

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2004

OR

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

For the transition period from _____ to _____

Commission file number 0-7949

BANCWEST CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

99-0156159
(I.R.S. Employer Identification No.)

999 Bishop Street, Honolulu, Hawaii
(Address of principal executive offices)

96813
(Zip Code)

Registrant's telephone number, including area code: (808) 525-7000

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

None

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

None

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 30, 2004 the number of outstanding shares of each of the issuer's classes of common stock (all of which were beneficially owned by BNP Paribas) was:

<u>Class</u>	<u>Outstanding</u>
Class A Common Stock, \$0.01 Par Value	85,759,123 Shares

BANCWEST CORPORATION AND SUBSIDIARIES

FORM 10-Q
March 31, 2004

INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	2
<u>Consolidated Statements of Income for the three months ended March 31, 2004 and 2003</u>	2
<u>Consolidated Balance Sheets at March 31, 2004, December 31, 2003 and March 31, 2003</u>	3
<u>Consolidated Statements of Changes in Stockholder's Equity and Comprehensive Income for the three months ended March 31, 2004 and 2003</u>	4
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2004 and 2003.</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Forward-Looking Statements</u>	17
<u>Overview</u>	18
<u>Monetary Policy and Economic Conditions</u>	19
<u>Critical Accounting Estimates</u>	19
<u>Consolidated Financial Highlights</u>	21
<u>Results of Operations</u>	22
<u>Net Interest Income</u>	22
<u>Noninterest Income</u>	24
<u>Noninterest Expense</u>	24
<u>Operating Segments</u>	25
<u>Investment Securities</u>	27
<u>Loans and Leases</u>	29
<u>Nonperforming Assets and Restructured Loans</u>	30
<u>Provision and Allowance for Loan and Lease Losses</u>	32
<u>Deposits</u>	33
<u>Capital</u>	33
<u>Income Taxes</u>	34
<u>Liquidity Management</u>	34
<u>Recent Accounting Standards</u>	36
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	38
<u>Item 4. Controls and Procedures</u>	40
<u>PART II. OTHER INFORMATION</u>	
<u>Item 6. Exhibits and Reports on Form 8-K</u>	41
<u>SIGNATURE</u>	42
<u>CERTIFICATIONS</u>	44
<u>EXHIBIT INDEX</u>	
<u>EXHIBIT 2</u>	
<u>EXHIBIT 12</u>	
<u>EXHIBIT 31.1</u>	
<u>EXHIBIT 31.2</u>	
<u>EXHIBIT 32.1</u>	
<u>EXHIBIT 32.2</u>	

Exhibit 2 Agreement and Plan of Merger dated as of March 15, 2004 among BancWest Corporation, BW Newco, Inc. and Community First Bankshares, Inc.

Exhibit 12 Statement Regarding Computation of Ratios

Exhibit 31 Section 302 Certifications

Exhibit 32 Section 1350 Certifications

The information furnished in these interim statements reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for such periods. Such adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for the full year. The interim financial information should be read in conjunction with BancWest Corporation's 2003 Annual Report on Form 10-K.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****BancWest Corporation and Subsidiaries****CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

	Three Months Ended March 31,	
	2004	2003
	(in thousands)	
Interest income		
Loans	\$332,576	\$338,259
Lease financing	31,180	36,028
Investment securities:		
Taxable	51,871	41,506
Exempt from Federal income taxes	94	154
Other	1,431	1,529
Total interest income	<u>417,152</u>	<u>417,476</u>
Interest expense		
Deposits	43,436	53,147
Short-term borrowings	5,413	3,696
Long-term debt	47,277	45,394
Total interest expense	<u>96,126</u>	<u>102,237</u>
Net interest income	321,026	315,239
Provision for loan and lease losses	18,865	22,690
Net interest income after provision for loan and lease losses	<u>302,161</u>	<u>292,549</u>
Noninterest income		
Service charges on deposit accounts	40,829	37,029
Trust and investment services income	10,302	9,507
Other service charges and fees	38,026	31,655
Securities gains, net	367	1,892
Other	11,914	14,751
Total noninterest income	<u>101,438</u>	<u>94,834</u>
Noninterest expense		
Salaries and wages	83,455	84,662
Employee benefits	36,237	37,646
Occupancy	21,615	22,320
Outside services	18,261	17,567
Intangible amortization	5,763	5,763
Equipment	12,133	11,156
Other	41,418	41,546
Total noninterest expense	<u>218,882</u>	<u>220,660</u>
Income before income taxes	184,717	166,723
Provision for income taxes	71,665	64,642
Net income	<u>\$113,052</u>	<u>\$102,081</u>

The accompanying notes are an integral part of these consolidated financial statements.

BancWest Corporation and Subsidiaries**CONSOLIDATED BALANCE SHEETS (Unaudited)**

	March 31, 2004	December 31, 2003	March 31, 2003
(Dollars in thousands, except per share data)			
Assets			
Cash and due from banks	\$ 1,328,783	\$ 1,538,004	\$ 1,587,513
Interest-bearing deposits in other banks	309,198	189,687	166,680
Federal funds sold and securities purchased under agreements to resell	469,998	444,100	110,000
Trading assets	10,043	19,109	67,042
Investment securities available-for-sale	6,030,393	5,927,762	4,528,484
Loans held for sale	62,646	51,007	82,563
Loans and leases:			
Loans and leases	26,229,432	25,722,079	24,056,267
Less allowance for loan and lease losses	396,487	391,699	396,049
Net loans and leases	<u>25,832,945</u>	<u>25,330,380</u>	<u>23,660,218</u>
Premises and equipment, net	528,652	530,153	378,985
Operating lease equipment, net	43,515	—	—
Customers' acceptance liability	21,001	30,078	29,728
Core deposit intangible, net	181,593	187,357	204,647
Goodwill	3,228,371	3,226,871	3,226,829
Other real estate owned and repossessed personal property	15,571	17,387	18,544
Other assets	851,384	860,320	854,856
Total assets	<u>\$38,914,093</u>	<u>\$38,352,215</u>	<u>\$34,916,089</u>
Liabilities and Stockholder's Equity			
Deposits:			
Domestic:			
Interest-bearing	\$17,584,115	\$17,738,246	\$16,645,026
Noninterest-bearing	7,617,332	7,910,845	6,986,600
Foreign	1,541,750	754,026	706,967
Total deposits	<u>26,743,197</u>	<u>26,403,117</u>	<u>24,338,593</u>
Federal funds purchased and securities sold under agreements to repurchase	1,344,471	1,174,877	830,388
Short-term borrowings	970,000	1,197,809	949,012
Acceptances outstanding	21,001	30,078	29,728
Long-term debt	4,282,717	4,221,025	3,313,368
Guaranteed preferred beneficial interests in Company's junior subordinated debentures	—	—	258,476
Other liabilities	1,154,885	1,062,437	1,227,705
Total liabilities	<u>\$34,516,271</u>	<u>\$34,089,343</u>	<u>\$30,947,270</u>
Commitments and contingent liabilities			
Stockholder's equity:			
Class A common stock, par value \$.01 per share			
Authorized - 150,000,000 shares			
Issued - 85,759,123 shares	\$ 858	\$ 858	\$ 858
Surplus	3,419,927	3,419,927	3,419,927
Retained earnings	919,250	806,198	471,715
Accumulated other comprehensive income, net	57,787	35,889	76,319
Total stockholder's equity	<u>4,397,822</u>	<u>4,262,872</u>	<u>3,968,819</u>
Total liabilities and stockholder's equity	<u>\$38,914,093</u>	<u>\$38,352,215</u>	<u>\$34,916,089</u>

The accompanying notes are an integral part of these consolidated financial statements.

BancWest Corporation and Subsidiaries**CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDER'S EQUITY AND COMPREHENSIVE INCOME (Unaudited)**

	Class A Common Stock Shares	Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Income, net	Total
	(in thousands, except per share data)					
Balance, December 31, 2003	85,759,123	\$858	\$3,419,927	\$806,198	\$35,889	\$4,262,872
Comprehensive income:						
Net income	—	—	—	113,052	—	113,052
Unrealized net gains on securities available- for-sale arising during the period	—	—	—	—	24,752	24,752
Reclassification of net realized gains on securities available-for-sale included in net income	—	—	—	—	(367)	(367)
Unrealized net gains on cash flow derivative hedges arising during the quarter	—	—	—	—	646	646
Reclassification of net realized gains on cash flow derivative hedges included in net income	—	—	—	—	(3,133)	(3,133)
Comprehensive income	—	—	—	113,052	21,898	134,950
Balance, March 31, 2004	<u>85,759,123</u>	<u>\$858</u>	<u>\$3,419,927</u>	<u>\$919,250</u>	<u>\$57,787</u>	<u>\$4,397,822</u>
Balance, December 31, 2002	85,759,123	\$858	\$3,419,927	\$369,634	\$77,063	\$3,867,482
Comprehensive income:						
Net income	—	—	—	102,081	—	102,081
Unrealized net losses on securities available- for-sale arising during the period	—	—	—	—	(197)	(197)
Reclassification of net realized gains on securities available-for-sale included in net income	—	—	—	—	(1,892)	(1,892)
Unrealized net gains on cash flow derivative hedges arising during the quarter	—	—	—	—	3,517	3,517
Reclassification of net realized gains on cash flow derivative hedges included in net income	—	—	—	—	(2,172)	(2,172)
Comprehensive income	—	—	—	102,081	(744)	101,337
Balance, March 31, 2003	<u>85,759,123</u>	<u>\$858</u>	<u>\$3,419,927</u>	<u>\$471,715</u>	<u>\$76,319</u>	<u>\$3,968,819</u>

The accompanying notes are an integral part of these consolidated financial statements.

BancWest Corporation and Subsidiaries**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	Three Months Ended March 31,	
	2004	2003
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 113,052	\$ 102,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,504	17,531
Deferred income taxes	1,205	63,437
Provision for loan and lease losses	18,865	22,690
Decrease (increase) in trading assets	9,066	(23,612)
Decrease (increase) in loans held for sale	(11,639)	2,711
Gains realized on the sale of investment securities	(367)	(1,892)
Decrease (increase) in interest receivable	3,242	(5,686)
Increase in interest payable	44,470	24,981
Decrease (increase) in prepaid expense	(4,442)	5,125
Other	36,723	5,452
Net cash provided by operating activities	<u>226,679</u>	<u>212,818</u>
Cash flows from investing activities:		
Proceeds from maturity of available-for-sale investment securities	453,616	465,100
Proceeds from the sale of available-for-sale securities	56,372	101,053
Purchase of available-for-sale investment securities	(570,754)	(1,154,535)
Proceeds from sale of loans	83,026	227,045
Purchase of loans	(439,608)	(26,510)
Net increase in loans and leases resulting from originations and collections	(163,178)	(118,592)
Net increases in origination of vehicle operating leases	(43,515)	—
Purchase of premises and equipment	(5,463)	(8,003)
Other	(1,618)	932
Net cash used in investing activities	<u>(631,122)</u>	<u>(513,510)</u>
Cash flows from financing activities:		
Net increase (decrease) in deposits	340,080	(218,886)
Net increase (decrease) in Federal funds purchased and securities sold under agreements to repurchase	169,594	38,912
Net increase (decrease) in short-term borrowings	(227,809)	215,738
Proceeds from long-term debt	200,000	75,000
Repayments on long-term debt	(141,234)	(139,294)
Net cash provided by (used in) financing activities	<u>340,631</u>	<u>(28,530)</u>
Net increase (decrease) in cash and cash equivalents	<u>(63,812)</u>	<u>(329,222)</u>
Cash and cash equivalents at beginning of period	2,171,791	2,193,415
Cash and cash equivalents at end of period	<u>\$2,107,979</u>	<u>\$ 1,864,193</u>
Supplemental disclosures:		
Interest paid	\$ 51,656	\$ 77,256
Income taxes paid	\$ 2,653	\$ 1,205
Supplemental schedule of noncash investing and financing activities:		
Loans converted into other real estate owned and repossessed personal property	\$ 177	\$ 1,036
Loans made to facilitate the sale of other real estate owned	\$ 33	\$ 216

The accompanying notes are an integral part of these consolidated financial statements.

BancWest Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Summary of Significant Accounting Policies

Descriptions of Operations

BancWest Corporation is a financial holding company headquartered in Honolulu, Hawaii and incorporated under the laws of the State of Delaware. Through our principal subsidiaries, Bank of the West and First Hawaiian Bank, we provide commercial and consumer banking services, engage in commercial, equipment and vehicle leasing and offer trust, investment and insurance products. BancWest Corporation's subsidiaries operate 357 branches in the states of California, Hawaii, Oregon, Washington, Idaho, New Mexico and Nevada and in Guam and Saipan.

Basis of Presentation

We have prepared the accompanying financial data for the three months ended March 31, 2004 and 2003 pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations.

In the opinion of management, the accompanying condensed consolidated financial statements contain all normal and recurring adjustments necessary to present fairly our condensed consolidated financial position as of March 31, 2004, December 31, 2003 and March 31, 2003, condensed consolidated results of operations for the three months ended March 31, 2004 and 2003, and cash flows activities for the three months ended March 31, 2004 and 2003.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results may be different from the estimates. Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective or complex judgments by management.

Descriptions of the significant accounting policies of BancWest Corporation and subsidiaries ("BancWest," the "Company" or "we/our") are included in Note 1 (Summary of Significant Accounting Policies) to the audited consolidated financial statements included in the Company's 2003 Annual Report on Form 10-K. There have been no significant changes to these policies.

Reclassifications

Certain amounts in the financial statements for prior periods have been reclassified to conform with the current financial statement presentation. Such reclassifications did not have a material effect on the Consolidated Financial Statements.

2. Mergers and Acquisitions

Community First Acquisition

On March 16, 2004, BancWest announced that it signed an agreement to acquire Community First Bankshares, Inc. (Community First), a holding company that operates Community First National Bank (CFB). It is anticipated that the purchase transaction will close in the third quarter of 2004, subject to approval from Community First shareholders and federal and state banking regulators. Subsequently, CFB will be merged with and into Bank of the West and its branches will be integrated into Bank of the West's branch network system. The acquisition of Community First will add 10 new states to Bank of the West's footprint, as well as to our market share in California and New Mexico. CFB operates 155 branches in 12 states in the Southwest, Rocky Mountains, Great Plains and east to Minnesota, Iowa and Wisconsin. CFB's retail operations in growing states will complement the Bank's existing network in California, Nevada, New Mexico and the Pacific Northwest. At March 31, 2004 CFB had total assets of \$5.5 billion, total deposits of \$4.4 billion and loans of \$3.3 billion. Following the acquisition, results of operations of Community First will be included in our Consolidated Financial Statements. The purchase price of approximately \$1.2 billion will be paid in cash and accounted for as a purchase.

BancWest Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)

3. Derivative Financial Instruments

Any portion of the changes in the fair value of a derivative designated as a hedge that is deemed ineffective is recorded in current period earnings; this amount was not material in the three months ended March 31, 2004 and 2003.

Fair Value Hedges

The Company has various derivative instruments that hedge the fair values of recognized assets or liabilities or of unrecognized firm commitments ("fair value" hedges). At March 31, 2004, the Company carried an interest rate swap of \$2.7 million with a fair market value loss of \$0.7 million that was categorized as a fair value hedge for a commercial loan. The Company receives 1-month LIBOR and pays a fixed rate of 8.32%. At March 31, 2003, the Company carried \$2.8 million of such swaps with a fair market value loss of \$0.8 million.

At November 20, 2002, BancWest Corporation executed a \$150 million interest rate swap agreement with BNP Paribas to hedge the fair value of the 9.5% BancWest Capital I Quarterly Income Preferred Securities (the BWE Capital Securities) issued by BancWest Capital I. Following the adoption of FIN 46 (see Note 7), BancWest Capital I was deconsolidated, resulting in recognition of \$150 million subordinated debt instead of the BWE Capital Securities. The terms of the subordinated debt mirror those of the BWE Capital Securities. Concurrent with the deconsolidation of BancWest Capital I, the Bank redesignated the interest rate swap to hedge the subordinated debt. The derivative instrument is highly effective and all changes in the fair value of the hedge were recorded in current-period earnings together with the offsetting change in fair value of the hedged item attributable to the risk being hedged. We pay 3-month LIBOR plus 3.69% and receive fixed payments at 9.5%. The fair market value loss of the swap was \$0.5 million and a gain of \$1.2 million at March 31, 2004 and 2003, respectively.

In addition, at March 31, 2004, the Company carried interest rate swaps totaling \$77.9 million with a market value loss of \$6.7 million that were categorized as fair value hedges for commercial and commercial real estate loans. The Company receives 6-month LIBOR and pays fixed rates from 3.56% to 7.99%. At March 31, 2003, the Company carried \$126.6 million of such swaps with a market value loss of \$11.8 million.

At March 31, 2004, the Company carried interest rate swaps and swaptions totaling \$8.6 million with a market value gain of \$0.6 million that were categorized as fair value hedges for repurchase agreements. The Company pays 3-month LIBOR and receives fixed rates ranging from 8.29% to 8.37%. At March 31, 2003, the Company carried \$8.6 million of such swaps and swaptions with a market value gain of \$0.8 million.

Cash Flow Hedges

At March 31, 2004, the Company carried interest rate swaps of \$600 million with a fair market value gain of \$48.3 million which are categorized as cash flow hedges, to hedge our LIBOR-based commercial loans. The hedges had a fair market value gain of \$59.9 million at March 31, 2003. The interest rate swaps were entered into during 2001 and mature in 2006. We pay 3-month LIBOR and receive fixed rates ranging from 5.64% to 5.87%. The net settlement on the \$600 million swaps has increased commercial loan interest income by \$6.1 million from January 1, 2004 through March 31, 2004 and by \$5.8 million from January 1, 2003 through March 31, 2003. The Company estimates net settlement gains, recorded as commercial loan interest income, of \$23.5 million over the next twelve months resulting from these hedges.

At March 31, 2004, the Company carried interest rate swaps totaling \$100 million with a fair market value gain of \$1.3 million in order to reduce exposure to interest rate increases associated with short-term fixed rate liabilities. The swaps hedge forecasted transactions associated with short-term fixed rate liabilities. The swaps mature as follows: \$70 million in 2013, \$20 million in 2018 and \$10 million in 2023. We pay fixed rates ranging from 3.65% to 4.58% and receive 3-month LIBOR. The effect on pre-tax income from these swaps for the three months ended March 31, 2004 was a loss of \$0.8 million. The Company estimates a net increase to interest expense of \$3.1 million over the next twelve months resulting from these hedges.

BancWest Corporation and Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)****Free-standing Derivative Instruments**

Free-standing derivative instruments include derivative transactions entered into for risk management purposes that do not otherwise qualify for hedge accounting. Interest rate lock commitments issued on residential mortgage loans intended to be held for resale are considered free-standing derivative instruments. Trading activities primarily involve providing various free-standing interest rate and foreign exchange derivative products to customers. Interest-rate derivative instruments utilized by the Company in its trading operations include interest-rate swaps, caps, floors and collars.

The following table summarizes derivatives held by the Company as of March 31, 2004, December 31, 2003 and March 31, 2003:

Contractual Amounts Which Represent Credit Risk:	March 31, 2004			December 31, 2003			March 31, 2003		
	Notional Amount	Credit Risk Amount	Net Fair Value	Notional Amount	Credit Risk Amount	Net Fair Value	Notional Amount	Credit Risk Amount	Net Fair Value
(in thousands)									
Held for hedge purposes:									
Interest rate swaps	\$ 934,888	\$51,183	\$42,083	\$ 944,110	\$54,821	\$44,885	\$ 882,295	\$61,569	\$48,989
Swaptions	4,329	206	206	4,329	178	178	5,639	391	391
Held for trading or free-standing:									
Interest rate swaps	1,427,642	31,511	6,517	1,375,018	22,113	5,224	1,405,290	26,055	2,764
Purchased interest rate options	71,923	117	117	22,318	187	187	81,488	220	220
Written interest rate options	131,942	—	(218)	62,946	—	(187)	179,438	1,526	1,309
Forward interest rate options	30,000	41	41	217,930	782	732	63,500	—	(318)
Commitments to purchase and sell foreign currencies	523,037	6,691	476	421,130	8,592	(48)	445,731	6,030	(63)
Purchased foreign exchange options	41,234	422	422	55,791	597	597	31,964	274	274
Written foreign exchange options	41,234	—	(422)	55,791	—	(597)	31,964	—	(274)

BancWest Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)

4. Operating Segments

Our reportable segments are the ones we use in our internal reporting at Bank of the West and First Hawaiian Bank. Bank of the West's segments operate primarily in California, Oregon, Washington, Idaho, New Mexico and Nevada. As discussed below, certain Bank of the West segments conduct business nationwide. Although First Hawaiian Bank's segments operate primarily in Hawaii, it also has significant operations outside the state, such as leveraged leases, international banking and branches in Guam and Saipan.

The results of each segment are determined by our management accounting process, which assigns balance sheet and income statement items to each reporting segment. The net interest income of each segment includes the results of the respective bank's transfer pricing process, which assesses an internal funds charge on all segment assets and a funds credit on all segment liabilities. The internal charges and credits assigned to each asset and liability are intended to match the maturity, repayment and interest rate characteristics of that asset or liability. With the exception of goodwill, assets are allocated to each business segment on the basis of assumed benefit to their business operations. Goodwill is assigned on the basis of projected future earnings of the segments. The process of management accounting is dynamic and subjective. There is no comprehensive or authoritative guidance which can be followed. Changes in management structure and/or the allocation process may result in changes in allocations and transfers. In that case, results for prior periods would be (and have been) reclassified for comparability. Results for 2003 have been reclassified to reflect changes in the transfer pricing methodology and noninterest income and expense allocation methodology applied in 2004.

Bank of the West

Bank of the West manages its operations through three business segments: Regional Banking, Commercial Banking and Consumer Finance.

Regional Banking

Regional Banking seeks to serve a broad customer base by furnishing a wide range of retail and commercial banking products. Deposit products offered by this segment include checking accounts, savings deposits, market rate accounts, individual retirement accounts and time deposits. Regional Banking utilizes its branch network as its principal funding source. Bank of the West's telephone banking service, a network of automated teller machines and the online eTimeBanker service provide retail customers with other means of accessing and managing their accounts.

Through its branch network, this business segment originates a variety of consumer loans, including direct vehicle loans, lines of credit and second mortgages. In addition, Regional Banking originates and holds a portfolio of first mortgage loans on one- to four-family residences. Through its commercial banking operations conducted from its branch network, Regional Banking offers a wide range of commercial banking products intended to serve the needs of smaller community-based businesses. These include in-branch originations of standardized loan and deposit products for businesses with relatively simple banking and financing needs. Regional Banking also provides a number of fee-based products and private banking services including trust, insurance and investment services.

More complex and customized commercial banking services are offered through the segment's Business Banking Centers which serve clusters of branches and provide lending, deposit and cash management services to companies operating in the relevant market areas. Business Banking Centers support commercial lending activities for middle market business customers in locations throughout California, as well as Portland, Oregon, Reno and Las Vegas, Nevada and Albuquerque, New Mexico.

The Regional Banking Segment also includes a Pacific Rim Division which offers multilingual services through a branch network in predominately Asian American communities in California, with specialized domestic and international products and services for both individuals and companies.

Commercial Banking

The Commercial Banking Segment is comprised of several divisions: Commercial Banking Division, Agribusiness Banking Division, Real Estate Industries Division and Specialty areas. The Commercial Banking Division supports business clients with revenues between \$25 million and \$500 million. The Commercial Banking Division focuses on relationship banking including deposit generation as well as lending activities. The Agribusiness Banking Division serves all agribusiness and rural commercial clients. The Real Estate Industries Division provides construction financing to large regional and national real estate developers for residential and commercial projects. Interim and permanent financing is available on these commercial real estate projects.

BancWest Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)

The Commercial Banking Segment also includes specialty areas: Church Lending, Small Business Administration (SBA), Health Care, Leasing, Credit Union, Government, Correspondent Banking, Cash Management Services and Capital Markets. Equipment leasing is available through the Company's commercial offices, branches, brokers across the nation and its subsidiary, Trinity Capital. Trinity specializes in nationwide vendor leasing and servicing programs for manufacturers in specific markets.

All areas within the Commercial Banking Segment focus on cross-sell opportunities. The Commercial Banking Segment also provides trade finance and functions as an agent in commercial, agribusiness and real estate syndication transactions.

Consumer Finance

The Consumer Finance Segment targets the origination of auto loans and leases in the western United States, and recreational vehicle and marine loans nationwide, with emphasis on originating credits at the high end of the credit spectrum. These loans and leases are originated through a network of auto dealers and recreational vehicle and marine dealers serviced by sales representatives located throughout the country. This segment also includes Bank of the West's wholly-owned subsidiary, Essex Credit Corporation, which focuses on the origination of marine and recreational vehicle loans directly with customers. In February 2004, Essex began retaining certain types of loans in its own portfolio. In previous years, Essex sold substantially all of its loans to investors on a servicing released basis. Essex has office locations throughout the United States.

First Hawaiian Bank

First Hawaiian manages its operations through the following business segments: Retail Banking, Consumer Finance, Commercial Banking and Financial Management.

Retail Banking

First Hawaiian Bank's Retail Banking Segment operates through 56 banking offices located throughout Hawaii. First Hawaiian Bank also operates three branches in Guam and two branches in Saipan.

The focus of First Hawaiian Bank's retail/community banking strategy is primarily in Hawaii, where it had a 40% market share of the domestic bank deposits of individuals, corporations and partnerships in the state as of December 31, 2003. Thanks to its significant market share in Hawaii, First Hawaiian Bank already has product or service relationships with a majority of the households in the state. Therefore, a key goal of its retail community banking strategy is to build those relationships by cross-selling additional products and services to existing individual and business customers.

In pursuing the community banking markets in Hawaii, Guam and Saipan, First Hawaiian Bank seeks to serve a broad customer base by furnishing a range of retail and commercial banking products. Through its branch network, First Hawaiian Bank generates first-mortgage loans on residences and a variety of consumer loans, consumer lines of credit and second mortgages. Through commercial banking operations conducted from its branch network, First Hawaiian Bank offers a wide range of banking products intended to serve the needs of smaller, community-based businesses. First Hawaiian Bank also provides a number of fee-based products and services such as annuities and mutual funds, insurance and securities brokerage. The First Investment Center department of First Hawaiian Bank makes available annuities, mutual funds and other securities through BancWest Investment Services, Inc., a registered broker-dealer, member NASD/SIPC. Both First Hawaiian Bank and BancWest Investment Services are affiliates under the common control of BancWest Corporation.

To complement its branch network and serve these customers, First Hawaiian Bank operates a system of automated teller machines, a 24-hour phone center in Honolulu and a full-service internet banking system.

Consumer Finance

Consumer Lending offers many types of loans and credits to consumers, including lines of credit (uncollateralized or collateralized) and various types of personal and automobile loans. First Hawaiian Bank also provides indirect consumer automobile financing on new and used autos by purchasing finance contracts from dealers. First Hawaiian Bank's Dealer Center is the largest commercial bank automobile lender in the State of Hawaii. First Hawaiian Bank is the largest issuer of MasterCard® credit cards and VISA® credit cards in Hawaii.

BancWest Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)

Real Estate Lending-Residential makes residential real estate loans, including home-equity loans, to enable borrowers to purchase, refinance, improve or construct residential real property. The loans are collateralized by mortgage liens on the related property, substantially all located in Hawaii. First Hawaiian Bank also originates residential real estate loans for sale on the secondary market.

Commercial Banking

Commercial Lending is a major lender to small and medium-sized businesses in Hawaii and Guam. Lending services include receivable and inventory financing, term loans, for equipment acquisition and facilities expansion and trade financing letters of credit. To support the cash management needs of both commercial banking customers and large private and public deposit relationships maintained with the Company, First Hawaiian Bank operates a Cash Management Department which provides a full range of innovative and relationship-focused cash management services.

Real Estate Lending-Commercial provides interim construction, residential development and permanent financing for commercial real estate projects, including retail facilities, warehouses and office buildings. The Bank also does lease-to-fee conversion financing for condominium associations and cooperatives.

International Banking Services provides international banking products and services through First Hawaiian Bank's branch system, its Japan Business Development Department in Honolulu, a Grand Cayman branch, three Guam branches, two branches in Saipan and a representative office in Tokyo, Japan. First Hawaiian Bank maintains a network of correspondent banking relationships throughout the world. First Hawaiian Bank's trade-related international banking activities are concentrated in the Asia-Pacific area.

Leasing provides leasing services for businesses from heavy equipment to office computer and communication systems.

Financial Management

The Financial Management Segment offers a full range of trust and investment management services, and also seeks to reinforce customer relationships developed by or in conjunction with the Retail Banking Segment. The Financial Management Segment provides asset management, advisory and administrative services for estates, trusts and individuals. It also acts as trustee and custodian of retirement and other employee benefit plans. At March 31, 2004, the Trust and Investments Division had approximately 3,965 accounts with a market value of \$8.8 billion. Of this total, \$6.5 billion represented assets in nonmanaged accounts and \$2.3 billion were managed assets.

Securities and Insurance Services, through a wholly-owned subsidiary of First Hawaiian Bank, First Hawaiian Insurance, Inc., provides insurance brokerage services for personal, business and estate insurance needs to its customers. First Hawaiian Insurance offers insurance needs analysis for individuals, families and businesses, as well as life, disability and long-term care insurance products.

The Private Banking Department within First Hawaiian Bank's Financial Management Segment provides a wide range of private banking service products to high-net-worth individuals.

