BANK OF HAWAII CORP
Form DEF 14A
March 18, 2004

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Bank of Hawaii Corporation

(Name of Registrant as Specified In Its Charter)

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Your VOTE is important!

Notice of 2004 Annual Meeting of Shareholders and Proxy Statement

Meeting Date: April 30, 2004

Bank of Hawaii Corporation

130 Merchant Street
Honolulu, Hawaii 96813

BANK OF HAWAII CORPORATION
130 Merchant Street
Honolulu, Hawaii 96813

March 18, 2004

Dear Shareholder:

The 2004 Annual Meeting of shareholders of Bank of Hawaii Corporation ("Bank of Hawaii" or the "Company") will be held on Friday, April 30 2004 at 8:30 a.m. on the Sixth Floor of the Bank of Hawaii Building, 111 South King Street, Honolulu, Hawaii. Each shareholder may be asked to present valid picture identification. Shareholders holding stock in brokerage accounts will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date.

The Notice of Meeting and Proxy Statement accompanying this letter describe the business we will consider and vote upon at the meeting. A report to shareholders on the affairs of Bank of Hawaii also will be given, and shareholders will have the opportunity to discuss matters of interest concerning the Company.

For reasons explained in the accompanying Proxy Statement, the Board of Directors recommends that you vote FOR all proposals.

Your vote is very important. Please complete, sign, date and return the enclosed proxy card and mail it promptly in the enclosed postage-paid return envelope, even if you plan to attend the Annual Meeting. You may also vote by telephone or electronically via the Internet. If you wish to do so, your proxy may be revoked at any time before its use.

On behalf of the Board of Directors, thank you for your cooperation and support.

Sincerely,

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

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held April 30, 2004

To Our Shareholders:

The Annual Meeting of shareholders of Bank of Hawaii Corporation ("Bank of Hawaii" or the "Company") will be held on Friday, April 30, 2004, at 8:30 a.m. on the Sixth Floor of the Bank of Hawaii Building, 111 South King Street, Honolulu, Hawaii, for the following purposes:

1. To elect four Class III Directors for terms expiring in 2007, two Class II Directors for terms expiring in 2006 and one Class I Director for term expiring in 2005.
2. To approve the Bank of Hawaii Corporation 2004 Stock and Incentive Compensation Plan
3. To elect an Independent Auditor.
4. To transact any other business that may be properly brought before the meeting.

The Board of Directors recommends that shareholders vote FOR all proposals.

Shareholders of record of Bank of Hawaii common stock (NYSE: BOH) at the close of business on March 1, 2004 are entitled to attend the meeting and vote on the business brought before it.

We look forward to seeing you at the meeting. However, if you cannot attend the meeting, your shares may still be voted if you complete, sign, date, and return the enclosed proxy card in the enclosed postage-paid return envelope. You also may vote by telephone or electronically via the Internet. The accompanying proxy statement, also available online at www.boh.com, provides certain background information that will be helpful in deciding how to cast your vote on business transacted at the meeting.

By Order of the Board of Directors

CORI C. WESTON
Senior Vice President and
Corporate Secretary
Bank of Hawaii Corporation

Honolulu, Hawaii
Dated: March 18, 2004

IMPORTANT

Please sign and return the enclosed proxy card or vote by telephone or on the Internet as promptly as possible. This will save your Company the expense of a supplementary solicitation.

Thank you for acting promptly.

PROXY STATEMENT

The Board of Directors of Bank of Hawaii Corporation ("Bank of Hawaii" or the "Company") is soliciting the enclosed proxy for the Company's 2004 annual meeting. The proxy statement, proxy card, and the Company's Annual Report on Form 10-K are first being distributed to the Company's shareholders on or about March 18, 2004.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q:
What am I voting on?

A:
The election of directors, the Bank of Hawaii Corporation 2004 Stock and Incentive Compensation Plan and the election of an independent auditor.

Q:
Who can vote at the annual meeting?

A:
Holders of Bank of Hawaii's common stock, par value $0.01 per share, as of the close of business on March 1, 2004 (the "Record Date") can attend and vote at the annual meeting. Each share of common stock is entitled to one vote. On the Record Date, there were 54,727,438 shares of common stock issued and outstanding.

Q:
How many votes do we need to hold the annual meeting?

A:
The holders of at least one-third of the outstanding common stock on the Record Date entitled to vote at the annual meeting must be present to conduct business. That amount is called a *quorum*. Shares are counted as present at the meeting if a shareholder entitled to vote is present and votes at the meeting, has submitted a properly signed proxy, or has properly voted by telephone or via the Internet. We also count abstentions and broker non-votes as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

Q:

What shares can I vote?

A:

You may vote all shares you own on the Record Date. The enclosed proxy card shows the number of shares you may vote.

Q:

How can I vote my shares in person at the annual meeting?

A:

If you are a shareholder of record, you can attend the annual meeting and vote in person the shares you hold directly in your name as the shareholder of record. If you choose to do that, please bring the enclosed proxy card or proof of identification. If you hold your shares as a beneficial owner, you must vote your shares through your broker or other nominee.

Even if you plan to attend the annual meeting, we recommend you also submit your proxy so your vote will be counted if you later decide not to attend the annual meeting.

Q:

How can I vote my shares without attending the annual meeting?

A:

You may direct your vote without attending the annual meeting. You may vote by granting a proxy, or, for shares held in street name, by submitting voting instructions to your broker or other nominee. You can do that via the Internet, by telephone, or by mail. If your shares are held by a broker or other nominee, you will receive instructions that you must follow to have your shares voted. If you hold your shares as the shareholder of record, you may instruct the proxies how to vote your shares, using the toll free telephone number or the Internet voting site listed on the proxy card, or by signing, dating, and mailing the proxy card in the prepaid and addressed envelope we have provided you. Please refer

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to the summary instructions below and those on your proxy card, or, for shares held in street name, the voting instruction card sent by your broker or nominee.

Mail. You may mail your proxy by signing your proxy card or, for shares held in street name, the voting instruction card included by your broker or nominee, and mailing it in the enclosed, postage prepaid and addressed envelope. If you provide specific voting instructions, your shares will be voted as you instruct. If you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors.

Internet. If you have Internet access, you may submit your proxy from anywhere, following the "Vote by Internet" instruction on your proxy card.

Telephone. If you live in the United States, you may submit your proxy by following the "Vote by Phone" instructions on the proxy card.

Q:

Can I change my vote?

