Non-Interest Income	53,054	53,791	156,744	149,283
Non-Interest Expense				
Salaries and Benefits	46,566	45,731	139,256	139,871
Net Occupancy Expense	9,812	9,806	28,741	29,047
Net Equipment Expense	5,847	7,301	17,610	26,257
Information Technology Systems Replacement Project	—	4,349	—	21,871
Other	21,965	21,690	66,730	57,425
Total Non-Interest Expense	84,190	88,877	252,337	274,471
Income Before Income Taxes	67,643	56,019	198,566	147,402
Provision for Income Taxes	24,576	19,332	71,468	50,880
Net Income	$ 43,067	$ 36,687	$ 127,098	$ 96,522
Basic Earnings Per Share	$ 0.82	$ 0.64	$ 2.40	$ 1.63
Diluted Earnings Per Share	$ 0.78	$ 0.61	$ 2.26	$ 1.56
Dividends Declared Per Share	$ 0.30	$ 0.19	$ 0.90	$ 0.57
Basic Weighted Average Shares	52,390,081	57,195,570	53,053,770	59,337,319
Diluted Weighted Average Shares	55,472,868	59,961,823	56,297,277	61,911,794

Bank of Hawaii Corporation and Subsidiaries
Consolidated Statements of Condition

(dollars in thousands)	September 30, 2004 (Unaudited)	December 31, 2003	September 30, 2003 (Unaudited)
Assets			
Interest-Bearing Deposits	$ 29,976	$ 154,735	$ 208,712
Investment Securities - Available for Sale	2,328,327	1,991,116	2,027,062
Investment Securities - Held to Maturity (Market Value of $624,587, $720,699, and $749,036)	630,276	727,233	754,659
Funds Sold	25,000	—	—
Loans Held for Sale	18,595	9,211	23,144
Loans and Leases	5,815,575	5,757,175	5,570,405
Allowance for Loan and Lease Losses	(124,651)	(129,080)	(132,675)
Net Loans	5,690,924	5,628,095	5,437,730
Total Earning Assets	8,723,098	8,510,390	8,451,307
Cash and Non-Interest-Bearing Deposits	290,974	363,495	329,705
Premises and Equipment	149,698	160,005	163,277
Customers' Acceptance Liability	920	1,707	1,077
Accrued Interest Receivable	36,074	32,672	33,210
Foreclosed Real Estate	208	4,377	8,757
Mortgage Servicing Rights	19,995	22,178	23,266
Goodwill	36,216	36,216	36,216
Other Assets	337,626	330,607	323,940
Total Assets	$ 9,594,809	$ 9,461,647	$ 9,370,755
Liabilities			
Deposits			
Non-Interest-Bearing Demand	$ 1,898,602	$ 1,933,928	$ 1,846,030
Interest-Bearing Demand	1,471,836	1,356,330	1,269,227
Savings	2,991,386	2,833,379	2,760,418
Time	1,051,416	1,209,142	1,226,441
Total Deposits	7,413,240	7,332,779	7,102,116
Securities Sold Under Agreements to Repurchase	682,630	472,757	646,890
Funds Purchased	69,755	109,090	90,520
Short-Term Borrowings	11,939	12,690	14,796
Banker's Acceptances Outstanding	920	1,707	1,077
Retirement Benefits Payable	62,976	61,841	63,281
Accrued Interest Payable	6,162	7,483	7,207
Taxes Payable and Deferred Taxes	249,265	207,101	195,628
Other Liabilities	88,596	138,999	101,179
Long-Term Debt	252,619	324,068	324,301
Total Liabilities	8,838,102	8,668,515	8,546,995
Shareholders' Equity			
Common Stock ($.01 par value); authorized 500,000,000 shares; issued / outstanding: September 2004 - 81,710,695 / 53,021,591, December 2003 - 81,647,729 / 54,928,480, September 2003 - 81,568,791 / 55,985,364	813	807	807
Capital Surplus	413,696	391,701	385,694
Accumulated Other Comprehensive Income (Loss)	(5,698)	(5,711)	(2,799)
Retained Earnings	1,277,615	1,199,077	1,177,459
Deferred Stock Grants	(9,490)	(8,309)	(7,466)
Treasury Stock, at Cost (Shares: September 2004 - 28,689,104, December 2003 - 26,719,249, September 2003 - 25,583,427)	(920,229)	(784,433)	(729,935)
Total Shareholders' Equity	756,707	793,132	823,760
Total Liabilities and Shareholders' Equity	$ 9,594,809	$ 9,461,647	$ 9,370,755

Bank of Hawaii Corporation and Subsidiaries
Consolidated Statements of Shareholders' Equity (Unaudited)

(dollars in thousands)	Total	Common Stock	Capital Surplus	Accum. Other Compre-hensive Income (Loss)	Retained Earnings	Deferred Stock Grants	Treasury Stock	Compre-hensive Income
Balance at December 31, 2003	$ 793,132	$ 807	$ 391,701	$ (5,711)	$ 1,199,077	$ (8,309)	$ (784,433)	
Comprehensive Income:								
Net Income	127,098	—	—	—	127,098	—	—	$ 127,098
Other Comprehensive Income, Net of Tax:								
Change in Unrealized Gains and Losses on Investment Securities	13	—	—	13	—	—	—	13
Total Comprehensive Income								$ 127,111
Common Stock Issued under Stock Plans and Related Tax Benefits (2,305,545 shares)	71,984	6	21,995	—	(434)	(1,181)	51,598	
Treasury Stock Purchased (4,209,363 shares)	(187,394)	—	—	—	—	—	(187,394)	
Cash Dividends Paid	(48,126)	—	—	—	(48,126)	—	—	
Balance at September 30, 2004	$ 756,707	$ 813	$ 413,696	$ (5,698)	$ 1,277,615	$ (9,490)	$ (920,229)	
Balance at December 31, 2002	$ 1,015,759	$ 806	$ 372,192	$ 11,659	$ 1,115,910	$ (1,424)	$ (483,384)	
Comprehensive Income:								
Net Income	96,522	—	—	—	96,522	—	—	$ 96,522
Other Comprehensive Income, Net of Tax:								
Change in Unrealized Gains and Losses on Investment Securities	(14,458)	—	—	(14,458)	—	—	—	(14,458)
Total Comprehensive Income								$ 82,064
Common Stock Issued under Stock Plans and Related Tax Benefits (1,143,267 shares)	25,491	1	13,502	—	(1,154)	(6,042)	19,184	
Treasury Stock Purchased (8,166,579 shares)	(265,735)	—	—	—	—	—	(265,735)	
Cash Dividends Paid	(33,819)	—	—	—	(33,819)	—	—	
Balance at September 30, 2003	$ 823,760	$ 807	$ 385,694	$ (2,799)	$ 1,177,459	$ (7,466)	$ (729,935)	

Bank of Hawaii Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)

(dollars in thousands)	Nine Months Ended September 30, 2004	2003
Operating Activities		
Net Income	$ 127,098	$ 96,522
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan and Lease Losses	(3,500)	—
Depreciation and Amortization	15,688	23,405
Amortization of Deferred Loan and Lease Fees	(1,794)	(5,244)
Amortization and Accretion of Investment Securities	9,803	28,800
Deferred Stock Grants	3,767	4,145
Deferred Income Taxes	14,001	16,844
Net (Gain) Loss on Investment Securities	37	(1,809)
Proceeds from Sales of Loans Held for Sale	308,485	635,163
Originations of Loans Held for Sale	(317,869)	(618,189)
Net Change in Other Assets and Liabilities	(15,919)	25,045
Net Cash Provided by Operating Activities	139,797	204,682
Investing Activities		
Proceeds from Sales and Redemptions of Investment Securities Available for Sale	473,386	1,602,336
Purchases of Investment Securities Available for Sale	(818,969)	(1,391,205)
Proceeds from Redemptions of Investment Securities Held to Maturity	165,749	159,799
Purchases of Investment Securities Held to Maturity	(70,238)	(685,325)
Net Increase in Loans and Leases	(57,535)	(216,335)
Premises and Equipment, Net	(1,382)	(9,713)
Net Cash Used by Investing Activities	(308,989)	(540,443)
Financing Activities		
Net Increase in Demand Deposits	80,180	223,792
Net Increase in Savings Deposits	158,007	225,199
Net Decrease in Time Deposits	(157,726)	(267,036)
Proceeds from Long-Term Debt	25,000	50,000
Repayments of Long-Term Debt	(96,449)	(115,484)
Net Increase (Decrease) in Short-Term Borrowings	169,787	(81,302)
Proceeds from Issuance of Common Stock	53,633	19,233
Repurchase of Common Stock	(187,394)	(265,735)
Cash Dividends	(48,126)	(33,819)
Net Cash Used by Financing Activities	(3,088)	(245,152)
Decrease in Cash and Cash Equivalents	(172,280)	(580,913)
Cash and Cash Equivalents at Beginning of Period	518,230	1,119,330
Cash and Cash Equivalents at End of Period	$ 345,950	$ 538,417

Non-Cash Investing Activity
In September 2004, the Company transferred a $4.0 million foreclosed real estate property to premises.

Bank of Hawaii Corporation
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Bank of Hawaii Corporation (the "Company") is a bank holding company providing a broad range of financial products and services to customers in Hawaii and the Pacific Islands (Guam, nearby islands and American Samoa). The Company's principal subsidiary is Bank of Hawaii (the "Bank"). Significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the consolidated financial statements reflect normal recurring adjustments necessary for a fair presentation of the results for the interim periods.

Certain prior period amounts have been reclassified to conform to current period classifications.

These statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's 2003 Annual Report on Form 10-K. Operating results for the nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

Stock-Based Compensation

The Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations. Generally, stock-based employee compensation expense associated with stock options is not reflected in net income 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 Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*:

(dollars in thousands except per share and option data)	Nine Months Ended September 30, 2004	2003
Net Income, as Reported	$ 127,098	$ 96,522
Add: Stock-Based Employee Compensation Expense Associated with Stock Options Included in Reported Net Income, Net of Related Tax Effects	—	490
Less: Total Stock-Based Employee Compensation Expense Associated with Stock Options Determined Under Fair Value Method for all Option Awards, Net of Related Tax Effects	(3,856)	(8,176)
Pro Forma Net Income [1]	$ 123,242	$ 88,836
Earnings Per Share:		
Basic-as reported	$ 2.40	$ 1.63
Basic-pro forma [1]	$ 2.32	$ 1.50
Diluted-as reported	$ 2.26	$ 1.56
Diluted-pro forma [1]	$ 2.19	$ 1.43
Weighted Average Fair Value of Options Granted During the Year [1]	—	$ 8.58
Assumptions:		
Average Risk Free Interest Rate	4.25%	3.92%
Average Expected Volatility	32.32%	31.97%
Expected Dividend Yield	2.24%	3.07%
Expected Life	6.0 years	6.37 years

1 A Black-Scholes option pricing model was used to determine the fair value of the options granted.

Note 2. Business Segments

The information under the caption "Business Segments" in Management's Discussion and Analysis is incorporated herein by reference.

