UNITED STATES
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D. C. 20549

# FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended December 31, 2002

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from to

Commission file number 0-7949

# BANCWEST CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **99-0156159** |
| (State of incorporation) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| **999 Bishop Street, Honolulu, Hawaii** | **96813** |
| (Address of principal executive offices) | (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 **o** No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [N/A]

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

Yes o No ☒

The aggregate market value of the common stock held by nonaffiliates of the registrant as of the last business day of the registrant’s most recently completed second fiscal quarter was $0.

The number of shares outstanding of each of the registrant’s classes of common stock as of January 31, 2003 was:

| Title of Class | Number of Shares Outstanding |
|---|---|
| Class A Common Stock, $0.01 Par Value | 85,759,123 Shares |

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the following documents are incorporated by reference in this Form 10-K:

None

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**Part I**

# PART I

## Item 1. Business

### BancWest Corporation

BancWest Corporation, a Delaware corporation ("BancWest," the "Corporation," the "Company" or "we/our"), is a registered financial holding company under the Gramm-Leach-Bliley Act (the "GLBA"). As a financial holding company, we are allowed to acquire or invest in the securities of companies in a broad range of financial activities. The Corporation, through its subsidiaries, operates a general commercial banking business and other businesses related to banking. Its principal assets are its investments in Bank of the West, a State of California-chartered bank; First Hawaiian Bank ("First Hawaiian"), a State of Hawaii-chartered bank; FHL Lease Holding Company, Inc. ("FHL"),a financial services loan company; BancWest Capital I ("BWE Trust") and First Hawaiian Capital I ("FH Trust"), both Delaware business trusts. First Hawaiian, FHL, BWE Trust and FH Trust are wholly-owned subsidiaries of the Corporation. In 2002, we sold BNP Paribas 14.815% of the outstanding common stock of Bank of the West. See Note 4 to the Consolidated Financial Statements for additional information. At December 31, 2002, the Corporation had consolidated total assets of $34.7 billion, total loans and leases of $24.2 billion, total deposits of $24.6 billion and total stockholder's equity of $3.9 billion. Based on assets as of December 31, 2002, BancWest Corporation was the 25th largest bank holding company in the United States.

On December 20, 2001, Chauchat L.L.C., a Delaware limited liability company ("Merger Sub"), merged (the "BNP Paribas Merger") with and into BancWest pursuant to an Agreement and Plan of Merger, dated as of May 8, 2001, as amended and restated as of July 19, 2001, by and among BancWest, BNP Paribas, a société anonyme or limited liability banking corporation organized under the laws of the Republic of France ("BNP Paribas"), and Merger Sub (the "Merger Agreement"). Merger Sub was a wholly-owned subsidiary of BNP Paribas.

At the effective time of the BNP Paribas Merger, all outstanding shares of common stock, par value $1 per share ("Company Common Stock"), of BancWest were cancelled and converted solely into the right to receive $35 per share in cash, without interest thereon.

Pursuant to the Merger Agreement, each share of Class A common stock, par value $1 per share, of BancWest owned by BNP Paribas and French American Banking Corporation, a wholly-owned subsidiary of BNP Paribas, remained outstanding as one share of Class A Common Stock and all of the units of Merger Sub were cancelled without any consideration becoming payable therefor. Concurrent with the BNP Paribas Merger, the par value of the Class A common stock was changed to $.01. As a result of the Merger, BancWest became a wholly-owned subsidiary of BNP Paribas.

In December 2001, BNP Paribas signed a definitive agreement with Tokyo-headquartered UFJ Bank Ltd. to acquire its wholly-owned subsidiary, United California Bank ("UCB"), for a cash purchase price of $2.4 billion. The transaction closed on March 15, 2002. Former United California Bank branches were fully integrated into Bank of the West in the third quarter of 2002.

### Bank of the West

Bank of the West is a State of California-chartered bank that is not a member of the Federal Reserve System. The deposits of Bank of the West are insured by the Bank Insurance Fund ("BIF") and the Savings Association Insurance Fund ("SAIF") of the Federal Deposit Insurance Corporation ("FDIC") to the extent and subject to the limitations set forth in the Federal Deposit Insurance Act ("FDIA"). The predecessor of Bank of the West, "The Farmers National Gold Bank," was chartered as a national banking association in 1874 in San Jose, California.

On July 1, 1999, SierraWest Bancorp and SierraWest Bank were merged with and into Bank of the West. As a result of the SierraWest merger, 20 SierraWest branches in California and Nevada became branches of Bank of the West.

In the first quarter of 2001, Bank of the West acquired 23 branches in New Mexico and seven branches in Nevada that were being divested as part of the merger between First Security Corporation and Wells Fargo & Company. These branches became branches of Bank of the West.

At December 31, 2002, Bank of the West was the third largest bank headquartered in California, with total assets of approximately $26.1 billion, total loans and leases of $19.1 billion, total deposits of approximately $17.9 billion and total stockholders' equity of $4.5 billion. Bank of the West conducts a general commercial banking business, providing retail and corporate banking and trust services to individuals, institutions, businesses and governments through 297 branches and other commercial banking offices located in California, Oregon, Washington, Idaho, New Mexico and Nevada. Bank of the West also originates indirect automobile loans and leases, recreational vehicle loans, recreational marine vessel loans, equipment leases and deeds of trust on single-family residences through a network of manufacturers, dealers, representatives and brokers in all 50 states. Essex Credit Corporation ("Essex") is engaged primarily in the business of originating and selling consumer loans on a nationwide basis, such loans being made for the purpose of acquiring or refinancing pleasure boats or recreational vehicles. Essex generally sells the loans that it makes to various banks and other financial

**Part I** *(continued)*

institutions, on a servicing released basis. Essex has a network of 11 regional direct lending offices located in the following states: California, Connecticut, Florida, Maryland, Massachusetts, New Jersey, New York, Texas and Washington. In November 2002, Bank of the West purchased Trinity Capital Corporation ("Trinity"). Trinity is a leasing subsidiary that specializes in nationwide vendor leasing programs for manufacturers in specific vertical markets.

**First Hawaiian Bank**

First Hawaiian Bank is a State of Hawaii-chartered bank that is not a member of the Federal Reserve System. The deposits of First Hawaiian are insured by the BIF and the SAIF of the FDIC to the extent and subject to the limitations set forth in the FDIA. First Hawaiian, the oldest financial institution in Hawaii, was established as Bishop & Co. in 1858 in Honolulu.

At December 31, 2002, First Hawaiian had total assets of $9.2 billion, total loans and leases of $5.1 billion, total deposits of $6.7 billion and stockholder's equity of $1.8 billion, making it the largest bank in Hawaii based on domestic deposits from individuals, corporations and partnerships.

First Hawaiian is a full-service bank conducting a general commercial and consumer banking business and offering trust and insurance services to individuals, institutions, businesses and governments.

On November 9, 2001, First Hawaiian completed its acquisition of Union Bank of California's network in Guam and Saipan, along with associated loan and deposit accounts.

***Other Subsidiaries***

First Hawaiian also conducts business through the following wholly-owned subsidiaries:

- **Bishop Street Capital Management Corporation,** a registered investment adviser, which serves the institutional investment markets in Hawaii and the Western United States.
- **FH Center, Inc.,** which owns certain real property in connection with First Hawaiian Center, the Company's headquarters.
- **FHB Properties, Inc.,** which holds title to certain property and premises used by First Hawaiian.
- **First Hawaiian Leasing, Inc.,** which engages in commercial equipment and vehicle leasing.
- **Real Estate Delivery, Inc.,** which holds title to certain real property acquired by First Hawaiian in business activities.

**Hawaii Community Reinvestment Corporation**

In an effort to support affordable housing and as part of First Hawaiian's community reinvestment program, First Hawaiian is a member of the Hawaii Community Reinvestment Corporation (the "HCRC"). The HCRC is a consortium of local financial institutions that provides $50 million in permanent long-term financing for affordable housing rental projects throughout Hawaii for low- and moderate-income residents.

The $50 million loan pool is funded by the member financial institutions, which participate pro rata (based on deposit size) in each HCRC loan. First Hawaiian's participation in these HCRC loans is included in its loan portfolio.

**Hawaii Investors for Affordable Housing, Inc.**

To further enhance First Hawaiian's community reinvestment program and provide support for the development of additional affordable-housing rental units in Hawaii, First Hawaiian and other HCRC member institutions, have subscribed to a $19.7-million-tax credit equity fund ("Hawaii Affordable Housing Fund I") and a $20.0 million tax-credit equity fund ("Hawaii Affordable Housing Fund II"). A third tax-credit equity fund has been established to continue the support of additional affordable housing projects.

Hawaii Affordable Housing Fund I and Hawaii Affordable Housing Fund II (the "Funds") have been established to invest in qualified low-income housing tax credit rental projects and to ensure that these projects are maintained as low-income housing throughout the required compliance period. First Hawaiian's investments in these Funds are included in other assets.

**FHL Lease Holding Company, Inc.**

FHL primarily finances and leases personal and real property, including equipment and vehicles. FHL is in a run-off mode and all new leveraged and direct financing leases are recorded by First Hawaiian Leasing, Inc. At December 31, 2002, FHL's net investment in leases amounted to $58.8 million and its total assets were $59.6 million.

**BancWest Capital I**

BWE Trust is a Delaware business trust which was formed in November 2000. BWE Trust exchanged $150 million of its BancWest Capital I Quarterly Income Preferred Securities (the "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 to the public $150 million of BWE Capital Securities. The BWE Capital Securities qualify as Tier 1 capital of the Corporation and are solely, fully and unconditionally guaranteed by the Corporation. All of the common securities of the BWE Trust are owned by the Corporation.

At December 31, 2002, the BWE Trust's total assets were $155.9 million, comprised primarily of the

Corporation's junior subordinated debentures.

**First Hawaiian Capital I**

FH Trust is a Delaware business trust which was formed in 1997. FH Trust issued $100 million of its Capital Securities (the "FH Capital Securities") and used the proceeds therefrom to purchase junior subordinated deferrable interest debentures of the Corporation. The FH Capital Securities qualify as Tier 1 capital of the Corporation and are solely, fully and unconditionally guaranteed by the Corporation. All of the common securities of the FH Trust are owned by the Corporation.

At December 31, 2002, the FH Trust's total assets were $107.4 million, comprised primarily of the Corporation's junior subordinated debentures.

**Employees**

At December 31, 2002, the Corporation had 7,753 full-time equivalent employees. Bank of the West and First Hawaiian employed 5,563 and 2,190 persons, respectively. None of our employees are represented by any collective bargaining agreements and our relations with employees are considered excellent.

**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.

**Competition**

Competition in the financial services industry is intense. We compete with a large number of commercial banks (including domestic, foreign and foreign-affiliated banks), savings institutions, finance companies, leasing companies, credit unions and other entities that provide financial services such as mutual funds, insurance companies and brokerage firms. Many of these competitors are significantly larger and have greater financial resources than the Corporation. In addition, the increasing use of the Internet and other electronic distribution channels has resulted in increased competition with respect to many of the products and services that we offer. As a result, we compete with financial service providers located not only in our home markets but also those elsewhere in the United States that are able to offer their products and services through electronic and other non-conventional distribution channels.

Changes in federal law over the past several years have also made it easier for out-of-state banks to enter and compete in the states in which our bank subsidiaries operate. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act"), among other things, eliminated substantially all state law barriers to the acquisition of banks by out-of-state bank holding companies. A bank holding company may now acquire banks in states other than its home state, without regard to the permissibility of such acquisitions under state law, but subject to any state requirement that the acquired bank has been organized and operating for a minimum period of time (not to exceed five years), and the requirement that the acquiring bank holding company, prior to or following the proposed acquisition, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the United States and no more than 30 percent of such deposits in that state (or such lesser or greater amount as may be established by state law).

The Riegle-Neal Act also permits interstate branching by banks in all states other than those which have "opted out." Since June 1, 1997, the Riegle-Neal Act has allowed banks to acquire branches located in another state by purchasing or merging with a bank chartered in that state or a national banking association having its headquarters located in that state. However, banks are not permitted to establish *de novo* branches or purchase individual branches located in other states unless expressly permitted by the laws of those other states. None of the states in which our banking subsidiaries operate have elected to "opt out" of the provisions of the Riegle-Neal Act permitting interstate branching through acquisition or mergers, although most do not permit *de novo* branching.

**Supervision and Regulation**

As a registered financial holding company, we are subject to regulation and supervision by the Federal Reserve Board. Our subsidiaries are subject to regulation and supervision by the banking authorities of California, Hawaii, Nevada, Washington, Oregon, Idaho, New Mexico, Guam and the Commonwealth of the Northern Mariana Islands, as well as by the FDIC (which is the primary federal regulator of our two bank subsidiaries) and various other regulatory agencies.

The consumer lending and finance activities of the Corporation's subsidiaries are also subject to extensive regulation under various Federal laws, including the Truth-in-Lending, Equal Credit Opportunity, Fair Credit Reporting, Fair Debt Collection Practice and Electronic Funds Transfer Acts, as well as various state laws. These statutes impose requirements on the making, enforcement and collection of consumer loans and on the types of disclosures that need to be made in connection with such loans.

**Holding Company Structure.** On November 12, 1999, the Gramm-Leach-Bliley Act ("GLBA") was signed into law. The GLBA permits bank holding companies that qualify for, and elect to be regulated as, financial holding companies, to engage in a wide range of financial activities, including certain activities, such as insurance, merchant banking and real estate investment, that are not permissible for other bank holding companies. Each activity is to be conducted in a separate subsidiary that is regulated by a functional regulator: a state insurance regulator in the case of an insurance subsidiary, the Securities and Exchange Commission in the case of a broker-dealer or investment advisory subsidiary, or the appropriate federal banking regulator in the case of a bank or thrift institution. The Federal Reserve Board is the "umbrella" supervisor of financial holding companies. Section 23A of the Federal Reserve Act, which severely restricts lending by an insured bank subsidiary to nonbank affiliates, remains in place.

Financial holding companies are permitted to acquire nonbank companies without the prior approval of the Federal Reserve Board, but approval of the Federal Reserve Board continues to be required before acquiring more than 5% of the voting shares of another bank or bank holding company, before merging or consolidating with another bank holding company and before acquiring substantially all the assets of any additional bank. In addition, all acquisitions are reviewed by the Department of Justice for antitrust considerations. In conjunction with the BNP Paribas Merger, we elected to become a financial holding company.

**Dividend Restrictions.** As a holding company, the principal source of our cash revenue has been dividends and interest received from our bank subsidiaries. Each of the bank subsidiaries is subject to various federal regulatory restrictions relating to the payment of dividends. For example, if, in the opinion of the FDIC, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), the FDIC may require, after notice and hearing, that such bank cease and desist from such practice. In addition, the Federal Reserve Board has issued a policy statement which provides that, as a general matter, insured banks and bank holding companies should only pay dividends out of current operating earnings. The regulatory capital requirements of the Federal Reserve Board and the FDIC also may limit the ability of the Corporation and its insured depository subsidiaries to pay dividends. See "Prompt Corrective Action" and "Capital Requirements" below.

There are also statutory limits on the transfer of funds to the Corporation and its nonbanking subsidiaries by its banking subsidiaries, whether in the form of loans or other extensions of credit, investments or asset purchases. Such transfers by a bank subsidiary to any single affiliate are limited in amount to 10% of the bank's capital and surplus, or 20% in the aggregate to all affiliates. Furthermore, such loans and extensions of credit are required to be collateralized in specified amounts.

Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each subsidiary bank and to make capital infusions into a troubled subsidiary bank. The Federal Reserve Board may charge a bank holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. This capital infusion may be required at times when a bank holding company may not have the resources to provide it. Any capital loans by us to one of our subsidiary banks would be subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank.

In addition, depository institutions insured by the FDIC can be held liable for any losses incurred, or reasonably expected to be incurred, by the FDIC in connection with (i) the default of a commonly controlled FDIC-insured depository institution or (ii) any assistance provided by the FDIC to a commonly controlled FDIC-insured depository institution in danger of default. "Default" is defined generally as the appointment of a conservator or receiver and "in danger of default" is defined generally as the existence of certain conditions indicating that a "default" is likely to occur in the absence of regulatory assistance. Accordingly, in the event that any insured subsidiary of the Corporation causes a loss to the FDIC, other insured subsidiaries of the Corporation could be required to compensate the FDIC by reimbursing it for the amount of such loss. Any such obligation by our insured subsidiaries to reimburse the FDIC would rank senior to their obligations, if any, to the Corporation.

**Prompt Corrective Action.** Pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), the federal banking agencies are required to take "prompt corrective action" with respect to insured depository institutions that do not meet minimum capital requirements. FDICIA established a five-tier framework for measuring the capital adequacy of insured depository institutions (including Bank of the West and First Hawaiian), with each depository institution being classified into one of the following categories: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized."

Under the regulations adopted by the federal banking agencies to implement these provisions of FDICIA (commonly referred to as the “prompt corrective action” rules), a depository institution is “well capitalized” if it has (i) a total risk-based capital ratio of 10% or greater, (ii) a Tier 1 risk-based capital ratio of 6% or greater, (iii) a leverage ratio of 5% or greater and (iv) is not subject to any written agreement, order or directive to meet and maintain a specific capital level for any capital measure. An “adequately capitalized” depository institution is defined as one that has (i) a total risk-based capital ratio of 8% or greater, (ii) a Tier 1 risk-based capital ratio of 4% or greater and (iii) a leverage ratio of 4% or greater (or 3% or greater in the case of a bank rated a composite 1 under the Uniform Financial Institution Rating System, “CAMELS rating,” established by the Federal Financial Institution Examinations Council). A depository institution is considered (i) “undercapitalized” if it has (A) a total risk-based capital ratio of less than 8%, (B) a Tier 1 risk-based capital ratio of less than 4% or (C) a leverage ratio of less than 4% (or 3% in the case of an institution with a CAMELS rating of 1), (ii) “significantly undercapitalized” if it has (A) a total risk-based capital ratio of less than 6%, (B) a Tier 1 risk-based capital ratio of less than 3% or (C) a leverage ratio of less than 3% and (iii) “critically undercapitalized” if it has a ratio of tangible equity to total assets equal to or less than 2%. An institution may be deemed by the regulators to be in a capitalization category that is lower than is indicated by its actual capital position if, among other things, it receives an unsatisfactory examination rating. At December 31, 2002, all of the Corporation’s subsidiary depository institutions were “well capitalized.”

FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a cash dividend) or paying any management fees to its holding company if the depository institution is, or would thereafter be, undercapitalized. Undercapitalized depository institutions are subject to growth limitations and are required to submit a capital restoration plan. The federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution’s capital. In addition, for a capital restoration plan to be acceptable, the depository institution’s parent holding company must guarantee that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company under such guarantee is limited to the lesser of (i) an amount equal to 5% of the depository institution’s total assets at the time it became undercapitalized, or (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized.

Significantly undercapitalized depository institutions may be subject to a number of other requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions may not make any payments of interest or principal on their subordinated debt and are subject to the appointment of a conservator or receiver, generally within 90 days of the date such institution becomes critically undercapitalized. In addition, the FDIC has adopted regulations under FDICIA prohibiting an insured depository institution from accepting brokered deposits (as defined by the regulations) unless the institution is “well capitalized” or is “adequately capitalized” and receives a waiver from the FDIC.

**FDIC Insurance Assessments.** The FDIC has implemented a risk-based deposit insurance assessment system under which the assessment rate for an insured institution may vary according to the regulatory capital levels of the institution and other factors (including supervisory evaluations). Depository institutions insured by the BIF which are ranked in the least risky category currently have no annual assessment for deposit insurance while all other banks are required to pay premiums ranging from .03% to .27% of domestic deposits. As a result of the enactment on September 30, 1996 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (the “Deposit Funds Act”), the deposit insurance premium assessment rates for depository institutions insured by the SAIF were reduced, effective January 1, 1997, to the same rates that were applied to depository institutions insured by the BIF. The Deposit Funds Act also provided for a one-time assessment of 65.7 basis points on all SAIF-insured deposits in order to fully recapitalize the SAIF (which assessment was paid by the Corporation in 1996), and imposes annual assessments on all depository institutions to pay interest on bonds issued by the Financing Corporation (the “FICO”) in connection with the resolution of savings association insolvencies occurring prior to 1991. The FICO assessment rate for the first quarter of 2003 was 1.7 basis points. These rate schedules are adjusted quarterly by the FDIC. In addition, the FDIC has authority to impose special assessments from time to time, subject to certain limitations specified in the Deposit Funds Act.

**Capital Requirements.** Under the GLBA, our insured depository institutions are subject to regulatory capital guidelines issued by the federal banking agencies. Information with respect to the applicable capital requirements is included in Note 13 Regulatory Capital Requirements, on pages 57 and 58.

FDICIA required each federal banking agency to revise its risk-based capital standards to ensure that those standards take adequate account of interest rate risk, concentration of credit risk and the risk of nontraditional activities, as well as reflect the actual performance and expected risk of loss on multi-family mortgages. The federal banking agencies have adopted amendments to their respective risk-based capital requirements that explicitly identify concentrations of credit risk and certain risks arising from nontraditional activities, and the management of such risks, as important factors to consider in assessing an institution's overall capital adequacy. The amendments do not, however, mandate any specific adjustments to the risk-based capital calculations as a result of such factors.

In August 1996, the federal banking regulators adopted amendments to their risk-based capital rules to incorporate a measure for market risk in foreign exchange and commodity activities and in the trading of debt and equity instruments. Under these amendments, which became effective in 1997, banking institutions with relatively large trading activities are required to calculate their capital charges for market risk using their own internal value-at-risk models (subject to parameters set by the regulators) or, alternatively, risk management techniques developed by the regulators. As a result, these institutions are required to hold capital based on the measure of their market risk exposure in addition to existing capital requirements for credit risk. These institutions are able to satisfy this additional requirement, in part, by issuing short-term subordinated debt that qualifies as Tier 3 capital. The adoption of these amendments did not have a material effect on the Corporation's business or operations.

On November 29, 2001, the federal bank regulatory agencies published a final regulation that addresses the capital treatment of recourse arrangements, direct credit substitutes and residual interests. "Recourse" means any retained credit risk associated with any asset transferred by a banking organization that exceeds a pro rata share of the banking organization's remaining claim on the asset, if any. "Direct credit substitute" means any assumed credit risk associated with any asset or other claim not previously owned by a banking organization that exceeds the banking organization's pro rata share of the asset or claim, if any. "Residual interest" means any on-balance sheet asset that represent interests retained by a banking organization after a transfer of financial assets that qualifies as a sale for purposes of generally accepted accounting principles, which interests are structured to absorb more than a pro rata share of credit loss relating to the transferred assets. "Residual interests" do not include interests purchased from a third party, except for credit-enhancing interest-only strips (credit-enhancing I/O strips).

The regulation assesses risk-based capital requirements on recourse obligations, residual interests (except credit-enhancing I/O strips), direct credit substitutes, and senior and subordinated securities in asset securitizations based on ratings assigned by nationally recognized statistical rating agencies. The risk weights range from 20% for a position that is rated AA or better, to 200% for a position that is rated BB. A banking organization that holds a recourse obligation or a direct credit substitute (other than a residual interest) that does not qualify for the ratings-based approach is required by the new regulation to maintain capital against that position and all senior positions in the securitization, but is not required to hold more capital than if assets had not been transferred. A banking organization that holds a residual interest that does not qualify for the ratings-based approach is required to hold capital on a dollar-for-dollar basis against the position and all senior positions, even if the capital charge exceeds the full risk-based capital charge that would have been held against the transferred assets.

The regulation limits credit-enhancing I/O strips, whether retained or purchased, to 25% of Tier 1 capital, with any excess amount to be deducted from Tier 1 capital and from assets. (The deducted amount is not subject to the dollar-for-dollar capital charge discussed above.) Credit-enhancing I/O strips are not aggregated with non-mortgage servicing assets and purchased credit card relationships for purposes of calculating the 25% limit. The regulation became effective on January 1, 2002 for transactions settled on or after that date and became effective December 31, 2002 for all other transactions. The Corporation does not believe the regulation will have a material effect on its operations or financial position.

On January 16, 2001, the Basel Committee on Banking Supervision (the "Committee") proposed a new capital adequacy framework to replace the framework adopted in 1988. Under the new framework, risk weights for certain types of claims, including corporate credits, would be based on ratings assigned by rating agencies. Certain low quality exposures would be assigned a risk weight greater than 100%. Short-term commitments to lend, which currently do not require capital, would be subject to a 20% conversion factor. In addition to this "standardized" approach, banks with more advanced risk management capabilities, which can meet rigorous supervisory standards, can make use of an internal ratings-based approach under which some of the key elements of credit risk, such as the probability of default, will be estimated internally by a bank. The Committee also proposes capital charges for operational risk. The Committee announced on July 10, 2002 that it intends to finalize the proposed new capital adequacy requirement by the end of 2003, with implementation in 2006. If adopted by the Committee, the new accord would then be the subject of rulemaking by the U.S. bank regulatory agencies. Because the timing and final content of the proposal are not yet clear, the Corporation cannot predict at this time the potential effect that the adoption of such a proposal will have on its regulatory capital requirements and financial position.

On January 25, 2002, the federal bank regulatory agencies jointly published a rule establishing special minimum regulatory capital requirements for equity investments in nonfinancial companies, which became effective on April 1, 2002. The rule requires banking organizations to deduct from Tier 1 capital an amount equal to specified percentages of its aggregate nonfinancial investment portfolio, which portfolio is then excluded from risk-weighted assets for purposes of risk-based capital calculations. An 8 percent charge applies to that portion of a banking organization's aggregate nonfinancial investment portfolio that amounts to less than fifteen percent of the banking organization's Tier 1 capital. A 12 percent charge applies to the portion of the portfolio (if any) that amounts to between 15 and 24.9 percent of the banking organization's Tier 1 capital. A 25 percent charge applies to the portion of the portfolio (if any) that amounts to 25 percent or more of the banking organization's Tier 1 capital. The Corporation does not believe the regulation will have a material impact on its operations or financial position.

In order for us to remain a financial holding company, Bank of the West and First Hawaiian Bank (as well as each foreign bank that is controlled by BNP Paribas and that has a branch, agency or bank subsidiary in the United States) must remain "well capitalized" and "well managed." In the case of Bank of the West and First Hawaiian Bank, "well capitalized" has the same meaning as under the "prompt corrective action" guidelines described above and "well managed" means that at its most recent examination it received at least a satisfactory composite rating and at least a satisfactory rating for management.

**Real Estate Activities.** The FDIC adopted regulations, effective January 1, 1999, that make it significantly easier for state non-member banks to engage in a variety of real estate investment activities. These regulations generally allow a majority-owned corporate subsidiary of a state non-member bank to make equity investments in real estate if the bank complies with certain investment and transaction limits and satisfies certain capital requirements (after giving effect to its investment in the majority-owned subsidiary). In addition, the regulations permit a subsidiary of an insured state non-member bank to act as a lessor under a real property lease that is the equivalent of a financing transaction, meets certain criteria applicable to the lease and the underlying real estate and does not represent a significant risk to the deposit insurance funds.

**Future Legislation**

Legislation relating to banking and other financial services has been introduced from time to time in Congress and is likely to be introduced in the future. If enacted, such legislation could significantly change the competitive environment in which we and our subsidiaries operate. Management cannot predict whether these or any other proposals will be enacted or the ultimate impact of any such legislation on our competitive situation, financial condition or results of operations.

**Foreign Operations**

Foreign outstandings are defined as the balances outstanding of cross-border loans, acceptances, interest-bearing deposits with other banks, other interest-bearing investments and any other monetary assets. At December 31, 2002, 2001 and 2000, we had no foreign outstandings to any country which exceeded 1% of total assets. Additional information concerning foreign operations is also included in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 20 International Operations on page 66.

**Operating Segments**

Information regarding the Corporation's operating segments is included in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 19 Operating Segments on pages 62 through 66.

**Item 2. Properties**

Bank of the West leases a site in Walnut Creek, California, which is its primary administrative headquarters. The administrative headquarters office is a 132,000-square-foot, three-story building. Bank of the West also leases 45,698 square feet of executive office space in downtown San Francisco in the same building that houses its San Francisco Main Branch at 180 Montgomery Street. See Note 21 Lease Commitments on page 67. Approximately 26,862 square feet of leased space at 180 Montgomery Street is subleased to BNP Paribas.

As of December 31, 2002, 109 of Bank of the West's active branches are located on land owned by Bank of the West. The remaining 188 active branches are located on leasehold properties. Bank of the West also has 24 surplus branch properties, 15 of which are currently leased to others. In addition, Bank of the West leases 47 properties that are utilized for administrative (including warehouses), lease support, management information systems and regional management services. See Note 21

**Part I** *(continued)*

Lease Commitments on page 67.

First Hawaiian indirectly (through two subsidiaries) owns all of a city block in downtown Honolulu. The administrative headquarters of the Corporation and First Hawaiian, as well as the main branch of First Hawaiian are located in a modern banking center on this city block. The headquarters building includes 418,000 square feet of gross office space. Information about the lease financing of the headquarters building is included in Note 21 Lease Commitments on page 67.

As of December 31, 2002, 19 of First Hawaiian's offices in Hawaii and one in Guam are located on land owned in fee simple by First Hawaiian. The other branches of First Hawaiian in Hawaii, two branches in Guam and one branch in Saipan are situated on leasehold premises or in buildings constructed on leased land. See Note 21 Lease Commitments on page 67. In addition, First Hawaiian owns an operations center which is located on 125,919 square feet of land owned in fee simple by First Hawaiian in an industrial area near downtown Honolulu. First Hawaiian occupies most of this four-story building.

First Hawaiian owns a five-story, 75,000-square-foot office building, including a branch, which is situated on property owned in fee simple in Maite, Guam, where it maintains a branch.

**Item 3. Legal Proceedings**

The information required by this Item is set forth in Note 22 to the Consolidated Financial Statements on pages 67 and 68 of this Form 10-K, and is incorporated herein by reference.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2002.

**PART II**

**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters**

BancWest is a wholly-owned subsidiary of BNP Paribas and there is no public trading market for BancWest's common equity.

State regulations place restrictions on the ability of our bank subsidiaries to pay dividends. Under Hawaii law, First Hawaiian is prohibited from declaring or paying any dividends in excess of its retained earnings. California law generally prohibits Bank of the West from paying cash dividends to the extent such payments exceed the lesser of retained earnings and net income for the three most recent fiscal years (less any distributions to stockholders during such three-year period). At December 31, 2002, the aggregate amount of dividends that such subsidiaries could pay to the Corporation under the foregoing limitations without prior regulatory approval was $363.3 million.

Here are quarterly and annual cash dividends paid per share data, computed using the common stock and Class A common shares:

| | Cash Dividends Paid |
|---|---|
| 2002 | |
| First Quarter | $ — |
| Second Quarter | — |
| Third Quarter | — |
| Fourth Quarter | — |
| Annual | $ — |
| 2001 | $ .80 |

As we no longer have outstanding shares of common stock, future dividends will be paid only on Class A common shares. The declaration and payment of cash dividends are subject to future earnings, capital requirements, financial condition and certain limitations as described in Note 14 to the Consolidated Financial Statements on page 58.

**Item 6. Selected Financial Data**

**GAAP, Core and Cash Earnings**

We analyze our performance on a net income basis determined in accordance with generally accepted accounting principles ("GAAP"), as well as on an operating basis before merger-related, integration and other nonrecurring items, minority interest and/or the effects of the amortization of intangible assets. We refer to the results as "core" and "cash" earnings, respectively. Core earnings and cash earnings (the combination of the effect of adjustments for both cash and core results), as well as information calculated from them and related discussions, are presented as supplementary information in this analysis. This presentation is intended to enhance the readers' understanding of, and highlight trends in, our core financial results excluding the effects of discrete business acquisitions and other transactions. We include these additional disclosures because this information is both relevant and useful in understanding the performance of the Company as management views it. Core earnings and cash earnings should not be viewed as a substitute for net income, among other gauges of performance, as determined in accordance with GAAP.

Merger-related, integration and other nonrecurring costs, amortization of intangible assets and other items excluded from net income to derive core and cash earnings may be significant and may not be comparable to those of other companies. See the following table for a reconciliation of net income to core and cash earnings.

**Part II** *(continued)*

**Basis of Presentation**

On December 20, 2001, BNP Paribas acquired all of the outstanding common shares of BancWest. As a result of the transaction, BancWest became a wholly-owned subsidiary of BNP Paribas. The business combination was accounted for as a purchase with BNP Paribas' accounting basis being "pushed down" to BancWest. See Note 2 to the Consolidated Financial Statements for additional information regarding this business combination. It is generally not appropriate to combine pre- and post-"push down" periods; however, for purposes of comparison only, the following tables combine our results of operations from December 20, 2001 through December 31, 2001 with those for the period January 1, 2001 through December 19, 2001. The combined results will generally serve as comparable amounts to the 12-month periods ended December 31, 2002, 2000, 1999 and 1998 and will be utilized for purposes of providing discussion and analysis of results of operations.

| (dollars in thousands) | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| **Income Statements and Dividends** | | | | | |
| Interest income | **$1,659,722** | $1,323,649 | $1,309,856 | $1,135,711 | $749,541 |
| Interest expense | **465,330** | 507,135 | 562,922 | 446,877 | 315,822 |
| Net interest income | **1,194,392** | 816,514 | 746,934 | 688,834 | 433,719 |
| Provision for credit losses | **95,356** | 103,050 | 60,428 | 55,262 | 30,925 |
| Noninterest income | **332,364** | 308,398 | 216,076 | 197,632 | 134,182 |
| Noninterest expense | **836,074** | 595,746 | 533,961 | 535,075 | 392,075 |
| Income before income taxes | **595,326** | 426,116 | 368,621 | 296,129 | 144,901 |
| Provision for income taxes | **233,994** | 171,312 | 152,227 | 123,751 | 60,617 |
| Net income | **$ 361,332** | $ 254,804 | $ 216,394 | $ 172,378 | $ 84,284 |
| Cash dividends | **$ —** | $ 99,772 | $ 84,731 | $ 77,446 | $ 40,786 |
| **Supplemental Non-GAAP Data (1)** | | | | | |
| Net income | **$ 361,332** | $ 254,804 | $ 216,394 | $ 172,378 | $ 84,284 |
| **Reconciliation of net income to core and cash earnings:** | | | | | |
| After-tax restructuring and merger-related costs (2) | **10,381** | 2,342 | 755 | 11,630 | 21,866 |
| Nonrecurring costs (3) | **2,646** | — | — | — | — |
| Net Concord gain (4) | **—** | (14,915) | — | — | — |
| Core earnings | **374,359** | 242,231 | 217,149 | 184,008 | 106,150 |
| Intangibles (5) | **11,893** | 36,806 | 32,737 | 32,508 | 11,082 |
| Cash earnings | **$ 386,252** | $ 279,037 | $ 249,886 | $ 216,516 | $117,232 |

On July 1, 1999, we acquired SierraWest Bancorp. That merger was accounted for as a pooling of interests. Therefore, all financial information has been restated for all periods presented.

(1) Information presented was not calculated under generally accepted accounting principles ("GAAP"). Information is disclosed to improve readers' understanding of how management views the results of our operations.

(2) After-tax restructuring, integration and other nonrecurring costs of:

  (a) $10.4 million in 2002 for the acquisition of United California Bank,

  (b) $2.3 million in the first quarter of 2001 for the acquisition of branches in New Mexico and Nevada,

  (c) $755,000 in 2000 for the acquisition of branches in Nevada and New Mexico completed in the first quarter of 2001,

  (d) $11.6 million in connection with the acquisition of SierraWest Bancorp and the consolidation of data centers in 1999, and

  (e) $21.9 million in connection with the merger of the former BancWest Corporation with and into First Hawaiian, Inc. on November 1, 1998 ("BancWest Merger").

(3) Nonrecurring costs associated with employee stock compensation program offered by BNP Paribas.

(4) Represents the after-tax net effect of $14,915,000 Concord stock gain, additional provision for credit losses and other nonrecurring items incurred in 2001.

(5) After-tax amortization of goodwill and core deposit intangible.

