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 June 30, 2005**

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to**

Commission File Number 1-6887

BANK OF HAWAII CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**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 July 22, 2005 – 51,846,908 shares

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands except per share amounts)	**2005**	**2004**	**2005**	**2004**
Interest Income				
Interest and Fees on Loans and Leases	$ 90,119	$ 80,346	$ 176,586	$ 161,774
Income on Investment Securities - Available for Sale	27,987	21,745	55,306	42,591
Income on Investment Securities - Held to Maturity	5,527	6,711	11,352	13,687
Deposits	36	1,646	59	2,877
Funds Sold	165	177	240	594
Other	271	865	720	1,723
Total Interest Income	124,105	111,490	244,263	223,246
Interest Expense				
Deposits	13,577	8,560	25,181	17,760
Securities Sold Under Agreements to Repurchase	4,562	2,222	7,887	4,148
Funds Purchased	1,151	506	1,884	737
Short-Term Borrowings	45	13	77	28
Long-Term Debt	3,731	4,340	7,537	8,693
Total Interest Expense	23,066	15,641	42,566	31,366
Net Interest Income	101,039	95,849	201,697	191,880
Provision for Loan and Lease Losses	—	(3,500)	—	(3,500)
Net Interest Income After Provision for Loan and Lease Losses	101,039	99,349	201,697	195,380
Non-Interest Income				
Trust and Asset Management	14,058	12,995	28,680	26,859
Mortgage Banking	2,594	2,808	5,184	4,785
Service Charges on Deposit Accounts	9,569	9,540	19,748	19,490
Fees, Exchange, and Other Service Charges	15,211	14,243	29,047	27,482
Investment Securities Gains (Losses)	337	(37)	337	(37)
Insurance	4,330	4,926	10,118	9,584
Other	4,575	10,373	9,875	15,527
Total Non-Interest Income	50,674	54,848	102,989	103,690
Non-Interest Expense				
Salaries and Benefits	43,856	46,689	88,625	92,690
Net Occupancy Expense	9,189	9,543	18,734	18,929
Net Equipment Expense	5,377	5,799	10,848	11,763
Other	20,582	23,094	41,660	44,765
Total Non-Interest Expense	79,004	85,125	159,867	168,147
Income Before Income Taxes	72,709	69,072	144,819	130,923
Provision for Income Taxes	26,280	24,840	52,868	46,892
Net Income	$ 46,429	$ 44,232	$ 91,951	$ 84,031
Basic Earnings Per Share	$ 0.90	$ 0.84	$ 1.75	$ 1.57
Diluted Earnings Per Share	$ 0.87	$ 0.79	$ 1.69	$ 1.48
Dividends Declared Per Share	$ 0.33	$ 0.30	$ 0.66	$ 0.60
Basic Weighted Average Shares	51,873,772	52,491,874	52,646,022	53,389,261
Diluted Weighted Average Shares	53,403,781	55,662,415	54,250,018	56,710,653

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

(dollars in thousands)	June 30, 2005	December 31, 2004	June 30, 2004
Assets			
Interest-Bearing Deposits	$ 4,825	$ 4,592	$ 179,680
Investment Securities - Available for Sale			
Held in Portfolio	2,396,204	2,483,719	2,275,272
Pledged as Collateral	117,947	—	—
Investment Securities - Held to Maturity (Fair Value of $522,993, $585,836, and $663,534)	526,767	589,908	679,382
Funds Sold	50,000	21,000	—
Loans Held for Sale	17,435	17,642	9,565
Loans and Leases	6,151,418	5,986,930	5,787,314
Allowance for Loan and Lease Losses	(101,587)	(106,796)	(124,904)
Net Loans	6,049,831	5,880,134	5,662,410
Total Earning Assets	9,163,009	8,996,995	8,806,309
Cash and Non-Interest-Bearing Deposits	293,115	225,359	339,486
Premises and Equipment	137,907	146,095	149,128
Customers' Acceptance Liability	1,598	1,406	1,213
Accrued Interest Receivable	38,540	36,044	36,378
Foreclosed Real Estate	292	191	4,889
Mortgage Servicing Rights	18,239	18,769	20,819
Goodwill	34,959	36,216	36,216
Other Assets	372,031	305,116	294,331
Total Assets	$ 10,059,690	$ 9,766,191	$ 9,688,769
Liabilities			
Deposits			
Non-Interest-Bearing Demand	$ 1,918,749	$ 1,977,703	$ 1,939,580
Interest-Bearing Demand	1,641,873	1,536,323	1,464,207
Savings	2,967,993	2,960,351	2,976,108
Time	1,198,143	1,090,290	1,089,393
Total Deposits	7,726,758	7,564,667	7,469,288
Securities Sold Under Agreements to Repurchase	861,233	568,981	687,816
Funds Purchased	63,565	149,635	139,055
Short-Term Borrowings	9,894	15,000	11,055
Banker's Acceptances Outstanding	1,598	1,406	1,213
Retirement Benefits Payable	66,638	65,708	62,821
Accrued Interest Payable	8,617	7,021	7,169
Taxes Payable and Deferred Taxes	283,082	229,928	225,989
Other Liabilities	83,462	96,373	87,325
Long-Term Debt	242,674	252,638	297,600
Total Liabilities	9,347,521	8,951,357	8,989,331
Shareholders' Equity			
Common Stock ($.01 par value); authorized 500,000,000 shares; issued / outstanding: June 2005 - 81,721,733 / 51,853,734, December 2004 - 81,711,752 / 54,960,857, June 2004 - 81,711,599 / 52,426,010	815	813	813
Capital Surplus	457,280	450,998	403,150
Accumulated Other Comprehensive Income (Loss)	(18,471)	(12,917)	(27,258)
Retained Earnings	1,339,119	1,282,425	1,251,689
Deferred Stock Grants	(7,166)	(8,433)	(9,391)
Treasury Stock, at Cost (Shares: June 2005 - 29,867,999, December 2004 - 26,750,895, June 2004 - 29,285,589)	(1,059,408)	(898,052)	(919,565)
Total Shareholders' Equity	712,169	814,834	699,438
Total Liabilities and Shareholders' Equity	$ 10,059,690	$ 9,766,191	$ 9,688,769

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, 2004	$ 814,834	$ 813	$ 450,998	$ (12,917)	$ 1,282,425	$ (8,433)	$ (898,052)	
Comprehensive Income:								
Net Income	91,951	—	—	—	91,951	—	—	$ 91,951
Other Comprehensive Income, Net of Tax:								
Change in Unrealized Gains and Losses on Investment Securities	(5,554)	—	—	(5,554)	—	—	—	(5,554)
Total Comprehensive Income								$ 86,397
Common Stock Issued under Stock Plans and Related Tax Benefits (605,364 shares)	21,499	2	6,282	—	(610)	1,267	14,558	
Treasury Stock Purchased (3,710,379 shares)	(175,914)	—	—	—	—	—	(175,914)	
Cash Dividends Paid	(34,647)	—	—	—	(34,647)	—	—	
Balance at June 30, 2005	$ 712,169	$ 815	$ 457,280	$ (18,471)	$ 1,339,119	$ (7,166)	$ (1,059,408)	
Balance at December 31, 2003	$ 793,132	$ 807	$ 391,701	$ (5,711)	$ 1,199,077	$ (8,309)	$ (784,433)	
Comprehensive Income:								
Net Income	84,031	—	—	—	84,031	—	—	$ 84,031
Other Comprehensive Income, Net of Tax:								
Change in Unrealized Gains and Losses on Investment Securities	(21,547)	—	—	(21,547)	—	—	—	(21,547)
Total Comprehensive Income								$ 62,484
Common Stock Issued under Stock Plans and Related Tax Benefits (908,502 shares)	32,028	6	11,449	—	803	(1,082)	20,852	
Treasury Stock Purchased (3,527,779 shares)	(155,984)	—	—	—	—	—	(155,984)	
Cash Dividends Paid	(32,222)	—	—	—	(32,222)	—	—	
Balance at June 30, 2004	$ 699,438	$ 813	$ 403,150	$ (27,258)	$ 1,251,689	$ (9,391)	$ (919,565)	

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

(dollars in thousands)	Six Months Ended June 30, 2005	2004
Operating Activities		
Net Income	$ 91,951	$ 84,031
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan and Lease Losses	—	(3,500)
Goodwill Impairment	1,257	—
Depreciation and Amortization	9,673	10,523
Amortization of Deferred Loan and Lease Fees, Net	(382)	(1,248)
Amortization/Accretion of Premiums/Discounts on Investment Securities, Net	4,692	6,830
Deferred Stock Grants	2,572	2,444
Deferred Income Taxes	5,908	8,296
Net (Gain) Loss on Investment Securities	(337)	37
Proceeds from Sales of Loans Held for Sale	219,688	250,449
Originations of Loans Held for Sale	(219,481)	(250,803)
Net Change in Other Assets and Other Liabilities	(28,070)	11,323
Net Cash Provided by Operating Activities	87,471	118,382
Investing Activities		
Proceeds from Sales and Redemptions of Investment Securities - Available for Sale	324,008	347,709
Purchases of Investment Securities - Available for Sale	(366,619)	(671,520)
Proceeds from Redemptions of Investment Securities - Held to Maturity	62,291	117,212
Purchases of Investment Securities - Held to Maturity	—	(70,238)
Net Increase in Loans and Leases	(167,091)	(29,567)
Premises and Equipment, Net	(1,485)	354
Net Cash Used by Investing Activities	(148,896)	(306,050)
Financing Activities		
Net Increase in Demand Deposits	46,596	113,529
Net Increase in Savings Deposits	7,642	142,729
Net Increase (Decrease) in Time Deposits	107,853	(119,749)
Net Increase in Short-Term Borrowings	201,076	243,389
Repayments of Long-Term Debt	(9,964)	(26,468)
Proceeds from Issuance of Common Stock	15,772	23,380
Repurchase of Common Stock	(175,914)	(155,984)
Cash Dividends Paid	(34,647)	(32,222)
Net Cash Provided by Financing Activities	158,414	188,604
Increase in Cash and Cash Equivalents	96,989	936
Cash and Cash Equivalents at Beginning of Period	250,951	518,230
Cash and Cash Equivalents at End of Period	$ 347,940	$ 519,166

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"). All 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 ("GAAP") 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 GAAP 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 2004 Annual Report on Form 10-K. Operating results for the six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

Securities Sold Under Agreements to Repurchase

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

Stock-Based Compensation

As permitted by the Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), the Company currently accounts for share-based payments using the intrinsic value method permitted by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25") and related interpretations. Accordingly, the Company recognizes no compensation cost for employee stock options that were granted with an exercise price equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands except per share and option data)	2005	2004 [1]	2005	2004 [1]
Net Income, as reported	$ 46,429	$ 44,232	$ 91,951	$ 84,031
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 [2]	(500)	(1,161)	(1,204)	(2,672)
Pro Forma Net Income	$ 45,929	$ 43,071	$ 90,747	$ 81,359
Earnings Per Share:				
Basic-as reported	$ 0.90	$ 0.84	$ 1.75	$ 1.57
Basic-pro forma	0.89	0.82	1.72	1.52
Diluted-as reported	0.87	0.79	1.69	1.48
Diluted-pro forma	0.86	0.77	1.67	1.43

[1] Prior period amounts restated to account for forfeitures and adjustment to dividend yield calculation.