[Table of Contents](#)

BancWest Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)

The table below presents information about the Company's operating segments as of or for the periods indicated. The "Other BancWest" category in the table below consists principally of BancWest Corporation (Parent Company), FHL Lease Holding Company, Inc. and BancWest Investment Services ("BWIS"). The reconciling items are principally consolidating entries to eliminate intercompany balances and transactions. The following table summarizes significant financial information, as of March 31, 2004 and 2003 for our reportable segments:

(in millions)	Bank of the West			
	Regional Banking	Commercial Banking	Consumer Finance	Other ⁽¹⁾
Three Months Ended March 31, 2004:				
Net interest income	\$ 123.4	\$ 77.5	\$ 53.0	\$ 20.7
Noninterest income	43.0	14.0	2.7	5.2
Noninterest expense	107.8	29.1	17.0	6.3
Provision for loan and lease losses	0.5	0.4	14.9	—
Tax provision (benefit)	22.9	24.4	9.4	7.7
Net income (loss)	\$ 35.2	\$ 37.6	\$ 14.4	\$ 11.9
Segment assets at March 31	\$ 7,841	\$8,708	\$8,213	\$4,804
Segment goodwill at March 31	1,214	707	308	—
Average assets	\$ 7,822	\$8,648	\$8,110	\$4,614
Average loans and leases	5,795	7,327	7,760	—
Average deposits	14,391	3,380	6	1,623
Three Months Ended March 31, 2003:				
Net interest income	\$ 121.9	\$ 80.7	\$ 49.7	\$ 12.7
Noninterest income	38.7	11.3	2.7	5.5
Noninterest expense	105.9	30.0	15.3	7.3
Provision for loan and lease losses	3.6	0.3	12.8	—
Tax provision (benefit)	20.3	24.5	9.7	4.3
Net income (loss)	\$ 30.8	\$ 37.2	\$ 14.6	\$ 6.6
Segment assets at March 31	\$ 7,176	\$8,201	\$7,179	\$3,741
Segment goodwill at March 31	1,214	706	308	—
Average assets	\$ 7,325	\$8,249	\$7,097	\$3,123
Average loans and leases	5,295	6,923	6,753	—
Average deposits	13,533	2,918	14	1,071

[Additional columns below]

[Continued from above table, first column(s) repeated]

(in millions)	First Hawaiian Bank					Other ⁽²⁾	Other BancWest ⁽³⁾	Reconciling Items ⁽⁴⁾	Consolidated Totals
	Retail Banking	Consumer Finance	Commercial Banking	Financial Management					
Three Months Ended March 31, 2004:									
Net interest income	\$ 56.3	\$ 20.7	\$ 8.6	\$ —	\$ (4.3)	\$ (34.9)	\$ —	\$ 321.0	
Noninterest income	17.7	7.9	1.9	7.7	0.9	0.5	—	101.5	
Noninterest expense	44.9	11.4	2.0	6.5	(8.1)	2.0	—	218.9	
Provision for loan and lease losses	1.1	1.7	0.1	—	0.1	—	—	18.8	
Tax provision (benefit)	11.3	6.2	2.4	0.5	1.8	(14.9)	—	71.7	
Net income (loss)	\$ 16.7	\$ 9.3	\$ 6.0	\$ 0.7	\$ 2.8	\$ (21.5)	\$ —	\$ 113.1	
Segment assets at March 31	\$3,620	\$1,512	\$1,081	\$ 24	\$3,619	\$7,083	\$(7,591)	\$38,914	
Segment goodwill at March 31	650	216	118	10	—	5	—	3,228	
Average assets	\$3,581	\$1,471	\$1,114	\$ 24	\$3,419	\$7,019	\$(7,486)	\$38,336	
Average loans and leases	2,582	1,279	974	9	204	49	(37)	25,942	
Average deposits	6,838	7	19	30	200	—	(62)	26,432	
Three Months Ended March 31, 2003:									
Net interest income	\$ 57.2	\$ 18.5	\$ 8.3	\$ 0.1	\$ (0.7)	\$ (34.3)	\$ 1.2	\$ 315.3	
Noninterest income	17.3	10.1	1.6	7.4	1.4	—	(1.2)	94.8	
Noninterest expense	43.6	11.3	2.2	6.3	(2.5)	1.3	—	220.7	
Provision for loan and lease losses	1.4	1.9	(0.1)	—	0.8	2.0	—	22.7	
Tax provision (benefit)	11.2	5.8	2.3	0.5	1.4	(15.4)	—	64.6	
Net income (loss)	\$ 18.3	\$ 9.6	\$ 5.5	\$ 0.7	\$ 1.0	\$ (22.2)	\$ —	\$ 102.1	
Segment assets at March 31	\$3,287	\$1,472	\$1,198	\$ 14	\$3,320	\$7,603	\$(8,275)	\$34,916	
Segment goodwill at March 31	650	216	118	10	—	5	—	3,227	

Average assets	\$3,265	\$1,428	\$1,182	\$ 14	\$3,269	\$6,516	\$(7,051)	\$34,417
Average loans and leases	2,420	1,227	1,043	1	353	2	29	24,046
Average deposits	6,392	10	21	51	155	—	(19)	24,146

(1) The material net interest income and noninterest income items in the Other column are related to Treasury activities of \$24.6 million and unallocated other income of \$1.3 million for March 31, 2004. The material net interest income and noninterest income items in the Other column resulted substantially from Treasury activities of \$13.2 million and unallocated other income of \$5.0 million for March 31, 2003.

The material noninterest expense items in the Other column is substantially derived from Treasury activities of \$4.2 million and unallocated administrative items of \$2.1 million for March 31, 2004. The material noninterest expense items in the Other column primarily resulted from Treasury activities and unallocated administrative items of \$7.3 million for March 31, 2003.

The material average asset items in the Other column are related to unallocated Treasury securities for the periods presented.

The material average deposit items in the Other column are related to unallocated Treasury balances for the periods presented.

(2) Other is composed of Administrative and Syndicated and Media Lending. Administrative represents administrative support areas including Information Management and Operations and Finance and Investment.

The material items in the Other column related to net interest income and noninterest expense in March 31, 2004 and 2003 include unallocated other and Treasury activities.

The material items in the Other column related to average assets are unallocated Treasury securities for the periods presented. The material items in the Other column related to average deposits are unallocated balances for the periods presented.

(3) The Other BancWest category consists primarily of BancWest Corporation (Parent Company), FHL Lease Holding Company, Inc. and BancWest Investment Services (BWIS).

(4) The reconciling items in the above table are principally intercompany eliminations.

BancWest Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)

5. Operating Lease Assets

Prior to February 2004, leases of vehicles to customers were treated as finance leases, as they qualified for such treatment under Statement of Financial Accounting Standards (SFAS) No. 13, *Accounting for Leases*. Beginning in February 2004, our automobile leases are treated as operating leases, as we no longer obtain residual insurance on an individual lease basis.

Operating lease rental income for leased assets, primarily vehicles, is recognized on a straight-line basis. Related depreciation expense is recorded on a straight-line basis over the life of the lease taking into account the estimated residual value of the leased asset. On a periodic basis, leased assets are reviewed for impairment. Impairment loss is recognized if the carrying amount of leased assets exceeds fair value and is not recoverable. The carrying amount of leased assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the lease payments and the estimated residual value upon the eventual disposition of the equipment. Vehicle lease receivables are written off when 120 days past due.

The following table shows future minimum lease receivables under leases with terms in excess of one year as of March 31, 2004:

	Rental Income
	(in thousands)
2004	\$10,077
2005	14,125
2006	13,909
2007	9,269
2008	8,203
2009 and thereafter	15,928
Total minimum payments	<u>\$71,511</u>

6. Goodwill and Intangible Assets

We performed the impairment testing of goodwill required under SFAS No. 142 in the fourth quarter of 2003. No impairment of goodwill was found. The impairment analysis was performed using a discounted cash flows model. The table below provides the breakdown of goodwill by reportable segment and the change during the year.

(in millions)	Bank of the West			First Hawaiian Bank				BancWest	Consolidated Totals
	Regional Banking	Commercial Banking	Consumer Finance	Retail Banking	Consumer Finance	Commercial Banking	Financial Management		
Balance as of January 1, 2004:	\$1,214	\$706	\$308	\$650	\$216	\$118	\$ 10	\$ 5	\$3,227
Purchase accounting adjustment:									
Trinity Capital	—	1	—	—	—	—	—	—	1
Balance as of March 31, 2004:	<u>\$1,214</u>	<u>\$707</u>	<u>\$308</u>	<u>\$650</u>	<u>\$216</u>	<u>\$118</u>	<u>\$ 10</u>	<u>\$ 5</u>	<u>\$3,228</u>

Amortization of intangible assets was \$5.8 million for each of the three-month periods ended March 31, 2004 and 2003. The estimated annual amortization expense for finite-lived intangible assets, primarily core deposit intangibles arising from previous mergers, is approximately \$23 million (pre-tax) for each of the years from 2004 to 2008.

Our finite-lived intangible assets substantially consist of core deposit intangible assets. The gross carrying amount, accumulated amortization and net book value of these intangible assets are detailed below.

	March 31, 2004	December 31, 2003	March 31, 2003
	(in thousands)		
Gross carrying amount	\$230,538	\$230,538	\$230,538
Accumulated amortization	48,945	43,181	25,891
Net book value	<u>\$181,593</u>	<u>\$187,357</u>	<u>\$204,647</u>

BancWest Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)

7. Financial Interpretation No. 46: Consolidation of Variable Interest Entities

In January 2003, the FASB issued Financial Interpretation No. (FIN) 46, *Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51*. FIN 46 established new guidance on the accounting and reporting for the consolidation of variable interest entities (VIEs). In December 2003, the FASB issued Financial Interpretation No. (FIN) 46 (Revised December 2003), *Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51* (FIN 46R). The application of FIN 46R replaces FIN 46 and applies to companies who have not adopted FIN 46 with VIEs for financial statement periods ending after December 15, 2003. The principal objective of FIN 46 is to require the primary beneficiary of a VIE to consolidate the VIE's assets, liabilities and results of operations in the primary beneficiary's own financial statements. The Company adopted the consolidation provisions of FIN 46 on July 1, 2003 consolidating one VIE formed prior to February 1, 2003. However in December 2003, our relationship with this VIE changed and it is no longer being consolidated. In the fourth quarter of 2003, BancWest also ceased consolidating two trusts, which were included in the consolidated financial statements presented prior to October 1, 2003.

On June 23, 1997 and October 20, 2000, the Company formed two trusts, First Hawaiian Capital I (FH Trust) and BancWest Capital I (BWE Trust) (the Trusts), respectively. The Trusts issued preferred and common capital securities. The purpose of these entities is to allow for the issuance of preferred capital securities that qualify for inclusion in Tier 1 regulatory capital. Historically, these trusts have been consolidated and the related trust preferred securities have been treated as Tier 1 capital under Federal Reserve rules and regulations. The Company began deconsolidating the Trusts as a result of the adoption of FIN 46 in the preparation of its financial statements on October 1, 2003.

BWE Trust is a Delaware business trust, which was formed in 2000 and exchanged \$150 million of its BWE Capital Securities as well as all outstanding common securities of BWE Trust, for 9.5% junior subordinated deferrable interest debentures of the Corporation. The Corporation sold the \$150 million of BWE Capital Securities to the public. At March 31, 2004, the BWE Trust's total assets were \$155.9 million, comprised primarily of the Corporation's junior subordinated debentures. The BWE Capital Securities and the debentures will mature on December 1, 2030, but on or after December 1, 2005 are subject to redemption in whole or in part at par plus accrued interest. They are solely, fully and unconditionally guaranteed by the Corporation, representing the Company's maximum liability for the securities.

FH Trust is a Delaware business trust which was formed in 1997, issued \$100 million of its Capital Securities (the "FH Capital Securities") and used the proceeds to purchase junior subordinated deferrable interest debentures of the Corporation. The FH Capital Securities accrue and pay interest semiannually at an annual interest rate of 8.343%. The FH Capital Securities are mandatorily redeemable upon maturity date of July 1, 2027. However, they are subject to redemption on or after July 1, 2007, in whole or in part (subject to a prepayment penalty) as provided for in the governing indenture. At March 31, 2004, the FH Trust's total assets were \$105.2 million, comprised primarily of the Corporation's junior subordinated debentures. The debentures and the associated interest expense make up the Company's maximum exposure to losses for this trust.

As of October 2003, effective with the adoption of Financial Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46) as it relates to the Trusts, BancWest no longer consolidates the Trusts. This deconsolidation had no material impact on the total assets or liabilities of the Corporation. The Federal Reserve Board issued temporary guidance which indicated that the preferred capital securities can still be included as part of Tier 1 Capital. The Federal Reserve Board will review the regulatory implications of any accounting treatment changes and will provide further guidance if necessary or warranted.

The Company has identified investments that meet the definition of a VIE under FIN 46 but do not meet the requirements for consolidation. The Company owns several limited partnership interests in low-income housing developments in conjunction with the Community Reinvestment Act. Limited partners do not participate in the control of the partnerships' businesses. The general partner exercises the day-to-day control and management of the projects. The general partners have exclusive control over the partnerships' businesses and have all of the rights, powers, and authority generally conferred by law or necessary, advisable or consistent with accomplishing the partnerships' businesses. FIN 46 indicates that if an entity (e.g., limited partner) cannot sell, transfer, or encumber its interests in the VIE without the prior approval of an enterprise (e.g., general partner), the limited partner is deemed to be a de facto agent for the general partner. BancWest is considered to be a de facto agent for the general partner where BancWest has a limited partnership interest over 50%. BancWest is not the primary beneficiary for these partnerships or for those where its interest is less than 50%. The business purpose of these entities is to provide affordable housing within the Company's service area in return for tax credits and tax loss deductions. Our subscription amount for these investments as of March 31, 2004 is approximately \$93.4 million with approximately \$30.4 million as the residual contribution outstanding. We are not obligated to fund deficiencies of the limited partnerships and our maximum exposure to losses is limited to our subscription amount. Bargain purchase options are available for

BancWest Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)

the general partners to purchase the Company's portion of interests in the limited partnerships. These commitments were entered into from 1991 through 2004.

8. Pension and Other Postretirement Benefit Plans

The Company sponsors a noncontributory defined benefit pension plan, which is a merger of two separate plans. The first plan, for First Hawaiian employees, was frozen at December 31, 1995. As a result of that freeze, there are no further benefit accruals for First Hawaiian employees in the merged plan. The second plan, for Bank of the West employees, was a cash balance pension plan. The merged employee retirement plan ("ERP") continues to provide cash balance benefit accruals for eligible Bank of the West employees.

The Company also sponsors an unfunded excess benefit pension plan covering employees whose pay or benefits exceed certain regulatory limits, unfunded postretirement medical and life insurance plans, and, for certain key executives, an unfunded supplemental executive retirement plan ("SERP").

In connection with the March 2002 acquisition of United California Bank ("UCB"), the Company assumed the pension and postretirement obligations of UCB. UCB employees participated in a noncontributory final pay defined benefit pension plan, an unfunded excess benefit pension plan covering employees whose pay or benefits exceed certain regulatory limits, an unfunded postretirement medical plan, and a 401(k) savings plan. In addition, certain key executives were eligible for a supplemental pension benefit if they met certain age and service conditions. The UCB plans were curtailed on June 30, 2003. The Company integrated UCB employees into the Company's existing benefit plan structure on July 1, 2003. UCB employees were guaranteed the benefits they acquired through the UCB plans up to the curtailment date. The curtailment reduced the projected benefit obligation of the UCB retirement plan by \$29.5 million measured as of July 1, 2003, which did not exceed the unrecognized net loss as of that date. The projected benefit obligation related to the UCB supplemental plan decreased by \$2.9 million due to the curtailment. This exceeded the unrecognized loss in that plan resulting in a curtailment gain of \$0.15 million during 2003. Special benefits were provided to UCB participants meeting certain age and service requirements; this is reflected as a termination benefit and is included in the pension liability. The special benefits were accounted for as an adjustment to goodwill as a purchase accounting adjustment due to the business combination of UCB with Bank of the West. The benefit obligations assumed by the Company in connection with the acquisition and the effect of the curtailment have been reflected in the table below.

The following table sets forth the components of the net periodic benefit cost (credit) for March 31, 2004 and 2003:

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
	(in thousands)			
Service cost	\$ 2,260	\$ 3,498	\$ 552	\$ 595
Interest cost	6,568	9,166	654	720
Expected return on plan assets	(8,159)	(10,923)	—	—
Amortization of transition (asset)/obligation	—	—	—	—
Amortization of prior service cost	—	—	—	—
Recognized net actuarial (gain) loss	1,515	4,007	117	(3)
Total benefit cost (credit)	\$ 2,184	\$ 5,748	\$1,323	\$1,312

The following table sets forth the components of the net periodic benefit cost (credit) for our funded plans for March 31, 2004 and 2003:

	Funded Pension Benefits	
	2004	2003
	(in thousands)	
Service cost	\$ 1,760	\$ 3,085
Interest cost	5,531	8,222
Expected return on plan assets	(8,159)	(10,923)
Amortization of transition (asset)/obligation	—	—
Amortization of prior service cost	—	—
Recognized net actuarial (gain) loss	1,275	3,868
Net periodic benefit cost (credit)	\$ 407	\$ 4,252

BancWest Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)

Contributions

BancWest expects to contribute \$2.5 million to its defined benefit pension plans and \$2.5 million to its other post retirement benefit plans in 2004.

9. Subsequent Event

On April 27, 2004, BancWest announced that it signed an agreement to acquire USDB Bancorp in a cash transaction valued at \$245 million. USDB Bancorp is a holding company that operates Union Safe Deposit Bank, which has 19 branches in California. It is anticipated that the purchase transaction will close in the third quarter of 2004, subject to approval from USDB Bancorp shareholders and federal and state banking regulators. Subsequently, Union Safe Deposit Bank will be merged into Bank of the West. As a purchase transaction, the results of operations of Union Safe Deposit Bank will be included with that of BancWest subsequent to the consummation of the transaction.

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

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

FORWARD-LOOKING STATEMENTS

Certain matters contained in this filing are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements (such as those concerning our plans, expectations, estimates, strategies, projections and goals) involve risks and uncertainties that could cause actual results to differ materially from those discussed in the statements. Readers should carefully consider those risks and uncertainties in reading this report. Factors that could cause or contribute to such differences include, but are not limited to:

- (1) global, national and local economic and market conditions, specifically with respect to changes in the United States economy and geopolitical uncertainty;
- (2) the level and volatility of interest rates and currency values;
- (3) government fiscal and monetary policies;
- (4) credit risks inherent in the lending process;
- (5) loan and deposit demand in the geographic regions where we conduct business;
- (6) the impact of intense competition in the rapidly evolving banking and financial services business;
- (7) extensive federal and state regulation of our business, including the effects of current and pending legislation and regulations;
- (8) whether expected revenue enhancements and cost savings are realized within expected time frames;
- (9) matters relating to the integration of our business with that of past and future merger partners, including the impact of combining these businesses on revenues, expenses, deposit attrition, customer retention and financial performance;
- (10) our reliance on third parties to provide certain critical services, including data processing;
- (11) the proposal or adoption of changes in accounting standards by the Financial Accounting Standards Board ("FASB"), the Securities and Exchange Commission ("SEC") or other standard setting bodies;
- (12) technological changes;
- (13) other risks and uncertainties discussed in this document or detailed from time to time in other SEC filings that we make; and
- (14) management's ability to manage risks that result from these and other factors.

Our forward-looking statements are based on management's current views about future events. Those statements speak only as of the date on which they are made. We do not intend to update forward-looking statements, and, except as required by law, we disclaim any obligation or undertaking to update or revise any such statements to reflect any change in our expectations or any change in events, conditions, circumstances or assumptions on which forward-looking statements are based.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Form 10-Q. Our actual results could differ from the results contemplated by these forward-looking statements due to certain factors, including those discussed in Item 2 and elsewhere in this report.

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

OVERVIEW

BancWest Corporation (www.bancwestcorp.com) is a financial holding company with assets of \$38.9 billion. It is a wholly owned subsidiary of Paris-based BNP Paribas. BancWest is headquartered in Honolulu, Hawaii, with an administrative headquarters in San Francisco, California. Its principal subsidiaries are Bank of the West (296 branches in California, Oregon, New Mexico, Nevada, Washington state and Idaho) and First Hawaiian Bank (61 branches in Hawaii, Guam and Saipan).

Acquisitions

On April 27, 2004, BancWest announced that it signed an agreement to acquire USDB Bancorp in a cash transaction valued at \$245 million. USDB Bancorp is a holding company that operates Union Safe Deposit Bank, which has 19 branches in California. It is anticipated that the purchase transaction will close in the third quarter of 2004, subject to approval from USDB Bancorp shareholders and federal and state banking regulators. Subsequently, Union Safe Deposit Bank will be merged into Bank of the West. As a purchase transaction, the results of operations of Union Safe Deposit Bank will be included with that of BancWest subsequent to the consummation of the transaction.

On March 16, 2004, BancWest announced that it signed an agreement to acquire Community First Bankshares, Inc. (Community First), a holding company that operates Community First National Bank (CFB) in a cash transaction valued at \$1.2 billion. It is anticipated that the purchase transaction will close in the third quarter of 2004, subject to approval from Community First shareholders and federal and state banking regulators. Subsequently, CFB will be merged with and into Bank of the West and its branches will be integrated into Bank of the West's branch network system. See Note 2 of the Company's Notes to Unaudited Consolidated Financial Statements.

Initiatives

BancWest has continued to implement a series of initiatives that are designed to improve customer service and expand our physical footprint by branch expansion and mergers and acquisitions. The focus of the Company is to promote long-lasting customer service relationships through upgrading technology and enhancing existing and implementing new training vehicles. BancWest strives for a "high touch" personalized marketing position, promoting brand recognition through logos and community outreach. BancWest is expanding its line of financial services to its customers through internal initiatives as well as mergers and acquisitions. This includes insurance services that it will attain through Community First.

To remain competitive, Bank of the West's Regional Banking segment offers "Free Checking" to assist in business development and customer experience activities. This product was developed to assure that customers are finding the right checking product to meet their needs. Bank of the West has also launched a new electronic check service ("ECS") for merchant services through its relationship with NOVA Information Systems. Merchant Services is the process of accepting, processing and settling payments for businesses. The Company provides the payment processing equipment, technology, reporting and reconciliation services merchants need to conduct business. ECS offers almost instant verification of fund availability when checks are swiped through the merchant's check reader. ECS offers next day funding to merchants without having to make deposits in a branch.

Key among the elements of the Company's profitability has been the interest rate environment, from both a deposit and loan pricing standpoint. As an industry, banks and other financial intermediaries have seen net interest margins decline over the past year principally as a result of the absolute level and shape of the yield curve. We manage the interest rate and market risks intrinsic in our asset and liability balances, while ensuring ample liquidity and diverse funding.

Financial Overview

First quarter 2004 as compared to first quarter 2003

BancWest reported net income of \$113.1 million, compared with \$102.1 million, an increase of 10.7%. Net interest income was \$321.0 million, up 1.8% compared to \$315.2 million. This increase was primarily due to growth in average earning assets, partially offset by a lower net interest margin for the quarter. Average loans and leases increased by \$1.9 billion; average investment securities increased by \$1.9 billion. The Company increased its consumer lending and purchased residential mortgage loans and securities while commercial borrowing was still relatively slow. The net interest margin decreased 51 basis points (1% equals 100 basis points) from

BancWest Corporation and Subsidiaries

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)**

4.49% last year to 3.98% as a declining interest rate environment caused rates on interest earning assets to decrease more rapidly than rates paid on funding sources. Noninterest income was \$101.4 million, an increase of 7.0% compared to \$94.8 million in the first quarter of 2003. The increase was primarily due to increased service charges on deposit accounts and other service charges and fees. The Company's strategy to increase noninterest income included growth in average deposit balances, repricing efforts in account analysis as well as growth in investment product sales and merchant services. The Company also focused on niche markets where the Company would have a competitive advantage in growing its portfolio related to equipment leasing, SBA, church and healthcare lending. Noninterest expense was \$218.9 million compared to \$220.7 million, a decrease of 0.8%. Cost savings from staff reductions, offset by the increased cost of healthcare, resulted in a decrease in noninterest expense of \$1.8 million from the first quarter of 2003.

BancWest had total assets of \$38.9 billion at March 31, 2004, an increase of 1.5% from December 31, 2003 and 11.5% from March 31, 2003. Investment securities totaled \$6.0 billion, an increase of 1.7% from December 31, 2003 and 33.2% from the same period in 2003. Loans and leases totaled \$26.2 billion, up 2.0% from December 31, 2003 and 9.0% from a year ago. Deposits were \$26.7 billion, up 1.3% from December 31, 2003 and 9.9% from a year ago.

BancWest's nonperforming assets were 0.58% of loans, leases and foreclosed properties at March 31, 2004, an improvement from 0.59% at December 31, 2003 and 0.98% at March 31, 2003. The provision for loan and lease losses was \$18.9 million for the first quarter of 2004, compared to \$22.7 million for the quarter ended a year ago. BancWest's allowance for loan and lease losses was 1.51% of total loans and leases at March 31, 2004, compared to 1.52% of total loans and leases at December 31, 2003 and 1.65% at March 31, 2003.

MONETARY POLICY AND ECONOMIC CONDITIONS

Our earnings and businesses are affected not only by general economic conditions (both domestic and international), but also by the monetary policies of various governmental regulatory authorities of (i) the United States and foreign governments and (ii) international agencies. In particular, our earnings and growth may be affected by actions of the Federal Reserve Board in connection with its implementation of national monetary policy through its open market operations in United States Government securities, control of the discount rate and establishment of reserve requirements against both member and non-member financial institutions' deposits. These actions have a significant effect on the overall growth and distribution of loans and leases, investments and deposits, as well as on the rates earned on loans and leases or paid on deposits. It is difficult to predict future changes in monetary policies.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in our Consolidated Financial Statements and accompanying notes. We believe that the judgments, estimates and assumptions used in the preparation of our Consolidated Financial Statements are appropriate given the factual circumstances as of March 31, 2004. We have established policies and procedures that are intended to ensure valuation methods are well controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. However, given the sensitivity of our Consolidated Financial Statements to these accounting policies, the use of other judgments, estimates and assumptions could result in material differences in our results of operations or financial condition.

Our accounting policies are discussed in detail in the notes to the Consolidated Financial Statements, Note 1 (Summary of Significant Accounting Policies) of our 2003 Annual Report on Form 10-K. Various elements of our accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. We have identified the following accounting estimates that we believe are material due to the levels of subjectivity and judgment necessary to account for uncertain matters or where these matters are particularly subject to change.

- Allowance for loan and lease losses (the Allowance): The Company's allowance for loan and lease losses represents management's best estimate of probable losses inherent in the existing loan and lease portfolio as of the balance sheet date. The determination of the adequacy of the Allowance is ultimately one of management judgment, which includes consideration of many factors such as: (1) the amount of problem and potential problem loans and leases; (2) net charge-off experience; (3) changes in the composition of the loan and lease portfolio by type and location of loans and leases; (4) changes in overall loan and lease risk profile and quality; (5) general economic factors; (6) specific regional economic factors; and (7) the fair value of collateral. Using this methodology, we allocate the Allowance to individual loans and leases and to the categories of loans and

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

leases, representing probable losses based on available information. At least quarterly, we conduct internal credit analyses to determine which loans and leases are impaired. As a result, we allocate specific amounts of the Allowance to individual loan and lease relationships. Note 1, (Summary of Significant Accounting Policies) of our 2003 Annual Report on Form 10-K in the notes to the Consolidated Financial Statements describes how we evaluate loans for impairment. Some categories of loans and leases are not subjected to a loan-by-loan credit analysis. Management makes an allocation to these categories based on our statistical analysis of historic trends of impairment and charge-offs of such loans and leases. Additionally, we allocate a portion of the Allowance based on risk classifications of certain loan and lease types. If general or specific regional economic factors were to improve or deteriorate significantly, we may need to revise our loss factors, thereby decreasing or increasing our allowance. Furthermore, the estimated fair value of collateral may differ from what is realized upon the sale of that collateral. Due to the subjective nature of estimating an adequate allowance for loan and lease losses, economic uncertainties and other factors, some of the allowance is not allocated to specific loans and leases or specific categories of loans and leases. The Corporation monitors differences between estimated and actual incurred loan and lease losses. This monitoring process includes periodic assessments by senior management of credit portfolios and the methodologies used to estimate incurred losses in those portfolios. In management's judgment, the Allowance has historically been adequate to absorb losses inherent in the loan and lease portfolios. However, changes in prevailing economic conditions in our markets could result in changes in the level of nonperforming loans and leases, and charge-offs in the future. We will continue to monitor economic developments closely and make necessary adjustments to the Allowance accordingly.

- **Goodwill:** Goodwill recorded on the books of BancWest resulted from business acquisitions. It arose when the purchase price exceeded the assigned value of the net assets of acquired businesses. In each situation, it was based on estimates and assumptions that were subject to management's judgment and was recorded at its estimated fair value at the time purchase accounting estimates of acquired entities were concluded. As of March 31, 2004, we had \$3.2 billion in goodwill on our Consolidated Balance Sheet. The value of this goodwill is supported by the revenue we generate from our business segments. A decline in earnings as a result of material lack of growth, or our inability to deliver services in a cost-effective manner over a long time period could lead to possible impairment of goodwill, and this would be recorded as a write-down in our statements of income. We perform an impairment test for goodwill annually, or as circumstances dictate. The evaluation methodology for potential impairment is centered on the projection of cash flows into the future using present value techniques and, as such, involves significant management judgment in the modeling of estimates and assumptions. If the projected net cash flow assumptions are too high, or if the discount rate used is too low, there is a risk that impairment should have been recognized, but was not recorded. We use a two-step process to evaluate possible impairment. The first step compares the fair value of a reporting unit, which is an individual business segment of the Company, to its carrying amount. If the fair value exceeds the carrying amount, no impairment exists. If the carrying amount exceeds the fair value, then a second step is conducted whereby we assign fair values to identifiable assets and liabilities, leaving an implied fair value for goodwill. The implied fair value of goodwill is compared with the carrying amount of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recognized. We performed the impairment testing of goodwill required under Statement of Financial Accounting Standards (SFAS) No. 142 for the year ended December 31, 2003, in the fourth quarter. Due to the inherent imprecision of projections used in the impairment test, a number of different scenarios were used. In addition to using anticipated balance sheet growth, scenarios for 25% more and 20% less than the anticipated growth were used. Furthermore, in projecting cash flows, a continuing value scenario as well as a terminal value scenario were used. Finally, two separate discount rate scenarios were used. The first discount rate used was the weighted average cost of capital, which is a composite of the after-tax cost of debt and cost of equity. The second discount rate was the cost of equity using a capital asset pricing model. The conclusion after testing under each of these scenarios is that there is no impairment of goodwill.
- **Lease Financing:** We provide lease financing under a variety of arrangements, primarily consumer automobile leases and commercial equipment leases. Leases for commercial equipment and consumer automobiles through January 2004 have been classified as financing leases if they conform to the definition set out in SFAS 13, *Accounting for Leases*. (See Note 5 to the Consolidated Financial Statements.) At the time the leasing transaction is executed, we record the gross lease receivable and the estimated residual value of leased equipment on our balance sheet. Unearned income on direct financing leases is accreted over the lives of the leases to provide a constant periodic rate of return on the net investment in the lease. Estimates are made to predict what our unguaranteed lease residual values will be at the end of their lease term. Historically we have not experienced significant losses from overestimating residual values in our leasing portfolio. If these estimates differ significantly from our actual results, there may be an impact to our financial statements.

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

CONSOLIDATED FINANCIAL HIGHLIGHTS (Unaudited)

	Three Months Ended March 31,	
	2004	2003
Earnings:		
(Dollars in thousands)		
Interest income	\$417,152	\$417,476
Interest expense	96,126	102,237
Net interest income	321,026	315,239
Provision for loan and lease losses	18,865	22,690
Noninterest income	101,438	94,834
Noninterest expense	218,882	220,660
Income before income taxes	184,717	166,723
Tax provision	71,665	64,642
Net income	\$113,052	\$102,081
Balance Sheet Data Averages:		
(Dollars in millions)		
Average assets	38,336	34,417
Average securities available-for-sale	5,991	4,113
Average loans and leases ⁽¹⁾	25,942	24,046
Average deposits	26,432	24,146
Average long-term debt and capital securities	4,323	3,580
Average stockholder's equity	4,327	3,926
Balance Sheet Data At Period End:		
(Dollars in millions)		
Assets	38,914	34,916
Securities available-for-sale	6,030	4,528
Loans and leases ⁽¹⁾	26,292	24,139
Deposits	26,743	24,339
Long-term debt and capital securities	4,283	3,572
Stockholder's equity	4,398	3,969
Selected Financial Ratios For the Period Ended:		
Return on average total assets (ROA) ⁽²⁾	1.19%	1.20%
Return on average stockholder's equity (ROE) ⁽²⁾	10.51	10.54
Net interest margin (taxable-equivalent basis) ⁽²⁾	3.98	4.49
Net loans and leases charged off to average loans and leases ⁽²⁾	0.22	0.18
Efficiency ratio ⁽³⁾	51.81	53.81
Average equity to average total assets	11.29	11.41
At Period End:		
Allowance for loan and lease losses to total loans and leases	1.51	1.65
Nonperforming assets to total loans and leases and other real estate owned and repossessed personal property	0.58	0.98
Allowance for loan and lease losses to nonperforming loans and leases	2.88x	1.83x
Regulatory Capital Ratios:		
Leverage Ratio ⁽⁴⁾ :		
Bank of the West	9.58%	9.48%
First Hawaiian Bank	10.19	9.38
Tier 1 capital (risk-based):		
Bank of the West	10.92	10.29
First Hawaiian Bank	13.28	11.66
Total capital (risk-based):		
Bank of the West	13.13	12.59
First Hawaiian Bank	15.64	14.05

(1) These balances include loans held-for-sale and are not adjusted for loan and lease losses.