**Part II** *(continued)*

**Item 6. Selected Financial Data (continued)**

| | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| **Balance Sheets** (in millions) | | | | | |
| Average balances: | | | | | |
| Total assets | **$31,370** | $19,461 | $17,600 | $16,294 | $10,033 |
| Total earning assets | **26,114** | 17,297 | 15,742 | 14,492 | 9,036 |
| Loans and leases | **22,344** | 14,586 | 13,286 | 12,291 | 7,659 |
| Deposits | **22,300** | 14,550 | 13,380 | 12,517 | 7,710 |
| Long-term debt and capital securities | **2,541** | 1,074 | 817 | 790 | 354 |
| Stockholder's equity | **3,441** | 2,079 | 1,903 | 1,793 | 938 |
| At December 31: | | | | | |
| Total assets | **34,749** | 21,647 | 18,457 | 16,681 | 15,929 |
| Loans and leases | **24,242** | 15,224 | 13,972 | 12,524 | 11,965 |
| Deposits | **24,557** | 15,334 | 14,128 | 12,878 | 12,043 |
| Long-term debt and capital securities | **3,636** | 2,463 | 882 | 802 | 734 |
| Stockholder's equity | **3,867** | 2,002 | 1,989 | 1,843 | 1,746 |
| **Selected Ratios** | | | | | |
| Return on average: | | | | | |
| Total assets | **1.15%** | 1.31% | 1.23% | 1.06% | .84% |
| Stockholder's equity | **10.50** | 12.25 | 11.37 | 9.61 | 8.99 |
| **Supplemental Non-GAAP Data (1)** | | | | | |
| Return on average: | | | | | |
| Tangible total assets (2) | **1.38%** | 1.49% | 1.48% | 1.39% | 1.19% |
| **Other Selected Data** | | | | | |
| Average stockholder's equity to average total assets | **10.97%** | 10.68% | 10.81% | 11.00% | 9.35% |
| Year ended December 31: | | | | | |
| Net interest margin | **4.58** | 4.73 | 4.75 | 4.76 | 4.81 |
| Net loans and leases charged off to average loans and leases | **.53** | .55 | .37 | .42 | .31 |
| Efficiency ratio (3) | **52.04** | 51.24 | 51.53 | 54.47 | 62.50 |
| At December 31: | | | | | |
| Allowance for credit losses to total loans and leases | **1.58** | 1.28 | 1.23 | 1.29 | 1.32 |
| Nonperforming assets to total loans and leases and other real estate owned and repossessed personal property | **1.01** | .78 | .86 | 1.01 | 1.11 |
| Allowance for credit losses to nonperforming loans and leases | **1.70x** | 2.00x | 1.84x | 1.64x | 1.61x |

On July 1, 1999, we acquired SierraWest Bancorp. That merger was accounted for as a pooling of interests. Therefore, all financial information has been restated for all periods presented.

(1) Information presented was not calculated under generally accepted accounting principles ("GAAP"). Information is disclosed to improve readers' understanding of how management views the results of our operations.

(2) Defined as cash earnings as a percentage of average total assets minus average goodwill and core deposit intangible.

(3) Excluding after-tax restructuring, integration and other nonrecurring revenue and costs.

**Part II** *(continued)*

### Item 7. 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 its 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.

#### Glossary

See "Glossary of Financial Terms" on page 71 for definitions of certain terms used in this annual report.

#### Overview

Our net income during 2002 increased 41.8% over 2001 to a record $361.3 million. These were some of the key events that occurred in 2002:

- On March 15, 2002, we completed our acquisition of United California Bank ("UCB") from UFJ Bank Ltd. of Tokyo, Japan. We acquired UCB for $2.4 billion in cash. On March 15, 2002, UCB had total assets of $10.1 billion, net loans of $8.5 billion, total deposits of $8.3 billion and 115 branches. The acquisition of UCB substantially bolstered our branch network, particularly in Southern California where we maintain administrative and processing centers in addition to our branches. UCB was merged with and into Bank of the West on April 1, 2002. In the third quarter of 2002, former UCB branches became fully integrated within Bank of the West. We expect to achieve cost savings for the combined company of approximately $75-$80 million per year beginning in 2003. These anticipated cost savings primarily involve employee compensation and occupancy-related expenses. BNP Paribas funded our acquisition of UCB by providing $1.6 billion in additional capital and by providing $800 million in debt financing. The contribution made by the UCB acquisition substantially impacted our financial results for 2002.

- In November 2002, we obtained permanent financing for the UCB acquisition through a repurchase agreement of Bank of the West stock with BNP Paribas. BNP Paribas purchased approximately 15% of Bank of the West stock from us subject to a shareholder's agreement that contained put and call features. See Note 4 to the Consolidated Financial Statements for additional information.

- Bank of the West acquired Trinity Capital Corporation ("Trinity"), a privately held equipment leasing company, in the fourth quarter of 2002. Trinity became a wholly-owned subsidiary of Bank of the West, with a lease portfolio of approximately $160 million and with leases serviced for others of nearly $900 million.

- In addition to the growth that resulted from the UCB acquisition, we continued to grow loans, leases and deposits through our existing operations in the Western United States. In Hawaii, First Hawaiian strengthened

**Part II** *(continued)*

its dominant market position by increasing deposits.

For further information regarding the Company's mergers and acquisitions, see Note 2 to the Consolidated Financial Statements on pages 49 through 51.

**2002 vs. 2001**

The table below compares our 2002 financial results to 2001. The increases in net income and core earnings are primarily the result of the acquisition of UCB. The acquisition, coupled with organic growth, resulted in higher net interest income, caused mainly by increased loan and lease and deposit volume. Noninterest income also contributed to the increase with increased charges and fees from our larger customer base. Noninterest expense increased in 2002 compared to 2001, primarily as a result of higher employee, occupancy, equipment and other costs resulting from the acquisition of UCB. Although net income and core earnings increased in 2002 over 2001, the return on average tangible assets dipped from 1.49% in 2001 to 1.38% in 2002.

| (dollars in thousands) | 2002 | 2001 | Change |
|---|---|---|---|
| Consolidated net income | **$361,332** | $254,804 | 41.8% |
| Core earnings* | **374,359** | 242,231 | 54.5 |
| Return on average tangible total assets** | **1.38%** | 1.49% | (7.4) |

* See "GAAP, Core and Cash Earnings" on page 10.

** See Note 2 on page 12 for explanation of the method of calculation.

**2001 vs. 2000**

The table below compares our 2001 financial results to 2000. The improvement in our financial results is primarily attributed to higher net interest income, caused mainly by increased loan and lease and deposit volume, increased noninterest income, a result of our continuing efforts to diversify our revenue base, and controlled noninterest expense.

| (dollars in thousands) | 2001 | 2000 | Change |
|---|---|---|---|
| Consolidated net income | $254,804 | $216,394 | 17.8% |
| Core earnings* | 242,231 | 217,149 | 11.6 |
| Return on average tangible total assets** | 1.49% | 1.48% | .7 |

* See "GAAP, Core and Cash Earnings" on page 10.

** See Note 2 on page 12 for explanation of the method of calculation.

**Net Interest Income**

**2002 vs. 2001**

| (in thousands) | 2002 | 2001 | Change |
|---|---|---|---|
| Net interest income | **$1,194,392** | $816,514 | 46.3% |

The increase in our net interest income in 2002 was principally the result of an $8.8 billion, or 51%, increase in average earning assets. The increase in our average earning assets was primarily the result of growth in Bank of the West resulting from the UCB acquisition. Also contributing to the increase was First Hawaiian's acquisition of branches in Guam and Saipan from Union Bank of California. The increase in average earning assets was partially offset by a 15-basis-point (1% equals 100 basis points) reduction in our net interest margin. The continuing effect of rate reductions by the Federal Reserve Board's Federal Open Market Committee has reduced the yield on earning assets as well as rates paid on sources of funds.

**2001 vs. 2000**

| (in thousands) | 2001 | 2000 | Change |
|---|---|---|---|
| Net interest income | $816,514 | $746,934 | 9.3% |

The increase in our net interest income in 2001 was principally the result of a $1.6 billion, or 9.9%, increase in average earning assets. The increase in our average earning assets was primarily a result of growth in Bank of the West and branch acquisitions in Nevada, New Mexico, Guam and Saipan. The increase in average earning assets was partially offset by a two-basis-point reduction in our net interest margin. The Federal Reserve Board's Federal Open Market

Committee reduced the key Federal Funds rate 11 times by a total of 425 basis points in 2001. These decreases reduced the yield on earning assets, but also the rates paid on sources of funds.

## Net Interest Margin

### 2002 vs. 2001

| | 2002 | 2001 | Change |
|---|---|---|---|
| Net interest margin | **4.58%** | 4.73% | –15 basis pts. |

The net interest margin decreased by 15 basis points in 2002 from 2001 due primarily to the effects of the decreasing interest rate environment that began in 2001 and continued into 2002. Although the decreasing rate environment reduced our yield on earning assets by 129 basis points to 6.37% in 2002 from 7.66% in 2001, it also decreased our rate paid on sources of funds by 114 basis points to 1.79% in 2002 from 2.93% in 2001. Therefore, our net interest margin decreased by 15 basis points in 2002. Partially offsetting the decrease in the yield on average earning assets, average noninterest-bearing deposits increased by $2.5 billion, or 80.4%, in 2002 compared to 2001. The primary reason for the increase was the UCB acquisition by Bank of the West.

### 2001 vs. 2000

| | 2001 | 2000 | Change |
|---|---|---|---|
| Net interest margin | 4.73% | 4.75% | –2 basis pts. |

**Part II** *(continued)*

The net interest margin decreased by 2 basis points in 2001 from 2000 due primarily to the effects of the decreasing interest rate environment that was experienced for most of 2001. Although the decreasing rate environment reduced our yield on earning assets by 66 basis points to 7.66% in 2001 from 8.32% in 2000, it also decreased our rate paid on sources of funds by 64 basis points to 2.93% in 2001 from 3.57% in 2000. Therefore, our net interest margin decreased by two basis points in 2001. Partially offsetting the decrease in the yield on average earning assets, average noninterest-bearing deposits increased by $431 million, or 15.8%, in 2001 compared to 2000.

**Average Earning Assets**

**2002 vs. 2001**

| (in thousands) | 2002 | 2001 | Change |
|---|---|---|---|
| Average earning assets | **$26,077,707** | $17,273,697 | 51.0% |

The UCB acquisition and the continuing growth of Bank of the West are primarily responsible for the increase in average earning assets. In particular, the $7.8 billion, or 53.2%, increase in average total loans and leases was primarily due to the UCB acquisition. Average total investment securities also increased by $1.0 billion, or 46.3%, to $3.3 billion in 2002 over 2001.

**2001 vs. 2000**

| (in thousands) | 2001 | 2000 | Change |
|---|---|---|---|
| Average earning assets | $17,273,697 | $15,752,238 | 9.7% |

The continuing growth of Bank of the West and our branch acquisitions in Nevada, New Mexico, Guam and Saipan were primarily responsible for the increase in average earning assets. In particular, the $1.3 billion, or 9.8%, increase in average total loans and leases was primarily due to growth in the Western United States. Average total investment securities also increased by $177.5 million, or 8.5%, to $2.3 billion in 2001 over 2000.

**Average Loans and Leases**

**2002 vs. 2001**

| (in thousands) | 2002 | 2001 | Change |
|---|---|---|---|
| Average loans and leases | **$22,344,271** | $14,585,712 | 53.2% |

The increase in average loans and leases was primarily due to the UCB acquisition and growth in Bank of the West. All categories, except lease financing, increased significantly due to the UCB acquisition. Average loans and leases in the First Hawaiian operating segment decreased in 2002 as compared to 2001, primarily due to the planned reduction in certain syndicated national credits, partially offset by loans and leases acquired from Union Bank of California in the fourth quarter of 2001.

**2001 vs. 2000**

| (in thousands) | 2001 | 2000 | Change |
|---|---|---|---|
| Average loans and leases | $14,585,712 | $13,285,586 | 9.8% |

The increase in average loans and leases was primarily due to growth in Bank of the West's consumer loan and lease financing portfolios. In addition to growth from its existing branch network, average loans and leases in the Bank of the West operating segment also increased due to the acquisition of branches in Nevada and New Mexico. Average loans and leases in the First Hawaiian operating segment decreased in 2001 as compared to 2000, primarily due to the planned reduction in certain syndicated national credits, partially offset by loans and leases acquired in the Guam and Saipan branch acquisition.

**Average Interest-Bearing Deposits and Liabilities**

**2002 vs. 2001**

| (in thousands) | 2002 | 2001 | Change |
|---|---|---|---|
| Average interest-bearing deposits and liabilities | **$21,170,693** | $13,366,544 | 58.4% |

The increase in average interest-bearing deposits and liabilities in 2002 over 2001 was principally due to growth in our customer deposit base, primarily in Bank of the West. Average deposits increased due to the UCB acquisition and the Guam and Saipan branches acquired by First Hawaiian from Union Bank of California. Average short-term borrowings increased primarily due to higher Federal Home Loan Bank advances and the $800 million in short-term debt financing for the UCB acquisition. Average long-term debt and capital securities increased primarily due to the inclusion of $1.550 billion in long-term debt entered into with BNP Paribas in conjunction with the BNP Paribas Merger for all of 2002, as opposed to only a portion of December 2001. In November 2002, we recorded an additional $800 million in long-term debt in connection with the UCB acquisition.

**2001 vs. 2000**

| (in thousands) | 2001 | 2000 | Change |
|---|---|---|---|
| Average interest-bearing deposits and liabilities | $13,366,544 | $12,289,972 | 8.8% |

The increase in average interest-bearing deposits and liabilities in 2001 over 2000 was principally caused by growth in our customer deposit base, primarily in Bank of the West. Our average deposits also increased due to branch acquisitions in Nevada, New Mexico, Guam and Saipan. Average long-term debt and capital securities increased in 2001 over 2000 primarily due to the inclusion of the $150 million in BWE Capital Securities for all of 2001, as opposed to only a portion of December 2000. Also affecting average long-term debt was the $1.550 billion in long-term debt entered into with BNP Paribas in conjunction with the BNP Paribas Merger.

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**Part II** *(continued)*

**Table 1: Average Balances, Interest Income and Expense, and Yields and Rates (Taxable-Equivalent Basis)**

On December 20, 2001, BNP Paribas acquired all of the outstanding common shares of BancWest Corporation. As a result of the transaction, the Corporation became a wholly-owned subsidiary of BNP Paribas. The business combination was accounted for as a purchase with BNP Paribas' accounting basis being "pushed down" to BancWest Corporation. See Note 2 to the Consolidated Financial Statements for additional information regarding this business combination. It is generally not appropriate to combine pre- and post-"push-down" periods; however, for purposes of comparison only, the following tables combine our consolidated results of operations from December 20, 2001 through December 31, 2001 with those for the period January 1, 2001 through December 19, 2001. The combined results will generally serve as comparable amounts to the 12-month periods ended December 31, 2002 and 2000 and will be utilized for purposes of providing discussion and analysis of consolidated results of operations.

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 2002, 2001 and 2000) to make them comparable with taxable items before any income taxes are applied.

| | 2002 | | | 2001 | | | 2000 | | |
|---|---|---|---|---|---|---|---|---|---|
| **(dollars in thousands)** | **Average Balance** | **Interest Income/ Expense** | **Yield/ Rate** | **Average Balance** | **Interest Income/ Expense** | **Yield/ Rate** | **Average Balance** | **Interest Income/ Expense** | **Yield/ Rate** |
| **ASSETS** | | | | | | | | | |
| Earning assets: | | | | | | | | | |
| Interest-bearing deposits in other banks: | | | | | | | | | |
| Domestic | **$ 3,777** | **$ 157** | **4.17%** | $ 7,320 | $ 405 | 5.54% | $ 5,405 | $ 233 | 4.30% |
| Foreign | **155,406** | **2,789** | **1.79** | 188,105 | 8,797 | 4.68 | 172,265 | 11,228 | 6.52 |
| Total interest-bearing deposits in other banks | **159,183** | **2,946** | **1.85** | 195,425 | 9,202 | 4.71 | 177,670 | 11,461 | 6.45 |
| Federal funds sold and securities purchased under agreements to resell | **258,890** | **4,401** | **1.70** | 226,032 | 9,360 | 4.14 | 199,970 | 13,016 | 6.51 |
| Investment securities (1): | | | | | | | | | |
| Taxable | **3,302,834** | **155,838** | **4.72** | 2,257,162 | 136,185 | 6.03 | 2,074,238 | 136,295 | 6.57 |
| Exempt from Federal income taxes | **12,529** | **1,158** | **9.24** | 9,366 | 778 | 8.31 | 14,774 | 1,168 | 7.91 |
| Total investment securities | **3,315,363** | **156,996** | **4.74** | 2,266,528 | 136,963 | 6.04 | 2,089,012 | 137,463 | 6.58 |
| Loans and leases (2), (3): | | | | | | | | | |
| Domestic | **21,963,415** | **1,467,830** | **6.68** | 14,238,553 | 1,138,044 | 7.99 | 12,941,488 | 1,117,404 | 8.63 |
| Foreign | **380,856** | **28,369** | **7.45** | 347,159 | 30,409 | 8.76 | 344,098 | 30,934 | 8.99 |
| Total loans and leases | **22,344,271** | **1,496,199** | **6.70** | 14,585,712 | 1,168,453 | 8.01 | 13,285,586 | 1,148,338 | 8.64 |
| **Total earning assets** | **26,077,707** | **1,660,542** | **6.37** | 17,273,697 | 1,323,978 | 7.66 | 15,752,238 | 1,310,278 | 8.32 |
| Cash and due from banks | **1,226,886** | | | 693,489 | | | 632,780 | | |
| Premises and equipment | **376,516** | | | 286,914 | | | 277,831 | | |
| Core deposit intangible | **197,007** | | | 73,256 | | | 60,887 | | |
| Goodwill | **3,087,109** | | | 712,198 | | | 612,284 | | |
| Other assets | **404,826** | | | 421,887 | | | 263,959 | | |
| **Total assets** | **$31,370,051** | | | $19,461,441 | | | $17,599,979 | | |

Notes:

(1) For the years ended December 31, 2002, 2001, and 2000, average debt investment securities were computed based on historical amortized cost, excluding the effects of SFAS No. 115 adjustments.

(2) Nonaccruing loans and leases are included in the average loan and lease balances.

(3) Interest income for loans and leases include loan fees of $53,830, $37,834 and $32,811 for 2002, 2001 and 2000, respectively.

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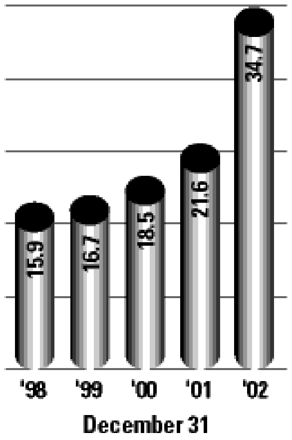
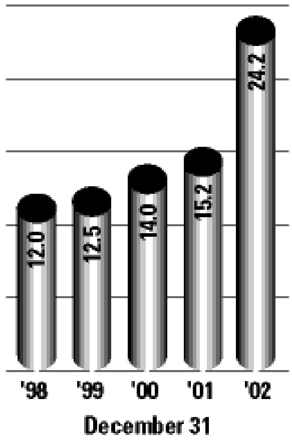
**Part II** *(continued)*

| (dollars in thousands) | 2002 Average Balance | 2002 Interest Income/ Expense | 2002 Yield/ Rate | 2001 Average Balance | 2001 Interest Income/ Expense | 2001 Yield/ Rate | 2000 Average Balance | 2000 Interest Income/ Expense | 2000 Yield/ Rate |
|---|---|---|---|---|---|---|---|---|---|
| **LIABILITIES AND STOCKHOLDER'S EQUITY** | | | | | | | | | |
| Interest-bearing deposits and liabilities: | | | | | | | | | |
| Deposits: | | | | | | | | | |
| Domestic: | | | | | | | | | |
| Interest-bearing demand | **$ 334,522** | **$ 915** | **.27%** | $ 315,997 | $ 1,878 | .59% | $ 289,317 | $ 3,546 | 1.23% |
| Savings | **8,435,637** | **94,327** | **1.12** | 4,576,588 | 86,082 | 1.88 | 4,062,828 | 98,876 | 2.43 |
| Time | **7,265,406** | **177,137** | **2.44** | 6,281,175 | 298,353 | 4.75 | 6,083,739 | 345,939 | 5.69 |
| Foreign | **576,862** | **9,087** | **1.58** | 222,708 | 6,951 | 3.12 | 222,351 | 9,843 | 4.43 |
| Total interest-bearing deposits | **16,612,427** | **281,466** | **1.69** | 11,396,468 | 393,264 | 3.45 | 10,658,235 | 458,204 | 4.30 |
| Short-term borrowings | **2,016,947** | **34,152** | **1.69** | 896,405 | 34,955 | 3.90 | 814,271 | 49,298 | 6.05 |
| Long-term debt and capital securities | **2,541,319** | **149,712** | **5.89** | 1,073,671 | 78,916 | 7.35 | 817,466 | 55,420 | 6.78 |
| **Total interest-bearing deposits and liabilities** | **21,170,693** | **465,330** | **2.20** | 13,366,544 | 507,135 | 3.79 | 12,289,972 | 562,922 | 4.58 |
| Interest rate spread | | | **4.17%** | | | 3.87% | | | 3.74% |
| Noninterest-bearing deposits | **5,687,550** | | | 3,153,164 | | | 2,721,818 | | |
| Other liabilities | **1,070,679** | | | 862,404 | | | 685,563 | | |
| Total liabilities | **27,928,922** | | | 17,382,112 | | | 15,697,353 | | |
| Stockholder's equity | **3,441,129** | | | 2,079,329 | | | 1,902,626 | | |
| **Total liabilities and stockholder's equity** | **$31,370,051** | | | $19,461,441 | | | $17,599,979 | | |
| **Net interest income and margin on total earning assets** | | **1,195,212** | **4.58%** | | 816,843 | 4.73% | | 747,356 | 4.75% |
| Tax-equivalent adjustment | | **820** | | | 329 | | | 422 | |
| **Net interest income** | | **$1,194,392** | | | $816,514 | | | $746,934 | |

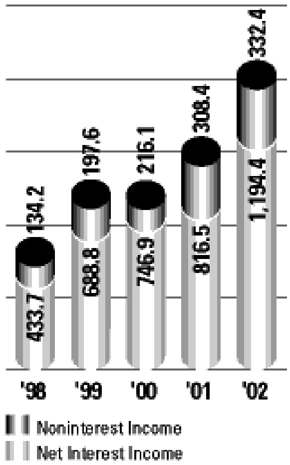
**Total Assets**
($ in billions)



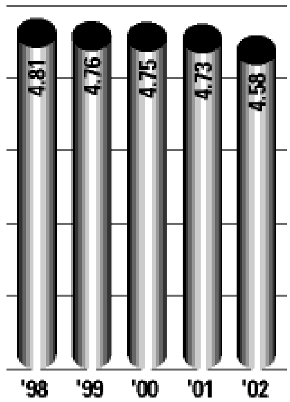

**Loans & Leases**
($ in billions)




**Total Revenue – Net Interest Income and Noninterest Income**
($ in millions)




**Net Interest Margin**
(%)



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**Part II** *(continued)*

**Table 2: Analysis of Changes in Net Interest Income (Taxable-Equivalent Basis)**

The following table analyzes the dollar amount of change (on a taxable-equivalent basis) in interest income and expense and the changes in dollar amounts attributable to:

(a) changes in volume (changes in volume times the prior year's rate),

(b) changes in rates (changes in rates times the prior year's volume), and

(c) changes in rate/volume (change in rate times change in volume).

In this table, the dollar change in rate/volume is prorated to volume and rate proportionately.

The taxable-equivalent adjustment is made for items exempt from Federal income taxes (assuming a 35% tax rate for 2002, 2001 and 2000) to make them comparable with taxable items before any income taxes are applied.

| | **2002 Compared to 2001— Increase (Decrease) Due to:** | | | **2001 Compared to 2000— Increase (Decrease) Due to:** | | |
|---|---|---|---|---|---|---|
| **(in thousands)** | **Volume** | **Rate** | **Net Increase (Decrease)** | **Volume** | **Rate** | **Net Increase (Decrease)** |
| Interest earned on: | | | | | | |
| Interest-bearing deposits in other banks: | | | | | | |
| Domestic | **$ (164)** | **$ (84)** | **$ (248)** | $ 96 | $ 76 | $ 172 |
| Foreign | **(1,322)** | **(4,686)** | **(6,008)** | 960 | (3,391) | (2,431) |
| Total interest-bearing deposits in other banks | **(1,486)** | **(4,770)** | **(6,256)** | 1,056 | (3,315) | (2,259) |
| Federal funds sold and securities purchased under agreements to resell | **1,203** | **(6,162)** | **(4,959)** | 1,534 | (5,190) | (3,656) |
| Investment securities: | | | | | | |
| Taxable | **53,738** | **(34,085)** | **19,653** | 11,510 | (11,620) | (110) |
| Exempt from Federal income taxes | **285** | **95** | **380** | (447) | 57 | (390) |
| Total investment securities | **54,023** | **(33,990)** | **20,033** | 11,063 | (11,563) | (500) |
| Loans and leases (1): | | | | | | |
| Domestic | **539,724** | **(209,938)** | **329,786** | 107,214 | (86,574) | 20,640 |
| Foreign | **2,778** | **(4,818)** | **(2,040)** | 273 | (798) | (525) |
| Total loans and leases | **542,502** | **(214,756)** | **327,746** | 107,487 | (87,372) | 20,115 |
| Total earning assets | **596,242** | **(259,678)** | **336,564** | 121,140 | (107,440) | 13,700 |
| Interest paid on: | | | | | | |
| Deposits: | | | | | | |
| Domestic: | | | | | | |
| Interest-bearing demand | **104** | **(1,067)** | **(963)** | 301 | (1,969) | (1,668) |
| Savings | **52,710** | **(44,465)** | **8,245** | 11,488 | (24,282) | (12,794) |
| Time | **41,209** | **(162,425)** | **(121,216)** | 10,922 | (58,508) | (47,586) |
| Foreign | **6,879** | **(4,743)** | **2,136** | 16 | (2,908) | (2,892) |
| Total interest-bearing deposits | **100,902** | **(212,700)** | **(111,798)** | 22,727 | (87,667) | (64,940) |
| Short-term borrowings | **26,676** | **(27,479)** | **(803)** | 4,582 | (18,925) | (14,343) |
| Long-term debt and capital securities | **89,177** | **(18,381)** | **70,796** | 18,522 | 4,974 | 23,496 |
| Total interest-bearing deposits and liabilities | **216,755** | **(258,560)** | **(41,805)** | 45,831 | (101,618) | (55,787) |
| **Increase (decrease) in net interest income** | **$379,487** | **$ (1,118)** | **$ 378,369** | $ 75,309 | $ (5,822) | $ 69,487 |

Note:

(1) Interest income for loans and leases include loan fees of $53,830, $37,834, and $32,811 for 2002, 2001 and 2000, respectively.

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**Part II** *(continued)*

**Operating Segments Results**

As detailed in Note 19 to the Consolidated Financial Statements on pages 62 through 66, our operations are managed principally through our two major bank subsidiaries, Bank of the West and First Hawaiian. 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 subsidiaries. First Hawaiian's primary base of operations is in Hawaii, Guam and Saipan. It also has significant operations extending nationally, and to a lesser degree internationally, through its media finance, national corporate lending and leveraged leasing operations. The "Other BancWest" category in the table below consists principally of BancWest Corporation (Parent Company), FHL Lease Holding Company, Inc., BancWest Capital I and First Hawaiian Capital I. The reconciling items are principally consolidating entries to eliminate intercompany balances and transactions. The following table summarizes significant financial information, as of or for years ended December 31, of our reportable segments:

| (in millions) | Net Interest Income | Net Income | Average Segment Assets |
|---|---|---|---|
| **Year ended December 31, 2002:** | | | |
| **Bank of the West:** | | | |
| **Regional banking** | **$ 499** | **$ 137** | **$ 6,778** |
| **Commercial banking** | **274** | **116** | **7,044** |
| **Consumer finance** | **183** | **56** | **6,679** |
| **Other** | **32** | **4** | **2,528** |
| **First Hawaiian Bank:** | | | |
| **Retail banking group** | **244** | **89** | **3,311** |
| **Consumer** | **64** | **29** | **1,350** |
| **Commercial banking** | **6** | **16** | **887** |
| **Financial management group** | **—** | **2** | **13** |
| **Other** | **17** | **(11)** | **3,197** |
| **Other BancWest** | **(125)** | **(77)** | **6,245** |
| **Reconciling items** | **—** | **—** | **(6,662)** |
| **Consolidated totals** | **$1,194** | **$ 361** | **$31,370** |
| Year ended December 31, 2001: | | | |
| Bank of the West: | | | |
| Regional banking | $ 264 | $ 45 | $ 2,772 |
| Commercial banking | 95 | 38 | 2,752 |
| Consumer finance | 135 | 29 | 4,893 |
| Other | 8 | 28 | 1,883 |
| First Hawaiian Bank: | | | |
| Retail banking group | 239 | 80 | 3,562 |
| Consumer | 58 | 23 | 1,330 |
| Commercial banking | 4 | 14 | 671 |
| Financial management group | 1 | 5 | 15 |
| Other | 28 | 3 | 1,869 |
| Other BancWest | (15) | (10) | 2,811 |
| Reconciling items | — | — | (3,097) |
| Consolidated totals | $ 817 | $ 255 | $19,461 |
| Year ended December 31, 2000: | | | |
| Bank of the West: | | | |
| Regional banking | $ 238 | $ 53 | $ 2,479 |
| Commercial banking | 81 | 33 | 2,419 |
| Consumer finance | 102 | 26 | 3,886 |
| Other | 2 | (2) | 1,583 |
| First Hawaiian Bank: | | | |
| Retail banking group | 231 | 72 | 2,944 |
| Consumer | 51 | 19 | 1,130 |
| Commercial banking | 14 | 14 | 829 |
| Financial management group | 1 | 7 | 6 |
| Other | 32 | — | 2,332 |
| Other BancWest | (5) | (6) | 2,541 |
| Reconciling items | — | — | (2,549) |
| Consolidated totals | $ 747 | $ 216 | $17,600 |

**2002 vs. 2001**

As detailed in Note 19 to the Consolidated Financial Statements, we manage our operations through a number of operating segments at Bank of the West and First Hawaiian. The results of each segment are detailed in the Note previously referenced.

**Bank of the West**

- **Regional Banking**

Net interest income grew $235 million primarily due to an increase in average outstanding loans of approximately $2.9 billion and an increase of $4.9 billion in average deposits, both of which are largely attributable to the acquisition of UCB on March 15, 2002. Additionally, due to a declining interest rate environment during much of the period, the net margin (yield) widened.

While the majority of the $57 million increase in noninterest income is due to additional business provided through the UCB acquired branches, approximately $12 million was due to growth from legacy Bank of the West branches.

Noninterest expense increased by approximately $150 million, due almost exclusively to the additional expense associated with the acquired UCB branches and operations. Noninterest expense required to support legacy Bank of the West branches increased by approximately $11 million over the prior year, of which $5 million was due to higher personnel expense and $3 million was due to increased occupancy, both a result of growth.

The increased provision for credit losses reflects the additional losses inherent in a larger loan portfolio.

Average segment assets, loans and deposits for 2002 increased over 2001 primarily as a result of the UCB acquisition.

- **Commercial Banking**

With the exception of the provision for credit losses, which approximately doubled over 2001, all income and expense items for this segment increased by over 150%. Balance sheet growth was significant between the two time periods. The majority of this increase is attributable to UCB, which had a large commercial banking portfolio (compared to that held by the legacy Bank of the West) as of the date of acquisition.

Additional growth was driven by an increase in Small Business Administration loans, loans to religious institutions, the health care industry and equipment leasing, including the November 2002 acquisition of Trinity Capital Corporation. This reflects Bank of the West’s strategy of being a key player in certain niche markets.

- **Consumer Finance**

Net interest income grew approximately $48 million due, in part, to the acquisition of UCB. However, the acquisition of UCB had a lesser effect on the operations of this segment than either of the other two operating segments. Structural changes in the automobile finance market significantly impacted auto loan and lease production, decreasing auto lease production while increasing that of auto loans, which stayed strong throughout 2002. Margins on new loan production were also strong during 2002.

Noninterest income increased approximately 12%. Relocation of the headquarters of Essex Credit from Connecticut to California disrupted service, most notably in the refinance business, and contributed to the gain on sale of loans remaining relatively flat. However, installment fee income increased significantly due to loan extension programs which occurred twice in 2002, compared to just once in 2001.

Noninterest expense increased as a direct result of increased production, which required additional staffing, and the UCB acquisition.

The increased provision for credit losses reflects the additional losses inherent in a larger loan portfolio.

Average segment loans for 2002 increased by approximately $1.6 billion over 2001 primarily as a result of the increased loan production, territorial expansion and the UCB acquisition.

**First Hawaiian**

- **Retail Banking Group**

Net interest income increased approximately $5 million (2%) primarily due to a shift in balances from lower margin TCD accounts into higher margin savings accounts, increased deposits and increased mortgage loan fees. Higher noninterest income of approximately $4 million is primarily due to increased account analysis fees. Noninterest expense decreased approximately $9 million primarily due to purchase accounting adjustments and termination of an office space lease. Assets decreased due to lower balances in commercial loans.

- **Consumer**

Net interest income increased approximately $6 million (10%) primarily due to increased loan fees, higher earning assets and higher margin. Noninterest income increased approximately $7 million primarily due to higher merchant service income and gain on sale of mortgage loans. Assets increased due to higher balances in commercial and real estate mortgage loans.

- **Commercial Banking**

Net interest income increased approximately $2 million (50%) primarily due to higher earning assets. In addition, transfer pricing credits on deferred tax liability increased and the provision for credit losses decreased. The increase was partially offset by a decrease in noninterest income of approximately $2 million compared to the same period in 2001, due to management fees recognized in 2001 related to the sale of a leveraged lease. Assets increased primarily due to higher commercial loan balances.

- **Financial Management Group**

Noninterest income decreased approximately $3 million primarily due to lower investment management fees. Investment management fees were negatively impacted by the prolonged economic downturn in the equity markets. Noninterest expense increased approximately $1 million primarily due to higher employee salaries and benefits.

- **Other**

As compared to the same period in 2001, net interest income decreased approximately $11 million (39%) due to interest recoveries in 2001, interest reversals and lower earning assets. In addition, the decrease was due to higher transfer pricing credit to branches for savings and DDA and net Concord stock gain reflected in 2001.

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**Part II** *(continued)*

**2001 vs. 2000**

**Bank of the West**

- **Regional Banking**

  Net interest income increased by approximately $26 million (11%) due to wider margins and an increase in loans due to the acquisition of 30 branches from Wells Fargo & Company in the first quarter of 2001.

  Noninterest income increased approximately $13 million primarily due to additional revenue from service charges on deposit accounts, which was, in turn, largely a result of an increased average deposit base due to the acquisition of 30 branches from Wells Fargo & Company.

  Noninterest expense increased by approximately $41 million during 2001. Approximately $18 million of this amount is attributable to higher employee related expenses from the addition of 260 employees and other expenses associated with supporting the acquired branches. The rest of the increase is due to higher amortization expense of intangibles ($5 million), higher expenses from internal growth ($9 million) and the overhead costs associated with supporting a larger deposit base.

  The increase in average assets, loans and deposits was primarily a result of the branch acquisition.

- **Commercial Banking**

  Net interest income increased due to wider margins that resulted from the interest rate reductions initiated by the Federal Reserve Bank. Also, the increase in average assets contributed to higher net interest income.

  Noninterest income remained relatively flat while noninterest expense increased as the segment focused on increasing Small Business Administration, religious, healthcare and other niche lending.

  The provision for credit losses increased approximately $3 million (64%) as a result of the weakening economic environment.

- **Consumer Finance**

  Net interest income increased $33 million as a result of new production and growth in the consumer finance segment. New production represented a 36% increase over 2000. The growth was primarily focused in Indirect Auto Lending. The wider margins on new loans generated in 2001 contributed to the increased net interest income.

  Noninterest income increased primarily due to 22% higher gains on the sale of loans through Essex Credit and an increase in installment fee income from a loan extension program.

  The increase in noninterest expense was a result of asset growth from higher loan production.

  The provision for credit losses increased $19 million (84%) as a result of the weakening economic environment and a larger portfolio.

**First Hawaiian**

- **Retail Banking Group**

  Net interest income increased approximately $8 million (3%) primarily due to increased loan fees. Noninterest income increased approximately $4 million primarily due to higher account analysis fees partially offset by increased salaries and benefits. The majority of the decrease in assets was due to commercial loans.

- **Consumer**

  The Consumer segment net income increased approximately $4 million (21%) primarily due to higher interchange and merchant services fees, partially offset by increased salaries and benefits, outside services and co-branded partner fees. Assets decreased due to lower total loan balances.

- **Commercial Banking**

  The Commercial Banking segment net income remained at $14 million primarily due to higher provision for credit losses, partially offset by a management fee collected on sale of a leveraged lease. Assets decreased due to lower balances in commercial loans.

- **Financial Management Group**

  Noninterest income decreased approximately $4 million primarily due to lower investment management fees. The lower investment management fees are a result of the significant and sharp decline in value in the equity markets.

- **Other**

  Other net income decreased approximately $4 million due to loans charged off, higher credit to branches for savings and DDA related to cost of funds, partially offset by the net Concord stock gain.

**Part II** *(continued)*

**Noninterest Income**

Components of and changes in noninterest income are reflected below for the years indicated:

| (dollars in thousands) | 2002 | 2001 | 2000 | 2002/2001 Change Amount | 2002/2001 Change % | 2001/2000 Change Amount | 2001/2000 Change % |
|---|---|---|---|---|---|---|---|
| Service charges on deposit accounts | **$139,030** | $ 89,175 | $ 74,718 | **$ 49,855** | **55.9%** | $14,457 | 19.3% |
| Trust and investment services income | **37,198** | 32,330 | 36,161 | **4,868** | **15.1** | (3,831) | (10.6) |
| Other service charges and fees | **123,760** | 78,787 | 73,277 | **44,973** | **57.1** | 5,510 | 7.5 |
| Securities gains, net | **1,953** | 71,797 | 211 | **(69,844)** | **N/M** | 71,586 | N/M |
| Other | **30,423** | 36,309 | 31,709 | **(5,886)** | **(16.2)** | 4,600 | 14.5 |
| **Total noninterest income** | **$332,364** | $308,398 | $216,076 | **$ 23,966** | **7.8%** | $92,322 | 42.7% |

N/M - Not Meaningful.