[2] A Black-Scholes option pricing model was used to determine the fair values of the options granted.

Recently Issued and Proposed Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004) ("SFAS No. 123(R)"), *Share-Based Payment*, which is a revision of SFAS No. 123. SFAS No. 123(R) supersedes APB No. 25 and amends FASB Statement No. 95, *Statement of Cash Flows*. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense through the income statement based on their fair values at issue date. Pro forma disclosure will no longer be an alternative. On April 14, 2005, the Securities and Exchange Commission announced that it would provide for a phased-in-implementation process for SFAS No. 123(R). Under this process, the Company will be required to adopt SFAS No. 123(R) no later than the beginning of the first fiscal year that begins after June 15, 2005. The Company plans to adopt SFAS No. 123(R) on January 1, 2006.

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

The adoption of SFAS No. 123(R) will have an impact on the Company's results of operations, although it will have no impact on the Company's overall financial position. Had the Company adopted SFAS No. 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net income and earnings per share shown in the table above.

In July 2005, the FASB issued an exposure draft, FASB Staff Position ("FSP") No. FAS 13-a " *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction*" ("FSP 13-a"). Under FSP 13-a, a revision in the timing of expected cash flows of a leveraged lease may require a recalculation of the original lease assumptions. A material change in the net investment in a leveraged lease using different cash flow assumptions would be recognized as a gain or loss in the period in which the assumptions are revised. The Company has entered into leveraged lease transactions that are currently under various stages of review by the Internal Revenue Service ("IRS"). The outcome of these reviews may change the timing of cash flows from these leases which may result in gain or loss recognition. Management is currently evaluating the potential effect of the proposed recognition provisions of FSP 13-a.

Note 2. Business Segments

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

Note 3. Pension Plans and Postretirement Benefit Plan

The components of net periodic cost for the aggregated pension plans and the postretirement benefit plan for the three and six months ended June 30, 2005 and 2004 are presented in the following table:

	Pension Benefits		Postretirement Benefits	
(dollars in thousands)	**2005**	**2004**	**2005**	**2004**
Three Months Ended June 30,				
Service Cost	$ —	$ —	$ 285	$ 247
Interest Cost	1,125	1,091	500	443
Expected Return on Plan Assets	(1,185)	(1,182)	—	—
Amortization of Unrecognized Net Transition Obligation	—	—	146	147
Recognized Net Actuarial Loss (Gain)	421	328	(41)	(156)
Total Net Periodic Cost	$ 361	$ 237	$ 890	$ 681
Six Months Ended June 30,				
Service Cost	$ —	$ —	$ 540	$ 494
Interest Cost	2,250	2,183	950	886
Expected Return on Plan Assets	(2,370)	(2,364)	—	—
Amortization of Unrecognized Net Transition Obligation	—	—	293	294
Recognized Net Actuarial Loss (Gain)	841	656	(83)	(312)
Total Net Periodic Cost	$ 721	$ 475	$ 1,700	$ 1,362

There were no significant changes from the previously reported $1.8 million in contributions expected to be paid during 2005.

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

FORWARD-LOOKING STATEMENTS

This report, including the statements under the caption "Financial Outlook," contains forward-looking statements concerning, among other things, the economic and business environment in the Company's service area and elsewhere, credit quality, the expected level of loan and lease loss provisioning, anticipated net income and other financial and business matters in future periods. The Company's forward-looking statements are based on numerous assumptions, any of which could prove to be inaccurate and actual results may differ materially from those projected 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, legislation in Hawaii and the other markets the Company serves, or the timing and interpretation of accounting standards; 2) changes in the Company's credit quality or risk profile which may increase or decrease the required level of the reserve for credit losses; 3) changes in market interest rates that may affect the Company's credit markets and ability to maintain the Company's net interest margin; 4) changes to the amount and timing of the Company's proposed equity repurchases and repayment of maturing debt; 5) real or threatened acts of war or terrorist activity affecting business conditions; and 6) 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

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

The Plan consists of five key elements:

- Accelerate revenue growth in our island markets
- Better integrate our business segments
- Continue to develop our management teams
- Improve operating efficiency
- Maintain a culture of dependable risk and capital management

During the first six months of 2005, the Company continued to meet the key financial objectives of the Plan. Total revenue, consisting of net interest income and non-interest income, for the first six months of 2005, increased 3% from the same prior year period. As of June 30, 2005, loans and leases outstanding increased 6% and deposits increased 3% compared to June 30, 2004.

The Company continues to better integrate the Company's three primary business segments – Retail Banking, Commercial Banking and the Investment Services Group – through improved processes, training and communications. As a result, the needs of the Company's customers are better addressed and customer relationships continue to strengthen.

The Company utilizes various financial measures to evaluate its performance against the objectives of the Plan, many of which are discussed below.

Operating efficiency improved in the first six months of 2005 compared to the same period in 2004, as the Company continues to improve processes. The efficiency ratio for the first six months of 2005 was 52.47% compared to 56.89% in the same period in 2004. Operating income, which is defined as the income before the provision for loan and lease losses and income taxes increased 13.7% in the first six months of 2005 compared to the same period in 2004.

The management of both risk and capital continues to be dependable and disciplined in 2005. As of June 30, 2005, the ratio of non-accrual loans to total loans was 0.16% and the leverage ratio was 7.18%.

The Company's net income for the first six months of 2005 was $92.0 million, an increase of 9% from $84.0 million reported in the same prior year period. Additional results for the first six months of 2005 compared to the same period in 2004 were as follows:

- Diluted earnings per share were $1.69, an increase of 14%
- The net interest margin was 4.39%, an increase of 16 basis points
- Return on average assets increased to 1.87% from 1.73%
- Return on average equity increased to 24.78% from 22.03%

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

Table 1 presents the Company's financial highlights for the three and six months ended June 30, 2005 and 2004.

Highlights (Unaudited) **Table 1**

(dollars in thousands except per share amounts)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
For the Period:				
Interest Income	$ 124,105	$ 111,490	$ 244,263	$ 223,246
Net Interest Income	101,039	95,849	201,697	191,880
Net Income	46,429	44,232	91,951	84,031
Basic Earnings Per Share	0.90	0.84	1.75	1.57
Diluted Earnings Per Share	0.87	0.79	1.69	1.48
Dividends Declared Per Share	0.33	0.30	0.66	0.60
Net Income to Average Total Assets (ROA)	1.87%	1.80%	1.87%	1.73%
Net Income to Average Shareholders' Equity (ROE)	25.98	24.28	24.78	22.03
Net Interest Margin [1]	4.36	4.17	4.39	4.23
Efficiency Ratio [2]	52.07	56.49	52.47	56.89
Average Assets	$ 9,969,243	$ 9,893,303	$ 9,907,845	$ 9,785,603
Average Loans and Leases	6,090,149	5,772,926	6,045,609	5,757,647
Average Deposits	7,747,331	7,371,388	7,717,729	7,345,645
Average Shareholders' Equity	716,767	732,652	748,344	766,950
Average Equity to Average Assets	7.19%	7.41%	7.55%	7.84%

		June 30, 2005	June 30, 2004
At Period End:			
Net Loans		$ 6,049,831	$ 5,662,410
Total Assets		10,059,690	9,688,769
Deposits		7,726,758	7,469,288
Long-Term Debt		242,674	297,600
Shareholders' Equity		712,169	699,438
Allowance to Loans and Leases Outstanding		1.65%	2.16%
Dividend Payout Ratio		37.71	38.22
Leverage Ratio		7.18	7.16
Book Value Per Common Share		$ 13.73	$ 13.34
Employees (FTE)		2,561	2,683
Branches and offices		86	89
Market Price Per Share of Common Stock for the Quarter Ended:			
	Closing	$ 50.75	$ 45.22
	High	51.30	46.84
	Low	43.82	40.97

[1] The net interest margin is defined as net interest income, on a fully-taxable equivalent basis, as a percentage of average earning assets.

[2] 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 six month periods ended June 30, 2005 increased $5.2 million and $9.8 million, respectively, or a 5% change for both periods compared to the same periods in 2004. The net interest margin for the three months ended June 30, 2005 was 4.36%, a 19 basis point increase from the same prior year period. The net interest margin for the first six months of 2005 was 4.39%, a 16 basis point increase from the same period in 2004. The increase in net interest income was primarily a result of higher income earned on the investment securities and loans portfolio. The increase in interest income on the investment securities portfolio was due to an increase in average balances resulting from better utilization of the Company's liquidity and reduction in prepayments on mortgage-backed securities. Interest income on commercial and industrial loans increased primarily due to higher average yields earned, which was consistent with increases in benchmark interest rates, and an increase in average balances. Home equity loans experienced higher interest income due to re-pricing of initial introductory rates to fully indexed rates and increases in the average balance outstanding resulting from promotions. Partially offsetting these positive increases in interest income was an increase in interest expense due mainly to the increase in short-term interest rates. As a result of the Federal Reserve increasing short-term interest rates, the average federal funds rate was 172 basis points higher for the six months ended June 30, 2005 compared to the same prior year period. In comparison, the Company's average interest-bearing deposits rates increased by 22 basis points.