(2) Annualized.

(3) The efficiency ratio is noninterest expense as a percentage of total operating revenue (net interest income plus noninterest income).

(4) The capital leverage ratios are based on quarterly averages.



BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS

Net Interest Income

First quarter 2004 as compared to first quarter 2003

Net interest income increased 1.8% to \$321.0 million as compared to \$315.2 million.

The increase in net interest income was principally the result of a \$3.9 billion, or 13.8%, increase in average earning assets. The increase in our average earning assets was primarily the result of growth in loans from originations and purchases, leases and investment securities within Bank of the West and First Hawaiian Bank. The increase in average earning assets was partially offset by a 51 basis point reduction in our net interest margin. The continuing effect of historically low interest rates has reduced the yield on earning assets as well as rates paid on sources of funds.

Net Interest Margin

First quarter 2004 as compared to first quarter 2003

The net interest margin decreased by 51 basis points due primarily to the effects of the decreasing interest rate environment. While the decreasing rate environment reduced our yield on earning assets by 76 basis points to 5.17% from 5.93%, it also decreased our rate paid on sources of funds by 25 basis points to 1.19% from 1.44%. Also offsetting the decrease in the yield on average earning assets, average noninterest-bearing deposits maintained by retail and commercial customers in both banks increased by \$0.8 billion, or 12.6%. Higher yielding average domestic time deposits decreased \$0.1 billion, or 1.8% due to the low interest rate environment.

Average Earning Assets

First quarter 2004 as compared to first quarter 2003

Growth in Bank of the West's loan and lease portfolio and higher levels of investment securities in both banks, are primarily responsible for the increase in average earning assets. Higher levels of foreign interest bearing deposits in other banks also contributed to the increase in average earning assets. The \$1.9 billion, or 7.9%, increase in average total loans and leases was primarily due to increased consumer lending and residential mortgages. Consumer loans continue to grow due to strength in the consumer market and the low interest rates on consumer products. As commercial lending was relatively slow during the past year, funds were used to purchase residential mortgages as well as investment securities. Consequently, average total investment securities also increased to \$6.0 billion, up \$1.9 billion, or 45.7%.

Average Loans and Leases

First quarter 2004 as compared to first quarter 2003

The increase in average loans and leases was primarily due to growth in Bank of the West. Average consumer loans within Bank of the West increased approximately \$1.2 billion, or 22.7%, primarily due to growth in financing for autos, recreational vehicles and pleasure boats, while loan purchases increased the average residential mortgage portfolio. Bank of the West's average residential real estate loans have increased by \$0.6 billion.

Average Interest-Bearing Deposits and Liabilities

First quarter 2004 as compared to first quarter 2003

The increase in average interest-bearing deposits and liabilities was primarily due to an increase in average long-term debt, average short-term borrowings and growth in our customer deposit base. Average deposits increased due to growth in the demand deposit and interest-bearing checking, regular, money market savings and foreign deposit portfolios. These increases were partially offset by a decrease in average time deposits. Short and long term borrowings from the Federal Home Loan Bank also increased average short-term borrowings and average long-term debt.

[Table of Contents](#)
BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)
Table 1: Average Balances, Interest Income and Expense, and Yields and Rates (Taxable-Equivalent Basis)

The following table sets forth the condensed consolidated average balance sheets, an analysis of interest income/expense and average yield/rate for each major category of earning assets and interest-bearing deposits and liabilities for the years indicated on a taxable-equivalent basis. The taxable-equivalent adjustment is made for items exempt from Federal income taxes (assuming a 35% tax rate for March 31, 2004 and 2003) to make them comparable with taxable items before any income taxes are applied.

	Three Months Ended March 31,					
	2004			2003		
	Average Balance	Interest Income/ Expense	Yield/ Rate ⁽¹⁾	Average Balance	Interest Income/ Expense	Yield/ Rate ⁽¹⁾
	(Dollars in thousands)					
ASSETS						
Earning assets:						
Interest-bearing deposits in other banks:						
Domestic	\$ 7,194	\$ 8	0.45%	\$ 5,127	\$ 8	0.63%
Foreign	295,879	807	1.10	103,249	407	1.60
Total interest-bearing deposits in other banks	303,073	815	1.08	108,376	415	1.55
Federal funds sold and securities purchased under agreements to resell	233,895	602	1.04	249,634	823	1.34
Trading assets	15,018	14	0.37	32,279	291	3.66
Investment securities ⁽²⁾ :						
Taxable	5,983,546	51,871	3.49	4,098,266	41,506	4.11
Exempt from Federal income taxes	7,427	135	7.31	14,865	234	6.38
Total investment securities	5,990,973	52,006	3.49	4,113,131	41,740	4.12
Loans and leases ^{(3),(4)} :						
Domestic	25,593,879	358,186	5.63	23,677,033	368,153	6.31
Foreign	347,744	5,787	6.69	369,161	6,438	7.07
Total loans and leases	25,941,623	363,973	5.64	24,046,194	374,591	6.32
Total earning assets	32,484,582	\$417,410	5.17	28,549,614	\$417,860	5.93
Non-interest bearing assets:						
Cash and due from banks	1,374,349			1,444,905		
Premises and equipment	541,319			381,140		
Core deposit intangible	184,359			207,344		
Goodwill	3,228,346			3,227,710		
Other assets	523,518			606,368		
Total non-interest bearing assets	5,851,891			5,867,467		
Total assets	\$38,336,473			\$34,417,081		
LIABILITIES AND STOCKHOLDER'S EQUITY						
Interest-bearing deposits and liabilities:						
Deposits:						
Domestic:						
Interest-bearing demand	\$ 314,032	\$ 69	0.09	\$ 266,838	\$ 119	0.18
Savings	10,820,570	15,741	0.59	9,696,019	18,239	0.76
Time	6,717,222	25,482	1.53	6,839,649	33,231	1.97
Foreign	997,080	2,144	0.86	608,316	1,558	1.04
Total interest-bearing deposits	18,848,904	43,436	0.93	17,410,822	53,147	1.24
Short-term borrowings	2,130,573	5,413	1.02	1,373,035	3,696	1.09
Long-term debt and capital securities	4,323,264	47,277	4.40	3,580,283	45,394	5.14
Total interest-bearing deposits and liabilities	25,302,741	96,126	1.53	22,364,140	102,237	1.85
Interest rate spread			3.64%			4.08%
Noninterest-bearing deposits	7,583,455			6,735,524		
Other liabilities	1,123,351			1,391,324		
Total liabilities	34,009,547			30,490,988		
Stockholder's equity	4,326,926			3,926,093		
Total liabilities and stockholder's equity	\$38,336,473			\$34,417,081		
Impact of noninterest-bearing sources			0.34%			0.41%
Net interest income and margin on total earning assets		321,284	3.98%		315,623	4.49%
Tax equivalent adjustment		258			384	
Net interest income		\$321,026			\$315,239	

(1) Annualized.

- (2) For the three months ended March 31, 2004 and 2003, average debt investment securities were computed based on historical amortized costs, excluding the effects of SFAS No. 115 adjustments.
- (3) Nonaccruing loans and leases, and loans held for sale have been included in the computations of average loan and lease balances.
- (4) Interest income for loans and leases included loan fees of \$10.5 million and \$13.8 million for three months ended March 31, 2004 and 2003, respectively.

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

Noninterest Income

The following table reflects the key components of the change in noninterest income for the three months ended March 31, 2004, as compared to the same period in 2003:

	Three Months Ended March 31,		Change	
	2004	2003	\$	%
	(Dollars in thousands)			
Service charges on deposit accounts	\$ 40,829	\$37,029	\$ 3,800	10.3%
Trust and investment services income	10,302	9,507	795	8.4
Other service charges and fees	38,026	31,655	6,371	20.1
Securities gains, net	367	1,892	(1,525)	(80.6)
Other	11,914	14,751	(2,837)	(19.2)
Total noninterest income	\$101,438	\$94,834	\$ 6,604	7.0%

First quarter 2004 as compared to first quarter 2003

As detailed in the table above, total noninterest income was \$101.4 million, an increase of \$6.6 million or 7.0%.

Service charges on deposit accounts were \$40.8 million, an increase of \$3.8 million. The increase is primarily attributed to an increase in average deposit balances of approximately 9.5%, higher fee income from overdraft and nonsufficient fund transactions and higher servicing fee income as a result of repricing efforts in account analysis.

Other service charges and fees were \$38.0 million, an increase of \$6.4 million. The increase is primarily due to increased revenue resulting from a concentrated effort in growing the sales of investment products, higher rental income from automobile operating leases as we began accounting for our auto leases as operating leases beginning in February 2004 (see Note 5 to the Consolidated Financial Statements), higher non-yield-related fees on commercial loans, higher loan servicing fees and higher merchant services fees resulting from an increase in the number of retail merchant accounts and higher retail sales volume.

Net securities gains totaled \$0.4 million, compared to a net gain of \$1.9 million. The higher gains in 2003 were due to portfolio restructuring activities.

Other noninterest income totaled \$11.9 million, a decrease of \$2.8 million, primarily attributed to lower gains on the sale of residential loans due to lower loan volume, lower gains on the sale of foreclosed property and lower income from the sale of loans in the Essex subsidiary as Essex began to keep specific types of loans in its portfolio rather than selling them. These decreases were partially offset by increased revenue from derivative sale activities and miscellaneous assets.

Noninterest Expense

The following table reflects the key components of the change in noninterest expense for the three months ended March 31, 2004 as compared to the same period in 2003:

[Table of Contents](#)**BancWest Corporation and Subsidiaries**
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

	Three Months Ended March 31,		Change	
	2004	2003	\$	%
	(Dollars in thousands)			
Personnel:				
Salaries and wages	\$ 83,455	\$ 84,662	\$(1,207)	(1.4)%
Employee benefits	36,237	37,646	(1,409)	(3.7)
Total personnel expense	119,692	122,308	(2,616)	(2.1)
Occupancy	21,615	22,320	(705)	(3.2)
Outside services	18,261	17,567	694	4.0
Intangible amortization	5,763	5,763	—	—
Equipment	12,133	11,156	977	8.8
Stationery and supplies	6,164	7,018	(854)	(12.2)
Advertising and promotion	6,336	5,203	1,133	21.8
Other	28,918	29,325	(407)	(1.4)
Total noninterest expense	\$218,882	\$220,660	\$(1,778)	(0.8)%

First quarter 2004 as compared to first quarter 2003

As the table above shows in detail, total noninterest expense was \$218.9 million, a decrease of \$1.8 million.

Salaries and wages expenses were \$83.5 million, a decrease of \$1.2 million. The decrease is primarily attributable to a lower full-time equivalent employee count and a reduction in temporary services.

Employee benefits expense was \$36.2 million, a decrease of \$1.4 million, primarily due to lower pension and retirement plan expense as a result of reduced costs and lower recognized actuarial loss. The decrease was partially offset by increases in other benefits, primarily healthcare.

Advertising and promotion expenses were \$6.3 million, an increase of \$1.1 million, primarily the result of higher advertising expenses related to media outdoor and CD campaigns to promote brand recognition.

OPERATING SEGMENTS

Our operations are managed principally through our two major bank subsidiaries, Bank of the West and First Hawaiian Bank. Bank of the West operates primarily in California, Oregon, Washington, Idaho, New Mexico and Nevada. It also conducts business nationally through its Consumer Finance Division as well as its Essex Credit Corporation and Trinity Capital subsidiaries. First Hawaiian Bank's primary base of operations is in Hawaii, Guam and Saipan. It also has significant operations extending to California through its automobile dealer flooring and financing activities.

Bank of the West**• Regional Banking**

First quarter 2004 as compared to first quarter 2003

The Regional Banking Group's net income increased \$4.4 million, from \$30.8 million to \$35.2 million. Net interest income increased \$1.5 million or 1.2%. This increase was driven by a 9.4% increase in average loans, offset by a decline in demand deposit transfer pricing margins. Noninterest income increased \$4.3 million, or 11.1%, driven by a repricing in our fee structure, an increase in investment sales volume and increased penalty fees collected on commercial real estate loans in this period. Noninterest expense increased \$1.9 million, or 1.8%. Noninterest expense increased due to higher costs associated with employee benefits. The provision for loan and lease losses decreased \$3.1 million due to higher recoveries of previously charged off loans. The growth in deposit balances was driven by core deposits, offset by a decline in certificates of deposits.

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

• **Commercial Banking**

First quarter 2004 as compared to first quarter 2003

The Commercial Banking segment's net income increased \$0.4 million or 1.1% from \$37.2 million to \$37.6 million. Net interest income decreased \$3.2 million or 4.0%. The decrease in net interest income is a result of a 100 basis point drop in the transfer pricing margin for money market savings and demand deposits, despite an increase in average balances. The change in transfer pricing methodology on money market accounts contributed to the margin decrease. The margins on loans and leases remained constant as compared to last year. Noninterest income increased \$2.7 million or 23.9%. The increase is related to non-yield related loan fees and trading derivatives as well as unexpected early lease contract termination fees. Noninterest expense decreased \$ 0.9 million or 3.0%.

Average loan and lease balances increased by 5.8% to \$7.3 billion, and average deposit balances increased by 15.8% to \$3.4 billion.

• **Consumer Finance**

First quarter 2004 as compared to first quarter 2003

The Consumer Finance segment's net income was \$14.4 million compared to \$14.6 million. Net interest income was \$53.0 million, compared to \$49.7 million, an increase of 6.6%. Noninterest income has remained flat. Noninterest expense increased from \$15.3 million to \$17.0 million.

The Consumer Finance Segment remains very competitively priced in the indirect lending market. Though noninterest income remained flat, income decreased due to lower gains on sales of loans through our Essex subsidiary, offset by an increase in other operating income as a result of originating operating leases rather than finance leases (see Note 5 to the Consolidated Financial Statements). In 2004, Essex began to keep in its portfolio specific types of loans, rather than selling substantially all loans as it had done in the past. Noninterest income was favorably impacted as a result of recording lease payments as noninterest income on all auto leases recorded as operating leases according to Statement of Financial Accounting Standards No. 13 starting in February 2004. Noninterest expense increased by 11.1%. However, expenses as a percentage of average assets remained constant. The noninterest expense increase was primarily due to an increase in the cost of employee salaries and benefits.

Average assets were \$8.1 billion compared to \$7.1 billion, an increase of 14.3%. This increase is primarily due to increased indirect loan production. The provision for credit losses increased \$2.1 million due to a \$1.0 billion increase in average loans.

First Hawaiian Bank

• **Retail Banking**

First quarter 2004 as compared to first quarter 2003

The Retail Banking Group's net income decreased to \$16.7 million, down \$1.6 million, or 8.7%. Net interest income decreased \$0.9 million or 1.6%, primarily due to a decrease in the net interest margin, which was negatively impacted by the effects of a lower interest rate environment. Noninterest income increased \$0.4 million, or 2.3%, primarily from increased fees on deposit accounts, partially offset by a gain on the sale of foreclosed property in 2003. Noninterest expense increased \$1.3 million, or 3.0%, primarily due to increased allocated corporate expenses. The provision for loan and lease losses decreased \$0.3 million or 21.4%. The decrease in nonperforming assets and lower charge offs have reduced the provision for loan and lease losses.

Average assets increased 9.7%, primarily due to increases in residential and commercial loans. Average assets also increased due to the purchase of the First Hawaiian Center building. Average deposits increased 7.0% primarily due to an increase in core deposits, partially offset by a decrease in time certificates of deposit.

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

• **Consumer Finance**

First quarter 2004 as compared to first quarter 2003

Consumer Finance's net income decreased to \$9.3 million, down \$0.3 million, or 3.1%. Net interest income was \$20.7 million compared to \$18.5 million, an increase of 11.9%. This was the result of increased interest income on higher loan balances. Noninterest income decreased \$2.2 million or 21.8%. The decrease was caused by lower gains on the sale of mortgages. Noninterest expense remained flat. The provision for loan and lease losses decreased \$0.2 million or 10.5%. The decrease reflects lower charge offs and improved credit quality.

Average assets increased 3.0%, primarily due to increases in consumer and dealer flooring loans.

• **Commercial Banking**

First quarter 2004 as compared to first quarter 2003

Commercial Banking's net income increased to \$6.0 million, up \$0.5 million, or 9.1%. Net interest income increased \$0.3 million or 3.6%, primarily due to higher fees from loans that were paid off in 2004. Noninterest income increased \$0.3 million or 18.8%, primarily due to an increase in loan servicing fees. Noninterest expense remained relatively flat. The provision for loan and lease losses increased \$0.2 million, primarily due to a recovery on a loan previously charged off in 2003.

Average assets decreased 5.8%, primarily due to a decrease in loans.

• **Financial Management**

First quarter 2004 as compared to first quarter 2003

The Financial Management Group's net income of \$0.7 million was unchanged from 2003. Noninterest income increased by \$0.3 million, primarily due to higher investment management fees. Investment fees were positively impacted by the upturn in the equity markets. Noninterest expense increased by \$0.2 million, primarily due to increases in salaries and employee benefits.

INVESTMENT SECURITIES

The Company focuses on the following four objectives for its investment portfolio:

- Support its needs for liquidity to fund loans or to meet unexpected deposit runoffs. Liquidity can be met by having investments with relatively short maturities and/or a high degree of marketability.
- Act as a vehicle to make meaningful shifts in the Company's overall interest rate risk profile.
- Provide collateral to secure the Company's public funds-taking activities.
- Provide maximum level of after-tax earnings consistent with the safety factors of quality, maturity, marketability and risk diversification.

The recent and relatively large increases in the portfolio are directly related to the high deposit growth that has been experienced over the past two years. Because of the resultant high degree of liquidity that must be invested, the current investment strategy is focused primarily on managing overall interest rate risk and maximizing earnings.

[Table of Contents](#)

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

Held-to-Maturity

There were no held-to-maturity investment securities at March 31, 2004, December 31, 2003 or March 31, 2003.

Available-for-Sale

Amortized cost and fair value of available-for-sale investment securities at March 31, 2004, December 31, 2003 and March 31, 2003 were as follows:

	March 31, 2004			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses ⁽¹⁾	
	(in thousands)			
U.S. Treasury and other U.S. Government agencies and corporations	\$1,557,294	\$17,826	\$ (580)	\$1,574,540
Mortgage and asset-backed securities:				
Government	2,447,891	34,362	(12,342)	2,469,911
Other	666,555	10,049	(354)	676,250
Collateralized mortgage obligations	1,088,833	5,899	(2,082)	1,092,650
State and political subdivisions	7,794	523	(12)	8,305
Other ⁽²⁾	208,260	598	(121)	208,737
Total available-for-sale investment securities	<u>\$5,976,627</u>	<u>\$69,257</u>	<u>\$(15,491)</u>	<u>\$6,030,393</u>

[Additional columns below]

[Continued from above table, first column(s) repeated]

	December 31, 2003				March 31, 2003			
	Amortized Cost	Unrealized Gains	Unrealized Losses ⁽¹⁾	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses ⁽¹⁾	Fair Value
	(in thousands)							
U.S. Treasury and other U.S. Government agencies and corporations	\$1,588,359	\$14,110	\$ (2,256)	\$1,600,213	\$1,411,466	\$22,115	\$ (107)	\$1,433,474
Mortgage and asset-backed securities:								
Government	2,356,615	23,397	(23,879)	2,356,133	1,840,240	37,515	(1,283)	1,876,472
Other	691,466	7,990	(1,425)	698,031	558,218	13,556	(298)	571,476
Collateralized mortgage obligations	1,066,679	2,611	(8,119)	1,061,171	474,003	5,075	(246)	478,832
State and political subdivisions	15,925	355	(61)	16,219	15,346	274	(145)	15,475
Other ⁽²⁾	196,450	173	(628)	195,995	152,439	422	(106)	152,755
Total available-for-sale investment securities	<u>\$5,915,494</u>	<u>\$48,636</u>	<u>\$(36,368)</u>	<u>\$5,927,762</u>	<u>\$4,451,712</u>	<u>\$78,957</u>	<u>\$(2,185)</u>	<u>\$4,528,484</u>

(1) At March 31, 2004, December 31, 2003 and March 31, 2003, the Company held no securities that had been in a continuous unrealized loss position for 12 months or more.

(2) Includes investment in restricted stock of the Federal Home Loan Bank of \$155.9 million, \$153.3 million and \$111.3 million as of March 31, 2004, December 31, 2003 and March 31, 2003, respectively.

Proceeds from the sales of available-for-sale investment securities portfolio were \$56.4 million and \$101.1 million for the three months ended March 31, 2004 and 2003, respectively.

Gains and losses realized on the sales of available-for-sale investment securities are determined using the specific identification method. Gross realized gains and losses on available-for-sale investment securities for the periods indicated were as follows:

	Three Months Ended March 31,	
	2004	2003
	(Dollars in thousands)	
Realized gains	\$368	\$1,892
Realized losses	(1)	—

Securities gains (losses), net

\$367

\$1,892

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

LOANS AND LEASES

The following table sets forth the loan and lease portfolio by major categories and loan and lease mix at March 31, 2004, December 31, 2003 and March 31, 2003:

	March 31, 2004		December 31, 2003		March 31, 2003	
	Amount	%	Amount	%	Amount	%
	(Dollars in millions)					
Commercial, financial and agricultural	\$ 4,441	16.9%	\$ 4,492	17.5%	\$ 4,637	19.3%
Real estate:						
Commercial	5,163	19.7	5,146	20.0	4,871	20.3
Construction	958	3.7	953	3.7	944	3.9
Residential	5,338	20.4	5,020	19.5	4,568	19.0
Total real estate loans	11,459	43.8	11,119	43.2	10,383	43.2
Consumer	7,659	29.2	7,345	28.6	6,305	26.2
Lease financing	2,321	8.8	2,417	9.4	2,344	9.7
Foreign:						
Commercial and industrial	61	0.2	63	0.2	80	0.3
Other	288	1.1	286	1.1	307	1.3
Total foreign loans	349	1.3	349	1.3	387	1.6
Total loans and leases	\$26,229	100.0%	\$25,722	100.0%	\$24,056	100.0%
Less allowance for loan and lease losses	396		392		396	
Total net loans and leases	\$25,833		\$25,330		\$23,660	
Total loans and leases to:						
Total assets	67.4%		67.1%		68.9%	
Total interest earning assets	79.2%		79.5%		82.9%	
Total deposits	98.1%		97.4%		98.8%	

We continue to diversify our loan and lease portfolio, both geographically and by industry. Our overall growth in loan and lease volume came primarily from our Mainland United States operations. The loan and lease portfolio is the largest component of earning assets and accounts for the greatest portion of total interest income. There was a \$2.2 billion, or 9.0%, increase in total loans and leases from March 31, 2003 and a \$507.4 million, or 2.0% increase compared to December 31, 2003.

When comparing the current period to March 31, 2003 there was an increase of \$1.4 billion, or 21.5%, in consumer loans due to continued strength in the consumer market. Consumer loans consist primarily of open-and closed-end direct and indirect credit facilities for personal, automobile, recreational vehicle, marine, and household purchases. This increase was partially offset by a decrease of \$196 million, or 4.2%, in commercial lending resulting from run off. Total real estate loans increased \$1.1 billion or 10.4% from March 31, 2003 primarily from growth in residential and commercial real estate lending.

Total loans and leases increased slightly from December 31, 2003. This increase was mainly driven by increases in residential real estate and consumer lending. Total real estate loans increased \$0.3 million, or 3.1%, and consumer loans increased \$0.3 million, or 4.3%, in the period ending March 31, 2004 compared to December 31, 2003. These increases were partially offset by declines in commercial, financial and agricultural lending and lease financing.

Our mix of loans and leases has remained similar to our portfolio in the period ending March 31, 2003 with a few exceptions. We have decreased exposures in certain commercial, financial and agricultural loans in response to concentration levels from 19.3% on March 31, 2003 to 16.9% on March 31, 2004. Our portfolio of consumer loans has increased while lease financing has decreased slightly. This shift is due to changes in the consumer market and attractive interest rates on consumer lending. Low interest rates on consumer products have turned consumers away from leasing to purchasing.

Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities, which would cause them to be similarly impacted by economic or other conditions. At March 31, 2004, we did not have a

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

concentration of loans greater than 10% of total loans which is not otherwise disclosed as a category of loans as shown in the table above.

Off-balance-sheet commitments were as follows at March 31, for the years indicated:

	Notional/Contract Amount	
	2004	2003
(Dollars in thousands)		
Contractual Amounts Which Represent Credit Risk:		
Commitments to extend credit	\$8,435,507	\$7,313,461
Standby letters of credit	668,888	806,596
Commercial letters of credit	65,659	78,294

NONPERFORMING ASSETS AND RESTRUCTURED LOANS

Nonperforming assets at March 31, 2004, December 31, 2003 and March 31, 2003 are as follows:

	March 31, 2004	December 31, 2003	March 31, 2003
(Dollars in thousands)			
Nonperforming Assets:			
Nonaccrual:			
Commercial, financial and agricultural	\$ 66,060	\$ 66,100	\$129,941
Real estate:			
Commercial	47,897	41,508	51,852
Construction	—	—	—
Residential	8,093	8,176	7,909
Total real estate loans	55,990	49,684	59,761
Consumer	2,457	3,634	4,459
Lease financing	7,550	8,038	13,527
Foreign	5,607	6,341	8,758
Total nonaccrual loans and leases	137,664	133,797	216,446
Other real estate owned and repossessed personal property	15,571	17,387	18,545
Total nonperforming assets	<u>\$153,235</u>	<u>\$151,184</u>	<u>\$234,991</u>
Past due loans and leases ⁽¹⁾ :			
Commercial, financial and agricultural	\$ 18,520	\$ 17,545	\$ 11,387
Real estate:			
Commercial	6,363	7,410	5,613
Construction	—	—	907
Residential	1,190	1,084	2,783
Total real estate loans	7,553	8,494	9,303
Consumer	2,602	2,559	1,792
Lease financing	16	127	393
Foreign	303	651	563
Total past due loans and leases	<u>\$ 28,994</u>	<u>\$ 29,376</u>	<u>\$ 23,438</u>
Accruing Restructured Loans:			
Commercial, financial and agricultural	\$ 55	\$ 60	\$ 68
Real estate:			
Commercial	1,596	1,616	4,523
Total real estate loans	1,596	1,616	4,523
Total accruing restructured loans and leases	<u>\$ 1,651</u>	<u>\$ 1,676</u>	<u>\$ 4,591</u>
Nonperforming assets to total loans and leases and other real estate owned and repossessed personal property (end of period):			
Excluding past due loans and leases	0.58%	0.59%	0.98%
Including past due loans and leases	0.69	0.70	1.07
Nonperforming assets to total assets (end of period):			
Excluding past due loans and leases	0.39	0.39	0.67
Including past due loans and leases	0.47	0.47	0.74

(1) Represents loans and leases which are past due 90 days or more as to principal and/or interest, are still accruing interest, are adequately collateralized and in the process of collection.

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

Nonperforming assets at March 31, 2004 were \$153.2 million, or 0.58% of total loans and leases and other real estate owned (OREO) and repossessed personal property, compared to 0.59% at December 31, 2003 and 0.98% at March 31, 2003.

Nonperforming assets at March 31, 2004 decreased by \$81.8 million, or 34.8%, from March 31, 2003 and increased \$2.1 million, or 1.4%, from December 31, 2003. The decrease in nonaccrual loans from the previous year was primarily due to resolution of problem relationships in commercial lending and decreases in nonaccrual real estate loans and lease financing. Foreign nonperforming assets decreased at March 31, 2004 by \$3.2 million, or 36.0%, from March 31, 2003. However, our overall foreign loan portfolio, composed primarily of loans in Guam and Saipan, represents a relatively small component (1.3%) of our total loan portfolio at March 31, 2004. The increase in nonperforming assets from December 31, 2003 is primarily due to an increase in nonperforming commercial real estate loans of \$6.4 million or 15.4 %.

We generally place a loan or lease on nonaccrual status when we believe that collection of principal or interest has become doubtful or when loans and leases are 90 days past due as to principal or interest, unless they are well secured and in the process of collection. We may make an exception to the general 90-day-past-due rule when the fair value of the collateral exceeds our recorded investment in the loan.

While the majority of consumer loans and leases are subject to our general policies regarding nonaccrual loans, substantially all past-due consumer loans and leases are not placed on nonaccrual status because they are charged off upon reaching a predetermined delinquency status varying from 120 to 180 days, depending on product type.

When we place a loan or lease on nonaccrual status, previously accrued and uncollected interest is reversed against interest income of the current period. When we receive a cash interest payment on a nonaccrual loan, we apply it as a reduction of the principal balance when we have doubts about the ultimate collection of the principal. Otherwise, we record such payments as income.

Nonaccrual loans and leases are generally returned to accrual status when they: (1) become current as to principal and interest and have demonstrated a sustained period of payment performance or (2) become both well secured and in the process of collection.

Other than the loans listed, we were not aware of any significant potential problem loans where possible credit problems of the borrower caused us to seriously question the borrower's ability to repay the loan under existing terms. Loans past due 90 days or more and still accruing interest totaled \$29.0 million at March 31, 2004, a decrease of \$0.4 million or 1.3%, from December 31, 2003, but an increase of \$5.6 million, or 23.7%, from March 31, 2003. The decrease at March 31, 2004 compared to December 31, 2003 was primarily due to commercial real estate loans offset by an increase in commercial, financial and agricultural loans. The increase at March 31, 2004 compared to March 31, 2003 was primarily due to commercial, financial and agricultural loans, partially offset by a decrease in past due real estate loans. All of the loans that are past due 90 days or more and still accruing interest are, in our judgment, adequately collateralized and in the process of collection.

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

PROVISION AND ALLOWANCE FOR LOAN AND LEASE LOSSES

The following table sets forth the activity in the allowance for loan and lease losses for the periods indicated:

	Three Months Ended March 31,	
	2004	2003
	(Dollars in thousands)	
Loans and leases outstanding (end of period)	\$26,229,432	\$24,056,267
Allowance for loan and lease losses:		
Balance at beginning of period	\$ 391,699	\$ 384,081
Provision for loan and lease losses	18,865	22,690
Loans and leases charged off:		
Commercial, financial and agricultural	2,136	9,257
Real estate:		
Commercial	293	123
Residential	20	370
Consumer	13,514	15,303
Lease financing	5,444	6,083
Foreign	731	841
Total loans and leases charged off	<u>22,138</u>	<u>31,977</u>
Recoveries on loans and leases previously charged off:		
Commercial, financial and agricultural	2,454	16,432
Real estate:		
Commercial	126	91
Construction	34	34
Residential	199	296
Consumer	3,239	2,747
Lease financing	1,765	1,543
Foreign	244	112
Total recoveries on loans and leases previously charged off	<u>8,061</u>	<u>21,255</u>
Net charge-offs	<u>(14,077)</u>	<u>(10,722)</u>
Balance at end of period	\$ 396,487	\$ 396,049
Net loans and leases charged off to average loans and leases ⁽¹⁾	0.22%	0.18%
Net loans and leases charged off to allowance for credit losses ⁽¹⁾	14.28	10.83
Allowance for loan and lease losses to total loans and leases (end of period)	1.51	1.65
Allowance for loan and lease losses to nonaccruing loans and leases (end of period):		
Excluding 90 days past due accruing loans and leases	2.88x	1.83x
Including 90 days past due accruing loans and leases	2.38x	1.65x

(1) Annualized.

