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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

FORM 10-K

MAR 16 2012

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from ______ to ___

Commission File Number 1-6887

BANK OF HAWAII CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

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

99-0148992

(I.R.S. Employer Identification No.)

96813

(Zip Code)

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

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

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, \$.01 Par Value

New York Stock Exchange

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

None

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

Yes ⊠ No □

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

Yes ☐ No 🗵

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ⊠ No □

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

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

Large accelerated filer ⊠

Non-accelerated filer [(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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

Yes 🗌 No 🔯

The aggregate market value of the registrant's outstanding voting common stock held by non-affiliates on June 30, 2011 (the last business day of the registrant's most recently completed second fiscal quarter), determined using the per share closing price on that date on the New York Stock Exchange of \$46.52, was approximately \$2,169,588,083. There was no non-voting common equity of the registrant outstanding on that date.

As of February 14, 2012, there were 45,904,973 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement relating to the 2012 Annual Meeting of Shareholders to be held on April 27, 2012, are incorporated by reference into Part III of this Report.

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Part I

Item 1. Business

General

Bank of Hawaii Corporation (the "Parent") is a Delaware corporation and a bank holding company ("BHC") headquartered in Honolulu, Hawaii.

The Parent's principal and only operating subsidiary, Bank of Hawaii (the "Bank"), was organized on December 17, 1897 and is chartered by the State of Hawaii. The Bank's deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC") and the Bank is a member of the Federal Reserve System.

The Bank provides a broad range of financial services and products primarily to customers in Hawaii, Guam, and other Pacific Islands. References to "we," "our," "us," or "the Company" refer to the Parent and its subsidiaries that are consolidated for financial reporting purposes.

The Bank's subsidiaries include Bank of Hawaii Leasing, Inc., Bankoh Investment Services, Inc., Pacific Century Life Insurance Corporation, BOH Wholesale Insurance Agency, Inc. (formerly known as Triad Insurance Agency, Inc.), and Bank of Hawaii Insurance Services, Inc. The Bank's subsidiaries are engaged in equipment leasing, securities brokerage, investment services, wholesale insurance, and insurance agency services.

We are organized into four business segments for management reporting purposes: Retail Banking, Commercial Banking, Investment Services, and Treasury and Other. See Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and Note 13 to the Consolidated Financial Statements for more information.

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports can be found free of

charge on our website at www.boh.com as soon as reasonably practicable after such material is electronically filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC"). The SEC maintains a website, www.sec.gov, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our Corporate Governance Guidelines; charters of the Audit and Risk Committee, the Executive and Strategic Planning Committee, the Human Resources and Compensation Committee, and the Nominating and Corporate Governance Committee; and our Code of Business Conduct and Ethics are available on our website at www.boh.com. Printed copies of this information may be obtained, without charge, by written request to the Corporate Secretary at 130 Merchant Street, Honolulu, Hawaii, 96813.

The Parent's other subsidiary is the BOHC Investment Fund, LLC (the "Fund"). The Fund was organized in September 2007, to invest in and hold securities of Qualified High Technology Businesses, as defined in the Hawaii Revised Statutes.

Competition

The Company is subject to intense competition from traditional financial service providers including banks, savings associations, credit unions, mortgage companies, finance companies, mutual funds, brokerage firms, insurance companies, and other non-traditional providers of financial services including financial service subsidiaries of commercial and manufacturing companies. Some of our competitors are not subject to the same level of regulation and oversight that is required of banks and BHCs. As a result, some of our competitors may have lower cost structures. Also, some of our competitors, through alternative delivery channels such as the Internet, may be based outside of the markets that we serve. By emphasizing our extensive branch network, exceptional service levels, and knowledge of local trends and conditions, we believe the Company has developed an effective competitive advantage.

Supervision and Regulation

Our operations are subject to extensive regulation by federal and state governmental authorities. The regulations are primarily intended to protect depositors, customers, and the integrity of the U.S. banking system. The following information describes some of the more significant laws and regulations applicable to us. The description is qualified in its entirety by reference to the applicable laws and regulations. Proposals to change the laws and regulations governing the banking industry are frequently raised in Congress, in state legislatures, and with the various bank regulatory agencies. Changes in applicable laws or regulations, or a change in the way such laws or regulations are interpreted by regulatory agencies or courts, may have a material impact on our business, operations, and earnings.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") became effective. This new law has broadly affected the financial services industry by implementing changes to the financial regulatory landscape aimed at strengthening the sound operation of the financial services industry, and will continue to significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies, including the Company and the Bank. Under the Dodd-Frank Act a broad range of new rules and regulations by various federal agencies have been implemented, and further rulemaking must be proposed and adopted which will take effect over several years. Although we have already experienced some decrease in revenue as a result of the rules already implemented under the Dodd-Frank Act, it remains difficult to anticipate the overall financial impact the Dodd-Frank Act will have on the Company, our customers or the financial industry in general.

The Parent

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

The BHC Act prohibits, with certain exceptions, a BHC from acquiring beneficial ownership or control of more than 5% of the voting shares of any company, including a bank, without the FRB's prior approval. The Act also prohibits a BHC from engaging in any activity other than banking, managing or controlling banks or other subsidiaries authorized under the BHC Act, or furnishing services to or performing services for its subsidiaries.

Under the BHC Act, a BHC may elect to become a financial holding company and thereby engage in a broader range of financial and other activities than are permissible for traditional BHCs. In order to qualify for the election, all of the depository institution subsidiaries of the BHC must be well-capitalized and well-managed. Additionally, all of its insured depository institution subsidiaries must have achieved a rating of "satisfactory" or better under the Community Reinvestment Act (the "CRA"). Financial holding companies are permitted to engage in activities that are "financial in nature"; activities incidental to or complementary of the financial activities of traditional BHCs, as determined by the FRB. The Parent has not elected to become a financial holding company.

Under FRB policy, a BHC is expected to serve as a source of financial and management strength to its subsidiary bank. A BHC is also expected to commit resources to support its subsidiary bank in circumstances where it might not do so absent such a policy. Under this policy, a BHC is expected to stand ready to provide adequate capital funds to its subsidiary bank during periods of financial adversity and to maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary bank.

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act, banks and bank holding companies from any state are permitted to acquire banks located in any other state, subject to certain conditions, including certain nationwide and state-imposed deposit concentration limits. The Bank also has the ability, subject to certain restrictions, to acquire branches outside its home state by acquisition or merger. The establishment of new interstate branches is also possible in those states with laws that expressly permit de novo branching. Because the Code permits de novo branching by out-of-state banks, those banks may establish new branches in Hawaii. Interstate branches are subject to certain laws of the states in which they are located.

Bank of Hawaii

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

Bankoh Investment Services, Inc., the broker dealer subsidiary of the Bank, is incorporated in Hawaii and is regulated by the Financial Industry Regulatory Authority, and the DCCA's Business Registration Division. The Bank's insurance subsidiaries, BOH Wholesale Insurance Agency, Inc. and Bank of Hawaii Insurance Services, Inc. are incorporated in Hawaii and are regulated by the DCCA's Division of Insurance. Pacific Century Life Insurance Corporation is incorporated in Arizona and is regulated by the State of Arizona Department of Insurance.

Capital Requirements

The federal bank regulatory agencies have issued substantially similar risk-based and leverage capital guidelines applicable to BHCs and the banks they supervise. Under the risk-based capital requirements, the Company and the Bank are each generally required to maintain a minimum ratio of total capital to risk-weighted assets of 8% to be considered "adequately capitalized." At least half of the total capital is to be composed of common equity, retained earnings, and qualifying perpetual preferred stock, less certain intangibles ("Tier 1 Capital"). The remainder may consist of certain subordinated debt, certain hybrid capital instruments and other qualifying preferred stock, and a limited amount of the allowance for loan and lease losses ("Tier 2 Capital") and, together with Tier 1 Capital, equals

total capital ("Total Capital"). Risk-weighted assets are calculated by taking assets and credit equivalent amounts of off-balance-sheet items and assigning them to one of several broad risk categories. The risk categories are assigned according to the obligor, or, if relevant, to the guarantor, or to the nature of the collateral. The aggregate dollar value of the amount in each category is then multiplied by the risk weight associated with that category.

BHCs and banks are also required to maintain minimum leverage ratios established by the federal bank regulatory agencies. These requirements provide for a minimum leverage ratio of Tier 1 Capital to adjusted quarterly average assets ("Tier 1 Leverage Ratio") equal to 3% to be considered "adequately capitalized" for BHCs and banks that have the highest regulatory rating and are not experiencing significant growth or expansion. All other BHCs and banks will generally be required to maintain a Tier 1 Leverage Ratio of at least 100 to 200 basis points above the stated minimum. See Note 11 to the Consolidated Financial Statements for capital ratios for the Company and the Bank.

The risk-based capital standards identify concentrations of credit risk and the risk arising from non-traditional banking activities, as well as an institution's ability to manage these risks, as important factors to be taken into account by the agencies in assessing an institution's overall capital adequacy. The capital guidelines also provide that exposure to a decline in the economic value of an institution's capital due to changes in interest rates is a factor to be considered in evaluating a bank's capital adequacy.

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") the federal banking agencies possess broad powers to take prompt corrective action to resolve problems of insured depository institutions. FDICIA identifies five capital categories for insured depository institutions: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized." Under regulations established by the federal banking agencies, a "well capitalized" institution must have a Tier 1 Capital Ratio of at least 6%, a Total Capital Ratio of at least 10%, a Tier 1 Leverage Ratio of at least 5%, and not be subject to a capital directive order. As of December 31, 2011, the Bank was classified as "well capitalized." The classification of a depository institution under FDICIA is primarily for the purpose of applying the federal banking agencies'

prompt corrective action provisions, and is not intended to be, nor should it be interpreted as, a representation of the overall financial condition or the prospects of that financial institution.

On December 16, 2010, the oversight body of the Basel Committee on Banking Supervision published the final text of the Basel III package of reforms regarding capital, leverage, and liquidity. See the "Regulatory Initiatives Related to Liquidity and Capital" section in MD&A for more information.

Dividend Restrictions

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

For information regarding the limitations on the Bank's ability to pay dividends to the Parent, see Note 11 to the Consolidated Financial Statements.

Transactions with Affiliates and Insiders

Under federal law, the Bank is subject to restrictions that limit the transfer of funds or other items of value to the Parent, and any other non-bank affiliates in so-called "covered transactions." In general, covered transactions include loans, leases, other extensions of credit, investments and asset purchases, as well as other transactions involving the transfer of value from the Bank to an affiliate or for the benefit of an affiliate. The Dodd-Frank Act broadened the definition of affiliate, and the definition of covered transaction to include securities lending, repurchase agreements, and derivative transactions that the Bank may have with an affiliate. The Dodd-Frank Act also strengthened the collateral requirements and limited FRB exemptive authority.

Unless an exemption applies, 1) covered transactions by the Bank with a single affiliate are limited to 10% of the Bank's capital and surplus, and 2) with respect to all covered transactions with affiliates in the aggregate, to 20% of the Bank's capital and surplus.

The Federal Reserve Act also requires that certain transactions between the Bank and its affiliates be on terms substantially the same, or at least as favorable to the Bank, as those prevailing at the time for comparable transactions with or involving other non-affiliated persons. The Federal Reserve has issued Regulation W which codifies the above restrictions on transactions with affiliates.

The restrictions on loans to directors, executive officers, principal shareholders and their related interests (collectively referred to as "insiders") contained in the Federal Reserve Act and Regulation O apply to all insured institutions and their subsidiaries and holding companies. These restrictions include limits on loans to one borrower and conditions that must be met before such loans can be made. There is also an aggregate limitation on all loans to insiders and their related interests. These loans cannot exceed the institution's total unimpaired capital and surplus. The definition of "extension of credit" for transactions with executive officers, directors, and principal shareholders was also expanded under the Dodd-Frank Act to include credit exposure arising from a derivative transaction, a repurchase or reverse repurchase agreement, and securities lending or borrowing transactions.

FDIC Insurance

The Deposit Insurance Fund ("DIF") of the FDIC insures deposit accounts in the Bank up to a maximum amount of \$250,000 per depositor, per institution, for each account ownership category as defined by the FDIC. On November 9, 2010, the FDIC issued a final rule to implement a provision of the Dodd-Frank Act that provides temporary unlimited deposit insurance coverage for noninterestbearing transaction accounts at all FDIC-insured depository institutions. Institutions cannot opt out of this coverage, nor will the FDIC charge a separate assessment for the insurance. On December 29, 2010, President Obama signed into law an amendment to the Federal Deposit Insurance Act to include Interest on Lawyers Trust Accounts ("IOLTA") within the definition of noninterestbearing transaction accounts. This amendment will provide IOLTAs with the same temporary, unlimited insurance coverage afforded to noninterest-bearing transaction accounts under the Dodd-Frank Act. This unlimited coverage for noninterest-bearing transaction

accounts became effective on December 31, 2010 and terminates on December 31, 2012.

FDIC-insured depository institutions are required to pay deposit insurance premiums based on the risk an institution poses to the DIF. In order to restore reserves and ensure that the DIF will be able to adequately cover losses from future bank failures, the FDIC approved new deposit insurance rules in November 2009. These new rules required insured depository institutions to prepay their estimated quarterly risk-based assessments for all of 2010, 2011, and 2012. On December 30, 2009, the Bank prepaid its assessment in the amount of \$42.3 million related to years 2010 through 2012. As of December 31, 2011 the remaining balance of our prepaid FDIC assessment was \$22.6 million.

As required by the Dodd-Frank Act, on February 7, 2011, the FDIC finalized new rules which redefined the base for FDIC insurance assessments from the amount of insured deposits to "average consolidated total assets less average tangible equity." A new rate schedule and other revisions to the assessment rules became effective April 1, 2011, and were used to calculate the June 2011 assessments which were due in September 2011. The FDIC's final rules also eliminated risk categories and debt ratings from the assessment calculation for large banks (over \$10.0 billion) and will instead use scorecards that the FDIC believes better reflect risks to the DIF. Our FDIC insurance assessment for 2011 was approximately \$9.3 million.

Other Safety and Soundness Regulations

As required by FDICIA, the federal banking agencies' prompt corrective action powers impose progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. These actions can include: requiring an insured depository institution to adopt a capital restoration plan guaranteed by the institution's parent company; placing limits on asset growth and restrictions on activities, including restrictions on transactions with affiliates; restricting the interest rates the institution may pay on deposits; prohibiting the payment of principal or interest on subordinated debt; prohibiting the holding company from making capital distributions without prior regulatory approval; and, ultimately, appointing a receiver for the institution.

The federal banking agencies also have adopted guidelines prescribing safety and soundness standards

relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation and benefits. The federal regulatory agencies may take action against a financial institution that does not meet such standards.

Community Reinvestment and Consumer Protection Laws

In connection with its lending activities, the Bank is subject to a number of federal laws designed to protect borrowers and promote lending to various sectors of the economy and population. These include the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, and the Community Reinvestment Act (the "CRA"). In addition, federal banking regulators, pursuant to the Gramm-Leach-Bliley Act, have enacted regulations limiting the ability of banks and other financial institutions to disclose nonpublic consumer information to non-affiliated third parties. The regulations require disclosure of privacy policies and allow consumers to prevent certain personal information from being shared with non-affiliated third parties.

The CRA requires the appropriate federal banking agency, in connection with its examination of a bank, to assess the bank's record in meeting the credit needs of the communities served by the bank, including low and moderate income neighborhoods. Under the CRA, institutions are assigned a rating of "outstanding," "satisfactory," "needs to improve," or "substantial non-compliance." The Bank received an "outstanding" rating in its most recent CRA evaluation.

The Dodd-Frank Act also created the Consumer Financial Protection Bureau (the "CFPB"), an independent bureau within the FRB that is responsible for implementing, examining and enforcing compliance with federal consumer financial laws. The CFPB has broad rule-making, supervisory and examination authority to set and enforce rules in the consumer protection area over financial institutions that have assets of \$10.0 billion or more, such as the Bank. The Dodd-Frank Act also gives the CFPB expanded data collecting powers for fair lending purposes for both small business and mortgage loans, as well as expanded authority to prevent unfair, deceptive and abusive practices. The consumer complaint function has also been consolidated into the CFPB.

Several major regulatory and legislative initiatives adopted under the Dodd-Frank Act will have significant future impacts on our business and financial results. Amendments to Regulation E, which implement the Electronic Funds Transfer Act (the "EFTA"), involve changes to the way banks may charge overdraft fees by limiting our ability to charge an overdraft fee for ATM and one-time debit card transactions that overdraw a consumer's account, unless the consumer affirmatively consents to payment of overdrafts for those transactions. Additional amendments to the EFTA include the "Durbin Amendment," which mandates limiting debit card interchange fees that banks may charge merchants.

Additional rulemakings to come under the Dodd-Frank Act will dictate compliance changes for lenders and financial institutions, particularly in the areas of mortgage reform involving the Real Estate Settlement Procedures Act, the Truth in Lending Act, the fair lending laws and the fair debt collection practices laws. Any such changes in regulations or regulatory policies applicable to the Bank make it difficult to predict the ultimate effect on our financial condition or results of operations.

Bank Secrecy Act / Anti-Money Laundering Laws

The Bank is subject to the Bank Secrecy Act and other anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001. The USA PATRIOT Act substantially broadened the scope of U.S. anti-money laundering laws and regulations by creating new laws, regulations, and penalties, imposing significant new compliance and due diligence obligations, and expanding the extraterritorial jurisdiction of the U.S. These laws and regulations require the Bank to implement policies, procedures, and controls to detect, prevent, and report potential money laundering and terrorist financing and to verify the identity of its customers. Violations of these requirements can result in substantial civil and criminal sanctions. In addition, provisions of the USA PATRIOT Act require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing bank mergers and BHC acquisitions.

Employees

As of December 31, 2011, we had approximately 2,400 employees.

Item 1A. Risk Factors

There are a number of risks and uncertainties that could negatively affect our business, financial condition or results of operations. The risks and uncertainties described below are some of the important inherent risk factors that could affect our business and operations, although they are not the only risks that may have a material adverse affect on the Company.

Changes in business and economic conditions, in particular those of Hawaii and the Pacific Islands (Guam, nearby islands, and American Samoa), could lead to lower revenue, lower asset quality, and lower earnings.

Unlike larger national or other regional banks that are more geographically diversified, our business and earnings are closely tied to the economies of Hawaii and the Pacific Islands. These local economies rely on tourism, real estate, government, and other service-based industries. Declines in tourism, real or threatened acts of war or terrorism, increases in energy costs, the availability of affordable air transportation, natural disasters and adverse weather, public health issues, and State of Hawaii and County budget issues impact consumer and corporate spending. As a result, such events may contribute to the deterioration in general economic conditions in our markets which could adversely impact us and our customers' operations. Although economic conditions in Hawaii have not deteriorated to the same extent as in other geographic areas, such conditions could decline further. A significant decline in general economic conditions, caused by inflation, recession, acts of terrorism, outbreak of hostilities or other international or domestic calamities, unemployment or other factors could impact these local economic conditions and could negatively affect the Company's financial condition, results of operations and cash flows. Hawaii's economy continued to show signs of recovery during 2011 due to increasing visitor arrivals and spending. However, deterioration of economic conditions or the slow pace of economic recovery could adversely affect the quality of our assets, credit losses, and the demand for our products and services, which could lead to lower revenues and lower earnings.

The level of visitor arrivals and spending, housing prices, and unemployment rates are some of the metrics that we continually monitor. We also monitor the value of collateral, such as real estate, that secures the loans we have made. The borrowing

power of our customers could also be impacted by a decline in the value of collateral.

Changes in defense spending by the federal government as a result of congressional budget cuts could adversely impact the economy in Hawaii and the Pacific Islands.

The U.S. military has a major presence in Hawaii and the Pacific Islands. As a result, the U.S. military is an important aspect of the economies in which we operate. Recent proposals to cut defense and other security spending could have an adverse impact on the economies in which we operate, which could adversely affect our business, financial condition, and results of operations.

Difficult market conditions and economic trends have adversely affected our industry.

The banking industry continues to be affected by sharp declines in the real estate market, high levels of unemployment, low loan demand, and low interest margins. Dramatic declines in the national housing market over the past several years, with falling home prices and increasing foreclosures and unemployment. have resulted in significant write-downs of asset values by financial institutions. Although economic conditions in Hawaii and the U.S. are showing signs of recovery, a further decline in real estate values. home sales volumes and financial stress on borrowers as a result of the uncertain economic environment could have an adverse effect on our borrowers and/or their customers, which could adversely affect our financial condition and results of operations. Continued economic conditions that negatively affect the housing market, the job market and the demand for other goods and services could cause the credit quality of the Company's loan portfolios to deteriorate, which would have a negative impact on the Company's business.

Real estate values in Hawaii continued to be somewhat more resilient than many markets on the U.S. Mainland over the past two years. However, there is no assurance that Hawaii real estate values will continue to be more resilient than U.S. Mainland markets. Market turmoil and the tightening of credit has led to an increased level of commercial and consumer delinquencies, a lack of confidence in the financial sector, and increased volatility in the financial markets. The resulting economic pressure on consumers and lack of confidence in the financial markets may adversely affect our business, financial condition, and results of operations.

Risks from the debt crisis in Europe could result in a disruption of the financial markets which may have a detrimental impact on global economic conditions and affect economic conditions in Hawaii.

There remains considerable uncertainty as to future developments in the European debt crisis and the impact on financial markets. Market and economic disruptions have affected, and may continue to affect, consumer confidence levels, spending, and credit factors, such that our business and results of operations could be adversely affected.

Changes in interest rates could adversely impact our results of operations and capital.

Our earnings are highly dependent on the spread between the interest earned on loans, leases, and investment securities and the interest paid on deposits and borrowings. Changes in market interest rates impact the rates earned on loans, leases, and investment securities and the rates paid on deposits and borrowings. In addition, changes to market interest rates could impact the level of loans, leases, investment securities, deposits, and borrowings, and the credit profile of our current borrowers. Interest rates are affected by many factors beyond our control, and fluctuate in response to general economic conditions, currency fluctuations, and the monetary and fiscal policies of various governmental and regulatory authorities. Changes in monetary policy, including changes in interest rates, will influence the origination of loans and leases, the purchase of investments, the generation of deposits, and the rates received on loans and investment securities and paid on deposits. Any substantial prolonged change in market interest rates may negatively impact our ability to attract deposits, originate loans and leases, and achieve satisfactory interest rate spreads, any of which could adversely affect our financial condition or results of operations.

Credit losses could increase if economic conditions stagnate or deteriorate.

Although there are indications of an economic recovery nationally and in Hawaii, increased credit losses for us could result if economic conditions stagnate or deteriorate. The risk of nonpayment of loans and leases is inherent in all lending activities. We maintain a reserve for credit losses to absorb estimated probable credit losses inherent in the loan, lease, and commitment portfolios as of the balance sheet date. Management makes various assumptions and judgments about the loan and lease portfolio in

determining the level of the reserve for credit losses. Many of these assumptions are based on current economic conditions. Should economic conditions stagnate or deteriorate nationally or in Hawaii, we may experience higher credit losses in future periods.

Inability of our borrowers to make timely repayments on their loans, or decreases in real estate collateral values may result in increased delinquencies, foreclosures, and customer bankruptcies, any of which could have a material adverse effect on our operating results.

Legislation and regulatory initiatives affecting the financial services industry, including restrictions and requirements, could detrimentally affect the Company's business.

In light of current conditions and the market expectation of a slow economic recovery, regulators have increased their focus on the regulation of financial institutions. Laws and regulations, and in particular banking, securities and tax laws, are under intense scrutiny because of the current economic environment. As a result, we continue to monitor regulatory changes and the associated costs of compliance, which could detrimentally affect our business.

Much of the Dodd-Frank Act remains to be implemented through rulemaking, creating uncertainty for the Company and the financial services industry in general. Some of the provisions of the Dodd-Frank Act that have adversely impacted the Company include the Durbin Amendment which mandates a limit to debit card interchange fees and the FRB's amendments to Regulation E of the EFTA regarding overdraft fees. In future periods, these provisions may limit the type of products we offer, the methods by which we offer them, and the prices at which they are offered. These provisions may also increase our costs in offering these products in the future.

The regulation of most consumer financial products and services will be the responsibility of the newly created CFPB. However, regulation of overall safety and soundness, the CRA, federal housing and flood insurance, as they pertain to consumer financial products and services, will remain with the FRB. The CFPB will have broad rule-making, supervisory and examination authority, as well as expanded data collecting and enforcement powers over depository institutions with more than \$10.0 billion in assets. Much of the rules and regulations of the CFPB have

not been implemented, and therefore, the scope and impact of the CFPB's actions cannot be determined at this time. This creates significant uncertainty for the Company and the financial services industry in general.

These new laws, regulations, and changes may increase our costs of regulatory compliance. They may significantly affect the markets in which we do business, the markets for and value of our investments, and our ongoing operations, costs, and profitability. The future impact of the many provisions of the Dodd-Frank Act and other legislative and regulatory initiatives on the Company's business and results of operations will depend upon regulatory interpretation and rulemaking that will be undertaken over the next several months and years. As a result, we are unable to predict the ultimate impact of the Dodd-Frank Act or of other future legislation or regulation, including the extent to which it could increase costs or limit our ability to pursue business opportunities in an efficient manner, or otherwise adversely affect our business, financial condition, and results of operations.

Changes in the capital, leverage and liquidity requirements for financial institutions could materially affect future requirements of the Company.

Under Basel III, financial institutions are required to have more capital and a higher quality of capital. Basel III also imposes a leverage ratio requirement and liquidity standards. Implementation of these new capital and liquidity requirements has created significant uncertainty with respect to the future requirements for financial institutions. These new requirements may result in increases to our capital, liquidity, and disclosure requirements. See the "Regulatory Initiatives Related to Liquidity and Capital" section in MD&A for more information.

Consumer protection initiatives related to the foreclosure process could affect our remedies as a creditor.

Proposed consumer protection initiatives related to the foreclosure process, including voluntary and/or mandatory programs intended to permit or require lenders to consider loan modifications or other alternatives to foreclosure, could increase our credit losses or increase our expense in pursuing our remedies as a creditor.

For example, in May 2011, a new Hawaii foreclosure law ("Act 48") overhauled rules for nonjudicial, or

out-of-court, foreclosures. Previously, nonjudicial foreclosures were how lenders handled the vast majority of foreclosures in Hawaii, as the process was quicker and less expensive than going through court. Act 48 was intended to curb potential lender abuses while providing qualified owner-occupants an option to have a dispute resolution professional assist with foreclosure mitigation in front of a lender's representative before a foreclosure sale can proceed. However, Act 48 has had the unintended effect of lenders forgoing nonjudicial foreclosures entirely and filing all foreclosures in court, creating a backlog that threatens to slow the judicial foreclosure process. Currently there are several foreclosure-related bills being considered by the state legislature, many of which seek to amend Act 48. The manner in which these issues are ultimately resolved could impact our foreclosure procedures, which in turn could affect our financial condition or results of operations. In addition, the recent joint federal-state settlement with several mortgage servicers over foreclosure practice abuses creates additional uncertainty for the Company and the mortgage servicing industry in general as it relates to the implementation of mortgage loan modifications and loss mitigation practices in the future.

Competition may adversely affect our business.

Our future depends on our ability to compete effectively. We compete for deposits, loans, leases, and other financial services with a variety of competitors, including banks, thrifts, credit unions, mortgage companies, broker dealers, and insurance companies all of which may be based in or outside of Hawaii and the Pacific Islands. We will continue to experience intense competition as the trend for further consolidation in the financial services industry continues. The financial services industry is also likely to become more competitive as further technological advances enable more companies to provide financial services. Failure to effectively compete, innovate, and to make effective use of available channels to deliver our products and services could adversely affect our financial condition or results of operations.

Our liquidity is dependent on dividends from the Bank.

The Parent is a separate and distinct legal entity from the Bank. The Parent receives substantially all of its cash in the form of dividends from the Bank. These dividends are the principal source of funds to pay, for example, dividends on the Parent's common stock or to repurchase common stock under our share repurchase program. Various federal and state laws and regulations limit the amount of dividends that the Bank may pay to the Parent. If the amount of dividends paid by the Bank is further limited, the Parent's ability to meet its obligations, pay dividends to shareholders, or repurchase stock, may be further limited.

An interruption or breach in security of our information systems may result in financial losses, loss of customers, or damage to our reputation.

We rely heavily on communications and information systems to conduct our business. In addition, we rely on third parties to provide key components of our infrastructure, including loan, deposit and general ledger processing, internet connections, and network access. These types of information and related systems are critical to the operation of our business and essential to our ability to perform day-to-day operations, and, in some cases, are critical to the operations of certain of our customers. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. As a financial institution, we face a heightened risk of a security breach or disruption from threats to gain unauthorized access to our and our customers' data and financial information, whether through cyber attack, cyber intrusion over the internet, malware, computer viruses, attachments to e-mails, spoofing, phishing, or spyware.

Our customers have been, and will continue to be, targeted by parties using fraudulent emails and other communications to misappropriate passwords, credit card numbers, or other personal information or to introduce viruses or other malware through "trojan horse" programs to our customers' computers. These communications appear to be legitimate messages sent by the Bank, but direct recipients to fake websites operated by the sender of the e-mail or request that the recipient send a password or other confidential information via e-mail or download a program. Despite our efforts to mitigate these tactics through product improvements and customer education, such attempted frauds remain a serious problem that may cause customer and/or Bank losses, damage to our brand, and increase in our costs.

Although we make significant efforts to maintain the security and integrity of our information systems and

we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because attempted security breaches, particularly cyber attacks and intrusions, or disruptions will occur in the future, and because the techniques used in such attempts are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is virtually impossible for us to entirely mitigate this risk. A security breach or other significant disruption could: 1) Disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our customers; 2) Result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of confidential, sensitive or otherwise valuable information of ours or our customers, including account numbers and other financial information; 3) Result in a violation of applicable privacy and other laws, subjecting the Bank to additional regulatory scrutiny and expose the Bank to civil litigation and possible financial liability; 4) Require significant management attention and resources to remedy the damages that result; or 5) Harm our reputation or cause a decrease in the number of customers that choose to do business with us. The occurrence of any such failures, disruptions or security breaches could have a negative impact on our results of operations, financial condition, and cash flows.

Negative public opinion could damage our reputation and adversely impact our earnings and liquidity.

Reputational risk, or the risk to our business, earnings, liquidity, and capital from negative public opinion could result from our actual or alleged conduct in a variety of areas, including legal and regulatory compliance, lending practices, corporate governance, litigation, ethical issues, or inadequate protection of customer information. We expend significant resources to comply with regulatory requirements. Failure to comply could result in reputational harm or significant legal or remedial costs. Damage to our reputation could adversely affect our ability to retain and attract new customers, and adversely impact our earnings and liquidity.

We are subject to certain litigation, and our expenses related to this litigation may adversely affect our results.

We are, from time to time, involved in various legal proceedings arising from our normal business activities. These claims and legal actions, including supervisory actions by our regulators, could involve large monetary claims and significant defense costs. The outcome of these cases is uncertain. Substantial legal liability or significant regulatory action against us could have material financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. We may be exposed to substantial uninsured liabilities, which could materially affect our results of operations and financial condition. Based on information currently available, we believe that the eventual outcome of known actions against us will not be materially in excess of such amounts accrued by us. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters may be material to our statement of income for any particular period.

Changes in income tax laws or interpretations or in accounting standards could materially affect our financial condition or results of operations.

Changes in income tax laws could be enacted, or interpretations of existing income tax laws could change, causing an adverse effect to our financial condition or results of operations. Similarly, our accounting policies and methods are fundamental to how we report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the value of our assets, liabilities, and financial results. Periodically, new accounting standards are imposed or existing standards are revised, changing the methods for preparing our financial statements. These changes are not within our control and may significantly impact our financial condition and results of operations.

Our performance depends on attracting and retaining key employees and skilled personnel to operate our business effectively.

Our success is dependent on our ability to recruit qualified and skilled personnel to operate our business effectively. Competition for these qualified and skilled people is intense. There are a limited number of qualified personnel in the markets we serve, so our success depends in part on the

continued services of many of our current management and other key employees. Failure to retain our key employees and maintain adequate staffing of qualified personnel could adversely impact our operations and our ability to compete.

The soundness of other financial institutions, as counterparties, may adversely impact our financial condition or results of operations.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, lending, counterparty, or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions or the financial services industry in general have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. We have exposure to many different industries and counterparties, and we routinely execute transactions with brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. Such losses could materially affect our financial condition or results of operations.

Changes in the capital markets could materially affect the level of assets under management and the demand for our other fee-based services.

Changes in the capital markets could affect the volume of income from and demand for our fee-based services. Our investment management revenues depend in large part on the level of assets under management. Market volatility that leads customers to liquidate investments, move investments to other institutions or asset classes, as well as lower asset values can reduce our level of assets under management and thereby decrease our investment management revenues.

Our mortgage banking income may experience significant volatility.

Our mortgage banking income is highly influenced by the level and direction of mortgage interest rates, real estate activity, and refinancing activity. Interest rates can affect the amount of mortgage banking activity and impact fee income and the fair value of our mortgage servicing rights. Mortgage banking income may also be impacted by changes in our strategy to manage our residential mortgage portfolio. For example, we may occasionally change the proportion of our loan originations that are sold in the secondary market and added to our loan portfolio.

Our investment in the Federal Home Loan Bank of Seattle (the "FHLB") stock may be subject to impairment charges in future periods if the financial condition of the FHLB further declines.

The Bank is a member of the FHLB, and as such, is required to hold FHLB stock as a condition of membership. As of December 31, 2011, the carrying value of our FHLB stock was \$61.3 million and consisted of 612,924 shares valued at a par value of \$100 per share. As of December 31, 2011, the Bank held 375,608 shares in excess of the minimum number of shares the Bank was required to hold as a condition of membership. Ownership of FHLB stock is restricted and can only be redeemed or sold at their par value and only to the FHLB or to another member institution. In August 2009, the FHLB received a capital classification of "undercapitalized" from their primary regulator, the Federal Housing Finance Agency (the "Finance Agency").

In October 2010, the Finance Agency and the FHLB agreed to the stipulation and issuance of a Consent Order by the Finance Agency that sets forth requirements for capital management, asset composition, and other operational and risk management improvements. The Consent Order required the FHLB to meet certain minimum financial metrics by the end of the Stabilization period and maintain them for each quarter end thereafter. Based on the FHLB's Form 10-O for the period ended September 30, 2011, with the exception of not meeting the retained earnings requirement as of June 30, 2011, the FHLB met all minimum financial metrics at each quarter end during the Stabilization Period and as of the quarter ended September 30, 2011. However, until the Finance Agency determines that the FHLB has met the requirements of the Consent Order, the FHLB expects that it will remain classified as "undercapitalized." As such, the FHLB remains restricted from redeeming or repurchasing capital stock or paying dividends.

See discussion in MD&A and Note 7 to the Consolidated Financial Statements related to the

impairment analysis of our FHLB stock as of December 31, 2011.

The requirement to record certain assets and liabilities at fair value may adversely affect our financial results.

We report certain assets, including available-for-sale investment securities, at fair value. Generally, for assets that are reported at fair value we use quoted market prices or valuation models that utilize market data inputs to estimate fair value. Because we record these assets at their estimated fair value, we may incur losses even if the asset in question presents minimal credit risk. The level of interest rates can impact the estimated fair value of investment securities. Disruptions in the capital markets may require us to recognize other-than-temporary impairments in future periods with respect to investment securities in our portfolio. The amount and timing of any impairment recognized will depend on the severity and duration of the decline in fair value of our investment securities and our estimation of the anticipated recovery period.

Changes to the amount and timing of proposed common stock repurchases

The actual amount and timing of future share repurchases, if any, will depend on market and economic conditions, applicable SEC rules, and various other factors.

Item 1B. Unresolved Staff Comments

Not Applicable.

Item 2. Properties

Our principal offices are located in the Financial Plaza of the Pacific in Honolulu, Hawaii. We own and lease other branch offices and operating facilities located throughout Hawaii and the Pacific Islands.

Item 3. Legal Proceedings

See discussion of Legal Proceedings in Note 18 to the Consolidated Financial Statements.

Executive Officers of the Registrant

Listed below are executive officers of the Parent as of February 28, 2012.

Peter S. Ho, 46

Chairman and Chief Executive Officer since July 2010 and President since April 2008; Vice Chairman and Chief Banking Officer from January 2006 to April 2008.

Kent T. Lucien, 58

Vice Chairman and Chief Financial Officer since April 2008; Trustee, C. Brewer & Co., Ltd. from April 2006 to December 2007.

Peter M. Biggs, 60

Vice Chairman, Retail Banking since February 2011; Senior Executive Vice President, Consumer Products Division from March 2006 to February 2011.

Wayne Y. Hamano, 57

Vice Chairman since December 2008 and Chief Commercial Officer since September 2007; Senior Executive Vice President, Hawaii Commercial Banking Division from July 2006 to September 2007.

Mark A. Rossi, 63

Vice Chairman, Chief Administrative Officer, General Counsel, and Corporate Secretary since February 2007; President of Lane Powell PC from July 2004 to January 2007.

Mary E. Sellers, 55

Vice Chairman and Chief Risk Officer since July 2005.

Donna A. Tanoue, 57

Vice Chairman, Client Relations and Community Activities since February 2007; President of the Bank of Hawaii Foundation since April 2006.

Derek J. Norris, 62

Senior Executive Vice President and Controller since December 2009; Executive Vice President and Controller since December 2008; Executive Vice President and General Auditor from January 2002 to December 2008.

Part II

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

Market Information, Shareholders, and Dividends

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

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

	 Ma	arket	Price Ra	nge				Divid	dends
Year/Period	High		Low		Close	Book	Value		lared
2011	\$ 49.26	\$	34.50	\$	44.49	\$	21.82		1.80
First Quarter	49.23		44.32		47.82			•	0.45
Second Quarter	49.26		44.90		46.52				0.45
Third Quarter	47.10		35.30		36.40				0.45
Fourth Quarter	45.13		34.50		44.49				0.45
2010	\$ 54.10	\$	41.60	\$	47.21	\$	21.02	\$	1.80
First Quarter	50.42		41.60		44.95				0.45
Second Quarter	54.10		45.00		48.35				0.45
Third Quarter	51.60		43.77		44.92				0.45
Fourth Quarter	48.27		42.94		47.21				0.45

The common stock of the Parent is traded on the New York Stock Exchange (NYSE Symbol: BOH) and quoted daily in leading financial publications. As of February 14, 2012, there were 6,923 common shareholders of record.

The Parent's Board of Directors considers on a quarterly basis the feasibility of paying a cash dividend to its shareholders and the level and feasibility of repurchasing shares of the Parent's common stock. Under the Parent's general practice, dividends are declared upon completion of a quarter and, if declared, are paid prior to the end of the subsequent quarter. See "Dividend Restrictions" under "Supervision and Regulation" in Item 1 of this report and Note 11 to the Consolidated Financial Statements for more information.

Issuer Purchases of Equity Securities

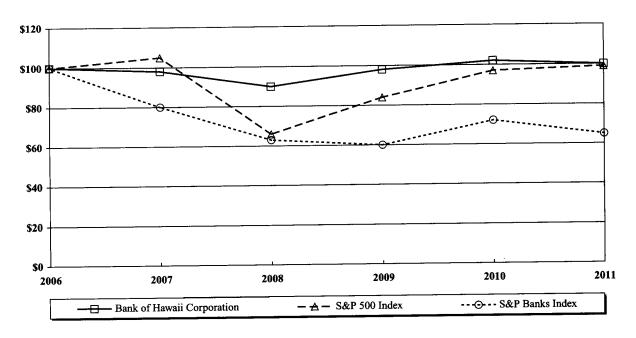
Period	Total Number of Shares Purchased ¹	age Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	of Shares tha Purchas	Dollar Value t May Yet Be ed Under the or Programs ²
October 1 - 31, 2011	229,856	\$ 39.11	229,100	\$	94,124,113
November 1 - 30, 2011	171,572	41.27	171,000		87,064,883
December 1 - 31, 2011	302,231	43.29	302,200		73,983,508
Total	703,659	\$ 41.43	702,300	-	. ,

During the fourth quarter of 2011, 1,359 shares were purchased from employees in connection with stock swaps and shares purchased for a deferred compensation plan. These shares were not purchased as part of the publicly announced program. The shares were purchased at the closing price of the Parent's common stock on the dates of purchase.

The share repurchase program was first announced in July 2001. As of December 31, 2011, \$74.0 million remained of the total \$1.82 billion total repurchase amount authorized by the Parent's Board of Directors under the share repurchase program. The program has no set expiration or termination date.

Performance Graph

The following graph shows the cumulative total return for the Parent's common stock compared to the cumulative total returns for the Standard & Poor's ("S&P") 500 Index and the S&P Banks Index. The graph assumes that \$100 was invested on December 31, 2006 in the Parent's common stock, the S&P 500 Index, and the S&P Banks Index. The cumulative total return on each investment is as of December 31 of each of the subsequent five years and assumes reinvestment of dividends.



	2006	2007	2008	2009	2010	2011
Bank of Hawaii Corporation	\$100	\$98	\$90	\$98	\$102	\$100
S&P 500 Index	100	105	66	84	97	99
S&P Banks Index	100	80	63	60	72	65

Item 6. Selected Financial Data
Summary of Selected Consolidated Financial Data

(dollars in millions, except per share amounts)		2011		2010			2009		2008			2007
Year Ended December 31,												
Operating Results												
Net Interest Income	\$	390.2	\$	406.5		\$	412.3	\$	418.8		\$	395.0
Provision for Credit Losses		12.7		55.3			107.9		60.5			15.5
Total Noninterest Income		197.7		255.3			267.8		258.1			240.5
Total Noninterest Expense		348.2		346.2			350.0		346.8			335.4
Net Income		160.0		183.9			144.0		192.2			183.7
Basic Earnings Per Share		3.40		3.83			3.02		4.03			3.75
Diluted Earnings Per Share		3.39		3.80			3.00		3.99			3.69
Dividends Declared Per Share		1.80		1.80			1.80		1.77			1.67
Performance Ratios												
Net Income to Average Total Assets (ROA)		1.22 %		1.45	%		1.22 %	6	1.84	%		1.75
Net Income to Average Shareholders' Equity (ROE)		15.69		18.16			16.42	•	24.54	, v		25.15
Efficiency Ratio 1		59.23		52.32			51.46		51.23			52.78
Net Interest Margin ²		3.13		3.41			3.72		4.33			4.08
Dividend Payout Ratio 3		52.94		47.00			59.60		43.92			44.53
Average Shareholders' Equity to Average Assets		7.78		7.98			7.44		7.50			6.97
Average Balances												
Average Loans and Leases	\$	5,349.9	\$	5,472.5		\$	6,145.0	\$	6,542.2		\$	6,561.6
Average Assets		13,105.0	•	12,687.7		•	11,783.4	•	10,448.2		Ψ	10,472.1
Average Deposits		9,924.7		9,509.1			9,108.4		7,851.3			7,887.5
Average Shareholders' Equity		1,020.1		1,012.7			877.2		783.1			730.3
Weighted Average Shares Outstanding												
Basic Weighted Average Shares	4	17,064,925	4	18,055,025		4	7,702,500		47,674,000		49	0.033,208
Diluted Weighted Average Shares	4	17,224,981		18,355,965			8,009,277		48,200,650			,833,546
As of December 31,												
Balance Sheet Totals												
Loans and Leases	\$	5,538.3	\$	5,335.8		\$	5,759.8	\$	6,530.2		\$	6,580.9
Total Assets	-	13,846.4	•	13,126.8		•	12,414.8	Ψ	10,763.5			10,472.9
Total Deposits		10,592.6		9,889.0			9,409.7		8,292.1			7,942.4
Long-Term Debt		30.7		32.7			90.3		203.3			235.4
Total Shareholders' Equity		1,002.7		1,011.1			896.0		790.7			750.3
Asset Quality												
Allowance for Loan and Lease Losses	\$	138.6	\$	147.4		\$	143.7	\$	123.5		\$	91.0
Non-Performing Assets ⁴		40.8		37.8			48.3		14.9			5.3
Financial Ratios												
Allowance to Loans and Leases Outstanding		2.50 %		2.76	%		2.49 %	,	1.89	%		1.38
Tier 1 Capital Ratio		16.68		18.28			14.84		11.24			10.32
Total Capital Ratio		17.95		19.55			16.11		12.49			11.92
Tier 1 Leverage Ratio		6.73		7.15			6.76		7.30			7.02
Total Shareholders' Equity to Total Assets		7.24		7.70			7.22		7.35			7.16
Tangible Common Equity to Tangible Assets 5		7.03		7.48			6.98		7.04			6.84
Tangible Common Equity to Risk-Weighted Assets 5		17.93		19.29			15.45		11.28			10.07
Non-Financial Data												
Full-Time Equivalent Employees		2,370		2,399			2,418		2,581			2,594
Branches and Offices		81		82			83		85			83
ATMs		506		502			485		462			411
Common Shareholders of Record		6,977		7,128			7,323		7,523			7,721

¹ Efficiency ratio is defined as noninterest expense divided by total revenue (net interest income and noninterest income).

² Net interest margin is defined as net interest income, on a fully taxable-equivalent basis, as a percentage of average earning assets.

³ Dividend payout ratio is defined as dividends declared per share divided by basic earnings per share.

⁴ Excluded from non-performing assets are contractually binding non-accrual loans held for sale of \$4.2 million as of December 31, 2009.

⁵ Tangible common equity to tangible assets and tangible common equity to risk-weighted assets are Non-GAAP financial measures. See the "Use of Non-GAAP Financial Measures" section below.

Use of Non-GAAP Financial Measures

The ratios "tangible common equity to tangible assets" and "tangible common equity to risk-weighted assets" are Non-GAAP financial measures and should not be considered a substitute for similar GAAP measures "total shareholders' equity to total assets" and "tier 1 capital ratio." The Company believes these Non-GAAP measures are useful for investors, regulators, management and others to evaluate capital adequacy and to compare against other financial institutions. The following table provides a reconciliation of these Non-GAAP financial measures with financial measures defined by GAAP.

GAAP to Non-GAAP	Reconciliation
------------------	----------------

			December 31,	:	
(dollars in thousands)	2011	2010	2009	2008	2007
Total Shareholders' Equity	\$ 1,002,667	\$ 1,011,133	\$ 895,973	\$ 790,704	\$ 750,255
Less: Goodwill	31,517	31,517	31,517	34,959	34,959
Intangible Assets	83	154	233	978	1,024
Tangible Common Equity	\$ 971,067	\$ 979,462	\$ 864,223	\$ 754,767	\$ 714,272
Total Assets	\$ 13,846,391	\$ 13,126,787	\$ 12,414,827	\$ 10,763,475	\$ 10,472,942
Less: Goodwill	31,517	31,517	31,517	34,959	34,959
Intangible Assets	83	154	233	978_	1,024
Tangible Assets	\$ 13,814,791	\$ 13,095,116	\$ 12,383,077	\$ 10,727,538	\$ 10,436,959
Risk-Weighted Assets, determined in accordance with prescribed regulatory requirements	\$ 5,414,481	\$ 5,076,909	\$ 5,594,532	\$ 6,688,530	\$ 7,089,846
Total Shareholders' Equity to Total Assets	7.24%	7.70%	7.22%	7.35%	7.16%
Tangible Common Equity to Tangible Assets (Non-GAAP)	7.03%	7.48%	6.98%	7.04%	6.84%
Tier 1 Capital Ratio	16.68%	18.28%	14.84%	11.24%	10.32%
Tangible Common Equity to Risk-Weighted Assets (Non-GAAP)	17.93%	19.29%	15.45%	11.28%	10.07%

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements

This report contains forward-looking statements concerning, among other things, the economic and business environment in our service area and elsewhere, credit quality, and other financial and business matters in future periods. Our forwardlooking statements are based on numerous assumptions, any of which could prove to be inaccurate and actual results may differ materially from those projected because of a variety of risks and uncertainties, including, but not limited to: 1) general economic conditions either nationally, internationally, or locally may be different than expected, and particularly, any event that negatively impacts the tourism industry in Hawaii; 2) unanticipated changes in the securities markets, public debt markets, and other capital markets in the U.S. and internationally; 3) the competitive pressure among financial services and products; 4) the impact of recent legislative and regulatory initiatives, particularly the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"); 5) changes in fiscal and monetary policies of the markets in which we operate; 6) the increased cost of maintaining or the Company's ability to maintain adequate liquidity and capital, based on the requirements adopted by the Basel Committee on Banking Supervision and U.S. regulators; 7) actual or alleged conduct which could harm our reputation; 8) changes in accounting standards; 9) changes in tax laws or regulations or the interpretation of such laws and regulations; 10) changes in our credit quality or risk profile that may increase or decrease the required level of our reserve for credit losses; 11) changes in market interest rates that may affect credit markets and our ability to maintain our net interest margin; 12) the impact of litigation and regulatory investigations of the Company, including costs, expenses, settlements, and judgments; 13) any interruption or breach of security of our information systems resulting in failures or disruptions in customer account management, general ledger processing, and loan or deposit systems; 14) changes to the amount and timing of proposed common stock repurchases; and 15) natural disasters, public unrest or adverse weather, public health, and other conditions impacting us and our customers' operations. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included under the section entitled "Risk Factors" in Part I of this report. Words such as "believes."