Average balances, related interest 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 June 30, 2005			Three Months Ended June 30, 2004			Six Months Ended June 30, 2005			Six Months Ended June 30, 2004		
(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	$ 6.0	$ —	2.36%	$ 408.8	$ 1.6	1.62%	$ 5.4	$ 0.1	2.17%	$ 329.2	$ 2.8	1.76%
Funds Sold	23.1	0.2	2.86	71.3	0.2	0.99	17.9	0.2	2.68	120.1	0.6	0.99
Investment Securities												
Available for Sale	2,542.5	28.0	4.41	2,148.9	21.8	4.06	2,517.0	55.4	4.41	2,068.7	42.6	4.13
Held to Maturity	544.1	5.5	4.06	709.8	6.7	3.78	559.3	11.4	4.06	714.8	13.7	3.83
Loans Held for Sale	15.1	0.2	5.72	20.7	0.3	5.54	14.1	0.4	5.57	18.1	0.5	5.45
Loans and Leases [1]												
Commercial and Industrial	945.0	14.3	6.07	845.2	10.3	4.90	924.8	27.5	5.99	844.8	20.4	4.86
Construction	140.9	2.1	5.91	100.4	0.9	3.80	132.5	3.7	5.69	100.4	2.0	4.05
Commercial Mortgage	599.3	8.8	5.89	638.9	8.6	5.39	602.6	17.4	5.81	636.5	17.2	5.42
Residential Mortgage	2,343.9	33.1	5.64	2,281.8	32.2	5.65	2,338.0	65.7	5.62	2,299.6	65.5	5.70
Other Revolving Credit and Installment	739.6	15.4	8.37	683.2	14.4	8.51	738.2	30.5	8.32	667.1	28.7	8.67
Home Equity	719.0	10.8	6.01	534.6	6.1	4.63	699.0	20.2	5.83	511.9	11.9	4.68
Purchased Home Equity	103.3	0.8	3.06	178.8	1.9	4.16	110.0	1.8	3.32	191.8	4.6	4.70
Lease Financing	499.2	4.7	3.74	510.1	5.6	4.38	500.5	9.4	3.81	505.5	11.0	4.35
Total Loans and Leases	6,090.2	90.0	5.91	5,773.0	80.0	5.56	6,045.6	176.2	5.86	5,757.6	161.3	5.62
Other	66.3	0.3	1.64	78.1	0.9	4.45	60.1	0.7	2.42	77.8	1.8	4.45
Total Earning Assets [2]	9,287.3	124.2	5.35	9,210.6	111.5	4.86	9,219.4	244.4	5.32	9,086.3	223.3	4.93
Cash and Non-Interest-Bearing Deposits	305.8			306.3			310.6			316.9		
Other Assets	376.1			376.4			377.8			382.4		
Total Assets	$ 9,969.2			$ 9,893.3			$ 9,907.8			$ 9,785.6		
Interest-Bearing Liabilities												
Interest-Bearing Deposits												
Demand	$ 1,667.3	2.4	0.58	$ 1,390.2	0.6	0.17	$ 1,642.9	4.1	0.50	$ 1,380.1	1.1	0.16
Savings	2,970.8	4.8	0.65	2,911.5	3.1	0.43	2,971.5	9.2	0.62	2,891.6	6.4	0.44
Time	1,159.0	6.4	2.20	1,129.5	4.9	1.74	1,137.0	11.9	2.11	1,159.1	10.3	1.79
Total Interest-Bearing Deposits	5,797.1	13.6	0.94	5,431.2	8.6	0.63	5,751.4	25.2	0.88	5,430.8	17.8	0.66
Short-Term Borrowings	822.9	5.8	2.81	1,082.5	2.7	1.02	764.9	9.9	2.60	972.4	4.9	1.02
Long-Term Debt	242.7	3.7	6.16	317.3	4.3	5.48	245.6	7.5	6.15	319.1	8.6	5.46
Total Interest-Bearing Liabilities	6,862.7	23.1	1.35	6,831.0	15.6	0.92	6,761.9	42.6	1.27	6,722.3	31.3	0.94
Net Interest Income		$ 101.1			$ 95.9			$ 201.8			$ 192.0	
Interest Rate Spread			4.00%			3.94%			4.05%			3.99%
Net Interest Margin			4.36%			4.17%			4.39%			4.23%
Non-Interest-Bearing Demand Deposits	1,950.2			1,940.2			1,966.4			1,914.8		
Other Liabilities	439.5			389.4			431.2			381.5		
Shareholders' Equity	716.8			732.7			748.3			767.0		
Total Liabilities and Shareholders' Equity	$ 9,969.2			$ 9,893.3			$ 9,907.8			$ 9,785.6		

1 Non-performing loans are included in the respective average loan balances. Income, if any, on such loans is recognized on a cash basis.

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

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

	Six Months Ended June 30, 2005 Compared to June 30, 2004		
(dollars in millions)	Volume [1]	Rate [1]	Total
Change in Interest Income:			
Interest-Bearing Deposits	$ (3.3)	$ 0.6	$ (2.7)
Funds Sold	(0.8)	0.4	(0.4)
Investment Securities			
Available for Sale	9.7	3.1	12.8
Held to Maturity	(3.1)	0.8	(2.3)
Loans Held for Sale	(0.1)	—	(0.1)
Loans and Leases			
Commercial and Industrial	2.1	5.0	7.1
Construction	0.7	1.0	1.7
Commercial Mortgage	(1.0)	1.2	0.2
Residential Mortgage	1.1	(0.9)	0.2
Other Revolving Credit and Installment	2.9	(1.1)	1.8
Home Equity	5.0	3.3	8.3
Purchased Home Equity	(1.6)	(1.2)	(2.8)
Lease Financing	(0.1)	(1.5)	(1.6)
Total Loans and Leases	9.1	5.8	14.9
Other	(0.4)	(0.7)	(1.1)
Total Change in Interest Income	11.1	10.0	21.1
Change in Interest Expense:			
Interest-Bearing Deposits			
Demand	0.2	2.8	3.0
Savings	0.2	2.6	2.8
Time	(0.2)	1.8	1.6
Total Interest-Bearing Deposits	0.2	7.2	7.4
Short-Term Borrowings	(1.2)	6.2	5.0
Long-Term Debt	(2.2)	1.1	(1.1)
Total Change in Interest Expense	(3.2)	14.5	11.3
Change in Net Interest Income	$ 14.3	$ (4.5)	$ 9.8

[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

For the three and six months ending June 30, 2005, the Company recorded no Provision for Loan and Lease Losses ("Provision"). The Company returned to income $3.5 million from a release of a portion of the allowance for loan and lease losses in the second quarter of 2004. For information on the reserve for credit losses, refer to "Corporate Risk Profile – Reserve for Credit Losses" section of this report.

Non-Interest Income

Non-interest income decreased $4.2 million or 8% and $0.7 million or 1% for the three and six months ended June 30, 2005, respectively, from the comparable prior year periods primarily due to $5.7 million special income items that occurred in the second quarter of 2004 as shown on Table 4 below.

Non-Interest Income (Unaudited) **Table 4**

(dollars in thousands)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Percent Change	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	Percent Change
Trust and Asset Management	$ 14,058	$ 12,995	8%	$ 28,680	$ 26,859	7%
Mortgage Banking	2,594	2,808	(8)	5,184	4,785	8
Service Charges on Deposit Accounts	9,569	9,540	—	19,748	19,490	1
Fees, Exchange, and Other Service Charges	15,211	14,243	7	29,047	27,482	6
Investment Securities Gains (Losses)	337	(37)	n.m.	337	(37)	n.m.
Insurance	4,330	4,926	(12)	10,118	9,584	6
Other Income:						
Income from Bank-Owned Life Insurance	1,509	1,800	(16)	2,976	3,567	(17)
Leasing Partnership Distribution	—	3,218	n.m.	7	3,218	n.m.
Gain on the Sale of Land	—	2,454	n.m.	—	2,454	n.m.
Other	3,066	2,901	6	6,892	6,288	10
Total Other Income	4,575	10,373	(56)	9,875	15,527	(36)
Total Non-Interest Income	$ 50,674	$ 54,848	(8)%	$ 102,989	$ 103,690	(1)%

n.m. - not meaningful.

Trust and asset management income increased $1.1 million or 8% and $1.8 million or 7%, respectively, for the three and six months ended June 30, 2005 compared to the same periods in 2004. 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 an increase in investment advisory fees on money market assets.

Mortgage banking income declined $0.2 million and increased $0.4 million, respectively, for the three and six months ended June 30, 2005, or an 8% change for both periods compared to the same periods in 2004. The decline from the second quarter of 2004 was primarily a result of lower gains on the sale of mortgage loans in 2005, which was attributable to a 21% decrease in mortgage loan originations due to the low interest rate environment in the second quarter of 2004. On a year-to-date comparison, the increase was largely due to higher net servicing income as a result of slowdown in prepayments.

Fees, exchange and other service charges increased $1.0 million or 7% and $1.6 million or 6%, respectively, for the three and six months ended June 30, 2005 compared to the same prior year periods. This increase was primarily due to higher merchant card transaction income, resulting from increased transaction volume and higher loan fees, partially offset by a decrease in foreign exchange income.

Insurance income decreased $0.6 million or 12% and increased by $0.5 million or 6% for the three and six months ended June 30, 2005, respectively, compared to the same periods in 2004. The decline from the second quarter of 2004 was a result of lower premium income. On a year-to-date comparison, the increase was primarily due to higher annuity and life insurance product income.

Other non-interest income decreased $5.8 million or 56% and $5.7 million or 36%, respectively, for the three and six months ended June 30, 2005 compared to the same prior year periods. The decline was due to a $3.2 million distribution from a leasing partnership investment and a $2.5 million gain realized on the sale of a parcel of land, both occurring in the second quarter of 2004.

Non-Interest Expense

Non-interest expense decreased $6.1 million or 7% and $8.3 million or 5%, respectively, for the three and six months ended June 30, 2005 compared to the same prior year periods. Table 5 presents the components of non-interest expense.

Non-Interest Expense (Unaudited) **Table 5**

(dollars in thousands)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Percent Change	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	Percent Change
Salaries and Benefits:						
Salaries	$ 26,616	$ 27,904	(5)%	$ 52,669	$ 55,108	(4)%
Incentive Compensation	3,725	3,260	14	7,693	7,076	9
Stock-Based Compensation	1,828	3,233	(44)	3,543	6,129	(42)
Commission Expense	2,281	2,284	—	4,533	3,911	16
Retirement and Other Benefits	4,437	4,214	5	9,205	8,571	7
Payroll Taxes	2,205	3,103	(29)	5,658	6,533	(13)
Medical, Dental, and Life Insurance	1,823	2,136	(15)	4,054	4,240	(4)
Separation Expense	941	555	70	1,270	1,122	13
Total Salaries and Benefits	43,856	46,689	(6)	88,625	92,690	(4)
Net Occupancy Expense	9,189	9,543	(4)	18,734	18,929	(1)
Net Equipment Expense	5,377	5,799	(7)	10,848	11,763	(8)
Other Expense:						
Professional Services	3,361	4,175	(20)	6,946	8,257	(16)
Delivery and Postage Services	2,397	2,454	(2)	4,855	5,082	(5)
Data Services	2,908	2,480	17	5,707	4,805	19
Other	11,916	13,985	(15)	24,152	26,621	(9)
Total Other Expense	20,582	23,094	(11)	41,660	44,765	(7)
Total Non-Interest Expense	$ 79,004	$ 85,125	(7)%	$ 159,867	$ 168,147	(5)%

Salaries and benefits expense decreased $2.8 million or 6% and $4.1 million or 4%, respectively, for the three and six months ended June 30, 2005 compared to the same prior year periods. Base salaries decreased as a result of a decline in the number of employees. In addition, stock-based compensation decreased as a result of fewer restricted stock units outstanding in 2005.

Net equipment expense declined by $0.4 million or 7% and $0.9 million or 8%, respectively, for the three and six months ended June 30, 2005, compared to the same prior year periods as a result of lower technology expense.

Other non-interest expense decreased $2.5 million or 11% and $3.1 million or 7%, respectively, for the three and six months ended June 30, 2005 compared to the same periods in 2004. The decrease in the three months ended June 30, 2005 from the same prior year period was largely related to a $2.2 million legal settlement during the second quarter of 2004. The decrease for six months ended June 30, 2005 compared to the same prior year period was due to the aforementioned settlement and lower professional fees.