The provision for loan and lease losses for the first three months ended March 31, 2004 was \$18.9 million, a decrease of \$3.8 million, or 16.9%, compared to the same period in 2003. The provision for loan and lease losses is based upon our judgment as to the adequacy of the allowance for loan and lease losses (the "Allowance") to absorb probable losses inherent in the portfolio as of the balance sheet date. The Company uses a systematic methodology to determine the adequacy of the Allowance and related provision for loan and lease losses to be reported for financial statement purposes. The determination of the adequacy of the Allowance is ultimately one of judgment, which includes consideration of many factors, including, among other things, the amount of problem and potential problem loans and leases, net charge-off experience, changes in the composition of the loan and lease portfolio by type and location of loans and leases and in overall loan and lease risk profile and quality, general economic factors and the fair value of collateral.

Our approach to managing exposure to credit risk involves an integrated program of setting appropriate standards for credit underwriting and diversification, monitoring trends that may affect the risk profile of the credit portfolio and making appropriate adjustments to reflect changes in economic and financial conditions that could affect the quality of the portfolio and loss probability. The components of this integrated program include:

BancWest Corporation and Subsidiaries

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)**

- *Setting Underwriting and Grading Standards.* Our loan grading system uses ten different principal risk categories where "1" is "no risk" and "10" is "loss". We continue efforts to decrease our exposure to customers in the weaker credit categories. The cost of credit risk is an integral part of the pricing and evaluation of credit decisions and the setting of portfolio targets.
- *Diversification.* We actively manage our credit portfolio to avoid excessive concentration by obligor, risk grade, industry, product and geographic location. As part of this process, we also monitor changes in risk correlation among concentration categories. In addition, we seek to reduce our exposure to concentrations by actively participating portions of our commercial and commercial real estate loans to other banks.
- *Risk Mitigation.* Over the past few years, we have reduced our exposure to higher-risk areas such as Hawaii commercial real estate, hotel and agricultural loans.
- *Participation in Syndicated National Credits.* In addition to providing back-up commercial paper facilities to primarily investment-grade companies, we participate in media finance credits in the national market. At March 31, 2004, there were no shared national credits which were nonperforming. We are in the process of decreasing our participation in syndicated national credits as part of a planned reduction.
- *Emphasis on Consumer Lending.* Consumer loans represent our single largest category of loans and leases. We focus our consumer lending activities on loan grades with what we believe are predictable loss rates. As a result, we are able to use formula-based approaches to calculate appropriate reserve levels that reflect historical loss experience. We generally do not participate in subprime lending activities. We also seek to reduce our credit exposures where feasible by obtaining third-party insurance or similar protections. For example, in our vehicle finance lease portfolio (which represents approximately 49.1% of our lease financing portfolio and 11.4 % of our combined lease financing and consumer loans at March 31, 2004), we obtain third-party insurance for the estimated residual value of the leased vehicle. We set aside reserves to cover the uninsured portion.

Compared to the same quarter a year ago, net charge-offs were \$3.4 million higher during the first quarter of 2004. While an improvement in credit quality resulted in lower charge-offs, primarily in the commercial, financial and agricultural category, recoveries were higher in 2003. This was the result of a \$13.6 million dispute resolution with UFJ Bank Ltd. of Japan in conjunction with charge-offs that were disputed during the acquisition of United California Bank in 2002. See Note 2 to the Consolidated Financial Statements in the 2003 Form 10-K for further information.

In our judgment, the Allowance was adequate to absorb losses inherent in the loan and lease portfolio at March 31, 2004. However, changes in prevailing economic conditions in our markets could result in changes in the level of nonperforming assets and charge-offs in the future and, accordingly, changes in the Allowance. We will continue to closely monitor economic developments and make necessary adjustments to the Allowance accordingly.

DEPOSITS

Deposits are the largest component of our total liabilities and account for 45.2% of total interest expense. At March 31, 2004, total deposits were \$26.7 billion, an increase of 1.3% over December 31, 2003 and an increase of 9.9% over March 31, 2003. The increase was primarily due to the growth in our customer deposit base, primarily in Bank of the West, as well as various deposit product programs that we initiated. The decrease in all of the rates paid on deposits reflects the lower interest rate environment, caused primarily by rate decreases by the Federal Reserve's Open Market Committee. Additional information on our average deposit balances and rates paid is provided in Table 1: Average Balances, Interest Income and Expense, and Yields and Rates (Taxable-Equivalent Basis).

CAPITAL

Stockholder's equity totaled \$4.4 billion at March 31, 2004, an increase of \$135.0 million, or 3.2%, from December 31, 2003 and \$429.0 million, or 10.8%, from March 31, 2003. The increase between December 31, 2003 and March 31, 2004 was primarily due to net income earned by the Company during the first quarter of 2004 and net unrealized gains on securities available-for-sale. The increase between March 31, 2003 and March 31, 2004 was primarily due to net income earned during the twelve month period.

BancWest Corporation and Subsidiaries
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

Capital adequacy regulations require the Company’s depository institution subsidiaries to maintain minimum amounts of Tier 1 Capital and Total Capital and minimum ratios of Tier 1 Capital and Total Capital to risk-weighted assets, respectively, and of Tier 1 Capital to average assets (leverage). These amounts and ratios as of March 31, 2004 are set forth below:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
Tier 1 Capital to Risk-Weighted Assets:						
Bank of the West	\$2,573,467	10.92%	\$ 942,739	4.00%	\$1,414,109	6.00%
First Hawaiian Bank	876,810	13.28	264,184	4.00	396,276	6.00
Total Capital to Risk-Weighted Assets:						
Bank of the West	\$3,093,532	13.13%	\$1,885,478	8.00%	\$2,356,848	10.00%
First Hawaiian Bank	1,032,920	15.64	528,368	8.00	660,460	10.00
Tier 1 Capital to Average Assets:						
Bank of the West	\$2,573,467	9.58%	\$1,074,455	4.00%	\$1,343,069	5.00%
First Hawaiian Bank	876,810	10.19	344,175	4.00	430,219	5.00

We elected to become a financial holding company in 2001. Because of this election, only our depository institution subsidiaries are subject to various regulatory capital requirements administered by the Federal banking agencies. If these subsidiaries fail to meet minimum capital requirements, the Federal agencies can initiate certain mandatory actions. Such regulatory actions could have a material effect on the Company’s financial statements.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, our depository institution subsidiaries must each meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. These capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

INCOME TAXES

Our effective income tax rate (exclusive of the tax equivalent adjustment) for the three months ended March 31, 2004 and 2003 was 38.8%.

Lease-in/lease-out (“LILO”) transactions have recently been subject to review on a nation-wide basis by the Internal Revenue Service (“IRS”) to determine whether the tax deductions connected with such transactions are allowable for U.S. federal income tax purposes. The Company has entered into several LILO transactions, which have been the subject of an audit by the IRS. In April 2004, the Company received a Revenue Agent’s Report (“RAR”) which disallowed all deductions associated with the LILO transactions. In order to avoid potential future interest and penalties, the Company anticipates paying, under protest, the amounts claimed by the IRS in the RAR. The Company continues to believe that it properly reported its LILO transactions and will contest the results of the IRS’s audit. At the present time, the Company cannot predict the outcome of this issue.

LIQUIDITY MANAGEMENT

Liquidity refers to our ability to provide sufficient short- and long-term cash flows to fund operations and to meet obligations and commitments, including depositor withdrawals and debt service, on a timely basis at reasonable costs. We achieve our liquidity objectives with both assets and liabilities. Further, while liquidity positions are managed separately by the Company and its two subsidiary banks, both short-term and long-term activities are coordinated between the two subsidiary banks.

We obtain short-term, asset-based liquidity through our investment securities portfolio and short-term investments which can be readily converted to cash. These liquid assets consist of cash and due from banks, interest-bearing deposits in other banks, federal funds sold, trading assets, securities purchased under agreements to resell, available-for-sale investment securities and loans held for sale. Such assets represented 21.1% of total assets at the March 31, 2004, compared to 21.3% at December 31, 2003 and 18.7% at March 31, 2003.

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

Intermediate- and longer-term asset liquidity is primarily provided by regularly scheduled maturities and cash flows from our loans and investment securities. Additional liquidity is available from certain assets that can be sold, securitized or used as collateral for borrowings from the Federal Home Loan Bank such as consumer and mortgage loans.

We obtain short-term, liability-based liquidity primarily from deposits. Average total deposits increased by 9.5% to \$26.4 billion at March 31, 2004, primarily due to continued expansion of our customer base in the Western United States. Average total deposits funded 68.9% and 69.4% of average assets for the quarter ended March 31, 2004 and the year ended December 31, 2003, respectively.

We also obtain short-term and long-term liquidity from ready access to regional and national wholesale funding sources, including purchasing federal funds, selling securities under agreements to repurchase, lines of credit from other banks and credit facilities from the Federal Home Loan Bank. The following table reflects immediately available borrowing capacity at the Federal Reserve Discount Window and the Federal Home Loan Bank and securities available for selling under repurchase agreements:

	March 31,	
	2004	2003
	(in millions)	
Federal Reserve Discount Window	\$ 626	\$ 494
Federal Home Loan Bank	1,851	949
Securities Available for Repurchase Agreements	3,172	2,238
Total	<u>\$5,649</u>	<u>\$3,681</u>

Offshore deposits in the international market provide another available source of funds.

Funds taken in the intermediate- and longer-term markets are structured to avoid concentration of maturities and to reduce refinancing risk. We also attempt to diversify the types of instruments issued to avoid undue reliance on any one market or funding source.

Liquidity for the parent company is primarily provided by dividend and interest income from its subsidiaries. Short-term cash requirements are met through liquidation of short-term investments. Longer-term liquidity is provided by access to the capital markets or from transactions with our parent company, BNP Paribas.

Our ability to pay dividends depends primarily upon dividends and other payments from our subsidiaries, which are subject to certain limitations as described in Note 16 to the Audited Consolidated Financial Statements included in the Company's 2003 Annual Report on Form 10-K.

Our borrowing costs and ability to raise funds are a function of our credit ratings and any change in those ratings. The following table reflects the ratings of Bank of the West and First Hawaiian Bank as of March 31, 2004:

	Bank of the West/First Hawaiian Bank	
	Short-Term Deposit	Long-Term Deposit
Moody's	P-1	Aa3
S & P	A-1	A+
Fitch, Inc.	F1+	AA-

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

Cash Flows

The following is a summary of our cash flows for the three months ended March 31, 2004 and 2003. (There is more detail in the Consolidated Statements of Cash Flows.)

	Three Months Ended March 31,	
	2004	2003
	(in thousands)	
Net cash and cash equivalents provided by operating and financing activities	\$567,310	\$184,288
Net cash and cash equivalents used in investing activities	<u>\$631,122</u>	<u>\$513,510</u>

The decrease in cash and cash equivalents in the first quarter of 2004 was primarily due to increased loan volume, through direct origination and loan purchases, as well as the purchase of investment securities. The increases in these portfolios were primarily funded by an increase in customer deposits of \$340.1 million and additional borrowings. The decrease in the first quarter of 2003 was primarily due to the purchase of investment securities.

RECENT ACCOUNTING STANDARDS

We have adopted numerous new or modifications to existing standards, rules or regulations promulgated by various standard setting and regulatory bodies. Chief among these are the federal financial institutions regulators, the SEC and the FASB. The following section highlights important developments in the area of accounting and disclosure requirements. This discussion is not intended to be a comprehensive listing of the impact of all standards and rules adopted.

On March 9, 2004 the SEC released a Staff Accounting Bulletin: No. 105, *Application of Accounting Principles to Loan Commitments*, which provides guidance pertaining to interest rate locks of loan commitments accounted for as derivative instruments. It states that cash flows pertaining to mortgage servicing should not be included in the value of the derivative.

In December 2003, the Accounting Standards Executive Committee of the AICPA issued Statement of Position No. 03-3 ("SOP 03-3"), *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. SOP 03-3 addresses the accounting for differences between the contractual cash flows and the cash flows expected to be collected from purchased loans or debt securities if those differences are attributable, in part, to credit quality. SOP 03-3 requires purchased loans and debt securities to be recorded initially at fair value based on the present value of the cash flows expected to be collected with no carryover of any valuation allowance previously recognized by the seller. Interest income should be recognized based on the effective yield from the cash flows expected to be collected. To the extent that the purchased loans experience subsequent deterioration in credit quality, a valuation allowance would be established for any additional cash flows that are not expected to be received. However, if more cash flows subsequently are expected to be received than originally estimated, the effective yield would be adjusted on a prospective basis. SOP 03-3 will be effective for loans and debt securities acquired after December 31, 2004. The Company anticipates that the implementation of SOP 03-3 will require significant loan system and operational changes to track credit related losses on loans purchased starting in 2005. We are still assessing the impact it will have on the Consolidated Financial Statements.

In December 2003 the Financial Accounting Standards Board (FASB) issued SFAS No. 132 (revised 2003) *Employers' Disclosures about Pensions and Other Postretirement Benefits* (SFAS 132 (revised 2003)), an amendment of FASB Statements No. 87, *Employers' Accounting for Pensions*, No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, and No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. This Statement retains the disclosure requirements contained in FASB Statement No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*, which it replaces. It requires additional disclosures to those in the original Statement 132 about describing the types of plan assets, investment strategy, measurement date(s), plan obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. This Statement amends APB Opinion No. 28, *Interim Financial Reporting*, to require interim-period disclosure of the components of net periodic benefit cost and, if significantly different from previously disclosed amounts, the amounts of contributions and projected contributions to fund pension plans and other postretirement benefit plans. This Statement is effective for fiscal years ending after December 15, 2003. The interim-period disclosures required by this Statement are effective for interim periods beginning after December 15, 2003. Disclosure of information about foreign plans and estimated future benefit payments required by SFAS 132 (revised 2003) shall be effective for fiscal years

BancWest Corporation and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

ending after June 15, 2004. The adoption of SFAS 132 (revised 2003) required enhanced disclosure and did not impact our consolidated financial position, results of operations or cash flows.

BancWest Corporation and Subsidiaries**QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK****Item 3. Quantitative and Qualitative Disclosures About Market Risk****Interest Rate Risk Measurement and Management**

Interest rate risk, one of the leading risks in terms of potential earnings impact, is an essential element of being a financial intermediary. The Company's net interest income is subject to interest rate risk to the extent our interest-bearing liabilities (primarily deposits and borrowings) mature or reprice on a different basis than its interest-earning assets (primarily loans and leases and investment securities). When interest-bearing liabilities mature or reprice more quickly than interest-earning assets during a given period, an increase in interest rates could reduce net interest income. Similarly, when interest-earning assets mature or reprice more quickly than interest-bearing liabilities, a decrease in interest rates could have a negative impact on net interest income. In addition, the impact of interest rate swings may be exacerbated by factors such as our customers' propensity to manage their demand deposit balances more or less aggressively or to refinance mortgage and other consumer loans depending on the interest rate environment. Short and long-term market rates may change independent of each other resulting in changes to the slope and absolute level of the yield curve.

The Asset/Liability Committees of the Company and our major subsidiaries are responsible for managing interest rate risk. The Asset/Liability Committees generally meet monthly or quarterly. The committees may recommend changes to a particular subsidiary's interest rate profile to their respective Board of Directors, should changes be necessary and depart significantly from established policies.

Our exposure to interest rate risk is managed primarily by taking actions that impact certain balance sheet accounts (e.g., lengthening or shortening maturities in the investment portfolio, changing asset and/or liability mix - including increasing or decreasing the amount of fixed and/or variable instruments held by the Corporation - to adjust sensitivity to interest rate changes) and/or utilizing instruments such as interest rate swaps, caps, floors, options or forwards.

Derivatives entered into for trading purposes include commitments to purchase and sell foreign currencies as well as certain interest rate swaps and options. We also enter into customer accommodation interest rate swaps and foreign exchange spot and forward contracts as well as contracts to offset either the customer's counter-position or our foreign currency denominated deposits. These contracts basically offset each other and they do not expose us to material losses resulting from interest rate or foreign currency fluctuations.

The Company and its subsidiaries use computer simulation models to evaluate net interest income in order to quantify exposure to changes in interest rates. Generally, the size of the balance sheet is held relatively constant and then subjected to interest rate shocks up in 100-basis-point increments and down in a 50 basis-point increment. Each account-level item is repriced according to its respective contractual characteristics, including any embedded options which might exist (e.g., periodic interest rate caps or floors or loans and leases which permit the borrower to prepay the principal balance of the loan or lease prior to maturity without penalty). Derivative financial instruments such as interest rate swaps, caps or floors are included as part of the modeling process. For each interest rate shock scenario, net interest income over a 12-month horizon is compared against the results of a scenario in which no interest rate change occurs (flat rate scenario) to determine the level of interest rate risk at that time.

The projected impact of incremental increases and a 50 basis-point decrease in interest rates on the projected Company's consolidated net interest income over the 12 months beginning April 1, 2004 is shown below.

	+3%	+2%	+1%	Flat	-0.5%
	(Dollars in millions)				
Net interest income	1,282.8	1,291.7	1,301.4	1,313.0	1,305.0
Difference from flat	(30.2)	(21.3)	(11.6)	—	(8.0)
% variance	(2.3)%	(1.6)%	(0.9)%	—%	(0.6)%

Because of the absolute low level of interest rates in 2004, modeling a 200 and 100-basis-point decrease was deemed impractical. The changes in the models are due to differences in interest rate environments which include the absolute level of interest rates, the shape of the yield curve, and spreads between various benchmark rates.

BancWest Corporation and Subsidiaries

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Significant Assumptions Utilized and Inherent Limitations

The significant net interest income changes for each interest rate scenario presented above include assumptions based on accelerating or decelerating mortgage and non-mortgage consumer loan prepayments in declining or rising scenarios, respectively, and adjusting deposit levels and mix in the different interest rate scenarios. The magnitude of changes to both areas in turn are based upon analyses of customers' behavior in differing rate environments. However, these analyses may differ from actual future customer behavior. For example, actual prepayments may differ from current assumptions as prepayments are affected by many variables which cannot be predicted with certainty (e.g., prepayments of mortgages may differ on fixed and adjustable loans depending upon current interest rates, expectations of future interest rates, availability of refinancing, economic benefit to borrower, financial viability of borrower, etc.).

As with any model for analyzing interest rate risk, certain limitations are inherent in the method of analysis presented above. For example, the actual impact on net interest income due to certain interest rate shocks may differ from those projections presented should market conditions vary from assumptions used in the analysis. Furthermore, the analysis does not consider the effects of a changed level of overall economic activity that could exist in certain interest rate environments. Moreover, the method of analysis used does not take into account the actions that management might take to respond to changes in interest rates because of inherent difficulties in determining the likelihood or impact of any such response.

The following estimated net fair value amounts of interest rate derivatives held for trading purposes have been determined by the Company using available market information and appropriate valuation methodologies:

Interest Rate Contracts	Net Fair Value	Gross Positive Value	Notional Amount	March 31, 2004 Maturity Range					
				2004	2005	2006	2007	2008	After 2008
(Dollars in thousands)									
Pay-Fixed Swaps:									
Contractual Maturities	\$(24,177)	\$ 523	\$ 700,915	83,495	102,500	24,681	30,540	95,430	364,269
Weighted Avg. Pay Rates			4.28	3.19	1.38	4.94	5.15	5.63	4.58
Weighted Avg. Receive Rates			1.15	1.08	0.54	1.39	1.61	1.13	1.17
Receive-Fixed Swaps:									
Contractual Maturities	30,434	30,623	700,915	83,495	102,500	24,681	30,540	95,430	364,269
Weighted Avg. Pay Rates			1.15	1.07	1.01	1.61	1.61	1.13	1.13
Weighted Avg. Receive Rates			4.50	3.19	3.03	2.78	2.78	5.82	4.82
Pay & Receive Variable Swaps:									
Contractual Maturities	260	365	25,812	—	—	4,812	—	—	21,000
Weighted Avg. Pay Rates			2.83	—	—	3.35	—	—	2.71
Weighted Avg. Receive Rates			3.94	—	—	4.03	—	—	3.37
Caps/Collars									
Contractual Maturities	—	117	164,865	38,300	25,242	101,323	—	—	—
Weighted Avg. Strike Rates			6.72	6.90	5.86	7.28	—	—	—
Weighted Floor Rates			3.38	3.38	3.38	3.38	—	—	—
Total interest rate contracts held for trading purposes	\$ 6,517	\$31,628	\$1,592,507						

BancWest Corporation and Subsidiaries
CONTROLS AND PROCEDURES

Item 4. Controls and Procedures

As of the filing date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's chairman and chief executive officer and its chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, its chairman and chief executive officer and its chief financial officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their most recent evaluation.

**BancWest Corporation and Subsidiaries
EXHIBITS AND REPORTS ON FORM 8-K**

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

The Exhibits listed below are filed or incorporated by reference as part of this Report.

(a) Exhibits

- | | |
|----|---|
| 2 | Agreement and Plan of Merger dated as of March 15, 2004 among Bancwest Corporation, BW Newco, Inc. and Community First Bankshares, Inc. |
| 12 | Statement regarding computation of ratios. |
| 31 | Section 302 Certifications. |
| 32 | Section 1350 Certifications. |

(b) Reports on Form 8-K

On January 14, 2004, the Company filed a Report on Form 8-K that provided information under Items 7 and 12 concerning the Company's financial results for the quarter ended and year ended December 31, 2003.

On March 16, 2004, the Company filed a Report on Form 8-K that provided information under Items 5 and 7 concerning the Company's definitive agreement to acquire Community First Bankshares, Inc.

BancWest Corporation and Subsidiaries
EXHIBITS AND REPORTS ON FORM 8-K (Continued)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BANCWEST CORPORATION
(Registrant)

Date: May 13, 2004

By /s/ Douglas C. Grigsby

(Douglas C. Grigsby
Executive Vice President, Chief Financial Officer and
Treasurer (principal financial officer)

BancWest Corporation and Subsidiaries
EXHIBITS AND REPORTS ON FORM 8-K (Continued)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
2	Agreement and Plan of Merger dated as of March 15, 2004 among Bancwest Corporation, BW Newco, Inc. and Community First Bankshares, Inc.
12	Statement regarding computation of ratios.
31	Section 302 Certifications.
32	Section 1350 Certifications.

AGREEMENT AND PLAN OF MERGER

DATED AS OF MARCH 15, 2004

AMONG

BANCWEST CORPORATION,

BW NEWCO, INC.

AND

COMMUNITY FIRST BANKSHARES, INC.

TABLE OF CONTENTS

	PAGE

ARTICLE 1. DEFINITIONS.....	1
ARTICLE 2. TERMS OF MERGER.....	7
2.1. Effect of Merger and Surviving Corporation.....	7
2.2. Stock of Company.....	7
2.3. Company Stock Options.....	8
2.4. Effect on Merger Sub Stock.....	8
2.5. Exchange Procedures.....	8
2.6. Adjustments.....	9
2.7. Directors of Surviving Corporation.....	9
2.8. Executive Officers of Surviving Corporation.....	9
2.9. No Further Ownership Rights in Stock.....	9
2.10. Absence of Control.....	9
2.11. Certificate of Incorporation and Bylaws.....	10
ARTICLE 3. THE CLOSING.....	10
3.1. Closing Date.....	10
3.2. Certificate of Merger.....	10
3.3. Further Assurances.....	10
ARTICLE 4. REPRESENTATIONS AND WARRANTIES OF COMPANY.....	10
4.1. Incorporation, Standing and Power.....	10
4.2. Capitalization.....	11
4.3. Subsidiaries.....	12
4.4. Financial Statements.....	12
4.5. Reports and Filings.....	12
4.6. Authority of Company.....	13
4.7. Insurance.....	14
4.8. Personal Property.....	14
4.9. Real Estate.....	14
4.10. Litigation.....	14
4.11. Taxes.....	14
4.12. Compliance with Charter Provisions and Laws and Regulations.....	17
4.13. Employees.....	18
4.14. Brokers and Finders.....	18
4.15. Scheduled Contracts.....	19
4.16. Performance of Obligations.....	20
4.17. Certain Material Changes.....	21
4.18. Licenses and Permits.....	21
4.19. Undisclosed Liabilities.....	21
4.20. Employee Benefit Plans.....	21
4.21. Corporate Records.....	25
4.22. Accounting Records.....	25

4.23.	Offices and ATMs.....	25
4.24.	Agreements with Regulators.....	25
4.25.	Vote Required.....	25
4.26.	Power of Attorney.....	25
4.27.	Facts Affecting Regulatory Approvals.....	26
4.28.	Indemnification.....	26
4.29.	Community Reinvestment Act.....	26
4.30.	Derivative Transactions.....	26
4.31.	Trust Administration.....	27
4.32.	Disclosure Documents and Applications.....	27
4.33.	Intellectual Property.....	27
4.34.	State Takeover Laws; Company Rights Agreement.....	28
4.35.	Registration Obligation.....	28
4.36.	Opinion of Morgan Stanley & Co.....	28
4.37.	Loans; Investments.....	28
4.38.	Allowance for Loan and Lease Losses.....	29
ARTICLE 5. REPRESENTATIONS AND WARRANTIES OF PARENT.....		29
5.1.	Incorporation, Standing and Power.....	29
5.2.	Authority.....	29
5.3.	Parent Stockholder Consent.....	30
5.4.	Other Governmental Approvals.....	30
5.5.	Financing.....	30
5.6.	Litigation.....	30
5.7.	Brokers and Finders.....	30
5.8.	Facts Affecting Regulatory Approvals.....	30
5.9.	Community Reinvestment Act.....	31
5.10.	Accuracy of Information Furnished for Company Proxy Statement.....	31
5.11.	Investment in Company Shares.....	31
ARTICLE 6. COVENANTS OF COMPANY PENDING EFFECTIVE TIME OF THE MERGER.....		31
6.1.	Limitation on Conduct Prior to Effective Time of the Merger.....	31
6.2.	Affirmative Conduct Prior to Effective Time of the Merger.....	36
6.3.	Access to Information.....	38
6.4.	Filings.....	38
6.5.	Notices; Reports.....	38
6.6.	Company Stockholders' Meeting.....	39
6.7.	Applications.....	39
ARTICLE 7. COVENANTS OF PARENT AND MERGER SUB.....		40
7.1.	Limitation on Conduct Prior to Effective Time of the Merger.....	40
7.2.	Applications.....	40
7.3.	Notices; Reports.....	40
7.4.	Indemnification and Directors' and Officers' Insurance.....	40
7.5.	Employee Plans.....	41

ARTICLE 8. ADDITIONAL COVENANTS.....	42
8.1. Commercially Reasonable Efforts.....	42
8.2. Public Announcements.....	42
ARTICLE 9. CONDITIONS PRECEDENT TO THE MERGER.....	42
9.1. Stockholder Approval.....	42
9.2. No Judgments or Orders.....	42
9.3. Regulatory Approvals.....	42
ARTICLE 10. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF COMPANY.....	43
10.1. Representations and Warranties; Performance of Covenants.....	43
10.2. Officers' Certificate.....	43
10.3. Employee Benefit Plans.....	43
ARTICLE 11. CONDITIONS PRECEDENT TO OBLIGATIONS OF PARENT AND MERGER SUB.....	43
11.1. Representations and Warranties; Performance of Covenants.....	44
11.2. Authorization of Merger.....	44
11.3. Absence of Certain Changes.....	44
11.4. Officers' Certificate.....	44
11.5. Company Dissenting Shares.....	44
11.6. Employee Benefit Plans.....	44
ARTICLE 12. EMPLOYEE BENEFITS.....	44
12.1. Employee Benefits.....	44
12.2. Company Stock Options and the Company Stock Option Plans.....	48
ARTICLE 13. TERMINATION.....	49
13.1. Termination.....	49
13.2. Effect of Termination.....	51
ARTICLE 14. MISCELLANEOUS.....	53
14.1. Expenses.....	53
14.2. Notices.....	53
14.3. Assignment.....	54
14.4. Counterparts.....	54
14.5. Effect of Representations and Warranties.....	54
14.6. Third Parties.....	54
14.7. Lists; Exhibits; Integration.....	54
14.8. Knowledge.....	54
14.9. Governing Law.....	54
14.10. Captions.....	55
14.11. Severability.....	55
14.12. Waiver and Modification; Amendment.....	55
14.13. Attorneys' Fees.....	55
EXHIBIT A - Restated Certificate of Incorporation of the Surviving Corporation	

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER ("Agreement") is made and entered into as of the 15th day of March, 2004, by and among BANCWEST CORPORATION, a Delaware corporation ("Parent"), BW NEWCO, INC., a Delaware corporation and a wholly-owned subsidiary of Parent ("Merger Sub"), and COMMUNITY FIRST BANKSHARES, INC., a Delaware corporation ("Company").

WHEREAS, the Boards of Directors of each of Parent, Merger Sub and Company deem advisable and in the best interests of their respective stockholders the merger of Merger Sub with and into Company (the "Merger") upon the terms and conditions set forth herein and in accordance with the Delaware General Corporation Law (the "DGCL") (Company, following the effectiveness of the Merger, being hereinafter sometimes referred to as the "Surviving Corporation"); and

WHEREAS, the Boards of Directors of Parent, Merger Sub and Company have approved this Agreement and the Merger pursuant to which Merger Sub will merge with and into Company and each outstanding share of Company common stock, par value \$.01 per share ("Company Stock"), excluding any Company Dissenting Shares (as defined below), will be converted into the right to receive the Merger Consideration (as defined in Section 2.2(b)) upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, on the basis of the foregoing recitals and in consideration of the respective covenants, agreements, representations and warranties contained herein, the parties hereto agree as follows:

ARTICLE 1.

DEFINITIONS

Except as otherwise expressly provided for in this Agreement, or unless the context otherwise requires, as used throughout this Agreement the following terms shall have the respective meanings specified below:

"Affiliate" of, or a Person "Affiliated" with, a specific Person(s) is a Person that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person(s) specified.

"Affiliated Group" means, with respect to any entity, a group of entities required or permitted to file consolidated, combined or unitary Tax Returns (as defined herein).

"ATMs" has the meaning set forth in Section 4.23.

"Average Net Income" has the meaning set forth in Section 6.1(b).

"Bank" means Community First National Bank, a national banking association and a wholly-owned subsidiary of Company.

"Benefit Arrangements" has the meaning set forth in Section 4.20(b).

"BHC Act" means the Bank Holding Company Act of 1956, as amended.

"Book Entry Shares" has the meaning set forth in Section 2.5(b).

"Business Day" means any day other than a Saturday, Sunday or other day on which banks in San Francisco, California and Fargo, North Dakota, are required or authorized by law to be closed.

"BW" means Bank of the West, a California state-chartered bank and a wholly-owned subsidiary of Parent.

"Certificate of Merger" has the meaning set forth in Section 3.2.

"Certificates" has the meaning set forth in Section 2.5(b).

"Closing" means the consummation of the Merger provided for in Article 2 of this Agreement on the Closing Date (as defined herein) at the offices of Pillsbury Winthrop LLP, San Francisco, California, or at such other place as the parties may agree upon.

"Closing Date" means the date which is the first Friday which follows the last to occur of (i) the approval of this Agreement and the transactions contemplated hereby by the stockholders of Company, (ii) the receipt of all permits, authorizations, approvals and consents specified in Section 9.3 hereof and the satisfaction or waiver of all other conditions specified in Articles 9, 10 and 11 (excluding for purposes of this definition conditions that, by their terms, are to be satisfied on the Closing Date), and (iii) the expiration of all applicable waiting periods under the law, or such other date as the parties may agree upon.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company 401(k) Plan" means the Company 401(k) Retirement Plan and Trust.