"anticipates," "expects," "intends," "targeted," and similar expressions are intended to identify forward-looking statements but are not exclusive means of identifying such statements. We undertake no obligation to update forward-looking statements to reflect later events or circumstances.

Critical Accounting Policies

Our Consolidated Financial Statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and follow general practices within the industries in which we operate. The most significant accounting policies we follow are presented in Note 1 to the Consolidated Financial Statements. Application of these principles requires us to make estimates, assumptions, and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Most accounting policies are not considered by management to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical in the preparation of the Consolidated Financial Statements. These factors include among other things, whether the policy requires management to make difficult, subjective, and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. The accounting policies which we believe to be most critical in preparing our Consolidated Financial Statements are those that are related to the determination of the reserve for credit losses, fair value estimates, leased asset residual values, mortgage servicing rights, pension and postretirement benefit obligations, and income taxes.

Reserve for Credit Losses

A consequence of lending activities is that we may incur credit losses. The amount of such losses will vary depending upon the risk characteristics of the loan and lease portfolio as affected by economic conditions such as rising interest rates and the financial performance of borrowers. The reserve for credit losses consists of the allowance for loan and lease losses (the "Allowance") and a reserve for unfunded commitments (the "Unfunded Reserve"). The reserve for credit losses provides for credit losses inherent in lending or commitments to lend and is based on loss estimates derived from a comprehensive quarterly evaluation, reflecting analyses of individual borrowers and historical loss experience, supplemented as necessary by credit judgment to

address observed changes in trends, conditions, and other relevant environmental and economic factors. The Allowance provides for probable and estimable losses inherent in our loan and lease portfolio. The Allowance is increased or decreased through the provisioning process. There is no exact method of predicting specific losses or amounts that ultimately may be charged-off on particular segments of the loan and lease portfolio.

Management's evaluation of the adequacy of the reserve for credit losses is often the most critical of accounting estimates for a banking institution. Our determination of the amount of the reserve for credit losses is a critical accounting estimate as it requires the use of estimates and significant judgment as to the amount and timing of expected future cash flows on impaired loans, estimated loss rates on homogenous portfolios, and consideration of economic factors and trends. On a quarterly basis, an evaluation of specific individual commercial borrowers is performed to identify impaired loans. See Note 4 to the Consolidated Financial Statements and the "Corporate Risk Profile - Credit Risk" section in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for more information on the Allowance and the reserve for credit losses, respectively.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date. The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market inputs. For financial instruments that are traded actively and have quoted market prices or observable market inputs, there is minimal subjectivity involved in measuring fair value. However, when quoted market prices or observable market inputs are not fully available, significant management judgment may be necessary to estimate fair value. In developing our fair value measurements, we maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy defines Level 1 and 2 valuations as those that are based on quoted prices for identical instruments traded in active markets and quoted prices for similar instruments in active markets, quoted prices for identical or similar

instruments in markets that are not active, and modelbased valuation techniques for which all significant assumptions are observable in the market. Level 3 valuations are based on model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that we believe market participants would use in pricing the asset or liability.

Financial assets that are recorded at fair value on a recurring basis include available-for-sale investment securities, mortgage servicing rights, investments related to deferred compensation arrangements, and derivative assets and liabilities. As of December 31, 2011 and 2010, \$3.5 billion or 25% and \$6.6 billion or 50%, respectively, of our total assets consisted of financial assets recorded at fair value on a recurring basis and most of these financial assets consisted of available-for-sale investment securities measured using information from a third-party pricing service. These investments in debt securities and mortgagebacked securities were all classified in either Levels 1 or 2 of the fair value hierarchy. As of December 31, 2011 and 2010, Level 3 financial assets recorded at fair value on a recurring basis were \$9.2 million and \$9.9 million, respectively, or less than 1% of our total assets, and was comprised of mortgage servicing rights and derivative assets and liabilities.

Our third-party pricing service makes no representations or warranties that the pricing data provided to us is complete or free from errors, omissions, or defects. As a result, we have processes in place to monitor and periodically review the information provided to us by our third-party pricing service such as: 1) Our third-party pricing service provides us with documentation by asset class of inputs and methodologies used to value securities. We review this documentation to evaluate the inputs and valuation methodologies used to place securities into the appropriate level of the fair value hierarchy. This documentation is periodically updated by our third-party pricing service. Accordingly, transfers of securities within the fair value hierarchy are made if deemed necessary. 2) On a quarterly basis, management reviews the pricing information received from our third-party pricing service. This review process includes a comparison to non-binding thirdparty broker quotes, as well as a review of marketrelated conditions impacting the information provided by our third-party pricing service. We also identify investment securities which may have traded in illiquid or inactive markets by identifying instances of a significant decrease in the volume or frequency of

trades relative to historic levels, as well as instances of a significant widening of the bid-ask spread in the brokered markets. As of December 31, 2011 and 2010, management did not make adjustments to prices provided by our third-party pricing service as a result of illiquid or inactive markets. 3) On a quarterly basis, management also reviews a sample of securities priced by the Company's third-party pricing service to review significant assumptions and valuation methodologies used. Based on this review, management determines whether the current placement of the security in the fair value hierarchy is appropriate or whether transfers may be warranted. 4) On an annual basis, to the extent available, we obtain and review independent auditor's reports from our third-party pricing service related to controls placed in operation and tests of operating effectiveness. We did not note any significant control deficiencies in our review of the independent auditor's reports related to services rendered by our third-party pricing service. 5) Our third-party pricing service has also established processes for us to submit inquiries regarding quoted prices. Periodically, we will challenge the quoted prices provided by our third-party pricing service. Our third-party pricing service will review the inputs to the evaluation in light of the new market data presented by us. Our third-party pricing service may then affirm the original quoted price or may update the evaluation on a going forward basis.

Based on the composition of our investment securities portfolio, we believe that we have developed appropriate internal controls and performed appropriate due diligence procedures to prevent or detect material misstatements. See Note 19 to the Consolidated Financial Statements for more information on our fair value measurements.

Leased Asset Residual Values

Lease financing receivables include a residual value component, which represents the estimated value of leased assets upon lease expiration. Our determination of residual value is derived from a variety of sources, including equipment valuation services, appraisals, and publicly available market data on recent sales transactions on similar equipment. The length of time until lease termination, the cyclical nature of equipment values, and the limited marketplace for re-sale of certain leased assets, are important variables considered in making this determination. We update our valuation analysis on an annual basis, or more frequently as warranted by events or circumstances. When we

determine that the fair value is lower than the expected residual value at lease expiration, the difference is recognized as an asset impairment in the period in which the analysis is completed.

Mortgage Servicing Rights

When mortgage loans are sold with servicing rights retained, a servicing asset is established and accounted for based on estimated fair values. An estimated fair value is used because there is no quoted or established market for mortgage servicing rights. The estimated fair value is determined using discounted cash flow modeling techniques, which requires us to make estimates and assumptions regarding the amount and timing of expected future cash flows, loan repayment rates, costs to service, and interest rates that reflect the risks involved. Our estimates of the fair value of mortgage servicing rights are sensitive to changes in the underlying estimates and assumptions. Had we assumed lower interest rates and higher loan repayment rates, the estimated fair value of our mortgage servicing rights may have been lower than recorded in our consolidated statements of condition. See Note 5 to the Consolidated Financial Statements for key assumptions used by management as well as a sensitivity analysis of changes in certain key assumptions.

Pension and Postretirement Benefit Obligations

Our pension and postretirement benefit obligations and net periodic benefit cost are actuarially determined based on a number of key assumptions, including the discount rate, estimated future return on plan assets, and the health care cost trend rate. Our determination of the pension and postretirement benefit obligations and net periodic benefit cost is a critical accounting estimate as it requires the use of estimates and judgment related to the amount and timing of expected future cash out-flows for benefit payments and cash in-flows for maturities and return on plan assets. Changes in estimates and assumptions related to mortality rates and future health care costs could also have a material impact to our financial condition or results of operations. A discount rate is used to determine the present value of future benefit obligations and the net periodic benefit cost. The discount rate used to value the present value of future benefit obligations as of each year-end is the rate used to determine the net periodic benefit cost for the following year.

Table 1 presents a sensitivity analysis of a 25 basis point change in discount rates to the pension and postretirement benefit net periodic benefit cost and benefit obligation:

Discount Rate Sensitivity	Analysis		Table 1
		Impact of	
(dollars in thousands)	Base Discount Rate	Discount Rate 25 Basis Point Increase	Discount Rate 25 Basis Point Decrease
2011 Net Periodic		-	
Benefit Cost	5.75%	\$ (220)	\$ 219
Benefit Plan Obligations			
as of December 31, 2011	5.04%	(3,514)	3,678
Estimated 2012 Net Periodic			
Benefit Cost	5.04%	(32)	16

See Note 14 to the Consolidated Financial Statements for more information on our pension and postretirement benefit plans.

Income Taxes

We determine our liabilities for income taxes based on current tax regulation and interpretations in tax jurisdictions where our income is subject to taxation. Currently, we file tax returns in nine federal, state and local domestic jurisdictions, and four foreign jurisdictions. In estimating income taxes payable or receivable, we assess the relative merits and risks of the appropriate tax treatment considering statutory, judicial, and regulatory guidance in the context of each tax position. Accordingly, previously estimated liabilities are regularly reevaluated and adjusted, through the provision for income taxes. Changes in the estimate of income taxes payable or receivable occur periodically due to changes in tax rates, interpretations of tax law, the status of examinations

being conducted by various taxing authorities, and newly enacted statutory, judicial and regulatory guidance that impact the relative merits and risks of each tax position. These changes, when they occur, may affect the provision for income taxes as well as current and deferred income taxes, and may be significant to our statements of income and condition.

Management's determination of the realization of net deferred tax assets is based upon management's judgment of various future events and uncertainties, including the timing and amount of future income, as well as the implementation of various tax planning strategies to maximize realization of the deferred tax assets. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. As of December 31, 2011 and 2010, we carried a valuation allowance of \$4.4 million and \$7.4 million, respectively, related to our deferred tax assets established in connection with our low-income housing investments.

We are required to record a liability, referred to as an unrecognized tax benefit ("UTB"), for the entire amount of benefit taken in a prior or future income tax return when we determine that a tax position has a less than 50% likelihood of being accepted by the taxing authority. As of December 31, 2011 and 2010, our liabilities for UTBs were \$13.6 million and \$23.0 million, respectively. See Note 16 to the Consolidated Financial Statements for more information on income taxes.

Reclassifications

Certain prior period information in MD&A has been reclassified to conform to the 2011 presentation.

Overview

We are a regional financial services company serving businesses, consumers, and governments in Hawaii, Guam, and other Pacific Islands. Our main operating subsidiary, the Bank, was founded in 1897 and is the largest independent financial institution in Hawaii.

Exceptional people working together are the foundation for our success and enable us to build exceptional value for our customers, communities, shareholders, and each other. Excellence, integrity, respect, innovation, commitment, and teamwork are the core values for the way we do business. "Maximizing shareholder value over time" remains our governing objective. In striving to achieve our governing objective, our business plan is balanced between growth and risk management, including the flexibility to adjust, given the uncertainties of an economy in recovery. We remain cautious about the economy, interest rates, and loan demand. We intend to continue to focus on providing customers with a competitive mix of products and services, improving expense management, and efficiently managing capital.

Hawaii Economy

Hawaii's economy was stable with continued improvements in certain aspects of the economy during the fourth quarter of 2011. For 2011, total visitor arrivals increased by 3.8% and visitor spending increased by 15.6% compared to 2010. The increase in visitor spending was primarily due to strong spending growth from visitors from the Asia-Pacific region, Canada, Australia, and New Zealand. Hotel occupancy continued to improve and revenue per available room reflects signs of improvement. Overall, state job growth has begun to stabilize as the statewide seasonally-adjusted unemployment rate was at 6.6% as of December 31, 2011, compared to 8.5% nationally. Although the volume and median price of single-family homes on Oahu were slightly lower in 2011 compared to 2010, months of inventory continued to decline and was below 5 months as of December 31, 2011.

Earnings Summary

Net income for 2011 was \$160.0 million, a decrease of \$23.9 million or 13% compared to 2010. Diluted earnings per share were \$3.39 for 2011, a decrease of \$0.41 or 11% compared to 2010. Our lower net income in 2011 was primarily due to the following:

- Net interest income was \$390.2 million for 2011, a decrease of \$16.3 million or 4% compared to 2010. The decrease in net interest income was primarily due to lower average loan balances and lower yields on loans and investments. Given the current economic environment, we have maintained discipline in our loan underwriting and deposit pricing and have also invested conservatively.
- Overdraft fees, a component of service charges on deposit accounts, were \$21.3 million for 2011, a decrease of \$12.3 million or 37% compared to 2010. We have been adversely impacted by overdraft processing changes implemented in the first quarter of 2011 as well as the Federal Reserve Board's amendments to Regulation E which took effect in mid-2010.
- Net investment securities gains were \$6.4 million for 2011, a decrease of \$36.5 million or 85% compared to 2010.
- Other noninterest expense was \$85.4 million for 2011, an increase of \$4.9 million or 6% compared to 2010. On July 15, 2011, we reached a tentative settlement relating to an overdraft litigation matter. We fully accrued for the \$9.0 million tentative settlement amount in the second quarter of 2011. In February 2012, the court gave its final approval to the settlement.

The impact of these items was partially offset by a lower provision for credit losses (the "Provision"), provision for income taxes, and FDIC insurance assessments in 2011 compared to 2010. The Provision was \$12.7 million in 2011, a decrease of \$42.6 million or 77% compared to 2010. The lower Provision in 2011 was consistent with lower levels of net charge-offs and a generally improving economy in Hawaii. The provision for income taxes was \$66.9 million in 2011, a decrease of \$9.3 million or 12% compared to 2010. The lower provision for income taxes was primarily due to lower pre-tax income in 2011 compared to 2010. FDIC insurance assessments were \$9.3 million in 2011, a decrease of

\$3.2 million or 26% compared to 2010. In 2010, we also incurred \$5.2 million in early termination costs related to the prepayment of \$75.0 million in securities sold under agreements to repurchase.

Our results in 2011 were influenced by a generally improving economy in Hawaii. However, we remained cautious about the slow pace of economic recovery both in Hawaii and on the U.S. Mainland. We also continued to monitor regulatory changes and the associated costs of compliance. As a result of the uncertainties in the economic recovery, we sought to maintain adequate reserves for credit losses and high levels of liquidity and capital during 2011. In particular:

- The allowance for loan and lease losses (the "Allowance") was \$138.6 million as of December 31, 2011, a decrease of \$8.8 million or 6% from December 31, 2010. The ratio of our Allowance to total loans and leases outstanding decreased to 2.50% as of December 31, 2011, compared to 2.76% as of December 31, 2010. Absent significant deterioration in the economy and assuming continued improvement and/or stability in credit quality, we may decrease the level of the Allowance in future periods.
- Total deposits were \$10.6 billion as of December 31, 2011, an increase of \$703.6 million or 7% from December 31, 2010. We believe that our strong brand continues to play a key role in new account acquisitions.
- We continued to invest excess liquidity in high-grade investment securities. As of

December 31, 2011, the total carrying value of our investment securities portfolio was \$7.1 billion. In 2011, we reduced our positions in mortgage-backed securities issued by the Government National Mortgage Association ("Ginnie Mae"). We re-invested these proceeds, in part, into U.S. Treasury notes and debt securities issued by the Small Business Administration (the "SBA") in an effort to further reduce the average duration of our portfolio.

 Total shareholders' equity was \$1.0 billion as of December 31, 2011, unchanged from December 31, 2010. We continued to return capital to our shareholders in the form of share repurchases and dividends. During 2011, we repurchased 2.5 million shares of common stock at a total cost of \$109.9 million under our share repurchase program. We also paid cash dividends of \$84.9 million during 2011.

In 2012, we may see continued economic recovery and improving prospects for loan growth. However, we remain cautious about the uncertainties of government regulation as well as increased pressure on fee-based revenues in future periods. In particular, the full year impact of compliance with the Durbin Amendment in 2012 is expected to significantly reduce debit card income. In 2012, we intend to continue to focus on maintaining adequate levels of liquidity, reserves for credit losses, and capital.

Analysis of Statements of Income

Average balances, related income and expenses, and resulting yields and rates are presented in Table 2. An analysis of the change in net interest income, on a taxable-equivalent basis, is presented in Table 3.

Average Balances and Interest Rates – Taxable-Equivalent Basis

Table 2

		2011			2010			2009	
(dollars in millions)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Earning Assets									
Interest-Bearing Deposits	\$ 4.2	\$ -	0.19 %	\$ 4.7	\$ -	0.59 %	\$ 5.8	\$ -	0.34 %
Funds Sold	380.2	0.8	0.22	390.2	1.1	0.28	690.9	1.8	0.26
Investment Securities									
Trading	-	-	-	-	_	_	12.0	0.6	4.94
Available-for-Sale	4,439.8	105.4	2.37	5,854.1	170.1	2.91	3,938.2	159.4	4.05
Held-to-Maturity	2,279.6	72.2	3.16	154.2	6.5	4.22	211.2	9.1	4.33
Loans Held for Sale	11.0	0.5	4.54	10.8	0.9	8.51	21.7	0.8	3.85
Loans and Leases 1									
Commercial and Industrial	790.6	31.8	4.02	764.2	33.7	4.41	929.4	37.6	4.05
Commercial Mortgage	887.1	42.8	4.82	827.7	42.0	5.07	769.1	39.9	5.19
Construction	80.1	4.0	5.06	95.4	4.8	5.08	142.9	5.7	3.97
Commercial Lease Financing	322.1	8.7	2.71	385.1	11.3	2.92	453.7	13.8	3.04
Residential Mortgage	2,126.9	111.5	5.24	2,105.6	118.7	5.64	2,322.6	136.1	5.86
Home Equity	784.9	37.4	4.76	863.7	43.2	4.99	982.3	49.9	5.08
Automobile	194.4	13.2	6.78	241.2	18.3	7.58	319.3	25.3	7.91
Other ²	163.8	12.4	7.57	189.6	14.5	7.66	225.7	17.8	7.87
Total Loans and Leases	5,349.9	261.8	4.89	5,472.5	286.5	5.23	6,145.0	326.1	5.31
Other	79.9	1.1	1.40	79.8	1.1	1.39	79.7	1.1	1.39
Total Earning Assets ³	12,544.6	441.8	3.52	11,966.3	466.2	3.90	11,104.5	498.9	4.49
Cash and Noninterest-Bearing									
Deposits	135.3			229.6			214.8		
Other Assets	425.1			491.8	_		464.1	_	
Total Assets	\$13,105.0	•		\$12,687.7	=		\$11,783.4	- -	
Interest-Bearing Liabilities									
Interest-Bearing Deposits									
Demand	\$ 1,786.7	0.7	0.04	\$ 1,715.8	1.1	0.06	\$ 1,747.7	1.1	0.06
Savings	4,501.0	7.3	0.16	4,465.0	14.7	0.33	4,046.7	28.1	0.69
Time	1,067.8	10.3	0.96	1,088.7	13.4	1.23	1,320.1	24.9	1.88
Total Interest-Bearing Deposits	7,355.5	18.3	0.25	7,269.5	29.2	0.40	7,114.5	54.1	0.76
Short-Term Borrowings	18.2	-	0.11	23.3	-	0.13	20.3	-	0.11
Securities Sold Under									
Agreements to Repurchase	1,845.8	29.2	1.58	1,700.2	26.0	1.53	1,257.0	25.9	2.06
Long-Term Debt	31.6	2.0	6.23	61.0	3.5	5.81	100.4	5.4	5.43
Total Interest-Bearing									
Liabilities	9,251.1	49.5	0.53	9,054.0	58.7	0.65	8,492.2	85.4	1.01
Net Interest Income		\$ 392.3	:	•	\$ 407.5			\$ 413.5	:
Interest Rate Spread			2.99 %			3.25 %			3.48 %
Net Interest Margin			3.13 %			3.41 %			3.72 %
Noninterest-Bearing									
Demand Deposits	2,569.2			2,239.6			1,993.9		
Other Liabilities	264.6			381.4			420.1		
Shareholders' Equity	1,020.1			1,012.7	_		877.2	_	
Total Liabilities and									
Shareholders' Equity	\$13,105.0			\$12,687.7			\$11,783.4		

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

² Comprised of other consumer revolving credit, installment, and consumer lease financing.

³ Interest income includes taxable-equivalent basis adjustments, based upon a federal statutory tax rate of 35%, of \$2,080,000 for 2011, \$975,000 for 2010, and \$1,137,000 for 2009.

	•			Decemb		Year Ended December 31, 2010 Compared to 2009						
(dollars in millions)	Vo	lume ¹	Rate 1			Total		lume ¹		Rate 1		Total
Change in Interest Income:												
Funds Sold	\$	-	\$	(0.3)	\$	(0.3)	\$	(0.8)	\$	0.1	\$	(0.7)
Investment Securities												
Trading		-		-		-		(0.3)		(0.3)		(0.6)
Available-for-Sale		(36.5)		(28.2)		(64.7)		63.7		(53.0)		10.7
Held-to-Maturity		67.7		(2.0)		65.7		(2.4)		(0.2)		(2.6)
Loans Held for Sale		-		(0.4)		(0.4)		(0.6)		0.7		0.1
Loans and Leases												
Commercial and Industrial		1.1		(3.0)		(1.9)		(7.1)		3.2		(3.9)
Commercial Mortgage		2.9		(2.1)		0.8		3.0		(0.9)		2.1
Construction		(0.8)		0.0		(0.8)		(2.2)		1.3		(0.9)
Commercial Lease Financing		(1.8)		(0.8)		(2.6)		(2.0)		(0.5)		(2.5)
Residential Mortgage		1.2		(8.4)		(7.2)		(12.4)		(5.0)		(17.4)
Home Equity		(3.8)		(2.0)		(5.8)		(5.8)		(0.9)		(6.7)
Automobile		(3.3)		(1.8)		(5.1)		(6.0)		(1.0)		(7.0)
Other ²		(1.9)		(0.2)		(2.1)		(2.8)		(0.5)		(3.3)
Total Loans and Leases		(6.4)		(18.3)		(24.7)		(35.3)		(4.3)		(39.6)
Total Change in Interest Income		24.8		(49.2)		(24.4)		24.3		(57.0)		(32.7)
Change in Interest Expense:												
Interest-Bearing Deposits												
Demand		_		(0.4)		(0.4)		_		-		-
Savings		0.1		(7.5)		(7.4)		2.6		(16.0)		(13.4)
Time		(0.2)		(2.9)		(3.1)		(3.9)		(7.6)		(11.5)
Total Interest-Bearing Deposits		(0.1)		(10.8)	-	(10.9)		(1.3)		(23.6)		(24.9)
Securities Sold Under Agreements to Repurchase		2.3		0.9		3.2		7.7		(7.6)		0.1
Long-Term Debt		(1.8)		0.3		(1.5)		(2.3)		0.4		(1.9)
Total Change in Interest Expense		0.4		(9.6)		(9.2)		4.1		(30.8)		(26.7)
Change in Net Interest Income	\$	24.4	\$	(39.6)	\$	(15.2)	\$	20.2	\$	(26.2)	\$	(6.0)

¹ The change in interest income and expense not solely due to changes in volume or rate has been allocated on a pro-rata basis to the volume and rate columns.

Net Interest Income

Net interest income is affected by the size and mix of our balance sheet components as well as the spread between interest earned on assets and interest paid on liabilities. Net interest margin is defined as net interest income, on a taxable-equivalent basis, as a percentage of average earnings assets.

As demand for new lending opportunities remained soft in 2011, we invested most of our liquidity into investment securities.

Net interest income, on a taxable-equivalent basis, decreased by \$15.2 million or 4% in 2011 compared to 2010. Net interest margin decreased by 28 basis points in 2011 compared to 2010. Yields on our earning assets decreased by 38 basis points in 2011 compared to 2010, reflective of higher levels of liquidity, lower average loan balances, and lower yields on loans and investment securities. Yields on

our loans and leases declined in every category in 2011 compared to 2010. Yields on our investment securities portfolio decreased by 30 basis points in 2011 compared to 2010. Partially offsetting the lower yields on our earning assets was a decrease in our funding costs primarily due to lower rates paid on our interest-bearing deposits, reflective of the re-pricing of our deposits at lower interest rates. Rates paid on our savings deposits decreased by 17 basis points and rates paid on our time deposits decreased by 27 basis points in 2011 compared to 2010, partially offset by a 5 basis point increase on our rates paid on our securities sold under agreements to repurchase.

Average balances of our earning assets increased by \$578.3 million or 5% in 2011 compared to 2010 primarily due to an increase in our investment securities portfolio. In 2011, we changed the composition of our investment securities portfolio. We increased our holdings in U.S. Treasury notes and securities issued by the SBA in an effort to further

² Comprised of other consumer revolving credit, installment, and consumer lease financing.

reduce the average duration of our portfolio. Average balances of our debt securities issued by the U.S. Treasury increased by \$363.4 million and average balances of our SBA securities increased by \$165.0 million in 2011 compared to 2010. Average balances of mortgaged-backed securities issued by Ginnie Mae also increased by \$232.6 million in 2011 compared to 2010. This increase was mainly the result of lower balances during the first half of 2010. Partially offsetting the increase in average balances of our earning assets was a \$122.6 million decrease in average loan and lease balances resulting from continued paydowns along with subdued demand for new lending opportunities. Average balances of our interest-bearing liabilities increased by \$197.0 million or 2% in 2011 compared to 2010 primarily due to growth in our interest-bearing deposits and securities sold under agreements to repurchase. Average balances of our interest-bearing demand deposits increased by \$70.9 million primarily due to growth in our premier interest-bearing demand products. Average savings deposits increased by \$35.9 million primarily due to an \$83.7 million growth in our premier savings products and a \$24.4 million growth in our personal savings product, partially offset by a \$65.8 million decline in our business money market savings products. These increases were partially offset by a decline in our average time deposits as some customers moved their funds to more liquid deposits. Average balances in our securities sold under agreements to repurchase increased by \$145.6 million in 2011 compared to 2010 primarily due to new placements to accommodate local government entities, partially offset by the prepayment of three repurchase agreements with private institutions in the third quarter of 2010.

Net interest income, on a taxable-equivalent basis, decreased by \$6.0 million or 1% in 2010 compared to 2009. Net interest margin decreased by 31 basis points in 2010 compared to 2009. Yields on our earning assets decreased by 59 basis points in 2010 compared to 2009, reflective of lower interest rates and a higher level of investment securities. Yields on our available-for-sale investment securities decreased by 114 basis points in 2010 compared to 2009. Partially offsetting the lower yields on our earning assets was a corresponding decrease in our funding costs primarily due to lower rates paid on our interest-bearing deposits, reflective of the re-pricing of our deposits at lower interest rates. Rates paid on our savings deposits decreased by 36 basis points and rates paid on our time deposits decreased by 65 basis points in 2010 compared to 2009. Also contributing to our lower funding costs was a 53 basis point

decrease in rates paid on securities sold under agreements to repurchase in 2010 primarily due to lower rates paid on placements with government entities.

Average balances of our earning assets increased by \$861.8 million or 8% in 2010 compared to 2009, primarily due to an increase in investment securities. Average balances in our available-for-sale investment securities portfolio increased by \$1.9 billion in 2010 primarily due to the investment of excess liquidity in mortgage-backed securities issued by government agencies. Partially offsetting the increase in our available-for-sale investment securities portfolio was a \$672.4 million decrease in average loan and lease balances resulting from continued paydowns and weak demand for new lending opportunities. Average balances of our interest-bearing liabilities increased by \$561.9 million in 2010 compared to 2009 primarily due to growth in our savings deposits and securities sold under agreements to repurchase. Average savings deposits increased by \$418.3 million primarily due to growth in our bonus rate savings and business money market products. This was partially offset by a \$231.3 million decrease in our average time deposit balances as some customers moved their deposits to more liquid savings products. Average balances in securities sold under agreements to repurchase increased by \$443.2 million in 2010 compared to 2009 primarily due to new placements to accommodate local government entities. This was partially offset by the prepayment of three repurchase agreements with private institutions in the third quarter of 2010.

Provision for Credit Losses

The Provision reflects our judgment of the expense or benefit necessary to achieve the appropriate amount of the Allowance. We maintain the Allowance at levels adequate to cover our estimate of probable credit losses as of the end of the reporting period. The Allowance is determined through detailed quarterly analyses of our loan and lease portfolio. The Allowance is based on our loss experience and changes in the economic environment, as well as an ongoing assessment of our credit quality. We recorded a Provision of \$12.7 million in 2011, \$55.3 million in 2010, and \$107.9 million in 2009. The lower Provision recorded in 2011 and 2010 was reflective of lower levels of net charge-offs of loans and leases and a generally improving Hawaii economy. For further discussion on the Allowance, see the "Corporate Risk Profile - Credit Risk" section in MD&A.

Table 4 presents the major components of noninterest income for 2011, 2010, and 2009.

Noninterest Income										Table 4
	Year E	nded Decer	nber	31,		Dollar	Chan	ge	Percent	Change
(dollars in thousands)	2011 20		2009		2011	2011 to 2010		to 2009	2011 to 2010	2010 to 2009
Trust and Asset Management	\$ 45,046	\$ 44,889	\$	46,174	\$	157	\$	(1,285)	- %	(3) %
Mortgage Banking	14,664	18,576		22,995		(3,912)		(4,419)	(21)	(19)
Service Charges on Deposit Accounts	38,733	53,039		54,470		(14,306)		(1,431)	(27)	(3)
Fees, Exchange, and Other Service Charges	60,227	61,006		60,122		(779)		884	(1)	1
Investment Securities Gains, Net	6,366	42,848		25,770		(36,482)		17,078	(85)	66
Insurance	10,957	9,961		20,015		996		(10,054)	10	(50)
Other Income:										
Income from Bank-Owned Life										
Insurance	6,329	6,357		7,165		(28)		(808)	-	(11)
Gain on Mutual Fund Sale	1,956	2,852		-		(896)		2,852	(31)	n.m.
Gain on the Sale of Leased Assets	1,001	1,126	,	14,227		(125)		(13,101)	(11)	(92)
Gain on the Sale of Insurance										
Subsidiaries	-	904		2,363		(904)		(1,459)	n.m.	(62)
Other	12,376	13,700	1	14,507		(1,324)		(807)	(10)	(6)
Total Other Income	21,662	24,939)	38,262		(3,277)		(13,323)	(13)	(35)
Total Noninterest Income	\$ 197,655	\$ 255,258	\$ 2	267,808	\$	(57,603)	\$	(12,550)	(23) %	(5) %

n.m. - not meaningful.

Trust and asset management income is comprised of fees earned from the management and administration of trusts and other customer assets. These fees are largely based upon the market value of the assets that we manage and the fee rate charged to customers. Total trust assets under administration were \$9.3 billion as of December 31, 2011, \$10.1 billion as of December 31, 2010, and \$9.9 billion as of December 31, 2009. Trust and asset management income remained relatively unchanged in 2011 compared to 2010. Our unified managed accounts, which were introduced in the latter half of 2010, generated an additional \$1.1 million of fee revenue in 2011 compared to 2010. In addition, agency fees increased by \$0.9 million and irrevocable trust fees rose by \$0.6 million in 2011 compared to 2010 primarily due higher fee rates for assets previously invested in our proprietary mutual funds, which were sold/liquidated in July 2010. These increases were largely offset by a \$2.9 million decrease in mutual fund investment management fees mainly due to the sale/liquidation of our proprietary mutual funds noted above. Trust and asset management income decreased by \$1.3 million or 3% in 2010 compared to 2009. This decrease was primarily due to a \$4.1 million decrease in mutual fund management fees due in large part to the aforementioned sale/ liquidation of our proprietary mutual funds in July 2010, combined with an increase in fee waivers and a decrease in the holdings of our money market mutual funds. This decrease was partially offset by a

combined \$2.7 million increase in agency fees, irrevocable trust fees, and IRA fees primarily due to higher market values and higher fee rates for assets previously invested in our proprietary mutual funds.

Table 4

Mortgage banking income is highly influenced by mortgage interest rates and the housing market. Mortgage banking income decreased by \$3.9 million or 21% in 2011 compared to 2010. This decrease was primarily due to lower loan origination and sales volume in 2011 compared to 2010, as well as our decision to add more 30-year conforming saleable loans to our portfolio. Residential mortgage loan originations were \$925.7 million in 2011, an \$89.9 million or 9% decrease compared to 2010. Residential mortgage loan sales were \$434.2 million in 2011, a \$235.6 million or 35% decrease from 2010. Mortgage banking income decreased by \$4.4 million or 19% in 2010 compared to 2009. This decrease was primarily due to lower loan origination and sales volume in 2010 compared to 2009. Residential mortgage loan originations were \$1.0 billion in 2010, a \$222.4 million or 18% decrease from 2009. Residential mortgage loan sales were \$669.8 million in 2010, a \$373.2 million or 36% decrease from 2009.

Service charges on deposit accounts decreased by \$14.3 million or 27% in 2011 compared to 2010. This decrease was primarily due to a \$12.3 million decline in overdraft fees mainly the result of several processing changes implemented in the first quarter

of 2011, combined with the Federal Reserve Board's amendments to Regulation E. Beginning on July 1, 2010 for new customers and August 15, 2010 for existing customers, these amendments prohibit a financial institution from assessing a fee to complete an ATM withdrawal or one-time debit card transaction which will cause an overdraft unless the customer consents in advance ("opts-in"). In addition, account analysis fees decreased by \$1.4 million primarily due to higher investable balances resulting in larger earnings credit rates granted to our customers. Service charges on deposit accounts decreased by \$1.4 million or 3% in 2010 compared to 2009 primarily due to a \$1.0 million decrease in account analysis fees due to a decline in the number of accounts subscribing to this service. Also contributing to the decrease was a \$0.4 million decline in overdraft fees due to the amendments to Regulation E noted above, partially offset by account growth.

Fees, exchange, and other service charges are primarily comprised of debit card income, fees from ATMs, merchant service activity, and other loan fees and service charges. Fees, exchange, and other service charges decreased by \$0.8 million or 1% in 2011 compared to 2010 primarily due to a \$0.8 million decrease in ATM fees and a \$0.5 million decrease in other loan fees. This decrease was partially offset by a \$0.7 million increase in debit card income resulting mainly from growth in debit card usage and an increase in mileage program fees. However, debit card income was adversely affected in the fourth quarter of 2011 by the changes in the debit card interchange rules as the result of the pricing restrictions imposed by the Durbin Amendment.

In June 2011, the Federal Reserve Bank (the "FRB") approved a final debit card interchange rule that would limit the amount charged for debit card transactions (often called interchange or swipe fees). The effective date for the pricing restrictions, commonly referred to as "the Durbin Amendment," was October 1, 2011. Included in fees, exchange, and other service charges was debit card interchange fees of approximately \$22.0 million in 2011. For the fourth quarter of 2011, debit card interchange fees totaled approximately \$2.6 million, a decrease of \$4.1 million or 62% compared to the third quarter of 2011.

Fees, exchange, and other service charges increased by \$0.9 million or 1% in 2010 compared to 2009 primarily due to a \$3.4 million increase in debit card income resulting mainly from account growth. The

increase in debit card income was partially offset by a \$1.4 million decrease in ATM fees primarily due to lower transaction volume and a \$0.8 million decrease in income from merchant services.

Net gains from the sales of investment securities were \$6.4 million in 2011, \$42.8 million in 2010, and \$25.8 million in 2009. The amount and timing of our sale of investment securities is dependent on a number of factors, including our efforts to preserve capital levels while managing duration and extension risk. In 2011, we primarily sold available-for-sale investment securities to manage our interest rate and extension risks. In 2010, we primarily sold available-for-sale securities to preserve capital levels while managing our interest rate risk. In 2009, the net gains were largely due to sales of available-for-sale securities in the fourth quarter of 2009, including a complete liquidation of our investments in private-label mortgage-backed securities.

Insurance income increased by \$1.0 million or 10% in 2011 compared to 2010 primarily due to an increase in income from our variable annuity products. Insurance income decreased by \$10.1 million or 50% in 2010 compared to 2009. This decrease was largely due to the sales of assets of our retail insurance brokerage operation, Bank of Hawaii Insurance Services, Inc. in the second quarter of 2009, and our wholesale insurance business, BOH Wholesale Insurance Agency, Inc. (formerly known as Triad Insurance Agency, Inc.) in the fourth quarter of 2009.

Other noninterest income decreased by \$3.3 million or 13% in 2011 compared to 2010. This decrease was primarily due to net gains of \$2.9 million resulting from the sale of our proprietary mutual funds in the third quarter of 2010, partially offset by a \$2.0 million contingent payment received in the third quarter of 2011 related to the 2010 sale of our proprietary mutual funds. In addition, we recognized \$0.9 million from a contingent payment received in the third quarter of 2010 related to the previously noted sale of our retail insurance brokerage operation in the second quarter of 2009. Other noninterest income decreased by \$13.3 million or 35% in 2010 compared to 2009. The decrease was primarily due to a \$10.0 million gain from the sale of our equity interest in two watercraft leveraged leases in the first quarter of 2009 and a \$2.8 million gain resulting from the sale of our equity interest in a cargo aircraft leveraged lease in the second quarter of 2009.

Table 5 presents the major components of noninterest expense for 2011, 2010, and 2009.

Noninterest Expense	Year En	ded Decen	iber 31,		Dollar	Change	Percent	Change
(dollars in thousands)	2011	2010	2009	2011	to 2010	2010 to 2009	2011 to 2010	2010 to 2009
Salaries and Benefits:								
Salaries	\$ 115,512	\$ 119,515	\$ 119,888	\$	(4,003)	\$ (373)	(3) %	
Incentive Compensation	16,367	15,544	17,688		823	(2,144)	5	(12)
Share-Based Compensation and								
Cash Grants for the Purchase of								
Company Stock	5,720	6,805	7,775		(1,085)	(970)	(16)	(12)
Commission Expense	6,489	6,666	7,071		(177)	(405)	(3)	(6)
Retirement and Other Benefits	16,829	15,708	16,425		1,121	(717)	7	(4)
Payroll Taxes	10,645	10,084	9,972		561	112	6	1
Medical, Dental, and Life Insurance	9,039	8,242	9,001		797	(759)	10	(8)
Separation Expense	2,215	3,149	748		(934)	2,401	(30)	n.m.
Total Salaries and Benefits	182,816	185,713	188,568		(2,897)	(2,855)	(2)	(2)
Net Occupancy	43,169	40,988	41,053		2,181	(65)	5	-
Net Equipment	18,849	19,371	17,713		(522)	1,658	(3)	9
Professional Fees	8,623	7,104	12,439		1,519	(5,335)	21	(43)
FDIC Insurance	9,346	12,564	17,342		(3,218)	(4,778)	(26)	(28)
Other Expense:	•							
Data Services	14,067	13,812	13,063		255	749	2	6
Delivery and Postage Services	8,955	9,072	9,628		(117)	(556)	(1)	(6)
Mileage Program Travel	8,910	8,055	5,887		855	2,168	11	37
Bank of Hawaii Foundation	2,000	1,000	1,000		1,000	-	100	-
Settlement Related to Overdraft Claims	9,000		· -		9,000	-	n.m.	n.m.
Legal Contingencies	(57)	155	1,007		(212)	(852)	(137)	(85)
Repurchase Agreement	· ,		•					
Early Termination Expense	_	5,189	-		(5,189)	5,189	n.m.	n.m.
Gain on the Sale of Foreclosed		,						
Real Estate	-	(1,343)	-		1,343	(1,343)	n.m.	n.m.
Other	42,515	44,556	42,324		(2,041)	2,232	(5)	5
Total Other Expense	85,390	80,496	72,909		4,894	7,587	6	10
Total Noninterest Expense		\$ 346,236		\$	1,957	\$ (3,788)	1 %	(1) %

n.m. - not meaningful.

Total salaries and benefits decreased by \$2.9 million or 2% in 2011 compared to 2010. This decrease was primarily due to an increase in deferred salaries, which has the effect of decreasing salaries expense, resulting from our decision to add more 30-year conforming saleable loans to our portfolio. Lower salaries expense was also due to a decline in the number of full-time equivalent employees and one fewer paid working day, combined with lower sharebased compensation and cash grants for the purchase of company stock. The decrease in salaries and benefits expense in 2011 was partially offset by an increase in retirement benefits expense mainly due to a \$1.0 million settlement gain in 2010 on the extinguishment of retiree life insurance obligations. In addition, we also incurred higher incentive compensation expense in 2011. Our incentive programs are designed to reward performance and to provide market competitive total compensation.

Executive incentive programs, in particular, are designed to align the long-term interests of executives and shareholders through the achievement of earnings growth and stock price appreciation. Total salaries and benefits decreased by \$2.9 million or 2% in 2010 compared to 2009 primarily due to decreases in incentive compensation, cash grants for the purchase of Company stock, and medical insurance expense. Also contributing to the decrease in salaries and benefits expense in 2010 was a decrease in retirement benefits expense mainly due to the aforementioned \$1.0 million settlement gain on the extinguishment of retiree life insurance obligations. Partially offsetting these decreases in 2010 was an increase in separation expense.

Net occupancy increased by \$2.2 million or 5% in 2011 compared to 2010. This increase was primarily due to a \$1.4 million increase in utilities mainly the

result of higher electricity rates, and a \$1.0 million increase in depreciation expense due mainly to the change in estimated useful lives related to two properties. We are focused on achieving expense efficiencies and accordingly we announced in the fourth quarter of 2011 the planned consolidation of four branches in our network. Net occupancy remained relatively unchanged in 2010 compared to 2009.

Professional fees increased by \$1.5 million or 21% in 2011 compared to 2010. This increase was primarily due to a \$1.0 million increase in legal fees combined with a \$0.8 million increase in fees related to management of our investment platform and for providing investment advisory services to our customers. Professional fees decreased by \$5.3 million or 43% in 2010 compared to 2009. This decrease was primarily due to a \$3.2 million decrease in legal fees mainly due to the resolution of legal matters in 2009, and a \$1.9 million decrease in various other professional services.

FDIC insurance expense decreased by \$3.2 million or 26% in 2011 compared to 2010. This decrease was primarily due to lower rate assessments as a result of new rules finalized by the FDIC. As required by the Dodd-Frank Act, on February 7, 2011, the FDIC finalized new rules which redefined the assessment base as "average consolidated total assets minus average tangible equity." The new rate schedule and other revisions to the assessment rules became effective April 1, 2011. The FDIC's final rules also eliminated risk categories and debt ratings from the assessment calculation for large banks (over \$10.0 billion) and will instead use scorecards that the FDIC believes better reflect risks to the Deposit Insurance Fund. FDIC insurance expense decreased by \$4.8 million or 28% in 2010 compared to 2009. This decrease was primarily due to the Company's \$5.7 million share of an industry-wide assessment by the FDIC recorded in the second quarter of 2009. This decrease was partially offset by the Company utilizing its credits from the Federal Deposit Insurance Reform Act of 2005, which were available to offset our deposit insurance assessments. These credits were fully utilized by the end of the first quarter of 2009.

Other noninterest expense increased by \$4.9 million or 6% in 2011 compared to 2010. This increase was primarily due to a \$9.0 million tentative settlement of overdraft litigation recorded in the second quarter of 2011. In September 2011, the court gave its initial approval to the settlement and in February 2012, the

court gave its final approval to the settlement. See Note 18 to the Consolidated Financial Statements for more information. Also contributing to the increase was a \$1.3 million gain in 2010 related to the sale of foreclosed real estate. This increase was partially offset by \$5.2 million in early termination costs incurred in the third quarter of 2010 related to the prepayment of \$75.0 million in securities sold under agreements to repurchase. Other noninterest expense increased by \$7.6 million or 10% in 2010 compared to 2009. The increase was primarily due to the aforementioned \$5.2 million in early termination costs related to the prepayment of \$75.0 million in securities sold under agreements to repurchase, and a \$2.2 million increase in mileage program travel expense. Also contributing to the increase in other noninterest expense in 2010 was a \$1.5 million reduction to our casualty self insurance reserves in 2009. This was partially offset by the \$1.3 million gain in 2010 related to the sale of foreclosed real estate noted above.

Income Taxes

Our provision for income taxes and effective tax rates for 2011, 2010, and 2009 were as follows:

Provision for Income Taxes and **Effective Tax Rates**

		abie o	
,	Tax	Rates	

(dollars in thousands)	Provision	Effective Tax Rates				
2011	\$ 66,937	29.49%				
2010	76,273	29.31%				
2009	78,207	35.19%				

The effective tax rate for 2011 remained relatively unchanged from 2010. We recorded a \$3.5 million credit to the provision for income taxes related to the release of liabilities for unrecognized state tax benefits due to the lapse in the statute of limitations related to tax years held open by the settlement of the Lease In-Lease Out ("LILO") and Sale In-Lease Out ("SILO") transactions and the filing of Hawaii amended tax returns to report the Internal Revenue Service ("IRS") adjustments. We also recorded a \$3.5 million credit to the provision for income taxes related to the release of general reserves due to the closing of the IRS audit for tax years 2007 and 2008 and as a result of settling interest due to the IRS for tax years 1998 through 2006. Also favorably impacting our effective tax rate in 2011 was the \$3.5 million release of a valuation allowance for the expected utilization of capital losses on the future sale of a low-income housing investment.

The lower effective tax rate in 2010 from 2009 was primarily due to a \$7.7 million credit to the provision for income taxes in 2010 for the release of reserves. This credit was the result of the closing of the audit by the IRS related to the tax years held open by the settlement of the LILO and SILO transactions and the filing of Hawaii amended tax returns to report the IRS adjustments. Also favorably impacting our effective tax rate in 2010 was the \$2.7 million release of a valuation allowance for the expected utilization of capital losses on the future sale of a low-income housing investment. The other significant transaction that favorably impacted our effective tax rate was the sale of our equity interest in two leveraged leases, which resulted in a \$4.4 million credit to the provision for income taxes in 2010.

Analysis of Business Segments

Our business segments are Retail Banking, Commercial Banking, Investment Services, and Treasury and Other.

Table 7 summarizes net income from our business segments for 2011, 2010, and 2009. Additional information about segment performance, including financial captions discussed below, is presented in Note 13 to the Consolidated Financial Statements.

Business Segment Net Income Table 7										
	Year Ended December 31,									
(dollars in thousands)		2011		2010		2009				
Retail Banking	\$	30,730	\$	47,587	\$	55,171				
Commercial Banking		53,397		52,737		45,291				
Investment Services		9,939		11,451		5,359				
Total		94,066		111,775		105,821				
Treasury and Other		65,977		72,167		38,212				
Consolidated Total	\$	160,043	\$	183,942	\$	144,033				

Retail Banking

Net income decreased by \$16.9 million or 35% in 2011 compared to 2010 primarily due to a decrease in net interest income and noninterest income, combined with an increase in noninterest expense. This was partially offset by a decrease in the Provision for the segment. The decrease in net interest income was primarily due to lower earnings credits on the segment's deposit portfolio and lower average loan balances and loan margins, partially offset by higher average deposit balances. The decrease in noninterest income was primarily due to lower overdraft fees mainly resulting from several overdraft processing changes implemented in the first

quarter of 2011, combined with the FRB's amendments to Regulation E. Also contributing to the decrease in noninterest income was lower mortgage banking income, ATM fees, and account analysis fees. The increase in noninterest expense was primarily due to the segment's share of the previously noted accrual related to the tentative settlement of overdraft litigation recorded in the second quarter of 2011, combined with higher occupancy and debit card expense, partially offset by lower allocated FDIC insurance costs. The decrease in the Provision was primarily due to lower net charge-offs of loans and leases in the segment.

Net income decreased by \$7.6 million or 14% in 2010 compared to 2009 primarily due to a decrease in net interest income and noninterest income, combined with an increase in noninterest expense. This was partially offset by a decrease in the Provision for the segment. The decrease in net interest income was primarily due to lower earnings credits on the segment's deposit portfolio and lower average loan balances, partially offset by higher average deposit balances. The decrease in noninterest income was primarily due to lower mortgage banking income, ATM fees, and account analysis fees, partially offset by higher debit card income, deposit account growth, and transaction activity. The increase in noninterest expense was primarily due to higher occupancy and debit card expense, partially offset by lower allocated costs. The decrease in the Provision was primarily due to lower net charge-offs of loans and leases in the segment and risk in the segment's consumer real estate portfolios.