Provision for Income Taxes

The effective tax rate for the three and six months ended June 30, 2005 was 36.14% and 36.51%, respectively, compared to 35.96% and 35.82% in the comparable periods of 2004. The increase was largely due to a goodwill impairment charge in the first quarter of 2005, which was not tax deductible.

BALANCE SHEET ANALYSIS

Short-Term Earning Assets

Short-term earning assets which consist of interest-bearing deposits and funds sold totaled $54.8 million at June 30, 2005, an increase of $29.2 million from December 31, 2004 and a decrease of $124.9 million from June 30, 2004. The decline from June 30, 2004 was mainly a result of more effective management of liquidity.

Investment Securities

Investment securities totaled $3.0 billion as of June 30, 2005, a $32.7 million decrease from December 31, 2004 and a $86.3 million increase from June 30, 2004. At June 30, 2005 investment securities with a book value of $1.5 billion were pledged to secure deposits of government entities and $117.9 million was pledged to secure certain repos.

Table 6 presents the details of the investment securities portfolio at June 30, 2005 and December 31, 2004.

Investment Securities (Unaudited) **Table 6**

(dollars in thousands)	Amortized Cost	Fair Value
June 30, 2005		
Securities - Available for Sale:		
Debt Securities Issued by the U.S. Treasury and Agencies	$ 68,620	$ 68,906
Debt Securities Issued by States and Municipalities	19,863	20,090
Mortgage-Backed Securities	2,092,440	2,094,429
Other Debt Securities	333,552	330,726
Total	$ 2,514,475	$ 2,514,151
Securities - Held to Maturity:		
Debt Securities Issued by States and Municipalities	$ 90	$ 94
Mortgage-Backed Securities	526,677	522,899
Total	$ 526,767	$ 522,993
December 31, 2004		
Securities - Available for Sale:		
Debt Securities Issued by the U.S. Treasury and Agencies	$ 38,551	$ 38,942
Debt Securities Issued by States and Municipalities	7,958	8,081
Mortgage-Backed Securities	2,090,510	2,098,994
Other Debt Securities	338,495	337,702
Total	$ 2,475,514	$ 2,483,719
Securities - Held to Maturity:		
Debt Securities Issued by States and Municipalities	$ 90	$ 96
Mortgage-Backed Securities	589,818	585,740
Total	$ 589,908	$ 585,836

Table 7 presents temporarily impaired investment securities as of June 30, 2005 and December 31, 2004.

Temporarily Impaired Investment Securities (Unaudited) **Table 7**

	Temporarily Impaired Less Than 12 Months		Temporarily Impaired 12 Months or Longer		Total	
(dollars in thousands)	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
June 30, 2005						
Debt Securities Issued by the U.S. Treasury and Agencies	$ 11,368	$ (76)	$ —	$ —	$ 11,368	$ (76)
Debt Securities Issued by State and Municipalities	4,605	(21)	—	—	4,605	(21)
Mortgage-Backed Securities	638,193	(3,690)	680,896	(11,459)	1,319,089	(15,149)
Foreign Bonds	223,239	(2,313)	49,189	(914)	272,428	(3,227)
Total Temporarily Impaired Investment Securities						
June 30, 2005	$ 877,405	$ (6,100)	$ 730,085	$ (12,373)	$ 1,607,490	$ (18,473)
December 31, 2004	$ 1,184,863	$ (10,374)	$ 284,389	$ (4,774)	$ 1,469,252	$ (15,148)

The gross unrealized losses on temporarily impaired investment securities at June 30, 2005 represented less than 1.0% of the total amortized cost of total investment securities. These unrealized losses were primarily attributable to an increase in interest rates during the first six months of 2005 and are believed to be temporary.

Loans Held for Sale

Loans held for sale, consisting of residential mortgage loans, totaled $17.4 million at June 30, 2005, $17.6 million at December 31, 2004 and $9.6 million at June 30, 2004. The change from June 30, 2004 was a result of the impact of mortgage loan sales activity and production volume.

Loans and Leases

As of June 30, 2005, loans and leases outstanding were $6.2 billion, an increase of $164.5 million and $364.1 million from December 31, 2004 and June 30, 2004, respectively. Total commercial loans increased as loan originations continue to strengthen and outpace payoff activity. Consumer loans increased primarily as a result of increases in home equity outstanding from successful loan promotions in a strong Hawaii residential real estate market. Table 8 presents the composition of the loan portfolio by major categories and Table 9 presents the composition of consumer loans by geographic area.

Loan Portfolio Balances (Unaudited) **Table 8**

(dollars in thousands)	June 30, 2005	March 31, 2005	December 31, 2004	June 30, 2004
Commercial				
Commercial and Industrial	$ 997,762	$ 918,878	$ 909,264	$ 800,893
Commercial Mortgage	563,979	609,689	602,678	643,382
Construction	165,772	107,403	122,355	98,916
Lease Financing	471,600	468,349	479,100	479,488
Total Commercial	2,199,113	2,104,319	2,113,397	2,022,679
Consumer				
Residential Mortgage	2,347,877	2,342,062	2,326,385	2,286,618
Home Equity	739,161	694,261	657,164	559,225
Purchased Home Equity	93,806	109,632	122,728	162,730
Other Revolving Credit and Installment	742,834	734,836	734,721	721,386
Lease Financing	28,627	30,680	32,535	34,676
Total Consumer	3,952,305	3,911,471	3,873,533	3,764,635
Total Loans and Leases	$ 6,151,418	$ 6,015,790	$ 5,986,930	$ 5,787,314

Consumer Loans by Geographic Area (Unaudited) **Table 9**

(dollars in thousands)	June 30, 2005	March 31, 2005	December 31, 2004	June 30, 2004
Hawaii				
Residential Mortgage	$ 2,120,033	$ 2,120,747	$ 2,110,147	$ 2,071,073
Home Equity	726,313	682,351	646,980	551,099
Other Revolving Credit and Installment	558,396	558,712	559,135	554,995
Lease Financing	28,627	30,680	32,535	34,676
Guam				
Residential Mortgage	221,886	215,600	210,563	209,972
Home Equity	8,636	8,431	7,631	8,067
Other Revolving Credit and Installment	108,357	100,599	98,309	87,963
U.S. Mainland				
Purchased Home Equity	93,806	109,632	122,728	162,730
Other Pacific Islands				
Residential Mortgage	5,958	5,715	5,675	5,573
Home Equity	4,212	3,479	2,553	59
Other Revolving Credit and Installment	76,081	75,525	77,277	78,428
Total Consumer Loans by Geographic Area	$ 3,952,305	$ 3,911,471	$ 3,873,533	$ 3,764,635

Mortgage Servicing Rights

As of June 30, 2005, the Company's portfolio of residential loans serviced for third parties totaled $2.5 billion. In the second quarter of 2005, prepayment speeds increased as interest rates decreased, which resulted in a lower market value of the mortgage servicing rights. Recent prepayment speeds for Hawaii mortgages continued to either approximate or be slightly higher than national averages.

Table 10 presents the changes in the carrying value of mortgage servicing rights, net of valuation allowance.

Mortgage Servicing Rights (Unaudited) **Table 10**

(dollars in thousands)		Six Months Ended June 30, 2005		Year Ended December 31, 2004
Balance at Beginning of Period	$	18,769	$	22,178
Originated Mortgage Servicing Rights		2,247		3,895
Purchased Servicing Rights		21		235
Valuation Allowance		—		(13)
Amortization		(2,798)		(7,526)
Balance at End of Period	$	18,239	$	18,769
Fair Value at End of Period	$	20,886	$	22,154

Other Assets and Other Liabilities

Table 11 presents the major components of other assets and other liabilities.

Other Assets and Other Liabilities (Unaudited) **Table 11**

(dollars in thousands)		June 30, 2005		December 31, 2004		June 30, 2004
Other Assets:						
Bank-Owned Life Insurance	$	147,346	$	144,370	$	141,370
Federal Home Loan Bank and Federal Reserve Bank Stock		79,415		53,847		78,713
Low Income Housing Investments		32,786		34,597		38,083
Accounts Receivable		21,414		25,568		26,053
Federal Tax Deposit		43,000		—		—
Other		48,070		46,734		10,112
Total Other Assets	$	372,031	$	305,116	$	294,331
Other Liabilities:						
Incentive Plans Payable	$	7,246	$	12,090	$	6,582
Insurance Premiums Payable		7,425		7,940		8,294
Reserve for Unfunded Commitments [1]		4,576		6,800		—
Self Insurance Reserve		5,779		6,366		6,189
Other		58,436		63,177		66,260
Total Other Liabilities	$	83,462	$	96,373	$	87,325

[1] Prior to December 31, 2004, the reserve for unfunded commitments was a component of the allowance for loan and lease losses. As of June 30, 2004, the reserve for unfunded commitments was $5.4 million.

During the second quarter of 2005, a deposit was placed with the IRS relating to a review by the IRS of the Company's tax positions for certain leveraged lease transactions. The placing of the deposit will prevent further accrual of potential interest related to the timing of tax payments for these transactions. The Company believes its tax position related to these transactions was proper based on applicable statutes, regulations and case laws at the time the transactions were entered into. The Company believes it has adequate reserves for these tax exposures as of June 30, 2005.

Deposits

As of June 30, 2005, deposits totaled $7.7 billion, an increase of $162.1 million and $257.5 million from December 31, 2004 and June 30, 2004, respectively. The increase in the balances of interest-bearing demand deposits was due to an increase in the number of consumer and business accounts. Time deposits growth was a result of customers transferring excess account balances to higher rate time deposits. In 2005, time deposits rates have gradually increased.

Average time deposits of $100,000 or more is presented in Table 12.

Average Time Deposits of $100,000 or More (Unaudited) **Table 12**

	Three Months Ended			Six Months Ended	
(dollars in thousands)	**June 30, 2005**	**December 31, 2004**	**June 30, 2004**	**June 30, 2005**	**June 30, 2004**
Average Time Deposits	$ 631,831	$ 543,382	$ 570,738	$ 610,546	$ 589,100

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase totaled $861.2 million at June 30, 2005 an increase of $292.3 million from December 31, 2004 and $173.4 million from June 30, 2004. The increases were due to additional placements received from government entities and $100.0 million in repos placed with a private entity in June 2005. The private repos are comprised of two $50.0 million tranches at floating interest rates tied to the London International Bank Offering Rate ("LIBOR"). The repos interest rates averaged 2.66% at June 30, 2005. The term of the repos is 10 years, with the private entity having the right to terminate the transactions in two years. If the agreements are not terminated the rate becomes fixed at 3.85% for the remaining eight years.

Table 13 presents the composition of securities sold under agreements to repurchase.