"Company Disclosure Letter" means that letter designated as such which has been delivered by Company to Parent concurrently with the execution and delivery of this Agreement.

"Company Dissenting Shares" has the meaning set forth in Section 2.2(c).

"Company Governmental Filings" has the meaning set forth in Section 4.5(b).

"Company Intellectual Property" has the meaning set forth in Section 4.33.

"Company List" means any list required to be furnished by Company to Parent herewith.

"Company Offices List" has the meaning set forth in Section 4.23.

"Company Option List" has the meaning set forth in Section 4.2(a).

"Company Property" has the meaning set forth in Section 4.12(b).

"Company Rights Agreement" means that certain Amended and Restated Rights Agreement dated as of August 13, 2002, among Company and Wells Fargo Bank Minnesota, N.A.

"Company SEC Documents" has the meaning set forth in Section 4.5(a).

"Company Stock" has the meaning set forth in the second recital of this Agreement.

"Company Stock Option Plans" means, collectively, the Company Restated 1987 Stock Option Plan, as amended, the 1996 Stock Option Plan, as amended, and the Director Deferred Compensation Plan, as amended.

"Company Stock Option" means any option issued pursuant to the Company Stock Option Plans.

"Company Stockholders' Meeting" means the meeting of Company's stockholders provided for in Section 6.6.

"Company Subsidiaries" means, collectively, the entities identified in Section 4.1 of the Company Disclosure Letter.

"Company Supplied Information" has the meaning set forth in Section 4.32.

"Company's Current Premium" has the meaning set forth in Section 7.4(b).

"Competing Transaction" has the meaning set forth in Section 6.1(m).

"Confidentiality Agreement" means that certain Confidentiality Agreement dated March 2, 2004 by and between Parent and Company, as amended on March 15, 2004.

"Covered Parties" has the meaning set forth in Section 4.28.

"Derivative Transactions" has the meaning set forth in Section 4.30.

"DGCL" has the meaning set forth in the first recital of this Agreement.

"DPC Shares" means shares of Company Stock held by Company or Parent or any of their respective Subsidiaries in respect of a debt previously contracted.

"E&Y" means Ernst & Young LLP, Company's independent public accountants.

"Effective Time of the Merger" means the date and time at which the Certificate of Merger is filed with the Secretary of State of the State of Delaware, or at such time thereafter as shall be agreed to by the parties and specified in the Certificate of Merger.

"Employee Plans" has the meaning set forth in Section 4.20(a).

"Encumbrance" shall mean any option, pledge, security interest, lien, charge, encumbrance or restriction (whether on voting or disposition or otherwise), whether imposed by agreement, understanding, law or otherwise.

"Environmental Regulations" has the meaning set forth in Section 4.12(b).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliates" has the meaning set forth in Section 4.20(a).

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

"Exchange Agent" means BW.

"Exchange Fund" has the meaning set forth in Section 2.5(a).

"Expenses" has the meaning set forth in Section 14.1.

"FDIC" means the Federal Deposit Insurance Corporation.

"Financial Statements of Bank" means the consolidated reports of condition and income of Bank as of December 31, 2001, 2002 and 2003, as filed with the OCC.

"Financial Statements of Company" means the consolidated financial statements of Company consisting of the consolidated balance sheets as of December 31, 2001, 2002 and 2003, the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended and the related notes thereto and related opinions of E&Y thereon for the years then ended.

"FRB" means the Board of Governors of the Federal Reserve System.

"GAAP" means United States generally accepted accounting principles consistently applied during the periods involved.

"Governmental Entity" means any court, tribunal or judicial or arbitral body in any jurisdiction or any United States federal, state, municipal or local or any foreign or other governmental, regulatory or administrative authority, agency or instrumentality.

"Hazardous Materials" has the meaning set forth in Section 4.12(b).

"Indemnified Liabilities" has the meaning set forth in Section 7.4(a).

"Indemnified Parties" has the meaning set forth in Section 7.4(a).

"Instructions" means the Instructions for preparation of consolidated reports of condition and income, issued by the Federal Financial Institutions Examination Council.

"Investment Security" means any equity security or debt security as defined in Statement of Financial Accounting Standards No. 115.

"IRS" means the Internal Revenue Service.

"Material Adverse Effect" means any circumstance, change in or effect on the Company or the Surviving Corporation or any Company Subsidiary (1) that is or would reasonably be expected to be materially adverse to the condition (financial or otherwise), business, properties, assets, liabilities, or results of operations of Company or the Surviving Corporation and the Company Subsidiaries, taken as a whole (whether or not required to be accrued or disclosed under Statement of Financial Accounting Standards No. 5), or (2) that materially impairs or would reasonably be expected to materially impair the ability of Company to timely perform its obligations under this Agreement or to consummate the transactions contemplated hereby; provided, however, that in determining whether a Material Adverse Effect has occurred there shall be excluded the effect of: (i) any change in banking and similar laws or regulations of general applicability or interpretations thereof by courts or governmental authorities, (ii) any change in GAAP or regulatory accounting requirements applicable to banks or their holding companies generally, (iii) any general social, political, economic, environmental or natural condition, change, effect, event or occurrence the effects of which are not specific or unique to Company or a Company Subsidiary, including changes in prevailing interest rates, currency exchange rates or general economic or market conditions, except for any condition, change, effect, event or occurrence which would have a material adverse effect on Company and the Company Subsidiaries taken as a whole which is substantially disproportionate relative to the effect on comparable financial institutions, (iv) any action or omission by Company or any Company Subsidiary pursuant to the terms of this Agreement including the public announcement of the transactions contemplated by this Agreement, and (v) any expenses incurred in connection with this Agreement or the transactions contemplated hereby.

"Merger" has the meaning set forth in the first recital of this Agreement.

"Merger Consideration" has the meaning set forth in Section 2.2(b).

"Morgan Stanley Agreement" means the letter agreement dated August 30, 1999, between Company and Morgan Stanley & Co., Inc.

"New Plans" has the meaning set forth in Section 12.1(c).

"OCC" means the Office of the Comptroller of the Currency.

"Other Incentive Plans" has the meaning set forth in Section 12.1(d)(ii).

"Parent Costs" has the meaning set forth in Section 13.2(b).

"Parent Supplied Information" has the meaning set forth in Section 5.10.

"Person" means any individual, corporation, association, partnership, limited liability company, trust, joint venture, other entity, unincorporated organization, government or governmental department or agency.

"Proxy Statement" means the Proxy Statement, together with any supplements thereto, that is used to solicit proxies for the Company Stockholders' Meeting in connection with the Merger.

"PwC" means PricewaterhouseCoopers LLP, Parent's independent public accountants.

"Representatives" has the meaning set forth in Section 6.1(m).

"Scheduled Contract" has the meaning set forth in Section 4.15.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Subsidiary" of a Person means any corporation, partnership, limited liability company or other business entity of which more than 25% of the voting power is owned or controlled by such Person; provided, that the entities listed in Section 1 of the Company Disclosure Letter shall not be considered Subsidiaries of Company for purposes of this definition.

"Superior Proposal" has the meaning set forth in Section 6.1(m).

"Surviving Corporation" has the meaning set forth in the first recital of this Agreement.

"Tank" has the meaning set forth in Section 4.12(b).

"Tax" or "Taxes" means (i) any and all federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property, corporation and estimated taxes, custom duties, fees, assessments and charges of any kind whatsoever; (ii) all interest, penalties, fines, additions to tax or additional amounts imposed by any taxing authority in connection with any item described in clause (i); and (iii) any transferred liability in respect of any items described in clauses (i) and/or (ii).

"Tax Returns" means all returns, declarations, reports, estimates, information returns, statements, elections, disclosures and schedules required to be filed in respect of any Taxes (including any attachments thereto or amendments thereof).

"Termination Fee" has the meaning set forth in Section 13.2(b).

"Trust Account Shares" means shares of Company Stock held, directly or indirectly, in trust accounts, managed accounts and the like or otherwise held in a fiduciary or nominee capacity that are beneficially owned by third parties.

ARTICLE 2.

TERMS OF MERGER

2.1. Effect of Merger and Surviving Corporation. At the Effective Time of the Merger, Merger Sub will be merged with and into Company pursuant to the terms, conditions and provisions of this Agreement and in accordance with the applicable provisions of the DGCL, and the separate corporate existence of Merger Sub shall cease. The Merger will have the effects set forth in the DGCL.

2.2. Stock of Company. Subject to Section 2.6, each share of Company Stock issued and outstanding immediately prior to the Effective Time of the Merger shall, without any further action on the part of Company or the holders of such shares, be treated on the basis set forth in this Section 2.2.

(a) Cancellation of Treasury Shares. All shares of Company Stock that are owned by Company as treasury stock and all shares of Company Stock that are owned directly or indirectly by Company or Parent (other than Trust Account Shares and DPC Shares) shall be cancelled and retired and shall cease to exist, and no Merger Consideration shall be delivered in exchange therefor.

(b) Conversion of Company Stock. At the Effective Time of the Merger, each issued and outstanding share of Company Stock (other than shares to be cancelled in accordance with Section 2.2(a) and any Company Dissenting Shares) shall be automatically canceled and cease to be an issued and outstanding share of Company Stock and be converted into the right to receive per share consideration (the "Merger Consideration") in cash in the amount of \$32.25.

(c) Company Dissenting Shares. Notwithstanding anything in this Agreement to the contrary, any shares of Company Stock that are issued and outstanding as of the Effective Time of the Merger and that are held by a stockholder of Company who has properly exercised such holder's appraisal rights under the DGCL (the "Company Dissenting Shares") shall not be converted into the right to receive the Merger Consideration unless and until such holder shall have failed to perfect, or shall have effectively withdrawn or lost, such holder's right to dissent from the Merger under the DGCL and to receive such consideration as may be determined to be due with respect to such Company Dissenting Shares pursuant to and subject to the requirements of the DGCL. If any such holder shall have so failed to perfect or have effectively withdrawn or lost such right at the Effective Time of the Merger, each share of such holder's Company Stock shall thereupon be deemed to have been converted into and to have become, as of the Effective Time of the Merger, the right to receive, without any interest thereon, the Merger Consideration. Company shall give Parent (i) prompt notice of any notice or demands for appraisal or payment for shares of Company Stock received by Company and (ii) the opportunity to participate in and direct all negotiations and proceedings with respect to any such demands or notices. Company shall not, without the prior written consent of Parent, make any payment with respect to, or settle, offer to settle or otherwise negotiate, any such demands.

2.3. Company Stock Options. Each Company Stock Option outstanding as of the Effective Time of the Merger shall be treated in accordance with Section 12.2.

2.4. Effect on Merger Sub Stock. At the Effective Time of the Merger, each issued and outstanding share of capital stock of Merger Sub shall be converted into and become one fully paid and nonassessable share of common stock of the Surviving Corporation.

2.5. Exchange Procedures.

(a) At the Effective Time of the Merger, Parent shall deposit with the Exchange Agent for the benefit of the holders of shares of Company Stock outstanding immediately prior to the Effective Time of the Merger, for exchange in accordance with this Section 2.5 through the Exchange Agent, cash in the amount of the aggregate Merger Consideration payable to such holders of Company Stock pursuant to Section 2.2 in exchange for their shares of Company Stock (collectively, the "Exchange Fund").

(b) Parent shall direct the Exchange Agent to mail, promptly after the Effective Time of the Merger, to each holder of record of shares of Company Stock which are represented by (x) a certificate or certificates which immediately prior to the Effective Time of the Merger represented outstanding shares of Company Stock (the "Certificates") or (y) an entry to that effect in the shareholder records maintained on behalf of Company by the Company stock transfer agent (the "Book Entry Shares"), whose shares were converted into the right to receive the Merger Consideration pursuant to Section 2.2 hereof, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates (if any) shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as Parent and Company may reasonably specify), and (ii) instructions for use in effecting the surrender of the Certificates or authorizing transfer and cancellation of Book Entry Shares in exchange for the Merger Consideration. Upon surrender of a Certificate for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by Parent, or authorizing transfer of Book Entry Shares, together with such letter of transmittal, duly executed, the holder of such shares of Company stock shall be entitled to receive in exchange therefor the amount of the Merger Consideration which such holder has the right to receive pursuant to Section 2.2 hereof, and any Certificate so surrendered shall forthwith be canceled. Until surrendered as contemplated by this Section 2.5, each Certificate and any Book Entry Shares shall be deemed at any time after the Effective Time of the Merger to represent only the right to receive upon such surrender the Merger Consideration to be paid in consideration therefor upon surrender of such Certificate or transfer of the Book Entry Shares, as the case may be, as contemplated by this Section 2.5. Notwithstanding anything to the contrary set forth herein, if any holder of shares of Company Stock that are not Book Entry Shares should be unable to surrender the Certificates for such shares, because they have been lost or destroyed, such holder may deliver in lieu thereof a bond in form and substance and with surety reasonably satisfactory to Parent and shall be entitled to receive the Merger Consideration to be paid in consideration therefor in accordance with Section 2.2 hereof.

(c) If, after the Effective Time of the Merger, Certificates or Book Entry Shares are presented to Parent for any reason, they shall be canceled and exchanged as provided in this Agreement.

(d) Any portion of the Exchange Fund which remains undistributed to the stockholders of Company following the passage of twelve months after the Effective Time of the Merger shall be delivered to the Surviving Corporation, upon demand, and any stockholders of Company who have not theretofore complied with this Section 2.5 shall thereafter look only to the Surviving Corporation and/or Parent for payment of their claim for the Merger Consideration payable in consideration for any Certificate or transfer of any Book Entry Shares.

(e) Except as otherwise required by law, none of Parent, Company or the Surviving Corporation shall be liable to any holder of shares of Company Stock for such cash from the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

2.6. Adjustments. If after the date hereof and on or prior to the Effective Date of the Merger, the outstanding shares of Company Stock shall be changed into a different number of shares by reason of any reclassification, recapitalization or combination, stock split, reverse stock split, stock dividend or rights issued in respect of such stock, or any similar event shall occur, the Merger Consideration shall be adjusted accordingly to provide to the holders of Company Stock the same economic effect as contemplated by this Agreement prior to such event.

2.7. Directors of Surviving Corporation. At the Effective Time of the Merger, the Board of Directors of the Surviving Corporation shall be comprised of the persons serving as directors of Merger Sub immediately prior to the Effective Time of the Merger. Such persons shall serve until the earlier of their resignation or removal or until their respective successors are duly elected and qualified.

2.8. Executive Officers of Surviving Corporation. At the Effective Time of the Merger, the executive officers of the Surviving Corporation shall be comprised of the persons serving as executive officers of Merger Sub immediately prior to the Effective Time of the Merger. Such persons shall serve until the earlier of their resignation or termination.

2.9. No Further Ownership Rights in Stock. All Merger Consideration delivered upon the surrender for exchange of shares of Company Stock in accordance with the terms hereof shall be deemed to have been delivered in full satisfaction of all rights pertaining to ownership of such shares of stock. At and after the Effective Time of the Merger, there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Stock which were outstanding immediately prior to the Effective Time of the Merger, and upon delivery of the Merger Consideration upon surrender for exchange of Company Stock, each such share of Company Stock shall be canceled.

2.10. Absence of Control. Subject to any specific provisions of this Agreement, it is the intent of the parties hereto that neither Parent nor Merger Sub by reason of this

Agreement shall be deemed (until consummation of the transactions contemplated hereby) to control, directly or indirectly, the Company and shall not exercise, or be deemed to exercise, directly or indirectly, a controlling influence over the management or policies of the Company.

2.11. Certificate of Incorporation and Bylaws. The Restated Certificate of Incorporation of Company as in effect immediately prior to the Effective Time of the Merger, shall be amended as of the Effective Time of the Merger to read in its entirety as set forth in Exhibit A, and as so amended shall be the Restated Certificate of Incorporation of the Surviving Corporation. The Bylaws of Merger Sub as in effect immediately prior to the Effective Time of the Merger shall be the Bylaws of the Surviving Corporation.

ARTICLE 3.

THE CLOSING

3.1. Closing Date. The Closing shall take place on the Closing Date.

3.2. Certificate of Merger. Subject to the provisions of this Agreement, a certificate of merger (the "Certificate of Merger") shall be duly prepared, executed by the Surviving Corporation and thereafter delivered to the Secretary of State of the State of Delaware for filing, as provided in the DGCL, on the Closing Date.

3.3. Further Assurances. At the Closing, the parties hereto shall deliver, or cause to be delivered, such documents or certificates as may be necessary in the reasonable opinion of counsel for any of the parties, to effectuate the transactions contemplated by this Agreement.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES OF Company

The following representations and warranties by Company to Merger Sub are qualified by the Company Disclosure Letter. The Company Disclosure Letter shall refer to the representation or warranty to which exceptions or matters disclosed therein relate; provided, however, that an exception or matter disclosed with respect to one representation or warranty shall also be deemed disclosed with respect to each other warranty or representation to which the exception or matter reasonably relates. The inclusion of any item in such Company Disclosure Letter shall not be deemed an admission that such item is a material fact, event or circumstance or that such item has or had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

4.1. Incorporation, Standing and Power. Company has been duly organized, is validly existing and in good standing as a corporation under the laws of the State of Delaware and is registered as a bank holding company under the BHC Act. Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and is authorized by the OCC to conduct a general banking business. Bank's deposits are insured by the FDIC in the manner and to the fullest extent provided by law. Each

of the other Company Subsidiaries has been duly organized, is validly existing and in good standing under the laws of its state of incorporation or organization. Each of the Company Subsidiaries has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted. Neither the scope of the business of Company or the Company Subsidiaries nor the location of any of their respective properties requires that either Company or the Company Subsidiaries be licensed to do business in any jurisdiction other than the state of its incorporation or organization where the failure to be so licensed would, individually or in the aggregate, have a Material Adverse Effect. Company has delivered to Parent true and correct copies of each of the Company Subsidiaries' Certificate of Incorporation or Articles of Association, as the case may be, and Bylaws, as amended.

4.2. Capitalization.

(a) As of the date of this Agreement, the authorized capital stock of Company consists of 80,000,000 shares of Company Stock, of which 36,851,722 shares are outstanding, and 2,000,000 shares of preferred stock, none of which are outstanding. All of the outstanding shares of Company Stock are duly authorized, validly issued, fully paid and nonassessable. Except for Company Stock Options covering 2,882,223 shares of Company Stock granted pursuant to the Company Stock Option Plans, there are no outstanding options, warrants or other rights in or with respect to the unissued shares of Company Stock nor any securities convertible into such stock, and Company is not obligated to issue any additional shares of its common stock or any additional options, warrants or other rights in or with respect to the unissued shares of such stock or any other securities convertible into such stock. Company has furnished Parent a list (the "Company Option List") setting forth the name of each holder of a Company Stock Option, the number of shares of Company Stock covered by each such option, the vesting schedule of each such option, the exercise price per share and the expiration date of each such option.

(b) The authorized capital stock of Bank consists of 100,000 shares of common stock, \$100 par value per share, all of which are outstanding. All of the outstanding shares of such common stock of Bank are duly authorized, validly issued, fully paid and nonassessable (except to the extent provided in the National Bank Act) and are owned of record and beneficially by Company. There are no outstanding options, warrants or other rights in or with respect to the unissued or the issued or outstanding shares of such common stock or any other securities convertible into such stock, and Bank is not obligated to issue any additional shares of its common stock or any options, warrants or other rights in or with respect to the unissued shares of its common stock or any other securities convertible into such stock.

(c) The authorized capital stock of the other Company Subsidiaries is as described in the Company Disclosure Letter. All of the outstanding shares of such capital stock are duly authorized, validly issued, fully paid and nonassessable and are owned of record and beneficially by Company or Bank or a Subsidiary of Company or Bank. There are no outstanding options, warrants or other rights in or with respect to the unissued or the issued or outstanding shares of such capital stock or any other securities convertible into such stock, and none of such Company Subsidiaries is obligated to issue

any additional shares of its capital stock or any options, warrants or other rights in or with respect to the unissued shares of its capital stock or any other securities convertible into such stock.

(d) No bonds, debentures, notes or other indebtedness having the right to vote on any matters on which stockholders of Company may vote are issued and outstanding.

4.3. Subsidiaries. Other than the Company Subsidiaries and as set forth in the Company Disclosure Letter, Company does not have any other Subsidiaries and does not own, directly or indirectly (except as a pledgee pursuant to loans or upon acquisition in satisfaction of debt previously contracted), the outstanding stock or equity or other voting interest in any Person.

4.4. Financial Statements. Company has previously furnished to Parent a copy of the Financial Statements of Company and the Financial Statements of Bank. The Financial Statements of Company and the Financial Statements of Bank: (a) present fairly the consolidated financial condition of Company and Bank as of the respective dates indicated and their respective consolidated statements of operations and changes in stockholders' equity and cash flows, for the respective periods then ended; and (b) have been prepared in accordance with GAAP consistently applied (except as otherwise indicated therein and except that the Financial Statements of Bank have been prepared in accordance with the Instructions thereto).

4.5. Reports and Filings.

(a) Company has filed all required reports, proxy statements, schedules, registration statements and other documents with the SEC since December 31, 2000 (the "Company SEC Documents"). As of their respective dates of filing with the SEC (or, if amended, supplemented or superseded by a filing prior to the date hereof, as of the date of such filing), the Company SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Company SEC Documents, and none of the Company SEC Documents when filed contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The consolidated financial statements of Company included in the Company SEC Documents complied as to form, as of their respective dates of filing with the SEC, in all material respects with all applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto.

(b) Other than the Company SEC Documents, which are addressed in subsection (a) above, each of Company and the Company Subsidiaries have timely filed all reports, returns, registrations and statements, together with any amendments required to be made with respect thereto, that they were required to file since December 31, 2000 with (a) the FDIC, (b) the OCC, (c) the FRB, and (d) any other applicable Governmental Entity, including taxing authorities (collectively, "Company Governmental Filings"). No

administrative actions have been taken or threatened or orders issued in connection with such Company Governmental Filings. As of their respective dates, each of such Company Governmental Filings complied in all material respects with all laws and regulations enforced or promulgated by the Governmental Entity with which it was filed (or was amended so as to be in compliance promptly following discovery of any such noncompliance). Any financial statement contained in any of such Company Governmental Filings fairly presented in all material respects the financial position of Company on a consolidated basis, Company alone or each of the Company Subsidiaries alone, as the case may be, and was prepared in accordance with GAAP or banking regulations and Instructions applied on a consistent basis during the periods involved, except as may be disclosed therein, as of the dates and for the periods shown. Company has furnished or made available to Parent true and correct copies of all Company Governmental Filings filed by Company since December 31, 2000.

4.6. Authority of Company. The execution and delivery by Company of this Agreement and, subject to the requisite approval of the stockholders of Company of this Agreement and the Merger, the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Company including, without limitation, the vote of the Board of Directors of Company (which vote was unanimous) approving this Agreement and the Merger. This Agreement is a valid and binding obligation of Company enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, liquidation, receivership, conservatorship, insolvency, moratorium or other similar laws affecting the rights of creditors generally and by general equitable principles. Except as set forth in the Company Disclosure Letter, neither the execution and delivery by Company of this Agreement, the consummation of the transactions contemplated herein, nor compliance by Company with any of the provisions hereof, will: (a) conflict with or result in a breach of any provision of its or any of the Company Subsidiaries' Certificate of Incorporation or Articles of Association, as amended, or Bylaws, as amended; (b) constitute a breach of or result in a default (or give rise to any rights of termination, cancellation or acceleration, or any right to acquire any securities or assets) under any of the terms, conditions or provisions of any material note, bond, mortgage, indenture, franchise, license, permit, agreement or other instrument or obligation to which Company or any of the Company Subsidiaries is a party, or by which Company or any of the Company Subsidiaries or any of their respective properties or assets are bound; (c) result in the creation or imposition of any Encumbrance of material consequence on any of the material properties or assets of Company or the Company Subsidiaries; or (d) violate any material order, writ, injunction, decree, statute, rule or regulation applicable to Company or any of the Company Subsidiaries or any of their respective properties or assets. No consent of, approval of, notice to or filing with any Governmental Entity having jurisdiction over any aspect of the business or assets of Company or the Company Subsidiaries, and no consent of, approval of or notice to any other Person, is required in connection with the execution and delivery by Company of this Agreement or the consummation by Company of the Merger or the other transactions contemplated hereby or thereby, except (i) the approval of this Agreement by the stockholders of Company (including the filing of the Proxy Statement with the SEC); (ii) the approval of the FRB under the BHC Act; (iii) such approvals as may be required by the insurance regulatory authorities of the states in which Company or any of its Subsidiaries conducts insurance agency activities; and (iv) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware.

4.7. Insurance. Set forth in the Company Disclosure Letter is a list, as of the date hereof, of all policies of insurance carried and owned by either Company or the Company Subsidiaries showing the name of the insurance company, the nature of the coverage, the policy limit, the annual premiums and the expiration dates. All such insurance policies and bonds are in full force and effect. No insurer under any such policy or bond has canceled or indicated an intention to cancel or not to renew any such policy or bond or generally disclaimed liability thereunder. None of Company or any the Company Subsidiaries is in default under any such policy or bond which is material to the operations of Company and the Company Subsidiaries taken as a whole and all material claims thereunder have been filed in a timely fashion.

4.8. Personal Property. Each of Company and the Company Subsidiaries has good title to all its material properties and assets, other than real property, owned or stated to be owned by Company or the Company Subsidiaries, free and clear of all Encumbrances except: (a) as set forth in the Financial Statements of Company; (b) for Encumbrances for current taxes not yet due; (c) for Encumbrances incurred in the ordinary course of business; or (d) for Encumbrances that are not substantial in character, amount or extent and that do not materially detract from the value, or interfere with present use, of the property subject thereto or affected thereby, or otherwise materially impair the conduct of business of Company or the Company Subsidiaries.

4.9. Real Estate. Each of Company and the Company Subsidiaries has duly recorded or caused to be recorded, in the appropriate county, all recordable interests in all material real property, including leaseholds and other interests in such real property (other than easements or security interests) owned or leased by Company or the Company Subsidiaries. Either Company or the Company Subsidiaries has good and marketable title to such real property, and valid leasehold interests in such leaseholds, free and clear of all Encumbrances, except (a) for rights of lessors, co-lessees or sublessees in such matters that are reflected in the lease; (b) for current taxes not yet due and payable; and (c) for such Encumbrances, if any, as do not materially detract from the value of or materially interfere with the present use of such property.

4.10. Litigation. Except as disclosed in the Company SEC Documents filed prior to the date of this Agreement or as set forth in the Company Disclosure Letter, there is no suit, action, investigation or proceeding (whether judicial, arbitral, administrative or other) pending or, to the knowledge of Company, threatened, against or affecting Company or any Subsidiary of Company as to which there is a significant possibility of an adverse outcome which would, individually or in the aggregate, have a Material Adverse Effect, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity outstanding against Company or any Subsidiary of Company having or which would have, individually or in the aggregate, a Material Adverse Effect. There are no material judgments, decrees, stipulations or orders against Company or the Company Subsidiaries or enjoining their respective directors, officers or employees in respect of, or the effect of which is to prohibit, any business practice or the acquisition of any property or the conduct of business in any area.

4.11. Taxes.

(a) (i) All Tax Returns required to be filed by or on behalf of Company or the Company Subsidiaries or the Affiliated Group(s) of which any of them is or was a member, have been duly and timely filed with the appropriate taxing authorities in all jurisdictions in which such Tax Returns are required to be filed (after giving effect to any valid extensions of time in which to make such filings), and all such Tax Returns were true, complete and correct in all material respects; (ii) all Taxes due and payable by or on behalf of Company or the Company Subsidiaries, either directly, as part of an Affiliated Group Tax Return, or otherwise, have been fully and timely paid, except to the extent adequately reserved therefor in accordance with GAAP and/or applicable regulatory accounting principles or banking regulations consistently applied on the Company balance sheet, and adequate reserves or accruals for Taxes have been provided in the Company balance sheet with respect to any period through the date thereof for which Tax Returns have not yet been filed or for which Taxes are not yet due and owing; and (iii) no agreement, waiver or other document or arrangement extending or having the effect of extending the period for assessment or collection of Taxes (including, but not limited to, any applicable statute of limitation) has been executed or filed with any taxing authority by or on behalf of Company, the Company Subsidiaries or any of their Subsidiaries, or any Affiliated Group(s) of which any of them is or was a member.

(b) Company and the Company Subsidiaries have complied in all material respects with all applicable laws, rules and regulations relating to the payment and withholding of Taxes and have duly and timely withheld from any salaries, wages or other compensation paid to any employee or independent contractor, and have paid over to the appropriate taxing authorities all amounts required to be so withheld and paid over for all periods under all applicable laws.

(c) Company has furnished to Parent true and correct copies of (i) all income or franchise Tax Returns of Company and the Company Subsidiaries relating to all taxable periods beginning after December 31, 1999, and (ii) any audit report issued within the last three years relating to any Taxes due from or with respect to Company or the Company Subsidiaries with respect to their respective income, assets or operations.

(d) No written claim has been made by a taxing authority in a jurisdiction where Company or the Company Subsidiaries do not file an income or franchise Tax Return such that Company or the Company Subsidiaries are or may be subject to taxation by that jurisdiction.

(e) (i) All deficiencies asserted or assessments made as a result of any examinations by any taxing authority of the Tax Returns of or covering or including Company or the Company Subsidiaries have been fully paid, and, to the best of Company's knowledge, there are no other audits or investigations by any taxing authority in progress, nor have Company or the Company Subsidiaries received any written notice from any taxing authority that it intends to conduct such an audit or investigation; (ii) no requests for a ruling or a determination letter are pending with any taxing authority; and (iii) no issue has been raised in writing by any taxing authority in any current or prior examination which, by application of the same or similar principles, could reasonably be

expected to result in a proposed deficiency against Company or the Company Subsidiaries for any subsequent taxable period.

(f) Neither Company or the Company Subsidiaries nor any other Person on behalf of Company or the Company Subsidiaries has (i) filed a consent pursuant to Section 341(f) of the Code or agreed to have Section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as such term is defined in Section 341(f)(4) of the Code) owned by Company or the Company Subsidiaries, (ii) agreed to or is required to make any adjustments pursuant to Section 481(a) of the Code or any similar provision of state, local or foreign law by reason of a change in accounting method initiated by Company or the Company Subsidiaries or has any knowledge that the IRS has proposed in writing any such adjustment or change in accounting method, or has any application pending with any taxing authority requesting permission for any changes in accounting methods that relate to the business or operations of Company or the Company Subsidiaries, or (iii) executed or entered into a closing agreement pursuant to Section 7121 of the Code or any predecessor provision thereof or any similar provision of state, local or foreign law with respect to Company or the Company Subsidiaries.

(g) No property owned by Company or the Company Subsidiaries is (i) property required to be treated as being owned by another Person pursuant to provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, as amended and in effect immediately prior to the enactment of the Tax Reform Act of 1986, (ii) constitutes "tax exempt use property" within the meaning of Section 168(h)(1) of the Code or (iii) is "tax-exempt bond financed property" within the meaning of Section 168(g)(5) of the Code.

(h) Neither Company (except with the Company Subsidiaries) nor any of the Company Subsidiaries (except with Company) is a party to any tax allocation, indemnification or sharing agreement (or similar agreement or arrangement), whether written or not written, pursuant to which it will have any obligation to make any payments after the Closing.

(i) Neither Company nor any of the Company Subsidiaries has been a member of an Affiliated Group (other than a group whose common parent was Company).

(j) Neither Company nor any of the Company Subsidiaries has any liability for the Taxes of any person (other than the Company and any of the Company Subsidiaries) under section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or foreign law), as a transferee or successor, by contract, or otherwise.