Note 3. Pension Plans and Postretirement Benefits

Components of net periodic benefit cost for the aggregated pension plans and the postretirement benefits are presented in the following table:

	Nine Months Ended September 30,			
	Defined Pension Benefits		Postretirement Benefits	
(dollars in thousands)	2004	2003	2004	2003
Components of Net Periodic Benefit Cost:				
Service Cost	$ —	$ —	$ 741	$ 930
Interest Cost	3,275	3,204	1,329	1,542
Expected Return on Plan Assets	(3,546)	(3,486)	—	—
Amortization of Unrecognized Net Transition Obligation	—	—	441	489
Actuarial (Gain) Loss	984	711	(468)	(198)
Total Components of Net Periodic Benefit Cost	$ 713	$ 429	$ 2,043	$ 2,763

There were no significant changes from the previously reported $1.8 million in contributions expected to be paid during 2004.

Note 4. 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 and the final payments were made in the second quarter of 2004.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This report, including its Earnings Outlook, contains forward-looking statements concerning, among other things, the economic environment in the Company's service area, the expected level of loan and lease loss provisioning, and anticipated net income, dividends, revenues and expenses during 2004 and beyond. 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 for a variety of reasons, including, but not limited to: 1) unanticipated changes in business and economic conditions, the competitive environment, fiscal and monetary policies, or legislation in Hawaii and the other markets the Company serves; 2) changes in the Company's credit quality or risk profile which may increase or decrease the required level of allowance for loan and lease losses; 3) changes in market interest rates that may affect the Company's credit markets and ability to maintain its net interest margin; 4) changes to the amount and timing of the Company's proposed equity repurchases and repayment of maturing debt; 5) inability to achieve expected benefits of the Company's business process changes due to adverse changes in implementation processes or costs, operational savings, or timing; 6) real or threatened acts of war or terrorist activity affecting business conditions; and 7) adverse weather and other natural conditions impacting the Company and its customers' operations. 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 any obligation to update forward-looking statements to reflect later events or circumstances.

OVERVIEW

In January 2004, the Company announced its 2004-2006 plan (the "Plan"), which continues to build on the objective of maximizing shareholder value over time that was established in the previous three-year strategic plan.

There are five key elements of the Plan: 1) accelerate revenue growth in our island markets; 2) better integrate our business segments; 3) continue to develop our management teams; 4) improve operating efficiency; and 5) maintain a culture of dependable risk and capital management. The Company expects accelerated growth through improved customer service levels and a more proactive, integrated sales culture across the Company. In order to better integrate the Company's three primary business segments - Retail Banking, Commercial Banking and Investment Services Group - each segment is working more closely with the others to improve the breadth of customer relationships. In developing the management team, the Company is assessing leadership talent, building leadership capabilities and maintaining a comprehensive succession plan. To improve efficiency, the Company is identifying opportunities and implementing changes that lower costs without negatively impacting customer service. In maintaining a discipline of dependable risk and capital management, the Company continually seeks to optimally balance risk, liquidity and capital. Risk will be managed in accordance with established tolerance levels while supporting business units in making value-adding risk/return decisions.

Allan R. Landon succeeded Michael E. O'Neill as Chairman and Chief Executive Officer of Bank of Hawaii Corporation and its principal subsidiary, Bank of Hawaii, on September 1, 2004. Mr. Landon, the company's eighth chairman, will retain the title of President.

The Company utilizes various financial measures to evaluate its performance against the objectives of the Plan. These measures include diluted earnings per share, return on average assets, return on average equity, efficiency ratio and operating leverage, which is defined as the impact of relative changes in revenues and expenses on operating income. Operating income is defined as income before provision for loan and lease losses and income taxes. Management also uses net income after capital charge as a key measure of the value the Company is creating for its shareholders. In evaluating the effectiveness of credit risk management, the Company looks at credit quality measures such as the ratio of the allowance for loan and lease losses to loans and leases outstanding, the ratio of net loan charge-offs to average loans outstanding (annualized) and the ratio of non-performing assets to total loans and foreclosed real estate.

For the third quarter of 2004, the Company's diluted earnings per share was $0.78, an increase of $0.17 or 28% from diluted earnings per share of $0.61 for the third quarter of 2003. Net income for the third quarter of 2004 was $43.1 million, an increase of $6.4 million or 17% from net income of $36.7 million reported in the same prior year quarter.

For the nine months ended September 30, 2004, net income was $127.1 million, an increase of $30.6 million or 32% from the same prior year period. Diluted earnings per share were $2.26 for the first nine months of 2004, an increase of 45% from diluted earnings per share of $1.56 for the first nine months of 2003. The year-to-date return on average assets was 1.74%, an increase from 1.37% from the same period in 2003. The year-to-date return on average equity was 22.48%, an increase from 13.95% from the same period in 2003. For the nine months ended September 30, 2004 net income after capital charge was $50.7 million, compared to $8.7 million for the same prior year period. For additional information on net income after capital charge, refer to the section on "Business Segments." Operating leverage for the first nine months of 2004 was 32.3% and the efficiency ratio was 56.4%.

Factors that had an impact on the comparability of year-to-year results include the effect of a negative provision for loan and lease losses that was recorded in the second quarter of 2004, non-core transactions and the Company's ongoing stock repurchase program. Non-core transactions in the third quarter of 2004 included non-interest income of $5.2 million from a gain on the sale of assets at the end of a leveraged lease transaction. Non-core transactions in the second quarter of 2004 included non-interest income of $3.2 million from a leasing partnership distribution that was dissolved and a $2.5 million gain realized on the sale of a parcel of land. Non-core transactions in the second quarter of 2004 included non-interest expense of $2.2 million related primarily to a legal settlement. The Company does not expect items such as these in the fourth quarter of 2004. Results for the third quarter of 2003 were significantly affected by the costs associated with the systems replacement project. These items are further discussed in the section on "Analysis of Statement of Income."

Table 1 presents the Company's financial highlights and performance ratios for the three and nine months ended September 30, 2004 and 2003.

Highlights (Unaudited) **Table 1**

(dollars in thousands except per share amounts)

Earnings Highlights and Performance Ratios	**Three Months Ended September 30, 2004**	**Three Months Ended September 30, 2003**	**Nine Months Ended September 30, 2004**	**Nine Months Ended September 30, 2003**
Net Income	$ 43,067	$ 36,687	$ 127,098	$ 96,522
Basic Earnings Per Share	0.82	0.64	2.40	1.63
Diluted Earnings Per Share	0.78	0.61	2.26	1.56
Cash Dividends	15,904	10,887	48,126	33,819
Net Income to Average Total Assets (ROA)	1.77%	1.53%	1.74%	1.37%
Net Income to Average Shareholders' Equity (ROE)	23.42%	16.69%	22.48%	13.95%
Net Interest Margin	4.39%	4.15%	4.29%	4.19%
Efficiency Ratio [1]	55.45%	61.34%	56.40%	65.06%
Efficiency Ratio excluding System Replacement Costs	55.45%	58.34%	56.40%	59.88%

Statement of Condition Highlights and Performance Ratios		**September 30, 2004**	**September 30, 2003**
Total Assets		$ 9,594,809	$ 9,370,755
Net Loans		5,690,924	5,437,730
Total Deposits		7,413,240	7,102,116
Total Shareholders' Equity		756,707	823,760
Book Value Per Common Share		$ 14.27	$ 14.71
Allowance / Loans and Leases Outstanding		2.14%	2.38%
Average Equity / Average Assets		7.75%	9.82%
Employees (FTE)		2,655	2,764
Branches and offices		88	89
Market Price Per Share of Common Stock for the Quarter Ended:			
	Closing	$ 47.25	$ 33.58
	High	$ 48.07	$ 35.55
	Low	$ 43.55	$ 32.92

[1] The efficiency ratio is defined as non-interest expense divided by total revenue (net interest income and non-interest income).

ANALYSIS OF STATEMENT OF INCOME

Net Interest Income

Net interest income on a taxable equivalent basis for the three and nine month periods ended September 30, 2004 increased from the comparable periods in 2003 by $7.7 million or 8% and $18.1 million or 7%, respectively. The increase in net interest income for the third quarter of 2004 from the third quarter of 2003 was the result of an increase in interest income from higher average balances of investments available for sale, installment and home equity loans. Offsetting this increase was a reduction in interest income from residential mortgage loans due to the lower interest rate environment. The increase in net interest income for the first nine months of 2004 from the same period in 2003 was primarily due to an increase in interest income from the investment portfolio resulting from higher yields on the available for sale portfolio and higher average balances of securities held to maturity. In addition, interest expense on deposits declined due to lower interest rates paid on savings and time deposits. Offsetting these positive factors was lower interest income from residential mortgages, due to the lower interest rate environment.

The net interest margin was 4.39% for the three months ended September 30, 2004, a 24 basis point increase from the comparable period in 2003. The improvement in the margin was attributable to an improvement in the yield on earning assets and lower average rates paid on interest-bearing deposits, partially offset by an increase in rates on other funding sources. The yield on earning assets increased 17 basis points quarter-to-quarter, led by an increase of 114 basis points in the yield on the investment portfolio, primarily consisting of mortgage-backed securities. In the third quarter of 2003, the yield on mortgage-backed securities was lower due to high levels of loan prepayments resulting from the declining interest rate environment. Offsetting the increased yield from investment securities was a decline in the average yield on the loans and leases outstanding of 26 basis points. This decline was primarily attributable to the lower interest rate environment which had a negative impact on the yield earned on residential mortgage loans. The rate on short-term borrowings increased, which was consistent with the Federal Reserve's recent rate increases, while the average rate on long-term debt increased due to the maturity of $90.0 million in lower cost debt in the beginning of the third quarter 2004.

The net interest margin increased 10 basis points in the first nine months of 2004 compared to the same prior year period. The average rate paid on interest-bearing deposits declined by 31 basis points during this period in 2004 relative to 2003. Consistent with the increase in the three-month period, the yield on investment securities increased for the nine months ended September 30, 2004. This increase was partially offset by a decline in the average yield on loans and leases. This decline was primarily attributable to the lower interest rate environment which had a negative impact on the yield earned on residential mortgage loans. In addition, the Company offered a low initial introductory rate for the first six months on its installment loan portfolio.

Average earning assets for the first nine months of 2004 increased $355.9 million or 4% from the same period in 2003 mainly due to a $261.9 million increase in average loans and leases outstanding. The increase was primarily attributable to increases in installment and home equity loans, which increased 26%. For the first nine months of 2004, average interest-bearing liabilities increased $273.0 million or 4% from 2003, largely due to an increase in interest-bearing transactional deposit balances and securities repurchase agreements, offset by decreases in time deposits and long-term debt.

Average balances, related income and expenses, and resulting yields and rates are presented in Table 2. An analysis of change in net interest income is presented in Table 3.