Securities Sold Under Agreements to Repurchase (Unaudited) **Table 13**

(dollars in thousands)	**June 30, 2005**	**December 31, 2004**	**June 30, 2004**
Government Entities	$ 761,233	$ 568,981	$ 687,816
Private Entities	100,000	—	—
Total Securities Sold Under Agreements to Repurchase	$ 861,233	$ 568,981	$ 687,816

Short-Term Borrowings and Long-Term Debt

Short-term borrowings, including funds purchased, totaled $73.5 million at June 30, 2005, a decrease of $91.2 million from December 31, 2004 and a decrease of $76.7 million from June 30, 2004, primarily due to effective short-term liquidity management. Long-term debt totaled $242.7 million at June 30, 2005, a decrease of $10.0 million and $54.9 million from December 31, 2004 and June 30, 2004, respectively. The decreases were due to the maturity of $10.0 million in Federal Home Loan Bank ("FHLB") advances and $70.0 million of matured private placement debt which was replaced with a $25.0 million FHLB advance. For additional information, refer to the "Corporate Risk Profile – Liquidity Management" section of this report.

Shareholders' Equity

The Company's capital position remains strong. The net reduction in capital from December 31, 2004 to June 30, 2005 is attributable to the Company's continuing common stock repurchase program and to dividends paid, partially offset by net earnings for the first six months of 2005. 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 $109.1 million at June 30, 2005, an increase of $6.8 million from December 31, 2004 and a decrease of $6.5 million from June 30, 2004.

BUSINESS SEGMENTS

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

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

The financial results for each of the business segments for the three and six months ended June 30, 2005 and 2004 are discussed below and are presented in Table 14a and 14b.

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 73 Hawaii branch locations, 500 ATMs, e-Bankoh (on-line banking service) and a 24-hour telephone banking service. Also included in the segment is Bankoh Investment Services, Inc., a full service brokerage offering equities and bonds, mutual funds, life insurance and annuity products.

The improvement in the segment's key financial measures for the three months ended June 30, 2005 as compared to the same period in 2004 was primarily due to an increase in net interest income resulting from higher earnings credit rate on the segment's deposit portfolio. Also contributing to the positive trend was a decrease in non-interest expense due to lower advertising, professional services and allocated expenses.

The improvement in the segment's key financial measures for the six months ended June 30, 2005 as compared to the same period in 2004 was primarily due to an increase in net interest income and non-interest income. The rise in net interest income was due to higher earnings credit on the segment's deposit portfolio, as well as deposit and loan portfolio growth. The increased non-interest income was largely due to policy initiatives, growth in the number of transactional deposit accounts and greater insurance and annuity sales volume. Also contributing to this segment's improvement was the decrease in non-interest expense due to lower professional services, consumer credit insurance and allocated expenses.

Commercial Banking

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

The improvement in the segment's financial measures for the three and six months ended June 30, 2005 compared to the same periods in 2004 was a result of an increase in net interest income and a decrease in non-interest expense, partially offset by lower non-interest income. The increase in net interest income was due primarily to higher deposit balances and higher earnings credit rates. The decrease in non-interest income was primarily due to the distribution from a leasing partnership investment in the second quarter of 2004. The decline in non-interest expense was primarily due to lower staffing levels.

Investment Services Group

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

The improvement in the segment's key financial measures for the three and six months ended June 30, 2005 compared to the same periods in 2004 was due to increases in both net interest income and non-interest income. Trust and asset management fee income increased largely due to improved market conditions which resulted in an increase in the average market value of assets under management and an increase in investment advisory fees on money market accounts. The increase in net interest income primarily resulted from a transfer of private and consumer banking relationships between this segment and the Retail segment. Non-interest expense increased slightly period over period.

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, 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 and Operations, Human Resources, Finance, Credit and Risk Management and Corporate and Regulatory Administration) that provide a wide-range of support to the other business segments. Expenses incurred by these support units are charged to the business segments through an internal cost allocation process.

The decrease in the segment's key financial measures for the three and six months ended June 30, 2005 as compared to the same periods in 2004 was primarily due to decreases in both net interest income and non-interest income. Net interest income decreased due to the impact of the higher cost of funding by the Treasury unit. Income earned on higher average balances in the investment portfolio partially offset the reduction. The sale of a parcel of land in 2004 was the primary reason for the reduction in non-interest income. The reduction in non-interest expenses was a result of a legal settlement during the second quarter of 2004 and reduced stock-based compensation as compared to the same prior year periods.

Business Segment Selected Financial Information (Unaudited) **Table 14a**

(dollars in thousands)	Retail Banking	Commercial Banking	Investment Services Group	Treasury and Other Corporate	Consolidated Total
Three Months Ended June 30, 2005					
Net Interest Income	$ 54,212	$ 35,525	$ 3,222	$ 8,080	$ 101,039
Provision for Loan and Lease Losses	3,531	236	—	(3,767)	—
Net Interest Income After Provision for Loan and Lease Losses	50,681	35,289	3,222	11,847	101,039
Non-Interest Income	25,080	8,735	14,229	2,630	50,674
	75,761	44,024	17,451	14,477	151,713
Non-Interest Expense	(42,569)	(21,019)	(13,692)	(1,724)	(79,004)
Income Before Income Taxes	33,192	23,005	3,759	12,753	72,709
Provision for Income Taxes	(12,281)	(8,400)	(1,391)	(4,208)	(26,280)
Allocated Net Income	20,911	14,605	2,368	8,545	46,429
Allowance Funding Value	(168)	(601)	(6)	775	—
GAAP Provision	3,531	236	—	(3,767)	—
Economic Provision	(3,435)	(2,432)	(103)	(1)	(5,971)
Tax Effect of Adjustments	27	1,035	40	1,107	2,209
Income Before Capital Charge	20,866	12,843	2,299	6,659	42,667
Capital Charge	(5,424)	(4,562)	(1,428)	(8,296)	(19,710)
Net Income (Loss) After Capital Charge (NIACC)	$ 15,442	$ 8,281	$ 871	$ (1,637)	$ 22,957
RAROC (ROE for the Company)	42%	31%	18%	14%	26%
Total Assets at June 30, 2005	$ 3,789,519	$ 2,533,496	$ 192,378	$ 3,544,297	$ 10,059,690
Three Months Ended June 30, 2004					
Net Interest Income	$ 49,524	$ 33,583	$ 2,832	$ 9,910	$ 95,849
Provision for Loan and Lease Losses	2,587	2,730	(1)	(8,816)	(3,500)
Net Interest Income After Provision for Loan and Lease Losses	46,937	30,853	2,833	18,726	99,349
Non-Interest Income	24,388	12,141	12,985	5,334	54,848
	71,325	42,994	15,818	24,060	154,197
Non-Interest Expense	(44,560)	(22,928)	(13,226)	(4,411)	(85,125)
Income Before Income Taxes	26,765	20,066	2,592	19,649	69,072
Provision for Income Taxes	(9,903)	(7,423)	(959)	(6,555)	(24,840)
Allocated Net Income	16,862	12,643	1,633	13,094	44,232
Allowance Funding Value	(148)	(688)	(6)	842	—
GAAP Provision	2,587	2,730	(1)	(8,816)	(3,500)
Economic Provision	(3,510)	(2,821)	(99)	(3)	(6,433)
Tax Effect of Adjustments	396	288	39	2,951	3,674
Income Before Capital Charge	16,187	12,152	1,566	8,068	37,973
Capital Charge	(5,485)	(5,129)	(1,307)	(8,231)	(20,152)
Net Income (Loss) After Capital Charge (NIACC)	$ 10,702	$ 7,023	$ 259	$ (163)	$ 17,821
RAROC (ROE for the Company)	33%	26%	13%	28%	24%
Total Assets at June 30, 2004	$ 3,693,382	$ 2,331,951	$ 114,038	$ 3,549,398	$ 9,688,769

Business Segment Selected Financial Information (Unaudited) **Table 14b**

(dollars in thousands)	Retail Banking	Commercial Banking	Investment Services Group	Treasury and Other Corporate	Consolidated Total
Six Months Ended June 30, 2005					
Net Interest Income	$ 106,562	$ 70,087	$ 6,111	$ 18,937	$ 201,697
Provision for Loan and Lease Losses	7,016	652	(1)	(7,667)	—
Net Interest Income After Provision for Loan and Lease Losses	99,546	69,435	6,112	26,604	201,697
Non-Interest Income	49,322	20,266	28,855	4,546	102,989
	148,868	89,701	34,967	31,150	304,686
Non-Interest Expense	(85,618)	(43,579)	(26,911)	(3,759)	(159,867)
Income Before Income Taxes	63,250	46,122	8,056	27,391	144,819
Provision for Income Taxes	(23,403)	(16,999)	(2,981)	(9,485)	(52,868)
Allocated Net Income	39,847	29,123	5,075	17,906	91,951
Allowance Funding Value	(331)	(1,202)	(12)	1,545	—
GAAP Provision	7,016	652	(1)	(7,667)	—
Economic Provision	(6,941)	(4,890)	(193)	(2)	(12,026)
Tax Effect of Adjustments	94	2,013	76	2,267	4,450
Income Before Capital Charge	39,685	25,696	4,945	14,049	84,375
Capital Charge	(10,880)	(9,198)	(2,769)	(18,324)	(41,171)
Net Income (Loss) After Capital Charge (NIACC)	$ 28,805	$ 16,498	$ 2,176	$ (4,275)	$ 43,204
RAROC (ROE for the Company)	40%	31%	20%	17%	25%
Total Assets at June 30, 2005	$ 3,789,519	$ 2,533,496	$ 192,378	$ 3,544,297	$ 10,059,690
Six Months Ended June 30, 2004					
Net Interest Income	$ 99,681	$ 67,602	$ 5,645	$ 18,952	$ 191,880
Provision for Loan and Lease Losses	5,334	2,477	48	(11,359)	(3,500)
Net Interest Income After Provision for Loan and Lease Losses	94,347	65,125	5,597	30,311	195,380
Non-Interest Income	45,403	22,573	27,426	8,288	103,690
	139,750	87,698	33,023	38,599	299,070
Non-Interest Expense	(87,777)	(46,072)	(26,256)	(8,042)	(168,147)
Income Before Income Taxes	51,973	41,626	6,767	30,557	130,923
Provision for Income Taxes	(19,230)	(15,381)	(2,504)	(9,777)	(46,892)
Allocated Net Income	32,743	26,245	4,263	20,780	84,031
Allowance Funding Value	(277)	(1,425)	(14)	1,716	—
GAAP Provision	5,334	2,477	48	(11,359)	(3,500)
Economic Provision	(6,906)	(5,598)	(193)	(5)	(12,702)
Tax Effect of Adjustments	684	1,682	59	3,570	5,995
Income Before Capital Charge	31,578	23,381	4,163	14,702	73,824
Capital Charge	(11,255)	(10,395)	(2,590)	(17,950)	(42,190)
Net Income (Loss) After Capital Charge (NIACC)	$ 20,323	$ 12,986	$ 1,573	$ (3,248)	$ 31,634
RAROC (ROE for the Company)	31%	25%	18%	27%	22%
Total Assets at June 30, 2004	$ 3,693,382	$ 2,331,951	$ 114,038	$ 3,549,398	$ 9,688,769

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 performance standby letters of credit and overnight overdrafts.