(k) Neither Company nor any of the Company Subsidiaries has any requests for rulings in respect of Taxes pending between Company or any Company Subsidiary and any taxing authority.

(l) There is no contract, agreement, plan or arrangement covering any Person that, individually or collectively, could give rise to the payment of any amount that would not be deductible by Company or the Company Subsidiaries or their respective affiliates by reason of Section 280G of the Code, or would constitute compensation in excess of the limitation set forth in Section 162(m) of the Code.

(m) There are no liens as a result of any due and unpaid Taxes upon any of the assets of Company or the Company Subsidiaries.

(n) None of the members of Company's Affiliated Group has any U.S. federal or state net operating loss carryovers.

4.12. Compliance with Charter Provisions and Laws and Regulations.

(a) Neither Company nor any of the Company Subsidiaries is in default under or in breach or violation of (i) any provision its Certificate of Incorporation or Articles of Association, as amended, or Bylaws, as amended, or (ii) any law, ordinance, rule or regulation promulgated by any Governmental Entity, except, with respect to this clause (ii), for such violations as would not have, individually or in the aggregate, a Material Adverse Effect. Except for routine examinations by Federal or state Governmental Entities charged with the supervision or regulation of banks or bank holding companies or engaged in the insurance of bank deposits, to the best knowledge of Company, no investigation by any Governmental Entity with respect to Company or any of the Company Subsidiaries is pending or threatened, other than, in each case, those the outcome of which, individually or in the aggregate, would not have a Material Adverse Effect.

(b) To Company's knowledge, (i) each of Company and the Company Subsidiaries is in compliance with all Environmental Regulations; (ii) there are no Tanks on or about Company Property; (iii) there are no Hazardous Materials on, below or above the surface of, or migrating to or from Company Property; and (iv) without limiting Section 4.10 hereof or the foregoing representations and warranties contained in clauses (i) through (iii), as of the date of this Agreement, there is no claim, action, suit, or proceeding or notice thereof before any Governmental Entity pending against Company or the Company Subsidiaries and there is no outstanding judgment, order, writ, injunction, decree, or award against or affecting Company Property relating to the foregoing representations (i)-(iii), in each case the noncompliance with which, or the presence of which would have a Material Adverse Effect. For purposes of this Agreement, the term "Environmental Regulations" shall mean all applicable statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items, of all Governmental Entities and all applicable judicial, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment, including, without limitation, those pertaining to reporting, licensing, permitting, investigation, and remediation of emissions, discharges, releases, or threatened releases of Hazardous Materials, chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials or wastes whether solid, liquid, or gaseous in nature, into the air,

surface water, groundwater, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials, or wastes, whether solid, liquid, or gaseous in nature and all requirements pertaining to the protection of the health and safety of employees or the public. "Company Property" shall mean real estate currently owned, leased, or otherwise used by Company or the Company Subsidiaries and properties held by Company or the Company Subsidiaries in its capacity as a trustee. "Tank" shall mean treatment or storage tanks, gas or oil wells and associated piping transportation devices. "Hazardous Materials" shall mean any substance: (1) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy or common law; (2) which is or becomes defined as a hazardous waste, hazardous substance, hazardous material, used oil, pollutant or contaminant under any federal, state or local statute, regulation, rule or ordinance or amendments thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601, et seq.); the Resource Conservation and Recovery Act (42 U.S.C. Section 6901, et seq.); the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.); the Federal Water Pollution Control Act, as amended (33 U.S.C. Section 1251, et seq.); the Toxic Substances Control Act, as amended (15 U.S.C. Section 9601, et seq.); the Occupational Safety and Health Act, as amended (29 U.S.C. Section 651; the Emergency Planning and Community Right-to-Know Act of 1986 (42 U.S.C. Section 11001, et seq.); the Mine Safety and Health Act of 1977, as amended (30 U.S.C. Section 801, et seq.); the Safe Drinking Water Act (42 U.S.C. Section 300f, et seq.); and all comparable state and local laws, including, without limitation, the Carpenter-Presley-Tanner Hazardous Substance Account Act (State Superfund), the Porter-Cologne Water Quality Control Act, Section 25140, 25501(j) and (k), 25501.1, 25281 and 25250.1 of the California Health and Safety Code and/or Article I of Title 22 of the California Code of Regulations, Division 4, Chapter 30; (3) comparable laws of other jurisdictions or orders and regulations thereunder; or (4) the presence of which causes or threatens to cause a nuisance, trespass or other common law tort upon real property or adjacent properties or poses or threatens to pose a hazard to the health or safety of persons or without limitation, which contains gasoline, diesel fuel or other petroleum hydrocarbons; or (5) polychlorinated biphenyls (PCBs), asbestos, lead-containing paints or urea formaldehyde foam insulation.

4.13. Employees. There are no controversies pending or, to the best of Company's knowledge, threatened between either Company or the Company Subsidiaries and any of their respective employees that could reasonably be expected to have a Material Adverse Effect. Neither Company nor any of the Company Subsidiaries is a party to any collective bargaining agreement with respect to any of their respective employees or any labor organization to which their respective employees or any of them belong.

4.14. Brokers and Finders. Except for the obligation to Morgan Stanley & Co. Inc. set forth in the Morgan Stanley Agreement, a copy of which has been delivered to Parent, neither Company nor any of the Company Subsidiaries is a party to or obligated under any agreement with any broker or finder relating to the transactions contemplated hereby, and neither

the execution of this Agreement nor the consummation of the transactions provided for herein will result in any liability to any broker or finder.

4.15. Scheduled Contracts. Except as set forth in the Company Disclosure Letter or as disclosed in the Company SEC Documents (each item listed or required to be listed in such Company Disclosure Letter or the Company SEC Documents being referred to herein as a "Scheduled Contract"), as of the date hereof, neither Company nor the Company Subsidiaries is a party or otherwise subject to:

(a) any employment, deferred compensation, bonus or consulting contract that (i) has a remaining term, as of the date of this Agreement, of more than one year in length of obligation on the part of Company or the Company Subsidiaries and is not terminable by Company or the Company Subsidiaries within one year without penalty or (ii) requires payment by Company or the Company Subsidiaries of \$250,000 or more per annum;

(b) any advertising, brokerage, licensing, dealership, representative or agency relationship or contract requiring payment by Company or the Company Subsidiaries of \$250,000 or more per annum;

(c) any contract or agreement that restricts Company or the Company Subsidiaries (or would restrict any Affiliate of Company or the Company Subsidiaries or the Surviving Corporation (including Merger Sub and its Subsidiaries) after the Effective Time of the Merger) from competing in any line of business with any Person or using or employing the services of any Person;

(d) any lease of real or personal property providing for annual lease payments by or to Company or the Company Subsidiaries in excess of \$250,000 per annum other than (A) financing leases entered into in the ordinary course of business in which Company or the Company Subsidiaries is lessor and (B) leases of real property presently used by the Company Subsidiaries as offices or other facilities;

(e) any mortgage, pledge, conditional sales contract, security agreement, option, or any other similar agreement with respect to any interest of Company or the Company Subsidiaries (other than as mortgagor or pledgor in the ordinary course of its banking business or as mortgagee, secured party or deed of trust beneficiary in the ordinary course of its banking business or as security for deposits of Governmental Entities in the ordinary course of its banking business) in personal property having a value of \$250,000 or more;

(f) any stock purchase, stock option, stock bonus, stock ownership, profit sharing, group insurance, bonus, deferred compensation, severance pay, pension, retirement, savings or other incentive, welfare or employment plan or material agreement providing benefits to any present or former employees, officers or directors of Company or the Company Subsidiaries;

(g) any agreement to acquire equipment or any commitment to make capital expenditures of \$500,000 or more;

(h) other than agreements entered into in the ordinary course of business, including sales of other real estate owned, any agreement for the sale of any property or assets in which Company or the Company Subsidiaries has an ownership interest or for the grant of any preferential right to purchase any such property or asset;

(i) any agreement for the borrowing of any money (other than liabilities or interbank borrowings made in the ordinary course of its banking business and reflected in the financial records of Company or the Company Subsidiaries);

(j) any guarantee or indemnification which involves the sum of \$250,000 or more, other than letters of credit or loan commitments issued in the normal course of business;

(k) any material agreement which would be terminable other than by Company or the Company Subsidiaries as a result of the consummation of the transactions contemplated by this Agreement;

(l) any contract of participation with any other bank in any loan in excess of \$1 million or any sales of assets of Company or the Company Subsidiaries with recourse of any kind to Company or the Company Subsidiaries except the sale of mortgage loans, servicing rights, repurchase or reverse repurchase agreements, securities or other financial transactions in the ordinary course of business;

(m) any agreement providing for the sale or servicing of any loan or other asset which constitutes a "recourse arrangement" under applicable regulation or policy promulgated by a Governmental Entity (except for agreements for the sale of guaranteed portions of loans guaranteed in part by the U.S. Small Business Administration and related servicing agreements);

(n) any contract relating to the provision of data processing services to Company or the Company Subsidiaries which provides for payments in excess of \$250,000 per annum; or

(o) any other agreement of any other kind which involves future payments or receipts or performances of services or delivery of items requiring payment of \$250,000 or more to or by Company or the Company Subsidiaries other than payments made under or pursuant to loan agreements, letters of credit and participation agreements entered into in the ordinary course of business.

Complete copies of all Scheduled Contracts, including all amendments and supplements thereto, have been delivered or made available to Parent.

4.16. Performance of Obligations. Each of Company and the Company Subsidiaries has performed in all respects all of the obligations required to be performed by it to date and is not in default under or in breach of any term or provision of any Scheduled Contract to which it is a party, is subject or is otherwise bound, and no event has occurred that, with the giving of notice or the passage of time or both, would constitute such default or breach, except where such failure of performance, breach or default would not individually or in the aggregate

have a Material Adverse Effect. Except for loans and leases made by Company or the Company Subsidiaries in the ordinary course of business, to Company's knowledge, no party to any Scheduled Contract is in default thereunder.

4.17. Certain Material Changes. Except as specifically required, permitted or effected by this Agreement, or as disclosed in the Company SEC Documents, since December 31, 2003, there has not been, occurred or arisen any of the following (whether or not in the ordinary course of business unless otherwise indicated):

(a) any change in any of the assets, liabilities, permits, methods of accounting or accounting practices, business, or manner of conducting business, of Company or the Company Subsidiaries or any other event or development that has had, individually or in the aggregate, a Material Adverse Effect;

(b) any damage, destruction or other casualty loss (whether or not covered by insurance) that has had Material Adverse Effect;

(c) any amendment, modification or termination of any existing, or entry into any new, material contract or permit that has had a Material Adverse Effect;

(d) any disposition by Company or the Company Subsidiaries of an asset the lack of which has had a Material Adverse Effect; or

(e) any direct or indirect redemption, purchase or other acquisition by Company or the Company Subsidiaries of any equity securities or any declaration, setting aside or payment of any dividend or other distribution on or in respect of Company Stock whether consisting of money, other personal property, real property or other things of value (except for dividends permitted by Section 6.1(b)).

4.18. Licenses and Permits. Each of Company and the Company Subsidiaries has all material licenses and permits that are necessary for the conduct of its business, and such licenses are in full force and effect in all material respects. The respective properties, assets, operations and businesses of Company and the Company Subsidiaries are and have been maintained and conducted, in all material respects, in compliance with all such applicable licenses and permits. To the knowledge of Company, no proceeding is pending or threatened by any Governmental Entity which seeks to revoke or limit any such licenses or permits.

4.19. Undisclosed Liabilities. Except for liabilities or obligations which do not individually or in the aggregate have a Material Adverse Effect, neither Company nor the Company Subsidiaries has any liabilities or obligations, either accrued or contingent, that have not been: (a) reflected or disclosed in the Financial Statements of Company; (b) incurred subsequent to December 31, 2003 in the ordinary course of business consistent with past practices; or (c) disclosed in the Company Disclosure Letter or on any other Company List.

4.20. Employee Benefit Plans.

(a) Company has previously made available to Parent copies of each "employee benefit plan," as defined in Section 3(3) of ERISA, of which Company or any

member of the same controlled group of corporations, trades or businesses as Company within the meaning of Section 4001(a)(14) of ERISA ("ERISA Affiliates") is a sponsor or participating employer or as to which Company or any of its ERISA Affiliates makes contributions or is required to make contributions and which is subject to any provision of ERISA and covers any employee, whether active or retired, of Company or any of its ERISA Affiliates, together with all amendments thereto, all currently effective and related summary plan descriptions, the determination letter from the IRS, the annual reports for the most recent three years (Form 5500 including, if applicable, Schedule B thereto, and Form 11-K, if applicable) and a summary of material modifications prepared in connection with any such plan. Such plans are hereinafter referred to collectively as the "Employee Plans," and are listed in Section 4.20(a) of the Company Disclosure Letter. No Employee Plan is a "multiemployer plan" within the meaning of Section 3(37) of ERISA. Each Employee Plan that is intended to be qualified in form and operation under Section 401(a) of the Code is so qualified and the associated trust for each such Employee Plan is exempt from tax under Section 501(a) of the Code. No event has occurred that will subject such Employee Plans to a material amount of tax under Section 511 of the Code. All amendments required to bring each Employee Plan into conformity with all of the applicable provisions of ERISA, the Code and all other applicable laws have been made, except to the extent that such amendments may be retroactively adopted under Section 401(b) of the Code and the regulations issued thereunder. Except as disclosed in the Company Disclosure Letter, all Employee Plans were in effect prior to January 1, 2004, and there has been no material amendment thereof (other than amendments required to comply with applicable law) or increase in the cost thereof or benefits thereunder on or after January 1, 2004.

(b) Company has previously made available to Parent copies or descriptions of each plan or arrangement maintained or otherwise contributed to by Company or any of its ERISA Affiliates which is not an Employee Plan and which (exclusive of base salary and base wages and any benefit required solely under the law of any state) provides for any form of current or deferred compensation, bonus, stock option, stock awards, stock-based compensation or other forms of incentive compensation or post-termination insurance, profit sharing, benefit, retirement, group health or insurance, disability, workers' compensation, welfare or similar plan or arrangement for the benefit of any employee or class of employees, whether active or retired, of Company or any of its ERISA Affiliates. Such plans and arrangements are hereinafter collectively referred to as "Benefit Arrangements"), and are listed in Section 4.20(b) of the Company Disclosure Letter. Except as disclosed in the Company Disclosure Letter, all Benefit Arrangements which are in effect were commenced or in effect prior to January 1, 2004. Except as disclosed in the Company Disclosure Letter, there has been no material amendment thereof or increase in the cost thereof or benefits payable thereunder since January 1, 2004. Except as set forth in the Company Disclosure Letter, there has been no material increase in the compensation of or benefits payable to any senior executive employee of Company or Company Subsidiaries since January 1, 2004, nor any employment, severance or similar contract entered into with any such employee, nor any amendment to any such contract, since January 1, 2004.

(c) With respect to all Employee Plans and Benefit Arrangements, Company and its ERISA Affiliates are in compliance (other than noncompliance the cost or liability for which would not have a Material Adverse Effect) with the requirements prescribed by any and all statutes, governmental or court orders, or governmental rules or regulations currently in effect, including but not limited to ERISA and the Code, applicable to such plans or arrangements. All government reports and filings required by law have been properly and timely filed and all information required to be distributed to participants or beneficiaries has been distributed with respect to each Employee Plan, including, if applicable, Form S-8 registration statements, Forms 11-K and prospectus disclosures with respect to Company Stock offered under any Employee Plan. Company and its ERISA Affiliates have performed all of their obligations under all such Employee Plans and Benefit Arrangements in all material aspects. There is no pending or, to the best of Company's or Company Subsidiaries' knowledge, threatened legal action, proceeding or investigation against or involving any Employee Plan or Benefit Arrangement, other than routine claims for benefits. No condition exists that could constitute grounds for the termination of any Employee Plan under Section 4042 of ERISA. No "prohibited transaction," as defined in Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Employee Plan, or any other employee benefit plan maintained by Company or any of its ERISA Affiliates which is covered by Title I of ERISA, which could subject any person (other than a person for whom Company or Company Subsidiaries is not directly or indirectly responsible) to liability under Title I of ERISA or to the imposition of tax under Section 4975 of the Code (other than any such transaction the cost or liability of which would not have a Material Adverse Effect). No Employee Plan subject to Part III of Subtitle B of Title I of ERISA or Section 412 of the Code, or both, has incurred any "accumulated funding deficiency," as defined in Section 412 of the Code, whether or not waived, nor has Company or Company Subsidiaries failed to make any contribution or pay any amount due and owing as required by the terms of any Employee Plan or Benefit Arrangement. No "reportable event" as defined in ERISA has occurred with respect to any of the Employee Plans. Neither Company nor any of its ERISA Affiliates has incurred nor expects to incur, directly or indirectly, any liability under Title IV of ERISA arising in connection with the termination of, or a complete or partial withdrawal from, any plan covered or previously covered by Title IV of ERISA which could constitute a liability of the Surviving Corporation or of any of its Affiliates (including the Company Subsidiaries) at or after the Effective Time of the Merger (other than plans maintained prior to the Effective Time of the Merger by the Parent and any of its ERISA Affiliates).

(d) Neither Company nor any of its ERISA Affiliates has provided or is required to provide security to any Employee Plan pursuant to Section 401(a)(29) of the Code. Each of the Employee Plans that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the IRS and neither Company nor the Company Subsidiaries knows of any fact that would adversely affect the qualified status of any such Employee Plan and which would not be correctible under the Employee Plans Correction Resolution System (Rev. Proc. 2003-44) without material cost to Company or any of its ERISA Affiliates. All contributions required to be made to each of the Employee Plans under the terms of the Employee Plan, ERISA, the Code or any other applicable laws have been timely made. Except as disclosed in the

Company Disclosure Letter, the Financial Statements of Company properly reflect all amounts required to be accrued as liabilities to date under each of the Employee Plans. Except as disclosed in the Company Disclosure Letter, the fair market value of the assets of each Employee Plan and Benefit Arrangement that is funded, or required to be funded under the terms of the Employee Plan or Benefit Arrangement, ERISA, the Code or any other applicable law, equals or exceeds the liabilities, including the present value of benefit obligations, of such Employee Plan or Benefit Arrangement. The Company and Company Subsidiaries have no obligation to provide post-termination or retiree welfare benefits to any person for any reason, except as may be required by The Consolidated Omnibus Budget Reconciliation Act of 1985, as amended or similar state statute.

(e) Except for the Scheduled Contracts or as set forth in the Company Disclosure Letter, each Employee Plan or Benefit Arrangement and each personal services contract, fringe benefit, consulting contract or similar arrangement with or for the benefit of any officer, director, employee or other person can be terminated by Company within a period of 30 days following the Effective Time of the Merger, without liability to the Company or any Company Subsidiaries.

(f) All group health plans of Company and Company Subsidiaries have been operated in compliance with the group health plan continuation coverage requirements of Section 4980B of the Code and with the group health plan portability, access and renewability requirements of Sections 9801 through 9833 of the Code, and corresponding provisions of ERISA, in all material respects.

(g) Neither Company nor the Company Subsidiaries has used the services of (i) workers who have been provided by a third party contract labor supplier for more than six months or who may otherwise be eligible to participate in any of the Employee Plans or to an extent that would result in the disqualification of any of the Employee Plans or the imposition of penalties or excise taxes with respect to the IRS, the Department of Labor, the Pension Benefit Guaranty Corporation or any other Governmental Entity; (ii) temporary employees who have worked for more than six months or who may otherwise be eligible to participate in any of the Employee Plans or to an extent that would result in the disqualification of any of the Employee Plans or the imposition of penalties or excise taxes with respect to the IRS, the Department of Labor, the Pension Benefit Guaranty Corporation or any other Governmental Entity; (iii) individuals who have provided services to Company or the Company Subsidiaries as independent contractors for more than six months or who may otherwise be eligible to participate in the Employee Plans or to an extent that would result in the disqualification of any of the Employee Plans or the imposition of penalties or excise taxes with respect to the IRS, the Department of Labor, the Pension Benefit Guaranty Corporation or any other Governmental Entity; or (iv) leased employees, as that term is defined in section 414(n) of the Code.

(h) With respect to each Employee Plan that is funded wholly or partially through an insurance policy, there will be no material liability of Company or the Company Subsidiaries, as of the Closing Date, under any such insurance policy or ancillary agreement with respect to such insurance policy in the nature of a

retroactive rate adjustment, loss sharing arrangement or other actual or contingent liability arising wholly or partially out of events occurring prior to the Closing Date.

4.21. Corporate Records. The minute books of each of Company and the Company Subsidiaries accurately reflect all material corporate actions taken since January 1, 1999 to this date by the respective stockholders, board of directors and committees of each of Company and the Company Subsidiaries.

4.22. Accounting Records. Each of Company and the Company Subsidiaries maintains accounting records which fairly and accurately reflect, in all material respects, its transactions and accounting controls exist sufficient to provide reasonable assurances that such transactions are, in all material respects, (i) executed in accordance with its management's general or specific authorization, and (ii) recorded as necessary to permit the preparation of financial statements in conformity with GAAP.

4.23. Offices and ATMs. Company has furnished to Parent a list (the "Company Offices List") setting forth the headquarters of each of Company and the Company Subsidiaries (identified as such) and each of the offices and automated teller machines ("ATMs") maintained and operated by Company or the Company Subsidiaries (including, without limitation, representative and loan production offices and operations centers) and the location thereof. Except as set forth on the Company Offices List, neither Company nor the Company Subsidiaries maintains any other office or ATM or conducts business at any other location, and neither Company nor the Company Subsidiaries has applied for or received permission to open any additional branch or operate at any other location.

4.24. Agreements with Regulators. Except as set forth in the Company Disclosure Letter, neither Company nor any Subsidiary of Company is a party to any written agreement, consent decree or memorandum of understanding with, or a party to any commitment letter or similar undertaking to, or is subject to any cease-and-desist or other order or directive by, or is a recipient of any extraordinary supervisory letter from, or has adopted any policies, procedures or board resolutions at the request of, any Governmental Entity which restricts materially the conduct of its business, or in any manner relates to its capital adequacy, its credit or risk management policies or its management, nor has Company been advised by any Governmental Entity that it is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such written agreement, decree, memorandum of understanding, extraordinary supervisory letter, commitment letter, order, directive or similar submission, or any such policy, procedure or board resolutions.

4.25. Vote Required. The affirmative vote of the holders of a majority of the outstanding shares of Company Stock to adopt this Agreement is the only vote of the holders of any class or series of Company capital stock necessary to approve and adopt this Agreement and the transactions contemplated hereby (including the Merger).

4.26. Power of Attorney. Neither Company nor the Company Subsidiaries has granted any Person a power of attorney or similar authorization that is presently in effect or outstanding.

4.27. Facts Affecting Regulatory Approvals. To the best knowledge of Company, there is no fact, event or condition applicable to Company or the Company Subsidiaries which will, or reasonably could be expected to, adversely affect the likelihood of securing the requisite approvals or consents of any Governmental Entity to the Merger and the transactions contemplated by this Agreement.

4.28. Indemnification. Other than pursuant to the provisions of their respective Certificate of Incorporation or Articles of Association, as the case may be, or Bylaws, or as disclosed in the Company Disclosure Letter, the Company SEC Filings, the Morgan Stanley Agreement, the Scheduled Contracts, or pursuant to non-material leases, vendor or other similar contracts entered into in the ordinary course of business, neither Company nor the Company Subsidiaries is a party to any indemnification agreement with any of its present or past officers, directors, employees, agents or other persons who serve or served in any other capacity with any other enterprise at the request of Company or the Company Subsidiaries ("Covered Parties"), and to the best knowledge of Company, there are no claims for which any Covered Party would be entitled to indemnification by Company or the Company Subsidiaries if such provisions were deemed in effect.

4.29. Community Reinvestment Act. Bank has received a rating of "satisfactory" in its most recent examination or interim review with respect to the Community Reinvestment Act. Bank has not been advised of any material supervisory concerns regarding Bank's compliance with the Community Reinvestment Act.

4.30. Derivative Transactions.

(a) Except as would not have a Material Adverse Effect, all Derivative Transactions (as defined herein) entered into by Company or any of its Subsidiaries were entered into in accordance with applicable rules, regulations and policies of any Governmental Entity, and in accordance with the investment, securities, commodities, risk management and other policies, practices and procedures employed by Company and its Subsidiaries, and were entered into with counterparties who are financially responsible and able to understand (either alone or in consultation with their advisers) and to bear the risks of such Derivative Transactions; and Company and each of its Subsidiaries have duly performed all of their obligations under the Derivative Transactions to the extent that such obligations to perform have accrued, and, to Company's knowledge, there are no material breaches, violations or defaults or allegations or assertions of such by any party thereunder.

(b) For purposes of this Section 4.30, "Derivative Transactions" means any swap transaction, option, warrant, forward purchase or sale transaction, futures transaction, cap transaction, floor transaction or collar transaction relating to one or more currencies, commodities, bonds, equity securities, loans, interest rates, credit-related events or conditions or any indexes, or any other similar transaction or combination of any of these transactions, including collateralized mortgage obligations or other similar instruments or any debt or equity instruments evidencing or embedding any such types of transactions, and any related credit support, collateral or other similar arrangements

related to such transactions; provided that, for the avoidance of doubt, the term "Derivative Transactions" shall not include any Company Stock Options.

4.31. Trust Administration. Bank presently maintains trusts or exercises trust powers, including, but not limited to, trust administration and has performed such activities in a manner that complies in all material respects with all applicable laws, regulations, orders, agreements, instruments and common law standards which are of material consequence to Bank's trust business. The term "trusts" as used in this Section 4.31 includes (i) any and all common law or other trusts between an individual, corporation or other entities and Bank or any of its predecessors, as trustee or co-trustee, including, without limitation, pension or other qualified or nonqualified employee benefit plans, compensation, testamentary, inter vivos, and charitable trust indentures; (ii) any and all decedents' estates where Bank or any of its predecessors is serving or has served as a co-executor or sole executor, personal representative or administrator, administrator de bonis non, administrator de bonis non with will annexed, or in any similar fiduciary capacity; (iii) any and all guardianships, conservatorships or similar positions where Bank or any of its predecessors is serving or has served as a co-grantor or a sole grantor or a conservator or co-conservator of the estate, or any similar fiduciary capacity; and (iv) any and all agency and/or custodial accounts and/or similar arrangements, including plan administrator for employee benefit accounts, under which Bank or any of its predecessors is serving or has served as an agent or custodian for the owner or other party establishing the account with or without investment authority.

4.32. Disclosure Documents and Applications. None of the information supplied or to be supplied by Company in writing ("Company Supplied Information") for inclusion in any documents to be filed with the SEC, the FRB or any other Governmental Entity in connection with the transactions contemplated in this Agreement, will, at the respective times such documents are filed or become effective, or with respect to the Proxy Statement when mailed, with respect to the Company Supplied Information, contain any untrue statement of a material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.33. Intellectual Property. To the best knowledge of Company, Company and the Company Subsidiaries own or have a valid license to use all trademarks, trade names and service marks (including any registrations or applications for registration of any of the foregoing) (collectively, "Company Intellectual Property") necessary to carry on their business substantially as currently conducted, except where such failures to own or validly license such Company Intellectual Property would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Neither Company nor any of the Company Subsidiaries has received any notice of infringement of or conflict with, and to Company's knowledge, there are no infringements of or conflicts with, the rights of others with respect to the use of any Company Intellectual Property that, individually or in the aggregate, in either such case, would reasonably be expected to have a Material Adverse Effect.

4.34. State Takeover Laws; Company Rights Agreement.

(a) The Board of Directors of Company has approved this Agreement and the transactions contemplated hereby, and taken such other actions, and such actions are sufficient, to render inapplicable to this Agreement and the transactions contemplated hereby, including, without limitation, the Merger, all state takeover statutes and any similar "takeover" or "interested stockholder" law.

(b) Company has taken all action, if any, necessary or appropriate so that the entering into of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not result in the ability of any person to exercise any Rights (as defined in the Company Rights Agreement) under the Company Rights Agreement or enable or require any Rights to separate from the shares of Company Stock to which they are attached or to be triggered or become exercisable. No "Distribution Date" or "Stock Acquisition Date" (as such terms are defined in the Company Rights Agreement) has occurred.

4.35. Registration Obligation. Neither Company nor the Company Subsidiaries is under any obligation, contingent or otherwise, to register any of their respective securities under the Securities Act.

4.36. Opinion of Morgan Stanley & Co. Company has received the opinion of Morgan Stanley & Co., Inc., dated as of the date hereof, to the effect that, based upon and subject to the matters set forth in the Opinion, the Merger Consideration is fair from a financial point of view to the holders of the Company Stock.

4.37. Loans; Investments.

(a) The outstanding loans, including guarantees thereon, originated by Bank have been documented in all material respects in accordance with the policies of Bank, including guarantees thereon, and all loans purchased by or participated in by Bank are documented in a manner substantially consistent with such policies in all material respects. Neither Company nor any Company Subsidiary (other than Bank), originates or makes extensions of credit.

(b) Except for pledges to secure public and trust deposits and borrowings in the ordinary course of business, none of the investments reflected in the Financial Statements of Company under the heading "Investment Securities," and none of the investments made by Company, Bank or any Company Subsidiary since December 31, 2003 is subject to any restriction, whether contractual or statutory, which materially impairs the ability of Company, Bank or Company Subsidiary to freely dispose of such investment at any time, other than those restrictions permitted or imposed on securities held for investment under GAAP. With respect to all material repurchase agreements to which Company, Bank or any Company Subsidiary, is a party, Company, Bank or Company Subsidiary has a valid, perfected first lien or security interest in the government securities or other collateral securing each such repurchase agreement, and the value of the collateral securing each such repurchase agreement equals or exceeds the

amount of the debt secured by such collateral under such agreement. Except for any securities sold subject to repurchase obligations in the normal course of business and any loans or loan participations subject to customary repurchase obligations, none of Company, Bank or Company Subsidiaries has sold or otherwise disposed of any assets in a transaction in which the acquirer of such assets or other person has the right, either conditionally or absolutely, to require Company, Bank or any Company Subsidiary to repurchase or otherwise reacquire any such assets.

(c) All United States Treasury securities, obligations of other United States Government agencies and corporations, obligations of States of the United States and their political subdivisions, and other investment securities classified as "held to maturity" and "available for sale" held by Company, Bank and Company Subsidiaries, as reflected in the Financial Statements of Company, were classified and accounted for in accordance with Statement of Financial Accounting Standards No. 115 and the intentions of management.

4.38. Allowance for Loan and Lease Losses. Company's allowance for loan and lease losses was determined by application of the Company's policies and procedures on a basis consistently applied from prior periods and represents management's good faith estimate of reasonably expectable losses, net of recoveries relating to loans and leases previously charged off, on loans and leases outstanding (including accrued interest receivable) as of that date.

ARTICLE 5.

REPRESENTATIONS AND WARRANTIES OF Parent

Parent represents and warrants to Company as follows, except as set forth in the Parent Disclosure Letter:

5.1. Incorporation, Standing and Power. Parent has been duly organized, is validly existing and in good standing as a corporation under the laws of the State of Delaware and is registered as a bank holding company under the BHC Act. Merger Sub has been duly organized, is validly existing and in good standing as a corporation under the laws of the State of Delaware. Merger Sub has conducted no business or operations and has no material liabilities other than its obligations under this Agreement.