Consolidated Average Balances and Interest Rates - Taxable Equivalent Basis (Unaudited) **Table 2**

	Three Months Ended September 30, 2004			Three Months Ended September 30, 2003			Nine Months Ended September 30, 2004			Nine Months Ended September 30, 2003		
(dollars in millions)	**Average Balance**	**Income/ Expense**	**Yield/ Rate**	**Average Balance**	**Income/ Expense**	**Yield/ Rate**	**Average Balance**	**Income/ Expense**	**Yield/ Rate**	**Average Balance**	**Income/ Expense**	**Yield/ Rate**
Earning Assets												
Interest-Bearing Deposits	$ 82.6	$ 0.5	2.39%	$ 224.7	$ 1.2	2.08%	$ 246.4	$ 3.4	1.83%	$ 230.2	$ 3.7	2.12%
Funds Sold	28.6	0.1	1.51	102.4	0.3	0.97	89.4	0.7	1.05	206.2	1.8	1.19
Investment Securities												
Available for Sale	2,325.5	24.6	4.23	2,090.6	16.5	3.16	2,154.9	67.2	4.16	2,224.5	58.9	3.53
Held to Maturity	659.0	6.3	3.87	675.1	6.4	3.80	696.1	20.1	3.84	402.4	11.8	3.90
Loans Held for Sale	11.3	0.2	5.74	52.2	0.7	5.45	15.8	0.7	5.53	48.1	1.9	5.40
Loans and Leases												
Commercial and Industrial	796.2	10.6	5.34	862.4	10.8	4.95	822.8	31.0	5.04	861.0	31.3	4.86
Construction	81.1	1.0	5.01	87.8	0.9	4.26	93.9	3.0	4.33	95.3	3.3	4.65
Commercial Mortgage	658.9	8.8	5.29	670.6	9.4	5.56	644.0	25.9	5.38	650.6	28.6	5.87
Residential Mortgage	2,282.6	32.1	5.62	2,298.8	36.2	6.30	2,293.9	97.6	5.67	2,281.1	111.2	6.50
Installment	722.7	15.2	8.38	558.6	12.8	9.09	691.5	44.1	8.51	532.2	39.2	9.85
Home Equity	583.7	7.1	4.83	448.1	5.6	4.99	536.0	19.0	4.74	441.8	16.9	5.11
Purchased Home Equity	155.2	1.7	4.29	132.6	0.7	2.20	179.5	6.2	4.59	158.2	5.3	4.51
Lease Financing	516.0	5.4	4.17	487.2	5.6	4.52	509.0	16.4	4.29	488.5	16.7	4.58
Total Loans and Leases	5,796.4	81.9	5.63	5,546.1	82.0	5.89	5,770.6	243.2	5.63	5,508.7	252.5	6.12
Other	78.7	0.8	4.05	76.1	1.0	5.38	78.1	2.5	4.32	75.3	3.2	5.75
Total Earning Assets	8,982.1	114.4	5.08	8,767.2	108.1	4.91	9,051.3	337.8	4.98	8,695.4	333.8	5.12
Cash and Non-Interest-Bearing Deposits	316.9			333.2			316.9			330.1		
Other Assets	369.5			399.2			378.1			392.3		
Total Assets	$ 9,668.5			$ 9,499.6			$ 9,746.3			$ 9,417.8		
Interest-Bearing Liabilities												
Interest-Bearing Deposits												
Demand	$ 1,471.0	0.9	0.24	$ 1,245.8	0.5	0.15	$ 1,410.6	1.9	0.19	$ 1,189.4	1.9	0.22
Savings	2,998.4	3.2	0.43	2,754.6	3.4	0.49	2,927.5	9.6	0.44	2,702.8	12.5	0.62
Time	1,078.4	4.9	1.81	1,285.7	6.4	1.97	1,132.0	15.3	1.79	1,394.3	23.6	2.27
Total Interest-Bearing Deposits	5,547.8	9.0	0.64	5,286.1	10.3	0.77	5,470.1	26.8	0.65	5,286.5	38.0	0.96
Short-Term Borrowings	816.9	2.8	1.36	827.8	2.3	1.08	920.2	7.7	1.12	763.3	7.4	1.29
Long-Term Debt	246.8	3.8	6.22	325.7	4.4	5.43	294.8	12.5	5.67	362.3	15.7	5.79
Total Interest-Bearing Liabilities	6,611.5	15.6	0.94	6,439.6	17.0	1.05	6,685.1	47.0	0.94	6,412.1	61.1	1.27
Net Interest Income		$ 98.8			$ 91.1			$ 290.8			$ 272.7	
Interest Rate Spread			4.14%			3.86%			4.04%			3.85%
Net Interest Margin			4.39%			4.15%			4.29%			4.19%
Non-Interest-Bearing Demand Deposits	1,932.0			1,844.0			1,920.6			1,726.0		
Other Liabilities	393.4			344.1			385.5			354.4		
Shareholders' Equity	731.6			871.9			755.1			925.3		
Total Liabilities and Shareholders' Equity	$ 9,668.5			$ 9,499.6			$ 9,746.3			$ 9,417.8		

Analysis of Change in Net Interest Income - Taxable Equivalent Basis (Unaudited) **Table 3**

	Nine Months Ended September 30, 2004 Compared to September 30, 2003		
(dollars in millions)	**Volume [1]**	**Rate [1]**	**Total**
Change in Interest Income:			
Interest-Bearing Deposits	$ 0.2	$ (0.5)	$ (0.3)
Funds Sold	(0.9)	(0.2)	(1.1)
Investment Securities			
Available for Sale	(1.9)	10.2	8.3
Held to Maturity	8.5	(0.2)	8.3
Loans Held for Sale	(1.3)	0.1	(1.2)
Loans and Leases			
Commercial and Industrial	(1.5)	1.2	(0.3)
Construction	(0.1)	(0.2)	(0.3)
Commercial Mortgage	(0.4)	(2.3)	(2.7)
Residential Mortgage	0.6	(14.2)	(13.6)
Installment	10.7	(5.8)	4.9
Home Equity	3.4	(1.3)	2.1
Purchased Home Equity	0.8	0.1	0.9
Lease Financing	0.8	(1.1)	(0.3)
Total Loans and Leases	14.3	(23.6)	(9.3)
Other	0.1	(0.8)	(0.7)
Total Change in Interest Income	19.0	(15.0)	4.0
Change in Interest Expense:			
Interest-Bearing Deposits			
Demand	0.3	(0.3)	—
Savings	1.0	(3.9)	(2.9)
Time	(3.9)	(4.4)	(8.3)
Total Interest-Bearing Deposits	(2.6)	(8.6)	(11.2)
Short-Term Borrowings	1.4	(1.1)	0.3
Long-Term Debt	(2.9)	(0.3)	(3.2)
Total Change in Interest Expense	(4.1)	(10.0)	(14.1)
Change in Net Interest Income	$ 23.1	$ (5.0)	$ 18.1

1 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 Loan and Lease Losses

No Provision for Loan and Lease Losses ("Provision") was recorded for the three months ended September 30, 2004. This resulted in a third quarter reduction in the Allowance for Loan and Lease Losses (the "Allowance") of $0.3 million, which was equal to the amount of net charge-offs. For further information on Allowance, refer to "Corporate Risk Profile - Allowance for Loan and Lease Losses."

For the nine months ended September 30, 2004, a negative Provision of $3.5 million was recorded in the second quarter of 2004 as a result of improvement in credit quality and ongoing assessments of economic conditions and risk. The combination of the negative Provision and year-to-date net charge-offs of $0.9 million resulted in a year-to-date reduction in the Allowance of $4.4 million.

For further information on Credit Quality, refer to the section entitled "Corporate Risk Profile."

Non-Interest Income

Non-interest income decreased $0.7 million or 1% for the third quarter of 2004, but increased $7.5 million or 5% for the nine months ended September 30, 2004, from the comparable periods in 2003.

Trust and asset management income increased $1.3 million or 3% during the first nine months of 2004 compared to the same period in 2003. The increase in fee income was due to an improvement in market conditions, which resulted in an increase in the average market value of assets under management and higher investment advisory fees on money market assets from increased short-term interest rates.

Mortgage banking income decreased $4.2 million or 71% and $5.7 million or 47% for the three and nine months ended September 30, 2004, respectively, compared to the same periods in 2003. Mortgage banking income is sensitive to the interest rate environment and conditions in the real estate market. The declines primarily resulted from lower gains on the sale of mortgage loans in 2004, which were attributable to lower loan production. Mortgage loan production decreased 72% and 56% for the three and nine months ended September 30, 2004, respectively, compared to the same prior year periods due to the lower interest rate environment in 2003, which resulted in high refinancing activity. Partially offsetting the lower gains was a reduction in the amortization of mortgage servicing rights due to a decrease in loan prepayments in 2004.

Service charges on deposit accounts increased $0.6 million or 6% and $2.5 million or 9% for the three and nine months ended September 30, 2004, respectively, compared to the same prior year periods. The increases were largely due to higher account analysis fees resulting from lower offsetting earnings credits. On a year-to-year comparison, overdraft fees also increased due to an increase in the number of transactional deposit accounts.

Fees, exchange, and other service charges decreased $2.3 million or 14% and $1.3 million or 3% for the three and nine months ended September 30, 2004, respectively, compared to the same periods in 2003. The third quarter of 2003 included a $3.1 million prepayment fee on a commercial real estate loan. Excluding the prepayment fee, income remained relatively flat in the third quarter of 2004 compared to the same period in 2003 and on a year-to-year basis increased $1.8 million due primarily to increased foreign exchange income and merchant transaction and card fees as a result of higher merchant sales volume.

Other non-interest income increased $6.1 million or 104% and $12.1 million or 68% for the three and nine months ended September 30, 2004, respectively, over the same periods in 2003. The quarter-to-quarter increase was attributable to a $5.2 million gain on the sale of assets at the end of a leveraged lease transaction. In addition to the gain, the increase for the first nine months of 2004 from the prior year was due to a $3.2 million distribution from a leasing partnership investment and a $2.5 million gain on the sale of a parcel of land in the second quarter of 2004.

Non-Interest Expense

Non-interest expense decreased $4.7 million or 5% and $22.1 million or 8% for the three and nine months ended September 30, 2004, respectively, compared to the same prior year periods. Included in non-interest expense in the third quarter and first nine months of 2003 were systems replacement costs of $4.3 million and $21.9 million, respectively. Excluding such systems replacement costs, total non-interest expense in 2004 was unchanged compared to the same prior year periods. Refer to Note 4 to the Consolidated Financial Statements for additional information on the systems replacement project.

Salaries and benefits expense decreased $0.6 million for the first nine months of 2004 compared to the same period in 2003. Base salaries decreased $3.5 million or 4% from 2003 as a result of a 4% decrease in the number of employees. Also contributing to the decline were reductions in commission expense due to lower mortgage loan originations. Partially offsetting the decrease was the expense for restricted stock units.

Table 4 presents the components of salaries and benefits expense for the three and nine months ended September 30, 2004 and 2003.

Salaries and Benefits (Unaudited) **Table 4**

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2004**	**2003**	**2004**	**2003**
Salaries	$ 27,796	$ 28,107	$ 82,904	$ 86,404
Incentive Compensation	4,383	4,033	11,459	10,617
Stock-Based Compensation	2,671	763	8,800	4,087
Commission Expense	1,780	3,552	5,691	8,964
Retirement and Other Benefits	4,099	4,929	12,670	13,471
Payroll Taxes	2,415	2,288	8,948	8,445
Medical, Dental, and Life Insurance	2,064	1,641	6,304	5,390
Separation Expense	1,358	418	2,480	2,493
Total Salaries and Benefits	$ 46,566	$ 45,731	$ 139,256	$ 139,871

Net equipment expense declined $1.5 million or 20% and $8.6 million or 33% for the three and nine months ended September 30, 2004 compared to the same prior year periods. The decreases were mainly due to reduced depreciation expense and software license fees resulting from the systems replacement project.