The Company's credit risk position remained generally stable during the first six months of 2005. The Company continued to observe lower levels of internally criticized loans, non-performing assets and loans charged-off. The ratio of non-accrual loans to total loans at June 30, 2005 was 0.16%, slightly reduced from 0.23% at December 31, 2004. Net loan charge-offs (annualized) for the first six months of 2005 as a percent of average loans outstanding was 0.25%, an increase from 0.02% from same prior year period, due to a $6.0 million recovery of a previously charged-off loan from the divested Asia business in the second quarter of 2004.

The risk profile of the Hawaii and Guam-based loan portfolios continued to improve, primarily due to the expanding local economies led by the construction and real estate industries and record levels of tourism.

Outstandings related to the aircraft operations of domestic legacy carriers as of June 30, 2005 were $19.3 million and are included in the United States National Passenger Carriers total, as shown in Table 15 below. Relative to the Company's total portfolio, domestic legacy airline carriers continued to demonstrate a higher risk profile with negative trends due to sustained high oil prices. In the evaluation of the reserve for credit losses, the Company considered the current financial strain on airlines, which offset the impact of the improvement in other components of the loan portfolio.

Air Transportation Credit Exposure [1] (Unaudited) **Table 15**

	June 30, 2005			Dec. 31, 2004	June 30, 2004
(dollars in thousands)	Outstanding	Unused Commitments	Total Exposure	Total Exposure	Total Exposure
United States Regional Passenger Carriers	$ 41,556	$ 7,191	$ 48,747	$ 54,981	$ 58,491
United States National Passenger Carriers	37,638	—	37,638	37,377	37,581
Passenger Carriers Based Outside United States	22,249	—	22,249	25,910	30,325
Cargo Carriers	13,475	—	13,475	13,771	14,122
Total Air Transportation	$ 114,918	$ 7,191	$ 122,109	$ 132,039	$ 140,519

[1] Exposure includes loans, leveraged leases and operating leases.

Non-Performing Assets

Non-performing assets ("NPAs") consist of non-accrual loans, foreclosed real estate and other investments. NPAs decreased by $2.9 million from December 31, 2004 to $10.9 million as of June 30, 2005.

Impaired loans totaled $1.8 million at June 30, 2005, a decrease of $2.0 million from $3.8 million at December 31, 2004. Impaired loans had a related allowance for loans of less than $0.1 million at June 30, 2005 and December 31, 2004.

Loans Past Due 90 Days or More and Still Accruing Interest

Accruing loans past due 90 days or more were $4.9 million at June 30, 2005, an increase of $2.9 million from December 31, 2004. The increase was primarily due to a commercial mortgage in Guam that was past its maturity, but current in payments. In early July 2005, the maturity date of this loan was formally extended.

Refer to Table 16 for further information on non-performing assets and accruing loans past due 90 days or more.

Consolidated Non-Performing Assets and Accruing Loans Past Due 90 Days or More (Unaudited) **Table 16**

(dollars in thousands)	June 30, 2005	March 31, 2005	December 31, 2004	June 30, 2004
Non-Performing Assets				
Non-Accrual Loans				
Commercial				
Commercial and Industrial	$ 430	$ 470	$ 683	$ 680
Commercial Mortgage	1,739	1,922	2,106	5,649
Lease Financing	1,586	2,418	2,973	1,948
Total Commercial	3,755	4,810	5,762	8,277
Consumer				
Residential Mortgage	6,035	7,503	7,688	7,688
Home Equity	156	185	218	306
Total Consumer	6,191	7,688	7,906	7,994
Total Non-Accrual Loans	9,946	12,498	13,668	16,271
Foreclosed Real Estate	292	183	191	4,889
Other Investments	682	684	—	—
Total Non-Performing Assets	$ 10,920	$ 13,365	$ 13,859	$ 21,160
Accruing Loans Past Due 90 Days or More				
Commercial				
Commercial and Industrial	$ 9	$ 29	$ 52	$ 19
Commercial Mortgage	2,213	2,243	—	693
Total Commercial	2,222	2,272	52	712
Consumer				
Residential Mortgage	1,310	604	387	698
Purchased Home Equity	—	70	183	32
Other Revolving Credit and Installment	1,417	1,417	1,433	1,142
Lease Financing	—	—	30	57
Total Consumer	2,727	2,091	2,033	1,929
Total Accruing Loans Past Due 90 Days or More	$ 4,949	$ 4,363	$ 2,085	$ 2,641
Total Loans and Leases	$ 6,151,418	$ 6,015,790	$ 5,986,930	$ 5,787,314
Ratio of Non-Accrual Loans to Total Loans	0.16%	0.21%	0.23%	0.28%
Ratio of Non-Performing Assets to Total Loans, Foreclosed Real Estate and Other Investments	0.18%	0.22%	0.23%	0.37%
Ratio of Non-Performing Assets and Accruing Loans Past Due 90 Days or More to Total Loans	0.26%	0.29%	0.27%	0.41%
Quarter to Quarter Changes In Non-Performing Assets				
Balance at Beginning of Quarter	$ 13,365	$ 13,859	$ 15,977	$ 27,866
Additions	3,088	2,796	5,164	3,909
Reductions				
Payments	(5,097)	(2,202)	(6,435)	(4,232)
Return to Accrual	(392)	(698)	(456)	(2,700)
Sales of Foreclosed Assets	—	(129)	(206)	(147)
Charge-offs/Write-downs	(44)	(261)	(185)	(3,536)
Total Reductions	(5,533)	(3,290)	(7,282)	(10,615)
Balance at End of Quarter	$ 10,920	$ 13,365	$ 13,859	$ 21,160

Reserve for Credit Losses

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

The Company maintains the Allowance at a level adequate to cover management's estimate of probable credit losses inherent in its lending portfolios. The Unfunded Reserve is maintained at an adequate level to cover management's estimate of probable credit losses inherent in unfunded commitments to extend credit. The adequacy of the Allowance and the Unfunded Reserve is 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 declined by $5.2 million at June 30, 2005 from December 31, 2004 primarily due to net loan charge-offs of $7.4 million. The ratio of the Allowance to loans and leases outstanding was 1.65% at June 30, 2005, a decrease of 13 basis points from December 31, 2004 primarily due to the increase in loans outstanding.

The Unfunded Reserve declined by $2.2 million from December 31, 2004 primarily due to the cancellation of a letter of credit to an air transportation company.

The Allowance and the Unfunded Reserve are both increased and decreased through the Provision. After considering net charge-offs, the changes in the Allowance and the Unfunded Reserve resulted in no Provision being recorded for the six months ended June 30, 2005.

A summary of the reserve for credit losses is presented in Table 17.

Consolidated Reserve for Credit Losses (Unaudited) **Table 17**

(dollars in thousands)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Balance at Beginning of Period	$ 109,906	$ 127,185	$ 113,596	$ 129,080
Loans Charged-Off				
Commercial				
Commercial and Industrial	581	3,328	1,155	3,715
Commercial Mortgage	—	—	—	574
Lease Financing	—	379	—	607
Consumer				
Residential Mortgage	67	319	382	464
Home Equity	—	9	—	9
Purchased Home Equity	406	201	698	291
Other Revolving Credit and Installment	4,546	4,564	9,128	9,219
Lease Financing	29	28	63	64
Total Loans Charged-Off	5,629	8,828	11,426	14,943
Recoveries on Loans Previously Charged-Off				
Commercial				
Commercial and Industrial	211	1,245	753	2,199
Commercial Mortgage	32	151	94	840
Construction	—	—	—	435
Lease Financing	130	1	162	16
Consumer				
Residential Mortgage	189	304	295	598
Home Equity	5	101	30	140
Purchased Home Equity	120	57	154	57
Other Revolving Credit and Installment	1,166	1,703	2,453	3,366
Lease Financing	33	16	52	71
Foreign	—	6,469	—	6,545
Total Recoveries on Loans Previously Charged-Off	1,886	10,047	3,993	14,267
Net Loan Recoveries (Charge-Offs)	(3,743)	1,219	(7,433)	(676)
Provision for Loan and Lease Losses	—	(3,500)	—	(3,500)
Balance at End of Period [1]	$ 106,163	$ 124,904	$ 106,163	$ 124,904
Components				
Allowance for Loan and Lease Losses	$ 101,587	$ 124,904	$ 101,587	$ 124,904
Reserve for Unfunded Commitments [2]	4,576	—	4,576	—
Total Reserve for Credit Losses	$ 106,163	$ 124,904	$ 106,163	$ 124,904
Average Loans Outstanding	$ 6,090,149	$ 5,772,926	$ 6,045,609	$ 5,757,647
Ratio of Net Loan (Recoveries) Charge-Offs to Average Loans Outstanding (annualized)	0.25%	(0.08)%	0.25%	0.02%
Ratio of Allowance to Loans and Leases Outstanding [2]	1.65%	2.16%	1.65%	2.16%

1 Included in this analysis is activity related to the Company's reserve for unfunded commitments, which is separately recorded in other liabilities in the Consolidated Statements of Condition.

2 The reclassification of the reserve for unfunded commitments to other liabilities occurred in the fourth quarter of 2004 on a prospective basis. Thus, June 30, 2004 allowance for loan and lease losses and reserve for unfunded commitments were reported together. At June 30, 2004, the reserve for unfunded commitments was $5.4 million.

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 is a form of market risk and 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 and historical pricing relationships.

Table 18 presents, as of June 30, 2005, December 31, 2004 and June 30, 2004, 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 $1.8 million in NII per quarter. The Company's balance sheet continues to be asset-sensitive based on a parallel increase in rates over the entire yield curve over the next 12-month period.

Market Risk Exposure to Interest Rate Changes (Unaudited) **Table 18**

	June 30, 2005		December 31, 2004		June 30, 2004	
	Interest Rate Change (in basis points)		Interest Rate Change (in basis points)		Interest Rate Change (in basis points)	
(dollars in thousands)	-200	+200	-200	+200	-200	+200
Estimated Exposure as a Percent of Net Interest Income	(4.7)%	1.8%	(6.5)%	2.0%	(5.0)%	2.8%
Estimated Exposure to Net Interest Income Per Quarter	$ (4,779)	$ 1,830	$ (6,347)	$ 1,953	$ (4,823)	$ 2,701

The Company uses several approaches to manage its interest rate risk in an effort to shift balance sheet mix or alter the interest rate characteristics of its assets and liabilities. These approaches can 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, cost effective funding to conduct its business and meet its obligations as they become due in a normal manner.

The Bank is a member of the FHLB, which provides an additional source of short- and long-term funding. Borrowings from the FHLB were $77.5 million at June 30, 2005, compared to $87.5 million at December 31, 2004 and $62.5 million at June 30, 2004. The decrease from December 31, 2004 was due to a $10.0 million advance that matured in the first quarter of 2005.