**2002 vs. 2001**

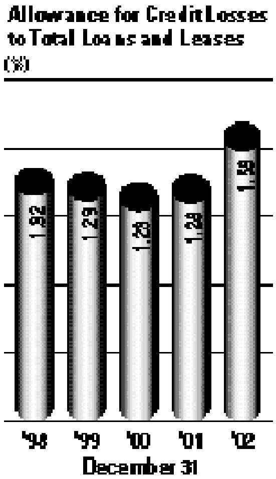
As the table above shows in more detail, noninterest income increased $24 million, or 7.8%, from $308.4 million in 2001 to $332.4 million in 2002. Significant factors included:

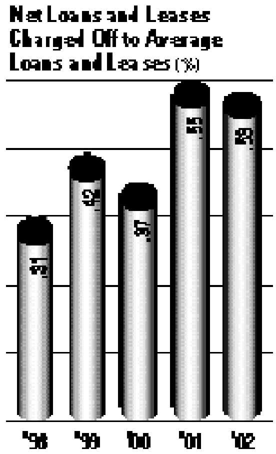
- Service charges on deposit accounts increased, primarily due to higher levels of deposits resulting from the expansion of our customer deposit base primarily in Bank of the West due to the UCB acquisition.
- Trust and investment services income increased, primarily due to the UCB acquisition.
- Securities gains declined by $69.8 million in 2002 as compared to 2001, primarily due to the $59.8 million gross gain on the sale of Concord EFS, Inc. stock in 2001.
- Other service charges and fees increased, primarily due to higher merchant services fees resulting from higher fee charges, increased volume and more merchant outlets, higher bank card and ATM convenience fee income and higher miscellaneous service fees primarily due to the UCB acquisition.
- Other noninterest income decreased, primarily due to lower gains on the sale of OREO property in 2002 and gains on the sale of securitized loans and a leveraged lease in 2001.

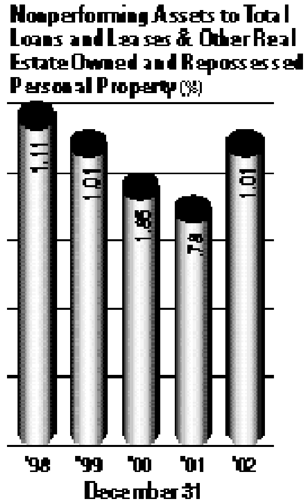
**2001 vs. 2000**

As the table above shows in more detail, noninterest income increased $92.3 million, or 42.7%, from $216.1 million in 2000 to $308.4 million in 2001. Significant factors included:

- Service charges on deposit accounts increased, primarily due to higher levels of deposits caused by the expansion of our customer deposit base in Bank of the West, including the deposits from the 30 branches acquired in Nevada and New Mexico in the first quarter of 2001.
- Trust and investment services income decreased, primarily due to decreased investment management fee income resulting from a lower valuation of investments under management.
- Other service charges and fees increased, primarily due to higher merchant services fees resulting from higher fee charges, increased volume and more merchant outlets, higher bank card and ATM convenience fee income and higher miscellaneous service fees.
- The Concord stock securities gain was primarily responsible for the increase in securities gains.
- Other noninterest income increased by 14.5% compared to 2000. Significant items in 2001 included an approximately $4 million gain on sale of a leveraged lease.


Allowance for Credit Losses to Total Loans and Leases (%)
1.29
'98
'99
'00
'01
'02
December 31


Net Loans and Leases Charged Off to Average Loans and Leases (%)
.55
'98
'99
'00
'01
'02


Nonperforming Assets to Total Loans and Leases & Other Real Estate Owned and Repossessed Personal Property (%)
1.11
1.01
1.01
'98
'99
'00
'01
'02
December 31

**Part II** *(continued)*

**Provision and Allowance for Credit Losses**

The following sets forth the activity in the allowance for credit losses for the years indicated:

| (dollars in thousands) | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| **Loans and leases outstanding (end of year)** | **$24,241,670** | $15,223,732 | $13,971,831 | $12,524,039 | $11,964,563 |
| **Average loans and leases outstanding** | **$22,344,271** | $14,585,712 | $13,285,586 | $12,291,095 | $ 7,658,998 |
| Allowance for credit losses: | | | | | |
| Balance at beginning of year | **$ 194,654** | $ 172,443 | $ 161,418 | $ 158,294 | $ 90,487 |
| Provision for credit losses | **95,356** | 103,050 | 60,428 | 55,262 | 30,925 |
| Loans and leases charged off: | | | | | |
| Commercial, financial and agricultural | **68,497** | 25,855 | 8,693 | 7,715 | 6,440 |
| Real estate: | | | | | |
| Commercial | **3,287** | 1,193 | 2,715 | 6,385 | 740 |
| Construction | **—** | — | 3,480 | 3,646 | — |
| Residential | **1,307** | 2,920 | 6,589 | 5,539 | 4,217 |
| Consumer | **50,155** | 40,076 | 28,331 | 27,927 | 17,911 |
| Lease financing | **22,399** | 21,658 | 10,202 | 9,111 | 1,385 |
| Foreign | **1,741** | 1,438 | 2,121 | 1,222 | 458 |
| Total loans and leases charged off | **147,386** | 93,140 | 62,131 | 61,545 | 31,151 |
| Recoveries on loans and leases previously charged off: | | | | | |
| Commercial, financial and agricultural | **10,479** | 1,045 | 1,954 | 1,761 | 1,314 |
| Real estate: | | | | | |
| Commercial | **999** | 137 | 178 | 311 | 821 |
| Construction | **306** | 321 | 751 | 18 | 1,244 |
| Residential | **608** | 618 | 1,143 | 1,101 | 250 |
| Consumer | **10,331** | 7,028 | 6,261 | 5,681 | 3,040 |
| Lease financing | **5,582** | 2,459 | 2,018 | 1,397 | 253 |
| Foreign | **492** | 693 | 423 | 163 | 124 |
| Total recoveries on loans and leases previously charged off | **28,797** | 12,301 | 12,728 | 10,432 | 7,046 |
| Net charge-offs | **(118,589)** | (80,839) | (49,403) | (51,113) | (24,105) |
| Transfer of allowance allocated to securitized loans | **—** | — | — | (1,025) | — |
| Allowances of subsidiaries purchased (1)(2) | **212,660** | — | — | — | 60,987 |
| **Balance at end of year** | **$ 384,081** | $ 194,654 | $ 172,443 | $ 161,418 | $ 158,294 |
| Net loans and leases charged off to average loans and leases | **.53%** | .55% | .37% | .42% | .31% |
| Net loans and leases charged off to allowance for credit losses | **30.88** | 41.53 | 28.65 | 31.66 | 15.23 |
| Allowance for credit losses to total loans and leases (end of year) | **1.58** | 1.28 | 1.23 | 1.29 | 1.32 |
| Allowance for credit losses to nonperforming loans and leases (end of year): | | | | | |
| Excluding 90 days or more past due accruing loans and leases | **1.70x** | 2.00x | 1.84x | 1.64x | 1.61x |
| Including 90 days or more past due accruing loans and leases | **1.56** | 1.65 | 1.56 | 1.39 | 1.16 |

Note:

(1) Allowance for credit losses of $212,660 in 2002 was related to the acquisition of United California Bank and Trinity Capital Corporation.

(2) Allowance for credit losses of $60,987 in 1998 was related to the BancWest Merger.

**Part II** *(continued)*

We have allocated a portion of the allowance for credit losses according to the amount deemed to be reasonably necessary to provide for the possibility of losses being incurred within the various loan and lease categories as of December 31 for the years indicated:

| | 2002 | | 2001 | | 2000 | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | Allowance Amount | Percent of Loans/Leases in Each Category to Total Loans/Leases | Allowance Amount | Percent of Loans/Leases in Each Category to Total Loans/Leases | Allowance Amount | Percent of Loans/Leases in Each Category to Total Loans/Leases |
| Domestic: | | | | | | |
| Commercial, financial and agricultural | **$ 96,171** | **20%** | $ 42,130 | 16% | $ 22,185 | 19% |
| Real estate: | | | | | | |
| Commercial | **22,524** | **20** | 17,575 | 19 | 11,030 | 19 |
| Construction | **4,572** | **4** | 2,820 | 3 | 3,780 | 3 |
| Residential | **9,378** | **20** | 6,320 | 15 | 7,055 | 17 |
| Consumer | **66,388** | **25** | 45,210 | 29 | 39,025 | 26 |
| Lease financing | **19,588** | **10** | 22,315 | 15 | 16,295 | 14 |
| Foreign | **256** | **1** | 2,915 | 3 | 1,400 | 2 |
| Unallocated | **165,204** | **N/A** | 55,369 | N/A | 71,673 | N/A |
| **Total** | **$384,081** | **100%** | $194,654 | 100% | $172,443 | 100% |

[Additional columns below]

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

| | 1999 | | 1998 | |
|---|---|---|---|---|
| (dollars in thousands) | Allowance Amount | Percent of Loans/Leases in Each Category to Total Loans/Leases | Allowance Amount | Percent of Loans/Leases in Each Category to Total Loans/Leases |
| Domestic: | | | | |
| Commercial, financial and agricultural | $ 19,175 | 18% | $ 28,988 | 19% |
| Real estate: | | | | |
| Commercial | 10,275 | 19 | 13,245 | 19 |
| Construction | 4,755 | 3 | 4,899 | 4 |
| Residential | 12,305 | 19 | 12,009 | 22 |
| Consumer | 34,200 | 24 | 32,251 | 22 |
| Lease financing | 12,855 | 14 | 9,992 | 11 |
| Foreign | 850 | 3 | 1,435 | 3 |
| Unallocated | 67,003 | N/A | 55,475 | N/A |
| **Total** | $161,418 | 100% | $158,294 | 100% |

The provision for credit losses is based on management’s judgment as to the adequacy of the allowance for credit losses (the “Allowance”). Management uses a systematic methodology to determine the related provision for credit losses to be reported for financial statement purposes. 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 categories of loans and 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 to the Consolidated Financial Statements on pages 42 through 49 describes how we evaluate loans for impairment. Note 7 to the Consolidated Financial Statements on pages 54 and 55 details additional information regarding the Allowance and impaired loans.

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 types. Some of the Allowance is not allocated to specific impaired loans because of the subjective nature of the process of estimating an adequate allowance for credit losses, economic uncertainties and other factors.

As the table on page 22 illustrates, the provision for credit losses for 2002 was $95.4 million, a decrease of $7.7 million, or 7.5%, compared to 2001.

We have made substantial efforts to attempt to mitigate risk within our loan portfolio. While we have not specifically identified credits that are currently losses or potential problem loans (other than those identified in our discussion of nonperforming assets on page 29), certain events make it probable that there are losses inherent in our portfolio. These events include:

- The continuing economic slowdown in certain key sectors of the United States economy, in particular manufacturing, technology and media. The sluggish conditions of the national and regional economies were further exacerbated by unsettled geopolitical conditions as a result of rising international tension in Iraq and North Korea. These external events may prove to be the catalyst for a longer and more severe economic downturn than was previously expected.

- The steep decline of the equity markets in the United States has erased a substantial portion of household net worth that was accumulated throughout most of the 1990s. The decline could affect our portfolio in the form of increased charge-offs and nonaccrual loans in the coming months.

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**Part II** *(continued)*

- The less-than-robust conditions in the economy have increased the unemployment rate to levels not experienced in a decade or more. In addition, with the unsettled global political situation, many companies remain reluctant to increase their payrolls. This downturn in employment has most likely begun to negatively affect one of our key customer groups, consumers. Should these negative trends continue we may experience higher charge-offs related to consumer-based loans. Some of our consumer-based loans are charged off upon reaching a predetermined delinquency status, without first being placed on nonaccrual status.

- Energy costs have also begun to increase due to tension in the Middle East and the oil strike in Venezuela. As we experienced during the energy crisis in California two years ago, higher energy costs can negatively impact the economic conditions of the markets we serve.

We will continue to closely monitor the current and potential impact that these factors have on our loan and lease portfolio. Worsening economic conditions may warrant additional amounts for the provision for credit losses in future periods.

**Net Charge-Offs**

**2002 vs. 2001**

| (in thousands) | 2002 | 2001 | Change |
|---|---|---|---|
| Net charge-offs | **$118,589** | $80,839 | 46.7% |

In 2002, net charge-offs increased by $37.8 million compared to 2001 primarily due to the larger loan portfolio in Bank of the West resulting primarily from the UCB acquisition. Contributing to the increase were the following factors:

- Commercial, financial and agricultural net charge-offs increased primarily due to higher charge-offs in the commercial loan portfolio.

- Consumer net charge-offs increased due to higher losses inherent in our larger loan portfolio and the effects of the struggling national and regional economy.

These increases were partially offset by an increase in recoveries in commercial, financial and agricultural loans, consumer loans, and lease financing in 2002 compared to 2001.

**2001 vs. 2000**

| (in thousands) | 2001 | 2000 | Change |
|---|---|---|---|
| Net charge-offs | $80,839 | $49,403 | 63.6% |

In 2001, net charge-offs increased by $31.4 million compared to 2000 due to the following factors:

- Commercial, financial and agricultural net charge-offs increased primarily due to the write-off of $4.4 million in agricultural credits in the Pacific Northwest, the write-off of commercial, financial and agricultural loans totaling $6.9 million and $2.5 million for commercial fraud-related losses. In addition, the higher charge-offs resulted from the larger loan portfolio of Bank of the West.

- Consumer net charge-offs increased due to increased losses inherent in our larger loan portfolio and the effects of the declining national and regional economy.

- Lease financing net charge-offs increased in 2001 over 2000 by 134.6%, or $11 million, primarily in Bank of the West. The charge-offs were primarily in the consumer and equipment areas.

These increases were partially offset by the following:

- Real estate - commercial net charge-offs decreased by $1.5 million, primarily due to fewer charge-offs of nonperforming loans in Hawaii.

- Real estate - residential net charge-offs decreased by $3.1 million, primarily due to decreased charge-offs of nonperforming residential loans in First Hawaiian.

- Foreign net charge-offs decreased in 2001 compared to 2000 by $1 million, or 56.1%, primarily due to decreased charge-offs in Guam and Saipan.

**Allowance for Credit Losses**

**2002 vs. 2001**

| (dollars in thousands) | 2002 | 2001 | Change |
|---|---|---|---|
| Allowance for credit losses (year end) | **$384,081** | $194,654 | 97.3% |

| | | | |
|---|---|---|---|
| Allowance for credit losses as a % of total loans and leases (year end) | **1.58%** | 1.28% | 23.4% |
| Allowance for credit losses to nonperforming loans and leases, excluding 90 days or more past due accruing loans and leases (year end) | **1.70**x | 2.00x | (15)% |

The percentage of the Allowance compared to total loans and leases increased in 2002 from 2001, primarily due to the allowance acquired as part of the UCB acquisition. The ratio of the Allowance to nonperforming loans and leases decreased to 1.70x in 2002 compared to 2.00x in 2001. The decrease is primarily attributable to an increase in nonperforming loans and leases at December 31, 2002. Nonperforming loans and leases increased due to the UCB acquisition and the addition of approximately $40 million of performing syndicated national credits in our First Hawaiian operating segment that were placed on nonaccrual status as a result of a shared national credit review.

In management's judgment, the Allowance is adequate to absorb losses inherent in the loan and lease portfolio at December 31, 2002. However, if economic conditions in our markets change, the Allowance, nonperforming assets and charge-offs could change as a result.

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**Noninterest Expense**

The table below shows the categories of noninterest expense and how they have changed between 2002 and 2001, and between 2001 and 2000:

| | | | | 2002/2001 Change | | 2001/2000 Change | |
|---|---|---|---|---|---|---|---|
| (in thousands) | 2002 | 2001 | 2000 | Amount | % | Amount | % |
| Personnel: | | | | | | | |
| Salaries and wages | **$327,648** | $207,054 | $184,901 | **$120,594** | **58.2%** | $22,153 | 12.0% |
| Employee benefits | **111,810** | 72,442 | 55,362 | **39,368** | **54.3** | 17,080 | 30.9 |
| Total personnel expense | **439,458** | 279,496 | 240,263 | **159,962** | **57.2** | 39,233 | 16.3 |
| Occupancy expense | **85,821** | 66,233 | 62,715 | **19,588** | **29.6** | 3,518 | 5.6 |
| Outside services | **66,418** | 47,658 | 45,924 | **18,760** | **39.4** | 1,734 | 3.8 |
| Intangible amortization | **20,047** | 43,618 | 36,597 | **(23,571)** | **(54.0)** | 7,021 | 19.2 |
| Equipment expense | **48,259** | 30,664 | 29,241 | **17,595** | **57.4** | 1,423 | 4.9 |
| Stationery and supplies | **29,016** | 22,004 | 20,286 | **7,012** | **31.9** | 1,718 | 8.5 |
| Advertising and promotion | **27,420** | 17,066 | 16,950 | **10,354** | **60.7** | 116 | 0.7 |
| Restructuring, integration and other nonrecurring costs | **17,595** | 3,935 | 1,269 | **13,660** | **347.1** | 2,666 | 210.1 |
| Other | **102,040** | 85,072 | 80,716 | **16,968** | **19.9** | 4,356 | 5.4 |
| **Total noninterest expense** | **$836,074** | $595,746 | $533,961 | **$240,328** | **40.3%** | $61,785 | 11.6% |

**2002 vs. 2001**

Total noninterest expense for 2002 was $836.1 million, an increase of $240.3 million, or 40.3%, over 2001. In addition to the factors noted below, the increase in noninterest expense for 2002 compared to 2001, was primarily due to the UCB acquisition. Significant factors included:

- Total personnel expense increased by $160 million, or 57.2%, primarily due to the increased number of employees from the UCB acquisition, $4.4 million in costs related to the participation in the BNPP Discounted Share Purchase Plan in June 2002 and lower net periodic pension benefit credits in 2002. For the years ended December 31, 2002, 2001 and 2000, we recognized a net periodic pension benefit credit. However, due to the decline in the fair market value of our pension assets as a result of the prolonged downturn in the equity markets, we expect to record a net periodic pension benefit expense in 2003.

- Intangible amortization decreased $23.6 million, or 54.0%, due to the adoption of a new accounting standard in 2002 that ceased the amortization of goodwill.

- Advertising and promotion increased $10.4 million, or 60.7%, due to a large multi-media advertising campaign by Bank of the West, in part related to the acquisition of UCB.

- Restructuring and integration costs increased $13.7 million, or 347.1%, related to the UCB acquisition.

**2001 vs. 2000**

Total noninterest expense for 2001 was $595.7 million, an increase of $61.8 million, or 11.6%, over 2000. Significant factors for the increase included:

- Total personnel expense increased by $39.2 million, or 16.3%, primarily due to increased staffing as a result of the Nevada and New Mexico branch acquisitions in the first quarter of 2001, higher incentive benefits in 2001, and lower net periodic pension benefit credits in 2001.

- Occupancy expense increased by $3.5 million, or 5.6%, due to higher building maintenance and rent expense for certain facilities.

- Intangible amortization increased by $7 million, or 19.2%, due to the Nevada and New Mexico branch acquisitions. We recorded an additional $113 million in goodwill and core deposit intangibles at acquisition.

- The restructuring, merger-related and other nonrecurring costs in 2001 were related to the 30 branches acquired in Nevada and New Mexico in the first quarter of 2001.

- Other noninterest expense increased by $4.4 million, or 5.4%, primarily due to a $5 million charitable contribution made to the First Hawaiian Foundation, a charitable arm of First Hawaiian that supports nonprofit and community organizations in the markets where it operates. The amount of the increase was partially offset by $3 million in expenses recognized in 2000 related to the planned acquisition of divested branches resulting from the terminated merger of Zions Bancorporation and First Security Corporation.

**Part II** *(continued)*

**Loans and Leases**

The following table shows the major categories in the loan and lease portfolio as of December 31 for the years indicated:

| (in millions) | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| Domestic: | | | | | |
| Commercial, financial and agricultural | **$ 4,813** | $ 2,388 | $ 2,605 | $ 2,213 | $ 2,233 |
| Real estate: | | | | | |
| Commercial | **4,806** | 2,957 | 2,618 | 2,467 | 2,284 |
| Construction | **972** | 464 | 406 | 408 | 430 |
| Residential | **4,825** | 2,264 | 2,360 | 2,363 | 2,692 |
| Consumer | **6,031** | 4,472 | 3,600 | 2,987 | 2,583 |
| Lease financing | **2,399** | 2,293 | 2,038 | 1,738 | 1,361 |
| Foreign: | | | | | |
| Commercial and industrial | **86** | 81 | 66 | 65 | 81 |
| Other | **310** | 305 | 279 | 283 | 301 |
| **Total loans and leases** | **$24,242** | $15,224 | $13,972 | $12,524 | $11,965 |

**Loans and Leases**

We continue our efforts to diversify our loan and lease portfolio, both geographically and by industry. Our overall growth in loan and lease volume was primarily in our Mainland United States operations.

The loan and lease portfolio is the largest component of total earning assets and accounts for the greatest portion of total interest income. As the table above shows, total loans and leases increased by 59.2% at December 31, 2002 over December 31, 2001. The increase was primarily due to increases in the volume of commercial, financial and agricultural, commercial and residential real estate, consumer loans and leases, with the UCB acquisition and increased lending in the Western United States. The increase was partially offset by decreases in the amount of commercial, financial and agricultural loans in First Hawaiian. The decrease in commercial loans in First Hawaiian primarily reflects a planned reduction in syndicated national credits.

**Commercial, Financial and Agricultural Loans**

As of December 31, 2002, commercial, financial and agricultural loans totaled 19.9% of total loans and leases, compared to 15.7% at December 31, 2001. The increase was primarily due to the UCB acquisition.

We seek to maintain reasonable levels of risk in commercial and financial lending by following prudent underwriting guidelines primarily based on cash flow. Most commercial and financial loans are collateralized and/or supported by guarantors judged to have adequate net worth. We make unsecured loans to customers based on character, net worth, liquidity and repayment ability.

**Real Estate Loans**

Real estate loans represented 43.7% and 37.3% of total loans and leases at December 31, 2002 and 2001, respectively. The increase was primarily due to the UCB acquisition.

We seek to maintain reasonable levels of risk in real estate lending by financing projects selectively, by adhering to prudent underwriting guidelines and by closely monitoring general economic conditions affecting local real estate markets.

**Multifamily and commercial real estate loans.** We analyze each application to assess the project's economic viability, the loan-to-value ratio of the real estate securing the financing and the underlying financial strength of the borrower. In this type of lending, we will generally: (1) lend no more than 75% of the appraised value of the underlying project or property; and (2) require a minimum debt service ratio of 1.20.

**Single-family residential loans.** We will generally lend no more than 80% of the appraised value of the underlying property. Although the majority of our loans adhere to that limit, loans made in excess of that limit are generally covered by third-party mortgage insurance that reduces our equivalent risk to an 80% loan-to-appraised-value ratio.

**Home equity loans.** We generally lend up to 75% of appraised value or tax assessed value for fee simple properties. This includes any senior mortgages. Debt-to-income ratio should not exceed 45% and good credit is required.

**Part II** *(continued)*

**Consumer Loans**

Consumer loans, including credit cards, totaled 24.9% of total loans and leases at December 31, 2002. Balances in this category increased from a year earlier, primarily due to the UCB acquisition and growth in Bank of the West.

Consumer loans consist primarily of open- and closed-end direct and indirect credit facilities for personal, automobile and household purchases. We seek to maintain reasonable levels of risk in consumer lending by following prudent underwriting guidelines which include an evaluation of: (1) personal credit history; (2) personal cash flow; and (3) collateral values based on existing market conditions.

**Lease Financing**

Lease financing as of December 31, 2002 increased primarily due to an increased volume of leases in Bank of the West primarily due to the Trinity acquisition.

**Loan and Lease Concentrations**

Loan and lease concentrations exist when there are loans to multiple borrowers who are engaged in similar activities and thus would be impacted by the same economic or other conditions. At December 31, 2002, we did not have a concentration of loans and leases greater than 10% of total loans and leases which were not otherwise disclosed as a category in the table on page 26.

The loan and lease portfolio is principally located in California, Hawaii and other states in the Western United States. We also lend, to a lesser extent, nationally and in Guam and Saipan. The risk inherent in the portfolio is dependent upon both the economic stability of those states and the financial well-being and creditworthiness of the borrowers.

**Loan and Lease Maturities**

The contractual maturities of loans and leases (shown in the table below) do not necessarily reflect the actual term of our loan and lease portfolio. In our experience, the average life of residential real estate and consumer loans is substantially less than their contractual terms because borrowers prepay loans.

In general, the average life of real estate loans tends to increase when current interest rates exceed rates on existing loans. In contrast, borrowers are more likely to prepay loans when current interest rates are below the rates on existing loans. The volume of such prepayments depends upon changes in both the absolute level of interest rates, the relationship between fixed and adjustable-rate loans and the relative values of the underlying collateral. As a result, the average life of our fixed-rate real estate loans has varied widely.

We generally sell our fixed-rate residential loans on the secondary market, but retain variable-rate residential loans in our portfolio.

At December 31, 2002, loans and leases with maturities over one year were comprised of fixed-rate loans totaling $11.2 billion and floating or adjustable-rate loans totaling $7.3 billion.

The following table sets forth the contractual maturities of our loan and lease portfolio by category at December 31, 2002. Demand loans are included as due within one year.

| (in millions) | Within One Year | After One But Within Five Years | After Five Years | Total |
|---|---|---|---|---|
| Commercial, financial and agricultural | $2,664 | $1,571 | $ 578 | $ 4,813 |
| Real estate: | | | | |
| Commercial | 743 | 1,903 | 2,160 | 4,806 |
| Construction | 655 | 283 | 34 | 972 |
| Residential | 270 | 949 | 3,606 | 4,825 |
| Consumer | 854 | 2,337 | 2,840 | 6,031 |
| Lease financing | 456 | 1,317 | 626 | 2,399 |
| Foreign | 96 | 188 | 112 | 396 |
| **Total** | $5,738 | $8,548 | $9,956 | $24,242 |

**Part II** *(continued)*

**Nonperforming Assets and Past Due Loans and Leases**

Nonperforming assets and past due loans and leases as of December 31 are reflected below for the years indicated:

| (dollars in thousands) | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| Nonperforming assets: | | | | | |
| Nonaccrual: | | | | | |
| Commercial, financial and agricultural | **$145,222** | $ 35,908 | $ 42,089 | $ 22,222 | $ 21,951 |
| Real estate: | | | | | |
| Commercial | **47,377** | 27,568 | 15,331 | 25,790 | 23,128 |
| Construction | **—** | — | 403 | 2,990 | 485 |
| Residential: | | | | | |
| Insured, guaranteed, or conventional | **5,460** | 9,003 | 11,521 | 18,174 | 10,137 |
| Home equity credit lines | **—** | — | — | 940 | 527 |
| Total real estate loans | **52,837** | 36,571 | 27,255 | 47,894 | 34,277 |
| Consumer | **4,769** | 6,144 | 3,257 | 1,625 | 2,416 |
| Lease financing | **11,532** | 9,570 | 6,532 | 3,391 | 1,816 |
| Foreign | **10,088** | 4,074 | 5,496 | 2,162 | 1,174 |
| Total nonaccrual loans and leases | **224,448** | 92,267 | 84,629 | 77,294 | 61,634 |
| Restructured: | | | | | |
| Commercial, financial and agricultural | **698** | 1,569 | 927 | 1,004 | 3,894 |
| Real estate: | | | | | |
| Commercial | **694** | 3,019 | 7,055 | 7,905 | 17,161 |
| Construction | **—** | — | — | 11,024 | 14,524 |
| Residential: | | | | | |
| Insured, guaranteed, or conventional | **—** | 257 | 937 | 1,100 | 1,100 |
| Home equity credit lines | **—** | — | — | — | — |
| Total real estate loans | **694** | 3,276 | 7,992 | 20,029 | 32,785 |
| Total restructured loans and leases | **1,392** | 4,845 | 8,919 | 21,033 | 36,679 |
| Total nonperforming loans and leases | **225,840** | 97,112 | 93,548 | 98,327 | 98,313 |
| Other real estate owned and repossessed personal property | **19,613** | 22,321 | 27,479 | 28,429 | 34,440 |
| **Total nonperforming assets** | **$245,453** | $119,433 | $121,027 | $126,756 | $132,753 |
| Past due loans and leases (1): | | | | | |
| Commercial, financial and agricultural | **$ 9,005** | $ 11,134 | $ 6,183 | $ 1,280 | $ 1,578 |
| Real estate: | | | | | |
| Commercial | **2,952** | 385 | 1,987 | 1,436 | 5,212 |
| Construction | **—** | — | — | — | 440 |
| Residential: | | | | | |
| Insured, guaranteed, or conventional | **5,082** | 3,303 | 3,387 | 7,751 | 23,413 |
| Home equity credit lines | **661** | 467 | 499 | 575 | 1,710 |
| Total real estate loans | **8,695** | 4,155 | 5,873 | 9,762 | 30,775 |
| Consumer | **1,984** | 3,323 | 3,719 | 2,043 | 3,552 |
| Lease financing | **232** | 146 | 113 | 113 | 74 |
| Foreign | **1,181** | 2,023 | 1,321 | 4,824 | 1,816 |
| **Total past due loans and leases** | **$ 21,097** | $ 20,781 | $ 17,209 | $ 18,022 | $ 37,795 |
| Nonperforming assets to total loans and leases and other real estate owned and repossessed personal property (end of year): | | | | | |
| Excluding past due loans and leases | **1.01%** | .78% | .86% | 1.01% | 1.11% |
| Including past due loans and leases | **1.10** | .92 | .99 | 1.15 | 1.42 |
| Nonperforming assets to total assets (end of year): | | | | | |
| Excluding past due loans and leases | **.71** | .55 | .66 | .76 | .83 |
| Including past due loans and leases | **.77** | .65 | .75 | .87 | 1.07 |

Note:

(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 are in the process of collection.

**Part II** *(continued)*

**Nonperforming Assets**

As shown in the table on page 28, nonperforming assets increased by 105.5%, or $126 million, between December 31, 2001 and December 31, 2002. Significant developments include the following:

- An increase in commercial, financial and agricultural loans resulting from the UCB acquisition. In addition, approximately $40 million of performing syndicated national credits in our First Hawaiian operating segment were placed on nonaccrual status as a result of a shared national credit review.

- An increase in real estate-commercial, primarily due to the UCB acquisition.

- An increase in lease financing, primarily in Bank of the West.

- An increase in foreign real estate-residential nonaccrual loans, primarily due to loans in Guam.

Other changes include:

- A decrease in real estate-residential nonaccrual loans, primarily due to loans transferred to OREO and loans paid in full.

- A decrease in restructured real estate-commercial and residential loans, primarily due to one borrower with loans that were transferred to OREO, partially charged off and partially paid off.

**Loans and Leases Past Due, Still Accruing**

Loans and leases past due 90 days or more and still accruing interest increased 1.5% between December 31, 2001 and December 31, 2002. All loans which are past due 90 days or more and still accruing interest are, in management's judgment, adequately collateralized and in the process of collection.

**Potential Problem Loans**

Other than the loans listed in the table on page 28, at December 31, 2002, 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 on existing terms.

The following table presents information related to nonaccrual and nonaccrual restructured loans and leases as of December 31, 2002:

| (in thousands) | Domestic | Foreign | Total |
|---|---|---|---|
| Interest income which would have been recorded if loans had been current | $18,738 | $ — | $18,738 |
| Interest income recorded during the year | $ 4,539 | $ — | $ 4,539 |

**Income Taxes**

The provision for income taxes as shown in the Consolidated Statements of Income on page 39 represents 39.3%, 40.2% and 41.3% of pre-tax income for 2002, 2001 and 2000, respectively. Additional information on our consolidated income taxes is provided in Note 18 to the Consolidated Financial Statements on page 61.

**Deposits**

Deposits are the largest component of our total liabilities and account for the greatest portion of total interest expense. At December 31, 2002, total deposits were $24.6 billion, an increase of 60.1% over December 31, 2001. The increase was primarily due to the growth in our customer deposit base, primarily in Bank of the West due to the UCB acquisition, as well as various deposit product programs that we initiated. Also contributing to the increase was First Hawaiian's acquisition of Union Bank of California's branches in Guam and Saipan. 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 on pages 16 and 17.

**Accounting Developments**

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. Additional information about new accounting pronouncements can be found in Note 1 to the Consolidated Financial Statements on pages 47 through 49.

On January 1, 2001, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – An Amendment of SFAS 133." Consequently, all derivatives are recognized on the consolidated balance sheet at fair value. On the date we enter into a derivative contract, we designate the derivative instrument as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge) or (3) held for trading, customer accommodation or not qualifying for hedge accounting ("freestanding derivative instruments”). For a fair value hedge, changes in the fair value of the derivative instrument and changes in the fair value of the hedged asset or liability or of an unrecognized firm commitment attributable to the hedged risk are recorded in current period income. For a cash flow hedge, changes in the fair value of the derivative instrument to the extent that it is effective are recorded in other comprehensive income within stockholders' equity and subsequently reclassified to net income in the same period(s) that the hedged transaction impacts net income in the same financial statement category as the hedged item. For freestanding derivative instruments, changes in the fair values are reported in current period income. We formally document the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivative instruments that are designated as hedges to specific assets and liabilities on the consolidated balance sheet, an unrecognized firm commitment or a forecasted transaction. We also formally assess, both at the inception of the hedge and on an ongoing basis, whether the derivative instruments used are highly effective in offsetting changes in fair values of hedged items. Any portion of the changes in fair value of derivatives designated as a hedge that is deemed ineffective is recorded in current period earnings; this amount was not material in 2002 or 2001.

We adopted SFAS No. 141, "Business Combinations" in July 2001. SFAS No. 141 encompasses all business combinations initiated after June 30, 2001 and also business combinations that are accounted for under the purchase method of accounting after July 1, 2001. Therefore, the BNP Paribas Merger was accounted for under the guidance in SFAS No. 141. A principal feature of SFAS No. 141 was the ending of the use of the pooling-of-interest method of accounting. We have in the past used the pooling-of-interest method of accounting for certain of our mergers and acquisitions, namely the acquisition of SierraWest Bancorp in 1999. SFAS No. 141 does not require retroactive restatement of our financial statements.

Concurrently with the adoption of SFAS No. 141, we also adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 replaced existing standards on the accounting for goodwill and other intangible assets. In summary, SFAS No. 142 eliminated the amortization of goodwill and replaced it with annual tests for impairment. Prior to the BNP Paribas Merger, we had a substantial amount of intangible assets, mainly goodwill and core deposit intangibles. These intangible assets arose from previous mergers and acquisitions and were being amortized into net income. The total goodwill amortization expense for the period from January 1, 2001 through December 19, 2001 was $31 million. As a result of the BNP Paribas Merger, we recorded $2.062 billion in goodwill, which will not be amortized into net income. Had SFAS No. 142 not been adopted and assuming a 20-year amortization period, we would have recorded pre-tax goodwill amortization of approximately $103 million annually. In 2002, we recorded additional goodwill as a result of the UCB acquisition amounting to $1.328 billion. Assuming a 20-year amortization period, this would have resulted in pre-tax amortization of $52.5 million in 2002. In addition, goodwill resulting from the Trinity acquisition was $7.3 million, which would have resulted in pre-tax amortization in 2002 of $53,000, assuming a 20-year amortization period.

We performed the impairment testing of goodwill required under SFAS No. 142 by March 31, 2002, principally through the use of discounted cash flow modeling. There was no goodwill impairment at the transitional test. In addition, SFAS No. 142 required impairment analysis and disclosure of intangible balances at the same level of the operating segments which we currently report. In the impairment testing done for the year ended December 31, 2002 we did not have any impairment.

### Investment Securities by Maturities and Weighted Average Yields

At December 31, 2002, the Company had no held-to-maturity investment securities. The following table presents the maturities of our available-for-sale investment securities and the weighted average yields (for obligations exempt from Federal income taxes on a taxable-equivalent basis assuming a 35% tax rate) of such securities at December 31, 2002. The tax-equivalent adjustment is made for items exempt from Federal income taxes to make them comparable with taxable items before any income taxes are applied.

***Available-for-Sale***

| | Maturity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Within One Year | | After One But Within Five Years | | After Five But Within Ten Years | | After Ten Years | | Total | |
| (dollars in millions) | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield |
| U.S. Treasury and other U.S Government agencies and corporations | $409 | 3.51% | $ 898 | 3.68% | $ 1 | 3.73% | $ 5 | 3.36% | $1,313 | 3.62% |
| Mortgage and asset-backed securities: | | | | | | | | | | |
| Government | 1 | 5.42 | 81 | 4.75 | 244 | 4.87 | 1,041 | 4.80 | 1,367 | 4.81 |
| Other | — | — | 231 | 4.04 | 102 | 3.92 | 221 | 5.06 | 554 | 4.43 |
| Collateralized mortgage obligations | — | — | 3 | 5.15 | 66 | 5.00 | 378 | 4.59 | 447 | 4.65 |
| States and political subdivisions | — | — | 8 | 3.65 | 3 | 5.90 | 4 | 4.80 | 15 | 4.39 |
| **Subtotal** | $410 | 3.51% | $1,221 | 3.82% | $416 | 4.66% | $1,649 | 4.78% | 3,696 | 4.31% |
| Securities with no stated maturity | | | | | | | | | 165 | |
| **Total** | | | | | | | | | $3,861 | |

Note: The weighted average yields were calculated on the basis of the cost and effective yields weighted for the scheduled maturity of each security.