Other non-interest expense increased $9.3 million or 16% for the first nine months of 2004 compared to the same period in 2003. As a result of the systems replacement project outsourcing, expense for technology services increased by $3.3 million for the first nine months of 2004. The increase in other non-interest expense was also due to a $2.2 million reserve recorded in the second quarter of 2004 related primarily to a legal settlement, as well as increased advertising cost and expenses for professional services relating to the Company's mutual funds.

BALANCE SHEET ANALYSIS

Short-Term Earning Assets

Short-term earning assets, consisting of interest-bearing deposits and funds sold, totaled $55.0 million at September 30, 2004, a decrease of $99.8 million and $153.7 million from December 31, 2003 and September 30, 2003, respectively. The declines from 2003 were mainly due to the use of funds to reduce long term-debt, deploy into longer term assets and repurchase the Company's stock.

Investment Securities

Investment securities totaled $3.0 billion at September 30, 2004, a $240.3 million increase from December 31, 2003 as a portion of excess liquidity was deployed into investment securities. At September 30, 2004 and December 31, 2003 investment securities with a book value of $1.5 billion and $1.4 billion, respectively, were pledged to secure deposits of public (government) entities and repurchase agreements.

Changes in interest rates influence the fair market values of certain investment securities, including mortgage-backed securities, which can result in temporary gross unrealized losses. The gross unrealized losses on temporarily impaired investment securities that had been impaired for less than 12 months as of September 30, 2004 totaled $16.2 million or one percent of the total investment securities book value, compared to $16.6 million at December 31, 2003. The improvement, which was primarily related to mortgage-backed securities, was due to the change in the securities portfolio mix in which purchased securities yielded higher interest rates than those that have matured. The Company has both the intent and ability to hold the securities for the time necessary to recover the amortized cost. As of September 30, 2004, no investment security had been impaired for more than 12 months.

Table 5 presents the detail of the investment securities portfolio at September 30, 2004 and December 31, 2003.

Investment Securities (Unaudited) **Table 5**

(dollars in thousands)	Amortized Cost	Fair Value
At September 30, 2004		
Securities Available for Sale:		
Equity Securities	$ 5	$ 5
Debt Securities Issued by the U.S. Treasury and Agencies	58,795	59,560
Debt Securities Issued by States and Municipalities	7,587	7,785
Mortgage-Backed Securities	1,906,531	1,918,469
Other Debt Securities	338,562	342,508
Total	$ 2,311,480	$ 2,328,327
Securities Held to Maturity:		
Debt Securities Issued by the U.S. Treasury and Agencies	$ —	$ —
Debt Securities Issued by States and Municipalities	90	97
Mortgage-Backed Securities	630,186	624,490
Total	$ 630,276	$ 624,587
At December 31, 2003		
Securities Available for Sale:		
Equity Securities	$ 261	$ 261
Debt Securities Issued by the U.S. Treasury and Agencies	59,339	60,990
Debt Securities Issued by States and Municipalities	5,957	6,220
Mortgage-Backed Securities	1,790,692	1,805,273
Other Debt Securities	118,040	118,372
Total	$ 1,974,289	$ 1,991,116
Securities Held to Maturity:		
Debt Securities Issued by the U.S. Treasury and Agencies	$ 22,021	$ 22,018
Debt Securities Issued by States and Municipalities	130	142
Mortgage-Backed Securities	705,082	698,539
Total	$ 727,233	$ 720,699

Loans Held for Sale

Loans held for sale, consisting of residential mortgage loans, totaled $18.6 million at September 30, 2004, $9.2 million at December 31, 2003 and $23.1 million at September 30, 2003. The changes in 2004 as compared to both periods in 2003 were a result of the impact of mortgage loan sales activity and production volume.

Loans and Leases

As of September 30, 2004, loans and leases outstanding were $5.8 billion, relatively unchanged compared to December 31, 2003 and an increase of $245.2 million from September 30, 2003. Growth has continued in the consumer loan portfolios due to increased branch sales activities and higher utilization of home equity lines of credit. Although loan originations in the commercial portfolio have been strong, commercial loan balances were impacted by loan pay-offs from large corporate borrowers. Table 6 presents the composition of the loan portfolio by major categories and Table 7 presents the composition of consumer loans by geographic area.

Loan Portfolio Balances (Unaudited) **Table 6**

(dollars in thousands)	September 30, 2004	June 30, 2004	December 31, 2003	September 30, 2003
Domestic Loans				
Commercial				
Commercial and Industrial	$ 755,455	$ 776,815	$ 816,246	$ 843,895
Commercial Mortgage	648,991	643,382	639,354	629,225
Construction	104,709	98,916	101,321	92,343
Lease Financing	447,005	447,673	435,934	426,839
Total Commercial	1,956,160	1,966,786	1,992,855	1,992,302
Consumer				
Residential Mortgage	2,261,814	2,257,624	2,320,410	2,329,321
Home Equity	609,981	559,225	467,019	446,032
Purchased Home Equity	143,300	162,730	212,514	109,814
Other Consumer	729,747	721,386	658,831	582,934
Lease Financing	33,796	34,676	35,320	35,347
Total Consumer	3,778,638	3,735,641	3,694,094	3,503,448
Total Domestic Loans	5,734,798	5,702,427	5,686,949	5,495,750
Foreign Loans	80,777	84,887	70,226	74,655
Total Loans and Leases	$ 5,815,575	$ 5,787,314	$ 5,757,175	$ 5,570,405

Consumer Loans by Geographic Area (Unaudited) **Table 7**

(dollars in thousands)	September 30, 2004	June 30, 2004	December 31, 2003 [1]	September 30, 2003 [1]
Hawaii				
Residential Mortgage	$ 2,047,744	$ 2,042,079	$ 2,106,456	$ 2,115,424
Home Equity	600,413	551,099	458,425	437,128
Other Consumer	593,859	589,671	550,411	492,421
Guam				
Residential Mortgage	208,434	209,972	208,339	208,805
Home Equity	8,131	8,067	8,594	8,904
Other Consumer	92,124	87,963	68,999	55,700
U.S. Mainland				
Purchased Home Equity	143,300	162,730	212,514	109,814
Other Pacific Islands				
Residential Mortgage	5,636	5,573	5,615	5,092
Home Equity	1,437	59	—	—
Other Consumer	77,560	78,428	74,741	70,160
Total Consumer Loans	$ 3,778,638	$ 3,735,641	$ 3,694,094	$ 3,503,448

[1] Certain 2003 information has been reclassified to conform to 2004 presentation.

Mortgage Servicing Rights

As of September 30, 2004, the Company's portfolio of residential loans serviced for third parties totaled $2.7 billion, a decrease of $267.7 million and $419.2 million from December 31, 2003 and September 30, 2003, respectively. The carrying value of mortgage servicing rights was $20.0 million at September 30, 2004, a decrease of $2.2 million and $3.3 million from December 31, 2003 and September 30, 2003, respectively. Although mortgage prepayments have slowed from 2003, the decline in carrying value of mortgage servicing rights continued to be attributable to mortgage prepayments reflective of the low interest rate environment and decline in saleable production volume. Depending on loan type, recent prepayment speeds for Hawaii mortgages either approximated or were slightly higher than national averages.

Deposits

As of September 30, 2004, deposits totaled $7.4 billion, an increase of $80.5 million from December 31, 2003 and $311.1 million from September 30, 2003. The Company's deposit growth continued to be primarily in demand and savings deposits, while higher cost time deposits have been reduced.

The average time deposits of $100,000 or more is presented in Table 8.

Average Time Deposits of $100,000 or More (Unaudited) **Table 8**

	Three Months Ended			Nine Months Ended	
(dollars in thousands)	**September 30, 2004**	**December 31, 2003**	**September 30, 2003**	**September 30, 2004**	**September 30, 2003**
Average Time Deposits	$ 543,065	$ 633,602	$ 642,294	$ 573,643	$ 706,235

Short-Term Borrowings and Long-Term Debt

Short-term borrowings, including securities sold under agreements to repurchase, funds purchased and other short-term borrowings, totaled $764.3 million at September 30, 2004, an increase of $169.8 million from December 31, 2003 and flat with September 30, 2003. The increase in short-term borrowings from December 31, 2003 was due to higher placements received from public (government) entities in the form of securities sold under agreements to repurchase. Long-term debt, totaled $252.6 million at September 30, 2004, a decrease of $71.4 million and $71.7 million from December 31, 2003 and September 30, 2003, respectively. The decrease was due to a total of $90.0 million of privately placed notes that matured in 2004, $70.0 million of which matured in the third quarter of 2004. A portion was replaced with a $25.0 million Federal Home Loan Bank (the "FHLB") advance. For additional information, refer to the section on "Corporate Risk Profile – Liquidity Management."

Shareholders' Equity

The Company's capital position remains strong. The 5% net reduction in capital from December 31, 2003 to September 30, 2004 is attributable to the Company's continuing common stock repurchase program and dividends offset by earnings for the first nine months of 2004. A further discussion of the Company's capital is included in the "Corporate Risk Profile – Capital Management" section of this report.

Guarantees

The Company's standby letters of credit totaled $130.9 million at September 30, 2004, an increase of $18.9 million and $23.0 million from December 31, 2003 and September 30, 2003, respectively.

BUSINESS SEGMENTS

The Company's business segments are defined as Retail Banking, Commercial Banking, Investment Services Group and Treasury and Other Corporate. 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. Various techniques are used to assign balance sheet and income statement amounts to the business segments, including allocations of 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 accounting principles generally accepted in the United States.

The business segments are managed with a focus on performance measures, including risk adjusted return on capital ("RAROC") and net income after capital charge ("NIACC"). RAROC is the ratio of net income to risk-adjusted equity. Equity is allocated to each business segment based on an assessment of its inherent risk. NIACC is net income less a charge for allocated capital. The cost of capital is determined by multiplying management's estimate of the shareholder's minimum required rate of return on capital invested (11% for 2004 and 2003) 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 of an equity investment in the Company. 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. 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 primarily represents the change in the level of the Allowance and also includes recoveries from the divested businesses.

The financial results for the three and nine months ended September 30, 2004 and 2003 are discussed below and are presented in Table 9a and Table 9b, respectively.

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 74 Hawaii branch locations and 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, mutual funds, life insurance and annuities.

Allocated net income, NIACC and RAROC for the Retail Banking segment decreased for the three and nine months ended September 30, 2004 as compared to the same periods in 2003. Net interest income declined primarily due to the decrease in the earnings credit from funds transfer pricing on the segment's deposit account balances, reflective of lower interest rates. Non-interest income was lower mainly as a result of a decrease in mortgage banking income. The decrease in non-interest expense for the three months ended September 30, 2004 as compared to the same period in 2003 was mainly due to lower salary expense. The decrease in non-interest expense for the nine months ended September 30, 2004 as compared to the same prior year period was largely due to lower equipment expenses and no systems replacement costs. The increase in the economic provision was due to growth in the segment's automobile and installment 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 13 branches in the Pacific Islands.