5.2. Authority. The execution and delivery by Parent of this Agreement, and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Parent. The execution and delivery by Merger Sub of this Agreement, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary corporate action on the part of Merger Sub. This Agreement is a valid and binding obligation of Parent and Merger Sub, in each case enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, liquidation, receivership, conservatorship, insolvency, moratorium or other similar laws affecting the rights of creditors generally and by general equitable principles. Neither the execution and delivery by Parent or Merger Sub of this Agreement, the consummation of the transactions contemplated herein, nor compliance by Parent and Merger Sub with any of the

provisions hereof, will: (a) conflict with or result in a breach of any provision of its respective Certificate of Incorporation, as amended, or Bylaws, as amended; (b) constitute a breach of or result in a default (or give rise to any rights of termination, cancellation or acceleration, or any right to acquire any securities or assets) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, franchise, license, permit, agreement or other instrument or obligation to which Parent or any Subsidiary of Parent is a party, or by which Parent or any Subsidiary of Parent or any of its properties or assets is bound (except as would not be reasonably likely to have a material adverse effect on the ability of Parent and Merger Sub to consummate the transactions contemplated by this Agreement); or (c) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Parent or any Subsidiary of Parent or any of its respective properties or assets. No consent of, approval of, notice to or filing with any Governmental Entity having jurisdiction over any aspect of the business or assets of Parent or any of its Subsidiaries, and no consent of, approval of or notice to any other Person, is required in connection with the execution and delivery by Parent or Merger Sub of this Agreement, or the consummation by Parent and Merger Sub of the Merger or the transactions contemplated hereby, except (i) such approvals as may be required by the FRB under the BHC Act; and (ii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware.

5.3. Parent Stockholder Consent. BNP Paribas, the sole stockholder of Parent, has approved this Agreement and the transactions contemplated hereby.

5.4. Other Governmental Approvals. The execution, delivery and performance of this Agreement by Parent and Merger Sub do not and will not require any consent, approval, authorization or other order of, action by, filing with, or notification to, any Governmental Entity in the Republic of France.

5.5. Financing. Parent has available sufficient cash or other liquid assets or financial resources which may be used to fund the Merger and perform its other obligations hereunder. Parent's ability to consummate the transactions contemplated by this Agreement is not contingent on raising any equity capital, obtaining financing therefor, consent of any lender or any other matter.

5.6. Litigation. No claim, action, proceeding or investigation is pending or, to the knowledge of Parent, threatened, that seeks to delay or prevent the consummation of, or that would be reasonably likely to materially adversely affect Parent's or Merger Sub's ability to consummate the transactions contemplated by this Agreement.

5.7. Brokers and Finders. Except for the obligation to Lehman Brothers, Inc., as set forth in a letter agreement dated March 1, 2004, Parent is not a party to or obligated under any agreement with any broker or finder relating to the transactions contemplated hereby, and neither the execution of this Agreement nor the consummation of the transactions provided for herein will result in any liability to any broker or finder.

5.8. Facts Affecting Regulatory Approvals. To the best knowledge of Parent, there is no fact, event or condition applicable to Parent or any of its Subsidiaries which will, or reasonably could be expected to, adversely affect the likelihood of promptly securing the requisite approvals or consents of any Governmental Entity to the Merger.

5.9. Community Reinvestment Act. BW has received a rating of "satisfactory" in its most recent examination or interim review with respect to the Community Reinvestment Act. BW has not been advised of any material supervisory concerns regarding BW's compliance with the Community Reinvestment Act.

5.10. Accuracy of Information Furnished for Company Proxy Statement. None of the information supplied or to be supplied by Parent in writing ("Parent Supplied Information") for inclusion in any documents to be filed by Company with the SEC or any other Governmental Entity in connection with the transactions contemplated in this Agreement, will, at the respective times such documents are filed or become effective, or with respect to the Proxy Statement when mailed, with respect to the Parent Supplied Information, contain any untrue statement of a material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

5.11. Investment in Company Shares. Neither Parent nor Merger Sub nor any Affiliate of Parent or Merger Sub owns or controls, directly or indirectly, any capital stock of Company, other than in accordance with and as permitted by the Confidentiality Agreement.

ARTICLE 6.

COVENANTS OF Company PENDING EFFECTIVE TIME OF THE MERGER

Company covenants and agrees with Parent and Merger Sub as follows:

6.1. Limitation on Conduct Prior to Effective Time of the Merger. Between the date hereof and the earlier of the Effective Time of the Merger or the termination of the Agreement, except as contemplated by this Agreement and subject to requirements of law and regulation, Company agrees to conduct its business (and to cause the Company Subsidiaries to conduct their respective businesses) in the ordinary course in substantially the manner heretofore conducted and in accordance with sound banking practices, and Company shall not (and shall cause the Company Subsidiaries to not), without the prior written consent of Parent; which consent shall not be unreasonably withheld or delayed:

(a) issue, sell or grant any Company Stock (except pursuant to the exercise of Company Stock Options outstanding as of the date hereof), any other securities (including long term debt) of Company or the Company Subsidiaries, or any rights, stock appreciation rights, options or securities to acquire any Company Stock, or any other securities (including long term debt) of Company or the Company Subsidiaries or enter into any agreements to take any such actions;

(b) (i) other than dividends by a direct or indirect wholly-owned Subsidiary of Company to its parent, declare, set aside or pay any dividend (except for the regular quarterly cash dividend in respect of the first fiscal quarter of 2004 which shall not exceed \$0.24 per share of Company Stock, and thereafter, regular quarterly cash dividends not to exceed the lesser of (x) \$0.24 per share of Company Stock or (y) an amount per share of Company Stock equal to the quotient obtained by dividing (A) 60%

of the Average Net Income of the Company (where "Average Net Income" is equal to the quotient obtained by dividing (a) the sum of the net income of the Company (1) for the fiscal quarter in respect of which the dividend has been declared and (2) the immediately preceding fiscal quarter by (b) two) by (B) the number of outstanding shares of Company Stock on the record date for such dividend) or make any other distribution upon any of the capital stock of Company or the Company Subsidiaries, or (ii) split, combine or reclassify any shares of capital stock or other securities of Company or the Company Subsidiaries;

(c) purchase, redeem or otherwise acquire any capital stock or other securities of Company or the Company Subsidiaries or any rights, options, or securities to acquire any capital stock or other securities of Company or the Company Subsidiaries (other than the redemption upon maturity of the Company's subordinated notes and the issuance of Company Stock upon the exercise of Company Stock Options that are outstanding as of the date hereof in accordance with their present terms);

(d) except as may be required to effect the transactions contemplated herein, amend its Certificate of Incorporation or Articles of Association, as the case may be, or Bylaws;

(e) grant any general or uniform increase in the rate of pay of employees or employee benefits;

(f) except as provided in the Company Disclosure Letter and in Section 12.1, grant any increase in salary, incentive compensation or employee benefits or pay any bonus to any Person or voluntarily accelerate the vesting of any employee benefits, other than payments of bonuses consistent with past practice pursuant to plans in effect on the date hereof and disclosed in the Company Disclosure Letter and increases in salary consistent with past practice to Persons eligible for such salary increases on the anniversary dates of their employment, provided that the percentage increase in salaries for all such Persons shall not exceed three percent on average;

(g) make any capital expenditure or commitments with respect thereto in excess of \$500,000 with respect to any item or project or in the aggregate with respect to any related items or projects, except for capital expenditures described in the Company Disclosure letter and ordinary repairs, renewals and replacements;

(h) compromise or otherwise settle or adjust any assertion or claim of a deficiency in taxes (or interest thereon or penalties in connection therewith), extend the statute of limitations with any tax authority or file any pleading in court in any tax litigation or any appeal from an asserted deficiency, or file or amend any federal, foreign, state or local tax return, or make any tax election that is inconsistent with Company's current tax election practices;

(i) change or make any tax elections or its tax or accounting policies and procedures or any method or period of accounting unless required by GAAP or a Governmental Entity;

(j) grant or commit to grant any extension of credit or amend the terms of any such credit outstanding on the date hereof to any executive officer, director or holder of 10% or more of the outstanding Company Stock, or any Affiliate of such Person;

(k) close or relocate any offices at which business is conducted or open any new offices; except as described in the Company Disclosure Letter

(l) except as provided in the Company Disclosure Letter and in Section 12.1, adopt or enter into any new employment agreement or other employee benefit plan or arrangement or amend or modify any employment agreement or employee benefit plan or arrangement of any such type except for such amendments as are required by law;

(m) initiate, solicit or knowingly encourage (including by way of furnishing information or assistance), or take any other action to facilitate, any inquiries or the making of any proposal which constitutes, or would reasonably be expected to lead to, any Competing Transaction (as such term is defined below), or negotiate or have any discussions with any person in furtherance of such inquiries or to obtain a Competing Transaction, or agree to or endorse any Competing Transaction, or approve or recommend, or propose to approve or recommend, or execute or enter into, any letter of intent, agreement in principle, merger agreement, asset purchase or share exchange or issuance agreement, option agreement, or other similar agreement related to any Competing Transaction or propose or agree to do any of the foregoing, or authorize any of its or the Company Subsidiaries' officers, directors or employees or any investment banker, financial advisor, attorney, accountant or any other representative retained by it or any of its Affiliates (the "Representatives") to take any such action, and will cause the Representatives and the Company Subsidiaries not to take any such action, and Company shall promptly notify Parent (orally

and in writing) of all of the relevant details relating to all inquiries and proposals which it may receive relating to any of such matters, including the identity of the offeror or Person making the request or inquiry. For purposes of this Agreement, "Competing Transaction" shall mean any of the following involving Company or the Company Subsidiaries and any Person other than Parent or any of its Affiliates: any merger, consolidation, share exchange or other business combination; a sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets of Company or the Company Subsidiaries representing 15% or more of the consolidated assets of Company and the Company Subsidiaries; a sale of shares of capital stock (or securities convertible or exchangeable into or otherwise evidencing, or any agreement or instrument evidencing, the right to acquire capital stock), representing 15% or more of the voting power of Company or the Company Subsidiaries; or a tender offer or exchange offer for at least 15% of the outstanding shares of Company. Company will immediately cease and cause to be terminated (and will cause the Company Subsidiaries to cease and terminate) any existing activities, discussions or negotiations with any parties (other than Parent and its Affiliates and representatives) conducted heretofore with respect to any of the foregoing. Company shall (and shall cause the Company Subsidiaries to) take the necessary steps to inform promptly the appropriate individuals or entities referred to above of the obligations undertaken in this Section. Company shall notify Parent (orally and in writing) within 24 hours of the receipt of any such inquiries, proposals or offers, the request for any such information, or the initiation or continuation of any such negotiations or discussions which are sought to be initiated or continued with Company and the Company Subsidiaries. Company shall promptly request each other Person, other than Parent, that has, since January 1, 2001, executed a confidentiality agreement in connection with its consideration of entering into a business combination with Company and the Company Subsidiaries (other than a business combination in which Company or a Company Subsidiary would acquire control of such Person) to return all confidential information heretofore furnished to such person by or on behalf of Company and the Company Subsidiaries and enforce any such confidentiality agreements. Notwithstanding any other provision in this Section 6.1(m) or any other provision of this Agreement, prior to the duly convened Company Stockholders' Meeting, and subject to compliance with the other terms of this Section 6.1(m), and to first entering into a confidentiality agreement having provisions that are no less favorable to Company than those contained in the Confidentiality Agreement, the Board of Directors of Company shall be permitted to engage in discussions or negotiations with, and provide nonpublic information or data to, any Person in response to an unsolicited bona fide written proposal for a Competing Transaction by such Person first made after the date hereof which the Board of Directors of Company concludes in good faith (after consultation with a financial advisor of nationally recognized reputation in similar transactions) constitutes or is reasonably likely to result in a Superior Proposal (as defined below), and to recommend such Superior Proposal to the holders of Company Stock, if and only to the extent that the Board of Directors of Company reasonably determines in good faith (after consultation with outside legal counsel) that failure to do so would be inconsistent with its fiduciary duties under applicable law; provided, that Company shall have given Parent (orally and in writing) at least 36 hours prior notice of its intent to do so before taking the first of any such actions with any one such Person; provided, further, that Company and the Board of Directors of Company shall keep Parent informed of the status and terms of any such proposals, offers, discussions or negotiations on a prompt basis, including by providing a copy of all material documentation or correspondence relating thereto. For purposes of this Agreement, "Superior Proposal" shall mean a bona fide written proposal for a Competing Transaction which the Board of Directors concludes in good faith, after consultation with a financial advisor of nationally recognized reputation in similar transactions and its legal advisors, taking into account all legal, financial, regulatory and other aspects of the proposal and the Person making the proposal (i) is more favorable to the Company's stockholders from a financial point of view, than the transactions contemplated by this Agreement and (ii) is fully financed or reasonably capable of being fully financed, reasonably likely to receive all required governmental approvals on a timely basis and otherwise reasonably capable of being completed on the terms proposed; provided, that, for purposes of this definition of "Superior Proposal" the term Competing Transaction shall have the meaning assigned to such term in this Section 6.1(m), except that the reference to "15% or more" in the definition of Competing Transaction shall be deemed to be a reference to "a majority". Nothing in this

Section 6.1(m) shall prohibit Company or its Board of Directors from taking and disclosing to the Company stockholders a position with respect to a Competing Transaction to the extent required under the Exchange Act, or from making

such disclosure to the Company stockholders which, after consultation with outside counsel, the Board determines is otherwise required under applicable law; provided, that taking any such action required to comply with any such obligations shall not in any way limit or modify the effect that any action so taken has under any other provision of this Agreement, including, without limitation, Section 13.1(j). Notwithstanding any other provision in this Section 6.1(m) or any other provision of this Agreement, Company may waive any provision of any confidentiality agreement entered into as provided above if the Board of Directors of Company, in the exercise of its fiduciary duties under applicable law, reasonably determines in good faith (after consultation with outside legal counsel) that the failure to take such action would be inconsistent with its fiduciary duties under applicable law and Company also contemporaneously waives similar provisions of the Confidentiality Agreement;

(n) grant any Person a power of attorney or similar authority;

(o) make any investment by purchase of stock or securities (including an Investment Security), contributions to capital, property transfers or otherwise in any other Person, except for federal funds, obligations of the United States Treasury or an agency of the United States Government the obligations of which are entitled to or implied to have the full faith and credit of the United States government and which have an original maturity not in excess of one year, bank qualified investment grade municipal bonds, in any case, in the ordinary course of business consistent with past practices and which are not designated as trading;

(p) amend or modify any Scheduled Contract or enter into any agreement or contract that would be required to be a Scheduled Contract under Section 4.15; provided, that Company and any Company Subsidiary may renew an existing Scheduled Contract in the ordinary course of business on substantially equivalent terms;

(q) sell, transfer, mortgage, encumber or otherwise dispose of any assets or release or waive any claim, except in the ordinary course of business and consistent with past practices;

(r) take any action which would or could reasonably be expected to (i) adversely affect the ability of Parent or Company to obtain any necessary approval of any Governmental Entity required for the transactions contemplated hereby; (ii) adversely affect Company's ability to perform its covenants and agreements under this Agreement; or (iii) result in any of the conditions to the performance of Parent's or Company's obligations hereunder, as set forth in Articles 9, 10 or 11 herein not being satisfied;

(s) make any special or extraordinary distributions or payments to any Person;

(t) reclassify any Investment Security from held-to-maturity or available for sale to trading, unless required by changes in GAAP or regulatory accounting requirements applicable to banks and their holding companies generally;

(u) sell any security other than in the ordinary course of business, except as provided in the Company Disclosure Letter;

(v) take title to any real property without conducting prior thereto an environmental investigation, which investigation shall not reflect the presence of any suspected environmental contamination;

(w) settle any material claim, action or proceeding involving any material liability for monetary damages or enter into any settlement agreement containing material obligations;

(x) make, acquire a participation in, or reacquire an interest in a participation sold of, any loan, commitment to make a loan or other extension of credit, that is not in compliance with its normal credit underwriting standards, policies and procedures as in effect on December 31, 2003 or which would involve a credit exposure on the part of the Company or any Company Subsidiary, of \$10,000,000 or more;

(y) incur any indebtedness for borrowed money or assume, guaranty, endorse or otherwise as an accommodation become responsible for the obligations of any other person, except for (i) in connection with banking transactions with banking customers in the ordinary course of business, or (ii) short-term borrowings made at prevailing market rates and terms consistent with prior practice;

(z) enter into any new material line of business;

(aa) engage in any material transaction or incur or sustain any material obligation not in the ordinary course of business consistent with past practice;

(bb) except as contemplated by Section 4.34, modify, amend or waive any provision of, or terminate the Company Rights Plan, or redeem any of the rights outstanding thereunder, unless the Board of Directors of Company determines reasonably and in good faith (after consultation with outside legal counsel) that the failure to take any such action would be inconsistent with its fiduciary duties under applicable law; or

(cc) agree or make any commitment to take any actions prohibited by this Section 6.1.

6.2. Affirmative Conduct Prior to Effective Time of the Merger. Between the date hereof and the Effective Time of the Merger, Company shall (and shall cause the Company Subsidiaries to):

(a) use its commercially reasonable efforts consistent with this Agreement to maintain and preserve intact its present business organization and to maintain and preserve its relationships and goodwill with account holders, borrowers,

employees and others having business relationships with Company or the Company Subsidiaries;

(b) use its commercially reasonable efforts to keep in full force and effect all of the existing material permits and licenses of Company and the Company Subsidiaries;

(c) use its commercially reasonable efforts to maintain insurance coverage at least equal to that now in effect on all properties which it owns or leases and on its business operations;

(d) perform its material contractual obligations and not become in material default on any such obligations;

(e) duly observe and conform in all material respects to all lawful requirements applicable to its business;

(f) maintain its assets and properties in good condition and repair, normal wear and tear excepted;

(g) file all Tax Returns required to be filed with any tax authority in accordance with all applicable laws, timely pay all Taxes due and payable as shown in the respective Tax Returns that are so filed and ensure that the Tax Returns will, as of the time of filing, be based on tax positions that have substantial support under all applicable laws;

(h) promptly notify Parent regarding receipt from any tax authority of any notification of the commencement of an audit, any request to extend the statute of limitations, any statutory notice of deficiency, any revenue agent's report, any notice of proposed assessment, or any other similar notification of potential adjustments to the Tax liabilities or attributes of Company, or any actual or threatened collection enforcement activity by any Tax authority with respect to tax liabilities of Company;

(i) make available to Parent monthly unaudited balance sheets and income statements of Company within 25 days after the close of each calendar month;

(j) use its commercially reasonable efforts to obtain any third party consent with respect to any contract, agreement, lease, license, arrangement, permit or release that is material to the business of Company and the Company Subsidiaries on a consolidated basis or that is contemplated in this Agreement as required in connection with the Merger; provided, however, that no such third party consent need be obtained if a material amount of monetary consideration is required; and

(k) maintain an allowance for loan and lease losses consistent with practices and methodology as in effect on the date of the execution of this Agreement provided that the dollar amount of such allowance shall be, in any event, maintained at a level which is at least equal to the amount thereof at December 31, 2003.

6.3. Access to Information. Company will afford, upon reasonable notice, to Parent and its representatives, counsel, accountants, agents and employees reasonable access during normal business hours to all of their business, operations, properties, books, files and records and will do everything reasonably necessary to enable Parent and its representatives, counsel, accountants, agents and employees to make a complete examination of the financial statements, business, assets and properties of Company and the Company Subsidiaries and the condition thereof and to update such examination at such intervals as Parent shall deem appropriate. Such examination shall be conducted in cooperation with the officers of Company and the Company Subsidiaries and in such a manner as to minimize any disruption of, or interference with, the normal business operations of Company and the Company Subsidiaries. Upon the request of Parent, and upon Parent's execution and delivery of a customary waiver, Company will request E&Y to provide reasonable access to representatives of PwC working on behalf of Parent to auditors' work papers with respect to the business and properties of Company and the Company Subsidiaries, including tax accrual work papers prepared for Company and the Company Subsidiaries during the preceding 60 months, other than (a) books, records and documents covered by the attorney-client privilege, or that are attorneys' work product, and (b) books, records and documents that Company or the Company Subsidiaries are legally obligated to keep confidential. No examination or review conducted under this section shall constitute a waiver or relinquishment on the part of Parent of the right to rely upon the representations and warranties made by Company herein. All documents and information concerning Company and the Company Subsidiaries so obtained from any of them (except to the extent that such documents or information are a matter of public record or require disclosure in the Proxy Statement or any of the public portions of any applications required to be filed with any Governmental Entity to obtain the approvals and consents required to effect the transactions contemplated hereby), shall be subject to the Confidentiality Agreement.

6.4. Filings. Company agrees that through the Effective Time of the Merger, each of Company's or the Company Subsidiaries' reports, proxy statements, registrations, statements and other filings required to be filed with any applicable Governmental Entity will comply in all material respects with all the applicable statutes, rules and regulations enforced or promulgated by the Governmental Entity with which it will be filed and none will contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Any financial statement contained in any such report, proxy statement, registration, statement or other filing that is intended to present the financial position of the entity to which it relates will fairly present the financial position of such entity and will be prepared in accordance with GAAP or applicable banking regulations consistently applied during the periods involved.

6.5. Notices; Reports. Company will promptly notify Parent of any event of which Company obtains knowledge which has had or may have a Material Adverse Effect, or in the event that Company determines that it is unable to fulfill any of the conditions to the performance of Parent's obligations hereunder, as set forth in Articles 9 or 11 herein, and Company will furnish Parent (i) as soon as available, and in any event within one Business Day after it is mailed or delivered to the Board of Directors of Company or the Company Subsidiaries or committees thereof, any report by Company or the Company Subsidiaries for submission to the Board of Directors of Company or the Company Subsidiaries or committees thereof,

provided, however, that Company need not furnish to Parent communications of Company's legal counsel regarding Company's rights and obligations under this Agreement or the transactions contemplated hereby, or other communication or incident to Company's actions pursuant to Section 6.1(m) hereof, or books, records and documents covered by confidentiality agreements or the attorney-client privilege, or which are attorneys' work product, (ii) as soon as available, all proxy statements, information statements, financial statements, reports, letters and communications sent by Company to its stockholders or other security holders, and all reports filed by Company or the Company Subsidiaries with the SEC, FRB, the OCC or other Governmental Entities, and (iii) such other existing reports as Parent may reasonably request relating to Company or the Company Subsidiaries.

6.6. Company Stockholders' Meeting. As promptly as practicable after the execution of this Agreement, Company will take action necessary in accordance with applicable law and its Certificate of Incorporation and Bylaws to convene a meeting of its stockholders to consider and vote upon this Agreement and the transactions contemplated hereby so as to permit the consummation of the transactions contemplated hereby. The Board of Directors of Company shall recommend that its stockholders approve and adopt this Agreement and the transactions contemplated hereby, including the Merger; provided, however, that the Board of Directors of Company may withdraw, modify or change its recommendation to the stockholders if the Board determines in good faith, following consultation with outside legal counsel, that failure to do so would be inconsistent with its fiduciary duties under applicable law. Subject to the proviso of the immediately preceding sentence, Company will use its commercially reasonable efforts to obtain the requisite affirmative vote of the holders of the outstanding Company Stock for the approval and adoption of this Agreement and the Merger.

6.7. Applications. Company will promptly prepare or cause to be prepared the Proxy Statement and will duly send the same to the holders of the Company Stock in connection with the Company Stockholders' Meeting, and further agrees to provide any information requested by Parent for the preparation of any applications necessary to consummate the transactions contemplated hereby. Company shall afford Parent a reasonable opportunity to review all such applications and all amendments and supplements thereto before the filing thereof. Company covenants and agrees that, with respect to the information relating to Company or the Company Subsidiaries, the Proxy Statement will comply in all material respects with the provisions of applicable law, and will not contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. Company will use its commercially reasonable efforts to assist Parent in obtaining all approvals or consents of Governmental Entities necessary to effect the Merger and the transactions contemplated herein.

ARTICLE 7.

COVENANTS OF PARENT AND MERGER SUB

Parent and Merger Sub covenant and agree with Company as follows:

7.1. Limitation on Conduct Prior to Effective Time of the Merger. Between the date hereof and the Effective Time of the Merger, except as contemplated by this Agreement and subject to requirements of law and regulation generally applicable to bank holding companies and banks, each of Parent and its Subsidiaries shall not, without the prior written consent of Company, which consent Company shall not unreasonably withhold or delay:

(a) take any action which would or is reasonably likely to (i) adversely affect the ability of Parent to obtain any necessary approvals of any Governmental Entity required for the transactions contemplated hereby; (ii) adversely affect Parent's ability to perform its covenants and agreements under this Agreement; or (iii) result in any of the conditions to the performance of Company's or Parent's obligations hereunder, as set forth in Articles 10 or 11 herein not being satisfied; or

(b) agree or make any commitment to take any actions prohibited by this Section 7.1.

7.2. Applications. Parent will, as promptly as practicable, but in any event within 30 days of the date hereof, prepare and file in final form or cause to be prepared and filed in final form (it being recognized that the FRB or other applicable Governmental Entities may require supplemental filings after such filing in final form) (i) an application for approval of the Merger with the FRB; and (ii) any other applications necessary to consummate the transactions contemplated hereby. Parent shall afford Company a reasonable opportunity to review all such applications (except for the confidential portions thereof) and all amendments and supplements thereto before the filing thereof.

7.3. Notices; Reports. Parent will promptly notify Company in the event that Parent determines that it is unable to fulfill any of the conditions to the performance of Company's obligations hereunder, as set forth in Articles 9 or 10 herein.

7.4. Indemnification and Directors' and Officers' Insurance.

(a) From and after the Effective Time of the Merger, the Surviving Corporation shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless, and provide advancement of expenses to, each person who is now, or has been at any time prior to the date hereof or who becomes prior to the Effective Time of the Merger, an officer or director of Company or any of its Subsidiaries (the "Indemnified Parties") against all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such person is or was a director or officer of Company or any Subsidiary of Company, and pertaining to any matter existing or occurring, or any

acts or omissions occurring, at or prior to the Effective Time of the Merger, whether asserted or claimed prior to, or at or after, the Effective Time of the Merger (including matters, acts or omissions occurring in connection with the approval of this Agreement and the consummation of the transactions contemplated hereby) ("Indemnified Liabilities") to the same extent such persons are indemnified or have the right to advancement of expenses as of the date of this Agreement by Company pursuant to Company's Certificate of Incorporation, Bylaws and indemnification agreements, if any, in existence on the date hereof with any directors or officers of Company and its Subsidiaries.

(b) For a period of six years after the Effective Time of the Merger, the Surviving Corporation shall cause to be maintained in effect the current policies of directors' and officers' liability insurance maintained by Company (provided, that the Surviving Corporation may substitute therefor policies with a substantially comparable insurer of at least the same coverage, amounts and retentions containing terms and conditions which are no less advantageous to the insured) with respect to claims arising from facts or events which occurred at or before the Effective Time of the Merger; provided, however, that the Surviving Corporation shall not be obligated to make annual premium payments for such insurance to the extent such premiums exceed 200% of the premiums paid as of the date hereof by Company for such insurance ("Company's Current Premium"), and if such premiums for such insurance would at any time exceed 200% of Company's Current Premium, then the Surviving Corporation shall cause to be maintained policies of insurance which, in the Surviving Corporation's good faith determination, provide the maximum coverage available at an annual premium equal to 200% of Company's Current Premium.

(c) The Surviving Corporation shall pay (as incurred) all expenses, including reasonable fees and expenses of counsel, that an Indemnified Person may incur in enforcing the indemnity and other obligations provided for in this Section 7.4.

(d) If the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers or conveys all or substantially all of its properties and assets to any person, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of the Surviving Corporation, as the case may be, shall assume the obligations set forth in this Section 7.4.

(e) The provisions of this Section 7.4, (i) are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, his or her heirs and representatives and (ii) are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such person may have or contract or otherwise.

7.5. Employee Plans. From and after the Effective Time of the Merger, Parent shall and shall cause the Surviving Corporation to honor the arrangements regarding continuation of employee health, dental, vision and life insurance coverage, payments pursuant to the Company's Annual Incentive Plan and other cash incentive plans for calendar year 2004, and the

obligations under the Directors Deferred Compensation Plan and the Executive Severance Plan described in the Company Disclosure Letter.

ARTICLE 8.

ADDITIONAL COVENANTS

The parties hereto hereby mutually covenant and agree with each other as follows:

8.1. Commercially Reasonable Efforts. Subject to the terms and conditions of this Agreement, each party will use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement as promptly as practicable.

8.2. Public Announcements. No press release or other public disclosure of matters related to this Agreement or any of the transactions contemplated hereby shall be made by Parent or Company unless the other party shall have provided its prior consent (which shall not be unreasonably withheld, delayed or conditioned) to the form and substance thereof; provided, however, that nothing herein shall be deemed to prohibit any party hereto from making any disclosure which its counsel deems necessary or advisable in order to fulfill such party's disclosure obligations imposed by law.

ARTICLE 9.

CONDITIONS PRECEDENT TO THE MERGER

The obligations of each of the parties hereto to consummate the transactions contemplated herein are subject to the satisfaction, on or before the Closing Date, of the following conditions:

9.1. Stockholder Approval. The Agreement and the transactions contemplated hereby shall have received all requisite approvals of the stockholders of Company.

9.2. No Judgments or Orders. No judgment, decree, injunction, order or proceeding shall be outstanding by any Governmental Entity which prohibits or restricts the effectuation of, or threatens to invalidate or set aside, the Merger substantially in the form contemplated by this Agreement.

9.3. Regulatory Approvals. To the extent required by applicable law or regulation, all approvals or consents of any Governmental Entity, including, without limitation, those of the FRB, shall have been obtained or granted for the Merger and the transactions contemplated hereby and the applicable waiting period under all laws shall have expired; provided, that, in respect of such conditions to the obligations of Parent and Merger Sub, such approvals or consents shall have been granted without any condition or restriction upon Parent or the Surviving Corporation, or any of their respective Subsidiaries or Affiliates which would reasonably be expected to have a material adverse effect after the Effective Time on the present

or prospective consolidated financial condition, business or operating results of Parent or the Surviving Corporation or any of their respective Subsidiaries or Affiliates or otherwise materially and adversely impair the economic benefits to the combined enterprise (i.e., Parent, the Surviving Corporation and their respective Subsidiaries) of the transactions contemplated hereby. All other statutory or regulatory requirements for the valid completion of the transactions contemplated hereby shall have been satisfied.

ARTICLE 10.

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF Company

All of the obligations of Company to effect the transactions contemplated hereby shall be subject to the satisfaction, on or before the Closing Date, of the following conditions, any of which may be waived in writing by Company:

10.1. Representations and Warranties; Performance of Covenants. All the covenants, terms and conditions of this Agreement to be complied with and performed by Parent or Merger Sub on or before the Closing Date shall have been complied with and performed in all material respects. Each of the representations and warranties of Parent contained in Article 5 hereof shall have been true and correct in all respects on and as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date or for changes expressly contemplated by this Agreement) on and as of the Closing Date, subject to such exceptions as would not (individually or in the aggregate) have a material adverse effect on Parent and its Subsidiaries, taken as a whole, with the same effect as though such representations and warranties had been made on and as of the Closing Date (it being understood that, for purposes of determining the effect of such exceptions, all materiality qualifications contained in such representations and warranties shall be disregarded).

10.2. Officers' Certificate. There shall have been delivered to Company on the Closing Date a certificate executed by the Chief Executive Officer and the Chief Financial Officer of Parent and Merger Sub certifying, to the best of their knowledge, compliance with all of the provisions of Section 10.1.

10.3. Employee Benefit Plans. Company shall have received evidence reasonably satisfactory to it that all of Company's employee benefit plans, programs and arrangements, including, without limitation, the Company 401(k) Plan and the Company Stock Options, have been treated as provided in Article 12 of this Agreement.

ARTICLE 11.