**Part II** *(continued)*

### Critical Accounting Policies

The SEC recently issued guidance for "critical accounting policies." The SEC defines "critical accounting policies" as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Many of our accounting policies require significant judgment regarding valuation of assets and liabilities and/or significant interpretation of the specific accounting guidance. 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. Our significant accounting policies are discussed in detail in the notes of the consolidated financial statements, in particular Note 1. The following is a summary of our more judgmental and complex accounting policies.

- Allowance for Credit Losses: The allowance for credit losses is intended to adjust the value of our loan portfolio for probable credit losses. The allowance for credit losses represents our best estimate of losses inherent in the existing loan portfolio. For additional discussion on the methodology involved in determining the adequacy of the allowance, see pages 23 and 24.

- Fair Value of Assets: Certain assets and liabilities are reflected at their estimated fair value in the consolidated financial statements. Such amounts are based on either quoted market prices or estimated values derived by utilizing dealer quotes, market comparisons or internally generated modeling techniques. Our internal models generally involve present value of cash flow techniques.

  One of the most significant assets for which we estimate fair value upon is goodwill. As of December 31, 2002, we had $3.229 billion in goodwill on our Consolidated Balance Sheet. As discussed in the preceding "Accounting Development" section, SFAS No. 142 requires that we perform impairment testing for goodwill at least annually. The testing process involves estimating cash flows for future periods. If the future cash flows is materially less than the recorded goodwill balance, we must take a charge against earnings to write down goodwill to the lower value.

- Deferred Tax Assets: We use an estimate of future earnings to support our position that the benefit of our deferred tax assets will be realized. Deferred tax assets and liabilities are measured using effective tax rates that we estimate will be in existence for the periods such deferred tax assets and liabilities will be realized. Generally, this estimate is based on tax rates currently in effect adjusted for any changes resulting from enacted tax laws that have yet to become effective. If tax rates change in the future as a result of tax law enactments or other reasons, the value of deferred tax assets and liabilities may be adjusted through current earnings. If future taxable income should prove insufficient to utilize the deductions associated with the deferred tax assets in the years such deductions are incurred, some or all of the assets may not be realized and our net income will be reduced. Our deferred tax assets are described further in Note 18 to our Consolidated Financial Statements.

### Special Purpose Entities

A special purpose entity ("SPE") is a separate legal entity created by a sponsor to carry out a specified purpose. We are involved in three special purpose entities:

- BWE Trust and FH Trust are both fully consolidated subsidiaries of BancWest Corporation. The purpose of these entities was to allow for the issuance of capital securities that qualify for inclusion in Tier 1 regulatory capital. These entities are described in fuller detail in Note 11 to our Consolidated Financial Statements on pages 56 and 57. We have issued to BWE Trust and FH Trust junior subordinated deferrable interest debentures in return for either capital securities, which we then issued to the public, in the case of BWE Trust, or the proceeds from capital securities that were issued from FH Trust. We reported the debt issued to BWE Trust and FH Trust on our Consolidated Balance Sheets as "Guaranteed preferred beneficial interests in Company's junior subordinated debentures." We include the interest payments related to these debentures on our Consolidated Statements of Income and Consolidated Statements of Cash Flows as interest expense on long-term debt.

- REFIRST, Inc. is an SPE that was created by a non-related third party to construct, finance and hold title to our administrative headquarters building in Honolulu, First Hawaiian Center ("FHC"). We entered into a noncancelable operating lease for FHC with REFIRST, Inc. that terminates on December 1, 2003. Additional information regarding the operating lease agreement for FHC can be found in Note 21 to our Consolidated Financial Statements on page 67. Under current accounting guidance, we do not need to consolidate REFIRST, Inc. into our Consolidated Financial Statements. However, GAAP regarding the consolidation of REFIRST, Inc. into our Consolidated Financial Statements is set to change upon the implementation in July of 2003 of FASB Interpretation No. 46 ("FIN No. 46"), "Consolidation of Variable Interest Entities—An Interpretation of ARB No. 51." FIN No. 46 establishes new guidance on the accounting and reporting for the consolidation of variable interest entities. The principal objective of FIN No. 46 is to require the primary beneficiary of a variable interest entity to consolidate the variable interest entity's assets, liabilities and results of operations in the entity's own financial statements. Accordingly, FIN No. 46 requires the consolidation of REFIRST, Inc. Upon implementation of FIN No. 46, FHC and the related notes and equity for its financing will be included in our Consolidated Balance Sheets. In addition, the depreciation expense of FHC and interest expense on the financing will be included on our Consolidated Statements of Income and Consolidated Statements of Cash Flows on a prospective basis. The provisions of FIN No. 46 require the Company to record a cumulative effect of an accounting change upon its implementation. The amount of such cumulative effect has not been quantified. We have communicated to FHC's owners our intent to purchase it at the end of the lease term for a purchase price of approximately $194 million, which is equal to the outstanding notes and equity. For the year ended December 31, 2002, we recorded approximately $7.8 million in occupancy expense for the lease of FHC.

**Nonaudit Services Provided by Auditors**

In the period from January 1 to December 31, 2002, our audit committee has approved up to $2.3 million in fees related to nonaudit services provided by our independent public accountants, PricewaterhouseCoopers. These fees relate primarily to the integration efforts of UCB with Bank of the West and trust tax compliance work outsourced by First Hawaiian.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

In the normal course of business, we assume various types of risk, which include among others, interest rate risk, credit risk and liquidity risk. We have risk management processes designed to provide for risk identification, measurement and monitoring.

**Interest Rate Risk Measurement and Management**

The net interest income of the Corporation 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.

The Asset/Liability Committees of the Corporation and its major subsidiary companies are responsible for managing interest rate risk. The frequency of meetings of the Asset/Liability Committees generally ranges from monthly to quarterly. Recommendations for changes to a particular subsidiary's interest rate profile, should they exceed established policies, are made to their respective Board of Directors. We have, for trading purposes, loans and leases that are originated and held for sale, commitments to purchase and sell foreign currencies, asset-backed securities and certain interest rate swaps, caps, and floors.

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 off-balance-sheet instruments such as interest rate swaps, caps, floors, options, or forwards.

The Corporation models its net interest income in order to quantify its 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 and down in 100-basis-point increments. Each account-level item is repriced according to its respective contractual characteristics, including any imbedded 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). Off-balance-sheet instruments such as interest rate swaps, swaptions, caps, floors or forwards 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 (a “flat rate scenario”) to determine the level of interest rate risk at that time.

The projected impact of the increases and decreases in interest rates on our consolidated net interest income over the next 12 months beginning January 1, 2003 and 2002 is shown below.

| (dollars in millions) | +3% | +2% | +1% | Flat | –1% |
|---|---|---|---|---|---|
| **2003** | | | | | |
| **Net interest income** | **$1,308.2** | **$1,303.3** | **$1,294.3** | **$1,280.6** | **$1,246.3** |
| **Difference from flat** | **$ 27.6** | **$ 22.7** | **$ 13.7** | **$ —** | **$ (34.3)%** |
| **% variance** | **2.2%** | **1.8%** | **1.1%** | **—%** | **(2.7)%** |
| 2002 | +3% | +2% | +1% | Flat | –1% |
| Net interest income | $ 850.5 | $ 855.5 | $ 859.0 | $ 857.9 | $ 855.4 |
| Difference from flat | $ (7.4) | $ (2.4) | $ 1.1 | $ — | $ (2.5) |
| % variance | (0.9)% | 0.3% | 0.1% | —% | (0.3)% |

Because of the low level of interest rates in 2002, modeling a 200-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.

**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 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.

**Credit Risk Management**

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:

- *Setting Underwriting and Grading Standards.* In 1996, we refined our loan grading system to ten different principal risk categories where “1” is “no risk” and “10” is “loss” and began an effort to decrease our exposure

**Contractual Obligations**

The following is a table regarding our specific contractual obligations. Additional information regarding long-term debt can be found in Note 11 to our Consolidated Financial Statements on pages 56 and 57. Information regarding operating leases can be found in Note 21 on page 67. Information regarding our facilities management agreement can be found in Note 22 to our Consolidated Financial Statements on pages 67 and 68.

| (in thousands) | Within 1 Year | 2 to 3 Years | 4 to 5 Years | After 5 Years | Total |
|---|---|---|---|---|---|
| Long-term debt | $172,254 | $693,929 | $52,699 | $2,717,256 | $3,636,138 |
| Operating leases | 61,845 | 102,322 | 45,190 | 101,766 | 311,123 |
| Facilities management agreement | 16,934 | 28,223 | — | — | 45,157 |
| **Total contractual cash** | $251,033 | $824,474 | $97,889 | $2,819,022 | $3,992,418 |

**obligations**

In addition to these contractual cash obligations, we have off-balance-sheet commitments and contingent liabilities that may or may not be required to be funded, but are current commitments and contingent liabilities. Additional detail for these amounts can be found in Note 22 to our Consolidated Financial Statements on pages 67 and 68.

to customers in the weaker credit categories. We also established risk parameters so that 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 real estate construction (which accounted for only 4% of total loans and leases at December 31, 2002), Hawaii commercial real estate, health care, 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 December 31, 2002, the ratio of nonperforming shared national credits and media finance loans to total shared national credits and media finance loans outstanding was 12.1%. 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 lease portfolio (which represents approximately 72.9% of our lease financing portfolio and 19.6% of our combined lease financing and consumer loans at December 31, 2002), we obtain third-party insurance for the estimated residual value of the leased vehicle. To the extent that these policies include deductible values, we set aside reserves to cover the uninsured portion.

**Liquidity Risk 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.

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, securities purchased under agreements to resell and investment securities. Such assets represented 17.7% of total assets at the end of 2002 compared to 16.7% at the end of 2001.

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 or securitized, such as consumer and mortgage loans.

We obtain short-term, liability-based liquidity primarily from deposits. Average total deposits for 2002 increased 53.3% to $22.3 billion, primarily due to continued expansion of our customer base in the Western United States and our bank acquisition. Average total deposits funded 71% of average total assets for 2002 and 75% in 2001.

We also obtain short-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 Banks. Additional information on short-term borrowings is provided in Note 10 to the Consolidated Financial Statements on pages 55 and 56. Also, 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.

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 14 to the Consolidated Financial Statements on page 58.

Our subordinated debt is assigned a rating of A3 by Moody’s and A by S&P.

**Cash Flows**

The following is a summary of our cash flows for 2002, 2001 and 2000. (There is more detail in the Consolidated Statements of Cash Flows on page 41.)

| (in thousands) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Net cash provided by operating and financing activities | **$3,926,135** | $782,286 | $1,839,752 |
| Net cash used in investing activities | **$2,902,136** | $918,623 | $1,776,114 |

]

Part II *(continued)*

For the year ended December 31, 2002, the increase was primarily due to the proceeds of $1.6 billion from the issuance of common stock and $800 million in proceeds from the repurchase agreement.

For the year ended December 31, 2001, due primarily to increased loan volume and purchases of investment securities, net cash decreased by $136.3 million compared to the year ended 2000. The net cash provided by operating and financing activities in 2001 was used principally to fund earning assets. In 2000, the increase in net cash of $63.6 million was primarily due to increased deposit volume and the issuance of $150 million in capital securities by BWE Trust.

**Interest Rate Sensitivity**

The table below presents our interest rate sensitivity position at December 31, 2002. The interest rate sensitivity gap, shown at the bottom of the table, refers to the difference between assets and liabilities subject to repricing, maturity, runoff and/or volatility during a specified period. The gap is adjusted for interest rate swaps, which are hedging certain assets or liabilities on the balance sheet. (For ease of analysis, all of these swap adjustments are consolidated into the "off-balance-sheet adjustment" line on the gap table.)

Since all interest rates and yields do not adjust at the same velocity or magnitude, and since volatility is subject to change, the gap is only a general indicator of interest rate sensitivity. At December 31, 2002, we had a cumulative one-year gap that was $2 billion, representing 5.68% of total assets.

**Fourth Quarter Results**

Our consolidated net income in the fourth quarter of 2002 was $102.3 million, an increase over the fourth quarter of 2001 of $38.8 million, or 61.2%. Revenue growth, primarily due to the UCB acquisition, was the major factor in the increase of net income for the period. Net interest income of $327.3 million increased over the same period last year due to a higher volume of loans and leases. Noninterest income of $89.7 million also increased in this period over the same period last year, due primarily to an increase in service charges and fees, partially offset by lower gains on the sale of securities. Partially offsetting the increase in net interest income and noninterest income was an increase in noninterest expense to $223.8 million, mainly in higher employee salaries and benefits, occupancy and equipment expenses related to our larger branch structure. Partially offsetting these increases

| (dollars in thousands) | Within Three Months | After Three But Within 12 Months | After One But Within Five Years | After Five Years | Total |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Interest-bearing deposits in other banks | $ 2,098 | $ — | $ — | $ — | $ 2,098 |
| Federal funds sold and securities purchased under agreements to resell | 430,056 | — | — | — | 430,056 |
| Available-for-sale investment securities | 589,909 | 1,223,957 | 1,757,868 | 369,306 | 3,941,040 |
| Net loans and leases: | | | | | |
| Commercial, financial and agricultural | 3,122,468 | 1,211,734 | 438,178 | 40,510 | 4,812,890 |
| Real estate—construction | 939,976 | 27,975 | 1,264 | 2,646 | 971,861 |
| Foreign | 150,867 | 79,498 | 154,120 | 11,404 | 395,889 |
| Other | 4,268,908 | 3,607,425 | 7,418,641 | 2,381,975 | 17,676,949 |
| Total earning assets | 9,504,282 | 6,150,589 | 9,770,071 | 2,805,841 | 28,230,783 |
| Nonearning assets | 537,099 | 712,880 | 1,662,507 | 3,605,998 | 6,518,484 |
| **Total assets** | $10,041,381 | $6,863,469 | $11,432,578 | $ 6,411,839 | $34,749,267 |
| **Liabilities and Stockholder's Equity:** | | | | | |
| Interest-bearing deposits | $ 5,190,178 | $4,063,466 | $ 5,737,146 | $ 2,282,012 | $17,272,802 |
| Noninterest-bearing deposits | 1,515,669 | 662,216 | 3,531,820 | 1,574,972 | 7,284,677 |
| Short-term borrowings | 1,284,015 | 236,223 | 4,512 | — | 1,524,750 |
| Long-term debt and capital securities | 348,394 | 122,195 | 602,815 | 2,562,734 | 3,636,138 |
| Stockholder's equity | 38,827 | — | — | 3,828,655 | 3,867,482 |
| Off-balance-sheet adjustment | 701,148 | (38,101) | (708,533) | 45,486 | — |
| Noncosting liabilities | 274,107 | 535,869 | 40 | 353,402 | 1,163,418 |
| **Total liabilities and stockholder's equity** | $ 9,352,338 | $5,581,868 | $ 9,167,800 | $10,647,261 | $34,749,267 |
| Interest rate sensitivity gap | $ 689,043 | $1,281,601 | $ 2,264,778 | $ (4,235,422) | |
| Cumulative gap | $ 689,043 | $1,970,644 | $ 4,235,422 | $ — | |
| Cumulative gap as a percent of total assets | 1.98% | 5.67% | 12.19% | —% | |

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in expenses were lower intangible amortization.

**Summary of Quarterly Financial Data (Unaudited)**

A summary of unaudited quarterly financial data for 2002 and 2001 is presented below:

| (in thousands) | Quarter First | Quarter Second | Quarter Third | Quarter Fourth | Annual Total |
|---|---|---|---|---|---|
| **2002** | | | | | |
| **Interest income** | **$329,284** | **$447,690** | **$444,548** | **$438,200** | **$1,659,722** |
| **Interest expense** | **104,804** | **125,796** | **123,814** | **110,916** | **465,330** |
| **Net interest income** | **224,480** | **321,894** | **320,734** | **327,284** | **1,194,392** |
| **Provision for credit losses** | **20,007** | **22,902** | **26,300** | **26,147** | **95,356** |
| **Noninterest income** | **62,624** | **88,429** | **91,639** | **89,672** | **332,364** |
| **Noninterest expense** | **159,098** | **228,820** | **224,364** | **223,792** | **836,074** |
| **Income before income taxes** | **107,999** | **158,601** | **161,709** | **167,017** | **595,326** |
| **Provision for income taxes** | **42,582** | **62,023** | **64,651** | **64,738** | **233,994** |
| **Net income** | **$ 65,417** | **$ 96,578** | **$ 97,058** | **$102,279** | **$ 361,332** |
| 2001 | | | | | |
| Interest income | $338,851 | $333,560 | $331,330 | $319,908 | $1,323,649 |
| Interest expense | 149,478 | 134,872 | 119,929 | 102,856 | 507,135 |
| Net interest income | 189,373 | 198,688 | 211,401 | 217,052 | 816,514 |
| Provision for credit losses | 35,200 | 23,150 | 15,950 | 28,750 | 103,050 |
| Noninterest income | 98,499 | 79,796 | 61,161 | 68,942 | 308,398 |
| Noninterest expense | 150,088 | 147,716 | 148,684 | 149,258 | 595,746 |
| Income before income taxes | 102,584 | 107,618 | 107,928 | 107,986 | 426,116 |
| Provision for income taxes | 40,837 | 41,677 | 44,279 | 44,519 | 171,312 |
| Net income | $ 61,747 | $ 65,941 | $ 63,649 | $ 63,467 | $ 254,804 |

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## Item 8. Financial Statements and Supplementary Data

### Report of Independent Public Accountants

**To the Stockholder**
**BancWest Corporation**

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in stockholder's equity and cash flows present fairly, in all material respects, the consolidated financial position of BancWest Corporation and its subsidiaries (a wholly-owned subsidiary of BNP Paribas) at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the year ended December 31, 2002 and for the period from December 20, 2001 to December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, on November 1, 1998 BNP Paribas acquired approximately 45% of the Company's outstanding common stock. On December 20, 2001, BNP Paribas acquired the remaining shares of the Company's outstanding common stock that it did not already own. The consolidated financial statements for the periods subsequent to December 19, 2001 have been prepared on the basis of accounting arising from these acquisitions. The consolidated financial statements for the period from January 1, 2001 to December 19, 2001 and for the year ended December 31, 2000 are presented on the Company's previous basis of accounting.

/s/ PricewaterhouseCoopers LLP
Honolulu, Hawaii
January 21, 2003

**To the Stockholders**
**BancWest Corporation**

In our opinion, the accompanying consolidated statements of income, changes in stockholders' equity and cash flows present fairly, in all material respects, the consolidated results of operations and cash flows of BancWest Corporation and its subsidiaries for the period from January 1, 2001 to December 19, 2001 and for the year ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, on November 1, 1998 BNP Paribas acquired approximately 45% of the Company's outstanding common stock. On December 20, 2001, BNP Paribas acquired the remaining shares of the Company's outstanding common stock that it did not already own. The consolidated financial statements for the periods subsequent to December 19, 2001 have been prepared on the basis of accounting arising from these acquisitions. The consolidated financial statements for the period from January 1, 2001 to December 19, 2001 and for the year ended December 31, 2000 are presented on the Company's previous basis of accounting.

/s/ PricewaterhouseCoopers LLP
Honolulu, Hawaii
January 21, 2003

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**Consolidated Balance Sheets**

| (in thousands) | December 31, 2002 | 2001 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | **$ 1,761,261** | $ 737,262 |
| Interest-bearing deposits in other banks | **2,098** | 109,935 |
| Federal funds sold and securities purchased under agreements to resell | **430,056** | 233,000 |
| Available-for-sale investment securities (note 5) | **3,941,040** | 2,542,173 |
| Loans and leases: | | |
| Loans and leases (note 6) | **24,241,670** | 15,223,732 |
| Less allowance for credit losses (note 7) | **384,081** | 194,654 |
| Net loans and leases | **23,857,589** | 15,029,078 |
| Premises and equipment, net (note 8) | **380,272** | 273,035 |
| Customers' acceptance liability | **25,945** | 1,498 |
| Core deposit intangible (net of accumulated amortization of $20,127 in 2002 and $458 in 2001) | **210,411** | 110,239 |
| Goodwill | **3,229,200** | 2,061,805 |
| Other real estate owned and repossessed personal property | **19,613** | 22,321 |
| Other assets | **891,782** | 526,168 |
| **Total assets** | **$34,749,267** | $21,646,514 |
| **Liabilities and Stockholder's Equity** | | |
| Deposits: | | |
| Domestic: | | |
| Interest-bearing | **$16,720,767** | $11,453,882 |
| Noninterest-bearing | **7,144,929** | 3,407,209 |
| Foreign | **691,783** | 472,960 |
| Total deposits | **24,557,479** | 15,334,051 |
| Short-term borrowings (note 10) | **1,524,750** | 954,320 |
| Acceptances outstanding | **25,945** | 1,498 |
| Long-term debt (note 11) | **3,376,947** | 2,197,954 |
| Guaranteed preferred beneficial interests in Company's junior subordinated debentures (note 11) | **259,191** | 265,130 |
| Other liabilities | **1,137,473** | 891,641 |
| Total liabilities | **30,881,785** | 19,644,594 |
| Commitments and contingent liabilities (notes 15, 21 and 22) | | |
| Stockholder's equity: | | |
| Class A common stock, par value $.01 per share in 2002 and 2001 (note 2) | | |
| Authorized—150,000,000 shares in 2002 and 2001 | | |
| Issued—85,759,123 shares in 2002 and 56,074,874 shares in 2001 | **858** | 561 |
| Surplus | **3,419,927** | 1,985,275 |
| Retained earnings (note 14) | **369,634** | 8,302 |
| Accumulated other comprehensive income, net (note 12) | **77,063** | 7,782 |
| Total stockholder's equity | **3,867,482** | 2,001,920 |
| **Total liabilities and stockholder's equity** | **$34,749,267** | $21,646,514 |

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

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## Consolidated Statements of Income

| | Company | | Predecessor | |
|---|---|---|---|---|
| (in thousands) | Year Ended December 31, 2002 | December 20, 2001 through December 31, 2001 | January 1, 2001 through December 19, 2001 | Year Ended December 31, 2000 |
| **Interest income** | | | | |
| Interest and fees on loans | **$1,351,015** | $31,385 | $ 989,200 | $1,019,301 |
| Lease financing income | **145,020** | 4,875 | 142,990 | 129,032 |
| Interest on investment securities: | | | | |
| Taxable interest income | **155,440** | 4,390 | 131,795 | 136,295 |
| Exempt from Federal income taxes | **502** | 7 | 445 | 751 |
| Other interest income | **7,745** | 221 | 18,341 | 24,477 |
| Total interest income | **1,659,722** | 40,878 | 1,282,771 | 1,309,856 |
| **Interest expense** | | | | |
| Deposits (note 9) | **281,466** | 8,466 | 384,797 | 458,204 |
| Short-term borrowings | **34,152** | 1,160 | 33,796 | 49,298 |
| Long-term debt | **149,712** | 5,341 | 73,575 | 55,420 |
| Total interest expense | **465,330** | 14,967 | 492,168 | 562,922 |
| Net interest income | **1,194,392** | 25,911 | 790,603 | 746,934 |
| Provision for credit losses (note 7) | **95,356** | 2,419 | 100,631 | 60,428 |
| Net interest income after provision for credit losses | **1,099,036** | 23,492 | 689,972 | 686,506 |
| **Noninterest income** | | | | |
| Service charges on deposit accounts | **139,030** | 2,912 | 86,263 | 74,718 |
| Trust and investment services income | **37,198** | 830 | 31,500 | 36,161 |
| Other service charges and fees | **123,760** | 2,248 | 76,539 | 73,277 |
| Securities gains (losses), net (note 5) | **1,953** | (31) | 71,828 | 211 |
| Other | **30,423** | 878 | 35,431 | 31,709 |
| Total noninterest income | **332,364** | 6,837 | 301,561 | 216,076 |
| **Noninterest expense** | | | | |
| Salaries and wages | **327,648** | 6,991 | 200,063 | 184,901 |
| Employee benefits (note 15) | **111,810** | 2,199 | 70,243 | 55,362 |
| Occupancy expense (notes 8 and 21) | **85,821** | 1,652 | 64,581 | 62,715 |
| Outside services | **66,418** | 1,523 | 46,135 | 45,924 |
| Intangible amortization | **20,047** | 458 | 43,160 | 36,597 |
| Equipment expense (notes 8 and 21) | **48,259** | 887 | 29,777 | 29,241 |
| Restructuring and integration costs (note 2) | **17,595** | — | 3,935 | 1,269 |
| Other (note 17) | **158,476** | 3,610 | 120,532 | 117,952 |
| Total noninterest expense | **836,074** | 17,320 | 578,426 | 533,961 |
| Income before income taxes | **595,326** | 13,009 | 413,107 | 368,621 |
| Provision for income taxes (note 18) | **233,994** | 4,707 | 166,605 | 152,227 |
| **Net income** | **$ 361,332** | $ 8,302 | $ 246,502 | $ 216,394 |

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

**Consolidated Statements of Changes
In Stockholder's Equity**

| (in thousands, except number of shares and per share data) | Class A Common Stock Shares | Class A Common Stock Amount | Common Stock Shares | Common Stock Amount | Surplus | Retained Earnings | (note 12) Accumulated Other Comprehensive Income, net | Treasury Stock | Total |
|---|---|---|---|---|---|---|---|---|---|
| Predecessor: | | | | | | | | | |
| Balance, December 31, 1999 | 51,629,536 | $51,630 | 75,418,850 | $75,419 | $1,124,512 | $638,687 | $ (9,873) | $(37,645) | $1,842,730 |
| Comprehensive income: | | | | | | | | | |
| Net income | — | — | — | — | — | 216,394 | — | — | 216,394 |
| Unrealized valuation adjustment, net of tax and reclassification adjustment | — | — | — | — | — | — | 17,474 | — | 17,474 |
| Comprehensive income | — | — | — | — | — | 216,394 | 17,474 | — | 233,868 |
| Conversion of common stock to Class A common stock | 4,445,338 | 4,445 | (4,445,338) | (4,445) | — | — | — | — | — |
| Issuance of common stock | — | — | 67,938 | 67 | 518 | — | — | — | 585 |
| Issuance of treasury stock | — | — | — | — | (475) | — | — | 3,901 | 3,426 |
| Purchase of treasury stock, net | — | — | — | — | — | — | — | (7,482) | (7,482) |
| Income tax benefit from stock-based compensation | — | — | — | — | 1,097 | — | — | — | 1,097 |
| Cash dividends ($.68 per share) (note 14) | — | — | — | — | — | (84,731) | — | — | (84,731) |
| Balance, December 31, 2000 | 56,074,874 | 56,075 | 71,041,450 | 71,041 | 1,125,652 | 770,350 | 7,601 | (41,226) | 1,989,493 |
| Comprehensive income: | | | | | | | | | |
| Net income | — | — | — | — | — | 361,332 | — | — | 361,332 |
| Unrealized valuation adjustment, net of tax and reclassification adjustment | — | — | — | — | — | — | 40,557 | — | 40,557 |
| Comprehensive income | — | — | — | — | — | 246,502 | (5,129) | — | 241,373 |
| Issuance of common stock | — | — | 63,952 | 64 | (95) | — | — | — | (31) |
| Issuance of treasury stock, net | — | — | — | — | (141) | — | — | 3,531 | 3,390 |
| Income tax benefit from stock-based compensation | — | — | — | — | 2,435 | — | — | — | 2,435 |
| Cash dividends ($.80 per share) (note 14) | — | — | — | — | — | (99,772) | — | — | (99,772) |
| Balance, December 19, 2001 | 56,074,874 | $56,075 | 71,105,402 | $71,105 | $1,127,851 | $917,080 | $ 2,472 | $(37,695) | $2,136,888 |
| Company: | | | | | | | | | |
| Balance, December 20, 2001 | 56,074,874 | $ 561 | — | $ — | $1,985,275 | $ — | $ — | $ — | $1,985,836 |
| Comprehensive income: | | | | | | | | | |
| Net income | — | — | — | — | — | 8,302 | — | — | 8,302 |
| Unrealized valuation adjustment, net of tax and reclassification adjustment | — | — | — | — | — | — | 7,782 | — | 7,782 |
| Comprehensive income | — | — | — | — | — | 8,302 | 7,782 | — | 16,084 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2001 | 56,074,874 | 561 | — | — | 1,985,275 | 8,302 | 7,782 | — | 2,001,920 |
| **Comprehensive income:** | | | | | | | | | |
| **Net income** | **—** | **—** | **—** | **—** | **—** | **361,332** | **—** | **—** | **361,332** |
| **Unrealized valuation adjustment, net of tax and reclassification adjustment** | **—** | **—** | **—** | **—** | **—** | **—** | **40,557** | **—** | **40,557** |
| **Change in fair value of cash-flow type-hedge derivative instruments, net of tax and reclassification adjustment** | **—** | **—** | **—** | **—** | **—** | **—** | **28,724** | **—** | **28,724** |
| **Comprehensive income** | **—** | **—** | **—** | **—** | **—** | **361,332** | **69,281** | **—** | **430,613** |
| **Issuance of Class A common stock** | **29,684,249** | **297** | **—** | **—** | **1,599,703** | **—** | **—** | **—** | **1,600,000** |
| **Adjustment to pushdown of parent company's basis** | **—** | **—** | **—** | **—** | **(167,476)** | **—** | **—** | **—** | **(167,476)** |
| **Discounted share purchase plan** | **—** | **—** | **—** | **—** | **2,425** | **—** | **—** | **—** | **2,425** |
| **Balance, December 31, 2002** | **85,759,123** | **$ 858** | **—** | **$ —** | **$3,419,927** | **$369,634** | **$77,063** | **$ —** | **$3,867,482** |

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

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**Consolidated Statements of Cash Flows**

| (in thousands) | Company: Year Ended December 31, 2002 | Company: December 20, 2001 through December 31, 2001 | Predecessor: January 1, 2001 through December 19, 2001 | Predecessor: Year Ended December 31, 2000 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Net income | **$ 361,332** | $ 8,302 | $ 246,502 | $ 216,394 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Provision for credit losses | **95,356** | 2,419 | 100,631 | 60,428 |
| Net gain on sale of assets | **—** | — | — | (1,218) |
| Depreciation and amortization | **67,987** | 1,016 | 75,339 | 70,142 |
| Deferred income taxes | **138,003** | 1,971 | 69,762 | 112,848 |
| Increase in accrued income taxes payable | **12,840** | 2,736 | 18,178 | 3,295 |
| Decrease (increase) in interest receivable | **(58,027)** | (4,688) | 16,457 | (16,868) |
| Increase (decrease) in interest payable | **14,291** | (9,893) | (39,371) | 14,497 |
| Decrease (increase) in prepaid expense | **(32,582)** | 24,127 | (7,044) | (16,208) |
| Restructuring, integration and other nonrecurring costs | **17,595** | — | 3,935 | 1,269 |
| Cash paid for BNP Paribas cancellation of stock options | **(83,347)** | — | — | — |
| Other | **(251,747)** | 1,187 | 4,001 | (12,534) |
| **Net cash provided by operating activities** | **281,701** | 27,177 | 488,390 | 432,045 |
| **Cash flows from investing activities:** | | | | |
| Net decrease (increase) in interest-bearing deposits in other banks | **108,042** | (42,806) | (61,157) | 3,163 |
| Net decrease (increase) in Federal funds sold and securities purchased under agreements to resell | **(158,024)** | (77,988) | 442,100 | (236,000) |
| Proceeds from maturity of held-to-maturity investment securities | **—** | — | 35,066 | 49,928 |
| Purchase of held-to-maturity investment securities | **—** | — | (33,079) | — |
| Proceeds from maturity of available-for-sale investment securities | **1,173,208** | 28,669 | 1,120,487 | 809,692 |
| Proceeds from sale of available-for-sale investment securities | **59,908** | — | 559,220 | 136,345 |
| Purchase of available-for-sale investment securities | **(2,044,022)** | (24,795) | (2,312,508) | (1,009,802) |
| Proceeds from sale of Concord stock | **—** | — | 45,359 | — |
| Purchase of bank-owned life insurance | **—** | — | (109,360) | — |
| Net increase in loans to customers | **(261,444)** | (42,381) | (1,049,984) | (1,509,172) |
| Net cash (paid for) provided by acquisitions | **(1,763,800)** | — | 632,965 | — |
| Purchase of premises and equipment | **(15,466)** | (1,012) | (20,369) | (10,120) |
| Other | **(538)** | (37) | (7,013) | (10,148) |
| **Net cash used in investing activities** | **(2,902,136)** | (160,350) | (758,273) | (1,776,114) |
| **Cash flows from financing activities:** | | | | |
| Net increase (decrease) in deposits | **1,016,493** | 356,822 | (406,479) | 1,250,187 |
| Net increase (decrease) in short-term borrowings | **(5,391)** | 114,575 | 170,677 | 80,091 |
| (Payments on) proceeds from long-term debt and capital securities | **1,030,907** | (245,684) | 287,439 | 165,631 |
| Cash dividends paid | **—** | — | (99,772) | (84,731) |
| Cash received from BNP Paribas for cancellation of stock options | **—** | 83,347 | — | — |
| Proceeds from issuance (payments on exercise) of common stock | **1,600,000** | — | (31) | 585 |
| Issuance (purchase) of treasury stock, net | **—** | — | 5,825 | (4,056) |
| Discounted share purchase plan | **2,425** | — | — | — |
| **Net cash provided by (used in) financing activities** | **3,644,434** | 309,060 | (42,341) | 1,407,707 |
| **Net increase (decrease) in cash and due from banks** | **1,023,999** | 175,887 | (312,224) | 63,638 |
| **Cash and due from banks at beginning of period** | **737,262** | 561,375 | 873,599 | 809,961 |
| **Cash and due from banks at end of period** | **$ 1,761,261** | $ 737,262 | $ 561,375 | $ 873,599 |
| **Supplemental disclosures:** | | | | |
| Interest paid | **$ 451,039** | $ 24,860 | $ 525,003 | $ 548,425 |

| | | | | |
|---|---|---|---|---|
| Income taxes paid | **$ 84,730** | $ — | $ 78,665 | $ 36,084 |
| **Supplemental schedule of noncash investing and financing activities:** | | | | |
| Loans converted into other real estate owned and repossessed personal property | **$ 16,815** | $ 298 | $ 13,152 | $ 5,800 |
| **In connection with acquisitions, the following liabilities were assumed:** | | | | |
| Fair value of assets acquired | **$11,719,382** | $ — | $ 14,682 | $ — |
| Cash (paid) received | **(2,418,208)** | — | 632,965 | — |
| **Liabilities assumed** | **$ 9,301,174** | $ — | $ 647,647 | $ — |

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

**Notes to Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies**

**Description 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 and equipment and vehicle leasing and offer trust and insurance products. BancWest Corporation's subsidiaries operate 358 offices in the states of California, Hawaii, Oregon, Washington, Idaho, New Mexico and Nevada and in Guam and Saipan.

The accounting and reporting policies of BancWest Corporation and Subsidiaries (the "Company" or "we/our") conform with generally accepted accounting principles and practices within the banking industry. The following is a summary of the significant accounting policies:

**Consolidation**

The Consolidated Financial Statements of the Company include the accounts of BancWest Corporation (the "Parent") and its wholly-owned subsidiary companies:

- Bank of the West and its wholly-owned subsidiaries ("Bank of the West");
- First Hawaiian Bank and its wholly-owned subsidiaries ("First Hawaiian");
- FHL Lease Holding Company, Inc. and its wholly-owned subsidiary ("Leasing");
- BancWest Capital I ("BWE Trust");
- First Hawaiian Capital I ("FH Trust"); and
- FHI International, Inc.

All significant intercompany balances and transactions have been eliminated in consolidation.

**Basis of Presentation**

On December 20, 2001, BNP Paribas, a société anonyme or limited liability banking corporation organized under the laws of the Republic of France, acquired all of the outstanding common stock of the Parent. As a result of the transaction, the Parent became a wholly-owned subsidiary of BNP Paribas. The business combination was accounted for using the purchase method of accounting, with BNP Paribas' accounting basis being "pushed down" to the Parent. Prior to the close of business on December 19, 2001, the Parent was 55% publicly owned and 45% owned by BNP Paribas. Starting on December 20, 2001, the Company's financial statements reflected BNP Paribas' "pushed-down basis." See Note 2 to the Consolidated Financial Statements for additional information regarding this business combination.

It is generally not appropriate to combine pre- and post- "push-down" periods; however, for items that were clearly not material, certain information presented in this section combines the Company's consolidated results of operations from December 20, 2001 to December 31, 2001 with those for the period from January 1, 2001 to December 19, 2001.

**Reclassifications**

The 2001 and 2000 Consolidated Financial Statements were reclassified in certain respects to conform to the 2002 presentation. Such reclassifications did not have a material effect on the Consolidated Financial Statements.

**Business Combinations**

Business combinations are accounted for using the purchase method of accounting and the net assets of the companies acquired are recorded at their fair values at the date of acquisition. The results of operations of the acquired companies are included from the date of acquisition.

See also "New Pronouncements" below for more discussion.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Due from Banks**

Cash and due from banks include amounts from other financial institutions as well as in-transit clearings. Under the terms of the Depository Institutions Deregulation and Monetary Control Act, the Company is required to place reserves with the Federal Reserve Bank based on the amount of deposits held. The average amount of these reserve balances were $307.9 million for 2002, $226.8 million for 2001 and $205.3 million for 2000.