Commercial Banking

Net income increased by \$0.7 million or 1% in 2011 compared to 2010 primarily due to decreases in the Provision and noninterest expense. This was partially offset by lower net interest income and noninterest income. The decrease in the Provision was primarily due to reduced risk, lower net charge-offs of loans and leases in the segment, and a partial recovery on a previously charged-off leveraged lease. The decrease in noninterest expense was primarily due to lower salaries, occupancy, and allocated expenses. The decrease in net interest income was primarily due to lower earnings credits on the segment's deposit portfolio, partially offset by higher average deposit balances. The decrease in noninterest income was primarily due to lower overdraft fees, account analysis fees, and a contingent payment received in 2010 related to the sale of assets of our retail insurance brokerage operation in 2009.

Net income increased by \$7.4 million or 16% in 2010 compared to 2009 primarily due to decreases in the Provision and noninterest expense. This was partially offset by lower net interest income and noninterest income. The decrease in the Provision was primarily due to reduced risk and lower net charge-offs of loans and leases in the segment. The decrease in noninterest expense was primarily due to lower salaries, combined with lower operating and allocated expenses including the segment's share of an industry-wide assessment by the FDIC in 2009. The decrease in net interest income was primarily due to lower earnings credits on the segment's deposit portfolio, partially offset by higher average deposit balances. The decrease in noninterest income was primarily due to a \$10.0 million gain on the sale of our equity interest in two watercraft leveraged leases and a \$2.8 million gain on the sale of our equity interest in a cargo aircraft leveraged lease, both of which occurred in 2009. Also contributing to the decrease in noninterest income was lower insurance income as a result of the sale of assets of our wholesale and retail insurance businesses in 2009.

Investment Services

Net income decreased by \$1.5 million or 13% in 2011 compared to 2010 primarily due to a decrease in net interest income and an increase in noninterest expense. The decrease in net interest income was primarily due to lower earnings credits on the segment's deposit portfolio and lower average deposit balances. The increase in noninterest expense was due to higher direct operating and allocated expenses.

Net income increased by \$6.1 million or 114% in 2010 compared to 2009 primarily due to an increase in noninterest income and decreases in noninterest expense and the Provision. The increase in noninterest income was primarily due to the gain on sale of our proprietary mutual funds. The decrease in noninterest expense was primarily due to lower legal fees, other professional services, and allocated expenses. The decrease in the Provision was due to lower net charge-offs of loans in the segment.

Treasury and Other

Net income decreased by \$6.2 million or 9% in 2011 compared to 2010 primarily due to a decrease in noninterest income. This was partially offset by higher net interest income, and a lower Provision and noninterest expense. The decrease in noninterest income was primarily due to lower net investment securities gains. The increase in net interest income was primarily due to lower deposit funding costs. The decrease in the Provision for the segment represents the reduction in the Allowance due to improvements in credit quality. The decrease in noninterest expense was primarily due to the early termination costs related to the prepayment of \$75.0 million in securities sold under agreements to repurchase in 2010 and lower separation expense in 2011.

Net income increased by \$34.0 million or 89% in 2010 compared to 2009 primarily due to higher net interest income and noninterest income. This was partially offset by higher noninterest expense. The increase in net interest income was primarily due to lower loan and deposit funding costs, an increase in the average balance of our investment securities portfolio, and lower costs associated with long-term debt. The increase in noninterest income was primarily due to net investment securities gains, partially offset by the change in fair value of mortgage servicing rights. The increase in noninterest expense was primarily due to the previously noted early termination costs related to the prepayment of \$75.0 million in securities sold under agreements to repurchase and higher separation expense.

Other organizational units (Technology, Operations, Marketing, Human Resources, Finance, Credit and Risk Management, and Corporate and Regulatory Administration) included in Treasury and Other provide a wide-range of support to the Company's other income earning segments. Expenses incurred by these support units are charged to the business segments through an internal cost allocation process.

Analysis of Statements of Condition

Investment Securities

Table 8 presents the contractual maturity distribution, weighted-average yield to maturity, and fair value of our investment securities.

Contractual Maturity Distribution	n. Weigh	ited-Avera	ge Yield	to Matu	rity, and	Fair Valu	e of Inve	stment Se	curities		Table 8
(dollars in millions)	1 Year	Weighted Average Yield				Weighted	Over 10 Years	Weighted Average Yield	Total	Weighted Average Yield	Fair Value
As of December 31, 2011											
Investment Securities Available-for-Sale 1											
Debt Securities Issued by the U.S.											
Treasury and Government Agencies	\$ 326.1	0.7%	\$ 485.6	1.1%	\$ 46.1	2.3%	\$ 362.5	2.2%	\$ 1,220.3	1.3%	\$ 1,231.0
Debt Securities Issued by States and											
Political Subdivisions 2	26.4	1.7	27.2	2.9	122.2	4.4	215.5	5.6	391.3	4.7	407.1
Debt Securities Issued by Corporations	-	-	97.9	2.5	-	-	-	-	97.9	2.5	96.4
Mortgage-Backed Securities Issued by 3											
Government Agencies	74.8	0.9	-	-	14.1	3.5	1,530.0	2.7	1,618.9	2.6	1,655.
U.S. Government-Sponsored Enterprises	-	-	1.3	4.5	1.5	2.8	55.7	4.1	58.5	4.1	61.
Total Mortgage-Backed Securities	74.8	0.9	1.3	4.5	15.6	3.4	1,585.7	2.7	1,677.4	2.7	1,717.
Total Investment Securities											
Available-for-Sale	\$ 427.3	0.8%	\$ 612.0	1.4%	\$ 183.9	3.8%	\$ 2,163.7	_ 2.9%	\$ 3,386.9	_ 2.4%	\$ 3,451.
Investment Securities Held-to-Maturity				<u> </u>							
Debt Securities Issued by the U.S.											
Treasury and Government Agencies	\$ -	-%	\$ 179.5	1.6%	\$ -	-%	\$ -	-%	\$ 179.5	1.6%	\$ 186.
Mortgage-Backed Securities Issued by 3											
Government Agencies	-	-	-	-	3.1	4.4	3,425.9	3.4	3,429.0	3.4	3,515.
U.S. Government Sponsored Enterprises	-	-		-		3.7	35.5	4.0	49.3	3.9	52.
Total Mortgage-Backed Securities	-		-		16.9	3.8	3,461.4	3.4	3,478.3	3.4	3,568.
Total Investment Securities											
Held-to-Maturity	\$ -	-%	\$ 179.5	1.6%	\$ 16.9	3.8%	\$ 3,461.4	_ 3.4%	\$ 3,657.8	_ 3.3%	\$ 3,754.
Total Investment Securities				_							
As of December 31, 2011	\$ 427.3	_	\$ 791.5	_	\$ 200.8	_	\$ 5,625.1	_	\$ 7,044.7	=	\$ 7,206.
As of December 31, 2010	\$ 172.2	_	\$ 180.0	_ =	\$ 195.1	=	\$ 6,037.1	_	\$ 6,584.4	=	\$ 6,667.
As of December 31, 2009	\$ 12.2	_	\$ 341.1	_	\$ 214.0		\$ 4,903.5		\$ 5,470.8	=	\$ 5,517.

Weighted-average yields on investment securities available-for-sale are based on amortized cost.

The carrying value of our investment securities portfolio was \$7.1 billion as of December 31, 2011, an increase of \$448.6 million or 7% compared to December 31, 2010.

We continually evaluate our investment securities portfolio in response to established asset/liability management objectives, changing market conditions that could affect profitability, and the level of interest rate risk to which we are exposed. These evaluations may cause us to change the level of funds we deploy into investment securities, change the composition of our investment securities portfolio, and change the proportion of investments made into the available-for-sale and held-to-maturity investment categories.

During 2011, we reduced our positions in mortgage-backed securities issued by Ginnie Mae. The proceeds were primarily re-invested into U.S. Treasury notes and debt securities issued by the SBA.

We also increased our municipal and corporate bond holdings in an effort to manage extension risk. As of December 31, 2011, our remaining portfolio of Ginnie Mae mortgage-backed securities were primarily comprised of securities issued between 2008 and 2011. As of December 31, 2011, the credit ratings of these mortgage-backed securities were all AAA-rated, with a low probability of a change in ratings in the near future.

During 2011, we also reclassified at fair value approximately \$3.2 billion in available-for-sale investment securities to the held-to-maturity category. Generally, our longer duration investment securities were reclassified into the held-to-maturity category. The related unrealized after-tax gains of approximately \$27.9 million remained in accumulated other comprehensive income to be amortized over the estimated remaining life of the securities as an adjustment of yield, in a manner consistent with the amortization of any premium or discount. No gains

Weighted-average yields on obligations of states and political subdivisions are generally tax-exempt and are computed on a taxable-equivalent basis using a federal statutory tax rate of 35%.

³ Contractual maturities do not anticipate reductions for periodic paydowns.

or losses were recognized at the time of reclassification. We consider the held-to-maturity classification of these investment securities to be appropriate as there is both the positive intent and ability to hold these securities to maturity. As of December 31, 2011, our remaining available-for-sale investment securities portfolio is comprised of securities with an average base duration of less than three years.

Gross unrealized gains in our investment securities portfolio were \$168.0 million as of December 31, 2011 and \$116.0 million as of December 31, 2010. Gross unrealized losses on our temporarily impaired investment securities were \$6.6 million as of December 31, 2011 and \$32.5 million as of December 31, 2010. As of December 31, 2011, the gross unrealized losses were primarily related to mortgage-backed securities issued by government agencies and debt securities issued by corporations and were attributable primarily to changes in interest rates, relative to when the investment securities were purchased.

As of December 31, 2011, we did not own any subordinated debt, or preferred or common stock of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. See Note 3 to the Consolidated Financial Statements for more information.

Loans and Leases

Total loans and leases were \$5.5 billion as of December 31, 2011. This represents a \$202.5 million or 4% increase from December 31, 2010.

The commercial loan and lease portfolio is comprised of commercial and industrial loans, commercial mortgages, construction loans, and lease financing. Commercial and industrial loans are made primarily to corporations, middle market, and small businesses. Commercial mortgages and construction loans are offered to real estate investors, developers, and builders primarily domiciled in Hawaii. Commercial mortgages are secured by real estate. The source of repayment for investor property is cash flow from the property and for owner-occupied property is the operating cash flow from the business. Construction loans are for the purchase or construction of a property for which repayment will be generated by the property. Lease financing consists of direct financing leases and leveraged leases. Although our primary market is Hawaii, the commercial portfolio contains loans to some borrowers based on the U.S. Mainland, including some Shared National Credits.

Commercial loans and leases were \$2.2 billion as of December 31, 2011, an increase of \$114.7 million or 6% from December 31, 2010. Commercial and industrial loans increased by \$44.5 million and commercial mortgage loans increased by \$74.9 million from December 31, 2010, primarily due to refinancing activity and new lending opportunities in these portfolios. Construction loans also increased by \$18.3 million from December 31, 2010. While we have seen growth in the construction lending portfolio during 2011, demand for new development activity remains soft. Lease financing decreased by \$23.1 million, consistent with our strategy to reduce our positions in leveraged leases on the U.S. Mainland.

The consumer loan and lease portfolio is comprised of residential mortgage loans, home equity lines and loans, personal credit lines, direct installment loans. and indirect auto loans and leases. These products are offered generally in the markets we serve. Although we offer a variety of products, our residential mortgage loan portfolio is primarily comprised of fixed rate loans concentrated in Hawaii. We also offer a variety of home equity lines and loans, secured by second mortgages on residential property of the borrower. Direct installment loans are secured or unsecured and are often used for personal expenses or for debt consolidation. Auto loans are available at fixed interest rates at terms up to 78 months. Auto leases are also available at select Hawaii new car dealerships.

Consumer loans and leases were \$3.4 billion as of December 31, 2011, an increase of \$87.8 million or 3% from December 31, 2010. Residential mortgage loans increased by \$121.7 million or 6% from December 31, 2010 primarily due to strong refinancing activity, the result of low interest rates, as well as our decision to add more 30-year conforming saleable loans to our portfolio. Home equity loans decreased by \$26.8 million or 3% and automobile loans decreased by \$16.5 million or 8% from December 31, 2010 primarily due to continued paydowns and reduced consumer demand for new lending opportunities. Other consumer loans increased by \$9.4 million or 5% from December 31, 2010 primarily due to the re-introduction of the installment loan product in Hawaii.

See Note 4 to the Consolidated Financial Statements and the "Corporate Risk Profile – Credit Risk" section of MD&A for more information on our loan and lease portfolio.

Table 9 presents the geographic distribution of our loan and lease portfolio. Table 10 presents a maturity distribution for selected loan categories. This table excludes real estate loans (other than construction loans), lease financing, and consumer loans.

Geographic Distribution of Loan and Lease Portfolio

Table 9

December 31, 2011									-		
	U.S. Hawaii Mainland ¹			Pacif			ic			Total	
\$	700,570	\$	42,296	\$	67,870	\$	3,325	\$	3,109	\$	817,170
	849,551		23,965		64,711		3		20		938,250
	98,669		-		-		-		-		98,669
	30,488		236,203				-				311,928
	1,679,278		302,464		154,449		3,328		26,498		2,166,017
	2,059,448		_		150,676		5,768		-		2,215,892
	750,196		10,512		17,877				-		780,691
	140,111		9,073		41,113				-		192,506
	139,229				19,136		24,828				183,198
	3,088,984		19,585		228,802		34,911				3,372,287
\$	4,768,262	\$	322,049	\$	383,251	\$	38,239	\$_	26,503	\$	5,538,304
	86%		6%		7%		1%		0%		100%
		\$ 700,570 849,551 98,669 30,488 1,679,278 2,059,448 750,196 140,111	\$ 700,570 \$ 849,551 98,669 30,488 1,679,278 2,059,448 750,196 140,111 139,229 3,088,984 \$ 4,768,262 \$	U.S. Hawaii Mainland 1 \$ 700,570 \$ 42,296 849,551 23,965 98,669 - 30,488 236,203 1,679,278 302,464 2,059,448 - 750,196 10,512 140,111 9,073 139,229 - 3,088,984 19,585 \$ 4,768,262 \$ 322,049	U.S. Hawaii Mainland \$ 700,570 \$ 42,296 \$ 849,551 23,965 98,669 - 30,488 236,203 1,679,278 302,464 2,059,448 - 750,196 10,512 140,111 9,073 139,229 - 3,088,984 19,585 \$ 4,768,262 \$ 322,049 \$	U.S. Hawaii Mainland Guam \$ 700,570 \$ 42,296 \$ 67,870 849,551 23,965 64,711 98,669 30,488 236,203 21,868 1,679,278 302,464 154,449 2,059,448 - 150,676 750,196 10,512 17,877 140,111 9,073 41,113 139,229 - 19,136 3,088,984 19,585 228,802 \$ 4,768,262 \$ 322,049 \$ 383,251	U.S. Hawaii Mainland 1 Guam \$ 700,570 \$ 42,296 \$ 67,870 \$ 849,551 23,965 64,711 98,669 30,488 236,203 21,868 1,679,278 302,464 154,449 2,059,448 - 150,676 750,196 10,512 17,877 140,111 9,073 41,113 139,229 - 19,136 3,088,984 19,585 228,802 \$ 4,768,262 \$ 322,049 \$ 383,251 \$	U.S. Guam Other Pacific Islands \$ 700,570 \$ 42,296 \$ 67,870 \$ 3,325 \$49,551 23,965 64,711 3 98,669 - - - 30,488 236,203 21,868 - 1,679,278 302,464 154,449 3,328 2,059,448 - 150,676 5,768 750,196 10,512 17,877 2,106 140,111 9,073 41,113 2,209 139,229 - 19,136 24,828 3,088,984 19,585 228,802 34,911 \$ 4,768,262 \$ 322,049 \$ 383,251 \$ 38,239	U.S. Hawaii Mainland 1 Guam Islands I \$ 700,570 \$ 42,296 \$ 67,870 \$ 3,325 \$ 849,551 23,965 64,711 3 98,669	U.S. Guam Other Pacific Islands Foreign 2 \$ 700,570 \$ 42,296 \$ 67,870 \$ 3,325 \$ 3,109 849,551 23,965 64,711 3 20 98,669 - - - - 30,488 236,203 21,868 - 23,369 1,679,278 302,464 154,449 3,328 26,498 2,059,448 - 150,676 5,768 - 750,196 10,512 17,877 2,106 - 140,111 9,073 41,113 2,209 - 139,229 - 19,136 24,828 5 3,088,984 19,585 228,802 34,911 5 \$ 4,768,262 \$ 322,049 \$ 383,251 \$ 38,239 \$ 26,503	U.S. Pacific Islands Foreign 2 \$ 700,570 \$ 42,296 \$ 67,870 \$ 3,325 \$ 3,109 \$ 849,551 23,965 64,711 3 20 98,669

For secured loans and leases, classification as U.S. Mainland is made based on where the collateral is located. For unsecured loans and leases, classification as U.S. Mainland is made based on the location where the majority of the borrower's business operations are conducted.

Maturities for Selected Loan Categories 1

Table 10

	D	December 31, 2011							
(dollars in thousands)	Due in One Year or Less	Due After One to Five Years ²	Due After Five Years ²	Total					
Commercial and Industrial Construction	\$ 338,862 59,012	\$ 309,938 29,153	\$ 168,370 10,504	\$ 817,170 98,669					
Total	\$ 397,874	\$ 339,091	\$ 178,874	\$ 915,839					

¹ Based on contractual maturities.

Loans classified as Foreign represent those which are recorded in the Company's international business units. Lease financing classified as Foreign represent those with air transportation carriers based outside the United States.

³ Comprised of other revolving credit, installment, and lease financing.

² As of December 31, 2011, loans maturing after one year consisted of \$327.2 million in variable rate loans and \$190.8 million in fixed rate loans.

Other Assets

Other assets were \$441.8 million as of December 31, 2011, a \$1.8 million or less than 1% decrease from December 31, 2010. The decrease in other assets was primarily due to a \$16.3 million decrease in federal tax deposits. Also contributing to the decrease in other assets was an \$8.4 million decrease resulting from the amortization of prepaid FDIC assessments. This was partially offset by a \$9.6 million increase in the fair value of our customer-related interest rate swap accounts, which have off-setting amounts recorded in other liabilities, a \$5.3 million increase in the value of our bank-owned life insurance, a \$4.4 million increase in receivables related to principal paydowns and settlements of investment securities, and a \$3.9 million increase in the balance of our low-income housing and other equity investments. See Note 7 to the Consolidated Financial Statements for more information on the composition of our other assets.

As of December 31, 2011, the carrying value of our Federal Home Loan Bank of Seattle ("FHLB") stock was \$61.3 million. Our investment in the FHLB is a condition of membership and, as such, is required to obtain credit and other services from the FHLB. As of September 30, 2011, the FHLB met all of its regulatory capital requirements, but remained classified as "undercapitalized" by its primary regulator, the Federal Housing Finance Agency ("Finance Agency"), due to several factors including the possibility that further declines in the value of its private-label mortgage-backed securities could cause it to fall below its risk-based capital requirements. As such, the FHLB remains restricted from redeeming or repurchasing capital stock or paying dividends.

We consider our investment in the FHLB as a long-term investment and we value the investment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value. The FHLB had increased capital levels as of September 30, 2011 compared to December 31, 2010, continues to meet its debt obligations, and if needed has an additional source of liquidity available to U.S. Government-Sponsored Enterprises through the U.S. Treasury. Based upon the foregoing, we have not recorded an impairment of the carrying value of our FHLB stock as of December 31, 2011.

Goodwill

Goodwill was \$31.5 million as of December 31, 2011 and 2010. As of December 31, 2011, based on our qualitative assessment, there were no reporting units where we believed that it was more likely than not that the fair value of a reporting unit was less than its carrying amount, including goodwill. As a result, we had no reporting units where there was a reasonable possibility of failing Step 1 of the goodwill impairment test. See Note 1 to the Consolidated Financial Statements for more information on our goodwill impairment policy.

Deposits

During 2011, volatility in the financial and equity markets contributed to customers' demand for more liquidity. Total deposits were \$10.6 billion as of December 31, 2011, a \$703.6 million or 7% increase from December 31, 2010. Consumer, commercial, and public customers all contributed to strong deposit growth in 2011. The increase in deposit balances in 2011 was primarily due to a \$516.0 million increase in our public deposits mainly due to higher public time deposits. Also contributing to the increase was a \$415.4 million increase in our personal and business interest and non-interest bearing demand accounts. This was partially offset by a \$216.6 million decrease in our business money market savings accounts and a \$13.7 million decrease in our consumer bonus rate savings products.

We believe that our strong brand played a key role in increasing deposit balances over the past 12 months, as we compete with other financial institutions for a share of the deposit market.

Average time deposits of \$100,000 or more was \$675.1 million in 2011 and \$635.4 million in 2010. See Note 8 to the Consolidated Financial Statements for more information.

Table 11 presents the components of our savings deposits as of December 31, 2011 and 2010.

Savings Deposits		Table 11
(dollars in thousands)	2010	2010
Money Market	\$ 1,732,999	\$ 1,942,034
Regular Savings	2,665,639	2,584,859
Total Savings Deposits	\$ 4,398,638	\$ 4,526,893

Borrowings

Borrowings consisted of funds purchased and short-term borrowings. Borrowings were \$10.8 million as of December 31, 2011, a \$4.9 million or 31% decrease from December 31, 2010. We manage the level of our borrowings to ensure that we have adequate sources of liquidity. Due to high levels of deposits and our increased capital levels, our level of borrowings as a source of funds has remained low. See Note 9 to the Consolidated Financial Statements for more information.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase were \$1.9 billion as of December 31, 2011, a \$24.9 million or 1% increase from December 31, 2010. This increase was primarily due to new placements to accommodate local government entities. Average rates paid on securities sold under agreements to repurchase were 1.58% in 2011, a 5 basis point increase from 2010. We have not entered into agreements in which the securities sold and the related liability was not recorded on the consolidated statements of condition. See Note 9 to the Consolidated Financial Statements for more information.

Long-Term Debt

Long-term debt was \$30.7 million as of December 31, 2011, a \$2.0 million or 6% decrease from December 31, 2010. Due to our strong liquidity position, we have not needed additional long-term funding in recent years.

Pension and Postretirement Plan Obligations

Retirement benefits payable were \$46.9 million as of December 31, 2011, a \$16.1 million or 52% increase from December 31, 2010. The accounting for pension and postretirement benefit plans reflect the long-term nature of the obligations and the investment horizon of the plan assets. Amounts recorded in the consolidated statements of condition reflect actuarial assumptions about participant benefits and plan asset returns. The increase in retirement benefits payable was primarily due to a \$10.2 million increase due to utilizing a lower discount rate and an \$8.4 million increase due to lower expected return on plan assets. Significant inputs to determine the valuation of the obligation include the discount rate, expected long-term rate of return on plan assets, mortality, retirement, withdrawal and disability rates, and the form of benefit payment (i.e. lump-sum or life annuity). The change in the discount rate assumption from 5.75% as of December 31, 2010 to 5.04% as of December 31, 2011 resulted in the largest impact to the benefits payable balance. See Note 14 to the Consolidated Financial Statements for more information.

Foreign Activities

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-bearing deposits with other banks, other interest-bearing investments, and any other monetary assets which are denominated in dollars or other non-local currency. As of December 31, 2011, 2010 and 2009, we did not have cross-border outstandings to any foreign country which exceeded 0.75% of our total assets.

We continue to monitor the debt crisis in Europe and the potential direct and indirect impact it may have on us. As of December 31, 2011, we had no exposures to sovereign European governments and our non-sovereign European exposures posed a low risk of loss to the Company. The U.S. and Hawaii economies and our customers may be adversely affected by future developments arising from the debt crisis in Europe. However, we believe that there is a low risk that this indirect exposure will have a material impact to our financial condition, results of operations, or cash flows.

Corporate Risk Profile

Managing risks is an essential part of successfully operating our business. Management believes that the most prominent risk exposures for the Company are credit risk, market risk, liquidity risk management, capital management, and operational risk. We must properly and effectively identify, assess, measure, monitor, control, and report these risks across the Company to maintain safety and soundness, while maximizing shareholder value and profitability.

Credit Risk

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

We manage and control risk in the loan and lease portfolio by adhering to well-defined underwriting criteria and account administration standards established by management. Written credit policies document underwriting standards, approval levels, exposure limits, and other limits or standards deemed necessary and prudent. Portfolio diversification at the obligor, industry, product, and/or geographic location levels is actively managed to mitigate concentration risk. In addition, credit risk management also includes an independent credit review process that assesses compliance with commercial and consumer credit policies, risk ratings, and other critical credit information. In addition to implementing risk management practices that are based upon established and sound lending practices, we adhere to sound credit principles. We understand and evaluate our customers' borrowing needs and capacity to repay, in conjunction with their character and history.

Commercial and industrial loans are made primarily for the purpose of financing equipment acquisition, expansion, working capital, and other general business purposes. Lease financing consists of direct financing leases and leveraged leases and are used by commercial customers to finance capital purchases ranging from computer equipment to transportation equipment. The credit decisions for these transactions are based upon an assessment of the overall financial capacity of the applicant. A determination is made as to the applicant's ability to

repay in accordance with the proposed terms as well as an overall assessment of the risks involved. In addition to an evaluation of the applicant's financial condition, a determination is made of the probable adequacy of the primary and secondary sources of repayment, such as additional collateral or personal guarantees, to be relied upon in the transaction. Credit agency reports of the applicant's credit history supplement the analysis of the applicant's creditworthiness.

Commercial mortgages and construction loans are offered to real estate investors, developers, builders, and owner-occupants primarily domiciled in Hawaii. These loans are secured by first mortgages on real estate at loan-to-value ("LTV") ratios deemed appropriate based on the property type, location, overall quality, and sponsorship. Generally, these LTV ratios do not exceed 75%. The commercial properties are predominantly developments such as retail centers, apartments, industrial properties and, to a lesser extent, more specialized properties such as hotels. Substantially all of our commercial mortgage loans are secured by properties located in our primary market area.

In the underwriting of our commercial mortgage loans, we obtain appraisals for the underlying properties. Decisions to lend are based on the economic fundamentals of the property and the creditworthiness of the borrower. In evaluating a proposed commercial mortgage loan, we primarily emphasize the ratio of the property's projected net cash flows to the loan's debt service requirement. The debt service coverage ratio normally is not less than 120% and it is computed after deduction for a vacancy factor and property expenses as appropriate. In addition, a personal guarantee of the loan or a portion thereof is sometimes required from the principal(s) of the borrower. We typically require title insurance insuring the priority of our lien, fire, and extended coverage casualty insurance, and flood insurance, if appropriate, in order to protect our security interest in the underlying property. In addition, business interruption insurance or other insurance may be required.

Owner-occupant commercial mortgage loans are underwritten based upon the cash flow of the business provided that the real estate asset is utilized in the operation of the business. Real estate is evaluated independently as a secondary source of repayment. As noted above, LTV ratios generally do not exceed 75%.

Construction loans are underwritten against projected cash flows derived from rental income, business income from an owner-occupant, or the sale of the property to an end-user. We may mitigate the risks associated with these types of loans by requiring fixed-price construction contracts, performance and payment bonding, controlled disbursements, and pre-sale contracts or pre-lease agreements.

We offer a variety of first mortgage and junior lien loans to consumers within our markets with residential home mortgages comprising our largest loan category. These loans are secured by a primary residence and are underwritten using traditional underwriting systems to assess the credit risks and financial capacity and repayment ability of the consumer. Decisions are primarily based on LTV ratios, debt-to-income ("DTI") ratios, liquidity, and credit scores. LTV ratios generally do not exceed 80%, although higher levels are permitted with mortgage insurance. We offer variable rate mortgage loans with interest rates that are subject to change every year after the first, third, fifth, or seventh year, depending on the product and are based on the London Interbank Offered Rate ("LIBOR"). Variable rate mortgage loans are underwritten at fully-indexed interest rates. Non-traditional product offerings such as interest-only facilities are underwritten using a fully amortizing payment. We do not offer paymentoption facilities, sub-prime or Alt-A loans, or any product with negative amortization.

Home equity loans are secured primarily by second mortgages on residential property of the borrower. The underwriting terms for the home equity product generally permits borrowing availability, in the aggregate, up to 80% of the value of the collateral property at the time of origination. We offer fixed and variable rate home equity loans, with variable rate loans underwritten at fully-indexed interest rates. Our procedures for underwriting home equity loans include an assessment of an applicant's overall financial capacity and repayment ability. Decisions are primarily based on LTV ratios, DTI ratios, and credit scores. We do not offer home equity loan products with reduced documentation.

Automobile lending activities include loans and leases secured by new or used automobiles. We originate automobile loans and leases on an indirect basis through selected dealerships. Our procedures for underwriting automobile loans include an assessment of an applicant's overall financial capacity and repayment ability, credit history, and the ability to meet existing obligations and payments on the proposed loan. Although an applicant's creditworthiness is the primary consideration, the underwriting process also includes a comparison of the value of the collateral security to the proposed loan amount. We require borrowers to maintain full coverage automobile insurance on automobile loans and leases, with the Bank listed as either the loss payee or additional insured.

Our overall credit risk position reflects a slowly improving Hawaii economy, with decreasing levels of higher risk loans and leases, criticized and classified loans and leases, and credit losses compared to 2010. The tourism industry is recovering due to increasing visitor arrivals and spending, although the construction and real estate industries remain weak. Overall, statewide employment continues to be stable and the generally improving economy is resulting in lower loss rates in our loan and lease portfolios

Higher Risk Loans and Leases

Although asset quality has improved over the past two years, we remain vigilant in light of the uncertainties in the U.S. economy as well as concerns related to specific segments of our lending portfolio that present a higher risk profile. As of December 31, 2011, the higher risk segments within our loan and lease portfolio continue to be concentrated in residential home building, residential land loans, home equity loans, and air transportation leases. In addition, loans and leases based on Hawaiian islands other than Oahu (the "neighbor islands") may present a higher risk profile as the neighbor islands have continued to experience higher levels of unemployment and have shown signs of slower economic recovery when compared to Oahu.

Table 12 summarizes the amount of our loan and lease portfolio that demonstrate a higher risk profile. The Allowance associated with these higher risk loans and leases is consistent with our methodologies for each of the respective loan or lease classes. These higher risk loans and leases have been

considered in our quarterly evaluation of the adequacy of the Allowance.

Higher Risk Loans and Leases Outstanding Table 12

	December 31,									
(dollars in thousands)		2011	2010							
Residential Home Building	\$	13,475	\$ 14,964							
Residential Land Loans		18,163	23,745							
Home Equity Loans		21,413	23,179							
Air Transportation		36,144	37,879							
Total	\$	89,195	\$ 99,767							

Residential home building loans represented \$29.0 million or 29% of our total commercial construction portfolio balance as of December 31, 2011. The higher risk loans in our residential home building portfolio consist of loans with a well-defined weakness or weaknesses that jeopardize the orderly repayment of the loans. Higher risk loans in our residential home building portfolio included \$2.3 million in projects on the neighbor islands. As of December 31, 2011, the Allowance associated with the remaining balance of higher risk residential home building loans, which was comprised of four loans, was \$3.0 million or 23% of outstanding loan balances. As of December 31, 2011, there were no delinquencies in this portfolio of higher risk loans, however, one of the loans is maintained on non-accrual status due to concerns about its full collectability.

Residential land loans in our residential mortgage portfolio consist of consumer loans secured by unimproved lots. These loans often represent higher risk due to the volatility in the value of the underlying collateral. Our residential land loan portfolio was \$18.2 million as of December 31, 2011. of which \$15.7 million related to properties on the neighbor islands. The decrease in our higher risk exposure in this portfolio segment in 2011 was primarily due to \$5.0 million in paydowns and \$0.8 million in gross loan charge-offs. Residential land loans are collectively evaluated for impairment in connection with the evaluation of our residential mortgage portfolio. As of December 31, 2011, there was no specific Allowance associated with the remaining balance of our residential land loans. As of December 31, 2011, there were no residential land loans that were 90 days past due as to principal or interest.

The higher risk segment within our Hawaii home equity lending portfolio was \$21.4 million or 3% of our total home equity loans outstanding as of December 31, 2011. The higher risk segment within our Hawaii home equity portfolio includes those loans originated in 2005 or later, with current monitoring credit scores below 600, and with original LTV ratios greater than 70%. The decrease in our higher risk exposure in this portfolio segment in 2011 was primarily due to improved credit score migration for our Oahu owner occupants, which account for 66% of this higher risk segment. Higher risk loans in our Hawaii home equity portfolio are collectively evaluated for impairment in connection with the evaluation of our entire home equity portfolio. As of December 31, 2011, there was no specific Allowance associated with the remaining balance of our higher risk home equity loans. As of December 31, 2011, the higher risk home equity loans had a 90 day past due delinquency ratio of 2.5%. In 2011, \$5.5 million or 51% of our gross charge-offs of home equity loans were from our higher risk segment.

We consider all of our air transportation leases to be of higher risk due to the volatile financial profile of the industry. As of December 31, 2011, included in our commercial leasing portfolio were four leveraged leases on aircraft that were originated in the 1990's and prior. Outstanding credit exposure related to these leveraged leases was \$27.5 million as of December 31, 2011 and \$27.7 million as of December 31, 2010. Relative to our total loan and lease portfolio, domestic air transportation carriers continue to demonstrate a higher risk profile due to fuel costs, pension plan obligations, consumer demand, and marginal pricing power. We believe that volatile fuel costs, coupled with a slow economic recovery, could continue to place stress on the financial health of air transportation carriers for the foreseeable future. As of December 31, 2011, the Allowance associated with the remaining balance of our air transportation leases was \$23.1 million or 64% of outstanding balances. In 2011, there were no delinquencies in our air transportation lease portfolio and no charge-offs were recorded. We recorded a \$3.4 million partial recovery on a previously charged-off leveraged lease in 2011.

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

Table 13 presents a five-year history of non-performing assets and accruing loans and leases past due 90 days or more.

]	Dec	ember 31,				
(dollars in thousands)	2011		2010		2009		2008		2007
Non-Performing Assets ¹									
Non-Accrual Loans and Leases									
Commercial									
Commercial and Industrial	\$ 6,243	\$	1,642	\$	6,646	\$	3,869	\$	598
Commercial Mortgage	2,140		3,503		1,167		-		112
Construction	2,080		288		8,154		5,001		
Lease Financing	5		19		631		133		297
Total Commercial	10,468		5,452		16,598		9,003		1,007
Consumer									
Residential Mortgage	25,256		28,152		19,893		3,904		2,681
Home Equity	2,024		2,254		5,153		1,614		1,414
Other ²	-		-		550				
Total Consumer	27,280		30,406		25,596		5,518		4,095
Total Non-Accrual Loans and Leases	37,748		35,858		42,194		14,521		5,102
Non-Accrual Loans Held for Sale					3,005		-		
Foreclosed Real Estate	3,042		1,928		3,132		428		184
Total Non-Performing Assets	\$ 	\$	37,786	\$	48,331	\$	14,949	\$	5,28
Accruing Loans and Leases Past Due 90 Days or More Commercial Commercial and Industrial	\$ 1	\$	-	\$	623	\$	6,785	\$	
Lease Financing	-		. <u>-</u>		120		268		
Total Commercial	1		-		743		7,053		
Consumer									
Residential Mortgage	6,422		5,399		8,979		4,192		4,88
Home Equity	2,194		1,067		2,210		1,077		41
Automobile	170		410		875		743		1,17
Other ²	435		707		886		1,134		1,11
Total Consumer	9,221		7,583		12,950		7,146		7,58
Total Accruing Loans and Leases									
Past Due 90 Days or More	\$ 9,222	\$	7,583	\$	13,693	\$	14,199	\$	7,58
Restructured Loans on Accrual Status and		-							
Not Past Due 90 Days or More	\$ 33,703	\$	23,724	\$	7,274	\$		\$	
Total Loans and Leases	\$ 5,538,304	\$	5,335,792	\$	5,759,785	\$	6,530,233	\$	6,580,86
Ratio of Non-Accrual Loans and Leases to Total Loans and Leases	0.68%	6	0.679	%	0.73%	6	0.229	%_	0.0
Ratio of Non-Performing Assets to Total Loans and Leases, Loans Held for Sale, and Foreclosed Real Estate	 0.739	6	0.719	%	0.849	%	0.239	%	0.0
Ratio of Commercial Non-Performing Assets to Total Commercial Loans and Leases, Commercial Loans Held for Sale, and Commercial Foreclosed Real Estate	0.569	%	0.31	%	1.039	%	0.37	%	0.0
Ratio of Consumer Non-Performing Assets to Total Consumer Loans and Leases, and Consumer Foreclosed Real Estate	0.859	%	0.95	%	0.729	%	0.14	%	0.
Ratio of Non-Performing Assets and Accruing Loans and Leases Past Due 90 Days or More to Total Loans and Leases, Loans Held for Sale, and Foreclosed Real Estate	0.909	%	0.85	%	1.079	%	0.44	%	0.2

Excluded from non-performing assets were contractually binding non-accrual loans held for sale of \$4.2 million as of December 31, 2009.

² Comprised of other revolving credit, installment, and lease financing.

Table 14 presents the activity in Non-Performing Assets ("NPAs") for 2011:

Non-Performing Assets (dollars in thous	ands) Table 14
Balance at Beginning of Year	\$ 37,786
Additions	28,876
Reductions	ŕ
Payments	(8,937)
Return to Accrual Status	(12,457)
Sales of Foreclosed Real Estate	(1,974)
Charge-offs/Write-downs	(2,504)
Total Reductions	(25,872)
Balance at End of Year	\$ 40,790

NPAs are comprised of non-accrual loans and leases, non-accrual loans held for sale and foreclosed real estate. Our NPAs were \$40.8 million as of December 31, 2011, compared to \$37.8 million as of December 31, 2010. This increase was primarily due to the addition of one \$4.9 million commercial and industrial loan and one \$2.1 million construction loan to non-accrual status during 2011, partially offset by a \$2.9 million reduction in residential mortgage non-accrual loans. The largest component of our NPAs continues to be centered in residential mortgage loans, which generally take longer to resolve through the judicial foreclosure process. The ratio of our non-accrual loans and leases to total loans and leases was 0.68% as of December 31, 2011, compared to 0.67% as of December 31, 2010.

Commercial and industrial non-accrual loans increased by \$4.6 million from December 31, 2010 to \$6.2 million as of December 31, 2011, primarily due to the addition of the one \$4.9 million commercial and industrial loan to non-accrual status noted above. As of December 31, 2011, three commercial borrowers comprised 98% of the non-accrual balance. We have evaluated these loans for impairment and have recorded partial charge-offs totaling \$5.3 million on two of these loans.

Commercial mortgage non-accrual loans decreased by \$1.4 million from December 31, 2010 to \$2.1 million as of December 31, 2011. As of December 31, 2011, the balance consists of three borrowers. We have evaluated these loans for impairment and have recorded a partial charge-off of \$0.5 million on one of the loans.

Construction non-accrual loans increased by \$1.8 million from December 31, 2010 to \$2.1 million as of December 31, 2011. This increase was primarily due to the addition of the one \$2.1 million construction loan to non-accrual status noted above.

Residential mortgage non-accrual loans decreased by \$2.9 million from December 31, 2010 to \$25.3 million as of December 31, 2011, primarily due to residential mortgage loan modifications that were restored to accrual status after the borrower demonstrated performance under the modified terms by making six consecutive payments. As of December 31, 2011, our residential mortgage non-accrual loans were comprised of 61 loans with a weighted average current LTV ratio of 78%.

Foreclosed real estate represents property acquired as the result of borrower defaults on loans. Foreclosed real estate is recorded at fair value, less estimated selling costs, at the time of foreclosure. On an ongoing basis, properties are appraised as required by market indications and applicable regulations. Foreclosed real estate increased by \$1.1 million from December 31, 2010 to \$3.0 million as of December 31, 2011. This increase was primarily due to the addition of one foreclosed commercial property on the neighbor islands.

Included in NPAs are loans that we consider impaired. Impaired loans are defined as those which we believe it is probable we will not collect all amounts due according to the contractual terms of the loan agreement, as well as those loans whose terms have been modified in a troubled debt restructuring ("TDR"). Impaired loans were \$47.6 million as of December 31, 2011, compared to \$38.0 million as of December 31, 2010. Impaired loans had a related Allowance of \$5.5 million as of December 31, 2011 and \$4.2 million as of December 31, 2010. As of December 31, 2011, we have recorded charge-offs of \$12.7 million related to our impaired loans.

Loans Modified in a Troubled Debt Restructuring

Table 15 presents information on loans whose terms have been modified in a TDR.

Loans Modified in a Troubled Debt

Restructuring		T	able 15
(dollars in thousands)	2011		2010
Restructured Loans on Accrual Status and Not Past Due 90 Days or More Restructured Loans Included in Non-Accrual Loans or Accruing	\$ 33,703	\$	23,724
Loans Past Due 90 Days or More	5,127		8,953
Total Restructured Loans	\$ 38,830	\$	32,677

We had loans whose terms had been modified in a TDR of \$38.8 million as of December 31, 2011, compared to \$32.7 million as of December 31, 2010.

This increase was primarily due to a \$4.7 million increase in modified residential mortgage loans. Residential mortgage loans modified in a TDR were primarily comprised of loans where we lowered monthly payments to accommodate the borrowers' financial needs for a period of time.

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

Loans and leases that are 90 days or more past due, as to principal or interest, and still accruing interest are in this category because they are well secured and in the process of collection. Loans and leases past due 90 days or more and still accruing interest were \$9.2 million as of December 31, 2011, an increase of \$1.6 million from December 31, 2010. This increase was primarily in our residential mortgage and home equity portfolios.

If interest due on the balances of all non-accrual loans as of December 31, 2011 had been accrued under the original terms, approximately \$3.7 million in total interest income would have been recorded in 2011, compared to the \$0.9 million recorded as interest income on those loans.

Reserve for Credit Losses

The Company's reserve for credit losses is comprised of two components, the Allowance and the reserve for unfunded commitments (the "Unfunded Reserve"). Table 16 presents the activity in the Company's reserve for credit losses for the years ended December 31:

Reserve for Credit Losses										Table 16
(dollars in thousands)		2011		2010		2009		2008		2007
Balance at Beginning of Period	\$	152,777	\$	149,077	\$	128,667	\$	96,167	\$	96,167
Loans and Leases Charged-Off										
Commercial										
Commercial and Industrial		(8,112))	(21,125)		(26,641)		(8,059)		(3,266)
Commercial Mortgage		-		(2,048)		(2,092)		-		-
Construction		-		(2,274)		(10,360)		(1,932)		-
Lease Financing		-		(500)		(14,022)		(304)		(145)
Consumer										
Residential Mortgage		(8,174)	+	(12,139)		(7,768)		(723)		(169)
Home Equity		(10,853)		(15,052)		(12,722)		(2,530)		(1,097)
Automobile		(3,229)		(6,425)		(9,903)		(11,236)		(10,340)
Other ¹		(6,392)	ı	(10,315)		(13,233)		(10,564)		(9,893)
Total Loans and Leases Charged-Off		(36,760)	ı	(69,878)		(96,741)		(35,348)		(24,910)
Recoveries on Loans and Leases Previously Charged-Off										
Commercial										
Commercial and Industrial		2,434		2,082		1,211		1,634		1,203
Commercial Mortgage		538		68		45		-		156
Construction		-,		7,321		476		-		-
Lease Financing		3,528		158		131		10		2,092
Consumer										
Residential Mortgage		2,152		1,544		1,059		175		221
Home Equity		1,695		1,597		364		108		359
Automobile		2,479		3,128		3,153		2,817		2,582
Other ¹		2,492		2,393		2,584		2,589		2,790
Total Recoveries on Loans and Leases										
Previously Charged-Off		15,318		18,291		9,023		7,333		9,403
Net Loans and Leases Charged-Off		(21,442)		(51,587)		(87,718)		(28,015)		(15,507)
Provision for Credit Losses		12,690		55,287		107,878		60,515		15,507
Provision for Unfunded Commitments		-		-		250		-		-
Balance at End of Period ²	\$	144,025	\$	152,777	\$	149,077	\$	128,667	\$	96,167
Components										
Allowance for Loan and Lease Losses	\$	138,606	\$	147,358	\$	143,658	\$	123,498	\$	90,998
Reserve for Unfunded Commitments	Ψ	5,419	Ψ	5,419	Ψ	5,419	Ψ	5,169	Ψ	5,169
Total Reserve for Credit Losses	\$	144,025	\$	152,777	\$	149,077	\$	128,667	\$	96,167
Average Loans and Leases Outstanding	\$	5,349,938	\$	5,472,534	\$	6,144,976	\$	6,542,178	\$	6,561,584
Paris of Net Loans and Loans Charged Off to				 						
Ratio of Net Loans and Leases Charged-Off to		0.400	,	0.040	,	1 420/	,	0.430/	,	0.240
Average Loans and Leases Outstanding Ratio of Allowance for Loan and Lease Losses to		0.40%	0	0.94%	0	1.43%	D	0.43%	0	0.24%
		2 500	,	2 7 6	,	0.400	,	1.000	,	1.000
Loans and Leases Outstanding		2.50%	6	2.76%	Ó	2.49%	0	1.89%	o	1.38%

¹ Comprised of other revolving credit, installment, and lease financing.

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.

Allowance for Loan and Lease Losses

Table 17 presents the allocation of the Allowance by loan and lease category.

Allocation of Allowance for Loan and	Lease Losses				Table 17
(dollars in thousands)	2011	2010	2009	2008	2007
Commercial					
Commercial and Industrial	\$ 23,865	\$ 26,343	\$ 24,551	\$ 31,183	\$ 15,117
Commercial Mortgage	25,900	26,634	25,559	14,119	12,148
Construction	5,326	5,691	4,499	6,227	2,768
Lease Financing	25,471	22,309	27,698	43,091	33,428
Total Commercial	80,562	80,977	82,307	94,620	63,461
Consumer					
Residential Mortgage	18,758	18,063	13,884	4,443	4,293
Home Equity	27,232	29,838	28,877	4,814	3,064
Automobile	2,646	5,579	7,349	10,992	11,315
Other ¹	9,408	12,901	11,241	8,629	8,865
Total Consumer	58,044	66,381	61,351	28,878	27,537
Total Allocation of Allowance					
for Loan and Lease Losses	\$ 138,606	\$ 147,358	\$ 143,658	\$ 123,498	\$ 90,998

	20	11	20	10	20	09	_20	08	20	07
	Alloc. Allow. as % of loan or lease category	Loan category as % of total loans and leases	Alloc. Allow. as % of loan or lease category	Loan category as % of total loans and leases	Alloc. Allow. as % of loan or lease category	Loan category as % of total loans and leases	Alloc. Allow. as % of loan or lease category	Loan category as % of total loans and leases	Alloc. Allow. as % of loan or lease category	Loan category as % of total loans and leases
Commercial										
Commercial and Industrial	2.92%	14.75%	3.41%	14.48%	3.09%	13.81%		16.14%		16.02%
Commercial Mortgage	2.76	16.94	3.08	16.18	3.04	14.61	1.91	11.34	1.91	9.64
Construction	5.40	1.78	7.09	1.50	4.15	1.88	4.04	2.36	1.33	3.17
Lease Financing	8.17	5.63	6.66	6.28	6.71	7.17	9.20	7.17	6.94	7.32
Total Commercial	3.72	39.10	3.95	38.44	3.81	37.47	3.92	37.01	2.67	36.15
Consumer										
Residential Mortgage	0.85	40.01	0.86	39.25	0.63	38.03	0.18	37.70	0.17	38.11
Home Equity	3.49	14.10	3.70	15.13	3.13	16.00	0.47	15.82	0.31	14.79
Automobile	1.37	3.48	2.67	3.92	2.59	4.93	2.97	5.66	2.55	6.73
Other ¹	5.14	3.31	7.42	3.26	5.47	3.57	3.47	3.81	3.20	4.22
Total Consumer	1.72	60.90	2.02	61.56	1.70	62.53	0.70	62.99	0.66	63.85
Total	2.50%	100.00%	2.76%	100.00%	2.49%	100.00%	1.89%	100.00%	1.38%	100.00%

¹ Comprised of other revolving credit, installment, and lease financing.

Based on our ongoing assessment of credit quality of the loan and lease portfolio and the economic environment, our Allowance was \$138.6 million as of December 31, 2011 and \$147.4 million as of December 31, 2010. The ratio of the Allowance to total loans and leases outstanding was 2.50% as of December 31, 2011 compared to 2.76% as of December 31, 2010. The decrease in the ratio of the Allowance to total loans and leases in 2011 was primarily due to an \$8.8 million reduction in the Allowance in 2011 due to improvements in credit quality and a generally improving economy in Hawaii. With continued stability in the Hawaii economy and continued improvements in credit quality, including reductions in our higher risk loan segments, we may require a lower level of the Allowance in future periods.