A:

Yes. You may change your proxy instructions any time before the vote at the annual meeting. For shares you hold as shareholder of record, you may change your vote by granting a new proxy or by attending the annual meeting and voting in person. Attendance at the annual meeting will not cause your previously granted proxy to be revoked unless you vote at the meeting. For shares you hold as beneficial owner, you may change your vote by submitting new voting instructions to your broker or nominee.

Q:

Where can I find the voting results of the annual meeting?

A:

We will announce voting results at the annual meeting. We also will publish those results in our quarterly report on Form 10-Q for the second quarter of fiscal year 2004.

Q:

Who will count the votes?

A:

Georgeson Shareholder Communications, Inc. will count and tabulate the votes. The shares represented by your proxy will be voted **FOR** each of the proposals, unless you indicate to the contrary.

Q:

What are the voting procedures?

A:

Directors are elected by a plurality of votes cast. Nominees who receive the most votes will be elected. Abstentions and broker non-votes will not be taken into account in determining the outcome of the election of directors. All other proposals require the affirmative vote of a majority of shares present in person or by proxy and entitled to vote at the meeting, provided that the total votes cast on the proposal to approve the Bank of Hawaii Corporation 2004 Stock and Incentive Compensation Plan represents over 50% in interest of all securities entitled to vote on the proposal. For all proposals other than the election of directors, broker non-votes will be treated as not entitled to vote and so will not affect the outcome, although abstentions will have the same effect as negative votes.

Q:

Is my vote confidential?

A:

Yes. Proxy instructions, ballots, and voting tabulations that identify the individual shareholders are handled to protect your privacy. Your vote will not be disclosed within Bank of Hawaii or to third parties except (i) as necessary to meet applicable legal requirements, (ii) to allow for the tabulation of votes and certification of the vote, and (iii) to facilitate a successful proxy solicitation by our Board. Occasionally, shareholders write comments on their proxy cards, which are forwarded to Bank of Hawaii management.

Q:

Who will bear the cost of soliciting proxies?

A:

We will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, we expect that a number of our employees will solicit shareholders for the same type of proxy, personally, and by

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telephone, the Internet, facsimile, or other means. None of those employees will receive any additional or special compensation for doing that task. We have retained Georgeson Shareholder Communications, Inc., 17 State Street, New York, New York 10004 to assist in the solicitation of proxies for an estimated fee of $6,500, plus reasonable out-of-pocket costs and expenses. We will, upon request, reimburse brokers or other nominees for their reasonable out-of-pocket expenses in forwarding proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

Q:

What does it mean if I get more than one proxy card?

A:

It means your shares are registered differently and are in more than one account. Sign and return all proxy cards or vote each proxy card by telephone or Internet, to ensure all your shares are voted. To provide better shareholder services, we encourage you to have all accounts registered in the same name and address. You may do that by contacting our transfer agent, Continental Stock Transfer & Trust Company (1-800-509-5586).

Q:

May I propose a candidate for inclusion on the Board's slate of director nominees?

A:

Yes. You may submit a candidate for consideration by the Board to be included in the Board's slate of director nominees. Candidates proposed by shareholders will be evaluated by the Nominating and Corporate Governance Committee under the same criteria that are applied to other candidates. These criteria are set forth below and in the Company's By-Laws and Corporate Governance Guidelines. The Corporate Governance Guidelines are attached as Appendix B.

Potential nominees will be evaluated based on their independence, within the meaning of the Company's Corporate Governance Guidelines and the rules of the NYSE. Candidates to be nominated as a director, including those submitted by shareholders, are selected based on, among other criteria, their integrity, informed judgment, financial literacy, high performance standards, accomplishments and reputation in the community, experience, skill sets, ability to commit adequate time to Board and committee matters, and to act on behalf of shareholders.

The criteria also include a determination of the needs of the Board and of the individuals' personal qualities and characteristics with those of the other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company and its shareholders. The Board should encompass a broad range of skills, expertise, industry knowledge, diversity of viewpoints, background, and business and community contacts relevant to the Company's business.

Candidates to be considered for nomination by the Nominating and Corporate Governance Committee at the 2005 shareholder meeting must be presented in writing to the Corporate Secretary on or before November 18, 2004 at 130 Merchant Street, Honolulu, Hawaii 96813.

Q:

May I propose actions for consideration at next year's annual meeting of shareholders?

A:

Yes. You may submit proposals for consideration at the 2005 shareholder meeting by presenting your proposal in writing to the Corporate Secretary at 130 Merchant Street, Honolulu, Hawaii 96813 and in accordance with the following schedule and requirements.

Proposals To Be Included In The Proxy Statement and Voted On At The Meeting. Proposals that shareholders wish to have included in the proxy statement for the 2005 annual meeting of shareholders must be made in accordance with SEC Rule 14a-8. Proposals must be received by the Company's Corporate Secretary on or before November 18, 2004 at the above address.

Proposals To Be Voted On At The Meeting Only. Under our By-Laws, for a shareholder to bring a proposal before the 2005 annual meeting, Bank of Hawaii must receive the written proposal no later than 80 days nor earlier than 90 days before the first anniversary of the 2004 annual meeting; in other words, no later than February 9, 2005 and no earlier than January 30, 2005. (Please refer to

Section 1.12 of Bank of Hawaii's By-Laws.) The proposal also must contain the information required in the By-Laws. If you wish to make one or more nominations for election to the Board, the required information includes, among other things, the written consent of such individual to serve as director and (i) the name, age, business address and, if known, residence address of each nominee proposed in person, (ii) the principal occupation or employment of each nominee, and (iii) the number of shares of Bank of Hawaii stock each nominee beneficially owns. These advance notice provisions are separate from the requirements a shareholder must meet to have a proposal included in the proxy statement under SEC rules. By complying with these provisions, a shareholder may present a proposal in person at the meeting, but will not be entitled to have the proposal included in the Company's proxy statement.

Q:

Where can I find out more information about the Company before the annual meeting?

A:

You can find more information about the Company on-line at: www.boh.com.

Q:

How may I communicate with the Board, Non-Management Directors or the Lead Independent Director?

A:

Shareholders may communicate with the Board, Non-Management Directors or Lead Independent Director by sending correspondence c/o the Company's Corporate Secretary, 130 Merchant Street, Dept. 232, Honolulu, Hawaii 96813. All communications received will be forwarded to the Board, Non-Management Directors or Lead Independent Director as addressed.