**Trading Assets**

Securities acquired for short-term appreciation or other trading purposes are carried at fair value, with unrealized gains and losses recorded in noninterest income.

**Investment Securities**

Investment securities consist principally of debt and asset-backed securities issued by the U.S. Treasury and other U.S. Government agencies and corporations and state and local government units. These securities have been adjusted for amortization of premiums or accretion of discounts using the constant yield method.

Investment securities are classified into three categories and accounted for as follows:

(1) Held-to-maturity securities are debt securities which the Company has the positive intent and ability to hold to maturity. These securities are reported at amortized cost.

(2) Trading securities are debt and equity securities which are bought and held principally for the purpose of selling them in the near term. These securities are reported at fair value, with unrealized gains and losses included in current earnings.

(3) Available-for-sale securities are debt and equity securities not classified as either held-to-maturity or trading securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded from current earnings. The unrealized gains and losses are reported as a separate component of stockholder's equity.

Gains and losses realized on the sales of investment securities are determined using the specific identification method.

**Loans and Leases**

Loans and leases are stated at the principal amounts outstanding, net of any unearned income or discounts. Interest income is accrued and recognized on the principal amount outstanding unless the loan is determined to be impaired and placed on nonaccrual status. (See Impaired and Nonaccrual Loans and Leases below.)

We provide lease financing under a variety of arrangements, primarily consumer automobile leases, commercial equipment leases and leveraged leases.

- Leases for consumer automobiles and commercial equipment are classified as direct financing leases. 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.

- Leveraged lease transactions are subject to outside financing through one or more participants, without recourse to the Company. These transactions are accounted for by recording as the net investment in each lease the aggregate of rentals receivable (net of principal and interest on the related nonrecourse debt) and the estimated residual value of the equipment less the unearned income. Income from these lease transactions is recognized during the periods in which the net investment is positive.

**Loans Held for Sale**

Loans held-for-sale without designated fair value hedges are recorded at the lower of aggregate cost or fair value. Loans held for sale with designated fair value hedges are recorded at fair value. Loans held for sale include residential mortgage loans originated for sale.

**Impaired and Nonaccrual Loans and Leases**

We evaluate certain loans and leases for impairment on a case-by-case basis. We consider a loan or lease to be impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan or lease. We measure impairment based on the present value of the expected future cash flows discounted at the loan or lease's effective interest rate, except for collateral-dependent loans and leases. For collateral-dependent loans and leases, we measure impairment based on the fair value of the collateral. On a case-by-case basis, we may measure impairment based upon a loan or lease's observable market price.

Based primarily on historical loss experience for each portfolio, we collectively evaluate for impairment large groups of homogeneous loans and leases with smaller balances that are not evaluated on a case-by-case basis. Examples of such small balance portfolios are credit cards and consumer loans and leases, including 1-4 family mortgage loans with balances less than $250,000.

We generally place a loan or lease on nonaccrual status:

- When management believes that collection of principal or income has become doubtful; or

- When loans or leases are 90 days past due as to principal or income, 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 or lease or when other factors indicate that the borrower will shortly bring the loan or lease current.

Not all impaired loans are necessarily placed on nonaccrual status; for example, restructured loans performing under restructured terms beyond a specific period may be classified as accruing, but may still be deemed impaired. Impaired loans without a related allowance for loan losses are generally collateralized by assets with fair values in excess of the recorded investment in the loans. We generally apply interest payments on impaired loans to reduce the outstanding principal amount of such loans.

While the majority of consumer loans and leases are subject to our general policies regarding nonaccrual loans and leases, certain 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.

**Notes to Consolidated Financial Statements** *(continued)*

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 or lease, 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; or (2) become both well secured and in the process of collection.

**Loan and Lease Fees**

We generally charge fees for originating loans and leases and for commitments to extend credits. Origination fees (net of direct costs of underwriting, closing costs and premiums) are deferred and amortized to interest income, using methods which approximate a level yield, adjusted for actual prepayment experience. We recognize unamortized fees and premiums on loans and leases paid in full as a component of interest income.

We also charge other loan and lease fees consisting of delinquent payment charges and other common loan and lease servicing fees, including fees for servicing loans sold to third parties. We recognize these fees as income when earned.

**Allowance for Credit Losses**

We maintain the allowance for credit losses (the “Allowance”) at a level which, in management’s judgment, is adequate to absorb losses in the Company’s loan and lease portfolio. While the Company has a formalized methodology for determining an adequate and appropriate level of the Allowance, estimates of inherent credit losses involve judgment and assumptions as to various factors which deserve current recognition in the Allowance. Principal factors considered by management in determining the Allowance include historical loss experience, the value and adequacy of collateral, the level of nonperforming loans and leases, the growth and composition of the portfolio, periodic review of loan and lease delinquencies, results of examinations of individual loans and leases and/or evaluation of the overall portfolio by senior credit personnel, internal auditors and regulators, known and inherent risks in the portfolio, adverse situations that may affect the borrower’s ability to repay and general economic conditions.

The Allowance is increased by provisions for credit losses and reduced by charge-offs, net of recoveries. Charge-offs for loans and leases that are evaluated for impairment are made based on impairment evaluations as described above. Consumer loans and leases are generally charged off upon reaching a predetermined delinquency status that ranges from 120 to 180 days and varies by product type. Other loans and leases are charged off to the extent they are classified as loss, either internally or by the Company’s regulators. Recoveries of amounts that have previously been charged off are credited to the Allowance and are generally recorded only to the extent that cash is received.

The provision for credit losses reflects management’s judgment of the current period cost of credit risk inherent in the Company’s loan and lease portfolio. Specifically, the provision for credit losses represents the amount charged against current period earnings to achieve an allowance for credit losses that in management’s judgment is adequate to absorb losses inherent in the Company’s loan and lease portfolio. Accordingly, the provision for credit losses will vary from period to period based on management’s ongoing assessment of the adequacy of the Allowance.

**Other Real Estate Owned and Repossessed Personal Property**

Other real estate owned and repossessed personal property (“OREO”) is primarily comprised of properties that we acquired through foreclosure proceedings. We value these properties at the lower of cost or fair value at the time we acquire them, which establishes their new cost basis. We charge against the Allowance any losses arising at the time of acquisition of such properties. After we acquire them, we carry such properties at the lower of cost or fair value less estimated selling costs. If we record any write-downs or losses from the disposition of such properties after acquiring them, we include this amount in other noninterest expense.

**Premises and Equipment**

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of 10-50 years for premises, 3-25 years for equipment and up to the lease term for leasehold improvements.

**Core Deposit and Other Identifiable Intangible Assets**

Core deposit and other identifiable intangible assets are amortized on the straight-line method over the period of benefit, generally 10 years. We review core deposit and other identifiable intangible assets for impairment whenever events or changes in circumstances indicate that we may not recover our investment in the underlying assets or liabilities which gave rise to such core deposit and other identifiable intangible assets.

**Goodwill**

Goodwill represents the cost of acquired companies in excess of the fair value of net assets acquired. It is our policy to review goodwill at least annually for impairment or whenever events or changes in circumstances indicate that we may not recover our investment in the underlying assets/businesses which gave rise to such goodwill.

**Repurchase and Reverse Repurchase Agreements**

We apply a control-oriented, financial-components approach to financial-asset-transfer transactions by: (1) recognizing the financial and servicing assets we control and the liabilities we have incurred; (2) derecognizing financial assets only when control has been surrendered; and (3) derecognizing liabilities once they are extinguished.

Control is considered to have been surrendered only if: (i) the transferred assets have been isolated from the transferor and its creditors, even in bankruptcy or other receivership; (ii) the transferee has the unconditional right to pledge or exchange the transferred assets, or is a qualifying special-purpose entity and the holders of beneficial interests in that entity have the unconditional right to pledge or exchange those interests; and (iii) the transferor does not maintain effective control over the transferred assets through: (a) an agreement that both entitles and obligates it to repurchase or redeem those assets prior to maturity; or (b) an agreement which both entitles and obligates it to repurchase or redeem those assets if they were not readily obtainable elsewhere. If none of these conditions are met, we account for the transfer as a secured borrowing.

Securities purchased under agreements to resell and securities sold under agreements to repurchase generally qualify as financing transactions under generally accepted accounting principles. We carry such securities at the amounts at which they subsequently will be resold or reacquired as specified in the respective agreements, including accrued interest.

Repurchase and reverse repurchase agreements are presented in the accompanying Consolidated Balance Sheets. It is our policy to take possession of securities purchased under agreements to resell. We monitor the fair value of the underlying securities as compared to the related receivable, including accrued interest and as necessary we request additional collateral. Where deemed appropriate, our agreements with third parties specify our rights to request additional collateral. All collateral is held by the Company or a custodian.

**Servicing Assets**

Servicing assets primarily consist of originated mortgage servicing rights which are capitalized and included in other assets in the accompanying Consolidated Balance Sheets. These rights are recorded based on the relative fair values of the servicing rights and the underlying loan. They are amortized over the period of the related loan-servicing income stream. We reflect amortization of these rights in our Consolidated Statements of Income under the caption “other service charges and fees.” We evaluate servicing assets for impairment in accordance with generally accepted accounting principles. For the years presented, servicing assets and the related amortization were not material.

**Trust Property**

We do not include in our Consolidated Balance Sheets trust property, other than cash deposits which we hold as fiduciaries or agents for our customers, because such items are not assets of the Company.

**Income Taxes**

We recognize deferred income tax liabilities and assets for the expected future tax consequences of events that we include in our financial statements or tax returns. Under this method, we determine deferred income tax liabilities and assets based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

We account for excise tax credits relating to premises and equipment under the flow-through method, recognizing the benefit in the year the asset is placed in service. The excise tax credits related to lease equipment, except for excise tax credits that are passed on to lessees, are recognized during the periods in which the net investment is positive.

We file a consolidated Federal income tax return. Amounts equal to income tax benefits of those subsidiaries having taxable losses or credits are reimbursed by other subsidiaries which would have incurred current income tax liabilities.

**Derivative Instruments and Hedging Activities**

The Company maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The Company’s goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain assets and liabilities so that the Company’s net interest margin is not, on a material basis, adversely affected by movements in interest rates. The Company considers its limited use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

By using derivative instruments, the Company exposes itself to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, the Company’s credit risk will equal the fair value gain in a derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes the Company, thus creating a repayment risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, assumes no repayment risk. Derivative instruments must meet the same criteria of acceptable risk established for our lending and other financing activities. We manage the credit risk of counterparty defaults in these transactions by: (1) Limiting the total amount of outstanding arrangements, both by the individual counter-party and in the aggregate; (2) Monitoring the size and maturity structure of the derivative instruments; and (3) Applying the uniform credit standards maintained for all of our credit activities, including, in some cases, taking collateral to secure the counterparty obligations.

On the date that the Company enters into a derivative contract, it designates the derivative as (1) a hedge of the fair value of a recognized asset or liability (a "fair value" hedge); (2) a hedge of the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash flow" hedge); (3) a foreign currency fair value or cash flow hedge (a "foreign currency" hedge); or (4) an instrument that is held for trading or non-hedging purposes (a "trading" or "non-hedging" instrument). Changes in the fair value of a derivative that is highly effective as a fair value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are recorded in current period earnings. Changes in the fair value of a derivative that is highly effective as a cash flow hedge, to the extent that the hedge is effective, are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction. Any hedge ineffectiveness is recorded in current period earnings. Changes in the fair value of a derivative that is highly effective as a foreign currency hedge is recorded in either current period earnings or other comprehensive income, depending on whether the hedging relationship satisfies the criteria for a fair value or cash flow hedge. Changes in the fair value of derivative trading and non-hedging instruments are reported in current period earnings.

During the year ended December 31, 2002, the Company used interest rate swaps to hedge the fair values of certain loans against changes in interest rates. The Company entered into interest rate swaps to convert the characteristics of certain fixed rate loans to variable rate loans. For the year ended December 31, 2002, the amount of hedge ineffectiveness recorded in the Company's consolidated statement of income was not material. Furthermore, for the year ended December 31, 2002, there was no gain or loss recorded by the Company as a result of fair value hedges that no longer qualified as fair value hedge items. See Note 3 for additional information regarding derivative financial instruments.

During the year ended December 31, 2002, the Company used interest rate swaps of $600 million categorized as cash flow hedges, to hedge certain LIBOR-based commercial loans. For the year ended December 31, 2002, the amount of hedge ineffectiveness recorded in the Company's consolidated statement of income was not material.

During the year ended December 31, 2002, the Company also used interest rate and foreign exchange swaps and options for trading purposes. Trading activities, which do not qualify for hedge accounting, primarily involve the sale of derivative products to accommodate customers.

During the year ended December 31, 2002, the Company held certain options on interest rate swaps and options on securities purchased under agreements to resell as non-hedging derivatives.

The Company held no foreign currency hedges during the year ended December 31, 2002.

**Off-Balance-Sheet Commitments**

In the normal course of business, we are a party to various off-balance-sheet commitments entered into to meet the financing needs of our customers. These financial instruments include commitments to extend credit; standby and commercial letters of credit; and commitments to purchase or sell foreign currencies. These commitments involve, to varying degrees, elements of credit, interest rate and foreign exchange rate risk.

If a counterparty to a commitment to extend credit or to a standby or commercial letter of credit fails to perform, our exposure to credit losses would be the contractual notional amount. Since these commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flows.

Commitments to purchase or sell foreign currencies obligate us to take or make delivery of a foreign currency. Risks in such instruments arise from fluctuations in foreign exchange rates and the ability of counterparties to fulfill the terms of the contracts.

We enter into commitments to purchase or sell foreign currencies for our own account and on behalf of our customers. These commitments are generally matched through offsetting positions. Foreign exchange positions are valued monthly with the resulting gain or loss recognized as incurred.

We monitor and manage interest rate and market risk in conjunction with our overall interest rate risk position.

**Notes to Consolidated Financial Statements** *(continued)*

Off-balance-sheet agreements are not entered into if they would increase our interest rate risk above approved guidelines. Our testing to measure and monitor this risk, using net interest income simulations and market value of equity analysis, is usually conducted quarterly.

**Advertising and Promotions**

Expenditures for advertising and promotions are expensed as incurred. Such expenses are included under the caption “other noninterest expense” in the accompanying Consolidated Statements of Income.

**Fair Value of Financial Instruments**

Financial instruments include such items as loans, deposits, investment securities, interest rate and foreign exchange contracts and swaps.

Disclosure of fair values is not required for certain items such as lease financing, investments accounted for under the equity method of accounting, obligations for pension and other postretirement benefits, premises and equipment, OREO, prepaid expenses, core deposit intangibles and other customer relationships, other intangible assets and income tax assets and liabilities. Accordingly, the aggregate fair value amounts presented do not purport to represent, and should not be considered representative of, the underlying “market” or franchise value of the Company.

Because the standard permits many alternative calculation techniques and because numerous assumptions have been used to estimate our fair values, reasonable comparisons of our fair value information with that of other financial institutions cannot necessarily be made.

We use the following methods and assumptions to estimate the fair value of our financial instruments:

**Cash and due from banks:** The carrying amounts reported in the Consolidated Balance Sheets of cash and short-term instruments approximate fair values.

**Investment securities:** Fair values of investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

**Loans:** Fair values are estimated for portfolios of performing loans with similar characteristics. For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. We use discounted cash flow analyses, which utilize interest rates currently being offered for loans with similar terms to borrowers of similar credit quality, to estimate the fair values of: (1) fixed-rate commercial and industrial loans; (2) financial institution loans; (3) agricultural loans; (4) certain mortgage loans (e.g., 1-4 family residential, commercial real estate and rental property); (5) credit card loans; and (6) other consumer loans. For certain loans, we may estimate fair value based upon a loan’s observable market price. The carrying amount of accrued interest approximates its fair value.

**Deposits:** The fair value of deposits with no maturity date (e.g., interest and noninterest-bearing checking, passbook savings, and certain types of money market accounts) are, according to generally accepted accounting principles, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values of fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

**Short-term borrowings:** The carrying amounts of overnight Federal funds purchased, borrowings under repurchase agreements and other short-term borrowings approximate their fair values.

**Long-term debt and capital securities:** The fair values of our long-term debt (other than deposits) and capital securities are estimated using quoted market prices or discounted cash flow analyses based on our current incremental borrowing rates for similar types of borrowing arrangements.

**Derivative, Off-balance-sheet commitments and contingent liabilities:** Fair values are based upon: (1) quoted market prices of comparable instruments (options on mortgage-backed securities and commitments to buy or sell foreign currencies); (2) fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties’ credit standing (letters of credit and commitments to extend credit); or (3) pricing models based upon quoted markets, current levels of interest rates and specific cash flow schedules (interest rate swaps and options on interest rate swaps).

**New Pronouncements**

In September 2001, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 141, “Business Combinations.” SFAS No. 141, which supersedes Accounting Principles Board (“APB”) Opinion No. 16, “Business Combinations,” addresses financial accounting and reporting for business combinations. All business combinations in the scope of SFAS No. 141 are to be accounted for using the purchase method of accounting. Also included in the provisions of SFAS No. 141 are new criteria for identifying and recognizing intangible assets apart from goodwill and additional disclosure requirements concerning the primary reasons for a business combination and the allocation of the purchase price for the assets acquired and liabilities assumed. The provisions of SFAS

**Notes to Consolidated Financial Statements** *(continued)*

No. 141 apply to all business combinations initiated after June 30, 2001, as well as to all business combinations accounted for using the purchase method of accounting for which the date of acquisition is July 1, 2001 or later. The Company adopted the provisions of SFAS No. 141 concurrent with the acquisition of BancWest by BNP Paribas (the "BNP Paribas Merger"). See further discussion in Note 2.

In July 2001, the FASB also issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142, which supersedes APB Opinion No. 17, "Intangible Assets," addresses the accounting and reporting for goodwill and other intangible assets acquired individually or with a group of other assets (but not those acquired in a business combination) at and subsequent to acquisition. Under the provisions of SFAS No. 142, goodwill and certain other intangible assets which do not possess finite lives will no longer be amortized into net income over an estimated life but rather will be tested at least annually for impairment based on specific guidance provided in the new standard. Intangible assets determined to have finite lives will continue to be amortized over their estimated useful lives and also continue to be subject to impairment testing. Application of the non-amortization provisions of this statement was effective with the BNP Paribas Merger. The remaining provisions of SFAS No. 142 were adopted by the Company effective January 1, 2002. Goodwill and other indefinite lived intangible assets were subjected to a transitional impairment test during the quarter ended March 31, 2002. As of March 31, 2002, we had no impairment of our goodwill. Had we amortized the goodwill arising from the BNP Paribas Merger, pre-tax amortization of goodwill of approximately $103 million would have been recorded on the Company's consolidated financial statements for 2002 (assuming an amortization period of 20 years). In addition, for 2002 pre-tax amortization of goodwill related to the acquisition of United California Bank ("UCB") from March 15, 2002, which would have amounted to $52.5 million was not recorded (assuming an amortization period of 20 years).

The following table reflects consolidated net income as though the adoption of SFAS Nos. 141 and 142 occurred as of the beginning of 2002 and 2001:

| | Year ended December 31, | |
|---|---|---|
| **(in thousands)** | **2002** | **2001** |
| As reported | **$361,332** | $361,332 |
| Goodwill amortization | **—** | 29,413 |
| As adjusted | **$361,332** | $284,217 |

The estimated annual amortization expense for finite life intangible assets, primarily core deposit intangibles arising from the BNP Paribas Merger and the acquisition of UCB, is approximately $24 million (pre-tax) for each of the years from 2003 to 2007.

Goodwill increased due to the acquisition of UCB on March 15, 2002. The additional $1.328 billion of goodwill is reported in the Bank of the West operating segments.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." However, SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for the recognition and measurement of the impairment of long-lived assets to be held and used and the measurement of long-lived assets to be disposed of by sale. The scope of SFAS No. 144 excludes goodwill and other non-amortizable intangible assets to be held and used as well as goodwill associated with a reporting unit to be disposed of. The provisions of SFAS No. 144 became effective in 2002. The adoption of SFAS No. 144 did not have a material effect on the Company's Consolidated Financial Statements.

In September 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The principal difference between SFAS No. 146 and EITF Issue No. 94-3 relates to its requirements for recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost as defined in EITF Issue No. 94-3 was recognized at the date of an entity's commitment to an exit plan. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of SFAS No. 146 is not expected to have a material effect on the Company's Consolidated Financial Statements.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others - An Interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34." FIN No. 45 requires that a guarantor disclose the nature of the guarantee, the maximum potential amount of future payments under guarantee, the carrying amount of the liability, and the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. FIN No. 45 also requires a guarantor to recognize, at the inception of the guarantee, a liability for the fair value of the obligations it has undertaken in issuing the guarantee. The disclosure requirements of FIN No. 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The initial recognition and initial measurement provisions if FIN No. 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Under FIN No. 45, the Company is required to disclose the $162 million residual value guarantee to REFIRST, Inc. for the First Hawaiian Center. Additional information regarding the operating lease agreement for FHC can be found in Note 21 on page 67.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities - An Interpretation of ARB No. 51." FIN No. 46 establishes new guidance on the accounting and reporting for the consolidation of variable interest entities. The principal objective of FIN No. 46 is to require the primary beneficiary of a variable interest entity to consolidate the variable interest entity's assets, liabilities and results of operations in the entity's own financial statements. The provisions of FIN No. 46 apply to the REFIRST, Inc. variable interest entity that was created by a non-related third party to construct, finance and hold title to our administrative headquarters building (see page 35 "Variable Interest Entities" for additional information). The provisions of FIN No. 46 apply in the first interim period beginning after June 15, 2003, for variable interest entities in which an enterprise holds a variable interest that was acquired before February 1, 2003. The adoption of FIN No. 46 will result in approximately $160 million of additional premises and equipment and $190 million in debt on the Consolidated Balance Sheets. In addition, we will record approximately $4 million in additional depreciation expense annually.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions, an Amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9." SFAS No. 147 requires that entities account for the acquisition of all or part of a financial institution in accordance with SFAS No. 141, "Business Combinations." As a result, these acquisitions are removed from the scope of SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions" and FASB Interpretation No. 9, "Applying APB Opinions No. 16 and 17 When a Savings and Loan Association or a Similar Institution is Acquired in a Business Combination Accounted for by the Purchase Method." SFAS No. 147 also amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope certain customer-relationship intangible assets of financial institutions. SFAS No. 147's provisions relating to the method of accounting to be used for acquisitions of financial institutions are effective for acquisitions for which the date of the acquisition is on or after October 1, 2002. SFAS No. 147's provisions relating to the impairment or disposal of long-term customer relationship intangible assets of financial institutions is effective on October 1, 2002. The adoption of SFAS No. 147 did not have a material effect on the Company's Consolidated Financial Statements.

## 2. Mergers and Acquisitions

### United California Bank Acquisition

On March 15, 2002, BancWest completed its acquisition of all outstanding common stock of UCB from UFJ Bank Ltd. of Japan. UCB was subsequently merged with and into Bank of the West in April 2002 and its branches were integrated into the Bank's branch network system in the third quarter of 2002. On the date of acquisition by BancWest, UCB had 115 branches (located exclusively in California), total assets of $10.1 billion, net loans of $8.5 billion and total deposits of $8.2 billion. The preceding amounts do not include purchase price adjustments. UCB's strong presence in Southern California complements the bank's existing network in Northern California, Nevada, New Mexico and the Pacific Northwest. Results of operations of UCB are included in our Consolidated Financial Statements beginning on March 15, 2002.

The purchase price of approximately $2.4 billion was paid in cash and accounted for as a purchase. BNP Paribas funded BancWest's acquisition of UCB by providing $1.6 billion of additional capital and lending it $800 million.

**Notes to Consolidated Financial Statements** *(continued)*

Below is the UCB Balance Sheet at March 31, 2002, including the effects of "pushdown" purchase accounting adjustments:

| (in thousands) | |
|---|---|
| **Assets** | |
| Cash and Cash Equivalents | $ 653,361 |
| Investment Securities Available-for-Sale | 508,505 |
| Net Loans and Leases | 8,530,661 |
| Intangibles | 1,447,792 |
| Other Assets | 404,267 |
| **Total Assets** | 11,544,586 |
| **Liabilities and Stockholder's Equity** | |
| Deposits | 8,206,935 |
| Long-term Debt | 575,821 |
| Other Liabilities | 361,830 |
| Total Liabilities | 9,144,586 |
| Stockholder's Equity | 2,400,000 |
| **Total Liabilities and Stockholder's Equity** | 11,544,586 |

The following table provides an allocation of the purchase price:

| (in thousands) | |
|---|---|
| Total purchase price of UCB, including transaction costs | $2,405,605 |
| Equity of UCB prior to acquisition by BancWest | 1,083,000 |
| Excess of pushed down equity over the carrying value of net assets acquired | 1,322,605 |
| Purchase accounting adjustments related to assets and liabilities acquired: | |
| Sublease loss reserve | 23,869 |
| Premises and equipment | 5,951 |
| Severance and employee relocation | 39,176 |
| Contract cancellations | 13,275 |
| New core deposit intangible | (120,219) |
| Other assets | 4,565 |
| Deposits | 8,047 |
| Deferred cost on pension and retirement benefits | 33,874 |
| Other liabilities and taxes | (3,570) |
| Goodwill resulting from acquisition of and merger with UCB | $1,327,573 |

None of the goodwill resulting from the UCB acquisition is tax deductible.

Bank of the West incurred expenses associated with exiting certain branches, operational centers and technology platforms of pre-merged Bank of the West, as well as certain other conversion and expenses, totaling approximately $18 million. Exit costs associated with UCB were considered as part of the purchase accounting for the acquisition. Bank of the West has also established a severance reserve of approximately $40.5 million, to cover approximately 600 employees throughout the organization whose positions will be eliminated as a result of the acquisition. In addition to the severance reserve, Bank of the West recorded the following restructuring reserves: $34.5 million for losses on subleases, $8 million for contract cancellations, $1.3 million for relocation and other. As of year-end, we made the following adjustments to the reserves: $1.2 million increase for severance, $9.2 million decrease for losses on subleases, $6.2 million increase for contract cancellations and $400,000 increase for relocation. In addition, the reserves were decreased as follows: $20.8 million for severance payments, $3.8 million for sublease loss amortization, $6.7 million for contract cancellation payments and $1.4 million for relocation payments. These amounts are estimates and subject to change as more information becomes available.

The following pro forma financial information for the years ended December 31, 2002 and December 31, 2001 assumes that the UCB acquisition occurred as of January 2001, after certain accounting adjustments. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations which may occur in the future or what would have occurred had the UCB acquisition been consummated on the date indicated:

| (in thousands) | 2002 | 2001 |
|---|---|---|
| Net Interest Income | **$1,082,541** | $979,579 |
| Provision for Credit Losses | **91,675** | 126,144 |
| Non Interest Income | **228,136** | 298,907 |
| Non Interest Expense | **667,197** | 736,714 |
| Income Tax Expense | **219,188** | 160,920 |
| Net Income | **332,617** | 254,708 |

**Trinity Capital Corporation Acquisition**

On November 8, 2002, Bank of the West acquired Trinity Capital Corporation ("Trinity"), a privately held equipment leasing company specializing in nationwide vendor leasing programs for manufacturers in specific vertical markets. The purchase price was approximately $18.3 million including $7.3 million of goodwill. In addition, Bank of the West is obligated to make certain contingent payments to former stockholders of Trinity depending on the financial performance of Trinity. The acquisition was accounted for using the purchase method of accounting.

Operating results for Trinity were not significant to the consolidated operating results; therefore, proforma results are not presented.

**BNP Paribas Merger**

On December 20, 2001, Chauchat L.L.C., a Delaware limited liability company ("Merger Sub"), merged (the "BNP Paribas Merger") with and into the Parent pursuant to an Agreement and Plan of Merger, dated as of May 8, 2001, as amended and restated as of July 19, 2001, by and among the Parent, BNP Paribas, and Merger Sub (the "Merger Agreement"). The Merger Sub was a wholly-owned subsidiary of BNP Paribas.

At the effective time of the BNP Paribas Merger, all outstanding shares of common stock, par value $1 per share ("Company Common Stock"), of the Parent were cancelled and converted solely into the right to receive $35 per share in cash, without interest thereon (except for shares held in the treasury of the Parent or by any wholly-owned subsidiary of the Parent and shares held in respect of a debt previously contracted which were cancelled without any consideration being payable therefor).

Pursuant to the Merger Agreement, each share of Class A common stock, par value $1 per share, of the Parent owned by BNP Paribas and French American Banking Corporation, a wholly-owned subsidiary of BNP Paribas, remained outstanding as one share of Class A Common Stock and all of the units of the Merger Sub were cancelled without any consideration becoming payable therefor. Concurrent with the BNP Paribas Merger, the par value of the Class A common stock was changed to $.01. As a result of the BNP Paribas Merger, the Parent became a wholly-owned subsidiary of BNP Paribas.

The BNP Paribas Merger significantly affected our financial statements. "Push-down" accounting was required for this business combination. Essentially, this resulted in three major changes to our balance sheet:

- Purchase price adjustments and new intangibles: As part of purchase accounting, our assets and liabilities were adjusted to fair value. Among the items adjusted were identifiable intangible assets related to our core deposits, loans and leases, property and equipment, deposits, pension assets and liabilities and other items. After making these adjustments to the balance sheet, the amount that the purchase price exceeded the value of purchased assets and liabilities assumed was recorded as goodwill. As of December 20, 2001, the Company had $2.1 billion in goodwill, all of which is non-deductible for tax purposes.

- New debt: As part of the BNP Paribas Merger, we assumed $1.55 billion in new debt from the Merger Sub. This debt is between the Company and another subsidiary of BNP Paribas. The proceeds from this debt and $1.0 billion in cash equity from BNP Paribas were exchanged for all of the outstanding common stock not held by BNP Paribas and all options.

- New equity basis: Due to the use of "push-down" accounting in the BNP Paribas Merger, the equity balances at December 31, 2001 reflect BNP Paribas' basis in the Company. On December 20, 2001, BNP Paribas' net purchase price of $1.985 billion was recorded. All amounts related to common and treasury stock of the Predecessor were eliminated.

This transaction was considered a step-acquisition. As such, the Company calculated BNP Paribas' accounting basis by reference to each incremental step of ownership acquired by BNP Paribas. The Company's initial calculation of the BNP Paribas' basis in the Company indicated a basis of $985.8 million. Based on a revised calculation, the Company determined that the accounting basis that should be attributed to BNP Paribas' ownership as of the acquisition date was $818.3 million. To properly reflect BNP Paribas' accounting basis, the Company recorded an adjustment in the amount of $167.5 million in the fourth quarter of 2002, reducing equity and goodwill by this amount. This adjustment is reflected in the statement of changes in stockholder's equity as "Adjustment to push-down of parent company's basis."

**New Mexico, Nevada, Guam and Saipan Branch Acquisitions**

In the third quarter of 2000, we entered into an agreement to acquire 30 branches in New Mexico and Nevada being divested by First Security Corporation in connection with its merger with Wells Fargo & Company. At that date, those branches had approximately $1.1 billion in deposits and approximately $200 million in loans. The acquisition of the Nevada branches was completed in January 2001 and the acquisition of the New Mexico branches was completed in February 2001. The cash transaction was accounted for using the purchase method of accounting. We incurred pre-tax integration and other nonrecurring costs of $3.9 million and $1.3 million in 2001 and 2000, respectively.

On November 9, 2001, the Company completed its acquisition of Union Bank of California's network in Guam and Saipan, along with associated loan and deposit accounts. First Hawaiian assumed branch deposits of approximately $200 million and also bought various loans with the branches.

## 3. Derivative Financial Instruments

At December 31, 2002, we carried interest rate swaps of $600 million which are categorized as cash flow hedges, to hedge our LIBOR-based commercial loans. These interest rate swaps were entered into in 2001 by UCB and will 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 of interest rate swaps increased commercial loan interest income by $19.3 million from March 16, 2002 through December 31, 2002. We estimate net settlement gains, recorded as commercial loan interest income, of $23.7 million over the next twelve months resulting from these cash flow hedges.

In addition to the cash flow hedges described above, we have various derivative instruments that hedge the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge). Any portion

**Notes to Consolidated Financial Statements** *(continued)*

of the changes in the fair value of derivatives designated as a hedge that is deemed ineffective is recorded in current period earnings; this amount was not material in 2002.

**4. Transactions with Affiliates**

The Company and its subsidiaries participate in various transactions with BNP Paribas and its affiliates. Except for the $1.550 billion term note and $800 million repurchase agreement between BNP Paribas and BancWest Corporation, the items listed in the table below are between our banking subsidiaries and BNP Paribas and its affiliates. Transactions involving the Company's bank subsidiaries and their non-bank affiliates (including BancWest and BNP Paribas) are subject to review by the Federal Deposit Insurance Corporation (the "FDIC") and other regulatory authorities. These transactions are required to be on terms at least as favorable to the bank as those prevailing at the time for similar non-affiliate transactions. Transactions have included the sales and purchases of assets, foreign exchange activities, financial guarantees, international services, interest rate swaps and intercompany deposits and borrowings. Amounts due to and from affiliates and off-balance-sheet transactions at December 31, 2002 and 2001 were as follows:

| (in thousands) | 2002 | 2001 |
|---|---|---|
| Cash and due from banks | **$ 2,545** | $ 4,071 |
| Other assets | **692** | — |
| Noninterest-bearing demand deposits | **1,691** | 2,494 |
| Short-term borrowings | **—** | 8,000 |
| Time certificates of deposit | **261,200** | 255,000 |
| Other liabilities | **953** | 252 |
| Term note | **1,550,000** | 1,550,000 |
| Subordinated capital notes included in long-term debt | **52,516** | 52,828 |
| Repurchase agreement | **800,000** | — |
| Off-balance-sheet transactions: | | |
| Standby letters of credit | **2,679** | 2,501 |
| Guarantees received | **—** | 280 |
| Commitments to purchase foreign currencies | **66,064** | 35,808 |
| Commitments to sell foreign currencies | **188,487** | — |
| Interest rate contracts | **144,446** | — |
| Foreign exchange options | **25,761** | — |

The subordinated capital notes were sold directly to BNP Paribas by Bank of the West. They are subordinated to the claims of depositors and creditors and qualify for inclusion as a component of risk-based capital under current FDIC guidelines for assessing capital adequacy.

For additional information concerning long-term debt to BNP Paribas, see Note 11.

On November 22, 2002, the Corporation borrowed $800 million on an interim basis from BNP Paribas as part of the acquisition funding for the United California Bank transaction. In November 2002, the Corporation sold BNP Paribas 14.815% of the outstanding common stock of Bank of the West for $800 million, and used the proceeds to repay the interim debt. The Corporation and BNP Paribas also entered into a Stockholders Agreement that included put and call options. The call option gives the Corporation the right on specified dates or events to repurchase all or a portion of the Bank of the West stock sold to BNP Paribas at a price equal (in the case of a purchase of all such shares) to $800 million, plus 4.39% per annum, less the aggregate amount of distributions paid on such shares to BNP Paribas (together with interest paid on such amounts at 4.39% per annum, compounded quarterly), plus $5 million. If the Corporation does not exercise its call option by December 2011, or within 90 days after certain specified events or agreements, BNP Paribas can require the Corporation to repurchase the Bank of the West shares at a price equal to (in case of a purchase of all such shares) $800 million, plus 4.39% annum, less the aggregate amount of distributions paid on such shares to BNP Paribas (together with interest on such amounts at 4.39% per annum, compounded quarterly), plus $50 million. Due to the put and call arrangement, the $800 million repurchase agreement is considered a redeemable security and accordingly classified as debt.

The Stockholders Agreement contains provisions for pro rata allocation of the formula described above in the event the call option is exercised for less than the full amount of the Bank of the West stock. The specified events referred to above include potential changes in ownership of Bank of the West as well as legislative, regulatory or other related changes that could affect the transactions referred to above. The Stockholders Agreement also limits the transferability of the Bank of the West shares.

No value has been attributed to the call or put options in the Corporation's financial statements and the Corporation does not expect to attribute a value to these options during the term of the Stockholders Agreement.

At December 31, 2002, the Corporation's obligation to BNP Paribas under the Agreement (assuming the Call Option could have been exercised as of that date) would be calculated as $808.8 million. This obligation represents the Original Transaction Amount of $800 million, accrued interest of $3.8 million, plus $5 million Call Option premium. The average balance of the obligation to BNP Paribas under the Agreement using the same calculation was $802.1 million for the year ended December 31, 2002. No amounts were outstanding under this Agreement for any other period presented.

BNP Paribas has received a preliminary tax opinion that this cross-border transaction should be treated for U.S. Federal tax purposes as a loan from BNP Paribas to the Corporation secured by the Bank of the West shares. Accordingly, the Corporation recognizes a U.S. tax benefit for the current deduction for interest paid under the terms of the Stockholders Agreement.

At December 31, 2002, we carried a $150 million interest rate swap with BNP Paribas to hedge obligations under the 9.5% BancWest Capital I Quarterly Income Preferred Securities. The transaction is accounted for as a fair value hedge. We pay 3-month LIBOR and receive fixed payments at 9.5%. The fair value of the swap at December 31, 2002 was $690,000.

## 5. Investment Securities

### Held-to-Maturity

There were no held-to-maturity investment securities at December 31, 2002 and 2001. Upon the purchase by BNP Paribas of the remaining 55% of outstanding common stock it did not already own, all securities previously considered held-to-maturity were reclassified to available-for-sale at their fair value. The amortized cost of securities reclassified at that time was $91 million, which was approximately equal to their fair value.