Net loan and lease charge-offs were \$21.4 million or 0.40% of total average loans and leases in 2011, a decrease from \$51.6 million or 0.94% of total average loans and leases in 2010. Net loans and leases charged-off decreased in all of our commercial and consumer lending portfolios during 2011. Commercial net charge-offs were \$1.6 million in 2011, a decrease of \$14.7 million from 2010. This decrease was primarily in our commercial and industrial portfolio, which experienced a \$13.4 million decrease in net charge-offs in 2011 compared to 2010. Consumer net charge-offs were \$19.8 million in 2011, a decrease of \$15.4 million from 2010. This decrease was primarily in our residential mortgage and home equity portfolios.

The components of the Allowance, including the allocation between commercial and consumer categories is based on an evaluation of individual credits, historical loan and lease loss experience, management's evaluation of the current loan portfolio, and current economic conditions. The allocation of the Allowance to our commercial portfolio decreased by \$0.4 million from December 31, 2010 primarily due to lower levels of charge-offs across all classes of our commercial loan portfolio. We have decreased the allocation of the Allowance to all classes of our commercial portfolio, except leasing. Relative to our total loan and lease portfolio, our domestic air transportation leases continue to demonstrate a higher risk profile as evidenced by recent airlines bankruptcies and continued high fuel prices. The allocation of the Allowance to our consumer portfolio decreased by \$8.3 million from December 31, 2010 primarily due to lower levels of charge-offs across all classes of our consumer loan portfolio. See Note 4 to the Consolidated Financial Statements for more

information on the Allowance and credit quality indicators.

Reserve for Unfunded Commitments

The Unfunded Reserve was \$5.4 million as of December 31, 2011, unchanged from December 31, 2010. The process used to determine the Unfunded Reserve is consistent with the process for determining the Allowance, as adjusted for estimated funding probabilities or loan and lease equivalency factors.

Risks Related to Representation and Warranty Provisions

We sell residential mortgage loans in the secondary market primarily to Fannie Mae. We also pool Federal Housing Administration ("FHA") insured and U.S. Department of Veterans Affairs ("VA") guaranteed residential mortgage loans for sale to Ginnie Mae. These pools of FHA-insured and VA-guaranteed residential mortgage loans are securitized by Ginnie Mae. The agreements under which we sell residential mortgage loans to Fannie Mae or Ginnie Mae and the insurance or guaranty agreements with FHA and VA contain provisions that include various representations and warranties regarding the origination and characteristics of the residential mortgage loans. Although the specific representations and warranties vary among investors, insurance or guarantee agreements, they typically cover ownership of the loan, validity of the lien securing the loan, the absence of delinquent taxes or liens against the property securing the loan, compliance with loan criteria set forth in the applicable agreement, compliance with applicable federal, state, and local laws, and other matters.

As of December 31, 2011, the unpaid principal balance of our portfolio of residential mortgage loans sold was \$3.0 billion. These loans are generally sold on a non-recourse basis. The agreements under which we sell residential mortgage loans require us to deliver various documents to the investor or its document custodian. Although these loans are primarily sold on a non-recourse basis, we may be obligated to repurchase residential mortgage loans where required documents are not delivered or are defective. Investors may require the immediate repurchase of a mortgage loan when an early payment default underwriting review reveals significant underwriting deficiencies, even if the mortgage loan has subsequently been brought current. Upon receipt of a repurchase request, we work with investors or insurers to arrive at a mutually agreeable

resolution. Repurchase demands are typically reviewed on an individual loan by loan basis to validate the claims made by the investor or insurer and to determine if a contractually required repurchase event has occurred. We manage the risk associated with potential repurchases or other forms of settlement through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor and secondary market standards. For the year ended December 31, 2011, we repurchased 15 residential mortgage loans with an unpaid principal balance of \$1.9 million as a result of the representation and warranty provisions contained in these contracts. Of these repurchased loans, 90% were current as to principal and interest at the time of repurchase. For the year ended December 31, 2011, no losses were incurred related to these repurchases. As of December 31, 2011, there was one pending repurchase request related to representation and warranty provisions with an unpaid principal balance of less than \$0.1 million.

Risks Relating to Residential Mortgage Loan Servicing Activities

In addition to servicing loans in our portfolio, substantially all of the loans we sell to investors are sold with servicing rights retained. The loans we service were originated by us or by other mortgage loan originators. As servicer, our primary duties are to: (1) collect payments due from borrowers; (2) advance certain delinquent payments of principal and interest; (3) maintain and administer any hazard, title, or primary mortgage insurance policies relating to the mortgage loans; (4) maintain any required escrow accounts for payment of taxes and insurance and administer escrow payments; and (5) foreclose on defaulted mortgage loans or, to the extent consistent with the documents governing a securitization, consider alternatives to foreclosure, such as loan modifications or short sales.

Each agreement under which we act as servicer generally specifies a standard of responsibility for actions taken by us in such capacity and provides protection against expenses and liabilities incurred by us when acting in compliance with the respective servicing agreements. However, if we commit a material breach of our obligations as servicer, we may be subject to termination if the breach is not cured within a specified period following notice. The standards governing servicing and the possible remedies for violations of such standards vary by investor. These standards and remedies are determined by servicing guides issued by the

investors as well as the contract provisions established between the investors and the Bank. Remedies could include repurchase of an affected loan. As of December 31, 2011, there was one pending repurchase request related to servicing activities with an unpaid principal balance of \$0.2 million.

Although to date repurchase requests related to representation and warranty provisions, and servicing activities have been limited, it is possible that requests to repurchase mortgage loans may increase in frequency as investors more aggressively pursue all means of recovering losses on their purchased loans. However, as of December 31, 2011, we believe that this exposure is not material due to the historical level of repurchase requests and loss trends and thus have not established a liability for losses related to mortgage loan repurchases. As of December 31, 2011, 99% of our residential mortgage loans serviced for investors were current. We maintain ongoing communications with our investors and will continue to evaluate this exposure by monitoring the level and number of repurchase requests as well as the delinquency rates in our investor portfolios.

Market Risk

Market risk is the potential of loss arising from adverse changes in interest rates and prices. We are exposed to market risk as a consequence of the normal course of conducting our business activities. Our market risk management process involves measuring, monitoring, controlling, and mitigating risks that can significantly impact our statements of income and condition. In this management process, market risks are balanced with expected returns in an effort to enhance earnings performance, while limiting volatility.

Our primary market risk exposure is interest rate risk.

Interest Rate Risk

The objective of our interest rate risk management process is to maximize net interest income while operating within acceptable limits established for interest rate risk and maintaining adequate levels of funding and liquidity.

The potential cash flows, sales, or replacement value of many of our assets and liabilities, especially those that earn or pay interest, are sensitive to changes in the general level of interest rates. This interest rate risk arises primarily from our normal business activities of gathering deposits and extending loans.

Many factors affect our exposure to changes in interest rates, such as general economic and financial conditions, customer preferences, historical pricing relationships, and repricing characteristics of financial instruments.

Our earnings are affected not only by general economic conditions, but also by the monetary and fiscal policies of the U.S. and its agencies, particularly the FRB. The monetary policies of the FRB can influence the overall growth of loans, investment securities, and deposits and the level of interest rates earned on assets and paid for liabilities. The nature and impact of future changes in monetary policies are generally not predictable.

In managing interest rate risk, we, through the Asset/ Liability Management Committee ("ALCO"), measure short and long-term sensitivities to changes in interest rates. The ALCO, which is comprised of members of executive management, utilizes several techniques to manage interest rate risk, which include:

- adjusting balance sheet mix or altering the interest rate characteristics of assets and liabilities;
- · changing product pricing strategies;
- modifying characteristics of the investment securities portfolio; or
- · using derivative financial instruments.

The use of derivative financial instruments, as detailed in Note 17 to the Consolidated Financial Statements, has generally been limited. This is due to natural on-balance sheet hedges arising out of offsetting interest rate exposures from loans and investment securities with deposits and other interest-bearing liabilities. In particular, the investment securities portfolio is utilized to manage the interest rate exposure and sensitivity to within the guidelines and limits established by the ALCO. We utilize natural and offsetting economic hedges in an effort to reduce the need to employ off-balance sheet

derivative financial instruments to hedge interest rate risk exposures. Expected movements in interest rates are also considered in managing interest rate risk. Thus, as interest rates change, we may use different techniques to manage interest rate risk.

A key element in our ongoing process to measure and monitor interest rate risk is the utilization of an asset/liability simulation model. The model is used to estimate and measure the balance sheet sensitivity to changes in interest rates. These estimates are based on assumptions on the behavior of loan and deposit pricing, repayment rates on mortgage-based assets, and principal amortization and maturities on other financial instruments. The model's analytics include the effects of standard prepayment options on mortgages and customer withdrawal options for deposits. While such assumptions are inherently uncertain, we believe that these assumptions are reasonable. As a result, the simulation model attempts to capture the dynamic nature of the balance sheet.

We utilize net interest income simulations to analyze short-term income sensitivities to changes in interest rates. Table 18 presents, for the next twelve months subsequent to December 31, 2011 and 2010, an estimate of the change in net interest income that would result from a gradual and immediate change in interest rates, moving in a parallel fashion over the entire yield curve, relative to the measured base case scenario. The base case scenario assumes the balance sheet and interest rates are generally unchanged. Based on the net interest income simulation as of December 31, 2011, net interest income sensitivity to changes in interest rates as of December 31, 2011 was generally slightly less sensitive to changes in interest rates compared to the sensitivity profile as of December 31, 2010. As a result of our strategy to maintain a relatively short investment portfolio duration, net interest income is expected to increase as interest rates rise. Economic conditions and government intervention continue to result in interest rates remaining relatively low.

	Impact or	ı Future Annu	al Net Interest Inc	ome
(dollars in thousands)	December 3	1, 2011	December 3	1, 2010
Gradual Change in Interest Rates (basis points)				
+200	\$ 2,934	0.8%	\$ 3,048	0.7%
+100	2,036	0.5%	3,139	0.8%
-100	(7,900)	-2.0%	(8,065)	-2.0%
Immediate Change in Interest Rates (basis points)				
+200	\$ 10,086	2.6%	\$ 10,641	2.6%
+100	7,226	1.9%	7,990	1.9%
-100	(25,750)	-6.7%	(27,971)	-6.8%

To analyze the impact of changes in interest rates in a more realistic manner, non-parallel interest rate scenarios are also simulated. These non-parallel interest rate scenarios indicate that net interest income may decrease from the base case scenario should the yield curve flatten or become inverted for a period of time. Conversely, if the yield curve should steepen, net interest income may increase.

Other Market Risks

In addition to interest rate risk, we are exposed to other forms of market risk in our normal business transactions. Foreign currency and foreign exchange contracts expose us to a small degree of foreign currency risk. These transactions are primarily executed on behalf of customers. Our trust and asset management income are at risk to fluctuations in the market values of underlying assets, particularly debt and equity securities. Also, our share-based compensation expense is dependent on the fair value of the stock options and restricted stock at the date of grant. The fair value of both stock options and restricted stock is impacted by the market price of the Parent's common stock on the date of grant and is at risk to changes in equity markets, general economic conditions, and other factors.

Liquidity Risk Management

The objective of our liquidity risk management process is to manage cash flow and liquidity in an effort to provide continuous access to sufficient, reasonably priced funds. Funding requirements are impacted by loan originations and refinancings, deposit growth, liability issuances and settlements, and off-balance sheet funding commitments. We consider and comply with various regulatory guidelines regarding required liquidity levels and periodically monitor our liquidity position in light of the changing economic environment and customer

activity. Based on periodic liquidity assessments, we may alter our asset, liability, and off-balance sheet positions. The ALCO monitors sources and uses of funds and modifies asset and liability positions as liquidity requirements change. This process, combined with our ability to raise funds in money and capital markets and through private placements, provides flexibility in managing the exposure to liquidity risk.

In an effort to satisfy our liquidity needs, we actively manage our assets and liabilities. We have immediate liquid resources in cash and noninterest-bearing deposits and funds sold. The potential sources of short-term liquidity include interest-bearing deposits as well as the ability to sell certain assets including available-for-sale investment securities. Short-term liquidity is further enhanced by our ability to sell loans in the secondary market and to secure borrowings from the FRB and FHLB. Short-term liquidity is also generated from securities sold under agreements to repurchase, funds purchased, and short-term borrowings. Deposits have historically provided us with a long-term source of stable and relatively lower cost source of funding. Additional funding is available through the issuance of long-term debt. In recent years, we have retired some long-term debt due to our strong liquidity position.

We continued to maintain a strong liquidity position throughout 2011. As of December 31, 2011, cash and cash equivalents were \$669.9 million, available-for-sale investment securities were \$3.5 billion, and total deposits were \$10.6 billion. As of December 31, 2011, we continued to maintain our excess liquidity primarily in mortgage-backed securities issued by Ginnie Mae and in U.S. Treasury Notes. As of December 31, 2011, our available-for-sale investment securities portfolio was comprised of securities with an average base duration of less than three years.

Capital Management

In our ongoing efforts to maximize shareholder value over time, we regularly review our capital management activities including the amount of earnings we retain in excess of cash dividends paid and the amount and pace of common stock repurchases. We also seek to maintain capital levels for the Company and the Bank at amounts in excess of the regulatory "well-capitalized" thresholds by an amount commensurate with our risk profile. Periodically, we may respond to market conditions by implementing changes to our overall balance sheet positioning to manage our capital position.

The Company and the Bank are each subject to regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can cause certain mandatory and discretionary actions by regulators that, if undertaken, could have a material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative and qualitative measures. These measures were established by regulation to ensure capital adequacy. As of December 31, 2011, the Company and the Bank were "well capitalized" under this regulatory framework. The Company's regulatory capital ratios are presented in Table 19 below. There have been no conditions or events since December 31, 2011 that management believes have changed either the Company's or the Bank's capital classifications.

As of December 31, 2011, shareholders' equity was \$1.0 billion, unchanged from December 31, 2010. Earnings for 2011 of \$160.0 million, the net change in unrealized gains related to available-for-sale investment securities of \$16.4 million, and common stock issuances of \$13.4 million were offset by cash

dividends paid of \$84.9 million. In 2011, we also repurchased 2.5 million shares of our common stock under our share repurchase program at an average cost per share of \$43.88 and a total cost of \$109.9 million. From the beginning of our share repurchase program in July 2001 through December 31, 2011, we repurchased a total of 48.5 million shares of common stock and returned a total of \$1.7 billion to our shareholders at an average cost of \$35.98 per share. As of December 31, 2011, remaining buyback authority under our share repurchase program was \$74.0 million of the total \$1.82 billion repurchase amount authorized by our Board of Directors. See the "Regulatory Initiatives Related to Liquidity and Capital" section in MD&A for more information.

From January 1, 2012 through February 14, 2012, the Parent repurchased an additional 190,000 shares of common stock at an average cost of \$46.41 per share for a total of \$8.8 million. Remaining buyback authority was \$65.2 million as of February 14, 2012. The actual amount and timing of future share repurchases, if any, will depend on market and economic conditions, regulatory rules, applicable SEC rules, and various other factors.

In January 2012, the Parent's Board of Directors declared a quarterly cash dividend of \$0.45 per share on the Parent's outstanding shares. The dividend will be payable on March 14, 2012 to shareholders of record at the close of business on February 29, 2012.

We continue to evaluate the potential impact that regulatory proposals may have on our liquidity and capital management strategies, including Basel III and those required under the Dodd-Frank Act, as they continue to progress through the final rule-making process. See further discussion below on the potential impact that these regulatory proposals may have on our liquidity and capital requirements.

Table 19 presents a five-year history of activities and balances in our capital accounts, along with key capital ratios.

Shareholders' Equity and Regulatory Capital

Table 19

Shareholders' Equity and Regulatory Capital				Dec	ember 31,				
(dollars in thousands)	 2011		2010		2009		2008		2007
Change in Shareholders' Equity									
Net Income	\$ 160,043	\$	183,942	\$	144,033	\$	192,213	\$	183,703
Cash Dividends Paid	(84,891)		(86,823)		(86,236)		(84,855)		(82,371)
Dividend Reinvestment Program	5,008		5,034		5,154		5,193		5,128
Common Stock Repurchased	(111,544)		(24,981)		(1,337)		(62,015)		(99,656)
Other ¹	22,918		37,988		43,655		(10,087)		24,031
Increase (Decrease) in Shareholders' Equity	\$ (8,466)	\$	115,160	\$	105,269	\$	40,449	\$	30,835
Regulatory Capital									
Shareholders' Equity	\$ 1,002,667	\$	1,011,133	\$	895,973	\$	790,704	\$	750,255
Add: Capital Securities	-		-		-		-		26,425
Less: Goodwill	31,517		31,517		31,517		34,959		34,959
Postretirement Benefit Liability Adjustments	2,815		2,597		5,644		7,079		8,647
Net Unrealized Gains (Losses) on									
Investment Securities	62,932		46,521		26,290		(4,277)		(1,388)
Other	2,230		2,340		2,398		1,424		2,759
Tier 1 Capital	903,173		928,158		830,124		751,519		731,703
Allowable Reserve for Credit Losses	68,624		64,564		70,909		84,163		88,716
Qualifying Subordinated Debt	-		-		-		-		24,982
Unrealized Gains on Available-for-Sale									
Equity Securities	-		-		-				59
Total Regulatory Capital	\$ 971,797	\$	992,722	\$	901,033	\$	835,682	\$	845,460
Risk-Weighted Assets	\$ 5,414,481	\$	5,076,909	\$	5,594,532	\$	6,688,530	\$	7,089,846
Key Regulatory Capital Ratios	16.68%	<u>′</u>	18.28%	4	14.84%	,	11.24%	, n	10.32%
Tier 1 Capital Ratio	17.95	U	19.55	U	16.11	•	12.49	-	11.92
Total Capital Ratio	6.73		7.15		6.76		7.30		7.02
Tier 1 Leverage Ratio	0.73		7.13		0.70		7.50		

¹ Includes unrealized gains and losses on available-for-sale investment securities, minimum pension liability adjustments, and common stock issuances under share-based compensation and related tax benefits.

Regulatory Initiatives Related to Liquidity and Capital

On December 16, 2010, the Basel Committee on Banking Supervision released the final text of the Basel III package on capital, leverage, and liquidity reforms. Under Basel III, financial institutions are required to have more capital and a higher quality of capital. It does so by increasing the minimum regulatory capital ratios, narrowing the definition of capital, and requiring capital buffers. Basel III also imposes a leverage ratio requirement and liquidity standards.

The new minimum capital requirements will be phased in between January 2013 and January 2015 as follows: (1) the minimum requirement for Tier 1 common equity ratio will be increased from the current 2% to 4.5%; (2) the minimum requirement for the Tier 1 Capital Ratio to be considered

"adequately capitalized" will be increased from the current 4% to 6%; (3) an additional 2.5% of Tier 1 common equity to total risk-weighted assets (to be phased in between January 1, 2016 and January 1, 2019); and (4) a minimum Tier 1 Leverage Ratio of 3% (to be tested starting January 1, 2013).

The liquidity proposals under Basel III include: (1) a liquidity coverage ratio (to become effective January 1, 2015); (2) a net stable funding ratio (to become effective January 1, 2018); and (3) a set of monitoring tools to establish minimum reporting requirements of financial institutions to their regulatory supervisors. The liquidity coverage ratio is intended to ensure that banks have sufficient high-quality liquid assets to sustain a significant liquidity stress scenario lasting 30 days. The net stable funding ratio, which has a one year time horizon, is intended to promote the use of more stable sources of funding on an ongoing basis.

Implementation of these new capital and liquidity requirements has created significant uncertainty with respect to the future requirements for financial institutions.

Operational Risk

Operational risk represents the risk of loss resulting from our operations, including, but not limited to, the risk of fraud by employees or persons outside the Company, errors relating to transaction processing and technology, failure to adhere to compliance requirements, and the risk of cyber security attacks. The risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity.

The Operational Risk Committee (the "ORC") provides oversight and assesses the most significant operational risks facing the Company. We have developed a framework that provides for a centralized operating risk management function through the ORC, supplemented by business unit responsibility

for managing operational risks specific to their business units.

While we believe that internal controls have been designed to minimize operational risks, there is no assurance that business disruption or operational losses will not occur. On an ongoing basis, management reassesses operational risks, implements appropriate process changes, and invests in enhancements to its systems of internal controls.

Off-Balance Sheet Arrangements, Credit Commitments, and Contractual Obligations

Off-Balance Sheet Arrangements

We hold interests in several unconsolidated variable interest entities ("VIEs"). These unconsolidated VIEs are primarily low-income housing partnerships. Variable interests are defined as contractual ownership or other interests in an entity that change with fluctuations in an entity's net asset value. The primary beneficiary consolidates the VIE. We have determined that the Company is not the primary beneficiary of these entities. As a result, we do not consolidate these VIEs. See discussion of our accounting policy related to VIEs in Note 1 to the Consolidated Financial Statements.

Our credit commitments and contractual obligations as of December 31, 2011 were as follows:

Credit Commitments Less Than One Year 1-3 Years 4-5 Years After 5 Years Credit Commitments Unfunded Commitments to Extend Credit \$ 553,687 \$ 299,799 \$ 242,984 \$ 878,857 \$ 1 Standby Letters of Credit 73,510 572 - - - Commercial Letters of Credit 18,486 - - - - Total Credit Commitments 645,683 300,371 242,984 878,857 2 Contractual Obligations 10,338,250 158,855 74,646 20,872 10 Deposits 10,791 - - - - Securities Sold Under 4 3,887 7,798 7,344 9,253 Banker's Acceptances Outstanding 476 - - - - Capital Lease Obligations 665 1,330 1,330 5,584 Non-Cancelable Operating Leases 14,594 23,072 17,540 138,130 Purchase Obligations 19,675 24,940 390 - <th>Table 20</th>				Table 20	
(dollars in thousands)	Less Than One Year	1-3 Years	4-5 Years	After 5 Years	Total
Credit Commitments					
Unfunded Commitments to Extend Credit	\$ 553,687	\$ 299,799	\$ 242,984	\$ 878,857	-,,
Standby Letters of Credit	73,510	572	-	-	74,082
•	18,486	-			18,486
Total Credit Commitments	645,683	300,371	242,984	878,857	2,067,895
Contractual Obligations					
Deposits	10,338,250	158,855	74,646	20,872	10,592,623
•	10,791	-	-	-	10,791
Securities Sold Under					
Agreements to Repurchase	1,244,665	81,333	425,000	175,000	1,925,998
	3,887	7,798	7,344	9,253	28,282
	476	-	-	-	476
Capital Lease Obligations	665	1,330	1,330	5,584	8,909
<u>-</u>	14,594	23,072	17,540	138,130	193,336
Purchase Obligations	19,675	24,940	390	-	45,005
Pension and Postretirement					
Benefit Contributions	1,760	3,734	4,173	11,263	20,930
Total Contractual Obligations	11,634,763	301,062	530,423	360,102	12,826,350
Contractual Obligations	\$ 12,280,446	\$ 601,433	\$ 773,407	\$ 1,238,959	\$ 14,894,245

Our liability for unrecognized tax benefits ("UTBs") as of December 31, 2011 was \$13.6 million. We are unable to reasonably estimate the period of cash settlement with the respective taxing authority. As a result, our liability for UTBs is not included in this disclosure.

Commitments to extend credit, standby letters of credit, and commercial letters of credit do not necessarily represent future cash requirements in that these commitments often expire without being drawn upon. Our non-cancelable operating leases and capital lease obligations are primarily related to branch premises, equipment, and a portion of the Company's headquarters' building with lease terms extending through 2052. Purchase obligations arise from agreements to purchase goods or services that are enforceable and legally binding. Our largest purchase obligation is an outsourcing agreement for technology services related to our core systems and applications. Total payments over the remaining term of this contract, through 2014, are estimated to be \$29.8 million. Other contracts included in purchase obligations primarily consist of service agreements for various systems and applications supporting bank

operations. Pension and postretirement benefit contributions represent the minimum expected contribution to these plans. Actual contributions may differ from these estimates.

See discussion of credit, lease, and other contractual commitments in Note 18 to the Consolidated Financial Statements which is incorporated herein by reference.

Future Application of Accounting Pronouncements

See discussion of the expected impact of accounting pronouncements recently issued but that we have not adopted as of December 31, 2011 in Note 1 to the Consolidated Financial Statements.

Fourth Quarter Results and Other Matters

Net Income

Net income for the fourth quarter of 2011 was \$39.2 million, a decrease of \$1.3 million or 3% from the fourth quarter of 2010. Diluted earnings per share were \$0.85 for the fourth quarter of 2011 compared with \$0.84 for the fourth quarter of 2010.

Net Interest Income

Net interest income, on a taxable-equivalent basis, for the fourth quarter of 2011 was \$97.2 million, an increase of \$0.7 million from the fourth quarter of 2010. The net interest margin was 3.04% for the fourth quarter of 2011, a decrease of 11 basis points from the fourth quarter of 2010. Although we had higher average loan and investment balances in the fourth quarter of 2011, lower interest rates resulted in lower yields. Average balances in interest-bearing deposits were slightly higher in the fourth quarter of 2011 compared to the fourth quarter of 2010. However, lower rates paid on our interest-bearing deposits resulted in lower funding costs in the fourth quarter of 2011 compared to the fourth quarter of 2011 compared to the fourth quarter of 2010.

Provision for Credit Losses

The Provision was \$2.2 million for the fourth quarter of 2011, a decrease of \$3.1 million or 58% compared to the fourth quarter of 2010. The Provision was \$4.8 million less than net loans and leases charged-off in the fourth quarter of 2011 and equaled net loans and leases charged-off in the fourth quarter of 2010. The lower Provision recorded in the fourth quarter of 2011 was reflective of continued strength in asset quality and a slowly improving Hawaii economy.

Noninterest Income

Noninterest income, excluding net gains on investment securities, was \$43.1 million for the fourth quarter of 2011, a decrease of \$8.4 million or 16% from the fourth quarter of 2010. This decrease was primarily due to a \$3.0 million decrease in debit card income, a \$1.4 million decrease in overdraft fees, and a \$1.1 decrease in mortgage banking income. The

decrease in debit card income was primarily due to the Durbin Amendment which was effective October 1, 2011. The decrease in overdraft fees was primarily due to the processing changes we implemented in the first quarter of 2011. The decrease in mortgage banking income was due to lower loan origination and sales during the fourth quarter of 2011, as well as our decision to add more 30-year conforming saleable loans to our portfolio.

Noninterest Expense

Noninterest expense was \$84.4 million for the fourth quarter of 2011, a decrease of \$4.3 million or 5% from the fourth quarter of 2010. The decrease was primarily due to a \$1.9 million decrease in salaries and benefits, a \$1.2 million decrease in equipment expense, and a \$1.2 million decrease in FDIC Insurance expense. The decrease in salaries and benefits expense in the fourth quarter of 2011 was primarily due to \$1.9 million in higher incentive compensation in the fourth quarter of 2010. The decrease in equipment expense was primarily due to a \$1.2 million accrual for technology equipment recorded in the fourth quarter of 2010. The decrease in FDIC insurance expense was primarily due to lower rate assessments in the fourth quarter of 2011 due to new rules finalized by the FDIC, as required by the Dodd-Frank Act.

Provision for Income Taxes

The provision for income taxes was \$13.8 million for the fourth quarter of 2011, an increase of \$0.7 million or 5% from the fourth quarter of 2010. The effective tax rate for the fourth quarter of 2011 was 26.06% compared with an effective tax rate of 24.51% for the fourth quarter of 2010. The fourth quarters of 2011 and 2010 were both favorably impacted by the release of tax reserves during the quarter.

Common Stock Repurchase Program

In the fourth quarter of 2011, we repurchased 0.7 million shares of common stock at an average cost per share of \$41.44 and a total cost of \$29.1 million. See Note 11 to the Consolidated Financial Statements for more information related to our common stock repurchase program.

Selected Quarterly Consolidated Financial Data

Table 21 presents our selected quarterly financial data for 2011 and 2010.

Selected Quarterly Consolidated Financial Data

Table 21

	Three Months Ended 2011									Three Months Ended 2010								
(dollars in thousands, except per share amounts)	1	Dec. 31	S	Sept. 30		June 30	M	arch 31		Dec. 31	S	Sept. 30		June 30	M	arch 31		
Interest Income	\$	107,877	\$	109,230	\$	110,163	\$	112,423	\$	109,295	\$	113,020	\$	119,362	\$	123,574		
Interest Expense		11,631		12,464		12,664		12,726		13,022		14,394		15,434		15,921		
Net Interest Income	_	96,246		96,766		97,499		99,697		96,273		98,626		103,928		107,653		
Provision for Credit Losses		2,219		2,180		3,600		4,691		5,278		13,359		15,939		20,711		
Investment Securities Gains (Losses), Net		282				-		6,084		(1)		7,877		14,951		20,021		
Noninterest Income		43,125		50,863		49,463		47,838		51,478		55,248		53,923		51,761		
		84,382		83,955		93,774		86,082		88,722		89,890		85,918		81,706		
Noninterest Expense Income Before Provision for Income Taxes		53,052		61,494		49,588		62,846		53,750		58,502		70,945		77,018		
		13,823		18,188		14,440		20,486		13,172		14,438		24,381		24,282		
Provision for Income Taxes	\$	39,229	\$	43,306	\$	35,148	\$	42,360	\$	40,578	\$	44,064	\$	46,564	\$	52,736		
Net Income			_		_				\$	0.84	_	0.91	¢	0.97	\$	1.10		
Basic Earnings Per Share	\$	0.85		0.93		0.74		0.89	-					0.96		1.09		
Diluted Earnings Per Share	\$	0.85	\$	0.92	\$	0.74	\$	0.88	\$	0.84	Þ	0.91	3	0.90	Ф	1.09		
Net Income to Average						4 000		1.220/		1 240	·/	1.379	1/2	1.48%	1 /4	1.739		
Total Assets (ROA)		1.179	%	1.319	%	1.09%	0	1.32%		1.249	/0	1.57	/0	1.70/	, U	1.75		
Net Income to Average								1606		15.00		16.64		19.01		22.54		
Shareholders' Equity (ROE)		15.23		16.80		13.86		16.86		15.08				49.72		45.54		
Efficiency Ratio 1		60.42		56.87		63.81		56.04		60.05		55.57						
Net Interest Margin ²		3.04		3.09		3.16		3.24		3.15		3.27		3.51		3.72		

¹ The efficiency ratio is defined as noninterest expense divided by total revenue (net interest income and noninterest income).

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders Bank of Hawaii Corporation and Subsidiaries

We have audited the accompanying consolidated statements of condition of Bank of Hawaii Corporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of Bank of Hawaii Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bank of Hawaii Corporation and subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Bank of Hawaii Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Honolulu, Hawaii February 28, 2012

Bank of Hawaii Corporation and Subsidiaries Consolidated Statements of Income

	Year Ended December 31,						
(dollars in thousands, except per share amounts)	-	2011		2010		2009	
Interest Income							
Interest and Fees on Loans and Leases	\$	262,239	\$	287,381	\$	326,921	
Income on Investment Securities							
Trading		-		-		594	
Available-for-Sale		103,363		169,151		158,244	
Held-to-Maturity		72,138		6,504		9,133	
Deposits		8		28		20	
Funds Sold		828		1,076		1,776	
Other		1,117		1,111		1,106	
Total Interest Income		439,693		465,251		497,794	
Interest Expense							
Deposits		18,321		29,196		54,058	
Securities Sold Under Agreements to Repurchase		29,171		25,996		25,934	
Funds Purchased		20		30		22	
Long-Term Debt		1,973		3,549		5,440	
Total Interest Expense		49,485		58,771		85,460	
Net Interest Income		390,208		406,480		412,334	
Provision for Credit Losses		12,690		55,287		107,87	
Net Interest Income After Provision for Credit Losses		377,518		351,193		304,45	
Noninterest Income							
Trust and Asset Management		45,046		44,889		46,17	
Mortgage Banking		14,664		18,576		22,99	
Service Charges on Deposit Accounts		38,733		53,039		54,470	
Fees, Exchange, and Other Service Charges		60,227		61,006		60,122	
Investment Securities Gains, Net		6,366		42,848		25,77	
Insurance		10,957		9,961		20,01	
Other		21,662		24,939		38,26	
Total Noninterest Income		197,655		255,258		267,80	
Noninterest Expense							
Salaries and Benefits		182,816		185,713		188,56	
Net Occupancy		43,169		40,988		41,05	
Net Equipment		18,849		19,371		17,71	
Professional Fees		8,623		7,104		12,43	
FDIC Insurance		9,346		12,564		17,34	
Other		85,390		80,496		72,90	
Total Noninterest Expense		348,193		346,236		350,02	
Income Before Provision for Income Taxes		226,980		260,215		222,24	
Provision for Income Taxes		66,937		76,273		78,20	
Net Income	\$	160,043	\$	183,942	\$	144,03	
Basic Earnings Per Share	\$	3.40	\$	3.83	\$	3.0	
Diluted Earnings Per Share	\$	3.39	\$	3.80	\$	3.0	
Dividends Declared Per Share	\$	1.80	\$	1.80	\$	1.8	
	Ψ	47,064,925	~	48,055,025	7	47,702,50	
Basic Weighted Average Shares		47,224,981		48,355,965		48,009,27	
Diluted Weighted Average Shares		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		.0,000,00		-,,-	

Bank of Hawaii Corporation and Subsidiaries Consolidated Statements of Condition

(dollars in thousands)	I	December 31, 2011	Ľ	December 31, 2010
Assets				
Interest-Bearing Deposits	\$	3,036	\$	3,472
Funds Sold	•	512,384	•	438,327
Investment Securities		212,50		130,327
Available-for-Sale		3,451,885		6,533,874
Held-to-Maturity (Fair Value of \$3,754,206 and \$134,028)		3,657,796		127,249
Loans Held for Sale		18,957		17,564
Loans and Leases		5,538,304		5,335,792
Allowance for Loan and Lease Losses		(138,606)		(147,358
Net Loans and Leases		5,399,698		5,188,434
Total Earning Assets		13,043,756		12,308,920
Cash and Noninterest-Bearing Deposits		154,489		165,748
Premises and Equipment		103,550		108,170
Customers' Acceptances		476		437
Accrued Interest Receivable		43,510		41,151
Foreclosed Real Estate		3,042		1,928
Mortgage Servicing Rights		24,279		25,379
Goodwill		31,517		31,517
Other Assets		441,772		443,537
Total Assets	\$	13,846,391	\$	13,126,787
				10,120,107
Liabilities				
Deposits				
Noninterest-Bearing Demand	\$	2,850,923	\$	2,447,713
Interest-Bearing Demand		2,005,983		1,871,718
Savings		4,398,638		4,526,893
Time		1,337,079		1,042,671
Total Deposits		10,592,623		9,888,995
Funds Purchased		10,791		9,478
Short-Term Borrowings		-		6,200
Securities Sold Under Agreements to Repurchase		1,925,998		1,901,084
Long-Term Debt		30,696		32,652
Banker's Acceptances		476		437
Retirement Benefits Payable		46,949		30,885
Accrued Interest Payable		5,330		5,007
Taxes Payable and Deferred Taxes		95,840		121,517
Other Liabilities		135,021		119,399
Total Liabilities		12,843,724		12,115,654
Commitments and Contingencies (Note 18)				
Shareholders' Equity				
Common Stock (\$.01 par value; authorized 500,000,000 shares;				
issued / outstanding: December 31, 2011 - 57,134,470 / 45,947,116				
and December 31, 2010 - 57,115,287 / 48,097,672)		571		570
Capital Surplus	•	507,558		500,888
Accumulated Other Comprehensive Income		35,263		26,965
Retained Earnings		1,003,938		932,629
Treasury Stock, at Cost (Shares: December 31, 2011 - 11,187,354				
and December 31, 2010 - 9,017,615)		(544,663)		(449,919)
Total Shareholders' Equity		1,002,667		1,011,133
Total Liabilities and Shareholders' Equity	\$	13,846,391	\$	13,126,787

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

(dollars in thousands)		Total	Co	mmon Stock	Capital Surplus	Accum. Other Comprehensive Income (Loss)		Retained Earnings	Treasury Stock	Compre- hensive Income
Balance as of December 31, 2008	\$ 79	90,704	\$	568	\$ 492,515	\$ (28,888)	\$	787,924	\$ (461,415)	
Comprehensive Income: Net Income Other Comprehensive Income, Net of Tax:	14	44,033		-	-	-		144,033	-	\$ 144,033
Net Unrealized Gains on Investment Securities, Net of Reclassification Adjustment Net Gains Related to Defined Benefit Plans	:	30,567 5,246		-	-	30,567 5,246		-	-	30,567 5,246
Total Comprehensive Income									·	\$ 179,846
Share-Based Compensation Common Stock Issued under Purchase and Equity Compensation Plans and		3,552		-	3,552	-		-	-	
Related Tax Benefits (301,306 shares)		9,444		1	(1,749)	-		(2,200)	13,392	
Common Stock Repurchased (35,734 shares) Cash Dividends Paid (\$1.80 per share)		(1,337) 86,236)		-	-	-		(86,236)	(1,337)	
Balance as of December 31, 2009		95,973	\$	569	\$ 494,318	\$ 6,925	\$	<u>```</u>	\$ (449,360)	
Datalice as of December 31, 2007	-		Ť							
Comprehensive Income: Net Income Other Comprehensive Income, Net of Tax: Net Unrealized Gains on Investment Securities,	1	83,942		-	-	-		183,942	-	\$ 183,942
Net of Reclassification Adjustment		20,231		-	-	20,231		-	-	20,231
Settlement Gain Related to Defined Benefit Plan Net Gains Related to Defined Benefit Plans		(608) 417		-	-	(608) 417		-	-	(608) 417
Total Comprehensive Income										\$ 203,982
Share-Based Compensation Common Stock Issued under Purchase and Equity		3,841		-	3,841	-			•	
Compensation Plans and Related Tax Benefits (617,345 shares)		19,141		1	2,729	-		(8,011)	24,422 (24,981)	
Common Stock Repurchased (538,616 shares) Cash Dividends Paid (\$1.80 per share)		24,981) 86,823)		-	-	-		(86,823)	(24,701)	
Balance as of December 31, 2010	\$1,0	11,133	\$	570	\$ 500,888	\$ 26,965	\$	932,629	\$ (449,919)	:
Comprehensive Income: Net Income Other Comprehensive Income, Net of Tax:	1	60,043		-	-	-		160,043	-	\$ 160,043
Net Unrealized Gains on Investment Securities, Net of Reclassification Adjustment Net Losses Related to Defined Benefit Plans		16,411 (8,113)		-	-	16,411 (8,113))	-		16,411 (8,113)
Total Comprehensive Income		(-,,								\$ 168,341
Share-Based Compensation Common Stock Issued under Purchase and Equity		6,216		-	6,216	-		-	-	
Compensation Plans and Related Tax Benefits (389,470 shares)		13,412		1	454	-		(3,843)	16,800	
Common Stock Repurchased (2,540,026 shares)	,	11,544)		-	-	-		- (84,891)	(111,544)	
Cash Dividends Paid (\$1.80 per share)		84,891)	<u> </u>	571	\$ 507.550	\$ 35,263	•	1,003,938	\$ (544,663)	-
Balance as of December 31, 2011	\$1,0	02,667	4	571	\$ 507,558	\$ 33,203	- 3	1,003,938	\$ (344,003)	:

Bank of Hawaii Corporation and Subsidiaries Consolidated Statements of Cash Flows

	Year Ended December 31,							
(dollars in thousands)	2011	2010	2009					
Operating Activities								
Net Income	\$ 160,043	\$ 183,942	\$ 144,033					
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:								
Provision for Credit Losses	12,690	55,287	107,878					
Depreciation and Amortization	14,624	13,432	13,545					
Amortization of Deferred Loan and Lease Fees	(2,709)	(2,804)	(2,405					
Amortization and Accretion of Premiums/Discounts on Investment Securities, Net	49,728	49,834	17,915					
Share-Based Compensation	6,216	3,841	3,552					
Benefit Plan Contributions	(1,261)	(3,164)	(13,137					
Deferred Income Taxes	198	(18,655)	(41,156					
Net Gain on Sale of Proprietary Mutual Funds	(1,956)	(2,852)	-					
Gains on Sale of Insurance Business	-	(904)	(2,264					
Net Gains on Sales of Leases	(1,001)	(1,126)	(14,228					
Net Gains on Investment Securities	(6,366)	(42,848)	(25,770					
Net Change in Trading Securities	-	-	91,500					
Proceeds from Sales of Loans Held for Sale	457,777	685,827	1,075,851					
Originations of Loans Held for Sale	(450,635)	(678,135)	(1,030,909					
Tax Benefits from Share-Based Compensation	(884)	(2,983)	(278					
Net Change in Other Assets and Other Liabilities	(6,741)	(32,486)	(35,252					
Net Cash Provided by Operating Activities	229,723	206,206	288,875					
Investing Activities								
Investment Securities Available-for-Sale:								
Proceeds from Prepayments and Maturities	1,006,397	1,681,978	1,763,050					
Proceeds from Sales	723,556	1,289,681	1,042,766					
Purchases	(1,809,249)	(4,145,849)	(5,561,425					
Investment Securities Held-to-Maturity:	(1,000,= 10)	(1,12,10,015)	(0,001, 120					
Proceeds from Prepayments and Maturities	374,520	53,579	58,245					
Purchases	(760,086)	-	20,212					
Proceeds from Sale of Proprietary Mutual Funds	1,956	4,424	_					
Proceeds from Sale of Insurance Business	-,,,,,	904	6,769					
Net Change in Loans and Leases	(235,215)	353,011	688,793					
Premises and Equipment, Net	(10,004)	(10,626)	(8,401					
Net Cash Used in Investing Activities	(708,125)	(772,898)	(2,010,203					
			, , ,					
Financing Activities Not Change in Panasite	702 (20	470 210	1 117 576					
Net Change in Deposits	703,628	479,319	1,117,578					
Net Change in Short-Term Borrowings	20,027	282,257	585,036					
Repayments of Long-Term Debt Tan Benefits from Share Board Companyation	994	(50,000)	(145,070					
Tax Benefits from Share-Based Compensation Proceeds from Issuance of Common Stock	884	2,983	278					
Repurchase of Common Stock	12,660	16,417	9,664					
	(111,544)	(24,981)	(1,337					
Cash Dividends Paid Net Cash Provided by Financing Activities	(84,891) 540,764	(86,823) 619,172	(86,236 1,479,913					
			1,77,710					
Net Change in Cash and Cash Equivalents	62,362	52,480	(241,415					
Cash and Cash Equivalents at Beginning of Period	607,547	555,067	796,482					
Cash and Cash Equivalents at End of Period	\$ 669,909	\$ 607,547	\$ 555,067					
Supplemental Information								
Cash Paid for Interest	\$ 47,817	\$ 58,732	\$ 92,272					
Cash Paid for Income Taxes	85,144	136,841	91,203					
Non-Cash Investing and Financing Activities:								
Transfer from Investment Securities Available-For-Sale to								
Investment Securities Held-To-Maturity	3,167,839	-						
Transfer from Loans to Foreclosed Real Estate	3,089	4,923	3,061					
Transfers from Loans to Loans Held for Sale	8,555	8,713	39,946					
Replacement of a Leveraged Lease with a Direct Financing Lease	-,+	- 7	32,437					

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

Bank of Hawaii Corporation (the "Parent") is a bank holding company headquartered in Honolulu, Hawaii. Bank of Hawaii Corporation and its Subsidiaries (the "Company") provides a broad range of financial products and services to customers in Hawaii, Guam, and other Pacific Islands. The majority of the Company's operations consist of customary commercial and consumer banking services including, but not limited to, lending, leasing, deposit services, trust and investment activities, brokerage services, and trade financing.

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

Certain prior period information has been reclassified to conform to the current year presentation.

The following is a summary of the Company's significant accounting policies:

Consolidation

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

Variable Interest Entities

Variable interests are defined as contractual ownership or other interests in an entity that change with fluctuations in an entity's net asset value. The primary beneficiary consolidates the variable interest entity ("VIE"). The primary beneficiary is defined as the enterprise that has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE.

The Company has a limited partnership interest in several low-income housing partnerships. These partnerships provide funds for the construction and operation of apartment complexes that provide affordable housing to that segment of the population with lower family income. If these developments successfully attract a specified percentage of residents falling in that lower income range, state and/or federal income tax credits are made available to the partners. The tax credits are generally recognized over 10 years. In order to continue receiving the tax credits each year over the life of the partnership, the low-income residency targets must be maintained.

These entities meet the definition of a VIE; however, the Company is not the primary beneficiary of the entities, as the general partner has both the power to direct the activities that most significantly impact the economic performance of the entities and the obligation to absorb losses or the right to receive benefits that could be significant to the entities. While the partnership agreements allow the limited partners, through a majority vote, to remove the general partner, this right is not deemed to be substantive as the general partner can only be removed for cause.

The investment in these entities is initially recorded at cost, which approximates the maximum exposure to loss as a result of the Company's involvement with these unconsolidated entities. The balance of the Company's investments in these entities was \$34.3 million and \$29.7 million as of December 31, 2011 and 2010, respectively, and is included in other assets in the consolidated statements of condition. Under the effective yield method, the Company recognizes tax credits generally over 10 years and amortizes the initial cost of the investment to provide a constant effective yield over the period that tax credits are allocated to the Company.

Unfunded commitments to fund these low-income housing partnerships were \$9.0 million and \$2.6 million as of December 31, 2011 and 2010, respectively. These unfunded commitments are unconditional and legally binding and are recorded in other liabilities in the consolidated statements of condition.

Investment Securities

Investment securities are accounted for according to their purpose and holding period. Trading securities are those that are bought and held principally for the purpose of selling them in the near term. The Company held no trading securities as of December 31, 2011 and 2010. Available-for-sale investment securities, comprised of debt and mortgage-backed securities, are those that may be sold before maturity due to changes in the Company's interest rate risk profile or funding needs, and are reported at fair value with unrealized gains and losses, net of taxes, reported as a component of other comprehensive income. Held-to-maturity investment securities, comprised of debt and mortgage-backed securities, are those that management has the positive intent and ability to hold to maturity and are reported at amortized cost.

Realized gains and losses are recorded in noninterest income and are determined on a trade date basis using the specific identification method. Interest and dividends on investment securities are recognized in interest income on an accrual basis. Premiums and discounts are amortized or accreted into interest income using the interest method over the expected lives of the individual securities.

Transfers of debt securities from the available-for-sale category to the held-to-maturity category are made at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer remains in accumulated other comprehensive income and in the carrying value of the held-to-maturity investment security. Premiums or discounts on investment securities are amortized or accreted as an adjustment of yield using the interest method over the estimated life of the security. Unrealized holding gains or losses that remain in accumulated other comprehensive income are also amortized or accreted over the estimated life of the security as an adjustment of yield, offsetting the related amortization of the premium or accretion of the discount.

Other-Than-Temporary-Impairments of Investment Securities

The Company conducts an other-than-temporary-impairment ("OTTI") analysis of investment securities on a quarterly basis or more often if a potential loss-triggering event occurs. A write-down of a debt security is recorded when fair value is below amortized cost in circumstances where: (1) the Company has the intent to sell a security; (2) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis; or (3) the Company does not expect to recover the entire amortized cost basis of the security. If the Company intends to sell a security or if it is more likely than not that the Company will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the security's amortized cost basis and its fair value. If the Company does not intend to sell the security or it is not more likely than not that it will be required to sell the security before recovery, the OTTI write-down is separated into an amount representing credit loss, which is recognized in earnings, and an amount related to all other factors, which is recognized in other comprehensive income. To determine the amount related to credit loss on a debt security, the Company applies a methodology similar to that used for evaluating the impairment of loans. As of December 31, 2011, management determined that the Company did not own any investment securities that were other-than-temporarily-impaired.

Loans Held for Sale

Residential mortgage loans originated prior to October 1, 2011, with the intent to be sold in the secondary market, were valued on an aggregate basis at the lower-of-cost-or-fair value. Residential mortgage loans originated on or after October 1, 2011, with the intent to be sold in the secondary market, are accounted for under the fair value option. Non-refundable fees and direct loan origination costs related to residential mortgage loans held for sale are recognized in noninterest income or noninterest expense as earned or incurred. Fair value is primarily determined based on quoted prices for similar loans in active markets. Gains and losses on sales of residential mortgage loans (sales proceeds minus carrying value) are recorded in the mortgage banking component of noninterest income.

Commercial loans that management has an active plan to sell are valued on an individual basis at the lower-of-cost-or fair value. Fair value is primarily determined based on quoted prices for similar loans in active markets or agreed upon sales prices. Any reduction in the loan's value, prior to being transferred to loans held for sale, is reflected as a charge-off of the recorded investment in the loan resulting in a new cost basis, with a corresponding reduction in the allowance for loan and lease losses. Further decreases in the fair value of the loan are recognized in noninterest expense.

Loans and Leases

Loans are reported at the principal amount outstanding, net of unearned income, cumulative charge-offs, and net unamortized deferred loan fees or costs. Interest income is recognized on an accrual basis. Loan origination fees, certain direct costs, and unearned discounts and premiums, if any, are deferred and are generally amortized into interest income as yield adjustments using the interest method over the contractual life of the loan. Loan commitment fees are generally recognized into noninterest income. Other credit-related fees are recognized as fee income, a component of noninterest income, when earned.