Additionally, the Bank maintains a $1.0 billion senior and subordinated bank note program. Under this facility, the Bank may issue additional notes provided that the aggregate amount outstanding does not exceed $1.0 billion. Subordinated notes outstanding under this bank note program totaled $124.8 million at June 30, 2005 and December 31, 2004 and $124.7 million at June 30, 2004.

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, provide protection against unforeseen losses and risks inherent in its markets and comply with regulatory requirements.

At June 30, 2005, shareholders' equity totaled $712.2 million, a 13% decrease from December 31, 2004. The decrease in shareholders' equity during the first six months of 2005 was primarily attributable to the Company's repurchase of its common stock under the repurchase program and to dividends paid, partially offset by earnings.

During the six months ended June 30, 2005, 3.7 million shares of common stock were repurchased under the repurchase program at an average cost of $47.41 per share, totaling $173.5 million. From the beginning of the share repurchase program in July 2001 through June 30, 2005, the Company repurchased a total of 38.6 million shares and returned a total of $1.3 billion to its shareholders at an average cost of $32.67 per share. From July 1, 2005 through July 22, 2005, the Company repurchased an additional 75,000 shares of common stock at an average cost of $52.90 per share for a total of $4.0 million, resulting in remaining buyback authority under the share repurchase program of $85.1 million.

In July 2005, the Company's Board of Directors declared a quarterly cash dividend of $0.33 per share on the Company's outstanding shares. The dividend will be payable on September 15, 2005 to shareholders of record at the close of business on August 29, 2005.

Table 19 presents the regulatory capital and ratios as of June 30, 2005, December 31, 2004 and June 30, 2004.

Regulatory Capital and Ratios (Unaudited) **Table 19**

(dollars in thousands)	June 30, 2005	December 31, 2004	June 30, 2004
Regulatory Capital			
Shareholders' Equity	$ 712,169	$ 814,834	$ 699,438
Add: 8.25% Capital Securities of Bancorp Hawaii Capital Trust I	31,425	31,425	31,425
Less: Goodwill	34,959	36,216	36,216
Unrealized Valuation and Other Adjustments	(301)	5,251	(10,776)
Tier 1 Capital	708,936	804,792	705,423
Allowable Reserve for Credit Losses	86,673	83,292	79,889
Qualifying Subordinated Debt	74,870	99,808	99,787
Unrealized Gains on Available for Sale Equity Securities	16	31	48
Total Regulatory Capital	$ 870,495	$ 987,923	885,147
Risk–Weighted Assets	$ 6,915,245	$ 6,633,082	$ 6,346,134
Key Regulatory Capital Ratios			
Tier 1 Capital Ratio	10.25%	12.13%	11.12%
Total Capital Ratio	12.59%	14.89%	13.95%
Leverage Ratio	7.18%	8.29%	7.16%

Financial Outlook

The Company's earnings estimate of approximately $176.0 million to $179.0 million in net income for the full year of 2005 remains unchanged. The Company performs a quarterly analysis of credit quality to determine the adequacy of the reserve for credit losses. The results of this analysis determine the timing and amount of the Provision. Earnings per share and return on equity projections continue to be dependent upon, among other things, the terms and timing of share repurchases.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of 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 June 30, 2005. 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 June 30, 2005. There were no changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the first six months of 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Changes in Internal Controls over Financial Reporting

None.

Part II. - Other Information

Items 1, 3 and 5 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 Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [2]
April 1 - 30, 2005	627,100	$ 45.45	627,100	$ 121,411,025
May 1 - 31, 2005	483,968	48.77	475,000	98,242,976
June 1 - 30, 2005	187,559	49.22	186,500	89,063,461
Total	1,298,627	$ 47.23	1,288,600	

[1] The months of May and June included 8,968 and 1,059 mature shares, respectively, purchased from employees in connection with stock option exercises. These shares were not purchased as part of the publicly announced program. The shares were purchased at the closing price of the Company's common stock on the dates of purchase.

[2] The Company repurchased shares during the second quarter of 2005 pursuant to its ongoing share repurchase program that was first announced in July 2001. As of July 22, 2005, $85.1 million remained of the total $1.35 billion total repurchase amount authorized by the Company's Board of Directors under the share repurchase program. The program has no set expiration or termination date.

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

At the annual shareholders meeting held on April 29, 2005, the following matters were submitted to a vote of the shareholders:

a. Election of Directors to the Board of Directors: *

Peter D. Baldwin:	
Votes cast for:	45,418,466
Votes withheld:	1,642,067

Michael J. Chun:	
Votes cast for:	46,303,311
Votes withheld:	757,222

Robert Huret:	
Votes cast for:	46,308,099
Votes withheld:	752,434

Donald M. Takaki:	
Votes cast for:	45,639,136
Votes withheld:	1,421,397

b. Approval of Bank of Hawaii Corporation Amended and Restated Director Stock Compensation Plan **

Votes cast for:	35,517,651
Votes cast against:	2,895,297
Broker non-votes:	7,840,865
Abstentions:	806,720

c. Ratification of Selection of an Independent Registered Public Accounting Firm - Ernst & Young, LLP

Votes cast for:	45,399,381
Votes cast against:	1,577,434
Abstentions:	83,718

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* The directors are elected by a plurality of the votes cast; therefore, votes cast in the election could not be recorded against or as an abstention, nor could broker non-votes be recorded.

** A broker non-vote had no effect on this proposal and an abstention had the same effect as a vote against the proposal.

Item 6. Exhibits

Exhibit Index

Exhibit Number

10.1	Bank of Hawaii Corporation Amended and Restated Director Stock Compensation Plan - Restricted Stock Agreement for April 29, 2005 Grant
10.2	Bank of Hawaii Corporation Amended and Restated Director Stock Compensation Plan - Stock Option Agreement for April 29, 2005 Grant
12	Statement Regarding Computation of Ratios
31.1	Rule 13a-14(a) Certifications
31.2	Rule 13a-14(a) Certifications
32	Section 1350 Certification, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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: July 27, 2005

Bank of Hawaii Corporation and Subsidiaries

By: /s/ Allan R. Landon

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

By: /s/ Richard C. Keene

Richard C. Keene
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number

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31.2	Rule 13a-14(a) Certifications
32	Section 1350 Certification, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 10.1

DIRECTOR:
DATE OF GRANT: April 29, 2005
NUMBER OF SHARES: 555

BANK OF HAWAII CORPORATION
AMENDED AND RESTATED DIRECTOR STOCK COMPENSATION PLAN

* * *

RESTRICTED STOCK AGREEMENT

1. Definitions.

1.1 "Agreement" means this Restricted Stock Agreement.

1.2 "Board" means the Board of Directors of the Company.

1.3 "Change in Control" means, and shall be deemed to have occurred, if:

(a) any Person, excluding employee benefit plans of the Company or any of its affiliates, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of Company securities representing 25 percent or more of the combined voting power of the Company's then outstanding securities ("Voting Power");

(b) the Company consummates a merger, consolidation, share exchange, division or other reorganization or transaction of the Company (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined Voting Power immediately after such Fundamental Transaction of (i) the Company's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of the Company approve a plan of complete liquidation or winding-up of the Company or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of the Company's assets; or

(d) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied).

1.4 “Common Stock: means the common stock par value $0.01 per share, of the Company.

1.5 “Company” means Bank of Hawaii Corporation, and any successor thereto.

1.6 “Date of Grant” means the date set forth as the “Date of Grant” on page 1 of this Agreement.

1.7 “Disability” means the Director’s permanent and total disability within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

1.8 “Director” means the person identified as the “Director” on page 1 of this Agreement.

1.9 “Exchange Act” means the Securities Exchange Act of 1934, as amended.

1.10 “Person” means the term “person” within the meaning of Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d)(3) and 14(d) thereof.

1.11 “Plan” means the Bank of Hawaii Corporation Amended and Restated Director Compensation Plan, as amended from time to time.

1.12 “Restricted Shares” means the shares of Common Stock granted to the Director pursuant to Section 2 hereof

1.13 “Restriction Period” means the period beginning on the Date of Grant and ending on the third anniversary of the Date of Grant. Notwithstanding the foregoing, the Restriction Period shall end immediately upon the occurrence of a Change in Control.

2. Award of Restricted Shares. Pursuant to the Plan and subject to the terms of this Agreement, the Company hereby grants to the Director that number of shares of Common Stock (“Restricted Shares”) identified as the “Number of Shares” on page 1 of this Agreement. During the Restriction Period, each certificate representing Restricted Shares shall be held by the Company or its designee and shall contain the following legend:

> “This certificate and the shares of stock represented hereby are subject to the terms and conditions (including the risks of forfeiture and restrictions against transfer) contained in the Bank of Hawaii Corporation Amended and Restated Director Stock Compensation Plan and an Agreement entered into between the registered owner and Bank of Hawaii Corporation. Release from such terms and

conditions shall be made only in accordance with the provisions of the Plan and the Agreement, a copy of each of which is on file in the office of the Secretary of Bank of Hawaii Corporation."

2. Terms, Conditions and Restrictions. Restricted Shares shall be subject to the following terms, conditions and restrictions in addition to those contained in the Plan:

3.1 Prohibitions Against Sale, Assignment, etc. Restricted Shares, the right to vote Restricted Shares and the right to receive dividends thereon may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered during the Restriction Period with respect to such Restricted Shares.

3.2 Forfeiture. In the event of the Director's termination of membership on the Board prior to the lapse of the Restriction Period, the Restricted Shares shall be forfeited by the Director to the Company and neither the Director nor any successors, heirs, assigns or personal representatives of the Director shall thereafter have any further rights or interest in such Restricted Shares or the certificates representing such Restricted Shares.

3.3 Termination of Restrictions. In the event the Restriction Period shall terminate with respect to particular Restricted Shares and such Restricted Shares shall not theretofore have been forfeited to the Company, then the Company shall reissue the certificate representing such Restricted Shares without the legend referred to in Section 2 of this Agreement and shall deliver such certificate to the Director or his legal representative.

3.4 Effect of Death or Disability. If the Director's membership on the Board terminates during the Restriction Period due to death or Disability, the Restriction Period shall be treated as having expired immediately prior to such death or disability.

3.5 Withholding. The Company's obligation to deliver shares of Common Stock upon the termination of the Restriction Period with respect to any Restricted Shares shall be subject to the satisfaction of applicable federal, state and local tax withholding requirements.

4. Legends. The Director agrees that the certificates evidencing the shares of Common Stock may include any legend which the Board deems appropriate to reflect the transfer and other restrictions contained in the Plan, this Agreement, or to comply with applicable laws.

5. Rights as Stockholder. Except as provided in Section 3 hereof, the Director shall have all the rights and privileges of a stockholder with respect to the Restricted Shares, including (but not limited to) the right to vote the Restricted Shares and the right to receive dividends. All such rights and privileges shall cease upon forfeiture of the Restricted Shares.