Amortized cost and fair value of held-to-maturity investment securities at December 31, 2000 were as follows:

| | 2000 | | | |
|---|---|---|---|---|
| (in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| U.S. Treasury and other U.S Government agencies and corporations | $15,990 | $— | $ 99 | $15,891 |
| Other asset-backed securities | 38,233 | 11 | 524 | 37,720 |
| Collateralized mortgage obligations | 38,717 | 4 | 707 | 38,014 |
| Total held-to-maturity investment securities | $92,940 | $ 15 | $1,330 | $91,625 |

### Available-for-Sale

Amortized cost and fair value of available-for-sale investment securities at December 31, 2002, 2001 and 2000 were as follows:

**Notes to Consolidated Financial Statements** *(continued)*

| | 2002 | | | |
|---|---|---|---|---|
| (in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| **U.S. Treasury and other U.S. Government agencies and corporations** | **$1,312,430** | **$25,882** | **$ 2** | **$1,338,310** |
| **Mortgage and asset-backed securities:** | | | | |
| **Government** | **1,367,200** | **36,720** | **2** | **1,403,918** |
| **Other** | **554,123** | **12,790** | **1,533** | **565,380** |
| **Collateralized mortgage obligations** | **447,176** | **6,657** | **502** | **453,331** |
| **States and political subdivisions** | **14,920** | **239** | **134** | **15,025** |
| **Other** | **164,719** | **550** | **193** | **165,076** |
| **Total available-for-sale investment securities** | **$3,860,568** | **$82,838** | **$2,366** | **$3,941,040** |

| | 2001 | | | |
|---|---|---|---|---|
| (in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| U.S. Treasury and other U.S Government agencies and corporations | $ 794,991 | $ 7,971 | $ 2,777 | $ 800,185 |
| Mortgage and asset-backed securities: | | | | |
| Government | 923,468 | 8,704 | 5,747 | 926,425 |
| Other | 253,939 | 3,796 | 745 | 256,990 |
| Collateralized mortgage obligations | 416,401 | 3,196 | 1,160 | 418,437 |
| States and political subdivisions | 1,793 | — | 158 | 1,635 |
| Other | 138,541 | 5 | 45 | 138,501 |
| Total available-for-sale investment securities | $2,529,133 | $23,672 | $10,632 | $2,542,173 |

| | 2000 | | | |
|---|---|---|---|---|
| (in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| U.S. Treasury and other U.S Government agencies and corporations | $ 766,905 | $ 3,868 | $ 641 | $ 770,132 |
| Mortgage and asset-backed securities: | | | | |
| Government | 619,791 | 8,550 | 1,539 | 626,802 |
| Other | 345,229 | 3,251 | 676 | 347,804 |
| Collateralized mortgage obligations | 77,529 | 243 | 144 | 77,628 |
| States and political subdivisions | 9,871 | 22 | 183 | 9,710 |
| Other | 128,704 | — | — | 128,704 |
| Total available-for-sale investment securities | $1,948,029 | $15,934 | $3,183 | $1,960,780 |

The amortized cost and fair value of available-for-sale investment securities at December 31, 2002, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

| (in thousands) | Amortized Cost | Fair Value |
|---|---|---|
| Due within one year | **$ 409,616** | **$ 414,456** |
| Due after one but within five years | **1,221,410** | **1,248,002** |
| Due after five but within ten years | **415,625** | **425,081** |
| Due after ten years | **1,649,198** | **1,688,425** |
| Subtotal | **3,695,849** | **3,775,964** |
| Securities with no stated maturity | **164,719** | **165,076** |
| **Total available-for-sale investment securities** | **$3,860,568** | **$3,941,040** |

The Company held trading securities of $33.1 million at December 31, 2002.

Investment securities with an aggregate carrying value of $2.6 billion at December 31, 2002, were pledged to secure public deposits, repurchase agreements and Federal Home Loan Bank advances.

We held no investment securities of any single issuer (other than the U.S. Government and its agencies) which were in excess of 10% of consolidated stockholder's equity at December 31, 2002.

Gross gains and gross losses of $2,084,000 and $131,000, respectively, were realized on the sales of investment securities during 2002. Gross gains and gross losses were $30.5 million and $51,000, respectively, for the period from January 1, 2001 to December 19, 2001 and $30,000 and $61,000, respectively, for the period from December 20, 2001 to December 31, 2001. Securities gains for the period from January 1, 2001 to December 19, 2001 as shown on our Consolidated Statements of Income also includes the $41.3 million pre-tax gain recognized upon the recordation of the Concord stock as an available-for-sale security. Gross gains of $865,000 and gross losses of $654,000 were realized on sales of investment securities during 2000.

**6. Loans and Leases**

In 2001, as part of the application of purchase price accounting for the BNP Paribas Merger, a discount of $26.5 million was recorded as a fair value adjustment and is being amortized on a level-yield basis over the average life of the loans and leases.

At December 31, 2002 and 2001, loans and leases

**Notes to Consolidated Financial Statements** *(continued)*

were comprised of the following:

| (in thousands) | 2002 | 2001 |
|---|---|---|
| Commercial, financial and agricultural | **$ 4,812,890** | $ 2,387,605 |
| Real estate: | | |
| Commercial | **4,806,220** | 2,957,194 |
| Construction | **971,861** | 464,462 |
| Residential | **4,825,241** | 2,263,827 |
| Consumer | **6,030,888** | 4,471,897 |
| Lease financing | **2,398,681** | 2,293,199 |
| Foreign | **395,889** | 385,548 |
| **Total loans and leases** | **$24,241,670** | $15,223,732 |

The loan and lease portfolio is principally located in California, Hawaii and other states in the Western United States. We also lend to a lesser extent nationally and in Guam and Saipan. The risk inherent in the portfolio depends upon both the economic stability of those states, which affects property values, and the financial well being and creditworthiness of the borrowers.

At December 31, 2002 and 2001, loans and leases of $225.8 million and $97.1 million, respectively, were on nonaccrual status or restructured.

Real estate loans totaling $2.3 billion were pledged to collateralize the Company’s borrowing capacity at the Federal Home Loan Bank at December 31, 2002.

Our leasing activities consist primarily of: (1) leasing automobiles and commercial equipment; and (2) leveraged leases. Lessees are responsible for all maintenance, taxes and insurance on the leased property. The leases are reported net of unearned income of $345.5 million at December 31, 2002, and $490.2 million at December 31, 2001. At December 31, 2002, minimum lease receivables for the five succeeding years were as follows:

- 2003 — $624.6 million
- 2004 — $565.9 million
- 2005 — $464.3 million
- 2006 — $366.2 million
- 2007 — $202.3 million

In the normal course of business, the Company makes loans to executive officers and directors of the Company and to entities and individuals affiliated with those executive officers and directors. Those loans were made on terms no less favorable to the Company than those prevailing at the time for comparable transactions with other persons or, in the case of certain residential real estate loans, on terms that were widely available to employees of the Company who were not directors or executive officers. Changes in the loans to such executive officers, directors and affiliates during 2002 and 2001 were as follows:

| (in thousands) | 2002 | 2001 |
|---|---|---|
| Balance at beginning of year | **$144,333** | $263,835 |
| New loans made | **11,825** | 19,470 |
| Less repayments | **43,203** | 138,972 |
| **Balance at end of year** | **$112,955** | $144,333 |

At December 31, 2002, loans to such parties by BancWest Corporation were $161,000; at December 31, 2001, $402,000. Interest income related to these loans was $9,000 in 2002, $82,000 in 2001 and $112,000 in 2000.

**7. Provision and Allowance for Credit Losses**

Changes in the allowance for credit losses were as follows for the periods indicated:

| | Company | | Predecessor | |
|---|---|---|---|---|
| (in thousands) | Year ended Dec. 31, 2002 | Dec. 20, 2001 through Dec. 31, 2001 | Jan. 1, 2001 through Dec. 19, 2001 | Year ended Dec. 31, 2000 |
| Balance at beginning of year | **$ 194,654** | $199,860 | $172,443 | $161,418 |
| Provision for credit losses | **95,356** | 2,419 | 100,631 | 60,428 |
| Net charge-offs: | | | | |

| | | | | |
|---|---|---|---|---|
| Loans and leases charged off | **(147,386)** | (7,929) | (85,211) | (62,131) |
| Recoveries on loans and leases previously charged off | **28,797** | 304 | 11,997 | 12,728 |
| Net charge-offs | **(118,589)** | (7,625) | (73,214) | (49,403) |
| Allowances of subsidiaries purchased | **212,660** | — | — | — |
| **Balance at end of year** | **$ 384,081** | $194,654 | $199,860 | $172,443 |

The following table presents information related to impaired loans as of and for the years ended December 31, 2002, 2001 and 2000:

| (in thousands) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Impaired loans with related allowance | **$148,533** | $ 89,279 | $ 77,518 |
| Impaired loans with no related allowance | **43,438** | 8,253 | 35,358 |
| Total impaired loans | **$191,971** | $ 97,532 | $112,876 |
| Total allowance for credit losses on impaired loans | **$ 39,197** | $ 24,745 | $ 14,702 |
| Average impaired loans | **164,038** | 118,497 | 93,572 |
| Interest income recognized on impaired loans | **1,350** | 2,462 | 5,099 |

Impaired loans without the related allowance for credit losses are generally collateralized by assets with fair values in excess of the recorded investment in the loans. Interest payments on impaired loans are generally applied to reduce the outstanding principal balance of such loans.

**8. Premises and Equipment**

As part of the application of purchase price accounting for the BNP Paribas Merger, a discount of $9.4 million was recorded as a fair value adjustment on certain facilities and will be amortized over their remaining lives using the straight-line method.

**Notes to Consolidated Financial Statements** *(continued)*

At December 31, 2002 and 2001, premises and equipment were comprised of the following:

| (in thousands) | 2002 | 2001 |
|---|---|---|
| Premises | **$430,673** | $282,761 |
| Equipment | **220,531** | 178,559 |
| Total premises and equipment | **651,204** | 461,320 |
| Less accumulated depreciation and amortization | **270,932** | 188,285 |
| **Net book value** | **$380,272** | $273,035 |

Occupancy and equipment expenses include depreciation and amortization expenses of $41 million for 2002, $27.6 million for 2001 and $25.5 million for 2000.

## 9. Deposits

As part of the application of purchase price accounting for the BNP Paribas Merger, a premium of $29 million was recorded as a fair value adjustment on certain time certificates of deposits and will be amortized using the straight-line method over the average remaining maturity of the certificates.

Interest expense related to deposits for the periods indicated was as follows:

| | Company | | Predecessor | |
|---|---|---|---|---|
| (in thousands) | Year ended Dec. 31, 2002 | Dec. 20, 2001 through Dec. 31, 2001 | Jan. 1, 2001 through Dec. 19, 2001 | Year ended Dec. 31, 2000 |
| Domestic: | | | | |
| Interest-bearing demand | **$ 915** | $ 23 | $ 1,855 | $ 3,546 |
| Savings | **94,328** | 1,784 | 84,278 | 98,876 |
| Time—under $100 | **88,715** | 3,386 | 153,926 | 150,797 |
| Time—$100 and over | **88,422** | 3,035 | 138,026 | 195,142 |
| Foreign | **9,086** | 238 | 6,712 | 9,843 |
| **Total interest expense on deposits** | **$281,466** | $8,466 | $384,797 | $458,204 |

The following table presents the maturity distribution of domestic time certificates of deposits of $100,000 or more at December 31 for the years indicated:

| (in millions) | 2002 | 2001 |
|---|---|---|
| 3 months or less | **$ 2,244** | $ 2,103 |
| Over 3 months through 6 months | **556** | 546 |
| Over 6 months through 12 months | **661** | 363 |
| Over 1 year through 2 years | **292** | 286 |
| Over 2 years through 3 years | **124** | 38 |
| Over 3 years through 4 years | **31** | 15 |
| Over 4 years through 5 years | **58** | 7 |
| Over 5 years | **4** | 1 |
| **Total** | **$ 3,970** | $ 3,359 |

Time certificates of deposits in denominations of $100,000 or more at December 31, 2002 and 2001 were as follows:

| (in thousands) | 2002 | 2001 |
|---|---|---|
| Domestic | **$3,970,466** | $3,358,569 |
| Foreign | **362,578** | 146,384 |

## 10. Short-Term Borrowings

At December 31 for the years indicated, short-term borrowings were comprised of the following:

| (in thousands) | 2002 | 2001 | 2000 |
|---|---|---|---|
| BancWest Corporation (Parent): | | | |
| Commercial paper | **$ —** | $ — | $ 5,477 |
| Bank of the West: | | | |
| Securities sold under agreements to repurchase | **330,220** | 246,480 | 215,767 |
| Federal funds purchased | **346,896** | 217,575 | 115,000 |
| Advances from Federal Home Loan Bank of San Francisco | **700,000** | 240,000 | 85,000 |
| Other short-term borrowings | **32,159** | 936 | 306 |
| First Hawaiian: | | | |
| Securities sold under agreements to repurchase | **79,435** | 238,279 | 241,929 |
| Federal funds purchased | **36,040** | 11,050 | 5,589 |
| **Total short-term borrowings** | **$1,524,750** | $954,320 | $669,068 |

Weighted average interest rates and weighted average and maximum balances for these short-term borrowings were as follows for the years indicated:

| (dollars in thousands) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Commercial paper: | | | |
| Weighted average interest rate at December 31 | **—%** | —% | 6.0% |
| Highest month-end balance | **$ —** | $ 6,102 | $ 8,424 |
| Weighted average daily outstanding balance | **$ —** | $ 3,307 | $ 5,541 |
| Weighted average daily interest rate paid | **—%** | 4.2% | 6.0% |
| Securities sold under agreements to repurchase: | | | |
| Weighted average interest rate at December 31 | **1.1%** | 2.0% | 6.1% |
| Highest month-end balance | **$ 498,320** | $523,631 | $503,936 |
| Weighted average daily outstanding balance | **$ 408,059** | $492,044 | $439,886 |
| Weighted average daily interest rate paid | **1.4%** | 3.7% | 5.8% |
| Federal funds purchased: | | | |
| Weighted average interest rate at December 31 | **1.2%** | 1.5% | 6.4% |
| Highest month-end balance | **$ 615,835** | $437,405 | $370,889 |
| Weighted average daily outstanding balance | **$ 370,611** | $266,224 | $217,447 |
| Weighted average daily interest rate paid | **1.6%** | 3.6% | 6.3% |
| Advances from Federal Home Loan Banks of Seattle and San Francisco: | | | |
| Weighted average interest rate at December 31 | **1.8%** | 5.2% | 6.2% |
| Highest month-end balance | **$ 765,000** | $240,000 | $358,481 |
| Weighted average daily outstanding balance | **$ 580,178** | $131,694 | $146,462 |
| Weighted average daily interest rate paid | **3.8%** | 5.2% | 6.2% |
| Other short-term borrowings: | | | |
| Weighted average interest rate at December 31 | **1.2%** | 2.5% | 6.5% |
| Highest month-end balance | **$1,026,210** | $ 24,601 | $ 22,071 |
| Weighted average daily outstanding balance | **$ 658,099** | $ 3,135 | $ 4,935 |
| Weighted average daily interest rate paid | **—%** | 3.2% | 8.2% |

**Notes to Consolidated Financial Statements** *(continued)*

We treat securities sold under agreements to repurchase as financings. We reflect the obligations to repurchase the identical securities sold as liabilities, with the dollar amount of securities underlying the agreements remaining in the asset accounts. At December 31, 2002, the weighted average maturity of these agreements was 31 days and primarily represented investments by public (governmental) entities. Maturities of these agreements were as follows:

| (in thousands) | |
|---|---|
| Overnight | **$283,615** |
| Less than 30 days | **49,970** |
| 30 through 90 days | **35,335** |
| Over 90 days | **40,735** |
| **Total** | **$409,655** |

## 11. Long-Term Debt and Capital Securities

As part of the application of purchase accounting for the BNP Paribas Merger, a premium of $33.1 million was recorded on certain long-term debt obligations and capital securities as a fair value adjustment. This premium will be amortized on a level-yield basis over the remaining maturity of the debt.

At December 31 for the years indicated, long-term debt and capital securities were comprised of the following:

| (dollars in thousands) | 2002 | 2001 |
|---|---|---|
| BancWest Corporation (Parent): | | |
| 7.375% subordinated notes due 2006 | **$ 52,461** | $ 50,000 |
| 6.54% term note due 2010 | **1,550,000** | 1,550,000 |
| 4.39% repurchase agreement due in 2011 | **800,000** | — |
| Bank of the West: | | |
| 6.33%-8.30% notes due through 2014 | **971,458** | 597,012 |
| Capital leases due through 2012 | **2,574** | 480 |
| First Hawaiian: | | |
| Capital leases due through 2022 | **454** | 462 |
| Total long-term debt | **3,376,947** | 2,197,954 |
| Capital Securities | **259,191** | 265,130 |
| **Total long-term debt and Capital Securities** | **$3,636,138** | $2,463,084 |

### BancWest Corporation (Parent)

The 7.375% subordinated notes due in 2006 are unsecured obligations with interest payable semiannually.

The 6.54% term note due in 2010 is an unsecured obligation to BNP Paribas with interest payable semiannually.

The 4.39% repurchase agreement due in 2011 is for stock in Bank of the West with BNP Paribas.

### Bank of the West

The 6.33%-8.30% notes due through 2014 primarily represent advances from the Federal Home Loan Bank of San Francisco and $52.5 million in subordinated capital notes sold to BNP Paribas. Interest on the Federal Home Loan Bank of San Francisco advances are payable monthly. Interest on the subordinated capital notes sold to BNP Paribas is payable semiannually.

### BancWest Capital I

In November 2000, the Company sold to the public $150 million in aggregate liquidation amount of BancWest Capital I Quarterly Income Preferred Securities (the “BWE Capital Securities”) issued by the BWE Trust, a Delaware business trust. The Company received the BWE Capital Securities (as well as all outstanding common securities of BancWest Capital I) in exchange for the Company’s 9.5% junior subordinated deferrable interest debentures, which are the sole assets of the BWE Trust. Holders of BWE Capital Securities are entitled to cumulative cash dividends at an annual rate of 9.5%, subject to possible deferral. 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. The BWE Capital Securities qualify as Tier 1 capital of the Company, which has solely, fully and unconditionally guaranteed payment of all amounts due on the BWE Capital Securities to the extent the BWE Trust has funds available for payment of such distributions.

### First Hawaiian Capital I

In 1997, FH Trust, a Delaware business trust, issued capital securities (the “FH Capital Securities”) with an aggregate liquidation amount of $100 million. The proceeds were used to purchase junior subordinated deferrable interest debentures of the Company. These debentures are the sole assets of the FH Trust. The FH

Capital Securities qualify as Tier 1 capital of the Company and are solely, fully and unconditionally guaranteed by the Company. The Company owns all the common securities issued by the FH Trust.

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, or upon earlier redemption in whole or in part (subject to a prepayment penalty) as provided for in the governing indenture.

Under the terms of both the BWE Capital Securities and the FH Capital Securities, the interest on the junior subordinated debentures is deferrable. If we defer interest payments on the capital securities, BWE Trust and FH Trust will also defer distributions on the capital securities. During any period in which we defer interest payments on the junior subordinated debentures, we will not and our subsidiaries will not do any of the following, with certain limited exceptions:

- pay a dividend or make any other payment or distribution on our capital stock;

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Notes to Consolidated Financial Statements *(continued)*

- redeem, purchase or make a liquidation payment on any of our capital stock;
- make an interest, principal or premium payment on, or repay, repurchase or redeem, any of our debt securities that rank equally with or junior to the junior subordinated debentures; or
- make any guarantee payment regarding any guarantee by us of debt securities of any of our subsidiaries, if the guarantee ranks equal with or junior to the junior subordinated debentures.

As of December 31, 2002, the principal payments due on long-term debt and capital securities were as follows:

| (in thousands) | BancWest Corporation (Parent) | Bank of the West | First Hawaiian | BancWest Capital I | First Hawaiian Capital I | Total |
|---|---|---|---|---|---|---|
| 2003 | $ — | $ 172,239 | $ 15 | $ — | $ — | $ 172,254 |
| 2004 | — | 692,618 | 16 | — | — | 692,634 |
| 2005 | — | 1,277 | 18 | — | — | 1,295 |
| 2006 | 50,000 | 1,291 | 19 | — | — | 51,310 |
| 2007 | — | 1,368 | 21 | — | — | 1,389 |
| 2008 and thereafter | 1,550,000 | 904,435 | 365 | 162,456 | 100,000 | 2,717,256 |
| **Total** | **$1,600,000** | **$1,773,228** | **$454** | **$162,456** | **$100,000** | **$3,636,138** |

## 12. Accumulated Other Comprehensive Income, Net

Comprehensive income is defined as the change in equity from all transactions other than those with stockholders, and it includes net income and other comprehensive income. The Company's items of other comprehensive income are net unrealized gains or losses on certain debt and equity securities and net unrealized gains or losses in cash flow hedges. Reclassification adjustments include the gains or losses realized in the current period on certain assets that were included in accumulated other comprehensive income at the beginning of the period. Accumulated other comprehensive income, net for the periods presented below is as follows:

| (in thousands) | Pre-tax Amount | Income Tax (Expense) Benefit | After-tax Amount |
|---|---|---|---|
| Predecessor: | | | |
| Accumulated other comprehensive income, net, December 31, 1999 | $ (16,583) | $ 6,710 | $ (9,873) |
| Unrealized net holding gain arising in 2000 | 29,123 | (11,773) | 17,350 |
| Reclassification adjustment for gains and losses realized in net income | 211 | (87) | 124 |
| Accumulated other comprehensive income, net, December 31, 2000 | 12,751 | (5,150) | 7,601 |
| Unrealized net holding gain arising from January 1, 2001 to December 19, 2001 | 30,528 | (12,292) | 18,236 |
| Reclassification adjustment for gains and losses realized in net income | (39,138) | 15,773 | (23,365) |
| Accumulated other comprehensive income, net, December 19, 2001 | 4,141 | (1,669) | 2,472 |
| Company: | | | |
| Accumulated other comprehensive income, net, December 20, 2001 | — | — | — |
| Unrealized net holding gain arising from December 20, 2001 to December 31, 2001 | 13,071 | (5,270) | 7,801 |
| Reclassification adjustment for gains and losses realized in net income | (31) | 12 | (19) |
| Accumulated other comprehensive income, net, December 31, 2001 | $ 13,040 | $ (5,258) | $ 7,782 |
| Unrealized net gains on securities available for sale arising during the year | **67,432** | **(25,709)** | **41,723** |
| Reclassification of net gains on securities available for sale included in net income | **(1,953)** | **787** | **(1,166)** |
| Unrealized net gains on cash flow derivative hedges arising during the year | **65,456** | **(26,510)** | **38,946** |
| Reclassification of net gains on cash flow derivative hedges included in net income | **(17,180)** | **6,958** | **(10,222)** |
| Accumulated other comprehensive income, net, December 31, 2002 | **$126,795** | **$(49,732)** | **$ 77,063** |

## 13. Regulatory Capital Requirements

Due to the election to become a financial holding company done concurrent with the BNP Paribas Merger, only the Company's depository institution subsidiaries are subject to various regulatory capital requirements administered by the Federal banking agencies. If they fail to meet minimum capital requirements, these 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, the Company's 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.

Quantitative measures established by regulation to ensure capital adequacy require the Company's depository institution subsidiaries to maintain minimum amounts and ratios of Tier 1 and Total capital to risk-weighted assets, and of Tier 1 capital to average assets. The table below sets forth those ratios at December 31, 2002 and 2001.

| | Actual | | For Capital Adequacy Purposes | | To Be Well-Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| **As of December 31, 2002:** | | | | | | |
| **Tier 1 Capital to Risk-Weighted Assets:** | | | | | | |
| **Bank of the West** | **$2,138,936** | **9.93%** | **$ 861,449** | **4.00%** | **$1,292,173** | **6.00%** |
| **First Hawaiian** | **732,441** | **11.19** | **261,775** | **4.00** | **392,663** | **6.00** |
| **Total Capital to Risk-Weighted Assets:** | | | | | | |
| **Bank of the West** | **$2,633,602** | **12.23%** | **$1,722,898** | **8.00%** | **$2,153,622** | **10.00%** |
| **First Hawaiian** | **887,254** | **13.56** | **523,551** | **8.00** | **654,439** | **10.00** |
| **Tier 1 Capital to Average Assets:** | | | | | | |
| **Bank of the West** | **$2,138,936** | **9.17%** | **$ 933,283** | **4.00%(1)** | **$1,166,604** | **5.00%** |
| **First Hawaiian** | **732,441** | **9.21** | **317,972** | **4.00 (1)** | **397,465** | **5.00** |

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**Notes to Consolidated Financial Statements** *(continued)*

| (dollars in thousands) | Actual | | For Capital Adequacy Purposes | | To Be Well-Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| As of December 31, 2001: | | | | | | |
| Tier 1 Capital to Risk-Weighted Assets: | | | | | | |
| Bank of the West | $ 878,252 | 7.85% | $447,542 | 4.00% | $ 671,312 | 6.00% |
| First Hawaiian | 632,719 | 9.52 | 265,871 | 4.00 | 398,807 | 6.00 |
| Total Capital to Risk-Weighted Assets: | | | | | | |
| Bank of the West | $1,219,482 | 10.90% | $895,083 | 8.00% | $1,118,854 | 10.00% |
| First Hawaiian | 785,148 | 11.81 | 531,742 | 8.00 | 664,678 | 10.00 |
| Tier 1 Capital to Average Assets: | | | | | | |
| Bank of the West | $ 878,252 | 7.18% | $489,540 | 4.00%(1) | $ 611,926 | 5.00% |
| First Hawaiian | 632,719 | 8.39 | 301,818 | 4.00 (1) | 377,272 | 5.00 |

(1) The leverage ratio consists of a ratio of Tier 1 capital to average assets. The minimum leverage ratio guideline is three percent for banking organizations that do not anticipate or are not experiencing significant growth, and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, a strong banking organization, and rated a composite 1 under the Uniform Financial Institution Rating System established by the Federal Financial Institution Examination Council.

Pursuant to applicable laws and regulations, each of the depository institution subsidiaries have been notified by the Federal Deposit Insurance Corporation ("FDIC") that each of them is deemed to be well-capitalized. To be well-capitalized, a bank must have a total risk-based capital ratio of 10.00% or greater, a Tier 1 risk-based capital ratio of 6.00% or greater, a leverage ratio of 5.00% or greater and not be subject to any agreement, order or directive to meet a specific capital level for any capital measure. Management believes that no conditions or events have occurred since the respective notifications to change the capital category of either of its depository institution subsidiaries.

## 14. Limitations on Payment of Dividends

The primary sources of funds that we may use to pay dividends to BNP Paribas are dividends the Parent receives from its subsidiaries. Regulations limit the amount of dividends Bank of the West and First Hawaiian may declare or pay. At December 31, 2002, the aggregate amount available for payment of dividends by such subsidiaries without prior regulatory approval was $363.3 million.

## 15. Benefit Plans

### 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 plan 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.

In connection with the acquisition of United California Bank ("UCB"), the Company assumed the pension and postretirement obligations of UCB. UCB employees participate 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 are eligible for a supplemental pension benefit if they meet certain age and service conditions. The Company is in the process of integrating UCB employees into the Company's existing benefit plan structure. The benefit obligations assumed by the Company in connection with the acquisition have been reflected in the following table.

The following tables summarize changes to the benefit obligation and fair value of plan assets for the years indicated:

| (in thousands) | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Benefit obligation at beginning of year | **$168,505** | $159,556 | **$23,746** | $18,414 |
| Service cost | **10,223** | 4,039 | **1,913** | 1,269 |
| Interest cost | **22,451** | 11,064 | **2,135** | 1,346 |
| Amendments | **—** | 1,516 | **—** | — |
| Actuarial loss | **19,121** | 1,406 | **5,635** | 3,747 |
| Acquisitions | **202,682** | — | **10,145** | — |
| Benefit payments | **(14,923)** | (9,076) | **(1,809)** | (1,030) |

| | | | | |
|---|---|---|---|---|
| **Benefit obligation at end of year** | **$408,059** | $168,505 | **$41,765** | $23,746 |

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| (in thousands) | 2002 | 2001 | 2002 | 2001 |
| Fair value of plan assets at beginning of year | **$153,312** | $175,970 | **$ —** | $ — |
| Actual return on plan assets | **(45,468)** | (14,397) | **—** | — |
| Acquisitions | **185,611** | — | **—** | — |
| Employer contributions | **47,330** | 815 | **1,809** | 1,030 |
| Benefit payments | **(14,923)** | (9,076) | **(1,809)** | (1,030) |
| **Fair value of plan assets at end of year** | **$325,862** | $153,312 | **$ —** | $ — |

**Notes to Consolidated Financial Statements** *(continued)*

The following table summarizes the funded status of the plans and amounts recognized/unrecognized in the Consolidated Balance Sheets:

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| (in thousands) | 2002 | 2001 | 2002 | 2001 |
| Funded status | **$(82,197)** | $(15,193) | **$(41,765)** | $(23,746) |
| Unrecognized net (gain) loss | **87,476** | 1,012 | **5,696** | (1) |
| **Prepaid (accrued) benefit cost** | **$ 5,279** | $(14,181) | **$(36,069)** | $(23,747) |

Unrecognized net gains or losses that exceed 5% of the greater of the projected benefit obligation or the market-related value of plan assets as of the beginning of the year, are amortized on a straight-line basis over five years. Amortization of the unrecognized net gain or loss is included as a component of net pension cost. If amortization results in an amount less than the minimum amortization required under generally accepted accounting principles, the minimum required amount is recorded.

As of December 31, 2002 and 2001, no company stock was held by the pension plans.

As part of the application of purchase price accounting for the UCB acquisition and the BNP Paribas Merger, liabilities of $33.9 million and $46 million were recorded as a fair value adjustment in 2002 and 2001, respectively.

Key provisions for the pension plans, excluding the unfunded plans, as of December 31, 2002 and 2001 were as follows:

| (in thousands) | 2002 | 2001 |
|---|---|---|
| Projected benefit obligation | **$349,203** | $128,795 |
| Accumulated benefit obligation | **323,714** | 127,553 |
| Fair value of plan assets for the retirement plan with plan assets in excess of accumulated benefit obligations | **325,862** | 153,312 |
| Prepaid benefit cost for the overfunded plan | **60,382** | 25,545 |

Except for the pension plans, the remaining plans had an accrued benefit liability.

The weighted average discount rate was 6.75% and 7% as of December 31, 2002 and 2001, respectively. In determining the 2002 net periodic benefit cost, the expected return on plan assets was 9.5% for the funded defined benefit pension plans; the rate of increase in future compensation used in determining the projected benefit obligation averaged 4.5% for the unfunded supplemental executive retirement plan and 4% for the defined benefit pension plans.

For accumulated post employment benefit obligation measurement purposes, a 9% and 15% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002 for the Hawaiian based plan and Bank of the West plans, respectively. The rates were assumed to gradually decrease to 5% and remain level at 5% thereafter.

The following table sets forth the components of the net periodic benefit cost (credit) for 2002, 2001 and 2000:

| | Pension Benefits | | | Other Benefits | | |
|---|---|---|---|---|---|---|
| (in thousands) | 2002 | 2001 | 2000 | 2002 | 2001 | 2000 |
| Service cost | **$ 10,223** | $ 4,039 | $ 3,594 | **$1,913** | $1,269 | $ 888 |
| Interest cost | **22,451** | 11,064 | 10,268 | **2,135** | 1,346 | 1,174 |
| Expected return on plan assets | **(27,869)** | (16,182) | (18,333) | **—** | — | — |
| Amortization of transition (asset) obligation | **—** | (1,100) | (1,200) | **—** | — | — |
| Amortization of prior service cost | **—** | 1,528 | 1,278 | **—** | 93 | 51 |
| Recognized net actuarial (gain) loss | **—** | (6) | (4,723) | **(62)** | 96 | 159 |
| **Net periodic benefit cost (credit)** | **$ 4,805** | $ (657) | $ (9,116) | **$3,986** | $2,804 | $2,272 |

Assumed health care cost trend rates have an impact on the amounts reported for the health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following pre-tax effect:

| (in thousands) | One-Percentage-Point Increase | One-Percentage-Point Decrease |
|---|---|---|
| Effect on 2002 total of service and interest cost components | **$ 345** | **$ (293)** |
| Effect on postretirement benefit obligation at December 31, 2002 | **2,691** | **(2,380)** |

**Money Purchase and 401(k) Match Plans**

The Company contributes to a defined contribution money purchase plan. The Company also matches employees' contributions (up to 3% of pay) to a 401(k) component of the defined contribution plan. The plans cover substantially all employees who satisfy applicable age and length-of-service requirements, except for a select group of key executives who are eligible for the Company's unfunded supplemental executive retirement plan.

For 2002, 2001 and 2000, the money purchase plan contribution was $4.6 million, $4.7 million and $4.5 million, respectively. The matching employer contributions to the 401(k) plan for 2002, 2001 and 2000 were $5.4 million, $4.1 million and $3.9 million, respectively. Matching employer contributions for 2001 and 2000 reflect the addition of the Bank of the West Savings Plan participants to the Company's defined contribution plan. Matching employer contributions for 2002 reflect Bank of the West's contributions to the United California Bank Premiere Savings Plan for the period September 1, 2002 through

**Notes to Consolidated Financial Statements** *(continued)*

December 31, 2002.

On December 21, 2001, all share balances in the BancWest Corporation Stock Fund were liquidated and reinvested in the Putnam Stable Value Fund at the rate of $35 per share. On December 28, 2001, residual dividend balances were also liquidated and reinvested in the Putnam Stable Value Fund at the rate of $35 per share.

**Incentive Plan for Key Executives**

The Company has an Incentive Plan for Key Executives (the "IPKE"), under which cash awards are made to key executives. The IPKE limits the aggregate and individual value of awards that could be issued in any one fiscal year.

**Long-Term Incentive Plan**

The Long-Term Incentive Plan (the "LTIP") pays cash awards to selected key executives if the Corporation achieves specified performance levels over multi-year performance cycles. Due to the change-in-control provisions of the LTIP plan, the BNP Paribas merger paid a maximum award to the participants of each of the three open cycles that began in 1999, 2000 and 2001. New three-year LTIP cycles began on January 1, 2002 and 2003.

**16. Stock-Based Compensation**

**Stock Incentive Plan ("SIP")**

Due to the BNP Paribas Merger, the SIP was terminated and each vested and unvested option outstanding under the SIP was cancelled. We became obligated to pay our option holders $35 per share less the applicable option exercise price. Those payments were made in January 2002.

The following table summarizes activity under the SIP and SierraWest Option Plans for 2001 and 2000:

| | Options Outstanding | |
|---|---|---|
| | Shares | Weighted Average Exercise Price |
| Balance at December 31, 1999 | 3,435,110 | 18.31 |
| Granted | 1,330,761 | 15.13 |
| Exercised | (297,678) | 14.67 |
| Forfeited | (43,953) | 20.52 |
| Balance at December 31, 2000 | 4,424,240 | 16.66 |
| Granted | 919,643 | 24.75 |
| Exercised | (283,620) | 15.28 |
| Forfeited | (73,561) | 20.37 |
| Balance at December 19, 2001 | 4,986,702 | 18.49 |
| Cancellation of options | (4,986,702) | 18.49 |
| Balance at December 31, 2001 | — | |

In accounting for our option plans, we applied APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. There has been no compensation cost charged against income for the option plans, as options were granted at exercise prices no less than the fair market value of the common stock on the date of grant. Had compensation cost for the option plans been determined in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," net income would have been reduced to the pro forma amounts indicated below:

| (in thousands) | 2001 | 2000 |
|---|---|---|
| Net income: | | |
| As reported | $246,502 | $216,394 |
| Pro forma | 239,835 | 214,978 |

Under SFAS No. 123, the fair value of each grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for the grants:

| | 2001 | 2000 |
|---|---|---|
| Expected dividend yield | 3.04% | 3.27% |
| Expected common stock volatility | 27.67 | 24.76 |

| | | |
|---|---|---|
| Risk-free interest rate | 6.22 | 6.66 |
| Expected life of the options | 6 years | 6 years |

The weighted average grant date fair value of options granted was $6.98 in 2001 and $3.98 in 2000.

**Discounted Share Purchase Plan**

The 2002 Discounted Share Purchase Plan (“2002 DSPP”) provided to U.S. resident employees of BNP Paribas, including employees of the Company, an opportunity to acquire shares in BNP Paribas. The purpose of the plan is to provide an increased incentive for these employees to contribute to the future success and prosperity of BNP Paribas. Eligible U.S. employees were those who were employed on March 6, 2002 and remained employed until at least June 3, 2002. Participants were allowed to purchase shares, up to specified limits, at a discount of 20% of the market value on February 28, 2002. In addition, the participants were granted shares, based on the number they purchased, paid for by the Company.

The shares under the DSPP plan must be held by the participants for a minimum of five years or until employment is terminated. In June 2002, a total of 124,763 shares were purchased by the Company’s employees, and an additional 30,490 shares were granted to these participants. The fair value of each share on the issue date was $51.81. The Company recognized a related compensation and benefits expense of $4.4 million in 2002.