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

Portfolio segments are defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for loan and lease losses (the "Allowance"). Management has determined that the Company has two portfolio segments of loans and leases (commercial and consumer) in determining the Allowance. Both quantitative and qualitative factors are used by management at the portfolio segment level in determining the adequacy of the Allowance for the Company. Classes of loans and leases are a disaggregation of a Company's portfolio segments. Classes are defined as a group of loans and leases which share similar initial measurement attributes, risk characteristics, and methods for monitoring and assessing credit risk. Management has determined that the Company has eight classes of loans and leases (commercial and industrial, commercial mortgage, construction, lease financing, residential mortgage, home equity, automobile, and other). The "other" class of loans and leases is comprised of revolving credit, installment, and lease financing arrangements.

Non-Performing Loans and Leases

Generally, all classes of commercial loans and leases are placed on non-accrual status upon becoming contractually past due 90 days as to principal or interest (unless loans and leases are adequately secured by collateral, are in the process of collection, and are reasonably expected to result in repayment), when terms are renegotiated below market levels, or where substantial doubt about full repayment of principal or interest is evident. For residential mortgage and home equity loan classes, loans are placed on non-accrual status at the earlier of the loan becoming contractually past due 120 days as to principal or interest or upon taking of a partial charge-off on the loan. For automobile and other consumer loan classes, the entire outstanding balance on the loan is charged-off when the loan becomes 120 days past due as to principal or interest.

When a loan or lease is placed on non-accrual status, the accrued and unpaid interest receivable is reversed and the loan or lease is accounted for on the cash or cost recovery method until qualifying for return to accrual status. All payments received on non-accrual loans and leases are applied against the principal balance of the loan or lease. A loan or lease may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan or lease agreement and when doubt about repayment is resolved.

Generally, for all classes of loans and leases, a charge-off is recorded when it is probable that a loss has been incurred and when it is possible to determine a reasonable estimate of the loss. For all classes of commercial loans and leases, a charge-off is determined on a judgmental basis after due consideration of the debtor's prospects for repayment and the fair value of collateral. For the pooled segment of the Company's commercial and industrial loan class, which consists of small business loans, the entire outstanding balance on the loan is charged-off during the

month that the loan becomes 120 days past due as to principal or interest. For residential mortgage and home equity loan classes, a partial charge-off is recorded at 120 days past due as to principal or interest for the amount that the loan balance exceeds the fair value of the collateral. In the event that loans or lines in the home equity loan class is behind another financial institution's first mortgage, the entire outstanding balance on the loan is charged-off when the loan becomes 120 days past due as to principal or interest, unless the combined loan-to-value ratio is 60% or less. As noted above, loans in the automobile and other consumer loan classes are charged-off in its entirety upon the loan becoming 120 days past due as to principal or interest.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Company will not be able to collect all amounts due from the borrower in accordance with the contractual terms of the loan, including scheduled interest payments. Impaired loans include all classes of commercial non-accruing loans (except lease financing and small business loans), and all loans modified in a troubled debt restructuring. Impaired loans exclude lease financing and smaller balance homogeneous loans (consumer and small business non-accruing loans) that are collectively evaluated for impairment.

For all classes of commercial loans, a quarterly evaluation of specific individual commercial borrowers is performed to identify impaired loans. The identification of specific borrowers for review is based on a review of non-accrual loans as well as those loans specifically identified by management as exhibiting above average levels of risk.

When a loan has been identified as being impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the estimated fair value of the collateral, less any selling costs, if the loan is collateral-dependent. If the measurement of the impaired loan is less than the recorded investment in the loan (including accrued interest, net of deferred loan fees or costs, and unamortized premiums or discounts), an impairment is recognized by establishing or adjusting an existing allocation of the Allowance, or by recording a partial charge-off of the loan to its fair value. Interest payments made on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest income may be accrued or recognized on a cash basis.

Loans Modified in a Troubled Debt Restructuring

Loans are considered to have been modified in a troubled debt restructuring when, due to a borrower's financial difficulties, the Company makes certain concessions to the borrower that it would not otherwise consider. Modifications may include interest rate reductions, principal or interest forgiveness, forbearance, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Generally, a non-accrual loan that has been modified in a troubled debt restructuring remains on non-accrual status for a period of six months to demonstrate that the borrower is able to meet the terms of the modified loan. However, performance prior to the modification, or significant events that coincide with the modification, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status at the time of loan modification or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains on non-accrual status.

In January 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2011-01, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20." The provisions of ASU No. 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses" include the required disclosure of qualitative information about how financing receivables were modified and quantitative information about the extent and financial effects of modifications made during the period. The Company is also required to disclose qualitative information about how such modifications are factored into the determination of the Allowance. Furthermore, the Company is also required to disclose information about modifications that meet the definition of a troubled debt restructuring within the previous 12 months for which there was a payment default in the current period. The provisions of ASU No. 2010-20 that related to troubled debt restructurings were to be effective for the Company's reporting period ended March 31, 2011. However, the amendments in ASU No. 2011-01 deferred the effective date related to these disclosures,

enabling creditors to provide such disclosures after the FASB completed their project clarifying the guidance for determining what constitutes a troubled debt restructuring.

In April 2011, the FASB issued ASU No. 2011-02, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring." The provisions of ASU No. 2011-02 provide additional guidance related to determining whether a creditor has granted a concession, include factors and examples for creditors to consider in evaluating whether a restructuring results in a delay in payment that is insignificant, prohibit creditors from using the borrower's effective rate test to evaluate whether a concession has been granted to the borrower, and add factors for creditors to use in determining whether a borrower is experiencing financial difficulties. ASU No. 2011-02 also ended the FASB's deferral of the additional disclosures related to troubled debt restructurings as required by ASU No. 2010-20. The Company adopted the provisions of ASU No. 2010-20 retrospectively to all modifications and restructuring activities that occurred from January 1, 2011. As of September 30, 2011, the Company identified \$0.5 million in loans that were newly considered troubled debt restructurings under the provisions of ASU No. 2011-02. These loans did not require an Allowance as each was either previously partially charged-off or was adequately secured by collateral. The adoption of the loan modification provisions of ASU No. 2010-20 and ASU No. 2011-02 did not have a material impact on the Company's statements of income and condition. See Note 4 to the Consolidated Financial Statements for the disclosures required by ASU No. 2010-20.

Reserve for Credit Losses

The Company's reserve for credit losses is comprised of two components, the Allowance and the reserve for unfunded commitments (the "Unfunded Reserve").

Allowance for Loan and Lease Losses

The Company maintains an Allowance adequate to cover management's estimate of probable credit losses as of the balance sheet date. Changes to the absolute level of the Allowance are recognized through charges or credits to the provision for credit losses (the "Provision"). Loans and leases that are charged-off reduce the Allowance while recoveries of loans and leases previously charged-off increase the Allowance.

The level of the Allowance related to the Company's commercial portfolio segment is generally based on analyses of individual borrowers and historical loss experience supplemented as necessary by credit judgment to address observed changes in trends and conditions, and other relevant environmental and economic factors that may affect the collectability of loans and leases. Excluding those loans and leases evaluated individually for impairment, the Company's remaining commercial loans and leases are pooled and collectively evaluated for impairment based on business unit and internal risk rating segmentation.

The level of the Allowance related to the Company's consumer portfolio segment is generally based on analyses of homogeneous pools of loans and leases. Loans and leases are pooled based on similar loan and lease risk characteristics for collective evaluation of impairment. Loss estimates are calculated based on historical rolling average loss rates and average delinquency flows to loss. Consumer loans that have been individually evaluated for impairment or modified in a troubled debt restructuring are excluded from the homogeneous pools. Impairment related to such loans is generally determined based on the present value of expected future cash flows discounted at the loan's original effective interest rate.

The Allowance also includes an estimate for inherent losses not reflected in the historical analyses. Relevant factors include, but are not limited to, concentrations of credit risk (geographic, large borrower, and industry), economic trends and conditions, changes in underwriting standards, experience and depth of lending staff, trends in delinquencies, and the level of net charge-offs. In addition, the Company uses a variety of other tools to estimate probable credit losses including, but not limited to, a rolling quarterly forecast of asset quality metrics; stress testing; and performance indicators based on the Company's own experience, peers, or other industry sources.

Reserve for Unfunded Commitments

The Unfunded Reserve is a component of other liabilities and represents the estimate for probable credit losses inherent in unfunded commitments to extend credit. Unfunded commitments to extend credit include banker's acceptances, and standby and commercial letters of credit. The process used to determine the Unfunded Reserve is consistent with the process for determining the Allowance, as adjusted for estimated funding probabilities or loan and lease equivalency factors. The level of the Unfunded Reserve is adjusted by recording an expense or recovery in other noninterest expense.

Cash and Cash Equivalents

Cash and cash equivalents include cash and noninterest-bearing deposits, interest-bearing deposits, and funds sold. All amounts are readily convertible to cash and have maturities of less than 90 days.

Premises and Equipment

Premises and equipment, including leasehold improvements, are stated at cost, less accumulated depreciation and amortization. Capital leases are included in premises and equipment at the capitalized amount less accumulated amortization.

Premises and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives generally range from five to 20 years for premises and from three to ten years for equipment. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the lease term. Capitalized leased assets are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. Repairs and maintenance are charged to expense as incurred, while improvements which extend the estimated useful life of the asset are capitalized and depreciated over the estimated remaining life of the asset.

Premises and equipment are periodically evaluated for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment exists when the expected undiscounted future cash flows of premises and equipment are less than its carrying amount. In that event, the Company records a loss for the difference between the carrying amount and the fair value of the asset based on quoted market prices, if applicable, or a discounted cash flow analysis. For the year ended December 31, 2011, the Company recorded an impairment charge of \$0.6 million, a component of net occupancy expense, related to several of the Company's branch premises. For the years ended December 31, 2010 and 2009, there was no impairment of the Company's premises and equipment.

Foreclosed Real Estate

Foreclosed real estate consists of properties acquired through foreclosure proceedings or acceptance of a deed-in-lieu of foreclosure. These properties are recorded at fair value less estimated costs to sell the property. If the recorded investment in the loan exceeds the property's fair value at the time of acquisition, a charge-off is recorded against the Allowance. If the fair value of the property at the time of acquisition exceeds the carrying amount of the loan, the excess is recorded either as a recovery to the Allowance if a charge-off had previously been recorded, or as a gain on initial transfer in other noninterest income. Subsequent decreases in the property's fair value and operating expenses of the property are recognized through charges to other noninterest expense. The fair value of the property acquired is based on third party appraisals, broker price opinions, recent sales activity, or a combination thereof, subject to management judgment.

Mortgage Servicing Rights

Mortgage servicing rights are recognized as assets when mortgage loans are sold and the rights to service those loans are retained. Mortgage servicing rights are initially recorded at fair value by using a discounted cash flow model to calculate the present value of estimated future net servicing income.

The Company's mortgage servicing rights accounted for under the amortization method are initially recorded at fair value. However, these mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. An impairment analysis is prepared on a quarterly basis by estimating the fair value of the mortgage servicing rights and comparing that value to the carrying amount. A valuation allowance is established when the carrying amount of these mortgage servicing rights exceeds fair value.

The Company's mortgage servicing rights accounted for under the fair value method are carried on the statements of condition at fair value with changes in fair value recorded in mortgage banking income in the period in which the change occurs. Changes in the fair value of mortgage servicing rights are primarily due to changes in valuation inputs, assumptions, and the collection and realization of expected cash flows.

Written Loan Commitments

The Company includes the fair value associated with the expected net future cash flows related to the servicing of the loan in the measurement of interest rate lock commitments that are accounted for at fair value through earnings. The expected net future cash flows from servicing the loan that are to be included in measuring the fair value of the interest rate lock commitment is determined in the same manner that the fair value of a recognized servicing asset is measured. However, a separate and distinct servicing asset is not recognized for accounting purposes until the servicing rights have been contractually separated from the underlying loan by sale or securitization of the loan with servicing rights retained. See Note 17 to the Consolidated Financial Statements for more information on written loan commitments.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is assigned to reporting units, which are operating segments or one level below an operating segment. Goodwill is assigned to the Company's reporting units that are expected to benefit from the business combination. Goodwill is assessed annually for impairment, and more frequently if events or changes in circumstances indicate that there may be an impairment. Adverse changes in the economic environment, declining operations, unanticipated competition, loss of key personnel, or other factors could result in a decline in the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, a loss would be recognized in other noninterest expense to reduce the carrying amount to the implied fair value of goodwill. A goodwill impairment analysis is comprised of two steps. Step 1, used to identify instances of potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, including goodwill, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit, including goodwill, exceeds its fair value, the second step of the goodwill impairment analysis is performed to measure the amount of impairment loss, if any. Step 2 of the goodwill impairment analysis compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of goodwill for that reporting unit exceeds the implied fair value of that reporting unit's goodwill, an impairment loss is recognized in an amount equal to that excess. Subsequent reversals of goodwill impairment are prohibited.

In December 2010, the FASB issued ASU No. 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts." The provisions of ASU No. 2010-28 modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. The Company adopted ASU No. 2010-28 in preparing the Consolidated Financial Statements for the period ended March 31, 2011. As of March 31, 2011 and December 31, 2011, the Company had no reporting units with zero or negative carrying amounts or reporting units where there was a reasonable possibility of failing Step 1 of the goodwill impairment test. As a result, the adoption of ASU No. 2010-28 had no impact on the Company's statements of income and condition.

In September 2011, the FASB issued ASU No. 2011-08, "Testing Goodwill for Impairment." The provisions of ASU No. 2011-08 permit an entity an option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity believes, as a

result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Step 1 quantitative impairment analysis described above is required. Otherwise, no further impairment testing is required. ASU No. 2011-08 includes examples of events and circumstances that may indicate that a reporting unit's fair value is less than its carrying amount. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company elected to early adopt the provisions of ASU No. 2011-08. During the fourth quarter of 2011, the Company performed the annual evaluation for goodwill impairment. This evaluation indicated no impairment of the Company's goodwill.

Non-Marketable Equity Securities

The Company is required to hold non-marketable equity securities, comprised of Federal Home Loan Bank of Seattle ("FHLB") and Federal Reserve Bank ("FRB") stock, as a condition of membership. These securities are accounted for at cost which equals par or redemption value. These securities do not have a readily determinable fair value as their ownership is restricted and there is no market for these securities. These securities can only be redeemed or sold at their par value and only to the respective issuing government supported institution or to another member institution. The Company records these non-marketable equity securities as a component of other assets which are periodically evaluated for impairment. Management considers these non-marketable equity securities to be long-term investments. Accordingly, when evaluating these securities for impairment, management considers the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Securities Sold Under Agreements to Repurchase

The Company enters into agreements under which it sells securities subject to an obligation to repurchase the same or similar securities. Under these arrangements, the Company may transfer legal control over the assets but still retain effective control through an agreement that both entitles and obligates the Company to repurchase the assets. As a result, securities sold under agreements to repurchase 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 Company's consolidated statements of condition, while the securities underlying the securities sold under agreements to repurchase remain in the respective asset accounts and are delivered to and held in collateral by third party trustees.

Pension and Postretirement Benefit Plans

The Company incurs certain employment-related expenses associated with its two pension plans and a postretirement benefit plan (the "Plans"). In order to measure the expense associated with the Plans, various assumptions are made including the discount rate, expected return on plan assets, anticipated mortality rates, and expected future healthcare costs. The assumptions are based on historical experience as well as current facts and circumstances. The Company uses a December 31 measurement date for its Plans. As of the measurement date, plan assets are determined based on fair value, generally representing observable market prices. The projected benefit obligation is primarily determined based on the present value of projected benefit distributions at an assumed discount rate.

Net periodic pension benefit costs include interest costs based on an assumed discount rate, the expected return on plan assets based on actuarially derived market-related values, and the amortization of net actuarial losses. Net periodic postretirement benefit costs include service costs, interest costs based on an assumed discount rate, and the amortization of prior service credits and net actuarial gains. Differences between expected and actual results in each year are included in the net actuarial gain or loss amount, which is recognized in other comprehensive income. The net actuarial gain or loss in excess of a 10% corridor is amortized in net periodic benefit cost over the average remaining service period of active participants in the Plans. The prior service credit is amortized over the average remaining service period to full eligibility for participating employees expected to receive benefits.

The Company recognizes in its statement of condition an asset for a plan's overfunded status or a liability for a plan's underfunded status. The Company also measures the Plans' assets and obligations that determine its funded status as of the end of the fiscal year and recognizes those changes in other comprehensive income, net of tax.

Income Taxes

The Parent files a consolidated federal income tax return with the Bank and its subsidiaries. Calculation of the Company's provision for income taxes requires the interpretation of income tax laws and regulations and the use of estimates and judgments in its determination. The Company is subject to examination by governmental authorities that may give rise to income tax issues due to differing interpretations. Changes to the liability for income taxes also occur due to changes in income tax rates, implementation of new business strategies, resolution of issues with taxing authorities, and newly enacted statutory, judicial, and regulatory guidance.

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

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

The Company maintains reserves for certain tax positions that arise in the normal course of business. As of December 31, 2011, these positions were evaluated based on an assessment of probabilities as to the likelihood of whether a liability had been incurred. Such assessments are reviewed as events occur and adjustments to the reserves are made as appropriate.

In evaluating a tax position for recognition, the Company judgmentally evaluates whether it is more likely than not that a tax position will be sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. If the tax position meets the more likely than not recognition threshold, the tax position is measured and recognized in the Company's Consolidated Financial Statements as the largest amount of tax benefit that, in management's judgment, is greater than 50% likely of being realized upon ultimate settlement.

Treasury Stock

Shares of the Parent's common stock that are repurchased are recorded in treasury stock at cost. On the date of subsequent re-issuance, the treasury stock account is reduced by the cost of such stock on a first-in, first-out basis.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period, assuming conversion of all potentially dilutive common stock equivalents.

Derivative Financial Instruments

In the ordinary course of business, the Company enters into derivative financial instruments as an end-user in connection with its risk management activities and to accommodate the needs of its customers. The Company has elected not to qualify for hedge accounting methods addressed under current provisions of GAAP. Derivative financial instruments are stated at fair value on the consolidated statements of condition with changes in fair value reported in current period earnings.

Share-Based Compensation

The Company may grant share-based compensation to employees and non-employee directors in the form of restricted stock and stock options. Share-based compensation expense is measured based on the fair value of the award at the date of grant and is recognized in the statement of income on a straight-line basis over the requisite service period for service-based awards. The fair value of restricted stock is determined based on the closing price of the Parent's common stock on the date of grant. The Company recognizes compensation expense related to restricted stock on a straight-line basis over the vesting period for service-based awards, plus additional recognition of costs associated with accelerated vesting based on the projected attainment of Company performance measures. The fair value of stock options is estimated at the date of grant using a Black-Scholes option pricing model and related assumptions. The Company uses historical data to predict option exercise and employee termination behavior. Expected volatilities are based on the historical volatility of the Parent's common stock. The expected term of options granted is derived from actual historical exercise activity and represents the period of time that options granted are expected to be outstanding. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant based on the expected life of the option. The dividend yield is equal to the dividend yield of the Parent's common stock at the time of grant. The amortization of share-based compensation reflects estimated forfeitures, adjusted for actual forfeiture experience. Share-based compensation is recorded in the statements of income as a component of salaries and benefits for employees and as a component of other noninterest expense for non-employee directors, with a corresponding increase to capital surplus in shareholders' equity. As share-based compensation expense is recognized, a deferred tax asset is established that represents an estimate of future income tax deductions from the release of restrictions or the exercise of stock options.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$5.5 million for the year ended December 31, 2011 and \$5.0 million for the years ended December 31, 2010 and 2009.

International Operations

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

Fair Value Measurements

Fair value measurements apply whenever GAAP requires or permits assets or liabilities to be measured at fair value either on a recurring or nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions that management believes market participants would use when pricing an asset or liability. Fair value measurement and disclosure guidance established a three-level fair value hierarchy that prioritizes the use of inputs used in valuation methodologies. Management maximizes the use of observable inputs and minimizes the use of unobservable inputs when determining fair value measurements. Management reviews and updates the fair value hierarchy classifications of the Company's assets and liabilities on a quarterly basis.

The three-level fair value hierarchy is as follows:

- Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. A contractually binding sales price also provides reliable evidence of fair value.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that utilize model-based techniques for which all significant assumptions are observable in the market.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement; inputs to the valuation methodology that utilize model-based techniques for which significant assumptions are not observable in the market; or inputs to the valuation methodology that requires significant management judgment or estimation, some of which may be internally developed.

In determining fair value measurements, management assesses whether the volume and level of activity for an asset or liability have significantly decreased. In such instances, management determines whether recent quoted prices are associated with illiquid or inactive markets. If management concludes that quoted prices are associated with illiquid or inactive markets, adjustments to quoted prices may be necessary or management may conclude that a change in valuation technique or the use of multiple valuation techniques may be appropriate to estimate an asset or liability's fair value. See Note 14 and Note 19 to the Consolidated Financial Statements for the required fair value measurement disclosures.

Future Application of Accounting Pronouncements

In April 2011, the FASB issued ASU No. 2011-03, "Reconsideration of Effective Control for Repurchase Agreements." The provisions of ASU No. 2011-03 modify the criteria for determining when repurchase agreements would be accounted for as a secured borrowing rather than as a sale. Currently, an entity that maintains effective control over transferred financial assets must account for the transfer as a secured borrowing rather than as a sale. ASU No. 2011-03 removes from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee. The FASB believes that contractual rights and obligations determine effective control and that there does not need to be a requirement to assess the ability to exercise those rights. ASU No. 2011-03 does not change the other existing criteria used in the assessment of effective control and is effective prospectively for transactions, or modifications of existing transactions, that occur on or after January 1, 2012. As the Company accounts for all of its repurchase agreements as collateralized financing arrangements, the adoption of ASU No. 2011-03 is not expected to have a material impact on the Company's statements of income and condition.

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The provisions of ASU No. 2011-04 result in a consistent definition of fair value and common requirements for the measurement of and disclosure about fair value between U.S. GAAP and International Financial Reporting Standards ("IFRS"). The changes to U.S. GAAP as a result of ASU No. 2011-04 are as follows: (1) The concepts of highest and best use and valuation premise are only relevant when measuring the fair value of nonfinancial assets (that is, it does not apply to financial assets or any liabilities); (2) U.S. GAAP currently prohibits application of a blockage factor in valuing financial instruments with quoted prices in active markets. ASU No. 2011-04 extends that prohibition to all fair value measurements; (3) An exception is provided to the basic fair value measurement principles for an entity that holds a group of financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk that are managed on the basis of the entity's net exposure to either of those risks. This exception allows the entity, if certain criteria are met, to measure the fair value of the net asset or liability position in a manner consistent with how market participants would price the net risk position; (4) Aligns the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities; and (5) Disclosure requirements have been

enhanced for recurring Level 3 fair value measurements to disclose quantitative information about unobservable inputs and assumptions used, to describe the valuation processes used by the entity, and to qualitatively describe the sensitivity of fair value measurements to changes in unobservable inputs and interrelationships between those inputs. In addition, entities must report the level in the fair value hierarchy of items that are not measured at fair value in the statement of condition but whose fair value must be disclosed. ASU No. 2011-04 is effective for the Company's interim and annual reporting periods beginning on or after January 1, 2012. The adoption of ASU No. 2011-04 is not expected to have a material impact on the Company's statements of income and condition.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income." The provisions of ASU No. 2011-05 allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. Under either method, entities are required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. ASU No. 2011-05 also eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholders' equity but does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU No. 2011-05 is effective for the Company's interim and annual reporting periods beginning on or after January 1, 2012, with retrospective application required. In December 2011, the FASB issued ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." The provisions of ASU No. 2011-12 defer indefinitely the requirement for entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. ASU No. 2011-12, which shares the same effective date as ASU No. 2011-05, does not defer the requirement for entities to present components of comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company expects to adopt the two statement approach which will result in a new statement of comprehensive income for the interim period ending March 31, 2012. The adoption of ASU No. 2011-05 and ASU No. 2011-12 will have no impact on the Company's statements of income and condition.

In December 2011, the FASB issued ASU No. 2011-11, "Disclosures About Offsetting Assets and Liabilities." This project began as an attempt to converge the offsetting requirements under U.S. GAAP and IFRS. However, as the Boards were not able to reach a converged solution with regards to offsetting requirements, the Boards developed convergent disclosure requirements to assist in reconciling differences in the offsetting requirements under U.S. GAAP and IFRS. The new disclosure requirements mandate that entities disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions subject to an agreement similar to a master netting arrangement. ASU No. 2011-11 also requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. ASU No. 2011-11 is effective for interim and annual reporting periods beginning on or after January 1, 2013. As the provisions of ASU No. 2011-11 only impact the disclosure requirements related to the offsetting of assets and liabilities, the adoption will have no impact on the Company's statements of income and condition.

Note 2. Restrictions on Cash and Noninterest-Bearing Deposits

The FRB requires bank subsidiaries to maintain minimum average reserve balances based on the amount of deposits held. The Bank's average required reserve balances were \$63.1 million and \$53.8 million as of December 31, 2011 and 2010, respectively.

Note 3. Investment Securities

The amortized cost, gross unrealized gains and losses, and fair value of the Company's investment securities as of December 31, 2011, 2010, and 2009 were as follows:

(dollars in thousands)		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses	Fair Value
· · · · · · · · · · · · · · · · · · ·				- Carrie	_	2300000	7 22 20
December 31, 2011							
Available-for-Sale:	ø	1 220 202	•	11 204	•	(4(0) 0	1 221 010
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$	1,220,282	2	11,204	Þ	(468) \$	1,231,018
Debt Securities Issued by States and Political Subdivisions		391,276		15,783		(2.127)	407,059
Debt Securities Issued by Corporations		97,917		607		(2,137)	96,387
Mortgage-Backed Securities Issued by		1 (10 012		20.066		(1.107)	1 (55 977)
Government Agencies		1,618,913		38,066		(1,107)	1,655,872
U.S. Government-Sponsored Enterprises		58,548		3,001		(1.107)	61,549
Total Mortgage-Backed Securities	Φ.	1,677,461	•	41,067	ø	(1,107)	1,717,421
Total	\$	3,386,936	Þ	68,661	Þ	(3,712) \$	3,451,885
Held-to-Maturity:							
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$	179,474	\$	6,704	\$	- \$	186,178
Mortgage-Backed Securities Issued by							
Government Agencies		3,429,038		89,801		(2,918)	3,515,921
U.S. Government-Sponsored Enterprises		49,284		2,823		-	52,107
Total Mortgage-Backed Securities		3,478,322		92,624		(2,918)	3,568,028
Total	\$	3,657,796	\$	99,328	\$	(2,918) \$	3,754,206
Th. 1 44 4040							
December 31, 2010							
Available-for-Sale:	•	526 770	•	10.121	•	(45) m	555.056
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$	536,770	\$	19,131	\$	(45) \$	555,856
Debt Securities Issued by States and Political Subdivisions		113,715		1,477		(1,583)	113,609
Debt Securities Issued by U.S. Government-Sponsored Enterprises		500		5		-	505
Mortgage-Backed Securities Issued by		5 606 007		04.000		(20.005)	£ 750 000
Government Agencies		5,696,907		84,008		(30,887)	5,750,028
U.S. Government-Sponsored Enterprises		109,259		4,617		(20.007)	113,876
Total Mortgage-Backed Securities	•	5,806,166	•	88,625	•	(30,887)	5,863,904
Total	\$	6,457,151	<u> </u>	109,238	<u> </u>	(32,515) \$	6,533,874
Held-to-Maturity:							
Mortgage-Backed Securities Issued by	_		_		_	_	
Government Agencies	\$	47,368	\$	2,959	\$	- \$	50,327
U.S. Government-Sponsored Enterprises	- 2	79,881		3,820			83,701
Total	\$	127,249	\$	6,779	\$	- \$	134,028
D 1 2000							
December 31, 2009							
Available-for-Sale:	d)	711 222	•	11 240	•	(1 (70) A	720 702
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$	711,223	Þ	11,248	P	(1,679) \$	720,792
Debt Securities Issued by States and Political Subdivisions		52,742		1,391		(17)	54,116
Debt Securities Issued by U.S. Government-Sponsored Enterprises		751		41		-	792
Mortgage-Backed Securities Issued by		4.015.017		26,000		(20,020)	4.000.607
Government Agencies		4,015,816		26,900		(20,029)	4,022,687
U.S. Government-Sponsored Enterprises		509,225		23,276		(54)	532,447
Total Mortgage-Backed Securities	ø	4,525,041	•	50,176	•	(20,083)	4,555,134
Total	\$	5,289,757	Þ	62,856	Þ	(21,779) \$	5,330,834
Held-to-Maturity:							
Mortgage-Backed Securities Issued by	_				٠.		
Government Agencies	\$	59,542	\$	1,879	\$	- \$	61,421
U.S. Government-Sponsored Enterprises	_	121,476	_	3,771	_		125,247
Total	\$	181,018	\$	5,650	\$	- \$	186,668

During the year ended December 31, 2011, the Company reclassified at fair value approximately \$3.2 billion in available-for-sale investment securities to the held-to-maturity category. The related unrealized after-tax gains of approximately \$27.9 million remained in accumulated other comprehensive income to be amortized over the estimated remaining life of the securities as an adjustment of yield, offsetting the related amortization of the premium or accretion of the discount on the transferred securities. No gains or losses were recognized at the time of reclassification. Management considers the held-to-maturity classification of these investment securities to be appropriate as the Company has the positive intent and ability to hold these securities to maturity.

The table below presents an analysis of the contractual maturities of the Company's investment securities as of December 31, 2011. Mortgage-backed securities are disclosed separately in the table below as these investment securities may prepay prior to their scheduled contractual maturity dates.

	Amortized		
(dollars in thousands)	 Cost		Fair Value
Available-for-Sale:			
Due in One Year or Less	\$ 352,504	\$ ·	353,696
Due After One Year Through Five Years	610,737		617,966
Due After Five Years Through Ten Years	168,304		175,800
Due After Ten Years	577,930		587,002
	1,709,475		1,734,464
Mortgage-Backed Securities Issued by			
Government Agencies	1,618,913		1,655,872
U.S. Government-Sponsored Enterprises	 58,548		61,549
Total Mortgage-Backed Securities	1,677,461		1,717,421
Total	\$ 3,386,936	\$	3,451,885
Held-to-Maturity:			
Due After One Year Through Five Years	\$ 179,474	\$	186,178
Mortgage-Backed Securities Issued by			
Government Agencies	3,429,038		3,515,921
U.S. Government-Sponsored Enterprises	 49,284		52,107
Total Mortgage-Backed Securities	3,478,322		3,568,028
Total	\$ 3,657,796	\$	3,754,206

Investment securities with carrying values of \$3.6 billion, \$3.2 billion, and \$2.7 billion as of December 31, 2011, 2010, and 2009, respectively, were pledged to secure deposits of governmental entities and securities sold under agreements to repurchase. As of December 31, 2011, 2010, and 2009, the Company did not pledge any investment securities where the secured party had the right to sell or repledge the collateral.

Gross gains and losses from the sales of investment securities for the years ended December 31, 2011, 2010, and 2009 were as follows:

(dollars in thousands)	2011	 2010	 2009
Gross Gains on Sales of Investment Securities	\$ 10,874	\$ 42,867	\$ 37,541
Gross Losses on Sales of Investment Securities	(4,508)	(19)	 (11,771)
Net Gains on Sales of Investment Securities	\$ 6,366	\$ 42,848	\$ 25,770

The Company's sales of investment securities for the year ended December 31, 2011 were from our available-for-sale portfolio due to management's ongoing evaluation of the portfolio in response to established asset/liability management objectives.

The Company's investment securities in an unrealized loss position, segregated by continuous length of impairment, were as follows:

	Less Than 12 Months					2 Months	Longer	<u>Total</u>				
(dollars in thousands)	Fa	ir Value	Uı	Gross realized Losses	Fa	ir Value	Uı	Gross nrealized Losses	Fa	air Value	Uı	Gross realized Losses
December 31, 2011												
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$	127,644	\$	(464)	\$	920	\$	(4)	\$	128,564	\$	(468)
Debt Securities Issued by Corporations		38,059		(2,137)		-		-		38,059		(2,137)
Mortgage-Backed Securities Issued by												
Government Agencies		727,726		(3,751)		34,824		(274)		762,550		(4,025)
Total	\$	893,429	\$	(6,352)	\$	35,744	\$	(278)	\$	929,173	\$	(6,630)
December 31, 2010												
Debt Securities Issued by the U.S. Treasury												
and Government Agencies	\$	1,366	\$	(36)	\$	1,204	\$	(9)	\$	2,570	\$	(45)
Debt Securities Issued by												
States and Political Subdivisions		67,754		(1,583)		-		-		67,754		(1,583)
Mortgage-Backed Securities Issued by												
Government Agencies		1,662,897		(30,887)		-		-		1,662,897		(30,887)
Total	\$	1,732,017	\$	(32,506)	\$	1,204	\$	(9)	\$	1,733,221	\$	(32,515)

The Company does not believe that the investment securities that were in an unrealized loss position as of December 31, 2011, which was comprised of 80 securities, represent an other-than-temporary impairment. Total gross unrealized losses were primarily attributable to changes in interest rates, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities. As of December 31, 2011, the gross unrealized losses reported for mortgage-backed securities were related to investment securities issued by the Government National Mortgage Association. The Company does not intend to sell the investment securities that were in an unrealized loss position and it is not more likely than not that the Company will be required to sell the investment securities before recovery of their amortized cost bases, which may be at maturity.

Substantially all of the Company's interest income on investment securities for the years ended December 31, 2011, 2010, and 2009, was comprised of taxable interest income. Income tax expense related to the Company's net realized gains on the sales of investment securities was \$2.5 million, \$16.7 million, and \$10.1 million for the years ended December 31, 2011, 2010, and 2009, respectively. Net unrealized gains on the Company's available-for-sale investment securities, net of tax, were \$39.4 million, \$46.5 million, and \$26.3 million as of December 31, 2011, 2010, and 2009, respectively. Net unrealized gains on the Company's held-to-maturity investment securities, net of tax, were \$23.5 million as of December 31, 2011 and were related to the transfers of securities from the available-for-sale portfolio. These net unrealized gains, net of tax, were recorded as a component of accumulated other comprehensive income.

Note 4. Loans and Leases and the Allowance for Loan and Lease Losses

Loans and Leases

The Company's loan and lease portfolio was comprised of the following as of December 31:

(dollars in thousands)	2011	2010	2009	2008	2007
Commercial					
Commercial and Industrial	\$ 817,170	\$ 772,624	\$ 795,167	\$ 1,053,781	\$ 1,054,355
Commercial Mortgage	938,250	863,385	841,431	740,779	634,483
Construction	98,669	80,325	108,395	153,952	208,670
Lease Financing	311,928	334,997	412,933	468,140	481,882
Total Commercial	2,166,017	2,051,331	2,157,926	2,416,652	2,379,390
Consumer					
Residential Mortgage	2,215,892	2,094,189	2,190,677	2,461,824	2,486,284
Home Equity	780,691	807,479	921,571	1,033,221	994,972
Automobile	192,506	209,008	283,937	369,789	443,011
Other 1	183,198	173,785	205,674	248,747	277,204
Total Consumer	3,372,287	3,284,461	3,601,859	4,113,581	4,201,471
Total Loans and Leases	\$ 5,538,304	\$ 5,335,792	\$ 5,759,785	\$ 6,530,233	\$ 6,580,861

¹ Comprised of other revolving credit, installment, and lease financing.

Total loans and leases were reported net of unearned income of \$97.6 million and \$106.1 million as of December 31, 2011 and 2010, respectively.

As of December 31, 2011 and 2010, commercial and residential mortgage loans of \$1.1 billion were pledged to secure an undrawn FRB line of credit.

As of December 31, 2011 and 2010, residential mortgage loans of approximately \$1.3 billion and \$1.2 billion, respectively, were pledged under a blanket pledge arrangement to secure FHLB advances. The Company had no FHLB advances outstanding as of December 31, 2011 and 2010.

Net gains related to the sales of residential mortgage loans, recorded as a component of mortgage banking income, were \$0.3 million and \$2.5 million for the years ended December 31, 2011 and 2009, respectively. Net losses related to the sales of residential mortgage loans were \$1.1 million for the year ended December 31, 2010.

Net gains on the sales of commercial loans were not material for the years ended December 31, 2011, 2010, and 2009.

Allowance for Loan and Lease Losses

The following presents by portfolio segment, the activity in the Allowance for the years ended December 31, 2011 and 2010. The following also presents by portfolio segment, the balance in the Allowance disaggregated on the basis of the Company's impairment measurement method and the related recorded investment in loans and leases as of December 31, 2011 and 2010.

(dollars in thousands)	(Commercial		Consumer		Total
For the Year Ended December 31, 2011						
Allowance for Loan and Lease Losses:						
Balance at Beginning of Period	\$	80,977	\$	66,381	\$	147,358
Loans and Leases Charged-Off		(8,112)		(28,648)		(36,760)
Recoveries on Loans and Leases Previously Charged-Off		6,500		8,818		15,318
Net Loans and Leases Charged-Off		(1,612)		(19,830)		(21,442)
Provision for Credit Losses		1,197		11,493		12,690
Balance at End of Period	\$	80,562	\$	58,044	\$	138,606
As of December 31, 2011						
Allowance for Loan and Lease Losses:						
Individually Evaluated for Impairment	\$	1,195	\$	4,256	\$	5,451
Collectively Evaluated for Impairment		79,367		53,788		133,155
Total	\$	80,562	\$	58,044	\$	138,606
Recorded Investment in Loans and Leases:						
Individually Evaluated for Impairment	\$	15,135	\$	32,465	\$	47,600
Collectively Evaluated for Impairment		2,150,882		3,339,822		5,490,704
Total	\$	2,166,017	\$	3,372,287	\$	5,538,304
For the Year Ended December 31, 2010		•				
Allowance for Loan and Lease Losses:						
Balance at Beginning of Period	\$	82,307	\$	61,351	\$	143,658
Loans and Leases Charged-Off	Ψ	(25,947)	•	(43,931)	•	(69,878)
Recoveries on Loans and Leases Previously Charged-Off		9,629		8,662		18,291
Net Loans and Leases Charged-Off		(16,318)		(35,269)		(51,587)
Provision for Credit Losses		14,988		40,299		55,287
Balance at End of Period	\$	80,977	\$	66,381	\$	147,358
As of December 31, 2010						
Allowance for Loan and Lease Losses:						
Individually Evaluated for Impairment	\$	1,091	\$	3,079	\$	4,170
Collectively Evaluated for Impairment	•	79,886		63,302	-	143,188
Total	\$	80,977	\$	66,381	\$	147,358
Recorded Investment in Loans and Leases:						
Individually Evaluated for Impairment	\$	10,827	\$	27,206	\$	38,033
Collectively Evaluated for Impairment	•	2,040,504	•	3,257,255		5,297,759
Total	\$	2,051,331	\$	3,284,461	\$	5,335,792

Credit Quality Indicators

The Company uses several credit quality indicators to manage credit risk in an ongoing manner. The Company uses an internal credit risk rating system that categorizes loans and leases into pass, special mention, or classified categories. Credit risk ratings are applied individually to those classes of loans and leases that have significant or unique credit characteristics that benefit from a case-by-case evaluation. These are typically loans and leases to businesses or individuals in the classes which comprise the commercial portfolio segment. Groups of loans and leases that are underwritten and structured using standardized criteria and characteristics, such as statistical models (e.g., credit scoring or payment performance), are typically risk-rated and monitored collectively. These are typically loans and leases to individuals in the classes which comprise the consumer portfolio segment.

The following are the definitions of the Company's credit quality indicators:

Pass: Loans and leases in all classes within the commercial and consumer portfolio segments

that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan or lease agreement. Management believes that there is a low likelihood of loss related to those loans and

leases that are considered pass.

Special Mention: Loans and leases in the classes within the commercial portfolio segment that have

potential weaknesses that deserve management's close attention. If not addressed, these potential weaknesses may result in deterioration of the repayment prospects for the loan or lease. The special mention credit quality indicator is not used for classes of loans and leases that are included in the consumer portfolio segment. Management believes that there is a moderate likelihood of some loss related to those loans and leases that are

considered special mention.

Classified: Loans and leases in the classes within the commercial portfolio segment that are

inadequately protected by the sound worth and paying capacity of the borrower or of the collateral pledged, if any. Classified loans and leases are also those in the classes within the consumer portfolio segment that are past due 90 days or more as to principal or interest. Residential mortgage loans that are past due 90 days or more as to principal or interest may be considered pass if the Company is in the process of collection and the current loan-to-value ratio is 60% or less. Home equity loans that are past due 90 days or more as to principal or interest may be considered pass if the Company is in the process of collection, the first mortgage is with the Company, and the current combined loan-to-value ratio is 60% or less. Residential mortgage and home equity loans may be current as to principal and interest, but may be considered classified for a period of up to six months following a loan modification. Following a period of demonstrated performance in accordance with the modified contractual terms, the loan may be removed from classified status. Management believes that there is a distinct possibility that the Company will sustain some loss if the deficiencies related to classified loans and leases

are not corrected in a timely manner.

The Company's credit quality indicators are periodically updated on a case-by-case basis. The following presents by class and by credit quality indicator, the recorded investment in the Company's loans and leases as of December 31, 2011 and 2010.

		I	Decemb	er 31, 2011				
(dollars in thousands)	 ommercial Industrial	 mmercial Mortgage	Con	struction]	Lease Financing	C	Total ommercial
Pass	\$ 765,339	\$ 859,891	\$	83,722	\$	282,081	\$	1,991,033
Special Mention	30,316	43,805		370		26,257		100,748
Classified	21,515	34,554		14,577		3,590		74,236
Total	\$ 817,170	\$ 938,250	\$	98,669	\$	311,928	\$	2,166,017

(dollars in thousands)]	Residential Mortgage	Home Equity	A	utomobile	Other 1	 Total Consumer
Pass Classified	\$	2,186,063 29,829	\$ 776,473 4,218	\$	192,336 170	\$ 182,431 767	\$ 3,337,303 34,984
Total	\$	2,215,892	\$ 780,691	\$	192,506	\$ 183,198	\$ 3,372,287
Total Recorded Investme	ent in Lo	ans and Leases					\$ 5,538,304

	December 31, 2010													
(dollars in thousands)		ommercial Industrial		mmercial Mortgage	Cor	struction		Lease Financing	Tota Commercia					
Pass	\$	720,618	\$	775,938	\$	61,598	\$	305,967	\$	1,864,121				
Special Mention		18,096		32,055		1,975		26,767		78,893				
Classified		33,910		55,392		16,752		2,263		108,317				
Total	\$	772,624	\$	863,385	\$	80,325	\$	334,997	\$	2,051,331				

(dollars in thousands)]	Residential Mortgage	 Home Equity	A	utomobile	Other 1	 Total Consumer
Pass	\$	2,059,012	\$ 804,158	\$	208,598	\$ 172,762	\$ 3,244,530
Classified		35,177	3,321		410	1,023	 39,931
Total	\$	2,094,189	\$ 807,479	\$	209,008	\$ 173,785	\$ 3,284,461
Total Recorded Investme	ent in Lo	ans and Leases					\$ 5,335,792

¹ Comprised of other revolving credit, installment, and lease financing.

Aging Analysis

The following presents by class, an aging analysis of the Company's loan and lease portfolio as of December 31, 2011 and 2010.

	30 - 59	60 - 8	19 P	ast Due			Total					N	lon-Accrual Loans and
	Days		_	90 Days	Non-	Pas	t Due and			T	otal Loans		Leases that
(dollars in thousands)	Past Due			or More	Accrual	No	n-Accrual		Current	8	nd Leases	aı	re Current 2
As of December 31, 2011													
Commercial													
Commercial and Industrial	\$ 2,959	\$ 74	3 \$	1	\$ 6,243	\$	9,946	\$	807,224	\$	817,170	\$	5,661
Commercial Mortgage	678	1	-	-	2,140		2,818		935,432		938,250		959
Construction		•	-	-	2,080		2,080		96,589		98,669		-
Lease Financing			-	-	5		5		311,923		311,928		5
Total Commercial	3,637	74	13	1	10,468		14,849		2,151,168		2,166,017		6,625
Consumer													
Residential Mortgage	8,878	9,25	8	6,422	25,256		49,814		2,166,078		2,215,892		1,856
Home Equity	5,310	2,69)4	2,194	2,024		12,222		768,469		780,691		97
Automobile	4,095	83	9	170	-		5,104		187,402		192,506		-
Other ¹	1,679	1,52	28	435	-		3,642		179,556		183,198		
Total Consumer	19,962	14,31	9	9,221	27,280		70,782		3,301,505		3,372,287		1,953
Total	\$ 23,599	\$ 15,06	2 \$	9,222	\$37,748	\$	85,631	\$	5,452,673	\$	5,538,304	\$	8,578
As of December 31, 2010													
Commercial	A 1.005		11 6		0 1 (1)	æ	4 700	e.	7/7 024	Ф	772 (24	ø	1.564
Commercial and Industrial	\$ 1,807		1 \$	-	\$ 1,642	Э	4,790	\$	767,834	Þ	772,624	Þ	1,564
Commercial Mortgage	2,100	1	-	-	3,503		5,603		857,782		863,385		2,415
Construction		•	-	-	288		288		80,037		80,325		- 10
Lease Financing	82		-		19		101		334,896		334,997		19
Total Commercial	3,989	1,34	1	-	5,452		10,782		2,040,549		2,051,331		3,998
Consumer	0.000		. ~	7 200	20.152		£0.00£		2 042 204		2.004.100		7.001
Residential Mortgage	8,389			5,399	28,152		50,985		2,043,204		2,094,189		7,891
Home Equity	4,248			1,067	2,254		9,989		797,490		807,479		1,041
Automobile	6,046	,		410	-		7,460		201,548		209,008		-
Other 1	1,962			707	20.406		3,814		169,971		173,785		9.022
Total Consumer	20,645			7,583	30,406	•	72,248	•	3,212,213	•	3,284,461	•	8,932
Total	\$ 24,634	\$ 14,95	5 \$	7,583	\$35,858	\$	83,030	2	5,252,762	2	5,335,792	\$	12,930

Comprised of other revolving credit, installment, and lease financing.
 Represents non-accrual loans that are not past due 30 days or more; however, full payment of principal and interest is still not expected.

Impaired Loans

The following presents by class, information related to impaired loans as of December 31, 2011 and 2010.

		lecorded vestment		Unpaid Principal Balance		Related wance for an Losses
(dollars in thousands)	1111	vestment		Dalance	LU	all Lusses
December 31, 2011						
Impaired Loans with No Related Allowance Recorded:						
Commercial	ф	(17)	Φ.	12.526	er.	
Commercial and Industrial	\$	6,176	\$	13,526	\$	-
Commercial Mortgage		2,140		2,640		-
Total Commercial		8,316	_	16,166		
Total Impaired Loans with No Related Allowance Recorded	\$	8,316	\$	16,166	\$	-
Impaired Loans with an Allowance Recorded:						
Commercial	_				•	0.46
Commercial and Industrial	\$	4,447	\$	4,447	\$	846
Commercial Mortgage		2,372		2,372		349
Total Commercial		6,819		6,819		1,195
Consumer				** ***		4.100
Residential Mortgage		25,726		30,606		4,138
Home Equity		21		21		1
Automobile		6,190		6,190		75
Other ¹		528		528		42
Total Consumer		32,465		37,345		4,256
Total Impaired Loans with an Allowance Recorded	\$	39,284	\$	44,164	\$	5,451
Impaired Loans:						
Commercial	\$	15,135	\$	22,985	\$	1,195
Consumer		32,465		37,345		4,256
Total Impaired Loans	\$	47,600	\$	60,330	\$	5,451
December 31, 2010						
Impaired Loans with No Related Allowance Recorded:						
Commercial						
Commercial and Industrial	\$	1,564	\$	5,414	\$	-
Commercial Mortgage		3,377		4,407		-
Total Commercial		4,941		9,821		-
Total Impaired Loans with No Related Allowance Recorded	\$	4,941	\$	9,821	\$	
Impaired Loans with an Allowance Recorded:						
Commercial						
Commercial and Industrial	\$	5,156	\$	5,156	\$	927
Commercial Mortgage		442		745		99
Construction		288		288		65
Total Commercial		5,886		6,189		1,091
Consumer						
Residential Mortgage		21,058		24,709		2,919
Home Equity		21		21		1
Automobile		5,845		5,845		137
Other ¹		282		282		22
Total Consumer		27,206		30,857		3,079
Total Impaired Loans with an Allowance Recorded	\$	33,092	\$	37,046	\$	4,170
Impaired Loans:						
Commercial	\$	10,827	\$	16,010	\$	1,091
Consumer		27,206		30,857		3,079
				50,057		-,

Comprised of other revolving credit and installment financing.