PROPOSAL 1: ELECTION OF DIRECTORS

BOARD OF DIRECTORS

The Company's Certificate of Incorporation provides that the Board of Directors shall consist of not less than 3 nor more than 15 persons. The Board is divided into three classes, with the terms of office of one class expiring each year. Nominees for election are described below. Each nominee has consented to serve. All nominees are currently serving on the Company's Board with the exception of Ms. S. Haunani Apoliona (Class II), Mr. Michael J. Chun (Class I), Mr. Allan R. Landon (Class II) and Ms. Barbara J. Tanabe (Class III); who currently serve on the Board of Bank of Hawaii (the "Bank"), the Company's only subsidiary. These individuals have been nominated to fill four vacancies on the Board. In December 2003, the Board approved an increase in the number of directors from nine to thirteen as of the April 30, 2004 shareholder meeting and is recommending the aforementioned nominees to fill the vacancies. The nominees were originally proposed by the Nominating and Corporate Governance Committee. If a nominee is not a candidate at the time of the annual meeting, then the proxy holders plan to vote for the remaining nominees and other persons as they may determine.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE FOREGOING PROPOSAL.

NOMINEES FOR ELECTION FOR CLASS III DIRECTORS TERMS EXPIRING IN 2007

Name, Age, and Year First Elected as Director	Principal Occupation(s) During Past 5 Years	Other Public Directorships Held
Mary G.F. Bitterman; 59; 1994	Director, Osher Lifelong Learning Institute (a non-profit organization dedicated to providing continuing education opportunities through affiliations with colleges and universities) since 2003; President and Chief Executive Officer, The James Irvine Foundation (an organization administering the assets of the charitable trust of James Irvine) from 2002-2003; President and Chief Executive Officer, KQED, Inc. (a public broadcasting center) from 1993-2002.	
Martin A. Stein; 63; 1999	President, Sonoma Mountain Ventures, LLC (strategic and technology consulting and venture capital) since October 1998; Vice Chair of BankAmerica Corporation (a banking company) responsible for Technology, Operations, Payments, and Purchasing from 1990-1998.	
Barbara J. Tanabe; 55	Owner and Partner, Ho'akea Communications, LLC (a communication and community building company) since 2003; Owner and Partner, Ho'akea (a public affairs company) from 2001-2003; President and Chief Executive Officer, Hill and Knowlton Hawaii (a public relations company) from 1992-1995; Reporter and Journalist, KOMO-TV and KHON-TV (television news) from 1970-1987. Director of Bank since 1994.	
Robert W. Wo, Jr.; 51; 2002	President and Director, C.S. Wo & Sons, Ltd. (a furniture retailer) since 1984.	

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CLASS II DIRECTORS WHOSE CURRENT TERMS EXPIRE IN 2006

Name, Age, and Year First Elected as Director	Principal Occupation(s) During Past 5 Years	Other Public Directorships Held
S. Haunani Apoliona; 55	Chairperson and Trustee, Office of Hawaiian Affairs ("OHA") (entity established by the Constitution of the State of Hawaii to improve the conditions and protect the entitlements of Native Hawaiians since 2000; Trustee, OHA from 1996-2000; President/Chief Executive Officer, Alu Like, Inc. (a non-profit organization assisting Native Hawaiians in social and economic development) from 1991-1997. Director of the Bank since 1994.	
Clinton R. Churchill; 60; 2001	Trustee, The Estate of James Campbell (an organization administering the assets held in trust under the will of James Campbell) since 1992 (Chairman 1998, 2000, 2004); Chief Executive Officer of The Estate of James Campbell from 1988-1992.	
David A. Heenan; 64; 1993	Trustee, The Estate of James Campbell (an organization administering the assets held in trust under the will of James Campbell) since 1995 (Chairman 1999, 2001).	Maui Land & Pineapple Co., Inc.
Allan R. Landon; 55	President, Chief Financial Officer and Treasurer of the Company, and President and Chief Financial Officer of the Bank since 2003; Vice Chairman, Chief Financial Officer and Treasurer of the Company, and Vice Chairman and Chief Financial Officer of the Bank from 2001-2003; Executive Vice President and Director of Risk Management for the Company and Bank from 2000-2001; Chief Financial Officer, First American Corporation (a banking company) from 1998-2000. Director of the Bank since 2002.	
Michael E. O'Neill; 57; 2000	Chairman and Chief Executive Officer of the Company and the Bank since November 2000; Chairman, Chief Executive Officer and President of the Company and Bank from 2000-2003; Vice Chairman and Chief Financial Officer, BankAmerica Corporation (a banking company) from 1995-1999.	

CLASS I DIRECTORS WHOSE CURRENT TERMS EXPIRE IN 2005

Name, Age, and Year First Elected as Director	Principal Occupation(s) During Past 5 Years	Other Public Directorships Held
Peter D. Baldwin; 66; 1991	Owner of Piiholo Ranch, LLC (a cattle ranching and eco-tourism company) since 2001; President of Baldwin Pacific Corporation (livestock maintenance and sales on Maui) since 1965; President, Baldwin Pacific Properties, Inc. (a real estate development company) since 1988; and Director and Chief Executive Officer of Orchards Hawaii, Inc. (a fruit juice marketing company) since 1986.	
Michael J. Chun; 60	President and Headmaster of Kamehameha Schools (a college preparatory school serving children of Hawaiian ancestry) since 2001; President of Kamehameha Schools from 1998-2001; Vice President of Park Engineering (an environmental engineering firm) from 1985-1988. Director of the Bank since 1993.	Alexander & Baldwin, Inc.
Robert A. Huret;	Managing Member of Financial Technology Management (a	

Name, Age, and Year First Elected as Director	Principal Occupation(s) During Past 5 Years	Other Public Directorships Held
58; 2000	venture capital management company) since 1998; Senior Consultant, Financial Services Group at Montgomery Securities from 1984-1998.	
Donald M. Takaki; 62; 1997	Chairman and Chief Executive Officer, Island Movers, Inc. (a transportation service company) since 1964; President, Transportation Concepts, Inc. (a transportation leasing company) since 1988 and General Partner, Don Rich Associates (a real estate development company) since 1979.	