CONDITIONS PRECEDENT TO OBLIGATIONS OF PARENT AND MERGER SUB

All of the obligations of Parent and Merger Sub to effect the transactions contemplated hereby shall be subject to the satisfaction, on or before the Closing Date, of the following conditions, any of which may be waived in writing by Parent:

11.1. Representations and Warranties; Performance of Covenants. All the covenants, terms and conditions of this Agreement to be complied with and performed by Company at or before the Closing Date shall have been complied with and performed in all material respects. Each of the representations and warranties of Company contained in Article 4 hereof shall have been true and correct in all respects on and as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date or for changes expressly contemplated by this Agreement) on and as of the Closing Date, subject to such exceptions as would not (individually or in the aggregate) have a Material Adverse Effect, with the same effect as though such representations and warranties had been made on and as of the Closing Date (it being understood that, for purposes of determining the effect of such exceptions, all Material Adverse Effect and materiality qualifications contained in such representations and warranties shall be disregarded).

11.2. Authorization of Merger. All actions necessary to authorize the execution, delivery and performance of this Agreement by Company and the consummation of the transactions contemplated hereby shall have been duly and validly taken by the Board of Directors and stockholders of Company.

11.3. Absence of Certain Changes. Between the date of this Agreement and the Effective Time of the Merger, there shall not have occurred any event that constitutes, either individually or in the aggregate, a Material Adverse Effect.

11.4. Officers' Certificate. There shall have been delivered to Parent on the Closing Date a certificate executed by the Chief Executive Officer and the Chief Financial Officer of Company certifying, to the best of their knowledge, compliance with all of the provisions of Sections 11.1, 11.2 and 11.3.

11.5. Company Dissenting Shares. The number of shares of Company Stock which constitute Company Dissenting Shares, and with respect to which the holders thereof shall have not failed to perfect or have not effectively withdrawn or lost the right to dissent from the Merger under the DGCL at the Effective Time of the Merger, shall not exceed 10% of the Company Stock issued and outstanding as of the Closing Date.

11.6. Employee Benefit Plans. Parent shall have received satisfactory evidence that all of Company's employee benefit plans, programs and arrangements, including, without limitation, the Company 401(k) Plan and the Company Stock Options, have been treated as provided in Article 12 of this Agreement.

ARTICLE 12.

EMPLOYEE BENEFITS

12.1. Employee Benefits.

(a) Parent in its sole discretion, may elect to require that Company terminate the Company 401(k) Plan prior to the Effective Time of the Merger and contingent upon consummation of the Merger; provided, however, that (i) Company shall

make a matching contribution in accordance with past practice (as described in the Company Disclosure Letter) to employees who are eligible under the terms of the Company 401(k) Plan as if the Effective Date of the Merger were the last day of the plan year (and, if required, an excess matching contribution for the Supplemental Executive Retirement Plan in accordance with past practice (as described in the Company Disclosure Letter)), (ii) active employee participants shall be eligible to participate in equivalent plans maintained by Parent or BW (including the 401(k) and pension plans of Parent and BW), with benefits at least equal to the Company 401(k) Plan and (iii) in such event, Parent shall permit rollover of participant loans to Parent's or Surviving Corporation's or BW's plan for employees retained by Parent or Surviving Corporation or BW. If Parent determines that the Company 401(k) Plan should be terminated prior to the Effective Time of the Merger, Company shall provide Parent with evidence that the Company 401(k) Plan has been properly terminated (effective as of the day immediately preceding the Effective Time) pursuant to resolution of Company's Board of Directors. The form and substance of such resolutions shall be subject to prior review and approval of Parent. In the event the Company 401(k) Plan is terminated, as soon as administratively practicable following the Effective Time of the Merger, the Surviving Corporation and Parent shall cause the assets of the Company 401(k) Plan to be liquidated in an orderly manner without material adverse effect on the value of the accounts (or transferred in kind) and cause each Participant's account to be transferred in a taxable or tax deferred distribution, such transfer to occur in a manner that does not result in the loss of qualification of the Company 401(k) Plan. Subject to the following Sections 12.1(b), (c), (d), (e) and (f) below, Company shall also take such other actions in furtherance of amending or terminating any Company Employee Plan or Benefit Arrangements prior to the Effective Time as Parent may reasonably require; provided, that any such action is not inconsistent with the authority of Company under Sections 6.1(f) and (l), as such authority is described in the Company Disclosure Letter. If the Company 401(k) Plan is not terminated as provided above, the Parent or Surviving Corporation will make a matching contribution for the plan year ending December 31, 2004 as a percentage of employee deferrals that is not less than the percentage contributed for the plan year ending December 31, 2003 (as set forth in the Company Disclosure Letter) to all participants who are eligible as provided in the Company 401(k) Plan and to any participant whose termination of employment was involuntary (and not due to misconduct) and with respect to employees eligible under the Executive Severance Plan, whose termination of employment was for Good Reason as defined in the Executive Severance Plan.

(b) Following the Effective Time of the Merger, employees of Company and the Company Subsidiaries (i) may continue in the Company Employee Plans and Benefit Arrangements (other than equity-based plans or arrangements), or (ii) become eligible for the employee benefit plans and benefit arrangements of Parent or BW (including, without limitation, the medical, dental, vision, 401(k) and pension plans of BW) on the same terms as such plans and arrangements are generally offered from time to time to employees of Parent and BW in comparable positions with Parent or BW (subject to any applicable restrictions or limitations on new entrants or categories of entrants), or (iii) a combination thereof, it being understood that, except as otherwise provided in this Section 12.1 or under the terms of any such Company Employee Plan or

Benefit Arrangement, Parent and BW shall be entitled from time to time to modify, terminate or supplement any such employee plans or benefit arrangements or to substitute new employee plans or benefit arrangements for such employee plans or benefit arrangements in the exercise of their business judgment.

(c) With respect to any employee plans and benefit arrangements of Parent or the Surviving Corporation or BW in which any employees of Company or the Company Subsidiaries first become eligible to participate on or after the Effective Time of the Merger ("New Plans") but prior to December 31, 2005, Parent shall (i) waive all pre-existing conditions, exclusions and waiting periods with respect to participation and coverage requirements under any such New Plans, except to the extent such conditions or exclusions would have been recognized under the Company Employee Plans or Benefit Arrangements, (ii) recognize service of the employees of Company or the Company Subsidiaries credited by Company or the Company Subsidiaries prior to the Effective Time of the Merger for purposes of eligibility and vesting under the New Plans (and not for purposes of benefit accrual under any employee pension or retiree medical plans), (iii) credit any deductibles, co-payments or other out-of-pocket expenses for the current calendar year for each employee and dependent recognized or recognizable under the Company Employee Plans or Benefit Arrangements, and (iv) apply any increase in any of the employee's portion of the premium cost, deductibles, co-payments and other out-of-pocket costs no earlier than the later of the first day of the first plan year beginning after the Effective Time of the Merger of either the Company Employee Plan or Benefit Arrangement or the employee plan or benefit arrangement of the Parent or BW. Entitlement to Paid Time Off (PTO) of employees of Company and the Company Subsidiaries accrued as of the Effective Time of the Merger (including any PTO classified as short-term disability under Company's Short-Term Disability Plan) shall not be reduced. Company agrees that it will accrue as a liability on its financial statements prior to the Closing its good faith estimate of the dollar amount attributable to such PTO entitlement and will advise Parent in writing of the amount of such accrual at least five (5) Business Days prior to the Closing Date. Such employees will continue to accrue PTO at no less a rate after the Effective Time of the Merger than under the Company Benefit Arrangements in effect immediately prior to the Effective Time of the Merger; provided, that Parent may determine to apply to such employees the PTO policy existing from time to time with respect to employees of Parent or BW in comparable positions; provided further, that, if Parent makes such a change in policy, such employees shall be entitled to retain any PTO benefit accrued under the applicable policy prior to the time of any such change.

(d) (i) Parent agrees that after the Effective Time of the Merger, the Surviving Corporation will pay or provide for the year ending December 31, 2004, to those persons employed by Company or the Company Subsidiaries immediately prior to the Effective Time of the Merger and who are eligible, the cash incentive payment under the Annual Incentive Program and the Corporate Performance Bonus Plan and a credit to the employee's account under the Supplemental Executive Retirement Plan as a percentage of compensation through December 31, 2004, or if earlier, the date of termination of employment (unless such employee's termination of employment shall be involuntary (and not due to death, Disability or Cause, which solely for this purpose shall

be as defined in the Executive Severance Plan) or with respect to those employees eligible under the Executive Severance Plan, whose termination of employment is for Good Reason as such term is defined in the Executive Severance Plan, in which case such employee shall be entitled to such payment and credit based on such employee's annualized base compensation), waiving any condition precedent to the payment or credit and assuming that the performance goals were achieved at the target level. It is understood that Parent's undertaking herein to cause such payments and credits to be made is predicated upon Company's representation and warranty to Parent that the aggregate amount of such cash incentive payments under the Annual Incentive Program and the Corporate Performance Bonus Plan and the credits to the accounts of such employees under the Supplemental Executive Retirement Plan under the terms thereof will not exceed the maximum amount specified in the Company Disclosure Letter. It is further understood that nothing in this Section will be interpreted to reduce any rights the employee may have under the Executive Severance Plan. Company also represents and warrants that the only employees of Company and the Company Subsidiaries who are participating in the Annual Incentive Program and the Corporate Performance Bonus Plan and the Supplemental Executive Retirement Plan are those that are identified as such in the Company Disclosure Letter.

(ii) Parent further agrees that after the Effective Time of the Merger, the Surviving Corporation will pay or provide for the year ending December 31, 2004, to the persons employed by Company or the Company Subsidiaries immediately prior to the Effective Time of the Merger, any other cash incentive payment to which they shall be entitled under the Custom Incentive Plans, the Corporate Loan Center Incentive Plans, the Corporate Call Center Incentive Plans, the Qualified Lender Incentive Plan, the Relationship Manager Incentive Plan, the Sales Associate Referral Plan and the Area Manager/Bank President/Branch Manager Incentive Plan (collectively, the "Other Incentive Plans," which Company represents and warrants are the only other incentive compensation plans at Company or the Company Subsidiaries) as a percentage of base compensation through December 31, 2004, or if earlier, the date of termination of employment under the Other Incentive Plans, which plans Parent agrees will be maintained in effect through December 31, 2004; provided, that Parent shall be entitled to make such adjustments in the performance goals of the Other Incentive Plans as it shall deem appropriate in light of any changes in circumstance following the Effective Time of the Merger that do not materially reduce either the amount as a percentage of base compensation or the likelihood of achievement of the goals; provided further, however, that if any such employees are involuntarily terminated prior to January 1, 2005 (other than for misconduct, death or disability), they shall receive a cash incentive payment as a percentage of base compensation through such employee's date of termination which will assume that any performance goals based on Company performance (as may be modified as provided above) were achieved at the target level in effect at the time of such employee's termination. It is understood that Parent's undertaking herein to cause such cash incentive payments to be made is predicated upon Company's representation and warranty to Parent that the aggregate amount of such cash incentive payments under the Other Incentive Plans (without taking into account any modifications that Parent may undertake in accordance with the above provisions) under the terms thereof will not exceed the maximum amount specified in the Company Disclosure Letter.

(iii) Company shall not prior to the Effective Time of the Merger expand any of the plans or programs described in Sections 12.1(d)(i) or (ii) above or the class or classes of employees entitled to such plans or programs, it being understood that changes in the compensation or in the individuals entering or leaving the class of employees eligible in the ordinary course of business shall not violate this provision. Payments or credits under the plans and programs described in Sections 12.1(d)(i) or (ii) above to each eligible employee shall be made at the time provided under the plan or program, or within 30 days of that employee's termination of employment, whichever is earlier.

(iv) Parent agrees that those persons who were employees of Company and the Company Subsidiaries who remain as employees of Company, the Company Subsidiaries, Parent or BW in 2005 and thereafter will be entitled to participate in annual cash incentive performance programs generally offered to employees of Parent or BW (to the extent that such programs are offered from time to time by Parent or BW) on the same terms as such programs are generally offered from time to time to employees in comparable positions with Parent or BW.

(e) (i) Except with respect to employees described in Section 12.1(e)(ii) below, Parent will cause the Surviving Corporation to pay and provide to employees of Company or the Company Subsidiaries whose employment terminates on or after the Effective Date of the Merger as a result of the consummation of the transactions contemplated under this Agreement severance benefits under conditions and in an amount that are no less favorable to the employee than those contained in the Company Severance Plan as disclosed in the Company Disclosure Letter as in effect as of the Effective Time of the Merger

(ii) Parent will cause the Surviving Corporation to pay and provide to Employees of the Company or the Company Subsidiaries whose employment terminates on or after the Effective Date and who, as a result, become eligible for benefits under the terms of the Executive Severance Plan as disclosed in the Disclosure Letter, each and every benefit (including outplacement and continuation coverage) to which the employee is entitled under the terms of the Executive Severance Plan.

(f) Parent will cause the Surviving Corporation to assume and perform all of the obligations of Company under the terms of the Supplemental Executive Retirement Plan and the Directors Deferred Compensation Plan, subject to Parent's right to require that such plans be amended prior to the Effective Time of the Merger other than to reduce the amount of benefits previously accrued or required to be credited under Section 12.1(d) hereof or to adversely affect the timing or manner of payment of any benefits due or the intended tax effect to any participant (other than the right, after the Effective Time of the Merger, to receive distributions in the form of Company Stock).

12.2. Company Stock Options and the Company Stock Option Plans.

(a) As soon as practicable following the date of this Agreement, the Board of Directors of Company (or, if appropriate, any committee administering the

Company Stock Option Plans) shall adopt such resolutions or take such other actions as are required to provide for the cancellation of all outstanding Company Stock Options upon the Effective Time of the Merger, in exchange for a cash payment by Company of an amount equal to (i) the excess, if any, of (x) the Merger Consideration over (y) the exercise price per share of Company Stock subject to such Company Stock Option, multiplied by (ii) the number of shares of Company Stock subject to such Company Stock Option for which such Company Stock Option shall not theretofore have been exercised, whether vested or unvested and whether or not then exercisable.

(b) All amounts payable pursuant to this Section 12.2 shall be subject to any required withholding of taxes and shall be paid without interest.

(c) The Board of Directors of Company (or, if appropriate, any committee administering the Company Stock Plans) shall adopt such resolutions or take such actions as are required to delete as of the Effective Time of the Merger the provision in any other Benefit Arrangements of Company providing for the issuance, transfer or grant of any capital stock of Company or any interest in respect of any capital stock of Company and to ensure that following the Effective Time of the Merger no holder of a Company Stock Option or any participant in any Company Stock Plan or other Company Benefit Arrangement shall have any right thereunder to acquire any capital stock of Company or the Surviving Corporation.

ARTICLE 13.

TERMINATION

13.1. Termination. This Agreement may be terminated at any time prior to the Effective Time of the Merger, whether before or after approval of this Agreement by the stockholders of Company, upon the occurrence of any of the following:

(a) By mutual agreement of the parties, in writing;

(b) By Parent or Company upon the failure of the stockholders of Company to give the requisite approval of this Agreement at the duly convened Company Stockholders' Meeting;

(c) By Company, upon written notice to Parent, if there shall have been a breach by Parent or Merger Sub of any of the covenants or agreements or any of the representations or warranties set forth in this Agreement on the part of Parent or Merger Sub, which breach, either individually or in the aggregate, would result in the failure of the condition set forth in Section 10.1 and which breach has not been cured within 60 days following written notice thereof to Parent or, by its nature, cannot be cured within such time period;

(d) By Parent, upon written notice to Company, if there shall have been a breach by Company of any of the covenants or agreements or any of the representations or warranties set forth in this Agreement on the part of Company, which

breach, either individually or in the aggregate, would result in the failure of the condition set forth in Section 11.1 and which breach has not been cured within 60 days following written notice thereof to Company or, by its nature, cannot be cured within such time period;

(e) By Company or Parent if any Governmental Entity which must grant a regulatory approval required for consummation of the Merger has denied such approval and such denial has become final and nonappealable or any Governmental Entity of competent jurisdiction shall have issued a final nonappealable order permanently enjoining or prohibiting the Merger; provided, however, that such right to terminate this Agreement under this Section 13.1(e) shall not be available to Company or Parent if either such party's failure to comply in all material respects with Section 6.7 or 7.2, respectively, was a cause of such action;

(f) By Company or Parent if any conditions set forth in Article 9 shall not have been met by December 31, 2004; provided, however, that this Agreement shall not be terminated pursuant to this Section 13.1(f) if the relevant condition shall have failed due to the failure of the party seeking to terminate to comply in all material respects with its obligations under this Agreement;

(g) By Company if any of the conditions set forth in Article 10 shall not have been met by December 31, 2004; provided, however, that this Agreement shall not be terminated pursuant to this Section 13.1(g) if the relevant condition shall have failed due to the failure of Company to comply in all material respects with its obligations under this Agreement;

(h) By Parent if any of the conditions set forth in Article 11 shall not have been met by December 31, 2004; provided, however, that this Agreement shall not be terminated pursuant to this Section 13.1(h) if the relevant condition shall have failed due to the failure of Parent to comply in all material respects with its obligations under this Agreement;

(i) By Parent if Company or the Company Subsidiaries shall have breached in any material respect any of their obligations contained in Sections 6.1(m) or 6.6 or Company shall have breached in any material respect its obligation under Section 6.7 to promptly prepare or cause to be prepared the Proxy Statement and to send the same to the holders of Company Stock in connection with the Company Stockholders' Meeting;

(j) By Parent if the Board of Directors of Company shall have failed to recommend adoption of this Agreement at the duly convened Company Stockholders' Meeting, or withdrawn or modified or qualified (or proposed to withdraw, modify or qualify) in a manner adverse to Parent its favorable recommendation of this Agreement or recommended any Competing Transaction to the stockholders of Company or taken any action or made any other statement in connection with such meeting or the Merger having such effect; or

(k) By Company if the Board of Directors of Company shall, concurrently with such termination, authorize Company to enter into an agreement with respect to a Competing Transaction; provided, however, that Company may only exercise its right to terminate this Agreement pursuant to this Section 13.1(k) if (i) Company shall have complied in all material respects with Section 6.1(m) (including, without limitation, providing to Parent at least 36 hours prior notice of its intention to take such termination action); (ii) the Board of Directors of Company, after consultation with a financial advisor of nationally recognized reputation in similar transactions, has reasonably determined in good faith that such Competing Transaction is a Superior Proposal (taking into account any proposal or offer which shall have been made by Parent to modify the terms of this Agreement); (iii) the Board of Directors of Company has reasonably determined in good faith (after consultation with outside legal counsel) that the failure to exercise such right of termination would be inconsistent with its fiduciary duties under applicable law; and (iv) simultaneously with such termination, Company shall make a payment to Parent in an amount equal to the sum of the Termination Fee and the Parent Costs (as such terms are defined below) ; provided, that for purposes of this Section 13.1(k) the term "Competing Transaction" shall have the meaning set forth in Section 6.1(m), except that the reference to "15% or more" in the definition of Competing Transaction shall be deemed to be a reference to "a majority".

13.2. Effect of Termination.

(a) In the event of termination of this Agreement by either Company or Parent as provided in Section 13.1, neither Company nor Parent shall have any further obligation or liability to the other party except with respect to the last sentence of Section 6.3, Section 13.1(k)(iv) and this Section 13.2; provided, however, that nothing herein shall relieve any party from liability for any willful and material breach of the warranties and representations made by it, or willful and material failure in performance of any of its covenants, agreements or obligations hereunder.

(b) Company shall pay Parent (by Fed wire transfer of immediately available funds to such account as may be designated by Parent in writing to Company) an amount equal to the sum of (x) \$41,600,000 (the "Termination Fee") and (y) all of Parent's out-of-pocket costs and expenses incurred through the date of termination of this Agreement in connection with the transactions contemplated by this Agreement (up to a maximum of \$3,000,000), including all legal, investment banking and accounting fees (the "Parent Costs") if this Agreement is terminated as follows:

(i) if Parent shall terminate this Agreement pursuant to Sections 13.1(i) or (j), then Company shall pay Parent the Termination Fee and the Parent Costs on the Business Day following such termination;

(ii) if (A) either party shall terminate this Agreement pursuant to Section 13.1(b) and (B) at any time after the date of this Agreement and at or before the date of the Company Stockholders' Meeting, a Competing Transaction (or a proposal therefor) shall have been publicly announced or otherwise publicly communicated to Company's stockholders; and if (C) within twelve (12) months of the date of such

termination of this Agreement, Company or any of its Subsidiaries executes any definitive agreement with respect to, or consummates, any Competing Transaction, then Company shall pay to Parent the Termination Fee and the Parent Costs on the Business Day following such execution or consummation; provided, that for purposes of this paragraph (ii) the term "Competing Transaction" shall have the meaning set forth in Section 6.1(m), except that the reference to "15% or more" in the definition of Competing Transaction shall be deemed to be a reference to "a majority"; and

(iii) if (A) either party shall terminate this Agreement pursuant to Sections 13.1(f), (g) or (h) or Parent shall terminate this Agreement pursuant to Section 13.1(d), (B) at any time after the date of this Agreement and before such termination a Competing Transaction (or a proposal therefor) shall have been publicly announced or otherwise communicated to the Board of Directors of Company and (C) following such public announcement or communication of such Competing Transaction (or a proposal therefor), Company shall have intentionally breached (and not cured after notice thereof) any of its representations, warranties, covenants or agreements set forth in this Agreement, which breach shall have materially contributed to the failure of the Effective Time to occur prior to the termination of this Agreement, then Company shall pay to Parent the Parent Costs and 50% of the Termination Fee on the Business Day following such termination; and if (D) within twelve (12) months of the date of such termination of this Agreement, Company or any of its Subsidiaries executes any definitive agreement with respect to, or consummates, any Competing Transaction, then Company shall pay to Parent the remaining 50% of the Termination Fee on the Business Day following such execution or consummation; provided, that for purposes of this paragraph (iii) the term "Competing Transaction" shall have the meaning set forth in Section 6.1(m), except that the reference to "15% or more" in the definition of Competing Transaction shall be deemed to be a reference to "a majority".

(c) If Company fails to pay all amounts due to Parent on the dates specified in this Section 13.2, then Company shall pay all costs and expenses (including legal fees and expenses) incurred by Parent in connection with any action or proceeding (including the filing of any lawsuit) taken by it to collect such unpaid amounts, together with interest on such unpaid amounts at the prime lending rate prevailing at such time, as published in the Wall Street Journal, from the date such amounts were required to be paid until the date actually received by Parent.

(d) In no event shall more than one Termination Fee be payable under this Section 13.2. Parent (for itself and its Affiliates) hereby agrees that, upon any termination of this Agreement under circumstances where Parent is entitled to a Termination Fee and the Parent Costs under this Section 13.2 and Parent receives such Termination Fee and the Parent Costs, Parent and its Affiliates shall be precluded from any other remedy against the Company, at law or in equity or otherwise, and neither Parent nor any of its Affiliates shall seek (and Parent shall cause its Affiliates not to seek) to obtain any recovery, judgment, or damages of any kind, including consequential, indirect, or punitive damages, against Company or any Company Subsidiary or any of their respective directors, officers, employees, partners, managers, members or stockholders in connection with this Agreement or the transactions contemplated hereby.

ARTICLE 14.

MISCELLANEOUS

14.1. Expenses. Except as otherwise provided herein, all Expenses incurred by Parent, Merger Sub and Company in connection with or related to the authorization, preparation and execution of this Agreement, the solicitation of stockholder approvals and all other matters related to the closing of the transactions contemplated hereby, including, without limitation of the generality of the foregoing, all fees and expenses of agents, representatives, counsel and accountants employed by either such party or its Affiliates, shall be borne solely and entirely by the party which has incurred the same. "Expenses" as used in this Agreement shall include all reasonable out-of-pocket expenses (including all fees and expenses of attorneys, accountants, investment bankers, experts and consultants to the party and its Affiliates) incurred by the party or on its behalf in connection with the consummation of the transactions contemplated by this Agreement.

14.2. Notices. Any notice, request, instruction or other document to be given hereunder by any party hereto to another shall be in writing and delivered personally or by confirmed facsimile transmission or sent by a recognized overnight courier service or by registered or certified mail, postage prepaid, with return receipt requested, addressed as follows:

To Parent or Merger Sub: BancWest Corporation
180 Montgomery Street, 25th Floor
San Francisco, California 94104
Attention: Douglas C. Grigsby,
Executive Vice
President and Chief
Financial Officer
Facsimile Number: (415) 399-9118

With a copy to: Pillsbury Winthrop LLP
50 Fremont Street, 10th Floor
San Francisco, California 94105
Attention: Rodney R. Peck, Esq.
Patricia F. Young, Esq.
Facsimile Number: (415) 983-1200

To Company: Community First Bankshares, Inc.
520 Main Avenue
Fargo, North Dakota 58124-0001
Attention: Mark A. Anderson,
President and Chief
Executive Officer
Facsimile Number: (701) 271-6699

With a copy to: Lindquist & Vennum P.L.L.P.
80 South 8th Street
Minneapolis, MN 55402
Attention: Steven J. Johnson, Esq.
Facsimile Number: (612) 371-3207

Any such notice, request, instruction or other document shall be deemed received (i) on the date delivered personally or delivered by confirmed facsimile transmission, (ii) on the next Business Day after it was sent by overnight courier, delivery charges prepaid; or (iii) on the fourth Business Day after it was sent by registered or certified mail, postage prepaid. Any of the persons shown above may change its address for purposes of this section by giving notice in accordance herewith.

14.3. Assignment. All terms and conditions of this Agreement shall be binding upon and shall inure, to the extent permitted by law, to the benefit of the parties hereto and their respective permitted transferees and successors and permitted assigns; provided, however, that this Agreement and all rights, privileges, duties and obligations of the parties hereto, without the prior written approval of the other parties hereto, may not be transferred, assigned or delegated by any party hereto (by operation of law or otherwise) and any such attempted transfer, assignment or delegation shall be null and void.

14.4. Counterparts. This Agreement and any exhibit hereto may be executed in one or more counterparts, all of which, taken together, shall constitute one original document and shall become effective when one or more counterparts have been signed by the appropriate parties and delivered to each party hereto.

14.5. Effect of Representations and Warranties. The representations and warranties contained in this Agreement shall terminate immediately after the Effective Time of the Merger.

14.6. Third Parties. Each party hereto intends that this Agreement shall not benefit or create any right or cause of action to any person other than parties hereto, except as provided in Section 7.4(e). As used in this Agreement the term "parties" shall refer only to Parent, Merger Sub and Company as the context may require.

14.7. Lists; Exhibits; Integration. The Confidentiality Agreement and each Exhibit and the Company Disclosure Letter delivered pursuant to this Agreement shall be in writing and shall constitute a part of this Agreement, although the Confidentiality Agreement and each such Exhibit and the Company Disclosure Letter need not be attached to each copy of this Agreement. This Agreement, together with the Confidentiality Agreement and each Exhibit and the Company Disclosure Letter, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the parties in connection therewith.

14.8. Knowledge. Whenever any statement herein or in any list, certificate or other document delivered to any party pursuant to this Agreement is made "to the knowledge" or "to the best knowledge" of any party or another Person, such party or other Person shall make such statement based upon the actual knowledge of the senior executive officers of such Person.

14.9. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof.

14.10. Captions. The captions contained in this Agreement are for convenience of reference only and do not form a part of this Agreement and shall not affect the interpretation hereof.

14.11. Severability. If any portion of this Agreement shall be deemed by a court of competent jurisdiction to be unenforceable, the remaining portions shall be valid and enforceable only if, after excluding the portion deemed to be unenforceable, the remaining terms hereof shall provide for the consummation of the transactions contemplated herein in substantially the same manner and with substantially the same effect as originally set forth at the date this Agreement was executed.

14.12. Waiver and Modification; Amendment. No waiver of any term, provision or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, provision or condition of this Agreement. Except as otherwise required by law, this Agreement, when executed and delivered, may be modified or amended by action of the Boards of Directors of Parent, Merger Sub and Company without action by their respective stockholders. This Agreement may be modified or amended or any provision hereof waived only by an instrument of equal formality signed by the parties or their duly authorized agents.

14.13. Attorneys' Fees. If any legal action or any arbitration upon mutual agreement is brought for the enforcement of this Agreement or because of an alleged dispute, controversy, breach, or default in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and all other reasonable costs and expenses incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties to this Agreement have duly executed this Agreement as of the day and year first above written.

BANCWEST CORPORATION

By: _____
Don J. McGrath
Its: President and Chief Operating Officer

BW NEWCO, INC.

By: _____
Don J. McGrath
Its: President and Chief Executive Officer

COMMUNITY FIRST BANKSHARES, INC.

By: _____
Mark A. Anderson
Its: President and Chief Executive Officer

EXHIBIT A

RESTATED CERTIFICATE OF INCORPORATION
OF THE SURVIVING CORPORATION

BancWest Corporation and Subsidiaries
EXHIBITS AND REPORTS ON FORM 8-K (Continued)

Exhibit 12 Statement re: Computation of Ratios

BancWest Corporation and Subsidiaries
 Computation of Consolidated Ratios of Earnings to Fixed Charges

	Three Months Ended March 31,	
	2004	2003
	(Dollars in thousands)	
Income before income taxes	\$184,717	\$166,723
Fixed charges ⁽¹⁾ :		
Interest expense	96,126	102,237
Rental expense	4,069	5,229
	100,195	107,466
Less interest on deposits	43,436	53,147
Net fixed charges	56,759	54,319
Earnings, excluding interest on deposits	\$241,476	\$221,042
Earnings, including interest on deposits	\$284,912	\$274,189
Ratio of earnings to fixed charges:		
Excluding interest on deposits	4.25x	4.07x
Including interest on deposits	2.84x	2.55x

(1) For purposes of computing the consolidated ratios of earnings to fixed charges, earnings represent income before income taxes plus fixed charges. Fixed charges, excluding interest on deposits, include interest (other than on deposits), whether expensed or capitalized, and that portion of rental expense (generally one third) deemed representative of the interest factor. Fixed charges, including interest on deposits, consists of the foregoing items plus interest on deposits.

BancWest Corporation and Subsidiaries
EXHIBITS AND REPORTS ON FORM 8-K (Continued)

Exhibit 31 Certifications

I, Walter A. Dods, Jr., certify that:

1. I have reviewed this report on Form 10-Q of BancWest Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - 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.

/s/ Walter A. Dods, Jr.

Name: Walter A. Dods, Jr.
Title: Chairman and Chief Executive Officer

Date: May 13, 2004

BancWest Corporation and Subsidiaries
EXHIBITS AND REPORTS ON FORM 8-K (Continued)

Exhibit 31 Certifications

I, Douglas C. Grigsby, certify that:

1. I have reviewed this report on Form 10-Q of BancWest Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - 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.

/s/ Douglas C. Grigsby

Name: Douglas C. Grigsby
Title: Executive Vice President, Chief Financial Officer and Treasurer

Date: May 13, 2004

BancWest Corporation and Subsidiaries
EXHIBITS AND REPORTS ON FORM 8-K (Continued)

Exhibit 32 Section 1350 Certification

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BancWest Corporation (the "Company") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter A. Dods, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2004.

/s/ Walter A. Dods, Jr.

Walter A. Dods, Jr.
Chief Executive Officer

BancWest Corporation and Subsidiaries
EXHIBITS AND REPORTS ON FORM 8-K (Continued)

Exhibit 32 Section 1350 Certification

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BancWest Corporation (the "Company") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas C. Grigsby, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

3. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
4. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2004.

/s/ Douglas C. Grigsby

Douglas C. Grigsby
Chief Financial Officer