The improvement in the segment's financial measures for the three and nine months ended September 30, 2004 compared to the same periods in 2003 was primarily a result of an increase in non-interest income resulting from a gain on the sale of assets at the end of a leveraged lease transaction. In addition, the nine-month period benefited from higher account analysis fees as a result of lower offsetting earnings credit and a leasing partnership investment distribution. These positive trends were offset by the decline in net interest income due to the decrease in the earnings credit from funds transfer pricing on the segment's deposit account balances reflective of lower interest rates.

For the nine months ended September 30, 2004 compared to the same prior year period, non-interest expense declined largely due to lower allocated expenses.

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 assist 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 segment's key financial measures decreased for the three and nine months ended September 30, 2004 compared to the same periods in 2003. In the third quarter of 2004, net interest income increased primarily due to higher deposit balances. For the three and nine months ended September 30, 2004 compared to the same periods in 2003, non-interest income increased because of an increase in trust and asset management fee income due to an improvement in 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 funds.

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 net interest income) consist of interest-bearing deposits, investment securities, federal funds sold and purchased, government deposits and short and long-term borrowings. The primary source of foreign exchange income relates 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, Operations, Human Resources, Finance, Credit and Risk Management and Corporate and Regulatory Administration) that provide a wide-range of support to the other income earning 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 systems replacement costs that were not incurred by or allocated to the Retail, Commercial and Investment Services Group segments.

The improvement in the segment's key financial measures for the three and nine months ended September 30, 2004, compared to the same periods in 2003, was primarily due to an increase in net interest income and no systems replacement costs. The increase in net interest income was due to the impact of the lower cost of funding deposits by the Treasury unit. This segment's 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.

Business Segment Selected Financial Information (Unaudited) **Table 9a**

(dollars in thousands)	Retail Banking	Commercial Banking	Investment Services Group	Treasury and Other Corporate	Consolidated Total
Three Months Ended September 30, 2004					
Net Interest Income	$ 51,347	$ 33,978	$ 2,893	$ 10,561	$ 98,779
Provision for Loan and Lease Losses	2,121	(847)	(1)	(1,273)	—
Net Interest Income After Provision for Loan and Lease Losses	49,226	34,825	2,894	11,834	98,779
Non-Interest Income	22,430	15,399	12,762	2,463	53,054
	71,656	50,224	15,656	14,297	151,833
Non-Interest Expense	(43,605)	(23,092)	(13,559)	(3,934)	(84,190)
Income Before Income Taxes	28,051	27,132	2,097	10,363	67,643
Provision for Income Taxes	(10,379)	(10,062)	(776)	(3,359)	(24,576)
Allocated Net Income	17,672	17,070	1,321	7,004	43,067
Allowance Funding Value	(166)	(621)	(6)	793	—
GAAP Provision	2,121	(847)	(1)	(1,273)	—
Economic Provision	(3,584)	(2,467)	(86)	(1)	(6,138)
Tax Effect of Adjustments	602	1,456	34	179	2,271
Income Before Capital Charge	16,645	14,591	1,262	6,702	39,200
Capital Charge	(5,441)	(4,828)	(1,339)	(8,516)	(20,124)
Net Income (Loss) After Capital Charge (NIACC)	$ 11,204	$ 9,763	$ (77)	$ (1,814)	$ 19,076
RAROC (ROE for the Company)	33%	33%	10%	20%	23%
Total Assets at September 30, 2004	$ 3,711,048	$ 2,295,916	$ 124,929	$ 3,462,916	$ 9,594,809
Three Months Ended September 30, 2003 [1]					
Net Interest Income	$ 53,167	$ 34,126	$ 2,672	$ 1,140	$ 91,105
Provision for Loan and Lease Losses	2,451	3,549	(5)	(5,995)	—
Net Interest Income After Provision for Loan and Lease Losses	50,716	30,577	2,677	7,135	91,105
Non-Interest Income	25,629	12,656	12,196	3,310	53,791
	76,345	43,233	14,873	10,445	144,896
Information Technology Systems Replacement Project	(36)	—	—	(4,313)	(4,349)
Non-Interest Expense	(47,267)	(22,966)	(12,083)	(2,212)	(84,528)
Income Before Income Taxes	29,042	20,267	2,790	3,920	56,019
Provision for Income Taxes	(10,746)	(7,366)	(1,032)	(188)	(19,332)
Allocated Net Income	18,296	12,901	1,758	3,732	36,687
Allowance Funding Value	(152)	(940)	(7)	1,099	—
GAAP Provision	2,451	3,549	(5)	(5,995)	—
Economic Provision	(3,014)	(3,147)	(98)	(12)	(6,271)
Tax Effect of Adjustments	264	199	41	1,817	2,321
Income Before Capital Charge	17,845	12,562	1,689	641	32,737
Capital Charge	(5,797)	(5,657)	(1,238)	(11,272)	(23,964)
Net Income (Loss) After Capital Charge (NIACC)	$ 12,048	$ 6,905	$ 451	$ (10,631)	$ 8,773
RAROC (ROE for the Company)	34%	24%	15%	2%	17%
Total Assets at September 30, 2003	$ 3,512,927	$ 2,257,905	$ 111,474	$ 3,488,449	$ 9,370,755

[1] Certain 2003 information has been reclassified to conform to 2004 presentation.

Business Segment Selected Financial Information (Unaudited) **Table 9b**

(dollars in thousands)	Retail Banking	Commercial Banking	Investment Services Group	Treasury and Other Corporate	Consolidated Total
Nine Months Ended September 30, 2004					
Net Interest Income	$ 151,155	$ 101,648	$ 8,572	$ 29,284	$ 290,659
Provision for Loan and Lease Losses	7,455	1,630	47	(12,632)	(3,500)
Net Interest Income After Provision for Loan and Lease Losses	143,700	100,018	8,525	41,916	294,159
Non-Interest Income	67,833	38,060	40,101	10,750	156,744
	211,533	138,078	48,626	52,666	450,903
Non-Interest Expense	(131,382)	(69,339)	(39,641)	(11,975)	(252,337)
Income Before Income Taxes	80,151	68,739	8,985	40,691	198,566
Provision for Income Taxes	(29,656)	(25,436)	(3,324)	(13,052)	(71,468)
Allocated Net Income	50,495	43,303	5,661	27,639	127,098
Allowance Funding Value	(442)	(2,045)	(20)	2,507	—
GAAP Provision	7,455	1,630	47	(12,632)	(3,500)
Economic Provision	(10,489)	(8,065)	(279)	(6)	(18,839)
Tax Effect of Adjustments	1,286	3,138	93	3,749	8,266
Income Before Capital Charge	48,305	37,961	5,502	21,257	113,025
Capital Charge	(16,696)	(15,233)	(3,919)	(26,465)	(62,313)
Net Income (Loss) After Capital Charge (NIACC)	$ 31,609	$ 22,728	$ 1,583	$ (5,208)	$ 50,712
RAROC (ROE for the Company)	32%	27%	15%	24%	22%
Total Assets at September 30, 2004	$ 3,711,048	$ 2,295,916	$ 124,929	$ 3,462,916	$ 9,594,809
Nine Months Ended September 30, 2003 [1]					
Net Interest Income	$ 158,498	$ 103,479	$ 8,627	$ 1,986	$ 272,590
Provision for Loan and Lease Losses	4,620	6,721	(5)	(11,336)	—
Net Interest Income After Provision for Loan and Lease Losses	153,878	96,758	8,632	13,322	272,590
Non-Interest Income	71,938	29,756	37,537	10,052	149,283
	225,816	126,514	46,169	23,374	421,873
Information Technology Systems Replacement Project	(986)	(23)	(333)	(20,529)	(21,871)
Non-Interest Expense	(136,145)	(70,274)	(36,457)	(9,724)	(252,600)
Income (Loss) Before Income Taxes	88,685	56,217	9,379	(6,879)	147,402
Provision for Income Taxes	(32,814)	(20,453)	(3,470)	5,857	(50,880)
Allocated Net Income (Loss)	55,871	35,764	5,909	(1,022)	96,522
Allowance Funding Value	(465)	(3,181)	(23)	3,669	—
GAAP Provision	4,620	6,721	(5)	(11,336)	—
Economic Provision	(8,623)	(9,241)	(334)	(21)	(18,219)
Tax Effect of Adjustments	1,653	2,109	134	2,845	6,741
Income (Loss) Before Capital Charge	53,056	32,172	5,681	(5,865)	85,044
Capital Charge	(17,052)	(16,522)	(3,761)	(39,011)	(76,346)
Net Income (Loss) After Capital Charge (NIACC)	$ 36,004	$ 15,650	$ 1,920	$ (44,876)	$ 8,698
RAROC (ROE for the Company)	34%	21%	17%	(6)%	14%
Total Assets at September 30, 2003	$ 3,512,927	$ 2,257,905	$ 111,474	$ 3,488,449	$ 9,370,755

[1] Certain 2003 information has been reclassified to conform to 2004 presentation.

FOREIGN OPERATIONS

The countries in which the Company maintains its largest exposure on a cross-border basis include Netherlands, Australia and United Kingdom. Table 10 presents as of September 30, 2004, December 31, 2003 and September 30, 2003, a geographic distribution of the Company's cross-border assets for selected countries. The primary components of cross-border assets as of September 30, 2004 were investment securities of $333.0 million and loans of $108.9 million.

Geographic Distribution of Cross-Border International Assets (Unaudited) [1] **Table 10**
(dollars in thousands)

Country		September 30, 2004		December 31, 2003 [2]		September 30, 2003 [2]
Australia	$	86,358	$	36,283	$	36,917
Netherlands		122,958		42,229		91,876
United Kingdom		69,681		110,460		59,734
All Others		199,901		162,037		117,716
Total	$	478,898	$	351,009	$	306,243

1 Cross-border outstandings 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 outstandings include loans, acceptances, interest-bearing deposits with other banks, other interest-bearing investments and other monetary assets.

2 Certain 2003 information has been reclassified to conform to 2004 presentation.

Because the U.S. dollar is used in the Pacific Island Division locations (Guam and American Samoa, which are U.S. territories, and other nearby islands), these operations are not considered foreign for financial reporting purposes.

CORPORATE RISK PROFILE

Credit Risk

Credit Risk is defined as the risk that borrowers or counterparties 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 overdrafts.

Generally, the Company's asset quality continued to improve during the quarter as evidenced by lower levels of internally criticized loans, non-performing assets and a reduced level of net loan charge-offs. The ratio of non-performing assets to total loans and foreclosed real estate at September 30, 2004 was 0.27%, reduced from 0.55% at December 31, 2003. Net loan charge-offs (annualized) for the first nine months of 2004 as a percent of average loans outstanding were 0.02%, a decline from 0.25% from the same prior year period, due in large part to a $6.0 million recovery in the second quarter of 2004. Excluding this recovery, the 2004 year-to-date ratio would have been 0.16%. For the third quarter 2004, net charge-offs were $0.3 million or 0.02% (annualized) of average loans outstanding, reflecting charge-offs primarily of consumer and small business loans, offset by commercial loan recoveries.