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BENEFICIAL OWNERSHIP

At the close of business on December 31, 2003, Bank of Hawaii had 54,928,480 shares of its common stock outstanding. As of December 31, 2003, this table shows how much Bank of Hawaii common stock was owned (i) by its directors, nominees, and the Chief Executive Officer and the four other persons who were the most highly compensated executive officers of Bank of Hawaii at December 31, 2003 (the "named executive officers"), and (ii) by one company that is known to us to own beneficially 5% or more of Bank of Hawaii's common stock. Unless otherwise indicated and subject to applicable community property and similar statutes, all persons listed below have sole voting and investment power over all shares of common stock beneficially owned. Share ownership has been computed in accordance with SEC rules and does not necessarily indicate beneficial ownership for any other purpose.

AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP

Name	Number of Shares Beneficially Owned	Right to Acquire Within 60 Days	Total	Percent of Outstanding Shares as of 12-31-03
Wellington Management Co., LLP 75 State Street Boston, Massachusetts 02109	10,514,213	-0-	10,514,213	19.14%
S. Haunani Apoliona	1,616(2)	14,000(7)	15,616	*
Peter D. Baldwin	4,462(2)(9)	19,000(7)	23,462	*
Mary G.F. Bitterman	18,274(2)(3)	19,000(7)	37,274	*
Michael J. Chun	5,300(2)	14,000(7)	19,300	*
Clinton R. Churchill	6,052(2)(8)	14,000(7)	20,052	*
David A. Heenan	15,961(2)(6)	19,000(7)	34,961	*
Robert A. Huret	6,441(2)	9,000(7)	15,441	*
Martin A. Stein	1,000(2)	12,000(7)	13,000	*
Donald M. Takaki	12,188(2)(10)	18,000(7)	30,188	*
Barbara J. Tanabe	7,206(2)	13,000(7)	20,206	*
Robert W. Wo, Jr.	12,196(2)(3)	14,000(7)	26,196	*
Michael E. O'Neill	866,342(5)	2,512,000	3,378,342	6.15%
Allan R. Landon	96,303	179,630	275,933	*
Alton T. Kuioka	104,505(2)(4)	205,833	310,338	*
William C. Nelson	8,520	169,633	178,153	*
David W. Thomas	19,492	150,433	169,925	*
Directors, nominees and executive officers as a group (17 persons)	**1,193,358**	**3,394,196**	**4,587,554**	

*

Each of the directors and named executive officers beneficially owns less than 1% of the outstanding common stock except Mr. O'Neill.

Notes to Table on Amount and Nature of Beneficial Ownership

All stock is subject to sole voting and investment power unless otherwise specified.

(1) According to information furnished by it, Wellington Management Company, LLP ("WMC") is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended. As of December 31, 2003, WMC, in its capacity as investment adviser, may be deemed to have beneficial ownership of 10,514,213 shares of Bank of Hawaii common stock owned by numerous investment advisory clients, none known to have more than five percent of the class. As of December 31, 2003, WMC had shared power to vote or to direct the vote over 4,621,833 of those shares, and shared power to dispose or to direct the disposition of 5,892,380 of those shares.

(2) Includes 1,600 restricted shares that each of the directors own under the Director Stock Program with the exception of the following directors and named executive officers: Mr. Stein, 1,000 shares; Mr. Huret, 600 shares; Mr. Kuioka, 600 shares. Mr. O'Neill does not own any restricted shares. Includes Messrs. Churchill 3,067 shares, Heenan 13,365 shares, Huret 5,841 shares, Takaki 7,921 shares, Tanabe 2,481 shares and Wo 2,846 shares owned under the Directors Deferred Compensation Plan. See discussion on page 13 for further information on the Directors Deferred Compensation Plan and Director Stock Program.

(3) Includes shares held individually by family members of which the specified officer or director may be deemed to have shared voting or investment power as follows: Ms. Bitterman, 6,495 shares and Mr. Wo, 2,400 shares.

(4) Includes 19,662 shares held in trust for Mr. Kuioka under the Bank of Hawaii Profit Sharing Plan.

(5) Includes 152,273 shares owned by the Bank of Hawaii Charitable Foundation (the "Foundation"), of which Mr. O'Neill is President. Mr. O'Neill disclaims beneficial ownership of those shares. Mr. O'Neill directly owns 5.87% of the outstanding shares, and beneficially owns 6.15% of the outstanding shares, if the shares owned by the Foundation are included.

(6) Includes 420 shares owned by a family partnership of which Mr. Heenan has shared voting and investment power. Also includes 156 shares owned by David A. Heenan, Inc. of which Mr. Heenan is president.

(7) Includes options that will vest within 60 days of December 31, 2003 under the Director Stock Program described on page 13.

(8) Includes 500 shares held in a pension plan.

(9) Includes 2,674 shares held by Baldwin Pacific Corp.

(10) Includes 2,704 shares held jointly with spouse which are subject to shared voting and investment power.

CORPORATE GOVERNANCE
BOARD STRUCTURE & COMPENSATION

Corporate Governance Guidelines

The Company and Board have adopted Corporate Governance Guidelines ("Governance Guidelines") which are attached as Appendix C and posted on the Company's Investor Relations website at www.boh.com. Shareholders may receive a copy of the Governance Guidelines by writing the Corporate Secretary at 130 Merchant Street Honolulu, Hawaii 96813. The Governance Guidelines address Director qualification and independence standards, responsibilities, access to management and independent advisors, compensation, orientation and continuing education, Board committees, Chief Executive Officer evaluation, management succession, Code of Business Conduct and Ethics, shareholder communications to the Board and the Board's annual performance evaluation.

Board Governance and Attendance

The Company's Board of Directors met nine times during 2003. The Board's policy is that directors should make every effort to regularly attend meetings of the Board and committees on which they serve and the Company's annual shareholder meeting. Each director attended 75% or more of the aggregate of the total number of Board meetings and the total number of meetings held by the committees on which he or she served in 2003. Eight of the Company's Directors attended the 2003 shareholders' meeting.

The Board has four standing committees: the Audit Committee, the Human Resources and Compensation Committee (the "Compensation Committee"), the Executive & Strategic Planning Committee (the "Executive Committee"), and the Nominating and Corporate Governance Committee (the "Nominating & Governance Committee"). The committee charters are posted on the Company's website previously given.

Ms. Bitterman has served as the Lead Independent Director since 1999, and is Vice Chair of the Executive Committee and Chair of the Nominating & Governance Committee. The Lead Independent Director's duties are set forth in the Board's Governance Guidelines and include presiding over regularly scheduled executive sessions of the non-management directors or serving as a liaison between the non-management directors and executive management and assisting the Board and executive management to ensure compliance with the Governance Guidelines. The non-management directors meet in executive session without management in attendance for regularly scheduled meetings which are usually five times a year. The non-management directors may also meet in executive session each time the full Board convenes for a meeting. In 2003, the non-management directors met in executive session eight times.