**Notes to Consolidated Financial Statements** *(continued)*

### 17. Other Noninterest Expense

For the periods indicated, other noninterest expense included the following:

| | Company | | Predecessor | |
|---|---|---|---|---|
| (in thousands) | Year ended Dec. 31, 2002 | Dec. 20, 2001 through Dec. 31, 2001 | Jan. 1, 2001 through Dec. 19, 2001 | Year ended Dec. 31, 2000 |
| Stationery and supplies | **$ 29,016** | $ 928 | $ 21,076 | $ 20,286 |
| Advertising and promotions | **27,420** | 666 | 16,400 | 16,950 |
| Other | **102,040** | 2,016 | 83,056 | 80,716 |
| **Total other noninterest expense** | **$158,476** | $3,610 | $120,532 | $117,952 |

### 18. Income Taxes

For the periods indicated, the provision for income taxes was comprised of the following:

| | Company | | Predecessor | |
|---|---|---|---|---|
| (in thousands) | Year ended Dec. 31, 2002 | Dec. 20, 2001 through Dec. 31, 2001 | Jan. 1, 2001 through Dec. 19, 2001 | Year ended Dec. 31, 2000 |
| Current: | | | | |
| Federal | **$ 70,535** | $2,140 | $ 75,733 | $ 30,164 |
| States and other | **25,456** | 596 | 21,110 | 9,215 |
| Total current | **95,991** | 2,736 | 96,843 | 39,379 |
| Deferred: | | | | |
| Federal | **113,558** | 1,589 | 56,254 | 89,451 |
| States and other | **24,445** | 382 | 13,508 | 23,397 |
| Total deferred | **138,003** | 1,971 | 69,762 | 112,848 |
| **Total provision for income taxes** | **$233,994** | $4,707 | $166,605 | $152,227 |

At December 31, 2002, the Company has alternative minimum tax credit carryforwards totaling $596,000 which may be used to offset future Federal income tax. The credits do not expire. The components of the Company's net deferred income tax liabilities at December 31, 2002 and 2001 were as follows:

| (in thousands) | 2002 | 2001 |
|---|---|---|
| **Assets** | | |
| Allowance for credit losses and nonperforming assets | **$177,326** | $ 86,765 |
| Deferred compensation expenses | **54,152** | 75,171 |
| Intangible assets | **2,831** | 60,505 |
| State income and franchise taxes | **7,055** | 5,966 |
| Other | **14,423** | — |
| Total deferred income tax assets | **255,787** | 228,407 |
| **Liabilities** | | |
| Leases | **744,169** | 649,733 |
| Investment securities | **64,229** | 23,837 |
| Depreciation expense | **23,082** | 9,955 |
| Other | **—** | 10,207 |
| Total deferred income tax liabilities | **831,480** | 693,732 |
| **Net deferred income tax liabilities** | **$575,693** | $465,325 |

Net deferred income tax liabilities are included in other liabilities in the Consolidated Balance Sheets.

The following analysis reconciles the Federal statutory income tax rate to the effective income tax rate for the periods indicated:

| (dollars in thousands) | Year Ended December 31, 2002 Amount | % |
|---|---|---|
| **Federal statutory income tax rate** | **$208,364** | **35.0%** |
| **Foreign, state and local taxes, net of Federal income tax benefit** | **36,027** | **6.1** |
| **Tax credits** | **(14,407)** | **(2.4)** |
| **Other** | **4,010** | **.6** |
| **Effective income tax rate** | **$233,994** | **39.3%** |

| (dollars in thousands) | Company<br>Dec. 20, 2001 through Dec. 31, 2001 | Predecessor<br>Jan. 1, 2001 through Dec. 19, 2001 | % |
|---|---|---|---|
| Federal statutory income tax rate | $4,098 | $145,043 | 35.0% |
| Foreign, state and local taxes, net of Federal income tax benefit | 700 | 24,780 | 6.0 |
| Goodwill amortization | — | 10,866 | 2.5 |
| Tax credits | (211) | (7,454) | (1.8) |
| Other | 120 | (6,630) | (1.5) |
| Effective income tax rate | $4,707 | $166,605 | 40.2% |

| (dollars in thousands) | Year Ended December 31, 2000 Amount | % |
|---|---|---|
| Federal statutory income tax rate | $129,017 | 35.0% |
| Foreign, state and local taxes, net of Federal income tax benefit | 22,113 | 6.0 |
| Goodwill amortization | 10,784 | 2.9 |
| Tax credits | (7,467) | (2.0) |
| Other | (2,220) | (.6) |
| Effective income tax rate | $152,227 | 41.3% |

## 19. Operating Segments

The Company has determined that our reportable segments are the ones we use in our internal reporting at Bank of the West and First Hawaiian. Bank of the West's segments operate primarily in California, Oregon, Washington, Idaho, New Mexico and Nevada. Although

**Notes to Consolidated Financial Statements** *(continued)*

First Hawaiian's segments operate primarily in Hawaii, First Hawaiian also has significant operations outside the state, such as media finance, leveraged leases and 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 responsible unit. The net interest income of each segment includes the results of our transfer pricing process which matches assets and liabilities with rates associated with assets of similar risk and maturity to our overall asset-liability management activities on a proportional basis. 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.

**Bank of the West**

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

***Regional Banking's*** primary markets include California, Nevada, the Pacific Northwest region and New Mexico. The Northern California Division is comprised of the Greater San Francisco Bay area. The San Francisco Bay area is one of California's wealthiest regions. The Southern California Division stretches from Santa Barbara in the north through the L.A. Metro area to San Diego in the South. The largest portion of California's population resides in this geographic region. The Valley/ Nevada Division contains the Central Valley area of California and the state of Nevada. The Central Valley of California is an area which has been experiencing rapid transition from a largely agricultural base to a mix of agricultural and commercial enterprises. Nevada has been the fastest growing state in the country for the past decade. The Pacific Northwest Division includes Oregon, Washington and Idaho. The New Mexico Division is centered in the Albuquerque metropolitan area where we have the third largest market share. The senior executives in the divisions are responsible for both retail and business banking activities in their markets. Regional Banking utilizes its branch network as its principal funding source. The Bank's telephone banking service, a network of 370 automated teller machines and the online eTimeBanker service provide retail customers with other means of accessing and managing their accounts. A key element of the Bank's strategy is to seek to distinguish itself as the provider of the "best value" in banking services. To this end, Regional Banking seeks to position itself within its markets as an alternative to both the higher-priced, smaller "boutique" commercial banks and the larger money center commercial banks, which may be perceived as offering lower service and lower prices on a "mass market" basis.

Regional Banking seeks to serve a broad customer base by furnishing a wide range of retail and commercial banking products. Deposit products offered by Regional Banking include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts and time deposits. 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 basic commercial banking products intended to serve the needs of smaller community-based businesses. These loan products include in-branch originations of standardized products for businesses with relatively simple banking and financing needs. More complex and customized commercial banking services are offered through Bank of the West's regional banking centers, which serve clusters of branches and provide lending, deposit and cash management services to companies operating in the relevant market areas. Regional Banking also provides a number of fee-based products and services such as annuities, insurance and securities brokerage.

The Regional Banking Segment includes a Business Banking Division which supports commercial lending activities for middle market business customers through 14 Business Banking centers located throughout California as well as Portland, Oregon, Reno and Las Vegas, Nevada and Albuquerque, New Mexico. Each Business Banking Center provides a wide range of loan and deposit services to medium-sized companies with borrowing needs of $500,000 to $25 million. Lending services include receivable and inventory financing, equipment term loans, letters of credit, agricultural loans and trade finance. Other banking services include cash management, insurance products, trust, investment, foreign exchange and various international banking services.

The Regional Banking Segment also includes a Pacific Rim Division which offers multilingual services through an 18-branch network in predominately Asian American communities in California, with specialized domestic and international products and services for both individuals and companies. The Pacific Rim Division has a largely commercial clientele.

***The Commercial Banking Segment*** supports business clients with revenues between $25 million and $350 million. This segment's clients include these engaged in agribusiness, real estate industries, as well as, churches, Small Business Administration (SBA) and equipment leasing clients. Services offered include cash management, trade finance, correspondent banking services and syndication of commercial credits exceeding $30 million.

This segment lends to agricultural clients including dairies, nurseries and growers of row crops among others. Offices serving agribusiness are located in Central California, Oregon and Washington. It also provides construction and commercial mortgage funding for developers of single family and apartment residences, offices, retail space, hotels and industrial facilities. There are nine real estate industry lending offices located throughout California, as well as Las Vegas, Reno and Portland. The Commercial Banking Group provides SBA lending nationwide to meet the real estate, construction, equipment financing and operating expense requirements of businesses qualifying for government guaranteed SBA programs. Equipment leasing is available through the Bank’s commercial offices, branches, brokers across the nation and the newly acquired subsidiary, Trinity Capital. Trinity specializes in nationwide vendor leasing programs for manufacturers in specific markets.

Cash management services include account analysis and reconcilement, armored car and cash vault services, investment sweep accounts, lock box and wire transfer services among others. Business customers can access their accounts in real time via *WebDirect*.

***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 are originated through a network of approximately 2,000 auto dealers and 2,000 recreational vehicle and marine dealers serviced by sales representatives located throughout the country. Collateral supporting these loans includes new and used automobiles, light duty trucks, vans, motor homes, travel trailers and boats.

This segment also includes the wholly-owned subsidiary Essex Credit Corporation, which focuses on the origination of marine and recreational vehicle loans directly with customers. Essex has office locations throughout the United States and sells substantially all of its loans to investors servicing released for a fee.

**First Hawaiian Bank**

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

**Retail Banking Group**

First Hawaiian’s Retail Banking Group operates its main banking office in Honolulu, Hawaii, and 55 other banking offices located throughout Hawaii. First Hawaiian also operates three branches in Guam and two branches in Saipan.

The focus of First Hawaiian’s retail/community banking strategy is primarily in Hawaii, where it has a significant market share—40.5% of the domestic bank deposits by individuals, corporations and partnerships in the state as of December 31, 2002. The predominant economic force in Hawaii is tourism, although there have been significant recent efforts to diversify the economy into hightech and other industries.

In pursuing the community banking markets in Hawaii, Guam and Saipan, First Hawaiian seeks to serve a broad customer base by furnishing a range of retail and commercial banking products. Through its branch network, First Hawaiian 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 offers a wide range of banking products intended to serve the needs of smaller, community-based businesses. First Hawaiian also provides a number of fee-based products and services such as annuities and mutual funds, insurance and securities brokerage.

First Hawaiian’s principal funding source is its 61-branch network. Thanks to its significant market share in Hawaii, First Hawaiian 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.

First Hawaiian’s goal is to become each customer’s primary bank, using core products such as demand deposit (checking) accounts as entry points to generate cross-sales and develop a multi-product relationship with individual and business customers. Toward this goal, employees in First Hawaiian’s branch network focuses on selling bank, trust, investment and insurance products to meet customers’ needs and build on those existing relationships.

**Notes to Consolidated Financial Statements** *(continued)*

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

**Consumer**

***Consumer Lending.*** First Hawaiian 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 also provides indirect consumer automobile financing on new and used autos by purchasing finance contracts from dealers. First Hawaiian's Dealer Center is one of the largest commercial bank automobile lender in the state of Hawaii. First Hawaiian is the largest issuer of MasterCard® credit cards and VISA® credit cards in Hawaii.

***Real Estate Lending—Residential.*** First Hawaiian 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.

**Commercial Banking**

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

***Real Estate Lending—Commercial.*** First Hawaiian provides permanent financing for a variety of commercial developments, such as retail facilities, warehouses and office buildings.

***International Banking Services.*** First Hawaiian maintains an International Banking Division which provides international banking products and services through First Hawaiian's branch system, its international banking headquarters in Honolulu, a Grand Cayman branch, three Guam branches, two branches in Saipan and a representative office in Tokyo, Japan. First Hawaiian maintains a network of correspondent banking relationships throughout the world.

First Hawaiian's international banking activities are primarily trade-related and are concentrated in the Asia-Pacific area.

**Financial Management Group**

***Trust and Investment Services.*** First Hawaiian's Financial Management Group 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 Group. The Financial Management Group 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 December 31, 2002, the Trust and Investments Division had over 4,000 accounts with a market value of $8.8 billion. Of this total, $6.3 billion represented assets in nonmanaged accounts and $2.5 billion were managed assets.

The Trust and Investments Division maintains custodial accounts pursuant to which it acts as agent for customers in rendering a variety of services, including dividend and interest collection, collection under installment obligations and rent collection.

***Securities and Insurance Services.*** First Hawaiian, through a wholly-owned subsidiary, First Hawaiian Insurance, Inc., provides personal, business and estate insurance 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. In association with an independent registered broker-dealer, First Hawaiian offers mutual funds, annuities and other securities in its branches.

***Private Banking Services.*** The Private Banking Department within First Hawaiian's Financial Management Group provides a wide range of products to high-net-worth individuals.

**Other**

***Administrative.*** Represents administrative support areas including information Management and Operations and Finance and Investment.

***Syndicated and Media Lending.*** First Hawaiian, through its Wholesale Loan Group, participates in syndicated lending to primarily large corporate entities in the Mainland United States. The Wholesale Loan Group also participates in syndicated lending to the media and telecommunications industries located in the Mainland United States. Due to strategic considerations resulting from the BNP acquisition, we are in the process of exiting from the syndicated national credit and media finance areas.

The tables below present information about the Company's operating segments as of or for the periods indicated:

**Notes to Consolidated Financial Statements** *(continued)*

| (in millions) | Bank of the West | | | | First Hawaiian Bank | | | | | Other BancWest | Reconciling Items | Consolidated Totals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Regional Banking | Commercial Banking | Consumer Finance | Other | Retail Banking Group | Consumer | Commercial Banking | Financial Management Group | Other | | | |
| **Year ended December 31, 2002:** | | | | | | | | | | | | |
| **Net interest income** | **$ 499** | **$ 274** | **$ 183** | **$ 32** | **$ 244** | **$ 64** | **$ 6** | **$ —** | **$ 17** | **$ (125)** | **$ —** | **$ 1,194** |
| **Provision for credit losses** | **15** | **15** | **45** | **—** | **9** | **10** | **—** | **—** | **1** | **—** | **—** | **95** |
| **Provision for income taxes** | **91** | **78** | **37** | **3** | **55** | **18** | **7** | **1** | **(4)** | **(52)** | **—** | **234** |
| **Net income** | **137** | **116** | **56** | **4** | **89** | **29** | **16** | **2** | **(11)** | **(77)** | **—** | **361** |
| **Segment assets (year end)** | **7,396** | **7,844** | **7,429** | **3,381** | **3,269** | **1,474** | **1,058** | **14** | **3,354** | **7,478** | **(7,948)** | **34,749** |
| **Goodwill** | **1,215** | **707** | **308** | **—** | **650** | **216** | **118** | **10** | **—** | **5** | **—** | **3,229** |
| Year ended December 31, 2001: | | | | | | | | | | | | |
| Net interest income | $ 264 | $ 95 | $ 135 | $ 8 | $ 239 | $ 58 | $ 4 | $ 1 | $ 28 | $ (15) | $ — | $ 817 |
| Provision for credit losses | 23 | 7 | 42 | — | 8 | 8 | 1 | — | 14 | — | — | 103 |
| Provision for income taxes | 34 | 28 | 22 | 20 | 47 | 14 | 6 | 3 | 4 | (6) | — | 172 |
| Net income | 45 | 38 | 29 | 28 | 80 | 23 | 14 | 5 | 3 | (10) | — | 255 |
| Segment assets (year end) | 2,914 | 3,072 | 5,514 | 1,912 | 3,538 | 1,339 | 839 | 15 | 2,951 | 4,759 | (5,206) | 21,647 |
| Goodwill | 422 | 210 | 263 | — | 650 | 216 | 118 | 10 | — | 173 | — | 2,062 |
| Year ended December 31, 2000: | | | | | | | | | | | | |
| Net interest income | $ 238 | $ 81 | $ 102 | $ 2 | $ 231 | $ 51 | $ 14 | $ 1 | $ 32 | $ (5) | $ — | $ 747 |
| Provision for credit losses | 9 | 4 | 23 | 2 | 9 | 6 | 7 | — | — | — | — | 60 |
| Provision for income taxes | 41 | 25 | 20 | (1) | 46 | 12 | 7 | 5 | 1 | (4) | — | 152 |
| Net income | 53 | 33 | 26 | (2) | 72 | 19 | 14 | 7 | — | (6) | — | 216 |
| Segment assets (year end) | 2,496 | 2,635 | 4,304 | 1,724 | 2,981 | 1,177 | 796 | 8 | 2,490 | 3,215 | (3,369) | 18,457 |
| Goodwill | 248 | 124 | 155 | — | — | — | — | — | 72 | — | — | 599 |

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**Notes to Consolidated Financial Statements** *(continued)*

The “Other BancWest” category in the table above consists primarily of BancWest Corporation (Parent Company), FHL Lease Holding Company, Inc.), BancWest Capital I and First Hawaiian Capital I.

The Company also identifies business units based on the products or services offered and the channels through which the products or services are delivered. In addition to the operating segment information, the table below presents selected Company-wide information regarding business units for the respective periods indicated:

| (in millions) | Wholesale | Retail | Other | Reconciling Items | Consolidated Totals |
|---|---|---|---|---|---|
| Interest income: | | | | | |
| Company: | | | | | |
| **Year ended Dec. 31, 2002** | **$542** | **$958** | **$213** | **$(53)** | **$1,660** |
| Dec. 20, 2001 through Dec. 31, 2001 | $ 12 | $ 26 | $ 7 | $ (4) | $ 41 |
| Predecessor: | | | | | |
| Jan. 1, 2001 through Dec. 19, 2001 | 356 | 775 | 198 | (46) | 1,283 |
| Year ended December 31, 2000 | 397 | 750 | 188 | (25) | 1,310 |

Wholesale banking primarily provides commercial, financial and agricultural, small business and commercial and construction real estate loans. It also includes equipment lease financing. Retail banking is primarily composed of consumer and residential real estate loans, credit card services and automobile leases. The “other” category is composed primarily of interest income from investments.

The reconciling items in the above tables are principally intercompany eliminations.

**20. International Operations**

The Company’s international operations are principally in Guam, Saipan and Grand Cayman, British West Indies. These operations involve foreign banking and international financing activities, including short-term investments, loans and leases, acceptances, letters of credit financing and international funds transfers.

We identify international activities on the basis of the domicile of the customer.

The table below presents information about the Company’s foreign, domestic and consolidated operations as of or for the years ended December 31:

| (in thousands) | Foreign | Domestic | Consolidated |
|---|---|---|---|
| Company: | | | |
| **2002:** | | | |
| **Total revenue** | **$ 20,446** | **$ 1,971,640** | **$ 1,992,086** |
| **Income before income taxes** | **8,490** | **586,836** | **595,326** |
| **Net income** | **5,155** | **356,177** | **361,332** |
| **Total assets** | **435,320** | **34,313,947** | **34,749,267** |
| For the period from December 20 through December 31 | | | |
| Total revenue | $ 1,324 | $ 46,391 | $ 47,715 |
| Income before income taxes | 260 | 12,749 | 13,009 |
| Net income | 189 | 8,113 | 8,302 |
| Total assets at December 31 | 535,950 | 21,110,564 | 21,646,514 |
| Predecessor: | | | |
| For the period from January 1 through December 19 | | | |
| Total revenue | 43,949 | 1,540,383 | 1,584,332 |
| Income before income taxes | 8,805 | 404,302 | 413,107 |
| Net income | 5,623 | 240,879 | 246,502 |
| 2000: | | | |
| Total revenue | $ 47,747 | $ 1,478,185 | $ 1,525,932 |
| Income before income taxes | 6,674 | 361,947 | 368,621 |
| Net income | 4,271 | 212,123 | 216,394 |
| Total assets | 389,589 | 18,067,477 | 18,457,066 |

Our current procedure is to price intercompany transfers of funds at prevailing market rates. In general, we have allocated all direct expenses and a proportionate share of general and administrative expenses to the income derived from loans and leases and transactions by the Company’s international operations.

The following table presents the percentages of assets and liabilities attributable to foreign operations. For this purpose, assets attributable to foreign operations are defined as: (1) assets in foreign offices; and (2) loans and leases to and investments in customers domiciled outside the United States. Deposits received and other liabilities are classified on the basis of domicile of the depositor/creditor.

| | 2002 | 2001 | 2000 |
|---|---|---|---|
| Average foreign assets to average total assets | **1.71%** | 2.75% | 2.93% |
| Average foreign liabilities to average total liabilities | **2.48** | 1.67 | 1.79 |

**Notes to Consolidated Financial Statements** *(continued)*

**21. Lease Commitments**

At December 31, 2002, we had the following future minimum lease payments (by year and in the aggregate) under noncancelable operating leases having initial or remaining terms in excess of one year:

| (in thousands) | Operating Leases | Less Sublease Income | Net Operating Leases |
|---|---|---|---|
| 2003 | $ 61,845 | $11,929 | $ 49,916 |
| 2004 | 60,323 | 10,924 | 49,399 |
| 2005 | 41,999 | 10,603 | 31,396 |
| 2006 | 25,127 | 8,532 | 16,595 |
| 2007 | 20,063 | 660 | 19,403 |
| 2008 and thereafter | 101,766 | 1,175 | 100,591 |
| **Total** | $311,123 | $43,823 | $267,300 |

These leases of premises and equipment extend for varying periods up to 39 years. Some of them may be renewed for periods ranging from one to 39 years. Under the premises' leases, we are also required to pay real property taxes, insurance and maintenance.

In most cases, leases for premises provide for periodic renegotiation of rents based upon a percentage of the appraised value of the leased property. The renegotiated annual rent is usually not less than the annual amount paid in the previous period. Where future commitments are subject to appraisals, the minimum annual rental commitments are based on the latest annual rents.

In 2001, as part of the application of purchase accounting for the BNP Paribas Merger, a liability of $15.3 million was recorded as a fair value adjustment and will be amortized on a straight-line basis over the life of the related lease.

Rental expense for the years indicated was:
2002: $64.0 million
2001: $46.6 million
2000: $45.9 million

In December 1993, the Company entered into a noncancelable agreement to lease its administrative headquarters building on land owned in fee simple by the Company. (Construction of the building was completed in September 1996.) Also in December 1993, the Company entered into a ground lease of the land to the lessor of the building.

Rent obligation for the building commenced on December 1, 1996 and will expire on December 1, 2003 (the "Primary Term"). We are obligated to pay all taxes, insurance, maintenance and other operating costs associated with the building during the Primary Term. As of December 31, 2002, the Company has executed certain noncancelable subleases with third parties. These amounts are included in sublease income in the above table.

At the end of the Primary Term, the Company may decide whether to: (1) extend the lease term at rents based on the lessor's cost of funds at the time of renewal; (2) purchase the building for an amount approximately equal to that expended by the lessor to construct the building; or (3) arrange for the sale of the building to a third party on behalf of the lessor. If we choose option (3), we must pay to the lessor any shortfall between the sales proceeds and the lessor's investment in the building, such payment not to exceed $162 million. This lease is accounted for as an operating lease.

**22. Commitments and Contingent Liabilities**

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

| | 2002 | 2001 |
|---|---|---|
| (in thousands) | Notional/ Contract Amount | Notional/ Contract Amount |
| Contractual Amounts Which Represent Credit Risk: | | |
| Commitments to extend credit | $7,587,357 | $5,420,200 |
| Standby letters of credit | 631,490 | 315,775 |
| Commercial letters of credit | 87,808 | 9,461 |
| Contractual Amounts Where Credit Risk is Less Than Contractual Amount: | | |
| Commitments to purchase foreign currencies | 222,899 | 43,862 |
| Commitments to sell foreign currencies | **218,150** | 40,114 |

**Facilities Management Agreement**

In August 1999, the Company signed a six-year facilities management agreement in connection with the consolidation of its three data centers. At December 31, 2002, the Company had the following future minimum payments under this noncancelable agreement:

| (in thousands) | Minimum Payments |
| --- | --- |
| 2003 | **$16,934** |
| 2004 | **16,934** |
| 2005 | **11,289** |
| **Total** | **$45,157** |

Expenses under this facilities management agreement for the years ended December 31, 2002, 2001 and 2000 were approximately $21.6 million, $20.4 million and $18.2 million, respectively.

**Litigation**

In the course of normal business, the Company is subject to numerous pending and threatened lawsuits, some of which seek substantial relief or damages. While the Company is not able to predict whether the outcome of such actions will materially affect our results of opera-

**Notes to Consolidated Financial Statements** *(continued)*

tion for a particular period, based upon consultation with counsel, management does not expect that the aggregate liability, if any, resulting from these proceedings would have a material effect on the Company's consolidated financial position, results of operations or liquidity.

### 23. Fair Value of Financial Instruments

The following table presents a summary of the book and fair value of the Company's financial instruments, excluding leases, at December 31 for the years indicated:

| | 2002 | |
|---|---|---|
| (in thousands) | Book Value | Fair Value |
| **Financial Assets:** | | |
| **Cash and due from banks** | **$ 1,761,261** | **$ 1,761,261** |
| **Interest-bearing deposits in other banks** | **2,098** | **6,963** |
| **Federal funds sold and securities purchased under agreements to resell** | **430,056** | **430,056** |
| **Investment securities (note 5):** | | |
| **Available-for-sale** | **3,941,040** | **3,941,040** |
| **Loans** | **21,840,631** | **21,984,471** |
| **Customers' acceptance liability** | **25,945** | **25,945** |
| **Other financial assets** | **143,565** | **143,565** |
| **Financial Liabilities:** | | |
| **Deposits** | **$24,557,479** | **$24,605,379** |
| **Short-term borrowings** | **1,524,750** | **1,524,750** |
| **Acceptances outstanding** | **25,945** | **25,945** |
| **Long-term debt** | **3,376,947** | **3,579,829** |
| **Guaranteed preferred beneficial interests in junior subordinated debentures** | **259,191** | **267,010** |
| **Other financial liabilities** | **44,476** | **44,476** |

| | 2001 | |
|---|---|---|
| (in thousands) | Book Value | Fair Value |
| Financial Assets: | | |
| Cash and due from banks | $ 737,262 | $ 737,262 |
| Interest-bearing deposits in other banks | 109,935 | 110,022 |
| Federal funds sold and securities purchased under agreements to resell | 233,000 | 233,000 |
| Investment securities (note 5): | | |
| Available-for-sale | 2,542,173 | 2,542,173 |
| Loans | 12,930,926 | 12,804,649 |
| Customers' acceptance liability | 1,498 | 1,498 |
| Other financial assets | 1,963 | 1,963 |
| Financial Liabilities: | | |
| Deposits | $15,334,051 | $15,344,410 |
| Short-term borrowings | 954,320 | 954,320 |
| Acceptances outstanding | 1,498 | 1,498 |
| Long-term debt | 2,197,954 | 2,199,261 |
| Guaranteed preferred beneficial interests in junior subordinated debentures | 265,130 | 264,140 |
| Other financial liabilities | 7,600 | 7,600 |

The following table presents a summary of the fair value of the Company's off-balance-sheet financial instruments, excluding leases, (Note 22) at December 31, 2002 and 2001:

| (in thousands) | 2002 | 2001 |
|---|---|---|
| Commitments to extend credit | **$20,316** | $17,415 |
| Standby letters of credit | **4,050** | 1,725 |

| | | |
|---|---|---|
| Commercial letters of credit | **538** | 78 |
| Commitments to purchase foreign currencies | **6,838** | (420) |
| Commitments to sell foreign currencies | **(6,786 )** | 347 |

### 24. BancWest Corporation (Parent Company Only) Financial Statements

In the financial statements presented below, the investment in subsidiaries is accounted for under the equity method.

**Balance Sheets**

| (in thousands, except number of shares and per share data) | December 31, 2002 | December 31, 2001 |
|---|---|---|
| **Assets:** | | |
| Cash on deposit with First Hawaiian | **$ 102** | $ 184 |
| Loans, net of allowance for credit losses of $120 in 2002 and 2001 | **2,105** | 2,626 |
| Available-for-sale investment securities | **22,073** | — |
| Securities purchased from First Hawaiian | **—** | 99,061 |
| Investment in subsidiaries: | | |
| Bank of the West | **4,540,055** | 1,824,165 |
| First Hawaiian | **1,757,919** | 1,649,383 |
| Other subsidiaries | **22,311** | 20,646 |
| Due from: | | |
| Bank of the West | **399,105** | 312,291 |
| First Hawaiian | **366,685** | 312,932 |
| Other subsidiaries | **38,036** | 38,453 |
| Goodwill | **5,206** | 172,682 |
| Other assets | **3,343** | 4,491 |
| **Total assets** | **$7,156,940** | $4,436,914 |
| **Liabilities and Stockholder’s Equity:** | | |
| Current and deferred income taxes | **$ 602,697** | $ 452,850 |
| Due to subsidiaries | **270,189** | 272,862 |
| Other liabilities | **16,572** | 109,282 |
| Long-term debt (note 11) | **2,400,000** | 1,600,000 |
| Total liabilities | **3,289,458** | 2,434,994 |
| Commitments and contingent liabilities (notes 15, 21 and 22) | | |
| Stockholder’s equity: | | |
| Class A common stock, par value $.01 per share in 2002 and 2001 (note 2) | | |
| Authorized—150,000,000 shares in 2002 and 2001 | | |
| Issued—85,759,123 shares in 2002 and 56,074,874 shares in 2001 | **858** | 561 |
| Surplus | **3,419,927** | 1,985,275 |
| Retained earnings (note 14) | **369,634** | 8,302 |
| Accumulated other comprehensive income, net (note 12) | **77,063** | 7,782 |
| Total stockholder’s equity | **3,867,482** | 2,001,920 |
| **Total liabilities and stockholder’s equity** | **$7,156,940** | $4,436,914 |

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**Notes to Consolidated Financial Statements** *(continued)*

**Statements of Income**

| | Company | | Predecessor | |
|---|---|---|---|---|
| (in thousands) | Year ended Dec. 31, 2002 | Dec. 20, 2001 through Dec. 31, 2001 | Jan. 1, 2001 through Dec. 19, 2001 | Year ended Dec. 31, 2000 |
| **Income:** | | | | |
| Dividends from Bank of the West | **$ 57,281** | $ — | $ 54,756 | $ 41,140 |
| First Hawaiian | **28,072** | — | 77,444 | 147,384 |
| Other subsidiaries | **698** | — | 1,991 | 1,558 |
| Interest and fees from: | | | | |
| Bank of the West | **8,087** | 261 | 7,826 | 8,087 |
| First Hawaiian | **4,688** | 217 | 5,064 | 6,066 |
| Other subsidiaries | **—** | — | — | 37 |
| Other interest and dividends | **699** | 6 | 673 | 527 |
| Total income | **99,525** | 484 | 147,754 | 204,799 |
| **Expense:** | | | | |
| Interest expense: | | | | |
| Short-term borrowings | **11,625** | — | 160 | 360 |
| Long-term debt | **129,627** | 4,243 | 28,385 | 20,749 |
| Salaries and benefits | **246** | — | — | — |
| Professional services | **63** | — | 249 | 147 |
| Other | **3,934** | 65 | 3,353 | 5,120 |
| Total expense | **145,495** | 4,308 | 32,147 | 26,376 |
| Income (loss) before income tax benefit and equity in undistributed income (loss) of subsidiaries | **(45,970)** | (3,824) | 115,607 | 178,423 |
| Income tax benefit | **52,918** | 1,516 | 7,253 | 4,487 |
| Income (loss) before equity in undistributed income (loss) of subsidiaries | **6,948** | (2,308) | 122,860 | 182,910 |
| Equity in undistributed income (loss) of subsidiaries: | | | | |
| Bank of the West | **255,633** | 6,168 | 79,497 | 68,959 |
| First Hawaiian | **97,087** | 4,377 | 43,202 | (35,035) |
| Other subsidiaries | **1,664** | 65 | 943 | (440) |
| **Net income** | **$361,332** | $ 8,302 | $246,502 | $216,394 |

**Notes to Consolidated Financial Statements** *(continued)*

**Statements of Cash Flows**

| (in thousands) | Company: Year ended Dec. 31, 2002 | Company: Dec. 20, 2001 through Dec. 31, 2001 | Predecessor: Jan. 1, 2001 through Dec. 19, 2001 | Predecessor: Year ended Dec. 31, 2000 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Net income | **$ 361,332** | $ 8,302 | $ 246,502 | $ 216,394 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Equity in undistributed income of subsidiaries | **(348,402)** | (10,610) | (123,642) | ( 33,484) |
| Cash paid for BNP Paribas cancellation of stock options | **(83,347)** | — | — | — |
| Other | **(3,379)** | 2,221 | 134 | (5,795) |
| **Net cash provided by (used in) operating activities** | **(73,796)** | (87) | 122,994 | 177,115 |
| **Cash flows from investing activities:** | | | | |
| Net change in: | | | | |
| Securities sold under agreements to repurchase | — | (83,400) | 4 | 689 |
| Loans repaid by directors and executive officers | **50** | 1 | 1,249 | 463 |
| Repayments from (advances to) subsidiaries | — | — | (25,015) | 6,000 |
| Investment in Bank of the West | **(2,402,978)** | — | — | (150,000) |
| Proceeds from available-for-sale investment securities | **76,988** | — | 300 | — |
| Investment in BancWest Capital I | — | — | — | (4,639) |
| **Net cash used in investing activities** | **(2,325,940)** | (83,399) | (23,462) | (147,487) |
| **Cash flows from financing activities:** | | | | |
| Cash received from BNP Paribas for cancellation of stock options | — | 83,347 | — | — |
| Net increase (decrease) in short-term borrowings | — | — | (5,477) | 2,877 |
| Proceeds from (payments on) long-term debt and junior subordinated debentures | **1,600,000** | — | — | 154,639 |
| Payment on long-term debt | **(802,771)** | — | — | (100,000) |
| Cash dividends paid | — | — | (99,772) | (84,731) |
| Proceeds from (payment on) issuance of common stock | **1,600,000** | — | (31 ) | 585 |
| Discounted share purchase plan | **2,425** | — | — | — |
| Issuance (purchase) of treasury stock, net | — | — | 3,390 | (4,056) |
| Income tax benefit from stock-based compensation | — | — | 2,435 | 1,097 |
| **Net cash provided by (used in) financing activities** | **2,399,654** | 83,347 | (99,455) | ( 29,589) |
| **Net increase (decrease) in cash** | **(82)** | (139) | 77 | 39 |
| **Cash at beginning of period** | **184** | 323 | 246 | 207 |
| **Cash at end of period** | **$ 102** | $ 184 | $ 323 | $ 246 |
| **Supplemental disclosures:** | | | | |
| Interest paid | **$ 34,568** | $ 237 | $ 29,167 | $ 34,914 |
| Income taxes refunded | **$ 65,600** | $ 184 | $ 6,766 | $ 5,186 |

**Glossary of Financial Terms**

**Balance sheet:** A statement of financial position reflecting our assets, liabilities and stockholder's equity at a particular point in time in accordance with generally accepted accounting principles.

**Basis-point:** A measure of the yield on a bond, note or other indebtedness equal to 1/100th of a percentage point. For example, a yield of 5% is 500 basis points.

**Cash earnings:** Earnings before restructuring, merger-related and nonrecurring items and amortization of goodwill and core deposit intangible.

**Collateral:** An asset or property pledged to secure the payment of a debt or performance of an obligation.

**Core earnings:** Earnings before restructuring, merger-related and nonrecurring items.

**Depreciation:** A charge against our earnings that writes off the cost of a capital asset over its estimated useful life.

**Derivatives:** Financial instruments where the performance is derived from the performance of another financial instrument or an interest rate, currency or other index. Derivative instruments are used for asset and liability management and to mitigate risks associated with other instruments that are reflected on the balance sheet.

**Dividend:** Usually a cash distribution to our stockholders of a portion of our earnings.

**Efficiency ratio:** Noninterest expense (exclusive of nonrecurring costs) minus the amortization of goodwill and core deposit intangible as a percentage of total operating revenue (net interest income plus noninterest income).

**Hedge:** A strategy used to avoid, reduce or transfer risk.

**Income statement:** A financial statement that reflects our performance by measuring our revenues and expenses for the period.

**Interest rate risk:** The risk to earnings or capital arising from the movement of interest rates.

**Interest rate swap:** A contract used for the purpose of interest rate risk management in which two parties agree to exchange interest payments of a different character over a specified period based on an underlying notional amount of principal. The term "notional principal" is the amount on which the interest payments are calculated, as the swap contracts generally involve no exchange of the principal.

**Leverage ratio:** Tier 1 Capital divided by the sum of average total assets minus average allowance for credit losses and certain intangible assets.

**Liquidity:** The ability of an entity to provide sufficient cash to fund its operations and to pay its debts on a timely basis at a reasonable cost.

**Net interest income:** Interest income plus loan fees minus interest expense.

**Net interest margin:** Net interest income divided by average earning assets (e.g., loans and leases and investment securities).

**Nonaccrual loans and leases:** Loans and leases on which interest is not being accrued for income statement purposes. Payments received on nonaccrual loans and leases are applied against the principal balance.

**Noninterest expense:** Expenses for such items as salaries, benefits, building occupancy and supplies, as opposed to interest expense paid for deposits and other interest-bearing liabilities.

**Noninterest income:** Income received from such sources as fees, charges and commissions, as opposed to interest income received from loans and leases, and investment securities.

**Nonperforming assets:** Nonaccrual loans and leases plus restructured loans and leases plus OREO (other real estate owned) and repossessed personal property.