The following presents by class, information related to the average recorded investment and interest income recognized on impaired loans for the years ended December 31, 2011 and 2010.

		Year Ended December 31, 2011			Year Ended December 31, 2010			
(dollars in thousands)	_	Average Recorded vestment	Re	Interest Income cognized		Average lecorded vestment		Interest Income ognized
Impaired Loans with No Related Allowance Recorded: Commercial								
Commercial and Industrial	\$	3,367	\$	-	\$	1,829	\$	_
Commercial Mortgage		2,845		-		2,758		-
Construction		115		-		4,700		-
Total Commercial		6,327		-		9,287		-
Total Impaired Loans with No Related Allowance Recorded	\$	6,327	\$	-	\$	9,287	\$	-
Impaired Loans with an Allowance Recorded: Commercial								
Commercial and Industrial	\$	3,988	\$	150	\$	6,548	\$	250
Commercial Mortgage		755		14		520		17
Construction		58		_		723		-
Total Commercial		4,801		164		7,791		267
Consumer						····		
Residential Mortgage		24,075		333		11,293		156
Home Equity		21		_		4		-
Automobile		5,911		597		5,038		396
Other ¹		516		29		173		7
Total Consumer		30,523		959		16,508		559
Total Impaired Loans with an Allowance Recorded	\$	35,324	\$	1,123	\$	24,299	\$	826
Impaired Loans:								
Commercial	\$	11,128	\$	164	\$	17,078	\$	267
Consumer		30,523		959		16,508		559
Total Impaired Loans	\$	41,651	\$	1,123	\$	33,586	\$	826

¹ Comprised of other revolving credit and installment financing.

For the years ended December 31, 2011 and 2010, the amount of interest income recognized by the Company within the period that the loans were impaired were primarily related to loans modified in a troubled debt restructuring that remained on accrual status. For the years ended December 31, 2011 and 2010, the amount of interest income recognized using a cash-basis method of accounting during the time within that period that the loans were impaired was not material.

Modifications

A modification of a loan constitutes a troubled debt restructuring ("TDR") when the Company for economic or legal reasons related to a borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. Loans modified in a TDR were \$38.8 million and \$32.7 million as of December 31, 2011 and 2010, respectively. There were no commitments to lend additional funds on loans modified in a TDR as of December 31, 2011.

The Company offers various types of concessions when modifying a loan or lease, however, forgiveness of principal is rarely granted. Commercial and industrial loans modified in a TDR often involve temporary interest-only payments, term extensions, and converting revolving credit lines to term loans. Additional collateral, a co-borrower, or a guarantor is often requested. Commercial mortgage and construction loans modified in a TDR often involve reducing the interest rate for the remaining term of the loan, extending the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or substituting or adding a new borrower or guarantor. Construction loans modified in a TDR may also involve extending the interest-only payment period. Lease

financing modifications generally involves a short-term forbearance period, usually about three months, after which the missed payments are added to the end of the lease term, thereby extending the maturity date. Interest continues to accrue on the missed payments and as a result, the effective yield on the lease remains unchanged. As the forbearance period usually involves an insignificant payment delay, lease financing modifications typically do not meet the reporting criteria for a TDR. Residential mortgage loans modified in a TDR are primarily comprised of loans where monthly payments are lowered to accommodate the borrowers' financial needs for a period of time, normally two years. During that time, the borrower's entire monthly payment is applied to principal. After the lowered monthly payment period ends, the borrower reverts back to paying principal and interest per the original terms with the maturity date adjusted accordingly. Land loans are also included in the class of residential mortgage loans. Land loans are typically structured as interest-only monthly payments with a balloon payment due at maturity. Land loans modified in a TDR typically involve extending the balloon payment by one to three years, changing the monthly payments from interest-only to principal and interest, while leaving the interest rate unchanged. Home equity modifications are made infrequently and are offered to borrowers if the Company does not hold the first mortgage. Home equity modifications are uniquely designed to meet the specific needs of each borrower. Borrowers having both a first mortgage and home equity loan with the Company are offered a residential mortgage loan modification. Automobile loans modified in a TDR are primarily comprised of loans where the Company has lowered monthly payments by extending the term.

Loans modified in a TDR are typically already on non-accrual status and partial charge-offs have in some cases already been taken against the outstanding loan balance. As a result, loans modified in a TDR for the Company may have the financial effect of increasing the specific Allowance associated with the loan. An Allowance for impaired consumer and commercial loans that have been modified in a TDR is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent. Management exercises significant judgment in developing these estimates.

The following presents by class, information related to loans modified in a TDR during the year ended December 31, 2011.

Loans Modified as a TDR for the Year Ended December 31, 2011

		1cai Ended December 31, 2011					
Troubled Debt Restructurings ¹ (dollars in thousands)	~				Increase in Allowance (as of period end)		
Commercial							
Commercial and Industrial	7	\$	4,281	\$	782		
Commercial Mortgage	4		1,249		19		
Total Commercial	11		5,530		801		
Consumer							
Residential Mortgage	17		7,384		964		
Automobile	289		2,946		36		
Other ²	3		313		8		
Total Consumer	309		10,643		1,008		
Total	320	\$	16,173	\$	1,809		

¹ The period end balances reflect all partial paydowns and charge-offs since the modification date. TDRs fully paid-off, charged-off, or foreclosed upon by period end are not included.

² Comprised of other revolving credit, installment, and lease financing.

The following presents by class, loans modified in a TDR that defaulted during the year ended December 31, 2011, and within twelve months of their modification date. A TDR is considered to be in default once it becomes 60 days or more past due following a modification.

	Year Ende	ed December 3	31, 2011	
TDRs that Defaulted During the Period, Within Twelve Months of their Modification Date (dollars in thousands)	Number of Contracts	Recorded Investment (as of period end) ¹		
Commercial				
Commercial Mortgage	2	\$	957	
Total Commercial	2		957	
Consumer				
Residential Mortgage	1		293	
Automobile	12		150	
Total Consumer	13		443	
Total	15	\$	1,400	

¹ The period end balances reflect all partial paydowns and charge-offs since the modification date. TDRs fully paid-off, charged-off, or foreclosed upon by period end are not included.

The commercial mortgage loans modified in a TDR that subsequently defaulted are on non-accrual status and were modified by forbearing principal and interest for six months. The residential mortgage loan modified in a TDR that subsequently defaulted was modified by temporarily lowering monthly payments and applying all payments during this time to principal. Automobile loans modified in a TDR that subsequently defaulted were primarily modified by lowering monthly payments by extending the term.

Commercial and consumer loans modified in a TDR are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a TDR subsequently default, the Company evaluates the loan for possible further impairment. The Allowance may be increased, adjustments may be made in the allocation of the Allowance, or partial charge-offs may be taken to further write-down the carrying value of the loan.

Related Party Loans

Certain directors and executive officers of the Company, companies in which they are principal owners, and trusts in which they are involved, have loans with the Bank. These loans were made in the ordinary course of business at normal credit terms, including interest rate and collateral requirements. As of December 31, 2011 and 2010, related party loan balances were \$6.7 million and \$10.4 million, respectively.

Note 5. Mortgage Servicing Rights

The Company's portfolio of residential mortgage loans serviced for third parties was \$3.2 billion as of December 31, 2011 and 2010, and \$3.1 billion as of December 31, 2009. Generally, the Company's residential mortgage loans sold to third parties are sold on a non-recourse basis. The Company's mortgage servicing activities include collecting principal, interest, and escrow payments from borrowers; making tax and insurance payments on behalf of the borrowers; monitoring delinquencies and executing foreclosure proceedings; and accounting for and remitting principal and interest payments to investors. Servicing income, including late and ancillary fees, was \$8.6 million, \$8.5 million, and \$7.6 million for the years ended December 31, 2011, 2010, and 2009, respectively. Servicing income is recorded as a component of mortgage banking income in the Company's consolidated statements of income. The Company's residential mortgage loan servicing portfolio is comprised primarily of fixed rate loans concentrated in Hawaii.

For the years ended December 31, 2011, 2010, and 2009, the change in the fair value of the Company's mortgage servicing rights accounted for under the fair value measurement method was as follows:

(dollars in thousands)	 2011	 2010	 2009
Balance at Beginning of Year	\$ 10,226	\$ 15,332	\$ 19,553
Changes in Fair Value:			
Due to Change in Valuation Assumptions ¹	(1,521)	(2,546)	43
Due to Payoffs	 (1,574)	 (2,560)	 (4,264)
Total Changes in Fair Value of Mortgage Servicing Rights	(3,095)	(5,106)	(4,221)
Balance at End of Year	\$ 7,131	\$ 10,226	\$ 15,332

¹ Principally represents changes in discount rates and loan repayment rate assumptions, mostly due to changes in interest rates.

For the years ended December 31, 2011, 2010, and 2009, the change in the carrying value of the Company's mortgage servicing rights accounted for under the amortization method, net of a valuation allowance, was as follows:

(dollars in thousands)	 2011	2010	 2009
Balance at Beginning of Year	\$ 15,153	\$ 10,638	\$ 1,796
Servicing Rights that Resulted From Asset Transfers	4,139	6,086	9,628
Amortization	(2,144)	(1,571)	 (786)
Balance at End of Year	\$ 17,148	\$ 15,153	\$ 10,638
Valuation Allowance:			
Balance at Beginning of Year	\$ -	\$ -	\$ 292
Recoveries	 	-	(292)
Balance at End of Year	\$ 	\$ -	\$ -
Mortgage Servicing Rights Accounted for Under			
the Amortization Method, Net of a Valuation Allowance	\$ 17,148	\$ 15,153	\$ 10,638
Fair Value of Mortgage Servicing Rights Accounted for Under			
the Amortization Method			
Beginning of Year	\$ 20,340	\$ 14,853	\$ 1,504
End of Year	\$ 17,159	\$ 20,340	\$ 14,853

The key assumptions used in estimating the fair value of the Company's mortgage servicing rights as of December 31, 2011 and 2010 were as follows:

	2011	2010
Weighted-Average Constant Prepayment Rate 1	15.56%	13.71%
Weighted-Average Life (in years)	5.03	5.90
Weighted-Average Note Rate	4.87%	5.02%
Weighted-Average Discount Rate ²	6.31%	7.29%

¹ Represents annualized loan repayment rate assumption.

Residential mortgage loan repayment rates for the Company's servicing portfolio, which is concentrated in Hawaii, was slightly lower than the national average for the years ended December 31, 2011 and 2010.

² Derived from multiple interest rate scenarios that incorporate a spread to the London Interbank Offered Rate swap curve and market volatilities.

A sensitivity analysis of the Company's fair value of mortgage servicing rights to changes in certain key assumptions as of December 31, 2011 and 2010 is presented in the following table.

(dollars in thousands)	 2011	 2010
Constant Prepayment Rate		
Decrease in fair value from 25 basis points ("bps") adverse change	\$ (295)	\$ (338)
Decrease in fair value from 50 bps adverse change	(582)	(671)
Discount Rate		
Decrease in fair value from 25 bps adverse change	(331)	(421)
Decrease in fair value from 50 bps adverse change	(652)	(830)

This analysis generally cannot be extrapolated because the relationship of a change in one key assumption to the change in the fair value of the Company's mortgage servicing rights usually is not linear. Also, the effect of changing one key assumption without changing other assumptions is not realistic.

Note 6. Premises and Equipment

The components of the Company's premises and equipment as of December 31, 2011 and 2010 were as follows:

		De	Accumulated preciation and		
(dollars in thousands)	 Cost		Amortization	Net	Book Value
December 31, 2011					
Premises	\$ 306,766	\$	(218,519)	\$	88,247
Equipment	107,964		(93,732)		14,232
Capital Leases	4,464		(3,393)		1,071
Total	\$ 419,194	\$	(315,644)	\$	103,550
December 31, 2010					
Premises	\$ 299,664	\$	(208,531)	\$	91,133
Equipment	151,845		(136,058)		15,787
Capital Leases	 4,464		(3,214)		1,250
Total	\$ 455,973	\$	(347,803)	\$	108,170

Depreciation and amortization (including capital lease amortization) included in noninterest expense was \$14.6 million, \$13.4 million, and \$13.5 million, for the years ended December 31, 2011, 2010, and 2009, respectively.

Note 7. Other Assets

The components of the Company's other assets as of December 31, 2011 and 2010 were as follows:

(dollars in thousands)	2011	2010
Bank-Owned Life Insurance	\$ 213,113	\$ 207,843
Federal Home Loan Bank and Federal Reserve Bank Stock	79,946	79,871
Derivative Financial Instruments	38,085	30,891
Low-Income Housing and Other Equity Investments	35,860	31,995
Prepaid Expenses	28,979	38,558
Accounts Receivable	13,607	11,761
Federal and State Tax Deposits	6,069	22,341
Other	26,113	20,277
Total	\$ 441,772	\$ 443,537

The carrying value of the Company's FHLB stock was \$61.3 million as of December 31, 2011 and 2010. As of September 30, 2011, the FHLB met all of its regulatory capital requirements, but remained classified as "undercapitalized" by its primary regulator, the Federal Housing Finance Agency. As a result, the FHLB is restricted from redeeming or repurchasing capital stock or from paying dividends. However, the FHLB had increased capital levels as of September 30, 2011 compared to December 31, 2010, continues to meet its debt obligations, and if needed has an additional source of liquidity available to U.S. Government-Sponsored Enterprises through the U.S. Treasury. Based upon the foregoing, the Company has not recorded an impairment of the carrying value of the Company's FHLB stock as of December 31, 2011.

Note 8. Deposits

Time Deposits

As of December 31, 2011 and 2010, the Company's total time deposits were \$1.3 billion and \$1.0 billion, respectively. As of December 31, 2011, the contractual maturities of these time deposits were as follows:

(dollars in thousands)	Amount
2012	\$ 1,082,706
2013	101,220
2014	57,635
2015	12,673
2016	61,973
Thereafter	 20,872
Total	\$ 1,337,079

The amount of time deposits with balances of \$100,000 or more was \$966.8 million and \$635.6 million as of December 31, 2011 and 2010, respectively. As of December 31, 2011, the contractual maturities of these time deposits were as follows:

(dollars in thousands)	Amount
Three Months or Less	\$ 564,265
Over Three Months through Six Months	165,813
Over Six Months through Twelve Months	138,830
Over Twelve Months	97,863
Total	\$ 966,771

Public Deposits

As of December 31, 2011 and 2010, deposits of governmental entities of \$978.6 million and \$467.2 million, respectively, required collateralization by acceptable investment securities of the Company.

Note 9. Borrowings

Details of the Company's borrowings as of and for the years ended December 31, 2011, 2010, and 2009 were as follows:

(dollars in thousands)	2011	2010	2009
Funds Purchased ¹			
Amounts Outstanding as of End of Year	\$ 10,791	\$ 9,478	\$ 8,888
Average Amount Outstanding During Year	11,508	16,284	13,624
Maximum Amount Outstanding at Any Month End	10,791	77,832	33,888
Weighted Average Interest Rate During Year	0.17 %	0.18 %	0.16 %
Weighted Average Interest Rate End of Year	0.14 %	0.22 %	0.21 %
Securities Sold Under Agreements to Repurchase ²			
Amounts Outstanding as of End of Year	\$ 1,325,998	\$ 1,301,084	\$ 943,717
Average Amount Outstanding During Year	1,245,763	1,052,558	581,998
Maximum Amount Outstanding at Any Month End	1,369,378	1,406,393	1,124,794
Weighted Average Interest Rate During Year	0.08 %	0.10 %	0.31 %
Weighted Average Interest Rate End of Year	0.07 %	0.09 %	0.15 %

¹ Federal funds purchased generally mature on the next business day following the date of purchase.

As of December 31, 2011, the contractual maturities of the Company's total securities sold under agreements to repurchase were as follows:

(dollars in thousands)	Amount
Overnight	\$ -
2 to 30 Days	84,106
31 to 90 Days	795,004
Over 90 Days	1,046,888
Total	\$ 1,925,998

The Company's total securities sold under agreements to repurchase were \$1.9 billion as of December 31, 2011 and 2010, and \$1.6 billion as of December 31, 2009. As of December 31, 2011, total securities sold under agreements to repurchase placed with private institutions were \$600.0 million, all of which were at fixed interest rates. As of December 31, 2011, the weighted average interest rate for the Company's agreements with private institutions was 4.66% and the remaining terms of these agreements ranged from 4 to 10 years.

As of December 31, 2011, the weighted average maturity was 121 days for the Company's securities sold under agreements to repurchase with government entities and 5.71 years for securities sold under agreements to repurchase with private institutions, subject to the private institutions' right to terminate certain agreements at earlier specified dates which could decrease the weighted average maturity to 2.57 years.

There were no short-term borrowings as of December 31, 2011. Short-term borrowings were \$6.2 million and \$6.9 million as of December 31, 2010, and 2009, respectively, and primarily consisted of treasury tax and loan balances, which represent tax payments collected on behalf of the U.S. Government, callable at any time and typically bears market interest rates. However, due to the low interest rate environment, no interest has been charged on these borrowings since 2008.

² Excludes long-term securities sold under agreements to repurchase with private institutions of \$600.0 million as of December 31, 2011 and 2010, and \$675.0 million as of December 31, 2009.

Note 10. Long-Term Debt

The Company's long-term debt as of December 31, 2011 and 2010 were as follows:

(dollars in thousands)	2011	2010
Non-Recourse Debt	\$ 21,787	\$ 23,707
Capital Lease Obligations	8,909	8,945
Total	\$ 30,696	\$ 32,652

As of December 31, 2011, the Company's non-recourse debt was bearing interest at a fixed rate of 6.3% with maturity in June 2021.

Capital lease obligations relate to office space at the Company's headquarters. The lease began in 1993 and has a 60 year term. Lease payments are fixed at \$0.7 million per year through December 2012 and are negotiable thereafter.

As of December 31, 2011, the Company had an undrawn line of credit with the FRB of \$709.7 million. Commercial and residential mortgage loans of \$1.1 billion were pledged to secure this undrawn line of credit with the FRB as of December 31, 2011.

As a member of the FHLB, the Bank may borrow funds from the FHLB in amounts up to 15% of the Bank's total assets, provided the Bank is able to pledge an adequate amount of qualified assets to secure the borrowings. As of December 31, 2011, the Company pledged residential mortgage loans of approximately \$1.3 billion under a blanket pledge arrangement with the FHLB to secure an undrawn line of credit of approximately \$947.4 million.

As of December 31, 2011, the annual maturities of the Company's long-term debt, exclusive of capital lease obligations, were expected to be as follows:

(dollars in thousands)	Amount
2012	\$ 2,602
2013	2,779
2014	2,968
2015	3,169
2016	2,878
Thereafter	7,391
Total .	\$ 21,787

Note 11. Shareholders' Equity

Regulatory Capital

The table below sets forth the minimum required capital amounts and ratios for well capitalized institutions and the actual capital amounts and ratios for the Company and the Bank as of December 31, 2011 and 2010:

	Well Capitalized				
(dollars in thousands)	Minimum Ratio	Company			Bank
As of December 31, 2011:					
Shareholders' Equity		\$	1,002,667	\$	926,673
Tier 1 Capital	·		903,173		841,308
Total Capital			971,797		909,838
Tier 1 Capital Ratio	6%		16.68%		15.56%
Total Capital Ratio	10%		17.95%		16.83%
Tier 1 Leverage Ratio	5%		6.73%		6.30%
As of December 31, 2010:					
Shareholders' Equity		\$	1,011,133	\$	901,141
Tier 1 Capital			928,158		832,295
Total Capital			992,722		896,770
Tier 1 Capital Ratio	6%		18.28%		16.42%
Total Capital Ratio	10%		19.55%		17.69%
Tier 1 Leverage Ratio	5%		7.15%		6.46%

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of Tier 1 and Total Capital. Tier 1 Capital is common shareholders' equity, reduced by certain intangible assets, postretirement benefit liability adjustments, and unrealized gains and losses on investment securities. Total Capital is Tier 1 Capital plus an allowable amount of the reserve for credit losses. Three capital ratios are used to measure capital adequacy: Tier 1 Capital divided by risk-weighted assets, as defined; Total Capital divided by risk-weighted assets; and the Tier 1 Leverage ratio, which is Tier 1 Capital divided by quarterly average total assets.

As of December 31, 2011, the Company and the Bank were well capitalized as defined in the regulatory framework for prompt corrective action. There were no conditions or events since December 31, 2011 that management believes have changed the Company or the Bank's capital ratings.

Dividends

Dividends paid by the Parent are substantially funded from dividends received from the Bank. The Bank is subject to federal and state regulatory restrictions that limit cash dividends and loans to the Parent. These restrictions generally require advanced approval from the Bank's regulator for payment of dividends in excess of the sum of net income for the current calendar year and the retained net income of the prior two calendar years.

Common Stock Repurchase Program

The Parent has a common stock repurchase program in which shares repurchased are held in treasury stock for reissuance in connection with share-based compensation plans and for general corporate purposes. For the year ended December 31, 2011, the Parent repurchased 2.5 million shares of common stock at an average cost per share of \$43.88 and a total cost of \$109.9 million. From the beginning of the stock repurchase program in July 2001 through December 31, 2011, the Parent repurchased a total of 48.5 million shares of common stock and returned a total of \$1.7 billion to its shareholders at an average cost of \$35.98 per share. Remaining buyback authority under the common stock repurchase program was \$74.0 million as of December 31, 2011. From January 1, 2012 through February 14, 2012, the Parent repurchased an additional 190,000 shares of common stock at an average cost of \$46.41 per share for a total of \$8.8 million. Remaining buyback authority under the common stock repurchase program was \$65.2 million as of February 14, 2012. The actual amount and timing of future share repurchases, if any, will depend on market conditions, applicable SEC rules and various other factors.

Accumulated Other Comprehensive Income (Loss)

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

(dollars in thousands)	Net Unrealized Gains (Losses) on Investment Securities					Accumulated Other Comprehensive Income (Loss)		
Balance, December 31, 2008	\$	(4,277)	\$	(24,611)	\$	(28,888)		
Net change		30,567		5,246		35,813		
Balance, December 31, 2009		26,290		(19,365)		6,925		
Net change		20,231		(191)		20,040		
Balance, December 31, 2010		46,521		(19,556)		26,965		
Net change		16,411		(8,113)		8,298		
Balance, December 31, 2011	\$	62,932	\$	(27,669)	\$	35,263		

The following table presents the components of other comprehensive income, net of tax:

(dollars in thousands)	Before Tax Tax Effect		Net of Tax			
December 31, 2011:						
Net Unrealized Gains on Investment Securities:						
Net Unrealized Gains Arising During the Period	\$	40,645	\$	16,037	\$	24,608
Less: Reclassification Adjustment for Gains Realized in Net Income		(13,525)		(5,328)		(8,197)
Net Unrealized Gains on Investment Securities		27,120		10,709		16,411
Defined Benefit Plans:						
Prior Service Credit from Plan Amendment During the Period		917		361		556
Less: Amortization of Prior Service Credit Included						
in Net Periodic Benefit Cost		(322)		(127)		(195)
Net Prior Service Credit Arising During the Period		595		234		361
Net Actuarial Losses Arising During the Period		(13,981)		(5,507)		(8,474)
Defined Benefit Plans, Net		(13,386)		(5,273)		(8,113)
Other Comprehensive Income	\$	13,734	\$	5,436	\$	8,298
December 31, 2010:						
Net Unrealized Gains on Investment Securities:						
Net Unrealized Gains Arising During the Period	\$	78,494	\$	33,941	\$	44,553
Less: Reclassification Adjustment for Gains Realized in Net Income		(42,848)		(18,526)		(24,322)
Net Unrealized Gains on Investment Securities		35,646		15,415		20,231
Defined Benefit Plans:		,				
Settlement Gain Related to Defined Benefit Plan		(951)		(343)		(608)
Net Actuarial Losses Arising During the Period		(842)		(1,388)		546
Less: Amortization of Prior Service Credit Included		, ,		, ,		
in Net Periodic Benefit Cost		(213)		(84)		(129)
Defined Benefit Plans, Net		(2,006)		(1,815)		(191)
Other Comprehensive Income	\$	33,640	\$	13,600	\$	20,040
December 31, 2009:						
Net Unrealized Gains on Investment Securities:						
Net Unrealized Gains Arising During the Period	\$	73,528	\$	26,470	\$	47,058
Less: Reclassification Adjustment for Gains Realized in Net Income	•	(25,770)	•	(9,279)	•	(16,491)
Net Unrealized Gains on Investment Securities		47,758		17,191		30,567
Defined Benefit Plans:		.,,,,,		.,,-,-		,
Net Actuarial Gains Arising During the Period		8,410		3,028		5,382
Less: Amortization of Prior Service Credit Included		0,110		2,020		-,
in Net Periodic Benefit Cost		(213)		(77)		(136)
Defined Benefit Plans, Net		8,197		2.951		5,246
Other Comprehensive Income	\$	55,955	\$	20,142	\$	35,813

Note 12. Earnings Per Share

There were no adjustments to net income, the numerator, for purposes of computing basic earnings per share. The following is a reconciliation of the weighted average number of common shares outstanding for computing diluted earnings per share and antidilutive stock options and restricted stock outstanding for the years ended December 31, 2011, 2010, and 2009:

	Weighted Average Shares				
	2011	2010	2009		
Denominator for Basic Earnings Per Share	47,064,925	48,055,025	47,702,500		
Dilutive Effect of Stock Options	140,815	279,371	273,703		
Dilutive Effect of Restricted Stock	19,241	21,569	33,074		
Denominator for Diluted Earnings Per Share	47,224,981	48,355,965	48,009,277		
Antidilutive Stock Options and Restricted Stock Outstanding	554,062	224,372	401,308		

Note 13. Business Segments

The Company's business segments are defined as Retail Banking, Commercial Banking, Investment Services, and Treasury and Other. 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 income, expense, the provision for credit losses, and capital. This process is dynamic and requires certain allocations based on judgment and other subjective factors. Unlike financial accounting, there is no comprehensive authoritative guidance for management accounting that is equivalent to GAAP. Previously reported results have been reclassified to conform to the current organizational reporting structure.

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 the Company's assumptions that are subject to change based on changes in current interest rates and market conditions. Funds transfer pricing also serves to transfer interest rate risk to Treasury. However, the other business segments have some latitude to retain certain interest rate exposures related to customer pricing decisions within guidelines.

Retail Banking

Retail Banking 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. Retail Banking also offers retail life insurance products. Products and services from Retail Banking are delivered to customers through 70 Hawaii branch locations, 506 ATMs throughout Hawaii and the Pacific Islands, e-Bankoh (on-line banking service), a 24-hour customer service center, and a mobile banking service.

Commercial Banking

Commercial Banking offers products including corporate banking, commercial real estate loans, commercial lease financing, auto dealer financing, and deposit products. Commercial lending and deposit products are offered to middle-market and large companies in Hawaii. Commercial real estate mortgages focus on customers that include investors, developers, and builders predominantly domiciled in Hawaii. Commercial Banking also includes international banking and operations at the Bank's 11 branches in the Pacific Islands and also provides merchant services to its small business customers.

Investment Services

Investment Services includes private banking, trust services, investment management, and institutional investment advisory services. 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 services to high-net-worth individuals. The investment management group manages portfolios and creates investment products. Institutional client services offer investment advice to corporations, government entities, and foundations. This segment also provides a full service brokerage offering equities, mutual funds, life insurance, and annuity products.

Treasury and Other

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

Other organizational units (Technology, Operations, Marketing, Human Resources, Finance, Credit and Risk Management, and Corporate and Regulatory Administration) provide a wide-range of support to the Company's other income earning segments. Expenses incurred by these support units are charged to the business segments through an internal cost allocation process.

Selected business segment financial information as of and for the years ended December 31, 2011, 2010, and 2009 were as follows:

(dollars in thousands)		Retail Banking	Co	ommercial Banking	Iı	vestment Services		Treasury and Other	Co	nsolidated Total
		Danking		Danking		Scivices	_	ind Other		Total
Year Ended December 31, 2011 Net Interest Income	\$	172 092	\$	137,351	\$	15,137	\$	63,738	\$	390,208
Provision for Credit Losses	Þ	173,982	Ф	(938)	Ф	13,137	Ф	(8,777)	Ф	12,690
Net Interest Income After Provision for		22,341		(936)		04		(0,777)		12,090
Credit Losses		151,641		138,289		15,073		72,515		377,518
Noninterest Income		84,008		37,132		59,891		16,624		197,655
		(186,872)		(93,623)		(59,187)		(8,511)		(348,193)
Noninterest Expense Income Before Provision for Income Taxes				81,798		15,777		80,628		226,980
		48,777						,		
Provision for Income Taxes	•	(18,047)	\$	(28,401)	\$	(5,838)	\$	(14,651)	\$	(66,937)
Net Income	\$	30,730	Ť	53,397		9,939	Ť	65,977		160,043
Total Assets as of December 31, 2011	\$	3,147,760	\$	2,337,214	\$	218,088	\$	8,143,329	\$	13,846,391
Year Ended December 31, 2010										
Net Interest Income	\$	188,673	\$	147,016	\$	16,567	\$	54,224	\$	406,480
Provision for Credit Losses	Ф	38,377	Φ	17,010	Φ	(129)	Φ	(46)	Φ	55,287
Net Interest Income After Provision for		36,377		17,065		(129)		(40)		33,267
Credit Losses		150,296		129,931		16,696		54,270		351,193
Noninterest Income		100,859		41,304		59,948		53,147		255,258
Noninterest Expense		(175,621)		(96,225)		(58,467)		(15,923)		(346,236)
Income Before Provision for Income Taxes		75,534		75,010		18,177		91,494		260,215
Provision for Income Taxes		(27,947)		(22,273)		(6,726)		(19,327)		(76,273)
Net Income	\$	47,587	\$	52,737	\$	11,451	\$	72,167	\$	183,942
									_	
Total Assets as of December 31, 2010	\$	3,078,747	\$	2,244,788	\$	196,466	\$	7,606,786	\$	13,126,787
Year Ended December 31, 2009										
Net Interest Income	\$	215,431	\$	161,356	\$	16,933	\$	18,614	\$	412,334
Provision for Credit Losses	•	56,807	•	49,308	•	2.073	•	(310)	-	107,878
Net Interest Income After Provision for		20,00.	_	,				(= = = 7		
Credit Losses		158,624		112,048		14,860		18,924		304,456
Noninterest Income		103,048		68,098		57,732		38,930		267,808
Noninterest Expense		(173,969)		(104,182)		(64,085)		(7,788)		(350,024)
Income Before Provision for Income Taxes		87,703		75,964		8,507		50,066		222,240
Provision for Income Taxes		(32,532)		(30,673)		(3,148)		(11,854)		(78,207)
Net Income	\$	55,171	\$	45,291	\$	5,359	\$	38,212	\$	144,033
Total Assets as of December 31, 2009	\$	3,341,880	\$	2,464,072	\$	212,145	\$		\$	12,414,827

Note 14. Employee Benefits

The Company has defined contribution plans, defined benefit plans, and a postretirement benefit plan.

Defined Contribution Plans

The Bank of Hawaii Retirement Savings Plan (the "Savings Plan") has three Company contribution components in addition to employee contributions: 1) 401(k) matching; 2) a 3% fixed amount based on eligible compensation; and 3) a discretionary value-sharing contribution.

Under the 401(k) matching component, participating employees may contribute up to 50% of their eligible compensation (within federal limits) to the Savings Plan. The Company makes matching contributions on behalf of participants equal to \$1.25 for each \$1.00 contributed by participants, up to 2% of the participants' eligible compensation, and \$0.50 for every \$1.00 contributed by participants over 2%, up to 5% of the participants' eligible compensation. A 3% fixed contribution and a discretionary value-sharing contribution, that is linked to the Company's financial goals, are made regardless of whether the participating employee contributes to the Savings Plan and are invested in accordance with the participant's selection of investment options available under the Savings Plan. The Company also has a non-qualified savings plan which covers certain employees with compensation exceeding Internal Revenue Service ("IRS") limits on pay amounts usable in the allocations of Savings Plan benefits. Total expense for all components of the Company's defined contribution plans was \$11.4 million, \$11.7 million, and \$11.2 million for the years ended December 31, 2011, 2010, and 2009, respectively.

Defined Benefit Plans

The Company has two defined benefit plans (the "Pension Plans"). In 1995, the Company froze its non-contributory, qualified defined benefit retirement plan (the "Retirement Plan") and the excess retirement plan (the "Excess Plan"), which covered employees of the Company and participating subsidiaries who met certain eligibility requirements. Beginning January 1, 2001, the Pension Plans no longer provided for compensation increases in the determination of benefits. The projected benefit obligation is equal to the accumulated benefit obligation due to the frozen status of the plans.

The assets of the Retirement Plan primarily consist of equity and fixed income mutual funds.

The Excess Plan is a non-qualified excess retirement benefit plan which covers certain employees of the Company and participating subsidiaries with compensation exceeding IRS limits on pay amounts applicable to the Pension Plan's benefit formula. The Excess Plan has no plan assets. The Excess Plan's projected benefit obligation and accumulated benefit obligation were \$4.9 million and \$4.8 million as of December 31, 2011 and 2010, respectively.

Postretirement Benefit Plan

The Company's postretirement benefit plan provides retirees with medical and dental insurance coverage. For eligible participants that retired before 2008 and met certain age requirements, the Company and retiree share in the cost of providing postretirement benefits where both the employer and retirees pay a portion of the insurance premiums. Eligible participants who retired before 2008 who did not meet certain age requirements continued on the Company's benefit plans, but pay for their full insurance premiums. Participants who retire on or after January 1, 2008, who have medical or dental coverage under the Company's plans immediately before retirement and meet certain age and years of service requirements as of December 31, 2008 are also eligible to participate in the Company's benefit plans, but must pay for their full insurance premiums. Retirees age 65 and older are provided with a Medicare supplemental plan subsidy. Most employees of the Company who have met certain eligibility requirements are covered by this plan. Participants who retire on or after January 1, 2008 who meet certain age and/or years of service requirements are eligible for the Health Reimbursement Account ("HRA") program. The HRA program provides retirees with an initial credit based on years of service. Thereafter, an annual credit up to a maximum of \$1,200 is provided into the HRA. The retiree may use the HRA for medical, vision, prescription drug and dental premiums, co-payments, and medically necessary health care expenses that are

not covered by any medical or dental insurance program or flexible health spending account. As of December 31, 2011 and 2010, the Company had no segregated assets to provide for postretirement benefits.

The Company settled the retiree life insurance portion of the postretirement benefit obligation in December 2010. The settlement reduced the net periodic benefit cost for the year ended December 31, 2010 by \$1.0 million.

The following table provides a reconciliation of changes in benefit obligation and fair value of plan assets, as well as the funded status recognized in the Company's consolidated statements of condition for the Pension Plans and postretirement benefit plan for the years ended December 31, 2011 and 2010.

		Pension E		Postretirement Benefits				
(dollars in thousands)		2011		2010		2011		2010
Benefit Obligation at Beginning of Year	\$	93,062	\$	88,625	\$	25,658	\$	29,975
Service Cost		-		-		514		460
Interest Cost		5,221		5,226		1,341		1,769
Actuarial Losses (Gains)		8,675		3,048		(762)		3,154
Employer Benefits Paid ¹		(4,216)		(3,837)		(772)		(1,772)
Settlement Paid		-		-		-		(7,928)
Benefit Obligation at End of Year	\$	102,742	\$	93,062	\$	25,979	\$	25,658
Fair Value of Plan Assets at Beginning of Year	\$	87,960	\$	81,234	\$	-	\$	-
Actual Return on Plan Assets		(2,086)		9,115		-		-
Employer Contributions		505		1,448		772		9,700
Employer Benefits Paid ¹		(4,216)		(3,837)		(772)		(1,772)
Settlement Paid		<u>-</u>		-		-		(7,928)
Fair Value of Plan Assets at End of Year	\$	82,163	\$	87,960	\$	-	\$	
Funded Status at End of Year ²	\$	(20,579)	\$	(5,102)	\$	(25,979)	\$	(25,658)

¹ Participants' contributions relative to the postretirement benefit plan were offset against employer benefits paid in the table above. Participants' contributions for postretirement benefits were \$1.1 million for the years ended December 31, 2011 and 2010.

The following presents the amounts recognized in the Company's accumulated other comprehensive income (loss) for the Pension Plans and postretirement benefit plan as of December 31, 2011 and 2010.

_		Pension B	l	Postretirement Benefits				
(dollars in thousands)		2011		2010		2011		2010
Amounts Recognized in Accumulated Other Comprehensive Income (Loss), Net of Tax Net Actuarial Gains (Losses)	\$	(30,484)	\$	(22,153)	\$	1,422	s	1,565
Prior Service Credit		-	•	-	7	1,393	~	1,032
Total Amounts Recognized in Accumulated Other Comprehensive Income (Loss), Net of Tax	\$	(30,484)	\$	(22,153)	\$	2,815	\$	2,597

² Amounts are recognized in Retirement Benefits Payable in the consolidated statements of condition.

Components of net periodic benefit cost for the Company's Pension Plans and the postretirement benefit plan are presented in the following table for the years ended December 31, 2011, 2010, and 2009.

	Po	ension Benefi	Postretirement Benefits				
(dollars in thousands)	2011	2010	2009	2011	2010	2009	
Service Cost	\$ -	\$ -	\$ -	\$ 514	\$ 460	\$ 444	
Interest Cost	5,221	5,226	5,177	1,341	1,769	1,707	
Expected Return on Plan Assets	(6,451)	(6,526)	(5,672)	-	-	-	
Amortization of:							
Prior Service Credit ¹	-	-	-	(322)	(213)	(213)	
Net Actuarial Losses (Gains) 1	3,466	2,988	2,970	(79)	(217)	(420)	
Settlement Gain 1	-			-	(951)		
Net Periodic Benefit Cost	\$ 2,236	\$ 1,688	\$ 2,475	\$ 1,454	\$ 848	\$ 1,518	

¹ Represents reclassification adjustments from accumulated other comprehensive income (loss) during the period.

The estimated net actuarial loss related to the Company's Pension Plans that is expected to be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for the year ending December 31, 2012 is approximately \$1.3 million. There is no net actuarial gain related to the Company's postretirement benefit plan that is expected to be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for the year ending December 31, 2012. The prior service credit related to the Company's postretirement benefit plan that is expected to be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for the year ending December 31, 2012 is approximately \$0.3 million.

Assumptions used to determine the benefit obligations as of December 31, 2011 and 2010 for the Company's Pension Plans and postretirement benefit plan were as follows:

	Pension Benefits		Postretirement Benefit		
	2011	2010	2011	2010	
Weighted Average Assumptions as of December 31: Discount Rate Health Care Cost Trend Rate Assumed For Next Year	5.04%	5.75% -	5.04% 8.00%	5.75% 8.50%	

The health care cost trend rate is assumed to decrease annually, until reaching the ultimate trend rate of 4.5% in 2027.

Assumptions used to determine the net periodic benefit cost for the Company's Pension Plans and postretirement benefit plan for the years ended December 31, 2011, 2010, and 2009 were as follows:

	Pension Benefits			Postret	tretirement Benefits		
	2011	2010	2009	2011	2010	2009	
Weighted Average Assumptions as of December 31:							
Discount Rate	5.75%	6.00%	6.25%	5.75%	6.00%	6.25%	
Expected Long-Term Rate of Return on Plan Assets	8.00%	8.00%	8.00%	-	-		
Health Care Cost Trend Rate	-	-	-	8.50%	9.00%	10.00%	

A combination of factors is used by management in determining the expected long-term rate of return on plan assets. Historical return experience for major asset categories are evaluated and current market factors, such as inflation and interest rates, are considered in determining the expected long-term rate of return assumption.

A one percent change in the health care cost trend rate assumption (with all other assumptions remaining constant) would have impacted the service and interest cost components of the net periodic postretirement benefit cost and the postretirement benefit obligation as of and for the year ended December 31, 2011 as follows:

	One Percent	One Percent
(dollars in thousands)	Increase	Decrease
Effect on the Total of Service and Interest Cost Components of		
Net Periodic Postretirement Benefit Cost	\$ 165	\$ (147)
Effect on the Postretirement Benefit Obligation	2,134	(2,116)

The Company expects to contribute \$5.5 million to the Pension Plans and \$1.3 million to the postretirement benefit plan for the year ending December 31, 2012.

As of December 31, 2011, expected benefits to be paid in each of the next five years and in the aggregate for the five years thereafter are as follows:

(dollars in thousands)	Pension Benefits	Postretirement Benefits		
2012	\$ 4,987	\$ 1,265		
2013	5,401	1,346		
2014	5,955	1,423		
2015	6,284	1,542		
2016	6,560	1,718		
Years 2017-2021	35,848	9,381		

Retirement Plan Assets

The Company's overall investment strategy is to maintain the purchasing power of the current assets and all future contributions by producing positive rates of return on plan assets; achieve capital growth towards the attainment of full funding of the Retirement Plan's termination liability; maximize returns within reasonable and prudent levels of risk; and control costs of administering the plan and managing the investments. The long-term investment objective is to achieve an overall annualized total return, gross of fees, above the blended benchmark index comprised of 45% S&P 500 Index, 15% MSCI EAFE Index, and 40% Barclays Capital Aggregate Bond Index.

Subject to liquidity requirements, the asset allocation targets are 45% for equity securities, 55% for fixed income securities with a 20% plus or minus from the strategic targets, and zero to 20% for cash. Within the equity securities portfolio, the range for domestic securities is from 60% to 100% and the range for international securities is from 0% to 40%. All assets selected for the Retirement Plan must have a readily ascertainable market value and must be readily marketable.

Due to market fluctuations or cash flows, the allocation limits for each asset class may be breached by as much as plus or minus 5%. Such situations are acceptable on a temporary basis, but asset allocation is expected to conform to range limits within 90 days of such an occurrence.

The fair values of the Retirement Plan assets as of December 31, 2011 and 2010 by asset category were as follows:

			Fair Va	lue	Measurements				
Asset Category (dollars in thousands)	Quoted P Active Mar Identical (I	kets for	Significant Othe Observabl Input (Level 2	e ts	Significant Other Unobservable Inputs (Level 3)	Γ	Total as of Dec. 31, 2011	D	Total as of ec. 31, 2010
Cash	\$	1,380	\$	-	\$ -	\$	1,380	\$	1,297
Equity Security - Mutual Funds:									
Large-Cap		6,810		-	-		6,810		18,600
Mid-Cap		2,846		-	-		2,846		3,152
Small-Cap		2,923		-	-		2,923		3,186
Mixed-Cap		16,042		-	-		16,042		6,421
International		9,630		-	-		9,630		12,003
Emerging Market		5,123		-	-		5,123		5,467
Fixed Income - Mutual Funds		37,409		-	-		37,409		37,834
Total	\$	82,163	\$	-	\$ -	\$	82,163	\$	87,960

Quoted prices for these investments were available in active markets, and therefore were classified as Level 1 measurements in the fair value hierarchy.

Note 15. Share-Based Compensation

The Company has share-based compensation plans which allow grants of stock options, restricted stock, stock appreciation rights, and restricted stock units to its employees and non-employee directors. The Company's employee stock option plans are shareholder approved and administered by the Human Resources and Compensation Committee of the Board of Directors. Stock options provide grantees the option to purchase shares of the Parent's common stock at a specified exercise price and, generally, expire ten years from the date of grant. Stock option grants include incentive and nonqualified stock options whose vesting may be based on a service period and/or Company performance measures. Stock option exercise prices were equal to the quoted market price of the Parent's common stock on the date of grant. Restricted stock provides grantees with rights to shares of common stock upon completion of a service period or achievement of Company performance measures. During the restriction period, all shares are considered outstanding and dividends are paid on the restricted stock. Generally, restricted stock vests over periods ranging from one to five years from the date of grant, although accelerated vesting was provided for in certain grants, based on the attainment of defined Company performance measures. Restricted stock is forfeited if an employee terminates prior to vesting.

As of December 31, 2011, total shares authorized under the plans were 4.7 million shares, of which 3.2 million shares were available for future grants of stock options or restricted stock.

The Company recognizes compensation expense, measured as the fair value of the share-based award on the date of grant, on a straight-line basis over the vesting period. Share-based compensation is recorded in the statements of income as a component of salaries and benefits for employees and as a component of other noninterest expense for non-employee directors, with a corresponding increase to capital surplus in shareholders' equity. For the years ended December 31, 2011, 2010, and 2009, compensation expense and the related income tax benefit recognized for all share-based awards were as follows:

(dollars in thousands)	2011	2010	2009
Compensation Expense	\$ 6,216	\$ 3,841	\$ 3,552
Income Tax Benefit	2,668	1,648	1,560

Stock Options

Stock options granted to employees during the year ended December 31, 2011 were fully vested as of December 31, 2011. There were no stock options granted for the years ended December 31, 2010 and 2009.

The Company used the Black-Scholes option pricing model to estimate the fair value of stock options granted. The weighted average fair value of stock option grants and the assumptions that were used in calculating such fair values were based on estimates at the date of grant as follows:

	2011
Weighted Average Fair Value of Stock Options	
Granted During the Year	\$ 10.47
Stock Options Granted During the Year	341,629
Assumptions:	
Average Risk-Free Interest Rate	0.96%
Average Expected Volatility	39.94%
Expected Dividend Yield	3.87%
Expected Life	5.22 years

The Company reissues treasury stock to satisfy stock option exercises.

The following table presents the activity related to stock options under all plans for the year ended December 31, 2011.

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Stock Options Outstanding as of January 1, 2011	913,618	\$ 36.18		
Granted	341,629	42.22		
Exercised	(217,818)	27.75		
Expired	(16,239)	43.56		
Stock Options Outstanding as of December 31, 2011	1,021,190	39.88	4.7	\$ 6,043
Stock Options Vested and Exercisable as of December 31, 2011	679,561	38.71	2.0	5,267

The following summarizes certain stock option activity of the Company for the years ended December 31, 2011, 2010, and 2009:

(dollars in thousands)	2011	2010	2009
Intrinsic Value of Stock Options Exercised	\$ 3,790	\$ 9,507	\$ 1,688
Cash Received from Stock Options Exercised	6,044	9,628	2,736
Tax Benefits Realized from Stock Options Exercised	888	2,983	278
Total Fair Value of Stock Options that Vested	3,578	-	96

Restricted Stock

As of December 31, 2011, unrecognized compensation cost related to unvested restricted stock was \$1.3 million. The unrecognized compensation cost is expected to be recognized over a weighted average period of 1.5 years.

The following table presents the activity for restricted stock for all plans.

	Number of Shares	Weighted Average Grant Date Fair Value	Grant Date Fair Value of Restricted Stock that Vested During the Year (in thousands)
Unvested as of December 31, 2008	225,995	\$ 52.05	
Granted	10,129	36.26	
Vested	(90,382)	52.21	\$ 4,719
Forfeited	(1,777)	51.78	
Unvested as of December 31, 2009	143,965	\$ 50.84	
Granted	88,404	52.50	
Vested	(104,128)	50.40	\$ 5,248
Forfeited	(1,356)	53.42	
Unvested as of December 31, 2010	126,885	\$ 52.34	
Granted	20,831	47.58	
Vested	(65,226)	52.28	\$ 3,410
Forfeited	(1,648)	52.69	
Unvested as of December 31, 2011	80,842	\$ 51.15	

Note 16. Income Taxes

Provision for Income Taxes

The components of the Company's provision for income taxes for the years ended December 31, 2011, 2010, and 2009 were as follows:

(dollars in thousands)	2011	2010	2009
Current:			
Federal	\$ 60,371	\$ 78,888	\$ 102,175
State	3,995	12,809	14,830
Foreign	2,373	3,231	2,358
Total Current	66,739	94,928	119,363
Deferred:			
Federal	1,254	(19,102)	(35,959)
State	(1,056)	447	(5,197)
Total Deferred	198	(18,655)	(41,156)
Provision for Income Taxes	\$ 66,937	\$ 76,273	\$ 78,207

The tax effects of fair value adjustments on investment securities available-for-sale, the minimum pension liability adjustment, and tax benefits related to stock options are recorded directly to consolidated shareholders' equity. The net tax charge recorded directly to consolidated shareholders' equity was \$4.6 million, \$10.8 million, and \$21.5 million for the years ended December 31, 2011, 2010, and 2009, respectively.