Board Independence

The Board has a majority of independent directors as defined by the listing standards of the New York Stock Exchange ("NYSE") and the Board's Governance Guidelines. In considering all of the relevant facts and the categorical standards with respect to each director and nominee, the Board has affirmatively determined that all directors and nominees other than Messrs. O'Neill, Landon, Stein and Takaki are independent within the meaning of the NYSE listing standards and the Board's categorical standards for determining independence. The following nine directors and nominees have been affirmatively determined by the Board to be independent: Messrs. Baldwin, Chun, Churchill, Heenan, Huret, and Wo and Mmes. Apoliona, Bitterman and Tanabe. All of the committees, with the exception of the Executive Committee, are comprised entirely of independent directors. The Board has adopted categorical standards for determining whether a director is independent and has no material relationships with the Company, including but not limited to the following:

a) materiality of any commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships.

b) In no event shall a director be considered independent if the director is an employee, or the director's immediate family member is an executive officer of the Company until three years after the end of such employment relationship. Employment as an interim Chairman or CEO shall not disqualify a director from being considered independent following that employment.

c) In no event shall a director be considered independent if the director receives, or their immediate family member receives more than $100,000 per year in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and is not independent until three years after they cease receiving such compensation.

d)

In no event shall a director be considered independent if the director is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company until three years after the end of the affiliation or the employment or auditing relationship.

e) In no event is a director to be considered independent if the director is employed, or the director's immediate family member is employed, as an executive officer of another company where any of the Company's present executives serves on that company's compensation committee until three years after the end of such service or employment relationship.

f) In no event is a director to be considered independent if the director is an executive officer or employee, or an immediate family member of the director is an executive officer of a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million, or 2% of such other company's consolidated gross revenues for such year, until three years after falling below such threshold.

g) A director will not fail to be deemed independent solely as a result of the director's and the director's immediate family members', or a director's affiliated entity's, banking relationship with the Company if such relationship does not violate paragraphs 2(b) through 2(f) above and is made in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with persons not affiliated with the Company and, with respect to extensions of credit, are made in compliance with applicable law, including Regulation O of the Board of Governors of the Federal Reserve and do not involve more than the normal risk of collectability or present other unfavorable features.

h) Audit Committee members may not receive directly or indirectly any consulting, advisory or other compensatory fee from the Company and shall otherwise meet the independence criteria of Section 10A-3 of the Securities Exchange Act of 1934, as amended. Audit Committee members may receive director's fees and other in-kind consideration ordinarily available to directors, as well as regular benefits that other directors receive (including any additional such fees or consideration paid to directors with respect to service on committees of the Board).

Until November 4, 2004, references in these standards to "three years" shall be deemed to be references to such shorter periods as may be permitted by Section 303A of the NYSE Listed Company Manual.

For purposes of these independence standards, an "immediate family member" includes the director's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) that shares the director's home.

Code of Business Conduct & Ethics

The Company has earned its reputation as a respected leader in the communities it serves and in the financial services industry by conducting business in an ethical, responsible and professional manner. The

Company is proud of the high standards of quality and service, which have been our hallmark through the years. These qualities represent fundamental business practices and apply to all directors, officers and employees. All directors owe a duty of loyalty to the Company. This duty mandates that, in the course of carrying out the duties and responsibilities of that position, the best interest of the Company and its shareholders take precedence over any personal interests of the director.

The Company and Board have adopted a Code of Business Conduct and Ethics for Directors, Officers and Employees (the "Code of Conduct and Ethics") which is posted on the Company's website previously provided. The Code of Conduct and Ethics addresses the professional, honest and candid conduct of each director, officer and employee; conflicts of interest, disclosure process, compliance with laws, rules and regulations, (including insider trading laws); corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets; and encourages the reporting of any illegal or unethical behavior. The Company will disclose any amendments to, or waivers, of the Code of Conduct and Ethics for directors or executive officers on the Company's website. Shareholders may obtain a printed copy by contacting the Corporate Secretary at the address previously provided.

Board Compensation

Directors' fees are paid only to directors who are not employees of the Company or its subsidiaries. In 2003, each such director was paid an annual retainer of $16,000 and a quarterly payment of $750, plus $750 for each Board meeting attended. Directors are reimbursed for board-related travel expenses, and directors who are non-Hawaii residents receive an additional $5,000 to compensate them for travel time. The Company does not have a retirement plan for directors who are not employed by the Company or its subsidiaries.

Directors who are not employed by the Company or its subsidiaries and who serve as members of the Compensation Committee or the Executive Committee receive $750 for each meeting attended. The Audit Committee meeting fee is $1,500. The chairs of the Compensation and Audit Committees, and the vice chair of the Executive Committee, also receive an annual retainer of $5,000.

Directors Deferred Compensation Plan

The Company maintains a Directors Deferred Compensation Plan under which each director may elect to defer all of his or her annual retainer and meeting fees or all of his or her annual retainer. Distribution of the deferred amounts will begin as of the first day of the first month after the participating director ceases to be a director of the Company. Distribution will be made in a lump sum or in approximately equal annual installments over such period of years (not exceeding 10 years) as the director elects at the time of deferral. Under the Deferred Plan, deferred amounts are not credited with interest, but they are valued based on corresponding investments in Pacific Capital Funds or Bank of Hawaii stock, as selected by the participants.

Director Stock Program

The Company has a Director Stock Compensation Program that annually grants 200 shares of restricted common stock ("Restricted Shares") and an option for 3,000 common shares to each non-employee director. The exercise price of the options is based on the closing market price of the shares on the date that the options were granted. Each option expires ten years from the date of grant and is generally not transferable. If an optionee ceases to serve as a director for any reason other than death or disability, any unexercised options terminate. Upon the exercise of options, the shares received ("Option Shares") are nontransferable during the term of the director. If an optionee ceases to serve as a director prior to the end of his or her term, for any reason other than death or disability, the Option Shares will be redeemed by the Company at a price equal to the exercise price. The Restricted Shares are also nontransferable during the term of the director. If an optionee ceases to serve as a director prior to the end of his or her term, for any reason other than death, disability, removal without cause, or change of control, the Restricted Shares are forfeited.