6. Board Membership. Neither the grant or issuance of Restricted Shares pursuant to this Agreement nor any term or provision of this Agreement shall constitute or be evidence of any understanding, express or implied, on the part of the Company to retain the Director as a member of the Board for any period.

7. Subject to the Plan. The Restricted Shares and this Agreement are subject to the terms and conditions of the Plan, which are incorporated herein by reference and made a part hereof, but the terms of the Plan shall not be considered an enlargement of any benefits under this Agreement. In addition, the Restricted Shares and this Agreement are subject to any rules and regulations promulgated by the Board in accordance with its authority under the Plan.

8. Governing Law. The validity, construction, interpretation and enforceability of this Agreement shall be determined and governed by the laws of the State of Hawaii without giving effect to the principles of conflicts of laws.

9. Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable in any material respect, such provision shall be replaced with a provision that is as close as possible in effect to such invalid, illegal or unenforceable provision, and still be valid, legal and enforceable, and the validity, legality and enforceability of the remainder of this Agreement shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the Company has caused this Agreement to be signed on its behalf by the undersigned, thereunto duly authorized, effective as of the Date of Grant.

ATTEST: BANK OF HAWAII CORPORATION

______________________________ By: ______________________________

ACCEPTED AND AGREED TO
AS OF THE DATE OF GRANT:

____
DIRECTOR

Exhibit 10.2

DIRECTOR:
DATE OF GRANT: April 29, 2005
EXERCISE PRICE: $47.35
COVERED SHARES: 2,057

BANK OF HAWAII CORPORATION
AMENDED AND RESTATED
DIRECTOR STOCK COMPENSATION PLAN

* * *

STOCK OPTION AGREEMENT

<u>Definitions</u>.

"Agreement" means this Stock Option Agreement.

"Board" means the Board of Directors of the Company.

"Change in Control" means, and shall be deemed to have occurred, if:

any Person, excluding employee benefit plans of the Company or any of its affiliates, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of Company securities representing 25 percent or more of the combined voting power of the Company's then outstanding securities ("Voting Power");

the Company consummates a merger, consolidation, share exchange, division or other reorganization or transaction of the Company (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined Voting Power immediately after such Fundamental Transaction of (i) the Company's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

the shareholders of the Company approve a plan of complete liquidation or winding-up of the Company or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of the Company's assets; or

during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied).

"Common Stock" means the common stock, par value $0.01 per share, of the Company.

"Company" means Bank of Hawaii Corporation, and any successor thereto.

"Covered Shares" means the shares of Common Stock subject to the Option.

"Date of Exercise" means the date on which the Company receives notice pursuant to Section 4.1 hereof of the exercise, in whole or in part, of the Option.

"Date of Expiration" means the date on which the Option shall expire, which shall be the earliest of the following times:

three months after termination of the Director's membership on the Board for any reason other than by reason of death or Disability;

one year after termination of the Director's membership on the Board by reason of death or Disability; or

ten years after the Date of Grant.

"Date of Grant" means the date set forth as the "Date of Grant" on page 1 of this Agreement.

"Director" means the person identified as the "Director" on page 1 of this Agreement.

"Disability" means the Director's total and permanent disability within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

3. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exercise Price" means the dollar amount per share of Common Stock set forth on page 1 of this Agreement, as it may be adjusted from time to time pursuant to Section 11 of the Plan.

"Fair Market Value" means, unless otherwise determined by the Board, the last sale price for a share of Common Stock, as of the relevant date, on such securities exchange or automated dealer quotation system as reported by such source as the Board may select, or if the Common Stock is not traded on a securities exchange or automated dealer quotation system, an amount equal to the then fair market value of a share of Common Stock as determined by the Board pursuant to a reasonable method adopted in good faith for such purpose.

"Option" means the stock option granted to the Director pursuant to Section 2 hereof.

"Director " means the person identified as the "Director" on page 1 of this Agreement.

"Person" means the term "person" within the meaning of Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d)(3) and 14(d) thereof.

"Plan" means the Bank of Hawaii Corporation Amended and Restated Director Stock Compensation Plan, as amended from time to time.

<u>Grant of Option</u>. Pursuant to the Plan and subject to the terms of this Agreement, the Company hereby grants to the Director, as of the Date of Grant, the Option to purchase from the Company that number of shares of Common Stock identified as the "Covered Shares" on page 1 of this Agreement, exercisable at the Exercise Price.

<u>Terms of the Option</u>.

<u>Type of Option</u>. The Option is intended to be a nonqualified stock option.

<u>Option Period; Exercisability</u>. The Option may be exercised in whole shares as follows:

no part of the Option may be exercised during the first year following the Date of Grant or at any time after the Date of Expiration;

beginning on the first anniversary of the Date of Grant, the Option may be exercised as to a maximum of one-third of the Covered Shares (rounded up to the next whole number of shares);

beginning on the second anniversary of the Date of Grant, the Option may be exercised as to an additional one-third of the Covered Shares (rounded down to the next whole number of shares); and

beginning on the third anniversary of the Date of Grant, the Option may be exercised as to all of the Covered Shares.

Notwithstanding the foregoing, in the event of a Change in Control or termination of the Director's membership on the Board by reason of Disability or death, the Option shall thereupon become exercisable at any time prior to the Date of Expiration as to the full number of Covered Shares. In no event shall the number of Covered Shares as to which the Option is exercisable increase after termination of the Director's membership on the Board.

<u>Nontransferability</u>. The Option is not transferable by the Director other than by will or by the laws of descent and distribution, and is exercisable, during the Director's lifetime, only by the Director, or, in the event of the Director's legal disability, by the Director's legal representative. Notwithstanding the foregoing, the Director may, subject to complying with

applicable securities and other laws, transfer the Option to a trust as to which the Director is both trustee and beneficiary (and such trust may hold and exercise the Option), and in the event of such transfer, the Option shall continue to be subject to the terms of this Agreement and the Plan.

Payment of the Exercise Price. The Director, upon exercise, in whole or in part, of the Option, may pay the Exercise Price by any or all of the following means, either alone or in combination:

cash or check payable to the order of the Company;

delivery (either actual or constructive) of shares of unencumbered Common Stock (provided that such shares, if acquired under the Option or under any other option or award granted under the Plan or any other plan sponsored or maintained by the Company, have been held by the Director for at least six months or such other period, if any, as determined by the Board) that have an aggregate Fair Market Value on the Date of Exercise equal to that portion of the Exercise Price being paid by delivery of such shares; or

in accordance with such rules as may be specified by the Board, delivery to the Company of a properly executed exercise notice and irrevocable instructions to a registered securities broker promptly to deliver to the Company cash equal to the Exercise Price for that portion of the Option being exercised.

Exercise.

Notice. The Option shall be exercised, in whole or in part by the delivery to the Company of written notice of such exercise, in such form as the Board may from time to time prescribe, accompanied by full payment of the Exercise Price with respect to that portion of the Option being exercised.

Withholding. The Company's obligation to issue or deliver shares of Common Stock upon the exercise of the Option shall be subject to the satisfaction of any applicable federal, state and local tax withholding requirements.

Effect. The exercise, in whole or in part, of the Option shall cause a reduction in the number of Covered Shares as to which the Option may be exercised in an amount equal to the number of shares of Common Stock as to which the Option is exercised.

Representations. The Director agrees that, upon the issuance of any shares of Common Stock upon the exercise of the Option, the Director will, upon the request of the Company, represent and warrant in writing that the Director (a) has received and reviewed a copy of the Plan; (b) is capable of evaluating the merits and risks of exercising the Option and acquiring the shares and able to bear the economic risks of such investment; (c) has made such investigation as he or she deems necessary and appropriate of the business and financial prospects of the Company, and (d) is acquiring the shares for investment only and not with a view to resale or other distribution thereof. The Director shall make such other representations and warranties that the Board may request for the purpose of complying with applicable law.

<u>Legends</u>. The Director agrees that the certificates evidencing the shares of Common Stock issued upon exercise of the Option may include any legend which the Board deems appropriate to comply with applicable laws.

<u>Rights as Stockholder</u>. The Director shall have no rights as a stockholder with respect to any shares of Common Stock subject to the Option until and unless a certificate or certificates representing such shares are issued to the Director pursuant to this Agreement.

<u>Membership on Board</u>. Neither the grant of the Option evidenced by this Agreement nor any term or provision of this Agreement shall constitute or be evidence of any understanding, express or implied, on the part of the Company to retain the Director as a member of the Board for any period.

<u>Subject to the Plan</u>. The Option evidenced by this Agreement and the exercise thereof are subject to the terms and conditions of the Plan, which are incorporated by reference and made a part hereof, but the terms of the Plan shall not be considered an enlargement of any rights or benefits under this Agreement. In addition, the Option is subject to any rules and regulations promulgated by the Board in accordance with its authority under the Plan.

<u>Governing Law</u>. The validity, construction, interpretation and enforceability of this Agreement shall be determined and governed by the laws of the State of Hawaii without giving effect to the principles of conflicts of laws.

4 . <u>Severability</u>. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable in any material respect, such provision shall be replaced with a provision that is as close as possible in effect to such invalid, illegal or unenforceable provision, and still be valid, legal and enforceable, and the validity, legality and enforceability of the remainder of this Agreement shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the Company has caused this Agreement to be signed on its behalf by the undersigned, thereunto duly authorized, effective as of the Date of Grant.

ATTEST: BANK OF HAWAII CORPORATION

________________________ By: ____________________

ACCEPTED AND AGREED TO
AS OF THE DATE OF GRANT:

____
DIRECTOR

Exhibit 12

Bank of Hawaii Corporation and Subsidiaries
Statement Regarding Computation of Ratios

(dollars in thousands)	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Earnings:		
1. Income Before Income Taxes	$ 144,819	$ 130,923
2. Plus: Fixed Charges Including Interest on Deposits	42,566	31,366
3. Earnings Including Fixed Charges and Interest on Deposits	187,385	162,289
4. Less: Interest on Deposits	25,181	17,760
5. Earnings Excluding Interest on Deposits	$ 162,204	$ 144,529
Fixed Charges:		
6. Fixed Charges Including Interest on Deposits	$ 42,566	$ 31,366
7. Less: Interest on Deposits	25,181	17,760
8. Fixed Charges Excluding Interest on Deposits	$ 17,385	$ 13,606
Ratio of Earnings to Fixed Charges:		
Including Interest on Deposits (Line 3 divided by Line 6)	4.4 x	5.2 x
Excluding Interest on Deposits (Line 5 divided by Line 8)	9.3 x	10.6 x

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-(15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2005

/s/ Allan R. Landon
Allan R. Landon
Chairman of the Board,
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-(15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2005

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

Exhibit 32

Bank of Hawaii Corporation and Subsidiaries
Section 1350 Certification,
as Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

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 June 30, 2005 (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: July 27, 2005

/s/ Allan R. Landon

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

/s/ Richard C. Keene

Richard C. Keene
Chief Financial Officer

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.