Deferred Tax Liabilities and Assets

As of December 31, 2011 and 2010, significant components of the Company's deferred tax liabilities and assets were as follows:

(dollars in thousands)	 2011	2010
Deferred Tax Liabilities:		
Accrued Pension Cost	\$ (14,648)	\$ (13,405)
Federal Home Loan Bank Stock	(9,898)	(9,898)
Lease Transactions	(125,472)	(136,006)
Net Unrealized Gains on Investments Securities Available-for-Sale	(40,847)	(30,202)
Deferred Loan Fees	(2,682)	(2,327)
Originated Mortgage Servicing Rights	(6,693)	(7,289)
Other	 (518)	 (78)
Gross Deferred Tax Liabilities	(200,758)	(199,205)
Deferred Tax Assets:		
Accelerated Depreciation	8,772	9,610
Allowance for Loan Losses	47,843	51,637
Minimum Pension Liability	17,981	12,709
Accrued Expenses	16,103	17,006
Postretirement Benefit Obligations	12,124	11,793
Capital Lease Expenses	3,087	3,031
Restricted Stock	2,706	1,599
Investment in Unincorporated Entities	6,546	11,327
Deductible State and Local Taxes	10,225	13,132
Other	 5,218	5,877
Gross Deferred Tax Assets Before Valuation Allowance	130,605	137,721
Valuation Allowance	 (4,433)	 (7,359)
Gross Deferred Tax Assets After Valuation Allowance	126,172	 130,362
Net Deferred Tax Liabilities	\$ (74,586)	\$ (68,843)

Both positive and negative evidence was considered by management in determining the need for a valuation allowance. Negative evidence included the uncertainty regarding the generation of capital gains in future years and restrictions on the ability to sell low-income housing investments during periods when carrybacks of capital losses are allowed. Positive evidence included capital gains in the current year and carryback years. After considering all available evidence, management determined that a valuation allowance to offset deferred tax assets related to low-income housing investments that can only be used to offset capital gains was appropriate. Management determined that a valuation allowance was not required for the remaining deferred tax assets because it is more likely than not these assets will be realized through future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences, and taxable income in prior carryback years.

Certain events covered by Internal Revenue Code Section 593(e) will trigger a recapture of base year reserves of acquired thrift institutions. The base year reserves of acquired thrift institutions would be recaptured if an entity ceases to qualify as a bank for federal income tax purposes. The base year reserves of thrift institutions also remain subject to income tax penalty provisions that, in general, require recapture upon certain stock redemptions of, and excess distributions to, stockholders. As of December 31, 2011, retained earnings included approximately \$18.2 million of base year reserves for which the deferred federal income tax liability of \$7.2 million has not been recognized.

Effective Tax Rate

The following is a reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended December 31, 2011, 2010, and 2009:

	2011	2010	2009
Statutory Federal Income Tax Rate	35.00 %	35.00 %	35.00 %
Increase (Decrease) in Income Tax Rate Resulting From:			
State Taxes, Net of Federal Income Tax	0.71	4.42	3.09
Tax Reserve Adjustments	(2.21)	(6.58)	(0.81)
Leveraged Leases	0.05	(1.31)	(0.69)
Low-Income Housing Investments	(1.55)	(1.18)	0.27
Bank-Owned Life Insurance	(0.97)	(0.86)	(1.12)
Other	(1.54)	(0.18)	(0.55)
Effective Tax Rate	29.49 %	29.31 %	35.19 %

Lease In-Lease Out ("LILO") and Sale In-Lease Out ("SILO") Transactions

During the years 1998 through 2002, the Company entered into one leveraged lease transaction known as a LILO transaction and five leveraged lease transactions known as SILO transactions. In June 2007, the Company reached an agreement with the IRS to effectively settle the matter related to the LILO transaction. In August 2008, the IRS publicly released a general settlement initiative for identified participants, including the Company, in LILO and SILO transactions that would disallow 80% of previously claimed income tax deductions through December 31, 2007 but offered relief from penalties that might have otherwise been imposed. In October 2008, the Company accepted the settlement initiative from the IRS related to the SILO transactions. In February 2009, the Company signed a closing agreement with the IRS with respect to four of the five SILO transactions. This resulted in a nominal adjustment to lease financing interest income and the provision for income taxes. In December 2009, the Company signed a closing agreement with the IRS with respect to the one remaining SILO transaction. This resulted in the Company recording a \$1.7 million credit to the provision for income taxes to adjust liability accounts.

In June 2010, the Company signed a formal settlement agreement with the IRS related to tax years 1999 through 2006, which had been held open for the LILO and SILO transactions. In December 2010, the Company filed amended State of Hawaii income tax returns for 1998 - 2006, which included adjustments related to the formal settlement of the LILO and SILO transactions. Concurrently, the Company reduced current taxes payable by \$61.1 million and recorded a corresponding decrease in federal and state tax deposits, recorded as a component of other assets in the statements of condition. The Company also recorded a \$7.7 million credit to the provision for income taxes for the release of related reserves. In December 2011, the IRS finalized interest calculations related to tax years 1998 - 2006. Concurrently, the Company recorded a \$16.3 million decrease in federal tax deposits, a \$7.5 million decrease in current taxes payable, and received a cash refund from the IRS of \$8.8 million.

Management expects to settle remaining issues related to interest due to the State of Hawaii in 2012. The interest settlement will be made from the remaining \$6.1 million in tax deposits placed with the State of Hawaii.

Unrecognized Tax Benefits

The Company is required to record a liability, referred to as an unrecognized tax benefit ("UTB"), for the entire amount of benefit taken in a prior or future income tax return when the Company determines that a tax position has a less than 50% likelihood of being accepted by the taxing authority. The following presents a reconciliation of the Company's liability for UTBs for the years ended December 31, 2011 and 2010:

(dollars in thousands)	2011	2010
Unrecognized Tax Benefits at Beginning of Year	\$ 22,980	\$ 16,400
Gross Increases, Related to Tax Positions Taken in a Prior Period	725	8,520
Gross Increases, Related to Current Period Tax Positions	-	300
Settlement with Taxing Authority	(1,889)	-
Lapse of Statute of Limitations	(8,183)	(2,240)
Unrecognized Tax Benefits at End of Year	\$ 13,633	\$ 22,980

As of December 31, 2011 and 2010, all of the \$13.6 million and \$23.0 million, respectively, in liabilities for UTBs was related to UTBs that if reversed would have an impact on the Company's effective tax rate.

Management believes that it is reasonably possible that the Company's liability for UTBs could significantly decrease as a result of the expiration of statutes of limitations and potential settlements with taxing authorities within the next 12 months. However, management is currently not able to estimate a range of possible change in the amount of the liability for UTBs recorded as of December 31, 2011.

The Company classifies interest and penalties, if any, related to the liability for UTBs as a component of the provision for income taxes. For the years ended December 31, 2011, 2010, and 2009, the Company recorded a net tax benefit of \$2.6 million, a provision of \$2.2 million, and a net tax benefit of \$0.3 million, respectively, for interest and penalties. As of December 31, 2011 and 2010, the Company had accrued \$2.6 million and \$5.2 million, respectively, for the payment of possible interest and penalties.

The Company's federal income tax returns for 2007 through 2010 remain subject to examination by the IRS. The State of Hawaii is currently in the process of examining state income tax returns filed for 2003 through 2006. The Company's State of Hawaii income tax returns for 2003 through 2010 remain subject to examination by the taxing authorities.

Note 17. Derivative Financial Instruments

The notional amount and fair value of the Company's derivative financial instruments as of December 31, 2011 and 2010 were as follows:

(dollars in thousands)	December 31	, 2011	December 31, 2010			
	Notional Amount	Fair Value	Notional Amount	Fair Value		
Interest Rate Lock Commitments	\$ 62,459	\$ 2,334	\$ 117,735	\$ (117)		
Forward Commitments	62,819	(938)	109,578	2,959		
Interest Rate Swap Agreements						
Receive Fixed/Pay Variable Swaps	259,218	35,503	247,816	25,982		
Pay Fixed/Receive Variable Swaps	259,218	(35,779)	247,816	(26,197)		
Foreign Exchange Contracts						
Buy	27,459	194	35,022	220		
Sell	9,571	(61)	25,770	(62)		

The following table presents the Company's derivative financial instruments, their fair values, and balance sheet location as of December 31, 2011 and 2010:

		December 31, 2011				December 31, 2010				
Derivative Financial Instruments Not Designated as Hedging Instruments ¹ (dollars in thousands)	Dei	Asset rivatives		iability ivatives	Der	Asset ivatives		iability ivatives		
Interest Rate Lock Commitments	\$	2,344	\$	10	\$	1,531	\$	1,648		
Forward Commitments		8		946		3,114		155		
Interest Rate Swap Agreements		35,503		35,779		25,982		26,197		
Foreign Exchange Contracts		230		97		264		106		
Total	\$	38,085	\$	36,832	\$	30,891	\$	28,106		

Asset derivatives are included in other assets and liability derivatives are included in other liabilities in the consolidated statements of condition.

The following table presents the Company's derivative financial instruments and the amount and location of the net gains or losses recognized in the statements of income for the years ended December 31, 2011, 2010, and 2009:

Derivative Financial Instruments Not Designated	Location of Net Gains (Losses) Recognized in the		Year Ended December 31,					
as Hedging Instruments (dollars in thousands)	Statement of Income		2011		2010		2009	
Interest Rate Lock Commitments	Mortgage Banking	\$	14,091	\$	15,007	\$	13,221	
Forward Commitments	Mortgage Banking		(4,735)		1,227		1,746	
Interest Rate Swap Agreements	Other Noninterest Income		309		282		1,093	
Foreign Exchange Contracts	Other Noninterest Income		3,120		2,994		2,895	
Total		\$	12,785	\$	19,510	\$	18,955	

Management has received authorization from the Bank's Board of Directors to use derivative financial instruments as an end-user in connection with its risk management activities and to accommodate the needs of its customers. As with any financial instrument, derivative financial instruments have inherent risks. Market risk is defined as the risk of adverse financial impact due to fluctuations in interest rates, foreign exchange rates, and equity prices. Market risks associated with derivative financial instruments are balanced with the expected returns to enhance earnings performance and shareholder value, while limiting the volatility of each. The Company uses various processes to monitor its overall market risk exposure, including sensitivity analysis, value-at-risk calculations, and other methodologies.

Derivative financial instruments are also subject to credit and counterparty risk, which is defined as the risk of financial loss if a borrower or counterparty is either unable or unwilling to repay borrowings or settle a transaction in accordance with the underlying contractual terms. Credit and counterparty risks associated with derivative financial instruments are similar to those relating to traditional financial instruments. The Company manages derivative credit and counterparty risk by evaluating the creditworthiness of each borrower or counterparty, adhering to the same credit approval process used for commercial lending activities.

Derivative financial instruments are required to be carried at their fair value on the Company's consolidated statements of condition. As of December 31, 2011 and 2010, the Company did not designate any derivative financial instruments as formal hedging relationships. The Bank's free-standing derivative financial instruments have been recorded at fair value on the Company's consolidated statements of condition. These financial instruments have been limited to interest rate lock commitments ("IRLCs"), forward commitments, interest rate swap agreements, and foreign exchange contracts.

The Company enters IRLCs for residential mortgage loans which commit us to lend funds to a potential borrower at a specific interest rate and within a specified period of time. IRLCs that relate to the origination of mortgage loans that will be held for sale are considered derivative instruments under applicable accounting guidance. Outstanding IRLCs expose the Company to the risk that the price of the mortgage loans underlying the commitments may decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. To mitigate this risk, the Company utilizes forward commitments as economic hedges against the potential decreases in

the values of the loans held for sale. The IRLCs and forward commitments are free-standing derivatives which are carried at fair value with changes recorded in the mortgage banking component of noninterest income in the Company's consolidated statements of income. Changes in the fair value of IRLCs and forward commitments subsequent to inception are based on changes in the fair value of the underlying loan resulting from the fulfillment of the commitment and changes in the probability that the loan will fund within the terms of the commitment, which is affected primarily by changes in interest rates and the passage of time.

The Company enters into interest rate swap agreements to facilitate the risk management strategies of a small number of commercial banking customers. The Company mitigates this risk by entering into equal and offsetting interest rate swap agreements with highly rated third party financial institutions. The interest rate swap agreements are free-standing derivatives which are carried at fair value with changes included in other noninterest income in the Company's consolidated statements of income. The Company is party to master netting arrangements with its institutional counterparties; however, the Company does not offset assets and liabilities under these arrangements for financial statement presentation. Collateral, usually in the form of marketable securities, is posted by the counterparty with liability positions in accordance with contract thresholds. As of December 31, 2011, the Company had net liability positions with its financial institution counterparties totaling \$35.8 million. The collateral posted by the Company for these net liability positions was \$3.6 million.

The Company's interest rate swap agreements with institutional counterparties contain credit-risk-related contingent features relating to the Company's debt ratings or capitalization levels. Under these provisions, if the Company's debt rating falls below investment grade or if the Company's capitalization levels fall below stipulated thresholds, certain counterparties may require immediate and ongoing collateralization on interest rate swaps in net liability positions, or may require immediate settlement of the contracts. The Company maintains debt ratings and capital levels that exceed these minimum requirements.

The Company utilizes foreign exchange contracts to offset risks related to transactions executed on behalf of customers. The foreign exchange contracts are free-standing derivatives which are carried at fair value with changes included in other noninterest income in the Company's consolidated statements of income.

Note 18. Commitments and Contingencies

The Company's credit commitments as of December 31, 2011 were as follows:

(dollars in thousands)	Total
Unfunded Commitments to Extend Credit	\$ 1,975,327
Standby Letters of Credit	74,082
Commercial Letters of Credit	18,486
Total	\$ 2,067,895

Unfunded Commitments to Extend Credit

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

Standby and Commercial Letters of Credit

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally become payable upon the failure of the customer to perform according to the terms of the underlying contract with the third party, while commercial letters of credit are issued specifically to facilitate commerce and typically result in the commitment being drawn on when the underlying transaction is consummated between the customer and a third party. The contractual amount of these letters of credit represents the maximum potential future payments guaranteed by the Company. The Company has

recourse against the customer for any amount it is required to pay to a third party under a standby letter of credit, and holds cash and deposits as collateral on those standby letters of credit for which collateral is deemed necessary. Assets valued at \$36.2 million secured certain specifically identified standby letters of credit as of December 31, 2011. As of December 31, 2011, the standby and commercial letters of credit had remaining terms ranging from 1 to 27 months.

Lease Commitments

A portion of the Company's headquarters' building is leased with a lease term through 2052. The Company leases certain other branch premises and equipment with lease terms extending through 2048. Most of the leases for premises provide for a base rent over a specified period with renewal options thereafter. Portions of certain properties are subleased for periods expiring in various years through 2022. Lease terms generally specify that the Company is to pay for taxes, maintenance, and other operating costs.

Rental expense for all operating leases for the years ended December 31, 2011, 2010, and 2009 were as follows:

(dollars in thousands)	2011	2010	2009
Minimum Rentals	\$ 20,427	\$ 20,187	\$ 18,935
Sublease Rental Income	(5,463)	(5,387)	(5,107)
Total	\$ 14,964	\$ 14,800	\$ 13,828

Future minimum payments for capital leases and non-cancelable operating leases with initial or remaining terms of one year or more consisted of the following as of December 31, 2011:

(dollars in thousands)	Capital Leases	Operating Leases
2012	\$ 665	\$ 14,594
2013	665	12,365
2014	665	10,707
2015	665	9,114
2016	665	8,426
Thereafter	23,923	138,130
Total Future Minimum Lease Payments	27,248	\$ 193,336
Amounts Representing Interest	(18,339)	
Present Value of Net Future Minimum Lease Payments	\$ 8,909	

Minimum future rental income receivable under subleases from non-cancelable operating leases were \$14.8 million as of December 31, 2011.

Technology Services Contract

The Company has a contract with a vendor to provide for technology services related to the Company's core systems and applications through 2014. Under the technology services contract, the Company incurred expenses of \$11.6 million, \$11.4 million, and \$10.7 million for the years ended December 31, 2011, 2010, and 2009, respectively.

The Company's actual payments under the contract will depend, in part, upon future transaction volumes. Based upon estimated future transaction volumes, estimated payments in future years are as follows:

•	11 =00
Ψ	11,739
	11,740
	6,299
\$	29,778
	\$

Legal Proceedings

On February 15, 2011, a purported class action lawsuit was filed in the Circuit Court of the First Circuit, State of Hawaii, by customers who claimed that the Bank had improperly charged overdraft fees on debit card transactions. The lawsuit was similar to industry lawsuits filed against other financial institutions pertaining to overdraft fee debit card transactions. On July 15, 2011, the Company reached a tentative settlement with the plaintiffs subject to documentation and court approvals. The tentative settlement provides for a payment by the Company of \$9.0 million into a class settlement fund, the proceeds of which will be used to refund class members and to pay attorneys' fees and administrative and other costs, in exchange for a complete release of all claims asserted against the Company. As of June 30, 2011, the \$9.0 million tentative settlement amount was fully accrued for by the Company. On September 2, 2011, the court gave its initial approval to the settlement, and on September 19, 2011, the \$9.0 million settlement amount was paid to the Fund Administrator. On February 14, 2012, the court gave its final approval to the settlement.

Contingencies

The Company, along with other members of Visa are parties to Loss and Judgment Sharing Agreements (the "Agreements"), which provide that the Company along with other member banks of Visa, will share, based on its proportionate interest in Visa, in any losses from certain litigation specified in the Agreements. In March 2008, Visa funded an escrow account from its initial public offering to settle claims covered under the Agreements. In connection with the initial public offering, the Company received restricted Class B common stock in Visa. Should the escrow account established by Visa not be sufficient to cover litigation claims specified in the Agreements, Visa is entitled to fund additional amounts to the escrow account by reducing each member bank's Class B conversion ratio to unrestricted Class A shares. As of December 31, 2011, management believes that the Company's indemnification of Visa, related to the costs of these lawsuits, will be sufficiently funded from the escrow account or through future reductions in the conversion ratio.

In addition to the litigation noted above, the Company is subject to various other pending and threatened legal proceedings arising out of the normal course of business or operations. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the most recent information available. On a case-by-case basis, reserves are established for those legal claims for which it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. Based on information currently available, management believes that the eventual outcome of these other actions against the Company will not be materially in excess of such amounts accrued by the Company. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters may be material to the Company's statement of income for any particular period.

Note 19. Fair Value of Assets and Liabilities

The following is a description of the valuation methodologies and key inputs used to measure assets and liabilities recorded at fair value on a recurring basis.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Investment Securities Available-for-Sale

Fair values of investment securities available-for-sale were primarily measured using information from a third-party pricing service. This pricing service provides pricing information by utilizing evaluated pricing models supported with market data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data from market research publications. Level 1 investment securities are comprised of debt securities issued by the U.S. Treasury. As quoted prices were available, unadjusted, for identical securities in active markets, these securities were classified as Level 1 measurements. Level 2 investment securities were primarily comprised of debt securities issued by the Small Business Administration, states and municipalities, corporations, as well as mortgage-backed securities issued by government agencies. Fair values were estimated primarily by obtaining quoted prices for similar assets in active

markets or through the use of pricing models. In cases where there may be limited or less transparent information provided by the Company's third-party pricing service, fair value may be estimated by the use of secondary pricing services or through the use of non-binding third-party broker quotes.

On a quarterly basis, management reviews the pricing information received from the Company's third-party pricing service. This review process includes a comparison to non-binding third-party broker quotes, as well as a review of market-related conditions impacting the information provided by the Company's third-party pricing service. Management primarily identifies investment securities which may have traded in illiquid or inactive markets by identifying instances of a significant decrease in the volume or frequency of trades, relative to historical levels, as well as instances of a significant widening of the bid-ask spread in the brokered markets. Investment securities that are deemed to have been trading in illiquid or inactive markets may require the use of significant unobservable inputs. As of December 31, 2011 and 2010, management did not make adjustments to prices provided by the third-party pricing service as a result of illiquid or inactive markets.

Loans Held for Sale

The fair value of the Company's residential mortgage loans held for sale was determined based on quoted prices for similar loans in active markets, and therefore, is classified as a Level 2 measurement.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active market with readily observable market data. As a result, the Company estimates the fair value of mortgage servicing rights by using a discounted cash flow model to calculate the present value of estimated future net servicing income. The Company stratifies its mortgage servicing portfolio on the basis of loan type. The assumptions used in the discounted cash flow model are those that we believe market participants would use in estimating future net servicing income. Significant assumptions in the valuation of mortgage servicing rights include estimated loan repayment rates, the discount rate, servicing costs, and the timing of cash flows, among other factors. Mortgage servicing rights are classified as Level 3 measurements due to the use of significant unobservable inputs, as well as significant management judgment and estimation.

Other Assets

Other assets recorded at fair value on a recurring basis are primarily comprised of investments related to deferred compensation arrangements. Quoted prices for these investments, primarily in mutual funds, are available in active markets. Thus, the Company's investments related to deferred compensation arrangements are classified as Level 1 measurements in the fair value hierarchy.

Derivative Financial Instruments

Derivative financial instruments recorded at fair value on a recurring basis are comprised of interest rate lock commitments ("IRLCs"), forward commitments, interest rate swap agreements, and foreign exchange contracts. The fair values of IRLCs are calculated using a discounted cash flow approach utilizing inputs such as the fall-out ratio. The fall-out ratio is derived from the Bank's internal data and is adjusted using significant management judgment as to the percentage of loans which are currently in a lock position which will ultimately not close. IRLCs are deemed Level 3 measurements as significant unobservable inputs and management judgment are required. The fair values of forward commitments are deemed Level 2 measurements as they are primarily based on quoted prices from the secondary market based on the settlement date of the contracts, interpolated or extrapolated, if necessary, to estimate a fair value as of the end of the reporting period. The fair values of interest rate swap agreements are also calculated using a discounted cash flow approach and utilize inputs such as the LIBOR swap curve, effective date, maturity date, notional amount, and stated interest rate. Interest rate swap agreements are deemed Level 3 measurements as significant unobservable inputs and management judgment are required. The fair values of foreign exchange contracts are calculated using the Bank's multi-currency accounting system which utilizes contract specific information such as currency, maturity date, contractual amount, and strike price, along with market data information such as the spot rates of specific currency and yield curves. Foreign

exchange contracts are deemed Level 2 measurements because while they are valued using the Bank's multicurrency accounting system, significant management judgment or estimation is not required.

The Company is exposed to credit risk if borrowers or counterparties fail to perform. The Company seeks to minimize credit risk through credit approvals, limits, monitoring procedures, and collateral requirements. The Company generally enters into transactions with borrowers and counterparties that carry high quality credit ratings. Credit risk associated with borrowers or counterparties as well as the Company's non-performance risk is factored into the determination of the fair value of derivative financial instruments.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 and 2010:

(dollars in thousands)	I Mar Identics or L	d Prices n Active rkets for al Assets iabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Unobs	nificant servable Inputs Level 3)	Tota	al_
December 31, 2011							
Investment Securities Available-for-Sale							
Debt Securities Issued by the U.S. Treasury and						0 1 001 01	
Government Agencies	\$	822,508	\$ 408,510	\$	-	\$ 1,231,01	
Debt Securities Issued by States and Political Subdivisions		-	407,059		-	407,05	
Debt Securities Issued by Corporations		-	96,387		-	96,38	5/
Mortgage-Backed Securities Issued by						1 (55 05	
Government Agencies		-	1,655,872		-	1,655,87	
U.S. Government-Sponsored Enterprises			61,549			61,54	
Total Mortgage-Backed Securities		-	1,717,421			1,717,42	
Total Investment Securities Available-for-Sale		822,508	2,629,377		-	3,451,88	
Loans Held for Sale		-	18,957		7 121	18,95	
Mortgage Servicing Rights		-	-		7,131	7,13	
Other Assets		11,082	(005)		2.050	11,08	
Net Derivative Assets and Liabilities			(805)		2,058	1,25)3
Total Assets Measured at Fair Value on a		000 500	A A 647 530	ø	0.100	£ 2.400.20	no '
Recurring Basis as of December 31, 2011	\$	833,590	\$ 2,647,529	\$	9,189	\$ 3,490,30	<u> </u>
December 31, 2010							
Investment Securities Available-for-Sale							
Debt Securities Issued by the U.S. Treasury and							
Government Agencies	\$	553,894	\$ 1,962	\$	-	\$ 555,85	
Debt Securities Issued by States and Political Subdivisions		-	113,609		-	113,60)9
Debt Securities Issued by U.S. Government-Sponsored							
Enterprises		-	505		-	50	05
Mortgage-Backed Securities Issued by							
Government Agencies		-	5,750,028		-	5,750,02	
U.S. Government-Sponsored Enterprises		-	113,876			113,87	
Total Mortgage-Backed Securities		-	5,863,904			5,863,90	
Total Investment Securities Available-for-Sale		553,894	5,979,980			6,533,87	
Mortgage Servicing Rights		-	-		10,226	10,22	
Other Assets		10,851	-		-	10,85	
Net Derivative Assets and Liabilities		-	3,117		(332)	2,78	85_
Total Assets Measured at Fair Value on a				•	0.00:	6.655	2.0
Recurring Basis as of December 31, 2010	\$	564,745	\$ 5,983,097	\$	9,894	\$ 6,557,73	<u> 30</u>

For the years ended December 31, 2011 and 2010, the changes in Level 3 assets and liabilities measured at fair value on a recurring basis were as follows:

(dollars in thousands)	M Servicing	lortgage Rights ¹	Ass	erivative sets and bilities ²		Total
Year Ended December 31, 2011			. ,			
Balance as of January 1, 2011	\$	10,226	\$	(332)	s	9,894
Realized and Unrealized Net Gains (Losses):	•	,	•	(002)	*	,,,,,,
Included in Net Income		(3,095)		14,030		10,935
Transfers to Loans Held for Sale		-		(11,640)		(11,640)
Balance as of December 31, 2011	\$	7,131	\$	2,058	\$	9,189
Total Unrealized Net Gains (Losses) Included in Net Income						
Related to Assets Still Held as of December 31, 2011	\$	(1,521)	\$	2,058	\$	537
Year Ended December 31, 2010						
Balance as of January 1, 2010	\$	15,332	\$	(180)	\$	15,152
Realized and Unrealized Net Gains (Losses):		,	_	()	•	10,102
Included in Net Income		(5,106)		14,956		9,850
Transfers to Loans Held for Sale		-		(15,108)		(15,108)
Balance as of December 31, 2010	\$	10,226	\$	(332)	\$	9,894
Total Unrealized Net Losses Included in Net Income						
Related to Assets Still Held as of December 31, 2010	\$	(2,546)	\$	(332)	\$	(2,878)

Realized and unrealized gains and losses related to mortgage servicing rights are reported as a component of mortgage banking income in the Company's consolidated statements of income.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company may be required periodically to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of lower-of-cost-or-fair value accounting or impairment write-downs of individual assets. For the year ended December 31, 2011, several of the branch premises with a carrying value of \$1.0 million were written down to their fair value of \$0.4 million, resulting in an impairment charge of \$0.6 million, which was included in net occupancy expense for the period. The Company primarily utilized the tax assessed value and other observable market inputs to determine fair market value of the properties, and therefore, is classified as a Level 2 measurement. For the year ended December 31, 2010, there were no material adjustments to fair value for the Company's assets and liabilities measured at fair value on a nonrecurring basis in accordance with GAAP.

Fair Value Option

The Company elected the fair value option for all residential mortgage loans held for sale originated on or after October 1, 2011. This election allows for a more effective offset of the changes in fair values of the loans held for sale and the derivative financial instruments used to economically hedge them without having to apply complex hedge accounting provisions. As noted above, the fair value of the Company's residential mortgage loans held for sale was determined based on quoted prices for similar loans in active markets.

Realized and unrealized gains and losses related to interest rate lock commitments are reported as a component of mortgage banking income in the Company's consolidated statements of income. Realized and unrealized gains and losses related to interest rate swap agreements are recorded as a component of other noninterest income in the Company's consolidated statements of income.

The following table reflects the difference between the aggregate fair value and the aggregate unpaid principal balance of the Company's residential mortgage loans held for sale as of December 31, 2011.

		December 31, 20	11
(dollars in thousands)	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal
Loans Held for Sale	\$ 18.957	\$ 18.088	\$ 869

Changes in the estimated fair value of residential mortgage loans held for sale are reported as a component of mortgage banking income in the Company's consolidated statements of income. For the year ended December 31, 2011, the Company recorded a net gain of \$0.1 million as a result of the change in fair value of the Company's residential mortgage loans held for sale.

Disclosures about Fair Value of Financial Instruments

These disclosures exclude financial instruments that are recorded at fair value on a recurring basis on the Company's consolidated statements of condition as well as short-term financial assets such as cash and cash equivalents, and liabilities such as short-term borrowings, for which the carrying amounts approximate fair value. The assumptions used below are expected to approximate those that market participants would use in valuing these financial instruments.

Investment Securities Held-to-Maturity

The fair value of the Company's investment securities held-to-maturity was primarily measured using information from a third-party pricing service. Quoted prices in active markets were used whenever available. If quoted prices were not available, fair values were measured using pricing models or other valuation techniques such as the present value of future cash flows, adjusted for credit loss assumptions.

Loans Held for Sale

The fair value of the Company's residential mortgage loans held for sale was determined based on quoted prices for similar loans in active markets. As noted above, the Company elected the fair value option for all residential mortgage loans held for sale originated on or after October 1, 2011.

Loans

The fair value of the Company's loans are estimated by discounting the expected future cash flows using the current interest rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans were first segregated by type such as commercial, real estate, and consumer, and were then further segmented into fixed and variable rate and loan quality categories. Expected future cash flows were projected based on contractual cash flows, adjusted for estimated prepayments.

Deposit Liabilities

The fair values of the Company's noninterest-bearing and interest-bearing demand deposits and savings deposits were equal to the amount payable on demand (i.e., their carrying amounts) because these products have no stated maturity. The fair values of the Company's time deposits were estimated using discounted cash flow analyses. The discount rates used were based on rates currently offered for deposits with similar remaining maturities. The fair values of the Company's deposit liabilities do not take into consideration the value of the Company's long-term relationships with depositors, which may have significant value.

Securities Sold Under Agreements to Repurchase

The fair value of the Company's securities sold under agreements to repurchase was calculated using discounted cash flow analyses, applying discount rates currently offered for new agreements with similar remaining maturities and considering the Company's non-performance risk.

Long-Term Debt

The fair value of the Company's long-term debt was calculated using a discounted cash flow approach and applying discount rates currently offered for new notes with similar remaining maturities and considering the Company's non-performance risk.

The following presents the carrying amount and fair values of the Company's financial instruments as of December 31, 2011 and 2010:

December 31		, 2011	December 31	1, 2010		
(dollars in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value		
Financial Instruments – Assets			•			
Investment Securities Held-to-Maturity	\$ 3,657,796	\$ 3,754,206	\$ 127,249	\$ 134,028		
Loans Held for Sale	18,957	18,957	17,564	17,575		
Loans 1	5,098,681	5,373,777	4,861,643	5,115,355		
Financial Instruments - Liabilities						
Deposits	10,592,623	10,603,120	9,888,995	9,901,009		
Securities Sold Under Agreements to Repurchase	1,925,998	2,031,057	1,901,084	2,003,375		
*Long-Term Debt ²	21,787	24,076	23,707	24,590		

¹ Comprised of loans, net of unearned income and the allowance for loan losses.

Note 20. Subsequent Event

Lessee's Exercise of an Early Buy-Out Option

In January 2012, a lessee exercised its early buy-out option on two cargo ship leveraged leases. The exercise of these early buy-out options, recorded in January 2012, resulted in a pre-tax gain of \$3.5 million and an after-tax gain of \$6.2 million.

² Excludes capital lease obligations.

Note 21. Bank of Hawaii Corporation Financial Statements

Condensed financial statements of the Parent were as follows:

Condensed Statements of Income

	Year Ended December 31,				
(dollars in thousands)		2011		2010	2009
Income					
Dividends and Interest from Bank of Hawaii	\$	148,356	\$	110,161	\$ 123,904
Other Income		496		903	462
Total Income		148,852		111,064	124,366
Interest Expense					·
Privately Placed Notes		_		-	145
Total Interest Expense		_		-	145
Noninterest Expense					
Intercompany Salaries and Services		867		1,171	925
Other Expenses		1,349		2,086	3,164
Total Noninterest Expense		2,216		3,257	4,089
Income Before Income Tax Benefit and Equity in					
Undistributed Income of Subsidiaries		146,636		107,807	120,132
Income Tax Benefit		1,855		1,817	2,489
Equity in Undistributed Income of Subsidiaries		11,552		74,318	21,412
Net Income	\$	160,043	\$	183,942	\$ 144,033

Condensed Statements of Condition

(dollars in thousands)	December 31, 2011	December 31, 2010
Assets		
Cash with Bank of Hawaii	\$ 6,822	\$ 5,001
Funds Sold To Bank of Hawaii	61,250	96,109
Goodwill	14,129	14,129
Taxes Receivable and Deferred Taxes	1,896	1,647
Other Assets	7,377	8,221
Equity in Net Assets of Subsidiaries	928,032	902,631
Total Assets	\$ 1,019,506	\$ 1,027,738
Liabilities		
Taxes Payable	\$ 6,236	\$ 6,990
Other Liabilities	10,603	9,615
Total Liabilities	16,839	16,605
Shareholders' Equity	1,002,667	1,011,133
Total Liabilities and Shareholders' Equity	\$ 1,019,506	\$ 1,027,738

Condensed Statements of Cash Flows

	 Year l	Ende	d Decemb	er 3:	1,
(dollars in thousands)	2011		2010		2009
Operating Activities					
Net Income	\$ 160,043	\$	183,942	\$	144,033
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
Share-Based Compensation	(352)		(2,501)		374
Equity in Undistributed Income of Subsidiaries	(11,552)		(74,318)		(21,412)
Net Change in Other Assets and Other Liabilities	1,709		4,390		(700)
Net Cash Provided by Operating Activities	149,848		111,513		122,295
Financing Activities					
Repayments of Long-Term Debt	-		-		(25,000)
Tax Benefits from Share-Based Compensation	889		2,983		278
Proceeds from Issuance of Common Stock	12,660		16,417		9,664
Repurchase of Common Stock	(111,544)		(24,981)		(1,337)
Cash Dividends Paid	(84,891)		(86,823)		(86,236)
Net Cash Used in Financing Activities	(182,886)		(92,404)		(102,631)
Net Change in Cash and Cash Equivalents	(33,038)		19,109		19,664
Cash and Cash Equivalents at Beginning of Period	101,110		82,001		62,337
Cash and Cash Equivalents at End of Period	\$ 68,072	\$	101,110	\$	82,001

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2011. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. 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 December 31, 2011.

Management's Annual Report on Internal Control over Financial Reporting

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

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

Management assessed the Company's internal control over financial reporting as of December 31, 2011. This assessment was based on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Chief Executive Officer and Chief Financial Officer assert that the Company maintained effective internal control over financial reporting as of December 31, 2011 based on the specified criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by Ernst & Young LLP, the independent registered public accounting firm who also has audited the Company's consolidated financial statements included in this Annual Report on Form 10-K. Ernst & Young LLP's attestation report on the Company's internal control over financial reporting appears on the following page and is incorporated by reference herein.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2011 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

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

The Board of Directors and Shareholders Bank of Hawaii Corporation

We have audited Bank of Hawaii Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Bank of Hawaii Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Bank of Hawaii Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of condition of Bank of Hawaii Corporation and subsidiaries as of December 31, 2011 and 2010 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2011 and our report dated February 28, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Honolulu, Hawaii February 28, 2012

Item 9B. Other Information

None.

Part III

Except as otherwise indicated, the following information required by the Instructions to Form 10-K is incorporated herein by reference from various sections of the Bank of Hawaii Corporation Proxy Statement for the annual meeting of shareholders to be filed with the SEC within 120 days after the end of the Company's fiscal year.

Item 10. Directors, Executive Officers and Corporate Governance

"Board of Directors"; "Audit and Risk Committee Report"; and "Section 16(a) Beneficial Ownership Reporting Compliance."

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

The Parent's Board of Directors has determined that Robert Huret and Mark A. Burak, members of the Parent's Audit and Risk Committee, are audit committee financial experts within the meaning of Item 407(d)(5) of Regulation S-K. These audit committee financial experts are independent within the meaning of Section 10A(m)(3) of the Exchange Act and the rules of the New York Stock Exchange.

The Company has adopted a written code of ethics within the meaning of Item 406 of Regulation S-K that applies to the Parent's Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer. A copy of the Code of Ethics for Senior Financial Officers is available on the Company's website, www.boh.com. The Company intends to provide disclosure of any change to, or waiver from, the Company's Code of Ethics for Senior Financial Officers via its website.

Item 11. Executive Compensation

"Corporate Governance – Compensation Committee Interlocks and Insider Participation"; "Director Compensation"; "Compensation Committee Report"; and "Executive Compensation."

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

"Beneficial Ownership" and "Equity Compensation Plan Information."

Item 13. Certain Relationships and Related Transactions, and Director Independence

"Corporate Governance - Director Independence" and "Certain Relationships and Related Transactions."

Item 14. Principal Accounting Fees and Services

Fees paid to the Company's independent registered public accounting firm are disclosed under the caption "Proposal 3: Ratification of Selection of an Independent Registered Public Accounting Firm" and related pre-approval policies are in the Company's Audit and Risk Committee Charter, a copy of which is posted in the Investor Relations section of the Company's website at www.boh.com.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements and Schedules

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

Consolidated Statements of Income - Years ended December 31, 2011, 2010, and 2009

Consolidated Statements of Condition - December 31, 2011 and 2010

Consolidated Statements of Shareholders' Equity - Years ended December 31, 2011, 2010, and 2009

Consolidated Statements of Cash Flows - Years ended December 31, 2011, 2010, and 2009

Notes to Consolidated Financial Statements

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

Exhibit Table

10.12

Exhibit Number 3.1 Certificate of Incorporation of Bank of Hawaii Corporation (f/k/a Pacific Century Financial Corporation and Bancorp Hawaii, Inc.), as amended (incorporated by reference from Exhibit 3.1 to Bank of Hawaii Corporation's Annual Report on Form 10-K for its fiscal year ended December 31, 2005, as filed on February 28, 2006 (the "2005 10-K")). 3.2 Certificate of Amendment of Certificate of Incorporation of Bank of Hawaii Corporation (incorporated by reference from Exhibit 3.1 to Bank of Hawaii Corporation's Current Report on Form 8-K filed on April 30, 2008 (the "April 30, 2008 8-K")). 3.3 Amended and Restated By-Laws of Bank of Hawaii Corporation (incorporated by reference from Exhibit 3.2 to the April 30, 2008 8-K). 4.1 Instruments defining the rights of holders of long-term debt of Bank of Hawaii Corporation and its consolidated subsidiaries are not filed as exhibits because the amount of debt authorized under any such instruments does not exceed 10% of the total assets of Bank of Hawaii Corporation and its consolidated subsidiaries. Bank of Hawaii Corporation agrees to furnish a copy of any such instrument to the Commission upon request. 10.1 Bank of Hawaii Corporation's Executive Incentive Plan, as amended (incorporated by reference from Exhibit 10.2 to the 2005 10-K).* 10.2 Bank of Hawaii Corporation's Executive Base Salary Deferral Plan (incorporated by reference from Exhibit 10.1 to the Bank of Hawaii Corporation's Current Report on Form 8-K filed on December 22, 2005).* 10.3 Bank of Hawaii Corporation's Directors' Deferred Compensation Plan, as amended (incorporated by reference from Exhibit 10.7 to the 2005 10-K).* 10.4 Bank of Hawaii Corporation's Director Stock Compensation Program, as amended (incorporated by reference from Exhibit 10.8 to the 2005 10-K).* 10.5 Bank of Hawaii Corporation's Amended and Restated Director Stock Compensation Plan (incorporated by reference from Appendix B to Bank of Hawaii Corporation's Definitive Proxy Statement on Schedule 14A for the 2005 Annual Meeting of Shareholders filed on March 17, 2005).* 10.6 Bank of Hawaii Corporation's Amended and Restated Director Stock Compensation Plan — Restricted Stock Agreement (incorporated by reference from Exhibit 10.1 to Bank of Hawaii Corporation's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2005, as filed on July 27, 2005 (the "June 30, 2005 10-Q")).* 10.7 Bank of Hawaii Corporation's Amended and Restated Director Stock Compensation Plan - Form of Stock Option Agreement (incorporated by reference from Exhibit 10.2 to the June 30, 2005 10-Q).* 10.8 Bank of Hawaii Corporation's Stock Option Plan of 1994, as amended (incorporated by reference from Exhibit 10.12 to the 2005 10-K).* 10.9 Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan (incorporated by reference from Appendix C to Bank of Hawaii Corporation's Definitive Proxy Statement on Schedule 14A for the 2004 Annual Meeting of Shareholders, as filed on March 18, 2004).* 10.10 Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan — Form of Stock Option Agreement (incorporated by reference from Exhibit 10.14 to the 2005 10-K).* Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan — Form of Service-Based 10.11

Restricted Share Agreement (incorporated by reference from Exhibit 10.15 to the 2005 10-K).*

Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan — Form of Performance-Based Restricted Share Agreement (incorporated by reference from Exhibit 10.16 to the 2005 10-K).*

E-bibis	
Exhibit Number	
10.13	Amendment 2007-1 to the Bank of Hawaii Corporation 2004 Stock and Incentive Compensation Plan (incorporated by reference from Exhibit 10.13 to the Bank of Hawaii Corporation's Annual Report on Form 10-K, as filed on February 25, 2008 (the "2007 10-K")).*
10.14	Amendment 2007-1 to the Bank of Hawaii Corporation Executive Incentive Plan (incorporated by reference from Exhibit 10.16 to the 2007 10-K).*
10.15	Board Resolution for Amendment to the Restricted Stock and Option Awards under the Bank of Hawaii Corporation's Amended and Restated Director Stock Compensation Plan (incorporated by reference from Exhibit 10.1 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on July 28, 2008).*
10.16	Grant to Peter S. Ho (incorporated by reference from Exhibit 10.2 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on December 22, 2008).*
10.17	Bank of Hawaii Corporation's Amended and Restated Change-In-Control Retention Plan, (incorporated by reference from Exhibit 10.1 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on December 18, 2009).*
10.18	Grants to Kent T. Lucien, Mark A. Rossi, and Mary E. Sellers (incorporated by reference from Exhibit 10.2 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on January 19, 2010).*
10.19	Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan –Restricted Stock Grant Agreement – Ho - (incorporated by reference from Exhibit 10.1 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on April 28, 2010).*
10.20	Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan – Form of Restricted Stock Grant Agreement – Lucien, Rossi & Sellers (incorporated by reference from Exhibit 10.2 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on April 28, 2010).*
10.21	Agreement with Kent T. Lucien (incorporated by reference from Exhibit 10.2 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on July 6, 2010).*
10.22	Amendment 2010-1 to the Bank of Hawaii Corporation Executive Incentive Plan (incorporated by reference from Exhibit 10.1 to the Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on July 26, 2010).*
10.23	Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan – Form of 2011 Restricted Stock Grant Agreement – Ho, Rossi & Sellers (incorporated by reference from Exhibit 10.1 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on December 20, 2010).*
10.24	Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan – Form of 2011 Restricted Stock Grant Agreement – Lucien (incorporated by reference from Exhibit 10.2 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on December 20, 2010).*
10.25	Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan – Share Appreciation Program (incorporated by reference from Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on March 29, 2011).*
10.26	Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan –Share Appreciation Replacement Program (incorporated by reference from Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on November 22, 2011).*
10.27	Amendment to Agreement with Kent T. Lucien (incorporated by reference from Exhibit 10.1 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on January 23, 2012).*
10.28	Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan - Form of 2012 Restricted Stock Grant Agreement (incorporated by reference from Exhibit 10.2 to Bank of Hawaii Corporation's Current Report on Form 8-K, as filed on January 23, 2012).*
10.29	Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan - Form of 2012 Restricted

of Hawaii Corporation's Current Report on Form 8-K, as filed on January 23, 2012).*

Stock In Lieu Of Base Salary Grant Agreement (incorporated by reference from Exhibit 10.3 to Bank

Exhibit Number	
10.30	Bank of Hawaii Corporation's 2004 Stock and Incentive Compensation Plan – Form of 2012 Nonqualified Stock Option Grant Agreement (incorporated by reference from Exhibit 10.4 to Bank of Hawaii Corporation's Current Report on From 8-K, as filed on January 23, 2012).*
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification on Chief Executive Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data File.

^{*} Management contract or compensatory plan or arrangement.

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

Signatures

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

Date: February 28, 2012 Bank of Hawaii Corporation

By: /s/ Peter S. Ho

Peter S. Ho Chairman of the Board, Chief Executive Officer, and

President

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

Date: February 28, 2012

/s/ Peter S. Ho	/s/ S. Haunani Apoliona		
Peter S. Ho Chairman of the Board, Chief Executive Officer, and President	S. Haunani Apoliona, Director		
/s/ Mary G. F. Bitterman	/s/ Mark A. Burak		
Mary G. F. Bitterman, Director	Mark A. Burak, Director		
/s/ Michael J. Chun	/s/ Clinton R. Churchill		
Michael J. Chun, Director	Clinton R. Churchill, Director		
/s/ David A. Heenan	/s/ Robert Huret		
David A. Heenan, Director	Robert Huret, Director		
/s/ Kent T. Lucien	/s/ Martin A. Stein		
Kent T. Lucien, Director and Chief Financial Officer	Martin A. Stein, Director		
/s/ Donald M. Takaki	/s/ Barbara J. Tanabe		
Donald M. Takaki, Director	Barbara J. Tanabe, Director		
/s/ Robert W. Wo	/s/ Derek J. Norris		
Robert W. Wo Director	Derek J. Norris Principal Accounting Officer		

Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934

I, Peter S. Ho, certify that:

- 1. I have reviewed this annual report on Form 10-K of Bank of Hawaii Corporation;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit and risk committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2012

Peter S. Ho Chairman of the Board, Chief Executive Officer, and President

/s/ Peter S. Ho

Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934

I, Kent T. Lucien, certify that:

- 1. I have reviewed this annual report on Form 10-K of Bank of Hawaii Corporation;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit and risk committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2012

/s/ Kent T. Lucien

Kent T. Lucien

Chief Financial Officer

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, 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 Annual Report on Form 10-K of Bank of Hawaii Corporation for the year ended December 31, 2011 (the "Annual Report"):

- fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Bank of Hawaii Corporation.

Date: February 28, 2012

/s/ Peter S. Ho

Peter S. Ho Chairman of the Board, Chief Executive Officer, and President

/s/ Kent T. Lucien

Kent T. Lucien 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 Annual Report or as a separate disclosure document.

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2011 FINANCIAL SUMMARY

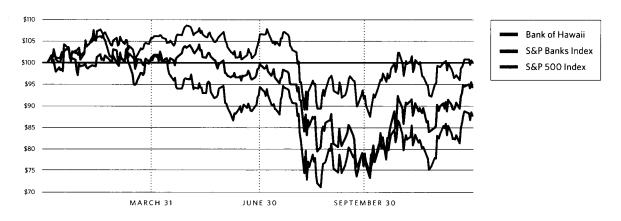
Bank of Hawaii Corporation and Subsidiaries (dollars in thousands, except per-share amounts)

Washington, DC

		123
2011		2010
\$ 160,043	\$	183,942
3.40		3.83
3.39		3.80
1.80		1.80
1.22%		1.45%
15.69%		18.16%
3.13%		3.41%
59.23%		52.32%
\$ 44.49	\$	47.21
\$ 49.26	\$	54.10
\$ 34.50	\$	41.60
\$ 5,538,304	\$	5,335,792
13,846,391		13,126,787
10,592,623		9,888,995
1,002,667		1,011,133
\$ 21.82	\$	21.02
2.50%		2.76%
2,370		2,399
81		82
\$ 39,229	\$	40,578
O.85		0.84
O.85		O.84
1.17%		1.24%
15.23%		15.O8%
3.04%		3.15%
60.42%		60.05%
\$ \$ \$	\$ 16O,O43 3.4O 3.39 1.8O 1.22% 15.69% 3.13% 59.23% \$ 44.49 \$ 49.26 \$ 34.5O \$ 5,538,3O4 13,846,391 10,592,623 1,0O2,667 \$ 21.82 2.5O% 2.37O 81 \$ 39,229 O.85 O.85 O.85 O.85 1.17% 15.23% 3.O4%	\$ 160,043 3.40 3.39 1.80 1.22% 15.69% 3.13% 59.23% \$ 44.49 \$ 49.26 \$ 34.50 \$ 34.50 \$ 5.538,304 13,846,391 10.592,623 1,002,667 \$ 21.82 2.50% 2.370 81 \$ 39,229 0.85 0.85 0.85 1.17% 15.23% 3.04%

¹ Net interest margin is defined as net interest income, on a taxable equivalent basis, as a percentage of average earning assets.

2011 RELATIVE PRICE PERFORMANCE



² Efficiency ratio is defined as noninterest expense divided by total revenue (net interest income and total noninterest income).

Dear fellow shareholders:

I want to thank you for your continued interest and support of Bank of Hawaii. In the following paragraphs, I'll give you a snapshot of how we performed financially in 2011. I'll then follow with an assessment of how we served our key stakeholders in 2011, namely our shareholders, customers, employees and community. In our view, having a shared and compatible vision for each of these key groups is essential to building value at Bank of Hawaii and to remaining successful in an increasingly challenging environment.

2011 was yet another dynamic year for our economy and our industry. The local Hawaii economy, while showing signs of improvement, remains sluggish albeit stable. Consumer demand and commercial investment activity were muted. Our outlook for the coming year is for economic improvement to continue, although at a slow pace.