BOARD COMMITTEES AND MEETINGS

The following information provides an overview of the primary responsibilities of the Board's standing committees and committee membership. The Board has affirmatively determined that all of the members of the Audit, Compensation and Nominating & Governance Committees ("Board Committees") meet the standards of the NYSE and the Company's Governance Guidelines for independence. The Board Committee's charters require that each committee perform an annual evaluation of its performance and assess the adequacy of its charter. Each Committee has the authority to retain consultants and advisors to assist it in its duties, including the sole authority for the retention, termination and negotiation of the terms and conditions of the assignment.

Copies of the Board Committee charters can be viewed on the Company's Investor Relations website at www.boh.com. Shareholders may request a printed copy of the charters and Corporate Governance Guidelines by contacting the Corporate Secretary at 130 Merchant Street Honolulu, Hawaii 96813. A copy of the Audit Committee charter is included as Appendix A and a copy of the corporate governance guidelines is attached as Appendix B.

Audit Committee: 8 Meetings in 2003

Responsibilities of Committee	Current Members
The Committee assists the Board in its oversight of the following areas of the Company: regulatory and financial accounting and reporting and credit risk management; compliance with legal and regulatory requirements; independent auditor's qualifications and independence; and performance of internal audit function and independent auditors. The Board has determined that Robert A. Huret meets the definition of "financial expert" within the meaning of the SEC regulations adopted under the Sarbanes-Oxley Act of 2002. The Board has determined that all Committee members meet the NYSE standard of financial literacy and have accounting or related financial management expertise. None of the Committee members serve on the audit committee of another publicly traded company. The Committee has adopted policies and procedures governing the following: pre-approval of audit and non-audit services; the receipt and treatment of complaints regarding accounting, internal auditing controls, or auditing matters and the confidential anonymous submission by employees of the Company regarding questionable accounting or audit matters; and restrictions on the Company's hiring of employees of the independent auditor. Further information regarding the responsibilities performed by the Committee is provided in the Report of the Audit Committee on page 17 and in the Audit Committee Charter included as Appendix A.	Clinton R. Churchill (Chair) Robert A. Huret (Financial Expert) Mary G.F. Bitterman Robert W. Wo, Jr.

Compensation Committee: 7 Meetings in 2003

Responsibilities of Committee	Current Members
The Committee reviews, approves and reports to the Board on the corporate goals and objectives relevant to the CEO's compensation and evaluates the CEO's performance in light of those goals and objectives and determines and approves the CEO's compensation based on this evaluation. The Committee reviews, approves, and reports to the Board on the compensation arrangements and plans for senior management of the Bank and its subsidiaries. The Committee reviews and approves goals for incentive compensation plans and stock plans, and evaluates performance against those goals. The Committee reviews management development and training programs. The Committee reviews succession planning for senior management. Further information regarding the responsibilities performed by the Committee is provided in the Report of the Compensation Committee on page 18.	David A. Heenan (Chair) Peter D. Baldwin Mary G.F. Bitterman

Executive Committee: 2 Meetings in 2003

Responsibilities of Committee	Current Members
The Committee has power to act for the Board in between its meetings except on those matters reserved to the Board by the By-Laws or otherwise The Committee has the authority to advise the CEO and Board on long-range strategy and monitor the Company's progress.	Michael E. O'Neill (Chair) Mary G.F. Bitterman (Vice Chair) Clinton R. Churchill David A. Heenan Robert W. Wo, Jr.

Nominating & Governance Committee: 8 Meetings in 2003

Responsibilities of Committee	**Current Members**
The Committee reviews the qualifications of all Board candidates and recommends qualified candidates for membership on the Board. The Committee reviews the Board's organization, procedures and committees and makes recommendations concerning the size and composition of the Board and its committees. The Committee makes recommendations to the Board regarding standards for determining non-management director independence and reviews the qualifications and independence of the members of the Board and its committees. The Committee reviews and evaluates the Company's compliance with corporate governance requirements and leads and oversees the Board and its committees' annual performance evaluations Further information regarding the responsibilities performed by the Committee and the Company's corporate governance is provided in the Governance Guidelines.	Mary G.F. Bitterman (Chair) Peter D. Baldwin Clinton R. Churchill David A. Heenan Robert A. Huret Robert W. Wo, Jr.

AUDIT COMMITTEE REPORT

The Company's Board has determined that the Audit Committee is composed of four independent directors, in accordance with the applicable laws, regulations, New York Stock Exchange's listing requirements and the Company's Governance Guidelines. The Audit Committee operates under a written charter which has been adopted by the Company's Board and which is included as Appendix A to this proxy statement. Audit Committee members do not accept any consulting, advisory or other compensatory fees (except director fees) and are not affiliated with the Company (except as a director) or any subsidiary.

Each Audit Committee member shall be or must become financially literate at or within a reasonable period of time following his or her appointment. At least one member of the Audit Committee must have accounting or related financial management expertise. The Board has determined that the Audit Committee has one audit committee financial expert, Robert A. Huret, within the meaning of Securities Exchange Commission ("SEC") regulations adopted under the Sarbanes-Oxley Act of 2002, and that all Audit Committee members are financially literate and have accounting or related financial management expertise. None of the Audit Committee members serve on the audit committee of another publicly traded company.

The Audit Committee's responsibilities include providing oversight of the quality and integrity of the Company's regulatory and financial accounting and reporting, risk management, legal and regulatory compliance, the internal and external audit functions and the preparation of this Audit Committee report. In this context, the Audit Committee has reviewed and discussed with management and the independent auditors the Company's audited financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Annual Report on Form 10-K. The Audit Committee has also discussed with management and the independent auditors the matters required to be discussed by Statement on Accounting Standards No. 61 (*Communication with Audit Committees*). These discussions include the quality, not just the acceptability, of the accounting principles applied. The Company's independent accountants have provided to the Audit Committee their written disclosures and letter required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), and the Audit Committee has discussed with the independent accountants, that firm's qualifications and independence. The Audit Committee has adopted Pre-Approval Procedures for Audit and Non-Audit Services (the "Pre-Approval Procedures") that requires advance approval of all audit, audit-related, tax services, and other services performed by the independent auditor. The Preapproval Procedures provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. The Audit Committee may delegate pre-approval authority to any one of its members who shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board that the audited financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" be included in the Company's Annual Report on Form 10-K for year ended December 31, 2003 for filing with the SEC. The Audit Committee and the Board also have recommended, subject to shareholder approval, the selection of the Company's independent auditor.

Members of the Audit Committee

Clinton R. Churchill (Chair)
Robert A. Huret (Financial Expert)
Mary G.F. Bitterman
Robert W. Wo, Jr.