The Company's more favorable credit risk position relative to a year ago reflects a continued strategy that shifted to borrowers and industries believed to have a lower risk profile, reduced large borrower concentrations and an improving U.S. economy. In addition, ongoing portfolio management is intended to result in early identification and disengagement from deteriorating credits. Despite record-high oil prices, overall risk in the portfolio of Hawaii-based loans also continues to improve, primarily due to a local economy that remains satisfactory with some positive trends in real economic measures.

Although the overall credit risk profile continued to improve, the domestic legacy airline carriers have a higher risk profile with current negative trends. Outstandings to legacy carriers as of September 30, 2004 were $19.0 million and are included in the United States National Passenger Carriers total, as shown on Table 11 below. Record-high oil prices are having a pronounced impact on already struggling domestic legacy airline carriers, who have a less competitive business model in the current environment. In the evaluation of the Allowance, the Company considered the current financial strain on airlines which offset the impact of the improvement in other components of the loan portfolio. Concentration of credit exposure to selected components of the portfolio is included in Table 11.

Selected Concentrations of Credit Exposure (Unaudited) **Table 11**

	September 30, 2004			Dec. 31, 2003 [1]	Sept. 30, 2003 [1]
(dollars in thousands)	**Outstandings**	**Unused Commitments**	**Total Exposure**	**Total Exposure**	**Total Exposure**
Air Transportation					
United States Regional Passenger Carriers	$ 44,602	$ 12,903	$ 57,505	$ 59,231	$ 59,866
United States National Passenger Carriers	37,771	—	37,771	37,259	37,684
Passenger Carriers Based Outside United States	28,540	—	28,540	31,549	31,670
Cargo Carriers	13,771	—	13,771	14,405	14,405
Total Air Transportation	$ 124,684	$ 12,903	$ 137,587	$ 142,444	$ 143,625
Guam					
Hotel	$ 9,348	$ —	$ 9,348	$ 17,733	$ 17,768
Other Commercial	156,592	40,868	197,460	184,129	183,115
Consumer	308,689	12,968	321,657	288,831	277,521
Total Guam	$ 474,629	$ 53,836	$ 528,465	$ 490,693	$ 478,404
Syndicated Exposure	$ 186,214	$ 604,141	$ 790,354	$ 925,864	$ 918,503
Other Large Borrowers [2]	$ 81,394	$ 216,632	$ 298,026	$ 336,748	$ 350,897

Exposure includes loans, leveraged leases and operating leases.

1 For three borrowers, reclassifications occurred between Regional and National Carriers. Syndicated Exposure was restated.

2 Other Large Borrowers is defined as exposure with commitments of $25.0 million and greater, excluding those collateralized by cash and those separately identified as Air Transportation, Guam and Syndicated Exposure.

In Guam, which is sensitive to tourism and military spending, economic indicators are trending upward although some uncertainty continues to exist. Tourism has rebounded to pre-September 11, 2001 levels and the announced increases in military spending and presence are encouraging. As of September 30, 2004, internally classified exposure was reduced by 29% from December 31, 2003. This reduction was achieved through strategic reduction and some borrower improvement. Targeted lending to select commercial borrowers is active, while the consumer lending business is leading the portfolio growth.

Two of the Company’s top ten syndicated loan outstandings (totaling $60.1 million) as of June 30, 2004 were paid off during the third quarter, reducing concentrations in large borrowers. At September 30, 2004, the Company’s largest syndicated loan outstanding totaled $21.0 million for a new hotel construction on the island of Maui and the second largest syndicated loan outstanding totaled $17.1 million to a local residential real estate builder. The ten largest syndicated loans outstanding at September 30, 2004 totaled $118.8 million or 64% of total syndicated loans. Of this amount, 66% reflected loans to major borrowers with operations in Hawaii of which 63% was in the real estate sector. No syndicated outstandings were internally classified.

The Company’s other large borrowers include six exposures of $25.0 million and greater. The borrowers are major companies, most with Hawaii operations. Three exposures are commercial paper backup lines to investment grade companies and are undrawn. The remaining three exposures have their loans collateralized by real estate and other assets and are substantially funded.

Non-Performing Assets

Non-performing assets (“NPAs”) consist of non-accrual loans and foreclosed real estate. NPAs decreased by $15.7 million or 50% from December 31, 2003 to $16.0 million as of September 30, 2004, primarily due to the partial charge-off and disengagement of a Hawaii business, a loan pay-off in Guam, the transfer of a Company occupied foreclosed real estate property to premises.

NPAs in Guam as of September 30, 2004 were $8.4 million, a decrease of $4.3 million or 34% from December 31, 2003. The improvement reflects a loan pay-off and positive resolutions in residential mortgages. One real estate secured borrower represented 64% of Guam’s total NPAs.

Impaired loans totaled $6.9 million at September 30, 2004, a decrease of $9.1 million or 57% from $16.0 million at December 31, 2003. These loans had a related Allowance that totaled $0.6 million at September 30, 2004, a decrease of $0.3 million from December 31, 2003.

Loans Past Due 90 Days or More and Still Accruing Interest

Accruing loans past due 90 days or more were $5.0 million at September 30, 2004, an increase of $1.5 million from December 31, 2003. The increase was due to an increase in past due residential mortgage loans and personal unsecured lines of credit, partially offset by positive resolutions of prior period amounts. Loss rates on residential mortgage loans in the Hawaii portfolio continue to be negligible.

Refer to Table 12 for further information on non-performing assets.

Consolidated Non-Performing Assets and Accruing Loans Past Due 90 Days or More (Unaudited) **Table 12**

(dollars in thousands)	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003
Non-Performing Assets					
Non-Accrual Loans					
Commercial					
Commercial and Industrial	$ 775	$ 680	$ 6,009	$ 6,015	$ 7,856
Commercial Mortgage	5,552	5,649	7,388	9,337	10,977
Lease Financing	1,913	1,948	1,962	2,181	2,388
Total Commercial	8,240	8,277	15,359	17,533	21,221
Consumer					
Residential Mortgage	7,278	7,688	7,685	9,354	9,669
Home Equity	251	306	406	460	497
Total Consumer	7,529	7,994	8,091	9,814	10,166
Total Non-Accrual Loans	15,769	16,271	23,450	27,347	31,387
Foreclosed Real Estate	208	4,889	4,416	4,377	8,757
Total Non-Performing Assets	$ 15,977	$ 21,160	$ 27,866	$ 31,724	$ 40,144
Accruing Loans Past Due 90 Days or More					
Commercial					
Commercial and Industrial	$ 65	$ 19	$ 707	$ 725	$ 695
Commercial Mortgage	688	693	702	—	—
Lease Financing	—	—	—	117	—
Total Commercial	753	712	1,409	842	695
Consumer					
Residential Mortgage	2,588	698	595	1,430	2,027
Purchased Home Equity	97	32	107	—	107
Other Consumer	1,533	1,142	1,180	1,210	1,059
Lease Financing	32	57	—	—	—
Total Consumer	4,250	1,929	1,882	2,640	3,193
Total Accruing and Past Due	$ 5,003	$ 2,641	$ 3,291	$ 3,482	$ 3,888
Total Loans and Leases	$ 5,815,575	$ 5,787,314	$ 5,714,996	$ 5,757,175	$ 5,570,405
Ratio of Non-Accrual Loans to Total Loans	0.27%	0.28%	0.41%	0.48%	0.56%
Ratio of Non-Performing Assets to Total Loans and Foreclosed Real Estate	0.27%	0.37%	0.49%	0.55%	0.72%
Ratio of Non-Performing Assets and Accruing Loans Past Due 90 Days or More to Total Loans	0.36%	0.41%	0.55%	0.61%	0.79%
Quarter to Quarter Changes in Non-Performing Assets					
Balance at Beginning of Quarter	$ 21,160	$ 27,866	$ 31,724	$ 40,144	$ 41,952
Additions	2,094	3,909	3,293	2,340	3,199
Reductions					
Payments	(1,386)	(4,232)	(4,555)	(3,416)	(1,782)
Return to Accrual	(1,122)	(2,700)	(1,444)	(839)	(1,464)
Sales of Foreclosed Assets	(682)	(147)	(310)	(4,418)	(1,025)
Charge-offs/Write-downs	(88)	(3,536)	(842)	(2,087)	(736)
Transfer to Premises	(3,999)	—	—	—	—
Total Reductions	(7,277)	(10,615)	(7,151)	(10,760)	(5,007)
Balance at End of Quarter	$ 15,977	$ 21,160	$ 27,866	$ 31,724	$ 40,144

Allowance for Loan and Lease Losses

The Company maintains an Allowance adequate to cover management's estimate of probable credit losses inherent in its lending portfolios based on a comprehensive quarterly analysis of historical loss experience supplemented by judgmental expectations of portfolio performance and economic conditions as of a given balance sheet date.

The Allowance at September 30, 2004 decreased by $4.4 million from December 31, 2003, reflecting the combination of a $3.5 million negative Provision in the second quarter and net loan charge-offs totaling $0.9 million. The reduction in the Allowance was based on improvement in credit quality and ongoing assessments of economic conditions and risk. The ratio of the Allowance to total loans and leases outstanding decreased 10 basis points from 2.24% at December 31, 2003 due to the decrease in the Allowance and to an increase in average loans outstanding. A summary of the Allowance is presented in Table 13.

The $0.3 million reduction in the Allowance from the prior quarter is equal to net loan charge-offs, as no provision was recorded. Loan charge-offs in the third quarter of 2004 of $5.0 million were partially offset by recoveries of $4.7 million.

Consolidated Allowance for Loan and Lease Losses (Unaudited) **Table 13**

	Three Months Ended			Nine Months Ended	
(dollars in thousands)	**September 30, 2004**	**June 30, 2004**	**September 30, 2003**	**September 30, 2004**	**September 30, 2003**
Balance at Beginning of Period			$ 137,974	$ 129,080	$ 142,853
Loans Charged-Off					
Commercial					
Commercial and Industrial	227	3,328	1,132	3,942	3,314
Commercial Mortgage	—	—	149	574	549
Construction	—	—	—	—	529
Lease Financing	—	379	12	607	352
Consumer					
Residential Mortgage	226	319	39	690	1,416
Home Equity	11	9	—	20	89
Purchased Home Equity	173	201	114	464	114
Other Consumer	4,268	4,564	6,784	13,487	13,492
Lease Financing	45	28	50	109	167
Total Loans Charged-Off	4,950	8,828	8,280	19,893	20,022
Recoveries on Loans Previously Charged-Off					
Commercial					
Commercial and Industrial	1,206	1,245	551	3,431	2,942
Commercial Mortgage	1,093	151	31	1,933	105
Construction	94	—	—	529	955
Lease Financing	2	1	1	18	18
Consumer					
Residential Mortgage	207	304	455	805	912
Home Equity	14	101	25	154	129
Purchased Home Equity	51	57	—	108	—
Other Consumer	1,502	1,703	1,494	4,868	4,163
Lease Financing	9	16	—	80	52
Foreign	519	6,469	424	7,038	568
Total Recoveries on Loans Previously Charged-Off	4,697	10,047	2,981	18,964	9,844
Net Loan Recoveries (Charge-Offs)	(253)	1,219	(5,299)	(929)	(10,178)
Provision for Loan and Lease Losses	—	(3,500)	—	(3,500)	—
Balance at End of Period	$ 124,651	$ 124,904	$ 132,675	$ 124,651	$ 132,675
Average Loans Outstanding	$ 5,796,350	$ 5,772,926	$ 5,546,154	$ 5,770,642	$ 5,508,778
Ratio of Net Loan Charge-Offs to Average Loans Outstanding (annualized)	0.02%	(0.08)%	0.38%	0.02%	0.25%
Ratio of Allowance to Loans and Leases Outstanding	2.14%	2.16%	2.38%	2.14%	2.38%

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 position and operating results. 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.