The banking industry continues to evolve through regulatory transition with challenges such as Dodd-Frank, Regulation E, and the Durbin Amendment meaningfully impacting revenues for the industry. The interest rate environment has been affected not just by normal market forces but also by policy dynamics such as Quantitative Easing I and II. This too has challenged bank earnings.

Through this environment, Bank of Hawaii performed solidly in 2011. Fully diluted earnings per share for the year were \$3.39. While this is lower than what was achieved in 2010, I would note that 2011 results were achieved absent \$42.8 million in one-time securities gains recorded in 2010 and the continuing and increasing negative fee income impact from Regulation E and the Durbin Amendment. Our return on average assets and return on average shareholders' equity were 1.17% and 15.23% respectively.

Loan balances grew 3.8% in 2011 to \$5.5 billion. This growth was led by strong commercial and residential mortgage volume and emerging consumer lending growth. The Bank of Hawaii brand continued to perform well in 2011 as evidenced by 9.8% growth in consumer checking accounts and 4.2% growth in business checking accounts. Total deposits grew 7.1% to \$10.6 billion.

Our capital position at the end of 2011 stood at \$1.0 billion. By nearly all measures, our capital levels significantly exceed regulatory requirements. We maintained our dividend at \$1.80 per share for 2011.

Our Shareholders:

Building shareholder value over time is a central imperative for Bank of Hawaii. We manage the company conservatively, for long-term shareholder value creation and for long-term shareholder return. Risk-adjusted return on capital is the overriding measuring tool we use in our investing and operating activities. We believe that it is these principles, in part, that have enabled us to consistently rate near the top of our peers in such categories as return on average assets, return on average shareholders' equity and the ratio of stock price to book value per share.

Active capital management is also an important element of our overall value strategy at Bank of Hawaii. Our common dividend has grown over time. More important, however, is the consistency of our dividends. We've paid a dividend to our shareholders for nearly 70 consecutive years. Augmenting our dividend program has been our share repurchase activity. Since 2001, we have repurchased 48.5 million shares liberating over \$1.7 billion in capital back to our shareholders at an average cost of \$35.98 per share.

Our Customers:

As a financial services business, our value is based on providing customers with convenient, effective and sound banking and investment products and services. We have measured our customers' impressions of customer service and overall customer satisfaction for many years now. In 2011, we were pleased to see customer service and overall customer satisfaction levels reach record levels.

The way our customers bank is changing and much of that change is being driven by the need for greater convenience and reliance on technology. Online and mobile banking are growing rapidly in popularity. We have worked hard to improve our online experience. Bank of Hawaii was the first bank in Hawaii to provide a mobile banking offering for iPhone users. Recently, we expanded our mobile banking offerings to also include Android and Blackberry customers.

We recognize that the traditional branch environment remains a popular alternative for many of our Bank of Hawaii customers. In 2011, we opened three new branches. In 2012 we will add additional branches with a goal of providing greater convenience to meet our customers' changing needs. Aligning the convenience needs of our customers today and into the future with prudent capital planning is a major imperative for Bank of Hawaii.

Our Employees:

Our employees are our greatest resource at Bank of Hawaii. They are truly the crown jewel of our franchise. Our success—past, present and future—depends on retaining and hiring the finest financial services professionals in our marketplace. In 2011, we launched a new employee program called *Grow, Connect and Thrive* focused on improving the employee experience at Bank of Hawaii. The core of the program centers on the notion that talented people work for more than just a paycheck.

The workplace, as a center for social connection, personal development and life skills building, is an important element of employee satisfaction. Grow, Connect and Thrive, through 116 separate programs, focuses on those nonfinancial attributes of working at Bank of Hawaii.

Much has been written on the needs and complexion of the 21st century workforce. We see this workforce as one confronted with a world that is more complex, ever changing and more competitive than ever. Training and development will be critical to succeeding in this environment. In response to this reality, in 2011 we opened our Center For Excellence training center at our downtown headquarters.

The Center houses 16,000 square feet of training and development space for our employees. The space utilizes the latest in computer and audio-visual capabilities and also houses our teller training and support area. We believe this new facility supports the learning capacity we will need to provide the requisite resources necessary to keeping our team on the cutting edge in the coming years.

Our Community:

Our strength as a community bank is directly linked to the strength of the communities we serve. Providing leadership and support (financial and otherwise) is truly a strategic imperative of Bank of Hawaii.

In 2011, 2,015 of our employees participated in one or more community support events. That is a staggering 82% of our overall workforce and a number that I am quite proud of. We held 50 community support events during the year. We conducted 123 Smart Money Seminars in 2011 covering topics ranging from basic budgeting to elder fraud.

In 2011, we were again rated *Outstanding* for our Community Reinvestment Act activities by the Federal Reserve Bank. This is the seventh consecutive *Outstanding* ranking for Bank of Hawaii. Also in 2011, we were named SBA small business lender of the year. Further highlighting our commitment to our markets, in 2011 Bank of Hawaii recorded more mortgages than any other financial institution in the Hawaii market.

Concluding Thoughts:

As I mentioned earlier, the business and economic environment remains as challenging as ever. Despite these challenges, in 2011 Bank of Hawaii demonstrated the ability to deliver meaningful results for each of our key stakeholders—our shareholders, our customers, our employees and our communities. Our vision lies in creating exceptional value for each of these key segments concurrently. In this regard, we feel good about our performance to date and we have great confidence in our ability to deliver even greater value to our constituencies in the years ahead.

With warmest regards,

Sincerely,

PETER S. HO

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

BEING THE BANK "OF HAWAII" IS BOTH A PRIVILEGE AND A RESPONSIBILITY.

It means sharing the common values that define us—the importance of family, a strong sense of community, and our hopes and aspirations for Hawaii's future. It means making sure these values ensure everything we do delivers the highest quality, safest, most convenient and innovative financial services to the families and businesses we serve.

With roots deeply embedded in Hawaii, the bank draws on the time-honored ideals of 'ohana (family) and malama (service) in the way we conduct our business. At the same time, we employ leading edge technology to manage and deliver our services more conveniently, efficiently and economically in a complex, everevolving financial services environment.

Enhancing the Customer Experience

The key feature remains convenience, which we continue to analyze and adapt based on the changing preferences of our customers. We've made banking more accessible through expansions to online and mobile banking; expanded banking hours at our in-store branches and our 24/7 call center; and at an improved ATM network. We also bring more specialized services to customers through our strategically located banking centers.

Online and Mobile Banking

Reflecting the trend toward doing personal transactions online and via smartphones, the bank has seen an upswing in both online banking and mobile banking, the latter introduced in 2007. As customers have become accustomed to the ease and security of electronic banking, the bank has seen a

marked rise in the use of such services as monthly online bank statements, paying bills online, and opening checking and savings accounts online. To support efficient delivery of our full-range of services, we continue to improve and update our award-winning website for greater ease of use and security.

ATMs

Convenience is not just having the largest network of ATMs throughout the state. It is also found in the convenience of our multi-language screens so that ATM users can now select Chinese, Japanese or English. This is an especially welcome feature for our Asian residents, visitors and customers.

Responding to Changing Customer Preferences

The increasing popularity of online and mobile banking provides customers the ability to do more of their basic transactions at their convenience. At the same time, transaction volumes have been decreasing at some of our traditional branches. Our vision of providing an enhanced customer experience has been realigned to reflect these new trends. This includes further investment in our in-store branch network and banking centers, while moving away from some of our traditional branches.

New In-Store Branches

Our in-store branches have become increasingly popular as they offer customers the convenience of being able to do their banking where they shop. In 2011, we opened three new in-store branches. The new Moiliili Branch, formerly the University Branch, opened in the new Longs/CVS store, marking our first co-branded branch partnership with the company. We also opened two Safeway in-store branches—one in Hilo's Makaala Center, and another in the new Safeway Beretania on Oahu, bringing the total Safeway in-store branches to nine.

At the end of 2011, we announced the closure of three of our traditional branches—Aikahi, Laie and Kohala—in 2012, and the temporary closure of the Pearl Harbor branch as we look for a new location.

Three more in-store branches are planned for 2012, one on Oahu and two on neighbor islands.

Banking Centers

Since the banking center was first introduced at select branches a few years ago, it has proved to be so successful that in 2011 three more branches became banking centers, bringing the total to seven on Oahu.

The concept of the banking center is making specialized financial services available in one designated branch so that customers can have immediate access to highly skilled experts in a range of services. Specialists in Mortgage Banking, Investment Services, Personal Banking, and Business Banking conduct business from each of our banking centers. These banking centers are located in branches serving major metropolitan markets—Ala Moana, Kailua, Kapolei, Main Branch in Downtown Honolulu, Pearlridge, Waialae-Kahala and Waikiki.

The close proximity of business units fosters increased collaboration. Customers can now have their needs met in one location by one team—whether they are planning for retirement, refinancing a mortgage, applying for a business loan, or saving for college.

Improving Systems and Processes

Technology and management systems play an integral part in the bank's ability to deliver the full range of financial services to our customers efficiently and quickly.

Updated Information Technology System and Management Tools

We are continuously improving the bank's Information Technology system. For example, new systems were implemented that streamline and increase the speed and convenience of transactions for customers, whether they are using an ATM, dealing with our call center, or doing their banking at a branch. At the same time, additional functionality was implemented that facilitates the sharing of information across the entire company so that bank employees are better able to manage transaction processes and provide more efficient service. This includes the use of workflow and business automation tools that streamline and automate processes to better serve our customers and improve the efficiency of our employees. In our systems environment, we are leveraging virtualization technologies and cloud-based services to lower our costs and reduce the time to deploy new services and capabilities.

Management systems are always being improved to allow the bank's business units to assess and enhance our capabilities to improve the delivery of service. This includes refining and customizing tools like "Business Dashboards" that give us ways to track performance in our respective departments in real time. The desired result is always outstanding customer service.

All our newest information technology and management initiatives are contributing to the bank's effort to reduce energy consumption in its operations statewide. Through automation and more efficient technologies in our desktop computer environment, total utility cost savings are expected to be \$250,000 annually.

Comprehensive Wealth Management Services

For more than a century, Bank of Hawaii has helped generations of families preserve and grow their wealth. We combine our local, personalized approach with products and services that deliver a global perspective to fulfill the financial goals of our clients.

Investment and Trust Services

As the largest Hawaii-based provider of fiduciary services in the state, the bank's Investment Services Group (ISG) is the premier provider of comprehensive wealth management services, including private banking and trust administration; investment management, and retirement plan services; succession planning; real estate management; tax planning and preparation, financial planning and business valuation; and full service brokerage.

In 2011, ISG took steps to improve the scope of our client services with several initiatives. We completed our conversion to open architecture investment services, which allows our local portfolio managers to provide clients recommendations from leading global investment managers. We brought services directly to clients through our presence in the Bank of Hawaii Banking Centers. We enhanced credit services by placing a high priority on expediting and customizing loans for private banking clients. We also enhanced our holistic approach to serving clients by rolling out our new dashboard reporting tool to better integrate all aspects of our comprehensive wealth management activities.

Meeting Increased Demands for Loans

During 2011, we saw an increase in the demand for both business and consumer loans—an encouraging sign of growing consumer confidence in the economy and optimism about the future. To meet this rising demand, we took steps to broaden the range of our loan products, providing loans that were in line with customers' borrowing needs—whether it was to purchase new equipment for a business, buy a new car or a new home, or pay for a child's education. We also modified our home equity lending product to appeal to a broader range of homeowners.

To take our message to the marketplace, we revitalized our branch sales efforts, as well as advertising and direct mail campaigns. We also increased our sales staffing and resources dedicated to serving this market.

Mortgage Lending

2011 was a banner year for mortgage lending, with the bank named the state's number one lender based on executing the greatest number of loans. A great deal of credit goes to our team of highly qualified, experienced lenders in the field, as well as the presence of mortgage loan specialists in our banking centers across Oahu. Their success was reflected in Bank of Hawaii being awarded the Honolulu Star-Advertiser people's choice award for Best Mortgage Company of the year.

Meeting the Needs of Business

Small businesses. Sole proprietorships. Mediumsized companies. Large corporations. International businesses. As they grow and change, Bank of Hawaii takes great pains to understand our business customers' needs and provide the services they need to thrive and succeed.

Business Banking Named SBA "Lender of the Year" for Hawaii

In 2011, we saw a marked increase in lending in the small business sector—an important market segment, as more than 95 percent of enterprises in Hawaii are small businesses. The bank continued its efforts to serve this market through its dedicated business banking group, and led all lenders in the state with 80 SBA guaranteed loans. The effort garnered Bank of Hawaii the U.S. Small Business Administration's prestigious "Lender of the Year" Award for Hawaii.

International Banking

The only local bank with an international division, Bank of Hawaii was honored to co-host and organize the APEC China-Aloha Business Leaders' Night with the China Council for the Promotion of International Trade (CCPIT). The event drew more than 200 chairmen and CEOs of top Chinese companies who were in Hawaii to attend the APEC CEO Summit. Attendees at the China Night also included more than 150 chairmen and CEOs of top Hawaii companies. It was the ideal venue for Hawaii companies to establish relationships with their Chinese counterparts and showcase business opportunities in the state.

The International Banking Division serves clients from Asian countries such as China, Japan and Korea who have financial interests in Hawaii and the Pacific. To facilitate their transactions, all our client-facing officers are first generation Asians who are fluent in both their respective languages and cultures, and knowledgeable in the protocols of international business. The bank has also taken steps to make banking easier in Hawaii and the West Pacific by offering multi-language ATM screens in Chinese, Japanese and English—a major convenience for our customers as well as residents and visitors.

Chinese businesses, visitors and investors have also been benefiting from a service put in place in 2010, allowing China UnionPay debit and credit card holders to withdraw cash at any Bank of Hawaii ATMs and makes purchases at our

merchant terminals. China UnionPay is the sole bank card association in China and has more than 2.5 billion cards issued under the CUP brand.

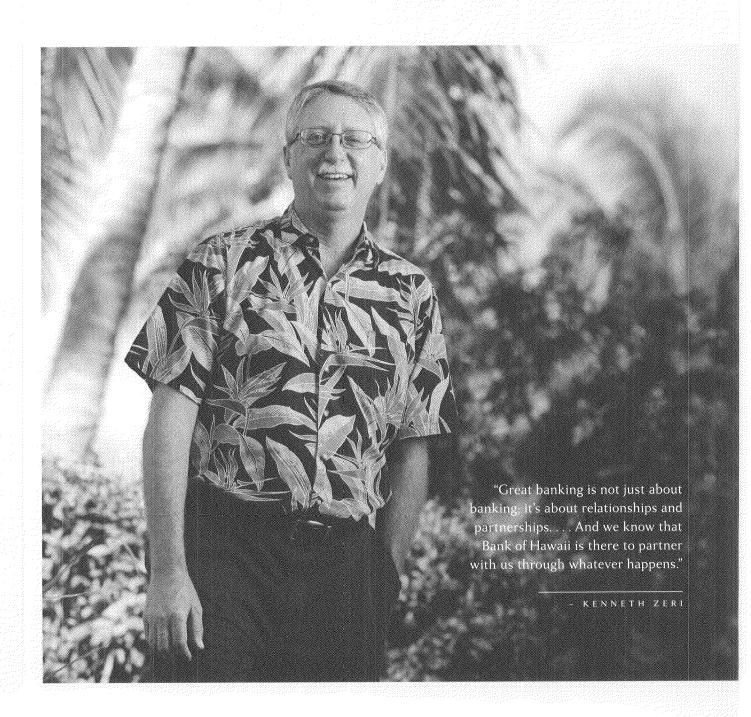
Commercial/Corporate Banking

Commercial Banking enjoyed solid growth in 2011. With companies beginning to commit to strategic expansion, year-over-year lending activity increased significantly. Growth was particularly evident in the commercial real estate loan portfolio as clients took advantage of attractive conditions in the Hawaii marketplace both in terms of investor and owner-occupied real estate. Increased activity was also evident in the Hawaii and Guam based commercial and industrial loan books as locally owned businesses made significant investments into their operations. With the increase in activity expected to continue and with a continued desire to provide the very highest level of service to its commercial clients. Bank of Hawaii has responded by deploying more commercial lending officers to serve its markets.

Being the Bank "of Hawaii" is indeed a privilege and a responsibility, and we are grateful to our customers for the trust and confidence they place in us. We are committed to honoring the shared values that define us in every aspect of our customer relationships.

On the following pages, you will hear from some of our customers about their experiences in ways we do business with them—always delivering the highest quality financial services tailored to their needs, with the utmost in service and convenience.

PROFILE: Commercial Banking and Private Client Services Client HOSPICE HAWAII



I really appreciate how tied together this community is, how inter-dependent we are upon each other. I don't know how to generate electricity, so I am dependent upon electricity companies to do that. I'm not a banker so I depend upon Bank of Hawaii to be the very best at being a bank, to be very solid so that I know that our money, which we have in stewardship from our donors, is going to be wisely taken care of. Then I can focus on what I do best—provide hospice care.

I value that when I have a conversation with Diane Murakami, our banker, that she is going to do the work that she needs to do, talking to people within the broader bank to say, 'What's the best way to help Hospice Hawaii?'

Over the years, as is natural for any business of Hawaii, there have been good times and bad times. And during the difficult times, Bank of Hawaii stood by us to help us invest our resources to achieve the performance that we wanted out of our reserves. They helped us to understand the current economy more effectively, to make better decisions about money; helped us to envision ourselves so that when opportunities arise we can be ready to grow as an organization. And we know that Bank of Hawaii is there to partner with us through whatever happens.

And it's face to face. I don't have to call the Mainland. I know whom I'm calling when I have that conversation. Great banking is not just about banking; it's about relationships and partnerships.

We are part of this community, we are supported by the community, and we support the community in turn. Because we're a local company, it's important that we work with a local bank. Hospice Hawaii has been here for more than 32 years and it's really important to us that we have those local roots. We know that when

you have those local roots, you understand. It's really important to this community and it's important to the bank as well since we're shaping our community to be the best that it can be.

I like working with Bank of Hawaii because I know that the bank has the same set of values that we do: How do we do business, how do we support our community so that it's a better place? We are honored that the employees and retirees of Bank of Hawaii support the mission of Hospice Hawaii; that they are engaged in the community, starting from Peter Ho.

When I ask for a board member, Bank of Hawaii comes up with a good senior staff person to join our organization. We've had a member of Bank of Hawaii's leadership team on our board of directors for as long as I know. When we have an event, their staff turn out to participate, to support and volunteer. Bank of Hawaii staff sometimes use the services of Hospice Hawaii. They say, 'I'm going to trust you to take care of my dad.' That's the real partnership.

On left: Kenneth Zeri, president and chief professional officer, Hospice Hawaii.

PROFILE: Commercial Banking Client MAUI SODA & ICE WORKS, LTD.



Mike Nobriga: I've been president and general manager of Maui Soda & Ice Works since 1999. I was born into the company. I've been in the company all my life. I've been working here part-time since the early to late '60s. Then upon graduation from the University of Hawaii-Manoa in 1975, I began full time since 1976. It's the nature of our family business.

We place a lot of emphasis on the feeling of 'ohana, the feeling of family, the feeling of partnership. Having a local bank is really comforting to us. In hard times, we rely on partners and family to take us through.

The most important part of our relationship with Bank of Hawaii is professionalism and the personality of the team assigned to us.

Bryce Thayer is our primary banker, and we also get a lot of support from Galen Nakamura at the branch here in Wailuku.

The people that we work with really make us feel that we're the most important customer that Bank of Hawaii has. And that really helps us strengthen our relationship with the bank and the people we work with. If there's a problem, we have a point of contact we can call and no matter what department we reach at Bank of Hawaii, we get the solution quickly and we get corrective actions immediately and everything's hunky dory.

We've been producing our quality, premium ice cream called Roselani since 1932. We've focused our niche on Hawaiian tropical flavors, and have invested heavily in our statewide distribution for the past seven years. It's the most challenging of times right now with the economy; disposable income being relatively restricted. The rest of the business has historically been able to support our investment efforts, but these last two years,

Bank of Hawaii has been very instrumental in keeping our cash flow up and running.

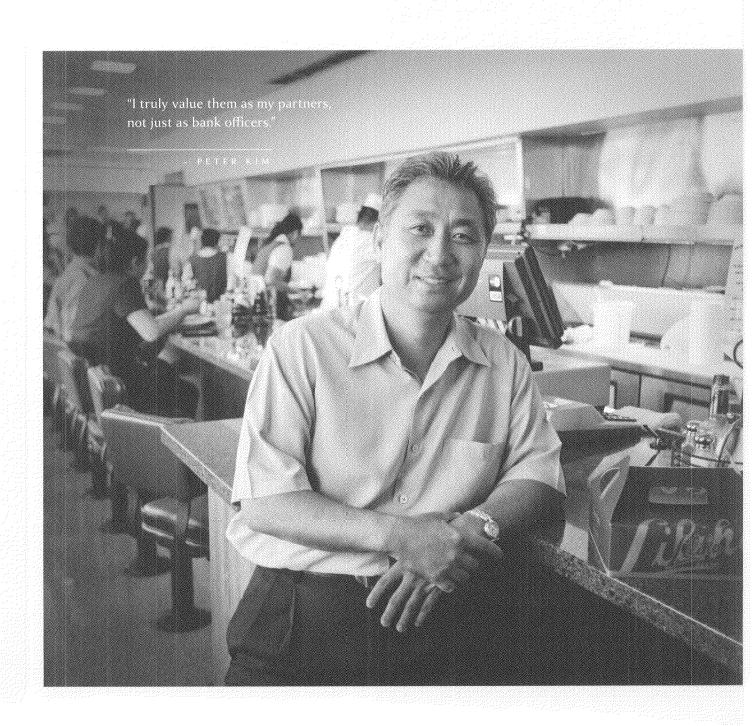
The bank has been generous with extending lines of credit, especially for special equipment, to improve our efficiencies and to ensure that we can focus on the utmost product quality and appeal to customers throughout our great Hawaiian Islands.

They have helped us with economic forecasts. When we think about a major project, they're usually the ones we call after a group meeting, and Bank of Hawaii provides the best course of action for the company. Whether it's photovoltaic or sustainable energy, Bank of Hawaii is always there and has the necessary knowledge to help us make sound financial decisions.

Ever since the late 1990s when the company shifted over to Bank of Hawaii because of the great service and partnership that Bank of Hawaii shows, the whole family switched all of our accounts personally over to the Bank of Hawaii. We are totally committed as a family to Bank of Hawaii, and our friends and associates are always highly complimentary of the service.

In the Roselani production area (from left): Catherine Nobriga-Kim, vice president frozen division Roselani and corporate treasurer; David D. Nobriga, fleet maintenance manager; David "Buddy" Nobriga, chairman of the board; James J. Nobriga, distribution warehouse manager; Mike A. Nobriga, president and general manager; and Robert A. Nobriga, director of freight operations.

PROFILE: Commercial Banking and Private Banking Client YUMMY RESTAURANT GROUP



I have been a loyal Bank of Hawaii client for more than 25 years, and we have established a mutual respect in our banking relationship throughout these years.

Bank of Hawaii has always provided me with a deep perception of my business and my changing needs. I value the communication they encourage between client and banker, because from better communication comes better understanding of each other's business.

At Yummy's, we believe in promoting quality first without stressing about the profit. It is all about providing the quality and value that satisfies our customers. With this belief and practice, we have been most fortunate to serve Hawaii during the last 25 years.

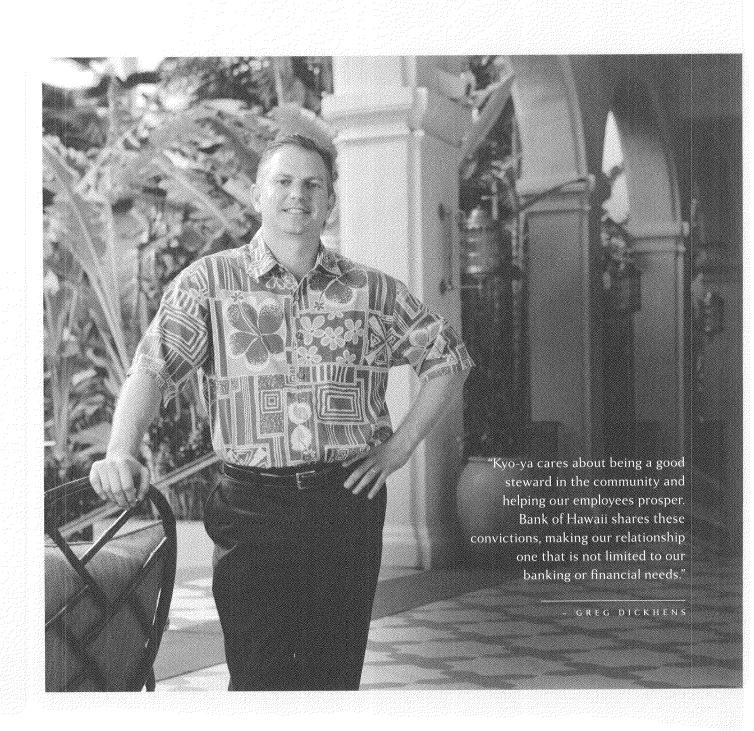
Having both Tim Chang and Galen Nakamura as my local bankers who understand and appreciate my business has been most beneficial to my business operations. They have direct access to my in-depth business plans and endeavors, and have efficiently responded by providing me with sound advice. I truly value them as my partners, not just as bank officers.

On the personal side, Cheryl Nakaoka, my private client banker, has done a marvelous job of tending to my needs over the years. Our mutual respect and confidence in each other have enabled me to resolve many banking matters.

I was proud to recommend my family members to Bank of Hawaii. They have been provided with the utmost respect and excellent service to fulfill their banking needs. I cherish, respect and am most grateful to Bank of Hawaii for taking the risk of providing me with my very first loan, with the help of Curtis Tom. The Yummy Restaurant Group and our family now have more than forty restaurants in Hawaii.

On left: Peter Kim, president and founder, Yummy Restaurant Group, at the counter of Liliha Bakery on Oahu.

PROFILE: International Banking and Private Client Services Client KYO-YA MANAGEMENT COMPANY



Relationships are very important. Kyo-ya Hotels & Resorts has been with Bank of Hawaii since our company was founded in the early 1960s. We are a local company and a wholly owned subsidiary of Kokusai Kogyo Kabushiki Kaisha in Japan. Kyo-ya cares about being a good steward in the community and helping our employees prosper. Bank of Hawaii shares these convictions, making our relationship one that is not limited to our banking or financial needs.

In addition to the day-to-day banking services BOH provides, we value the one-on-one relationship with our banker, Robert Fortuna, of the International Banking Services Division. He has worked with us for many years, and he and his team are very responsive and helpful.

Robert is our point person at Bank of Hawaii and works together with Cyrus Oda, our chief financial officer, to ensure our banking needs are met. In 2011, Robert did a tremendous job arranging complex accounts with BOH for our mezzanine lenders. Robert handled the negotiation and facilitated the closing of the transaction in less than 24 hours. The professionalism and efficiency Robert displayed are one of the many reasons we value our relationship.

Bank of Hawaii also provided a retirement plan for our non-union employees that features enhanced investment options and unique asset allocation models at a lower cost than our previous plan. Additionally, the bank's Retirement Plan Services team provided our employees with one-on-one and group educational sessions to help them make the best overall use of their retirement plan benefits.

In addition to assisting us with financial services, the bank helps us by facilitating relationships with other companies—whether they are in Hawaii, on the mainland or international. A perfect example of the bank's commitment to Hawaii is the role their Chairman & CEO, Peter Ho, played as chairman of the APEC 2011 Hawaii Host Committee. I had the opportunity to serve with Peter on the Host Committee and saw firsthand how he brought together a diverse mix of Hawaii executives—from the business community, government, unions and the military—and created a bond among these leaders, who typically don't engage with one another on a day-to-day basis. It was an incredible opportunity for all of us to work together, and it will have a big impact on the future because it opened positive dialogue and established strong relationships.

APEC overall was phenomenal for Hawaii. For our state to be able to host these world leaders was truly an amazing, once-in-a-lifetime experience. It was also a privilege and pleasure for Kyo-ya to host many of the leaders' meetings at our hotels in Waikiki.

The bank also supports the community through its charitable giving and sponsorship of events. With a similar belief in strengthening the communities where we do business, we participate in a number of activities, including the annual Visitor Industry Charity Walk held in Waikiki. Our employees enjoy participating in this event, especially in serving the lunch that greets the thousands of people at the end of their walk. Each year, Kyo-ya donates approximately \$260,000 to more than 30 nonprofit organizations and \$500,000 in hotel room and dining certificates to more than 100 nonprofits.

We're glad to be a part of our island community, and to do business with a company that shares this same commitment to Hawaii.

On left: Greg Dickhens, president, Kyo-ya Hotels & Resorts, at the Royal Hawaiian Hotel in Waikiki.

PROFILE: Retail Client CARON LING



I haven't been a client of Bank of Hawaii for very long. I just started in August of 2011, and something interesting to note is that I haven't had a local bank in 14 years. I had a credit union that is on the Mainland. However, I saw Bank of Hawaii people all the time at work-related events through the years. And when I had to select my bank, I was given two choices and, of course, I decided on Bank of Hawaii, because a good friend of mine works there.

I'm a Realtor, so I use Bank of Hawaii a lot for my loan officers. One of my favorite loan officers is Kai Yamamoto at the Pearlridge Branch. And I've known Scott Yoshihara for years; he does a lot of community service with my Dad.

My first experience of opening a bank account with Bank of Hawaii was with Rachael Shinsato at the Moiliili Branch. She was amazing. She took care of me from start to finish. And by the end of everything, I felt she was my friend.

In the last few years, especially during the mortgage crisis, I heard that Bank of Hawaii was the number one bank in the nation. It was good to know that a bank like that exists in Hawaii and it could be my bank.

I like working with Bank of Hawaii because they've always impressed me throughout the years as being professional yet warm, which is a really hard combination to get.

Every time I visit any Bank of Hawaii branch, I feel like I've made a friend. Each person seems to look out for my best interests. I've had many good experiences with the tellers. In one of my latest experiences, at the Beretania Safeway, I went to deposit a check and they told me what the options were: That I could open a Bankohana bank account and it would earn more interest than in the checking account that I opened

up. They were all so nice and friendly that I opened up another bank account with them, and I received a \$10 gift card to Safeway.

Online banking is very important to me. I've done my banking online for over a decade because my credit union doesn't exist on the island. I've been using Bank of Hawaii's app on my iPhone, and that's how I like to manage my banking online. The app is just like the website, and it logs you out for security. They have a way that you can text where your money is going; online services make it very easy for you.

I got into a panic a few days ago because I wasn't sure how much money I had in my account. and I didn't have time to go to the bank. I needed to have a certain amount for the check I just wrote, and I didn't remember how much money I had transferred from my savings to my checking when I was last at the bank. I could see how much was in my checking account, which was not enough, so I looked online for my new savings account and it wasn't featured in my online account. I called the bank-you can call them 24/7-and the representative set it up very easily and made the transfer, and I felt better. When I looked the very next day, it had all been set up so I could see everything online. Each time that I've interacted with Bank of Hawaii, I remember walking away thinking, 'Wow, Bank of Hawaii really hires great people.'

Bank of Hawaii is in all the grocery stores—they're at CVS/Longs, they're at Safeway; they make banking very easy. They make it really easy for their customers and they make them happy as well.

On left: Caron Ling, Realtor and CRS, team builder/recruiter for Hawaii Life Real Estate Brokers, at the Bank of Hawaii Moiliili Branch.

SERVING OUR COMMUNITIES

Counterclockwise from top: Bank of Hawaii volunteers prepare to wade into Maunalua Bay on Oahu to remove alien algae, one of 50 employee volunteer projects in 2011; Paul Hoe, manager of Bank of Hawaii's Employee Volunteer Program, was recognized for enhancing volunteerism in our community when he received the 2011 Outstanding Volunteer Leader of the Year Award; Kaimuki Branch Manager Daniel Yokoo engages second graders from Palolo Elementary on Oahu; Kalihi Elementary fifth graders received a lesson on saving from Bank of Hawaii volunteers.









For Bank of Hawaii, taking care of our community is a core value. It is a notion integral to our past and vital to our future. We believe investing in the community is both a responsibility and an opportunity. Why? Well, first and foremost, it is simply the right thing to do. In addition, as the state's largest independently owned financial institution, we know that our success is inextricably tied to the success of our island communities.

We invest in the community in many different ways. We strive to serve as a model of volunteerism for our marketplace, providing the gift of time, energy and expertise from our people to the community. We are also committed to providing financial support and financial education.

2011 Impact at a Glance

- 13,803 volunteer hours donated to the community
- 2,015 Bank of Hawaii volunteers donating their time and services. This represents 82 percent of our employee count.
- · 50 community service projects
- \$2.5* million donated by Bank of Hawaii, its Foundation, and its employees and retirees to support the good work of 431 nonprofit partners

Financial Education

We are especially committed to giving people the tools and resources to build a better future by providing financial education. Taught by bank employee volunteers, our "Smart Money" seminars are now offered in multiple languages to communities in Hawaii, Guam, Saipan, and Palau.

Bank of Hawaii employees volunteer with Junior Achievement of Hawaii to teach financial education and entrepreneurial classes to students from low- to moderate-income households, encourage elementary school children to develop lifelong savings habits through "Teach Children to Save," and help high school students "Get Smart About Credit."

 2,417 volunteer hours donated to financial education, including at 82 public schools serving students from low- to moderate-income households 8,200+ students were helped through these efforts

Although Bank of Hawaii has been recognized over the past several years as one of America's best banks, our heart and soul rests right here in the islands. We wish a warm mahalo to the many organizations and individuals who partnered with us in 2011 to make our community a better place.



U.S. Senator Daniel K. Inouye, who was instrumental in bringing APEC to Hawaii, and Peter Ho, chair of the APEC 2011 Hawai'i Host Committee.



Spotlighting Hawaii at APEC 2011

Our state was in the international spotlight

when leaders of the 21 Asia Pacific Economic Cooperation (APEC) economies convened in Hawaii for the 2011 leaders' meeting. The United States and Hawaii had the privilege of hosting the APEC member economies that account for more than half of the world's trade.

The APEC 2011 Hawai'i Host Committee, chaired by Bank of Hawaii Chairman and CEO Peter Ho, set a strong foundation to reposition Hawaii as more than a premier vacation destination, but also an excellent place to do business. Bank of Hawaii is honored to have been involved in this collaborative effort among Hawaii's leaders from the business, government, military, education, and union sectors to prepare for this significant opportunity for Hawaii.

"Hawaii gets an A-plus," said Kurt Tong, former U.S. ambassador for APEC, and current deputy chief of mission for the U.S. Embassy in Tokyo. "Hawaii definitely has proven it's ready for the big time, ready for the big leagues. This is a shared home run for Hawaii and for the United States at large."

FINANCIALS: Consolidated Statements of Income

Bank of Hawaii Corporation and Subsidiaries (dollars in thousands, except per-share amounts)

FOR THE YEAR ENDED DECEMBER 31	2011	2010
Interest Income		
Interest and Fees on Loans and Leases	\$ 262,239	\$ 287,381
Income on Investment Securities		
Available-for-Sale	103,363	169,151
Held-to-Maturity	72,138	6,504
Deposits	8	28
Funds Sold	828	1,076
Other	1,117	1,111
Total Interest Income	439,693	465,251
Interest Expense		2012
Deposits	18,321	29,196
Securities Sold Under Agreements to Repurchase	29,171	25,996
Funds Purchased	20	30
Long-Term Debt	1,973	3,549
Total Interest Expense	49,485	58,771
Net Interest Income	390,208	406,480
Provision for Credit Losses	12,690	55,287
Net Interest Income After Provision for Credit Losses	377,518	351,193
Noninterest Income	.=	44000
Trust and Asset Management	45,046	44,889
Mortgage Banking	14,664	18,576
Service Charges on Deposit Accounts	38,733	53,039
Fees, Exchange, and Other Service Charges	60,227	61,006
Investment Securities Gains, Net	6,366	42,848
Insurance	10,957	9,961
Other	<u>21,662</u>	24,939
Total Noninterest Income	197,655	255,258
Noninterest Expense	100.01/	185.713
Salaries and Benefits	182,816	40,988
Net Occupancy	43,169	19,371
Net Equipment	18,849	7,104
Professional Fees	8,623	12.564
FDIC Insurance	9,346	8O,496
Other	85,390	346,236
Total Noninterest Expense	<u>348,193</u> 226,980	260,215
Income Before Provision for Income Taxes		76,273
Provision for Income Taxes	66,937	
Net Income	\$ 160,043	\$ 183,942
Basic Earnings Per Share	\$ 3.40	\$ 3.83
Diluted Earnings Per Share	\$ 3.39	\$ 3.80
Dividends Declared Per Share	\$ 1.80	\$ 1.80
Basic Weighted Average Shares	47,064,925	48,O55,O25
Diluted Weighted Average Shares	47,224,981	48,355,965

MANAGING COMMITTEE: Bank of Hawaii Corporation / Bank of Hawaii

(As of December 31, 2011)



Managing Committee

(from left, seated) Shelley B. Thompson, Kent T. Lucien, Mary E. Sellers, Peter S. Ho, Donna A. Tanoue, Mark A. Rossi, and Wayne Y. Hamano

(from left, standing) Thomas J.
Koide, Sharon M. Crofts, Derek
A. Baughman, James C. Polk,
Peter M. Biggs, Alton T. Kuioka,
Derek J. Norris, Vincent E.
Barfield, Dean Y. Shigemura,
and Jill F. S. Higa

Peter S. Ho Chairman, President, and Chief Executive Officer

Peter M. Biggs Vice Chairman and Chief Retail Officer

Wayne Y. Hamano Vice Chairman and Chief Commercial Officer

Alton T. Kuioka Vice Chairman of Board of Directors of Bank of Hawaii

Kent T. Lucien Vice Chairman and Chief Financial Officer

Mark A. Rossi Vice Chairman, Chief Administrative Officer, General Counsel & Corporate Secretary Mary E. Sellers Vice Chairman and Chief Risk Officer

Donna A. Tanoue Vice Chairman, Client and Community Relations

Shelley B. Thompson Vice Chairman and Chief Fiduciary Officer

Vincent E. Barfield Senior Executive Vice President Investment Services Group

Derek A. Baughman Senior Executive Vice President and Chief Information Officer

Sharon M. Crofts Senior Executive Vice President and Manager Operations Group Administration Jill F. S. Higa Senior Executive Vice President and Manager Consumer & Mortgage Lending

Thomas J. Koide Senior Executive Vice President and Manager Retail Delivery Channels

Derek J. Norris Senior Executive Vice President and Controller

James C. Polk Senior Executive Vice President and Chief Lending Officer

Dean Y. Shigemura Senior Executive Vice President and Treasurer

FINANCIALS: Consolidated Statements of Condition

Bank of Hawaii Corporation and Subsidiaries (dollars in thousands)

AC OF DECEMBER 71	2011	2010 /
AS OF DECEMBER 31	2011	2010
Assets		
Interest-Bearing Deposits	\$ 3,036	\$ 3,472
Funds Sold	512,384	438,327
Investment Securities		
Available-for-Sale	3,451,885	6,533,874
Held-to-Maturity (Fair Value of \$3,754,206 and \$134,028)	3,657,796	127,249
Loans Held for Sale	18,957	17,564
Loans and Leases	5,538,304	5,335,792
Allowance for Loan and Lease Losses	(138,606)	(147,358)
Net Loans and Leases	5,399,698	5,188,434
Total Earning Assets	<u>13,043,756</u>	12,308,920
Cash and Noninterest-Bearing Deposits	154,489	165,748
Premises and Equipment	103,550	108,170
Customers' Acceptances	476	437
Accrued Interest Receivable	43,510	41,151
Foreclosed Real Estate	3,042	1,928
Mortgage Servicing Rights	24,279	25,379
Goodwill	31,517	31,517
Other Assets	441,772	443,537
Total Assets	\$ 13,846,391	\$ 13,126,787
Liabilities		
Deposits		
Noninterest-Bearing Demand	\$ 2,850,923	\$ 2,447,713
Interest-Bearing Demand	2,005,983	1,871,718
Savings	4,398,638	4,526,893
Time	1,337,079	1,042,671
Total Deposits	10,592,623	9,888,995
Funds Purchased	10,791	9,478
Short-Term Borrowings	-	6,200
Securities Sold Under Agreements to Repurchase	1,925,998	1,901,084
Long-Term Debt	30,696	32,652
Banker's Acceptances	476	437
Retirement Benefits Payable	46,949	30,885
Accrued Interest Payable	5,330	5,007
Taxes Payable and Deferred Taxes	95,840	121,517
Other Liabilities	135,O21	119,399
Total Liabilities	12,843,724	12,115,654
Shareholders' Equity		
Common Stock (\$.01 par value; authorized 500,000,000 shares;		
issued / outstanding: December 31, 2011 - 57,134,470 / 45,947,116;		
and December 31, 2010 - 57,115,287 / 48,097,672)	571	570
Capital Surplus	507,558	500,888
Accumulated Other Comprehensive Income	35,263	26,965
Retained Earnings	1,003,938	932,629
Treasury Stock, at Cost (Shares: December 31, 2011 - 11,187,354;		
and December 31, 2010 - 9,017,615)	(544,663)	(449,919)
Total Shareholders' Equity	1,002,667	1,011,133
Total Liabilities and Shareholders' Equity	\$ 13,846,391	\$ 13,126,787

Refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for the Consolidated Financial Statements, including Report of Independent Registered Public Accounting Firm, thereon.

BANK OF HAWAII LOCATIONS



American Samoa PACIFIC OCEAN

Mane and show to sent

Facts: Hawaii, Guam and American Samoa

Hawaii

Hawaii business establishments: 98 percent have fewer than 100 employees, 95 percent have fewer than 50, and 52 percent have fewer than five.¹

Hawaii gross domestic product by state (GSP) in 2010: \$66.7 billion.²

Largest shares of Hawaii gross domestic product: government (including federal civilian, federal military, and state and local), 23.8 percent; real estate, rental and leasing, 18.6 percent; non-financial professional, technical, administrative, management and information services, 8.6 percent; accommodation and food services, 7.4 percent; retail trade, 6.7 percent; health care and social assistance, 6.7 percent. Tourism's direct and indirect impact on Hawaii gross domestic product (includes portions of the above): 14.8 percent.³

State of Hawaii resident population as of July 1, 2010: 1,363,621.4

Guam

- · U.S. Territory
- · Capital: Hagåtña (Agana)
- Resident population: July 2011 estimate 183,2865
- Main industries: U.S. military, tourism, and construction.

American Samoa

- · U.S. Territory
- · Capital: Pago Pago
- Resident population: July 2011 estimate 67,2425
- Main industries: tuna canneries (largely supplied by foreign fishing vessels), and handicrafts.

Bank of Hawaii Branches and ATMs

(As of December 31, 2011)

	Branches & In-Store Branches	ATMs
State of Hawaii	70	452
Island of Oahu	41	331
Island of Hawaii	12	48
Island of Maui	11	43
Island of Kauai	4	28
Island of Lanai	1	1
Island of Molokai	1	1
American Samoa	2	7
West Pacific	9	47
CNMI/Saipan	2	7
Guam	6	38
Palau	1	2
Grand Total	81	506

¹ Table 15.17, Hawaii DBEDT State of Hawaii Data Book 2011 from the US Census Bureau County Business Patterns by Employment Size Class: 2009 Hawaii.

² Table 13.05, Hawaii DBEDT State of Hawaii Data Book 2010, http://hawaii.gov/dbedt/info/economic/databook/2010-individual/13/130510.pdf.

³ Bank of Hawaii calculation based on Tables 13.05 and 7.32, Hawaii DBEDT State of Hawaii Data Book 2010 (2010 statistics), http://hawaii.gov/dbedt/info/economic/databook/2010-individual/13/130510.pdf and http://hawaii.gov/dbedt/info/economic/databook/2010-individual/07/07/073210.pdf.

⁴ Table 1.06, Hawaii DBEDT State of Hawaii Data Book 2011, http://hawaii.gov/dbedt/info/economic/databook/2010-individual/01/010611.pdf.

⁵Central Intelligence Agency (CIA), The World Factbook (2011).



S. Haunaní Apoliona* Trustee Office of Hawaiian Affairs



Mary G. F. Bitterman* President and Director The Bernard Osher Foundation



Mark A. Burak* Retired Executive Vice President Bank of America



Michael J. Chun* President and Headmaster Kamehameha Schools-Kapalama



Clinton R. Churchill* Trustee The Estate of James Campbell



David A. Heenan* Trustee The Estate of James Campbell



Peter S. Ho*
Chairman, President
and Chief Executive
Officer
Bank of Hawaii
Corporation and
Bank of Hawaii



Robert A. Huret* Managing Member FTV Management Company, LP



Alton T. Kuioka Vice Chairman Client Relations Bank of Hawaii



Kent T. Lucien* Vice Chairman and Chief Financial Officer Bank of Hawaii Corporation and Bank of Hawaii



Martin A. Stein* Partner RSA Ventures



Donald M. Takaki* Chairman and CEO HawkTree International, Inc.



Barbara J. Tanabe* Owner and Partner Ho'akea Communications LLC



Donna A. Tanoue
Vice Chairman
Client and
Community Relations
Bank of Hawaii



Robert W. Wo* Owner and Director C.S. Wo & Sons, Ltd.

^{*}Bank of Hawaii Corporation Board of Directors

1h Bank of Hawaii

BANK OF HAWAII CORPORATION P.O. BOX 2900, HONOLULU, HI 96846

Bank of Hawaii Corporation is a regional financial services company serving businesses, consumers and governments in Hawaii, American Samoa and the West Pacific. Our subsidiary, Bank of Hawaii, was founded in 1897 and is the leading independent financial institution in Hawaii. For more information about Bank of Hawaii Corporation, visit our website, www.boh.com.

Corporate Headquarters

Bank of Hawaii Corporation
130 Merchant Street, Honolulu, Hawaii 96813

Annual Meeting

The annual meeting of shareholders will be held on Friday, April 27, 2012 at 8:30 a.m. at the Bank of Hawaii Main Office, 5th Floor, 111 South King Street, Honolulu, Hawaii

Transfer Agent and Registrar

Computershare Investor Services, LLC 250 Royall Street, Canton, MA 02021

Common Stock Listing

NYSE: BOH

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

Dividend Reinvestment and Stock Purchase Plan (DRP)

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

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

Detailed information about Bank of Hawaii Corporation's DRP can be found online at www.boh.com or by calling Computershare Investor Services, LLC at 1-888-660-5443.

Inquiries

Shareholders with questions about stock transfer services, share holdings or dividend reinvestment may contact Computershare Investor Services, LLC at 1-888-660-5443 between 7:00 a.m. and 5:00 p.m. Central Standard Time.

Investors and Analysts Seeking Financial Information

Contact: Cindy Wyrick Executive Vice President Investor Relations Phone: 1-808-694-8430 For General Inquiries: Phone: 1-888-643-3888 www.boh.com

Forward-Looking Statements

This report contains forward-looking statements concerning, among other things, the economic and business environment in our service area and elsewhere, credit quality, and other financial and business matters in future periods. Our forward-looking statements are based on numerous assumptions, any of which could prove to be inaccurate and actual results may differ materially from those projected because of a variety of risks and uncertainties, including, but not limited to: 1) general economic conditions either nationally, internationally, or locally may be different than expected, and particularly, any event that negatively impacts the tourism industry in Hawaii; 2) unanticipated changes in the securities markets, public debt markets, and other capital markets in the U.S. and internationally; 3) the competitive pressure among financial services and products; 4) the impact of recent legislative and regulatory initiatives, particularly the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"); 5) changes in fiscal and monetary policies of the markets in which we operate; 6) the increased cost of maintaining or the Company's ability to maintain adequate liquidity and capital, based on the requirements adopted by the Basel Committee on Banking Supervision and U.S. regulators; 7) actual or alleged conduct which could harm our reputation; 8) changes in accounting standards; 9) changes in tax laws or regulations or the interpretation of such laws and regulations; 10) changes in our credit quality or risk profile that may increase or decrease the required level of our reserve for credit losses; 11) changes in market interest rates that may affect credit markets and our ability to maintain our net interest margin; 12) the impact of litigation and regulatory investigations of the Company, including costs, expenses, settlements, and judgments; 13) any interruption or breach of security of our information systems resulting in failures or disruptions in customer account management, general ledger processing, and loan or deposit systems; 14) changes to the amount and timing of proposed common stock repurchases; and 15) natural disasters, public unrest, adverse weather, public health, and other conditions impacting us and our customers' operations. For a detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements please refer to the risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and any subsequently filed reports with the U.S. Securities and Exchange Commission. 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. We undertake no obligation to update forward-looking statements to reflect later events or circumstances.

4h Bank of Hawaii A SHARED VISION

SHAREHOLDERS CUSTOMERS EMPLOYEES COMMUNITY