EXECUTIVE COMPENSATION
REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee, composed entirely of independent directors, sets and administers the policies that govern the Company's executive compensation programs, and various incentive and stock programs. The Compensation Committee reviews compensation levels of members of senior management, evaluates the performance of executive management, and considers executive management succession and related matters. All decisions relating to the compensation of the named executive officers are shared with the full Board.

The policies and underlying philosophy governing the Company's executive compensation program, as endorsed by the Compensation Committee and the Board of Directors, are designed to accomplish the following:

- Maintain a compensation program that is equitable in a competitive marketplace.
- Provide opportunities that integrate pay with the Company's annual and long-term performance goals.
- Encourage achievement of strategic objectives and creation of shareholder value.
- Recognize and reward individual initiative and achievements.
- Maintain an appropriate balance between base salary and short- and long-term incentive opportunity.
- Allow the Company to compete for, retain, and motivate talented executives critical to its success.

The Compensation Committee seeks to target executive compensation at levels that the Compensation Committee believes to be consistent with others in the banking industry. The executive officers' compensation is weighted toward programs contingent upon the Company's level of annual and long-term performance. In general, for senior management positions of the Company (including the Bank's named executive officers) and its subsidiaries, the Company will pay base salaries that, on average, are at the 50th percentile of other banks and financial service companies of Bank of Hawaii's asset size and complexity and that have similar products and markets. Goals for specific components include:

- Base salaries for executives generally are targeted at the 50th percentile.
- The Executive Incentive Plan will provide above 50th percentile awards if annual goals are exceeded.

The Company retains the services of nationally recognized consulting firms to assist the Compensation Committee in performing its various duties. Those firms advise the Compensation Committee on compensation programs for the named executive officers and senior management of Bank of Hawaii and its subsidiaries. The Company also obtains extensive compensation studies every 2-3 years. The most recent compensation study focusing on executive officers was conducted in 2003; the results were presented along with the consulting firm's review of the Company's programs for senior management.

The study provided an external competitive analysis of compensation for incumbents in the Company's Managing Committee, which includes the named executive officers, and senior management, using a comparable group of 13 banking and diversified financial organizations. These corporations were viewed as representative of the Company's talent competitors, and generally comparable in terms of overall size, business mix, and geographic scope. Many of the banking organizations in this group also are part of the S&P Banks index used in the performance graph. For the 2003 study, the consultant provided base salary levels and other pay data from the peer companies to derive market-based compensation levels that were appropriate for the Company's executive positions.

2003 Compensation Elements

Compensation earned by named executive officers in 2003, as reflected in the Summary Compensation Table on page 23, consisted of the following elements: base salary, value sharing and retirement savings plan, stock options, restricted stock and restricted stock units. As indicated in the Summary Compensation Table, the Stock Option Grants in Last Fiscal Year Table, and the Long-Term Incentive Plans Awards In Last Fiscal Year Table on pages 24-25, in 2003 the Compensation Committee awarded stock options, restricted stock and restricted stock units under the Company's Stock Option Plan of 1994 as amended (the "1994 Stock Option Plan"). In addition, the named executive officers (other than Mr. O'Neill) were granted contingent awards under the Bank of Hawaii Corporation Executive Incentive Plan ("Executive Incentive Plan") in 2003 as described below.

Base Salaries

Base salaries for named executive officers are determined by evaluating the responsibilities of the positions held, the experience of the individual, the competitive marketplace, and the individual's performance of his or her responsibilities.

The greatest emphasis is on individual performance and the competitive marketplace. Adjustments to salary also reflect new responsibilities assigned or assumed by the individual. Also taken into account are key differences in responsibilities between the executives of Bank of Hawaii and of other banks, and the overall economic environment. No specific weighting is given to the foregoing factors.

To ease the expense burden of the Company, Messrs. Landon, Kuioka, Nelson and Thomas reduced their 2002 salaries by 10% from 2001 levels and their salaries were reinstated to the 2001 level in 2003. In 2003, Mr. Landon elected to reduce his salary and this reduction was considered in determining the amount of equity compensation granted to Mr. Landon which is discussed on pages 20-21. Mr. O'Neill elected to waive his base salary and any bonus for 2002 and 2003 and this reduction was considered in determining the amount of equity compensation granted to Mr. O'Neill which is discussed on pages 20-22.

Stock Ownership Guidelines

The Compensation Committee believes that it is important for executive management to support an ownership culture for the Company's employees and shareholders and in 2001, implemented stock ownership guidelines which require the named executive officers to own a minimum amount of the Company's stock within 3 years. The Chairman and CEO is required to own at least 5 times his salary and the other named executive officers are required to own at least 2.5 times their salary in market value of Company stock. Stock ownership includes net after tax value of vested stock options, vested grants of performance-based restricted stock and stock or stock units from qualified plans. The amount of shares held by each of the named executive officers is reported in the Beneficial Ownership Table on page 9.

Executive Incentive Plan

The objectives of the Executive Incentive Plan are to optimize profitability and growth of the Company, provide an incentive for excellence in individual performance, advance the corporate and cultural imperatives and promote corporate initiatives. The Company's corporate and cultural imperatives include acting accountably, communicating openly and honestly, being results driven, working effectively in teams and embracing change. The corporate initiatives are to focus on customer service and sales, improve processes and systems, invest in the Company's employees and businesses, increase efficiency, and align compensation to performance and to the governing objective of maximizing shareholder value over time.

At the Compensation Committee's discretion, each participant is granted a contingent award expressed as dollars or a percentage of salary for the fiscal year and contingent on both individual and corporate performance criteria. At the end of the fiscal year, the Compensation Committee assesses the performance and makes a determination of the final award amount that may be greater or smaller than the contingent award. The Compensation Committee granted contingent awards of up to 9% of the 2003 incentive pool to each of the named executive officers in 2003 with the exception of Mr. O'Neill, who does not participate in the Executive Incentive Plan. The 2003 limit for total awards for participants under the Executive Incentive Plan is 2% of the Company's total net income before taxes.