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 and taking deposits. 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.

Table 14 presents, as of September 30, 2004, December 31, 2003 and September 30, 2003, the estimate of the change in net interest income ("NII") that would result from a gradual 200 basis point decrease or increase in interest rates, moving in parallel fashion over the entire yield curve, over the next 12-month period, relative to the measured base case scenario for NII. The 200 basis point increase would equate to an average increase of $2.2 million increase in NII per quarter. The Company's balance sheet continues to be asset-sensitive.

Market Risk Exposure to Interest Rate Changes (Unaudited) **Table 14**

	September 30, 2004 Interest Rate Change (in basis points)		December 31, 2003 Interest Rate Change (in basis points)		September 30, 2003 Interest Rate Change (in basis points)	
(dollars in millions)	**-200**	**+200**	**-200**	**+200**	**-200**	**+200**
Estimated Exposure as a Percent of Net Interest Income	(6.1)%	2.3%	(4.8)%	4.0%	(5.6)%	4.6%
Estimated Exposure to Net Interest Income Per Quarter	$ (5.9)	$ 2.2	$ (4.4)	$ 3.7	$ (5.1)	$ 4.2

In managing interest rate risk, the Company uses several approaches to modify its risk position. Approaches that are used in an effort to shift balance sheet mix or alter the interest rate characteristics of assets and liabilities include changing product pricing strategies, modifying investment portfolio characteristics, or using financial derivative instruments. The use of financial derivatives has 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 to conduct its business in a normal manner.

The Bank is a member of the FHLB, which provides an additional source of short-and long-term funding. Outstanding borrowings from the FHLB were $87.5 million at September 30, 2004, compared to $68.5 million at December 31, 2003 and September 30, 2003. The increase from 2003 was from an additional $25.0 million advance that bears a 3.2% interest rate and matures in 2007.

Additionally, the Bank maintains a $1 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 billion. Subordinated notes outstanding under this bank note program totaled $124.7 million at September 30, 2004, December 31, 2003 and September 30, 2003.

Capital Management

The Company and the Bank are subject to regulatory capital requirements administered by the federal banking agencies. The Company's objective is to hold sufficient capital on a regulatory basis to exceed the minimum guidelines of a "well-capitalized" financial institution, while over the long term optimize shareholder value, support asset growth, reflect risks inherent in its markets, provide protection against unforeseen losses and comply with regulatory requirements.

At September 30, 2004, shareholders' equity totaled $756.7 million, a 5% net decrease from December 31, 2003. The decrease in shareholders' equity during the first nine months of 2004 was primarily attributable to the Company's repurchase of its common stock under the repurchase program and dividends, offset by earnings.

During the nine months ended September 30, 2004, 4.1 million shares of common stock were repurchased at an average cost of $44.54 per share, totaling $182.1 million. From the beginning of the share repurchase program in July 2001 through September 30, 2004, the Company repurchased a total of 33.9 million shares and returned a total of $1,037.1 million to shareholders at an average cost of $30.59 per share. From October 1, 2004 through October 22, 2004, the Company repurchased an additional 80,000 shares of common stock at an average cost of $49.11 per share for a total of $3.9 million, resulting in remaining buyback authority under the existing repurchase program of $108.9 million.

In October 2004, the Company's Board of Directors declared a cash dividend of $0.33 per share on the Company's outstanding shares. The dividend will be payable on December 14, 2004 to shareholders of record at the close of business on November 29, 2004.

Table 15 presents the regulatory capital and ratios as of September 30, 2004, December 31, 2003 and September 30, 2003.

Regulatory Capital and Ratios (Unaudited) **Table 15**

(dollars in thousands)	September 30, 2004	December 31, 2003	September 30, 2003
Regulatory Capital			
Shareholders' Equity	$ 756,707	$ 793,132	$ 823,760
Add: 8.25% Capital Securities of Bancorp Hawaii Capital Trust I	31,425	31,425	31,425
Less: Goodwill	36,216	36,216	36,216
Unrealized Valuation and Other Adjustments	10,784	10,771	12,747
Tier I Capital	741,132	777,570	806,222
Allowable Reserve for Loan Losses	80,604	78,147	75,432
Subordinated Debt	99,798	124,709	124,696
Unrealized Gains on Available for Sale Equity Securities	52	66	86
Total Regulatory Capital	$ 921,586	$ 980,492	1,006,436
Risk Weighted Assets	$ 6,404,282	$ 6,200,831	$ 5,977,306
Key Regulatory Capital Ratios			
Average Equity/Average Assets Ratio	7.57%	9.60%	9.18%
Tier I Capital Ratio	11.57%	12.54%	13.49%
Total Capital Ratio	14.39%	15.81%	16.84%
Leverage Ratio	7.69%	8.43%	8.52%

Economic Outlook

Hawaii's economy continued to expand during the third quarter of 2004. Tourism remains strong and is on track to establish 2004 as a record year in terms of total visitors. Hawaii's unemployment rate fell below 3%, the lowest in the country, as job growth continued in excess of 2%. Real estate transactions and valuations continued to increase and military housing privatization initiatives are expected to augment private construction growth, beginning in the fourth quarter of 2004. These trends are expected to drive capital spending forward for several more years. A rise in core inflation in the Honolulu consumer price index (CPI) from around 1.5% to 3% during the first half of 2004 may indicate the state economy is approaching full employment. However, Hawaii's real personal income growth remains stable at 2% to 3% in 2004, as it has since 1997.

Earnings Outlook

The Company currently anticipates net income for the full year of 2004 will be approximately $166 million to $168 million. Based on present conditions, the Company does not expect to record a Provision during the fourth quarter of 2004. However, the actual amount of the Provision depends on determinations of credit risk that are made near the end of each quarter. Earnings per share and return on average equity projections continue to be dependent upon the terms and timing of share repurchases.

Item 3. Quantitative and Qualitative Disclosures of Market Risk

See Management's Discussion and Analysis of Financial Conditions and Results of Operations-Market Risk.

Item 4. 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 and Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2004. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2004. There were no significant changes in the Company's internal controls over financial reporting that occurred during the third quarter of 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. - Other Information

Items 1, 3 and 4 omitted pursuant to instructions.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program [2]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Announced Program [2]
July 1 - 31, 2004	220,200	$ 45.21	220,000	$ 134,328,852
August 1 - 31, 2004	445,359	46.48	445,359	113,630,097
September 1 - 30, 2004	16,025	47.17	16,025	112,874,160
Total	681,584	$ 46.08	681,384	

1 The July period included 200 shares 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 date of purchase.

2 The Company announced authorizations of additional share repurchases of $100.0 million and $50.0 million on July 26, 2004 and April 27, 2004, respectively.

Item 5. Other Information

Allan R. Landon succeeded Michael E. O'Neill as Chairman and Chief Executive Officer of Bank of Hawaii Corporation and its principal subsidiary, Bank of Hawaii, on September 1, 2004. Mr. Landon, the company's eighth chairman, will retain the title of President.

Item 6. Exhibits

Exhibit Index

<u>Exhibit Number</u>

10.1	Key Executive Change-in-Control Severance Agreement dated June 25, 2004 for R.C. Keene
10.2	Executive Change-in-Control Severance Agreement dated June 25, 2004 for B.T. Stewart
12	Statement Regarding Computation of Ratios
31.1	Rule 13a-14(a) Certifications
31.2	Rule 13a-14(a) Certifications
32	Section 1350 Certification

SIGNATURES

Pursuant to the requirements 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: October 27, 2004

BANK OF HAWAII CORPORATION AND SUBSIDIARIES

By: /s/ Allan R. Landon
Allan R. Landon
Chairman, Chief Executive Officer and President

By: /s/ Richard C. Keene
Richard C. Keene
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number

10.1 Key Executive Change-in-Control Severance Agreement dated June 25, 2004 for R.C. Keene

10.2 Executive Change-in-Control Severance Agreement dated June 25, 2004 for B.T. Stewart

12 Statement Regarding Computation of Ratios

31.1 Rule 13a-14(a) Certifications

31.2 Rule 13a-14(a) Certifications

32 Section 1350 Certification

Exhibit 10.1

Key Executive
Change-in-Control
Severance Agreement

Bank of Hawaii Corporation

Contents

Bank of Hawaii Corporation
Key Executive
Change-in-Control Severance Agreement

Article 1. <u>Establishment and Purpose</u>

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 25th day of June, 2004 *(the "Effective Date"),* by and between Bank of Hawaii Corporation *("BOHC"),* a Delaware corporation, and Richard C. Keene, 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. ***<u>Definitions and Construction</u>***

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. *<u>Severance Benefits</u>*

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 bonus earned under the annual incentive plan (which, for purposes of this Agreement, means the One-Year Incentive Plan, or Key Contributor Incentive Plan, or any successsor 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 successsor 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. <u>Parachute Payments</u>

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. <u>Other Rights and Benefits Not Affected</u>

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: /s/ Michael E. O'Neill
Michael E. O'Neill
Its: Chairman & CEO

By: /s/ Richard C. Keene
(Executive)

ATTEST:

/s/ Neal C. Hocklander

Exhibit 10.2

Executive Change-in-Control
Severance Agreement

Bank of Hawaii Corporation

Contents

Bank of Hawaii Corporation
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 Executive Severance Plan *(the "Plan"),* and is effective as of this 25th day of June, 2004 *(the "Effective Date"),* by and between Bank of Hawaii Corporation *("BOHC"),* a Delaware corporation, and Brian T. Stewart, an executive *(the "Executive")* of its subsidiary, Bank of Hawaii *(the "Bank").* This Agreement shall supersede and replace any prior severance agreement entered into between the Bank 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 ofDirectors 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 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 Qualifying Termination occurs.

(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”** shall mean the basis for a termination of an Executive’s employment by the Bank for which no Severance Benefits are payable hereunder, as provided in Article 4 herein.

(o) **“Normal Retirement Date”** shall mean the date on which the Executive attains age 65.

(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) **"Qualifying Termination"** shall mean a termination of the Executive's employment by the Bank as described in Section 3.2 herein.

(s) **"Severance Benefit"** means the payment of severance compensation as provided in Article 3 herein.

(t) **"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 without regard to the conflicts of law principles in such laws.

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 3.4 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's employment with the Bank shall end for any reason specified in Section 3.2 herein as being a Qualifying Termination. An Executive shall not be entitled to receive Severance Benefits if the Executive's employment with the Bank ends due to an involuntary termination by the Bank for Just Cause, as provided under Article 4 herein, or if the

Executive's employment terminates due to death, Disability, or voluntary employment termination on or after Normal Retirement Date.