To qualify certain awards as performance-based compensation exempt from the $1 million compensation deduction limitation under Section 162(m) of the Internal Revenue Code of 1986 (the "Code"), a contingent award to a named executive officer is limited to a percentage of an incentive pool determined for the fiscal year (the "incentive pool percentage"). The incentive pool is expressed as a percentage of the Company's net income for the fiscal year, and the total of the contingent awards for named executive officers for a fiscal year may not exceed 100% of the incentive pool. After assessing the satisfaction of the applicable performance criteria for the fiscal year, the final award amount for a named executive officer may be lesser, but not greater, than the officer's stated incentive pool percentage. The incentive pool percentages do not constitute "targets," but instead constitute the stated upper limit on final award amounts to give the Compensation Committee flexibility in determining final awards in compliance with the performance-based exemption under Section 162(m). In addition, as an overriding limitation, the maximum aggregate payout for contingent awards granted in any one fiscal year to any one participant is $2,000,000.

1994 Stock Option Plan

The Compensation Committee considered stock options, restricted stock and restricted stock unit grants under the 1994 Stock Option Plan for employees of the Company and its subsidiaries. (The authority to grant awards under the 1994 Stock Option Plan expired on December 31, 2003. The Company is submitting the 2004 Stock and Incentive Compensation Plan to the shareholders for approval at the April 2004 annual meeting and further information is provided on pages 29-34.)

Awards under the 1994 Stock Option Plan are granted by the Compensation Committee to those employees whose management responsibilities place them in a position to make substantial contributions to the financial success of the Company. Directors who are not employees are not eligible to participate in the 1994 Stock Option Plan. The Compensation Committee, which administers the 1994 Stock Option Plan, determines whether the options will be incentive stock options or nonqualified stock options. All stock options granted in 2003 had an exercise price equal to the market price of the Company's common stock on the date of grant.

The Compensation Committee believes stock options provide a strong incentive to increase shareholder value, because these awards have value only if the stock price increases over time. The Compensation Committee also believes that restricted stock and restricted stock units, when used as an integral part of incentive compensation programs, provide an incentive to increase shareholder value. The Compensation Committee believes such equity awards to its named executive officers and other employees help to align the interests of management with those of shareholders and to focus the attention of management on the long-term success of the Company.

In 2003, the size of the stock option, restricted stock and restricted stock unit grants under the 1994 Stock Option Plan were based primarily on the individual's responsibilities, performance and position. Individual awards were also affected by the Compensation Committee's subjective evaluation of other factors it deemed appropriate, such as assumption of additional responsibilities, competitive factors, and achievements that in the Compensation Committee's view are not fully reflected by other compensation elements. The Compensation Committee's decisions concerning individual grants generally were not affected by the number of options previously exercised, or the number of unexercised options held.

In 2003, the Compensation Committee granted a total of 1,664,250 options to 521 employees and 270,000 restricted stock units and shares of restricted stock to 9 employees. Of these, 425,000 options were granted in February 2003 to the named executive officers as follows: Mr. O'Neill (300,000), Mr. Landon (70,000), Mr. Thomas (30,000) and Mr. Nelson (25,000). All of these options vest one year from the date of

grant. Additional information regarding the stock options granted to the named executive officers is provided in Stock Option Grants In Last Fiscal Year Table on page 24. The amounts of individual awards to executive officers in 2003 were based on their individual positions, responsibilities, performance, leadership and the other factors discussed above.

In October 2003, the Compensation Committee granted the members of the Managing Committee (other than Mr. O'Neill) restricted stock units ("RSUs") under the 1994 Stock Option Plan in furtherance of the Managing Committee 2004 Stock Compensation and Retention Program, including grants to certain named executive officers as follows: Mr. Landon (30,000), Mr. Kuioka (30,000), Mr. Nelson (20,000) and

Mr. Thomas (30,000). The RSU grants were based on the recipients' individual positions, responsibilities, performance, leadership impact and the other factors discussed above. Dividend equivalents are paid on the restricted stock units. The restricted stock units will vest based on time and the successful completion of certain performance objectives. The fair market value of the Company's stock on December 31, 2003 was $42.20. Further information about the restricted stock units is provided below on this page and in the Long-Term Incentive Plans Awards In Last Fiscal Year Table on page 25.

In December 2003, the Compensation Committee granted 75,000 shares of restricted stock to Mr. Landon upon his appointment as President of the Company and the Bank, which is further described in the Summary Compensation Table on page 23. Of the 75,000 restricted shares, 40,000 are time-based restricted shares with 10,000 shares vesting each year beginning March 31, 2005 and 35,000 are performance-based restricted shares with a five year vesting period to be vested upon meeting certain efficiency ratio targets and top quartile performance or achieving annual NIACC (net income after capital charge) budget. If the efficiency ratio target is met, 20% of the original performance-based share grant vests each year. If the top quartile performance or annual NIACC budget is met, 30% of the original grant vests each year. A maximum of 50% of the original grant can vest in one year. If the performance-based shares are not earned by 2008, they are forfeited.

Managing Committee 2003 Stock Compensation and Retention Program

All of the members of the Company's Managing Committee, including the named executive officers, other than Mr. O'Neill participate in the Managing Committee 2003 Stock Compensation and Retention Program. As a part of this program and under the 1994 Stock Option Plan, all participants were awarded RSUs in October 2003, as further described above on this page and in the Long-Term Incentive Plans Awards in Last Fiscal Year Table on page 25. Certain participants in this program, including Messrs. Kuioka, Nelson and Thomas, also may be entitled to receive retention compensation designed to further encourage them to remain with the Company. This retention compensation, which will be payable in a lump sum or as salary continuation upon the participant's departure if and only if that departure occurs on or after an agreed upon date (which currently is expected to be within twelve months of the final vesting date for each participant's RSUs), will equal up to twenty-four months salary for participants.

CEO Compensation

In determining Mr. O'Neill's annual compensation as Chief Executive Officer ("CEO"), the Compensation Committee has sought to provide levels that are competitive among comparable banks and financial services corporations as described on page 18. The Compensation Committee's objectives with regard to Mr. O'Neill's compensation are to attract, motivate and retain a CEO with the experience and capabilities needed to maximize shareholder value, provide outstanding leadership to employees, and deliver products and services to its customers. Mr. O'Neill's compensation reflects the Compensation Committee's continuing strategy of balancing short- and long-term incentives in structuring executive officer compensation and aligning the interest of the CEO with those of shareholders.

In determining Mr. O'Neill's 2003 compensation, the Compensation Committee considered, among other factors, the 2002 financial performance of the Company. The Company's stock finished 2002 up 17 percent; it was the top performing bank in the Lehman Brothers 56 Bank Index and the leader in the

Bloomberg Bank Index for generating total shareholder returns in 2002. On December 17, 2002, the Company's stock reached a new high of $31.05. In 2002, the Company's strong credit qu