3.2 Qualifying Termination. The occurrence of any one or more of the following events within twenty-four *(24)* calendar months after a Change in Control of BOHC shall trigger the payment of Severance Benefits to the Executive, as provided under Section 3.4 herein:

(a) The Bank's involuntary termination of the Executive's employment without Just Cause;

(b) The Executive's voluntary employment termination for Good Reason, as defined by Section 3.3 herein;

(c) A successor company fails or refuses to assume BOHC's obligations under this Agreement in their entirety, as required by Article 8 herein; or

(d) BOHC, or any successor company, commits a material breach of any of the provisions of this Agreement.

3.3 Definition of Good Reason. "Good Reason" means, without the Executive's express written consent, the occurrence after a Change in Control of BOHC of any one or more of the following:

(a) The assignment of the Executive to duties materially inconsistent with the Executive's authorities, duties, responsibilities, and status *(including offices, titles, and reporting requirements)* as an executive and/or officer of BOHC or the Bank, or a material reduction of the Executive's authorities, duties, or responsibilities from those in effect as of ninety *(90)* days prior to the Change in Control, other than an act that is remedied by BOHC or the Bank promptly after receipt of notice thereof given by the Executive;

(b) The Bank requiring the Executive to be based at a location in excess of seventy-five *(75)* miles from the location of the Executive's principal job location or office immediately prior to the Change in Control; except for required travel on Bank business to an extent substantially consistent with the Executive's then present business travel obligations;

(c) A reduction by the Bank of the Executive's annual rate of Base Salary in effect as of ninety *(90)* days prior to the Change in Control;

(d) The failure of BOHC or the Bank to continue in effect any of BOHC's or the Bank's annual and long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or other compensation arrangements in which the Executive participates as in effect prior to the Change in Control, unless such failure to continue the plan, policy, practice, or arrangement pertains to all plan participants generally; or the failure by BOHC or the Bank to continue the Executive's participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants and commensurate with the Executive's responsibility and duties; and

(e) The failure of BOHC or the Bank to obtain a satisfactory agreement from any successor to BOHC to assume and agree to perform BOHC's obligations under this Agreement, as contemplated in Article 8 herein.

3.4 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 him with the following:

(a) An amount equal to two *(2)* times the Executive's annual rate of Base Salary in effect upon the Effective Date of Termination; and

(b) An amount equal to two *(2)* times the Executive's target bonus 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) for the fiscal year prior to the Effective Date of Termination. If the Executive's period of employment is less than one year, the bonus shall be considered zero *(0)* however, the "Completion Bonus" stipulated in the offer of employment letter will be paid, and

(c) A payout under the annual incentive plan, in accordance with the terms of such plan; and

(d) A payout under the long-term incentive plan, in accordance with the terms of such plan; and

(e) A continuation of all welfare benefits at normal employee cost including medical insurance, long-term disability, and group term life insurance for two *(2)* full years from the Effective Date of Termination or until the Executive reaches his Normal Retirement Date, whichever occurs earlier. However, these benefits will be discontinued prior to the end of the two *(2)* years in the event the Executive receives substantially similar benefits from a subsequent employer, as determined by the Human Resources and Compensation Committee.

3.5 Reduction of Severance Benefits. In the event there are fewer than twenty-four *(24)* whole or partial months remaining from the Executive's Effective Date of Termination until the Executive's Normal Retirement Date, then the amounts provided for under Sections 3.4(a), (b), (c), and (d) 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 twenty-four *(24).*

3.6 Outplacement Services. In the event that the Executive becomes entitled to receive Severance Benefits as provided in Section 3.1 herein, the Executive shall be entitled, at the expense of BOHC, to receive standard outplacement services from a nationally recognized outplacement firm as selected by the Executive, for a period of up to twenty-four *(24)* months from the Effective Date of Termination. However, such services shall not exceed a maximum annual benefit of ten percent *(10%)* of the Executive's annual rate of Base Salary as of the Effective Date of Termination.

3.7 Incentive Compensation. In the event that the Executive becomes entitled to receive Severance Benefits as provided in Section 3.1 herein, any deferred awards previously granted to the Executive under the annual incentive plan and long-term incentive plan, 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. Disqualification From Receipt of Benefits

No Severance Benefits shall be payable to the Executive under this Agreement in the event the Executive is terminated by the Bank for Just Cause.

For this purpose, Just Cause shall mean willful, malicious conduct by the Executive which is detrimental to the best interests of BOHC including theft, embezzlement, the conviction of a criminal act, disclosure of trade secrets, a gross dereliction of duty, or other grave misconduct on the part of the Executive which is substantially injurious to BOHC or the Bank. Just Cause also shall include the failure of the Executive to perform any and all covenants under this Agreement.

Article 5. Form and Timing of Severance Benefits

5.1 Form and Timing of Severance Benefits. The Severance Benefits described in Sections 3.4(a), (b), (c) and (d) herein, 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 3.4(e) 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 two *(2)* full calendar years from the Executive's Effective Date of Termination or until the Executive reaches his Normal Retirement date, whichever occurs earlier. However, the Severance Benefits described in Section 3.4(e) herein shall be discontinued prior to the end of the two *(2)* year period immediately upon the Executive receiving substantially similar benefits from a subsequent employer, as determined by the Committee.

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 Determination of Alternative Severance Benefit Limit. Notwithstanding any other provision of this Agreement, if any portion of the Severance Benefits or any other payment under this Agreement, or under any other agreement with, or plan of BOHC *(in the aggregate "Total Payments")* would constitute an "excess parachute payment", then the payments to be made to the Executive under this Agreement shall be reduced such that the value of the aggregate Total Payments that the Executive is entitled to receive shall be one dollar *($1)* less than the maximum amount which the Executive may receive without becoming subject to the tax imposed by Section 4999 of the Code, or which BOHC may pay without loss of deduction under Section 280G(a) of the Code. However, such reduction in Severance Benefits shall apply if, and only if, the resulting Severance Benefits with such reduction is greater in value to the Executive than the value of the Severance Benefits without a reduction, net of any tax imposed on the Executive pursuant to Section 4999 of the Code.

For purposes of this Agreement, the terms "excess parachute payment" and "parachute payments" shall have the meanings assigned to such terms in Section 280G of the Code, and such "parachute payments" shall be valued as provided therein.

6.2 Procedure for Establishing Alternative Limitation. Within fifteen *(15)* calendar days following delivery of the notice of Qualifying Termination or notice by BOHC to the Executive of its belief that there is a payment or benefit due the Executive which will result in an "excess parachute payment" as defined in Section 280G of the Code, the Executive and BOHC, at BOHC's expense, shall obtain the opinion of BOHC's principal outside law firm, accounting firm, and/or compensation and benefits consulting firm, which sets forth: *(i)* the amount of the Executive's "annualized includible compensation for the base period" *[as defined in Code Section 280G(d)(1)]; (ii)* the present value of the Total Payments; and *(iii)* the amount and present value of any "excess parachute payment".

In the event that such opinion determines that there would be an "excess parachute payment", such that a reduction in the Severance Benefits would result in a greater net benefit to the Executive *(as provided in Section 6.1 herein),* then the Severance Benefits hereunder or any other payment determined under the opinion to be includible in Total Payments shall be reduced or eliminated so that, on the basis of calculations set forth in such opinion, there will be no "excess parachute payment".

The reduction or elimination of specific payments shall apply to such type and amount of specific payments as may be designated by the Executive in writing delivered to BOHC within ten *(10)* calendar days of receipt of the opinion, or, if the Executive fails to so notify BOHC, as may be reasonably determined by BOHC.

The provisions of this Section 6.2, including the calculations, notices, and opinion provided for herein, shall be based upon the conclusive presumption that the following amounts are reasonable: *(i)* the compensation and benefits provided for in Article 3 herein; and *(ii)* any other compensation earned prior to the Effective Date of Termination by the Executive pursuant to BOHC's compensation programs *(if such payments would have been made in the future in any event, even though the timing of such payment is triggered by the Change in Control).*

6.3 Subsequent Imposition of Excise Tax. If, notwithstanding compliance with the provisions of Sections 6.1 and 6.2 herein, it is ultimately determined by a court or pursuant to a final determination by the Internal Revenue Service that any portion of the Total Payments is considered to be a "parachute payment", subject to excise tax under Section 4999 of the Code, which was not contemplated to be a "parachute payment" at the time of payment *(so as to accurately determine whether a limitation should have been applied to the Total Payments to maximize the net benefit to the Executive, as provided in Sections 6.1 and 6.2 herein),* the Executive shall be entitled to receive a lump-sum cash payment sufficient to place the Executive in the same net after-tax position, computed by using the "Special Tax Rate" as such term is defined below, that the Executive would have been in had such payment not been subject to such excise tax, and had the Executive not incurred any interest charges or penalties with respect to the imposition of such excise tax. For purposes of this Agreement, the "Special Tax Rate" shall be the highest effective Federal and state marginal tax rates applicable to the Executive in the year in which the payment contemplated under the Section 6.3 is made.

Article 7. ***<u>Other Rights and Benefits Not Affected</u>***

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 Bank 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. The Executive serves as an employee of the Bank and this Agreement shall not create an employment relationship between BOHC and the Executive.

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 to him hereunder had he 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's Severance Benefits under this Agreement shall be 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***

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: /s/ Michael E. O'Neill
Michael E. O'Neill
Its: Chairman & CEO

By: /s/ Brian T. Stewart
(Executive)

ATTEST:

/s/ Neal C. Hocklander

Exhibit 12

Bank of Hawaii Corporation and Subsidiaries
Statement Regarding Computation of Ratios

(dollars in thousands)	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Earnings:		
1. Income Before Income Taxes	$ 198,566	$ 147,402
2. Plus: Fixed Charges Including Interest on Deposits	49,619	63,038
3. Earnings Including Fixed Charges	248,185	210,440
4. Less: Interest on Deposits	26,750	38,040
5. Earnings Excluding Interest on Deposits	$ 221,435	$ 172,400
Fixed Charges:		
6. Fixed Charges Including Interest on Deposits	$ 49,619	$ 63,038
7. Less: Interest on Deposits	26,750	38,040
8. Fixed Charges Excluding Interest on Deposits	$ 22,869	$ 24,998
Ratio of Earnings to Fixed Charges:		
Including Interest on Deposits (Line 3 divided by Line 6)	5.0x	3.3x
Excluding Interest on Deposits (Line 5 divided by Line 8)	9.7x	6.9x

Exhibit 31.1

BANK OF HAWAII CORPORATION AND SUBSIDIARIES
Rule 13a-14(a) Certifications

I, Allan R. Landon, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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) 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

   c) 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 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: October 27, 2004

/s/ Allan R. Landon
Allan R. Landon
Chairman, Chief Executive Officer and President

Exhibit 31.2

BANK OF HAWAII CORPORATION AND SUBSIDIARIES
Rule 13a-14(a) Certifications

I, Richard C. Keene, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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) 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

   c) 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 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: October 27, 2004

/s/ Richard C. Keene
Richard C. Keene
Chief Financial Officer

Exhibit 32

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 Form 10-Q of Bank of Hawaii Corporation (the "Issuer") for the quarterly period ended September 30, 2004 (the "Periodic 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 Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: October 27, 2004

/s/ Allan R. Landon
Allan R. Landon
Chairman, Chief Executive Officer and President

/s/ Richard C. Keene
Richard C. Keene
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Periodic Report or as a separate disclosure document.