**OREO:** Other real estate owned. Primarily includes foreclosed assets and assets taken in lieu of foreclosure.

**Repurchase agreements, also called "repos":** Agreement between a seller and a buyer in which the seller agrees to repurchase the securities at an agreed-upon price at a stated time. A repo is similar to a secured borrowing and lending of funds equal to the sales price of the related collateral.

**Return on average total assets (ROA):** Measures the productivity of assets. Calculated by dividing net income by average total assets.

**Return on average stockholder's equity (ROE):** Measures the rate of return on the stockholder's investment in the Company. Calculated by dividing net income by average total stockholder's equity.

**Risk-based capital ratios:** Equity measurements used by regulatory agencies to assess capital adequacy. These ratios are: Tier 1 Capital divided by risk-weighted assets; and Total Capital divided by risk-weighted assets.

**Statement of cash flows:** A financial statement that reflects cash flows from operating, investing and financing activities, providing a comprehensive view of changes in our cash and cash equivalents for the period.

**Stock option:** Form of employee incentive and compensation in which the employee of the Company is given the right to purchase our shares at a determinable price within a specified period of years.

**Tier 1 Capital:** Common stockholder's equity plus perpetual preferred stock and certain minority equity interests in subsidiaries, minus goodwill and certain qualifying intangible assets.

**Total Capital:** Tier 1 Capital plus the allowance for credit losses (not to exceed 1.25% of risk-weighted assets) plus qualifying subordinated debt, trust preferred stock, convertible debt securities and certain hybrid investments.

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

None.

## PART III

### Item 10. Directors and Executive Officers

***Directors***

Set forth below are the ages, principal occupations, and certain other information regarding the current directors of BancWest Corporation (the “Corporation”).

**Jacques Ardant,** 50, has been a director of the Corporation since November 1998 and a director of Bank of the West since September 1998. He has been a member of the Executive Committee of International Retail Banking, BNP Paribas since September 1999, and Director for International Banking and Finance, North America Area, of BNP Paribas or Banque Nationale de Paris, the predecessor entity to BNP Paribas (“BNP”), since April 1997. He was Deputy General Manager of BNP Greece from 1994 to April 1997. He was Secretary Generale of BNP Italy from 1989 to 1994. He has been with BNP Paribas or BNP since 1978.

**Gérard A. Denot,** 56, has been a director and Vice Chairman of the Corporation since April 2002, and Bank of the West’s Vice Chairman, Commercial Banking Group, since March 2002. He was Bank of the West’s Chief Inspector from October 2001 to January 2002, and its Senior Executive Vice President, Commercial Banking Group, from January 2002 to March 2002. Mr. Denot was Head of Projects – Development for BNP Paribas International Retail Banking from June 2000 to October 2001, and General Manager of BNP Italy from December 1997 to June 2000.

**W. Allen Doane,** 55, has been a director of the Corporation since April 2002, and a director of First Hawaiian Bank since 1999. Since 1998, Mr. Doane has been the President and Chief Executive Officer of Alexander & Baldwin, Inc. (“A&B”), a diversified ocean transportation, property development and management, and food products company. Mr. Doane has been Chairman of the Board of A&B’s subsidiary, Matson Navigation Company, Inc., since July 2002. He was Executive Vice President of A&B from August 1998 to October 1998; Chief Executive Officer of A&B’s subsidiary, A&B-Hawaii, Inc. (“ABHI”), from January 1997 to December 1999; and President of ABHI from April 1995 to December 1999.

**Walter A. Dods, Jr.,** 61, has been a director of the Corporation since 1983, a director of First Hawaiian Bank since 1979, and a director of Bank of the West since November 1998. He has been Chairman of the Board and Chief Executive Officer of the Corporation and First Hawaiian Bank since September 1989 and Vice Chairman of the Board of Bank of the West since November 1998. He was President of the Corporation from March 1989 to March 1991. He was President of First Hawaiian Bank from November 1984 to October 1989. He was an Executive Vice President of the Corporation from 1982 to 1989. He has been with First Hawaiian Bank since 1968. He is a trustee of the Estate of S.M. Damon and a director of Alexander & Baldwin, Inc.

**Dr. Julia Ann Frohlich,** 62, has been a director of the Corporation since 1992 and a director of First Hawaiian Bank since August 1991. She was a director of First Hawaiian Creditcorp, Inc. from 1990 to June 1998 and was a director of FHL Lease Holding Company, Inc. from 1990 to June 1997. She was President of the Blood Bank of Hawaii from 1985 to 2000, and is now its President Emeritus.

**Robert A. Fuhrman,** 78, has been a director of the Corporation since November 1998 and a director of Bank of the West since August 1981. He has been Chairman of the Board of Directors of Bank of the West since April 1991. He is the retired Vice Chairman, President and Chief Operating Officer of Lockheed Corporation.

**Paul Mullin Ganley,** 63, has been a director of the Corporation since 1991 and a director of First Hawaiian Bank since 1986. He is a trustee of the Estate of S.M. Damon and a partner in the law firm of Carlsmith Ball, Honolulu, Hawaii.

**David M. Haig,** 51, has been a director of the Corporation since 1989 and a director of First Hawaiian Bank since 1983. Mr. Haig is a beneficiary and, since 1982, has been a trustee of the Estate of S.M. Damon. He has served as Chairman of the Estate of S.M. Damon since 1993.

**John A. Hoag,** 70, has been a director of the Corporation since 1991 and a director of First Hawaiian Bank since October 1989. He was President of the Corporation from 1991 until April 1995 and was an Executive Vice President of the Corporation from 1982 to 1991. From 1989 until June 1994, Mr. Hoag was President of First Hawaiian Bank. From that date until his retirement in June 1995, he was Vice Chairman of First Hawaiian Bank. Mr. Hoag is Chairman of the Board of Hawaii Reserves, Inc., a land management corporation that is a subsidiary of Deseret Management Corporation.

**Part III** *(continued)*

**Bert T. Kobayashi, Jr.,** 63, has been a director of the Corporation since 1991 and a director of First Hawaiian Bank since 1974. He is a principal of the law firm of Kobayashi, Sugita & Goda, Honolulu, Hawaii. He served as a director of Schuler Homes, Inc. from 1992 until that company's merger with Western Pacific Housing in April 2001.

**Michel Larrouilh,** 67, has been a director of the Corporation since November 1998, and served as a director of Bank of the West from 1984 to 2002. He was Chief Executive Officer of Bank of the West from February 1984 to December 1995. He was Chairman and Chief Executive Officer of Bank of the West's holding company from January 1996 to December 1997. He was Chairman and Advisor to the Chief Executive Officer of Bank of the West's holding company from January 1998 to October 1998.

**Pierre Mariani,** 46, has been a director of the Corporation and of Bank of the West since December 1999. Mr. Mariani is Executive Vice President, International Retail Banking, of BNP Paribas. He served as Senior Advisor and Chief of Staff of the Minister of Budget and Government Spokesman from 1993 to 1995; Chief Executive Officer and director of Societe D'investissements Immobiliers Et De Gestion (SEFIMEG), a major French property company, from 1995 to 1996; and Chief Executive Officer and director of BANEXI, the investment bank of BNP, from 1996 to 1999.

**Fujio Matsuda,** 78, has been a director of the Corporation since 1987 and a director of First Hawaiian Bank since 1985. He is a director and Chairman of the Pacific International Center for High Technology Research, and also served as Chairman from 1996-2001. He was President of the Japan-America Institute of Management Science from September 1994 to June 1996. He was Executive Director of the Research Corporation of the University of Hawaii from 1984 until 1994, and he was the President of the University of Hawaii from 1974 to 1984.

**Don J. McGrath,** 54, has been a director of the Corporation since November 1998, a director of Bank of the West since July 1989, and a director of First Hawaiian Bank since November 1998. He has been President and Chief Operating Officer of the Corporation since November 1998, and President and Chief Executive Officer of Bank of the West since January 1996. He is Vice Chairman of the Board of First Hawaiian Bank and has served in that or similar capacities since November 1998. He was President and Chief Operating Officer of Bank of the West from 1991 to 1996. He has been with Bank of the West since 1975. Mr. McGrath has been a public member of the Pacific Stock Exchange Board of Governors since January 2001.

**Rodney R. Peck,** 57, has been a director of the Corporation since November 1998 and a director of Bank of the West since July 1990. He is a Senior Partner with the law firm of Pillsbury Winthrop LLP, San Francisco, California.

**Edouard A. Sautter,** 66, has been a director of BancWest and Bank of the West since 2001. He was the head of Group Risk Management and a member of the Management Committee of BNP, or BNP Paribas, from October 1994 until his retirement in July 2000. From 1989 until 1994 he served as an Executive Vice President in charge of the Industry Research Department of BNP. He joined BNP in 1967.

**John K. Tsui,** 65, has been a director of the Corporation since July 1995 and a director of First Hawaiian Bank since July 1994. From November 1998 until December 2002, he was Vice Chairman and Chief Credit Officer of the Corporation. He was President of the Corporation from April 1995 through October 1998. He served as President and Chief Operating Officer of First Hawaiian Bank from July 1994 until December 2002. He was Executive Vice President of Bancorp Hawaii, Inc. (now known as Bank of Hawaii Corp.) from 1986 to June 1994 and Vice Chairman of Bank of Hawaii from 1984 to June 1994.

**Jacques Henri Wahl,** 71, has been a director of the Corporation since November 1998 and a director of Bank of the West since July 1982. He served as Senior Adviser to the Chief Executive Officer of BNP Paribas, and of BNP, from January 1997 until his retirement in February 2001. He was a member of the Managing Committee of the BNP Group, and a director of BNP, from January 1997 until May 2000. He served as Vice Chairman of BNP and Chairman of Banque Nationale de Paris Intercontinentale from 1993 to 1996. He was President and Chief Operating Officer of BNP from 1982 to 1993.

**Robert C. Wo,** 78, was a director of the Corporation from 1974 to 1989 and again since 1992 and has been a director of First Hawaiian Bank since 1963. He has been President and Secretary of BJ Management Corporation, a management consulting company, since 1979. He has been Chairman of C.S. Wo & Sons, Ltd., a manufacturer and retailer of home furnishings, since 1973.

**Part III** *(continued)*

### Compensation of Directors

The Corporation pays retainers of $5,000 per quarter to directors who are not employees of the Corporation or its subsidiaries. It pays non-employee directors $1,200 for each board meeting attended and $1,200 for each committee meeting attended ($2,000 for committee chairs), and reimburses transportation and lodging expenses. The Corporation does not pay board or committee fees or retainers to directors who are employees of the Corporation or its subsidiaries.

The Corporation has a Directors' Retirement Plan for directors of the Corporation and First Hawaiian Bank who are not employed by the Corporation or its affiliates and who are not covered by any of the Corporation's employee retirement programs. Following retirement from one of those boards after reaching age 55 and serving at least 10 years as a director, a retired director or his or her beneficiary is entitled to receive monthly payments for a ten-year period at an annual rate equal to one-half of the annual retainer fee in effect at the time of the director's retirement.

### *Executive Officers*

Set forth below are the Corporation's executive officers as of April 1, 2003, together with their ages and positions with the Corporation.

| Name, Age | Positions and Offices With the Corporation |
|---|---|
| Walter A. Dods, Jr., 61 | Please see *"Directors."* |
| Don J. McGrath, 54 | Please see *"Directors."* |
| Gérard A. Denot, 56 | Please see *"Directors."* |
| Douglas C. Grigsby, 50 | Chief Financial Officer of the Corporation since August 2002; Executive Vice President and Treasurer of the Corporation since November 1998; Chief Financial Officer of Bank of the West since 1989. Mr. Grigsby joined Bank of the West in 1977. |
| Donald G. Horner, 52 | Executive Vice President of the Corporation since 1989; director of First Hawaiian Bank since May 2002; President and Chief Operating Officer of First Hawaiian Bank since January 2003; Vice Chairman of First Hawaiian Bank from 1994 to 2002; Executive Vice President of First Hawaiian Bank from 1993 to 1994. Mr. Horner has been with First Hawaiian Bank since 1978. |
| Bernard Brasseur, 64 | Executive Vice President and Risk Manager of the Corporation, and Vice Chairman of First Hawaiian Bank, from 1998-2002 and since 2003; Risk Manager of Bank of the West since 1983. Mr. Brasseur joined BNP in 1966, and Bank of the West in 1977. |

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**Part III** *(continued)*

### Item 11. Executive Compensation

### Summary Compensation Table

| | | Annual Compensation[1] | | | Long-Term Compensation: Awards | | Long-Term Compensation: Payouts | |
|---|---|---|---|---|---|---|---|---|
| Name and Principal Position | Year | Salary | Bonus[2] | Other Annual Compen-sation[3] | Restricted Stock Awards | Securities Underlying Options | LTIP Payouts[4] | All Other Compen-sation[5] |
| Walter A. Dods, Jr. Chairman, Chief Executive Officer and Director | 2002 | $1,073,338 | $865,539 | $188,138 | — | — | $2,991,106 | $ 133,268 |
| | 2001 | $1,022,225 | $772,802 | $135,825 | — | 158,600 | $ 931,361 | $ 227,469 |
| | 2000 | $ 973,548 | $637,868 | — | — | 203,914 | — | $ 154,407 |
| Don J. McGrath President, Chief Operating Officer and Director | 2002 | $ 846,692 | $642,020 | $ 57,255 | — | — | $1,942,733 | $ 66,780 |
| | 2001 | $ 791,690 | $560,017 | $ 889 | — | 98,488 | $ 576,174 | $ 77,272 |
| | 2000 | $ 733,346 | $450,014 | $ 2,077 | — | 128,929 | $ — | $ 78,842 |
| John K. Tsui[6] Vice Chairman, Chief Credit Officer and Director | 2002 | $ 703,998 | $319,333 | $ 45,557 | — | — | $1,456,453 | $2,736,343 |
| | 2001 | $ 670,474 | $304,127 | $ 5,640 | — | 65,016 | $ 366,994 | $ 179,956 |
| | 2000 | $ 638,555 | $289,645 | $ 4,934 | — | 101,331 | $ — | $ 186,474 |
| Donald G. Horner Executive Vice President | 2002 | $ 398,111 | $248,875 | $ 28,413 | — | — | $ 545,814 | $ 74,343 |
| | 2001 | $ 373,183 | $188,084 | $ 16,006 | — | 28,950 | $ 151,568 | $ 74,789 |
| | 2000 | $ 355,356 | $179,128 | $ 9,933 | — | 45,072 | $ — | $ 88,386 |
| Douglas C. Grigsby Executive Vice President, Chief Financial Officer and Treasurer | 2002 | $ 352,600 | $187,872 | $ 7,537 | — | — | $ 467,679 | $ 30,440 |

**Notes to Summary Compensation Table:**

Note (1) Includes amounts earned but deferred under the Corporation's Deferred Compensation Plan (the "DCP").

Note (2) Bonuses are reported for the year in which earned, even if paid in the following year, under the Corporation's Incentive Plan for Key Executives ("IPKE"). Mr. Tsui's 2002 amount is a pro rata IPKE amount that became payable under a termination protection agreement.

Note (3) The 2002 amounts shown for Mr. Tsui, Mr. Horner and Mr. Grigsby are above-market interest accruals under the DCP. The 2002 amount for Mr. Dods consists of $47,436 in DCP accruals plus the aggregate incremental cost of perquisites and personal benefits (comprised primarily of $72,000 for a San Francisco residence and $41,396 for related income taxes). The 2002 amount for Mr. McGrath consists of $5,506 in DCP accruals plus the aggregate incremental cost of perquisites and personal benefits (comprised primarily of a $24,775 mortgage interest subsidy and a $17,330 auto allowance). The annual incremental cost of perquisites and personal benefits for each other named executive officer was less than $50,000.

Note (4) LTIP payouts are reported for the year payment is made, not the years for which payments are earned. Because all LTIP participants employed by the Corporation at the time of the BNP Paribas Merger became entitled to receive their maximum LTIP awards for all open performance cycles, LTIP payouts shown for 2002 include the maximum LTIP awards for the 1999-2001, 2000-2002 and 2001-2003 performance cycles, all of which were paid in January 2002. Mr. Tsui's 2002 LTIP amount also includes a pro rata award that became payable under a termination protection agreement.

Note (5) Includes (i) premiums for life insurance, including "gross-up" for income taxes; (ii) amounts related to split-dollar insurance agreements as discussed below; (iii) 401(k) matching contributions, if any, made on the executive's behalf; and (iv) payments made or accrued upon termination (other than pro rata bonuses and LTIP payouts included in other columns) pursuant to a termination protection agreement. Details of All Other Compensation received by the named executive officers for 2002 are as follows:

| Name | Life Insurance | Split-Dollar Insurance Term Element | Split-Dollar Insurance Interest Element | Profit Sharing Plan Contributions | Certain Termination Payments | Total |
|---|---|---|---|---|---|---|
| Dods | $32,395 | $7,295 | $93,578 | — | — | $ 133,268 |
| McGrath | — | $5,251 | $56,279 | $5,250 | — | $ 66,780 |
| Tsui | — | — | — | — | $2,736,343 | $2,736,343 |
| Horner | — | $1,866 | $72,477 | — | — | $ 74,343 |
| Grigsby | — | $1,772 | $23,418 | $5,250 | — | $ 30,440 |

The Corporation has split-dollar insurance agreements with the named executive officers, as well as certain other senior officers. Under each agreement, the Corporation pays all premiums for a policy on the life of the executive. The executive is entitled to a portion of the death benefit equal to three times salary, and the Corporation is entitled to the remainder. If the executive remains employed by the Corporation, the policy splits (typically at age 65) and the executive retains a policy with a death benefit equal to three times final salary, and a portion of the accumulated cash values. The policies are designed so that the Corporation will recover all premiums previously paid plus an interest factor from its share of death benefits or cash values. The amounts under "Split-Dollar Insurance – Term Element" represent the portion of the premiums paid by the Corporation in 2002 that correspond to the insurer's lowest term insurance rate for the relevant death benefit, plus related gross-ups for income taxes. The amounts under "Split-Dollar Insurance – Interest Element" represent the present values of hypothetical interest-free loans of the non-term elements of premiums paid by the Corporation in 2002. This methodology was also used to calculate the split-dollar elements of 2000 and 2001 amounts shown under "All Other Compensation." In the case of Mr. Tsui's policy, there were no such elements in 2002 because the 2002 premium was paid from policy dividends and/or cash values. The Corporation also has a $1,000,000 whole life insurance policy on the life of Mr. Dods. The premium and related gross-up for income taxes on this policy are included under "Life Insurance." The death benefit under this policy is deducted from the death benefit under Mr. Dods' split-dollar policy.

Note (6) Executive officer until December 31, 2002.

**Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values**

| Name | Shares Acquired on Exercise (#) | Value Realized ($)[1] | Number of Securities Underlying Options at December 31, 2002 (#) | Value of In-the-Money Options at December 31, 2002 ($) |
|---|---|---|---|---|
| Dods | 0 | $ 16,182,439 | 0 | $ 0 |
| McGrath | 0 | $ 5,734,275 | 0 | $ 0 |
| Tsui | 0 | $ 8,193,654 | 0 | $ 0 |
| Horner | 0 | $ 3,303,597 | 0 | $ 0 |
| Grigsby | 0 | $ 1,854,997 | 0 | $ 0 |

Note (1) Represents amounts paid in January 2002 in settlement of all outstanding options, due to the BNP Paribas Merger.

**Long-Term Incentive Plans—Awards in Last Fiscal Year**

The Executive Compensation Committee established target awards for the 2002-2004 LTIP performance cycle that ranged from 10% to 50% of participants' average annual base salaries, and adopted an award matrix based on two measures of corporate performance – Return on Average Notional Equity ("RONE") and an Efficiency Ratio ("ER").

**Part III** *(continued)*

Target awards will be multiplied by a corporate performance factor of 0% to 200% established after the performance period is complete by applying the Corporation's RONE and ER to an array of percentages shown on an award matrix. One axis of that matrix sets forth RONE values ranging from 38% to 46%, and the other axis sets forth ER percentages of 56.5% to 46.5%. The matrix provides a corporate performance factor of 0% if RONE is less than 38% or the ER is greater than 56.5%; a 100% corporate performance factor if (among other combinations) RONE is 42% and the ER is 51.5%; and the maximum corporate performance factor of 200% if RONE reaches at least 46% and the ER is 46.5% or better.

In accordance with SEC rules, the following table shows threshold, target and maximum awards levels of the named executive officers for the 2002-2004 LTIP performance cycle.

| Name | Number of Shares, Units or Other Rights | Performance or Other Period until Maturation or Payout(1) | Estimated Future Payouts under Non-Stock Price-Based Plans(2) | | |
|---|---|---|---|---|---|
| | | | Threshold | Target | Maximum |
| Dods | None | 12/31/2004 | None | $548,175 | $1,096,351 |
| McGrath | None | 12/31/2004 | None | $385,979 | $ 771,959 |
| Tsui | None | N/A | N/A | N/A | N/A |
| Horner | None | 12/31/2004 | None | $154,653 | $ 309,307 |
| Grigsby | None | 12/31/2004 | None | $ 97,106 | $ 194,212 |

Note (1) Performance period began on January 1, 2002.

Note (2) Target and Maximum payouts correspond to corporate performance factors of 100% and 200%.

**Defined Benefit Pension and Supplemental Executive Retirement Plans**

The Corporation has an Employees' Retirement Plan (the "ERP") for employees of the Corporation and participating subsidiaries. Under the ERP, covered compensation includes salary, including overtime, but excludes bonuses. Pension compensation is also limited to the maximum allowable under the Internal Revenue Code. Retirement benefits become payable effective upon an employee's retirement at the normal retirement age of 65 years. Normal retirement benefits payable under the ERP are based on average compensation and years of credited service. Under specified circumstances, an employee who has attained a certain age and length of service may retire early with reduced benefits. The ERP was "frozen" as of December 31, 1995 and none of the executive officers named in the Summary Compensation Table accrued such benefits under the ERP for service after December 31, 1995.

Effective as of January 1, 1999, assets attributable to certain Bank of the West employees in the BNP U.S. Retirement Plan (the "BNP Plan") were merged into the ERP, and the ERP was amended to provide eligible Bank of the West employees (including Mr. McGrath and Mr. Grigsby) with accrual of benefits comparable to those provided under the BNP Plan. Benefits accrue based upon an employee's years of service and compensation over his/her years of employment.

In connection with the November 1998 merger of BancWest Corporation and First Hawaiian, Inc., the Corporation's Supplemental Executive Retirement Plan (the "SERP") was amended to provide that certain Bank of the West employees, including Mr. McGrath and Mr. Grigsby, would be entitled to a minimum benefit equal to the minimum benefit under the terminated Bank of the West Excess Benefit Plan. To be eligible for such minimum benefit, the employee must have completed at least 20 years of service and attained at least age 55 at retirement. The minimum benefit will be 50% of his base salary at the annual rate in effect on the date he retires from service ("final pay") if he is at least age 60 at retirement and 30% of his final pay if he is at least age 55 but less than 60 at retirement. Mr. McGrath is currently age 54 with 27 years of service and Mr. Grigsby is age 50 with 26 years of service.

The Corporation maintains a grandfathered pension portion of the SERP under which eligible executive officers (including Mr. Dods, Mr. Tsui and Mr. Horner) will receive benefits based on the ERP formula. In determining grandfathered pension benefits under the SERP, the participant's covered compensation includes base pay, commissions, overtime, short-term incentive pay, and the annual cash bonus earned under IPKE; a participant's covered compensation does not include any LTIP bonus. The grandfathered pension benefit payable under the SERP is reduced by the participant's "frozen" accrued benefit under the ERP.

The following table illustrates the estimated annual pension benefits payable under the grandfathered pension portion of the SERP to eligible executive officers at age 65. Whether these amounts become payable depends on the contingencies and conditions set forth in the ERP and the SERP.

| Final Average Compensation[(1)] | Years of Service[(2)] | | | | | |
|---|---|---|---|---|---|---|
| | 15 | 20 | 25 | 30 | 35 | 40 |
| $200,000 | 50,082 | 66,777 | 83,471 | 100,165 | 116,859 | 133,553 |
| 300,000 | 76,332 | 101,777 | 127,221 | 152,665 | 178,109 | 203,553 |
| 400,000 | 102,582 | 136,777 | 170,971 | 205,165 | 239,359 | 273,553 |
| 500,000 | 128,832 | 171,777 | 214,721 | 257,665 | 300,609 | 343,553 |
| 600,000 | 155,082 | 206,777 | 258,471 | 310,165 | 361,859 | 413,553 |
| 700,000 | 181,332 | 241,777 | 302,221 | 362,665 | 423,109 | 483,553 |
| 800,000 | 207,582 | 276,777 | 345,971 | 415,165 | 484,359 | 553,553 |
| 900,000 | 233,832 | 311,777 | 389,721 | 467,665 | 545,609 | 623,553 |
| 1,000,000 | 260,082 | 346,777 | 433,471 | 520,165 | 606,859 | 693,553 |
| 1,100,000 | 286,332 | 381,777 | 477,221 | 572,665 | 668,109 | 763,553 |
| 1,200,000 | 312,582 | 416,777 | 520,971 | 625,165 | 729,359 | 833,553 |
| 1,300,000 | 338,832 | 451,777 | 564,721 | 677,665 | 790,609 | 903,553 |
| 1,400,000 | 365,082 | 486,777 | 608,471 | 730,165 | 851,859 | 973,553 |
| 1,500,000 | 391,332 | 521,777 | 652,221 | 782,665 | 913,109 | 1,043,553 |
| 1,600,000 | 417,582 | 556,777 | 695,971 | 835,165 | 974,359 | 1,113,553 |
| 1,700,000 | 443,832 | 591,777 | 739,721 | 887,665 | 1,035,609 | 1,183,553 |

**Notes to Defined Benefit Pension Plans Table:**

Note (1) Final average compensation represents the average annual compensation during the highest 60 consecutive calendar months in the last 120 calendar months of creditable service. Compensation for the purpose of this table includes base salary plus the value of awards under the IPKE as shown on the Summary Compensation Table (but not bonuses under the LTIP). The amount of the IPKE bonus included in compensation for any year for purposes of the SERP is the amount earned for the performance year, though not paid until the following year. The estimated annual benefits are computed on the basis of a straight-life annuity form of payment with no social security offset.

Note (2) As of December 31, 2002, the number of years of creditable service for the named executive officers who participate in the grandfathered pension portion of the SERP were: Mr. Dods, 34 years; Mr. Tsui, 21 years (nine years actual service plus ten years added by the Executive Compensation Committee when Mr. Tsui was hired and two years pursuant to a termination protection agreement); and Mr. Horner, 24 years.

SERP participants receive (i) benefits calculated under the grandfathered SERP provisions, if applicable, and (ii) benefits derived from a target percentage of their qualifying compensation (but only to the extent those benefits exceed offsets for grandfathered SERP benefits and for benefits under various other programs). The named executive officers' maximum target percentage is 60% of qualifying compensation. Subject to the amendment discussed below, qualifying compensation for this purpose is the average annual rate of compensation (salary plus annual bonuses under the Incentive Plan for Key Executives) for the 60 consecutive calendar months out of the last 120 calendar months of employment that results in the highest such average. To qualify for a 60% target, the named executive officers must retire on or after their 62nd birthdays with 20 years of credited service. If they retire before age 62 with the consent of the Executive Compensation Committee, their target retirement amounts (as defined by the SERP) are reduced by 3% for each year by which benefit commencement precedes the participant's 62nd birthday. As of December 31, 2002, each of the named executive officers had at least 20 years of credited service for SERP purposes.

The SERP was amended in 2002 to eliminate "involuntary termination" provisions and to provide all persons who were SERP participants at the time of the BNP Paribas Merger with certain enhanced SERP benefits. The affected SERP participants (including all named executive officers) were granted three extra years of credited service for purposes of computing their target benefits under the SERP. Their target benefit computations will also be based on the greater of covered compensation over the 12 months before termination, or the final average compensation otherwise provided in the SERP. In addition, their SERP benefits will begin at the later of the date of termination or age 55 (though an affected participant may elect to delay receipt of SERP early retirement benefits to a date not beyond age 65), and early retirement benefits will be calculated using provisions that apply to retirement with consent of the Executive Compensation Committee.

**Change-in-Control Arrangements**

If there is a change in control of the Corporation, all LTIP awards that have been outstanding six or more months will automatically be deemed fully earned at the maximum target value and participants in the DCP will be entitled to an immediate lump sum distribution of certain amounts unless (as occurred in the BNP Paribas Merger) that plan is assumed by the surviving entity. In addition, the Corporation maintains a rabbi trust with a third-party trustee for the SERP and the DCP and if an actual or potential change in control occurs, the Corporation is required to contribute sufficient funds to the trust to fund all benefits payable to participants. The BNP Paribas Merger was a change in control for purposes of the LTIP, the SERP, and the rabbi trust agreement (as well as the 1991 and 1998 option plans, which were terminated).

**Employment Agreements**

Mr. Dods has entered into an employment agreement with the Corporation, which became effective at the time of the BNP Paribas Merger and has a term of three years, unless earlier terminated. Under the terms of that agreement, Mr. Dods is entitled to:

- a base salary of $1,030,403, which may be increased annually at the Corporation’s discretion after review by the Board of Directors,
- an annual target bonus of up to 100% of base salary payable if performance targets are met, but guaranteed to be at least 65% of base salary,
- participate in, and receive stock and other equity or equity-based awards under, the stock option programs and stock purchase programs of BNP Paribas at levels and on terms consistent with those provided to similarly situated executives of BNP Paribas and/or its subsidiaries, and
- other perquisites, including specified transportation benefits.

Mr. Dods has the opportunity to earn awards under a new long-term incentive plan that are no less favorable than those available prior to the BNP Paribas Merger, with a guaranteed target award of at least 50% of base salary and a maximum award opportunity of 200% of the target award.

Mr. Dods is entitled to receive a lump sum cash severance payment in the following circumstances:

- BancWest terminates Mr. Dods’ employment other than for cause (as defined in the employment agreement), or due to death or disability,
- Mr. Dods quits for good reason (as defined in the employment agreement), or
- Mr. Dods terminates his employment with or without good reason at any time during the thirteenth month following a change in control of BNP Paribas or BancWest. (The BNP Paribas Merger is not a change in control for this purpose.)

The severance payment would be equal to the sum of:

(1) three times the sum of:

- his then current base salary,
- his average annual bonus based on the preceding three fiscal years, and
- a long-term incentive plan amount equal to his average award from the three preceding fiscal years, but not less than his award paid for the award cycle that ended in 2000; and

(2) a pro rata portion for the year of termination of the annual target bonus and the target awards in respect of all outstanding performance periods under the long-term incentive plan.

Mr. Dods would also be entitled by his employment agreement to three additional years of age and service credit under our pension plans. Mr. Dods is also entitled to be grossed up, on an after-tax basis, for any excise taxes imposed under the Internal Revenue Code on any “excess parachute payment” that he receives in connection with benefits and payments provided to him in connection with any change in control, as defined in the Internal Revenue Code, of BancWest.

Mr. McGrath has had an employment agreement with the Corporation since 1998. His agreement has a perpetual term and entitles Mr. McGrath to at least his current base salary, which may be increased annually at BancWest’s discretion after review by the Board of Directors, but may not be decreased.

Mr. McGrath is entitled to receive a lump sum cash severance payment in the following circumstances, whether they occur following a change in control or otherwise:

- BancWest terminates Mr. McGrath's employment other than for cause (as defined in the employment agreement) or due to disability, or
- Mr. McGrath quits for good reason (as defined in the employment agreement).

This severance payment would be equal to three times the sum of:

(1) his then current base salary, and

(2) his average annual bonus, if any, based on the preceding three fiscal years.

Mr. McGrath is also entitled to be grossed up, on an after-tax basis, for any excise taxes imposed under the Internal Revenue Code on any "excess parachute payment" that he receives in connection with benefits and payments provided to him in connection with any change in control, as defined in the Internal Revenue Code, of BancWest.

**Termination Protection Agreements**

The Corporation entered into termination protection agreements with Mr. Horner, Mr. Tsui and Mr. Karr that became effective at the time of the BNP Paribas Merger and had a term of three years (or, if longer, two years after any subsequent change in control of BNP Paribas or BancWest). Each agreement provides that BancWest will provide the executive officer with the severance benefits discussed below if any of the following events occurs:

- BancWest terminates the executive officer's employment without cause (as defined in the agreement),
- the executive officer quits for good reason (as defined in the agreement), or
- the executive officer terminates his employment with or without good reason at any time during the thirteenth month following a change in control of BNP Paribas or BancWest. (The BNP Paribas Merger is not a change in control for this purpose.)

The executive's severance benefit is a lump sum cash payment equal to:

(1) two times the sum of:

- his then current base salary,
- his average annual bonus based on the preceding three fiscal years, and
- his long-term incentive plan award amount equal to his average award from the three preceding fiscal years but not less than his award paid for the award cycle that ended in 2000; and

(2) a pro rata portion for the year of termination of the executive's annual target bonus and his target awards in respect of all outstanding performance periods under the LTIP.

Under these circumstances, the officer is also entitled by the agreement to two years of additional age and service credit under our pension plans.

The agreement also provides that the executive is to be grossed up, on an after-tax basis, for any excise taxes imposed under the Internal Revenue Code on any "excess parachute payment" that such executive receives in connection with benefits and payments provided to him in connection with any change in control, as defined in the Internal Revenue Code, of BancWest.

**Item 12. Security Ownership Of Certain Beneficial Owners And Management**

All voting securities of BancWest Corporation are beneficially owned by BNP Paribas, whose address is 16, boulevard des Italiens, 75009 Paris, France. BancWest Corporation has no compensation plans providing for issuance of its equity securities.

**Item 13. Certain Relationships and Related Transactions; Compensation Committee Interlocks and Insider Participation**

In the ordinary course of business, the Corporation's bank subsidiaries have made loans to the Corporation's directors and executive officers, to members of their families, and to entities related to such persons. Those loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than normal risks of collectibility or present other unfavorable features.

**Part III** *(continued)*

The following table provides information on loans from the Corporation to its directors and executive officers that had balances exceeding $60,000 at any time during 2002. Each such loan is secured by a real property mortgage. During 2002, the members of the Executive Compensation Committee were Fujio Matsuda (Chairman), Robert A. Fuhrman and Pierre Mariani.

| Name and Title | Largest Aggregate Indebtedness in 2002 | Aggregate Indebtedness Outstanding December 31, 2002 | Interest Rate |
|---|---|---|---|
| Howard H. Karr[1] | $ 184,391 | $ 180,934 | 7.25%-6.25%[2] |
| Until August 2002, Executive Vice President and Chief Financial Officer | | | |
| Fujio Matsuda | $ 165,911 | $ 160,613 | 5.00% |
| Director | $ 51,657 | $ 0 | 7.25% |

Note (1) Cosigner of mortgage loan to an adult son.

Note (2) Rate adjusted annually to equal one-year U.S. Treasury index plus 2.5%.

First Hawaiian Bank leases a parcel of land, on which a branch of the bank is located, from the Estate of S.M. Damon pursuant to a lease commencing July 1, 1967. This lease is for a term of 50 years, and requires the payment of a fixed annual rent of $156,800 from July 1, 1997 to June 30, 2002 and $179,200 from July 1, 2002 to June 30, 2007. Rents are to be fixed for the next ten-year period by agreement or, failing agreement, by appraisal. Messrs. Haig, Ganley and Dods are directors of the Corporation and trustees of the Estate. Management of the Corporation believes that this transaction is as favorable to the Corporation and First Hawaiian Bank as that which would have been obtainable in transactions with persons or companies not affiliated with the Corporation or First Hawaiian Bank.

First Hawaiian Bank leases 6,074 square feet of office space to the Estate of S.M. Damon in the downtown Honolulu headquarters building of the bank. The Estate pays rent for the space at the same rate as would be paid by unrelated parties for the same space. The rent was a minimum of $3.12 per square foot per month ($227,410 per annum), plus common area maintenance expenses, until December 7, 2002. A new rental rate is being determined by appraisal. The lease will expire in December 2007.

Bank of the West leases approximately 48,382 square feet of office space in San Francisco, California under a commercial office lease (the “Master Lease”) commencing November 1, 1993 and expiring October 31, 2003. Bank of the West has subleased approximately 30,396 square feet of this space to BNP Paribas (reduced to 26,862 square feet in May 2002). The sublease term is the same as the Master Lease, and BNP Paribas pays pro-rata rent and certain expenses under the Master Lease. The subleased premises were leased “as is,” and BNP Paribas must look solely to the landlord under the Master Lease for all services and benefits provided by the Master Lease landlord applicable to the subleased space. Bank of the West indemnifies BNP Paribas against losses incurred by BNP Paribas as a result of any breach by Bank of the West of its obligations as tenant under the Master Lease, except those assumed by BNP Paribas.

Bank of the West and First Hawaiian Bank participate in various financial transactions with BNP Paribas and its affiliates. These transactions are subject to review by the Federal Deposit Insurance Corporation (the “FDIC”) and other regulatory authorities and are required to be on terms at least as favorable to each bank as those prevailing at the time for similar non-affiliate transactions. For information concerning financial transactions involving BNP Paribas and the Corporation or its banking subsidiaries, see Notes 4 and 11 to the Consolidated Financial Statements.

During 1999, Bank of the West issued to BNP Paribas a $50 million 7.35% Subordinated Capital Note due June 24, 2009. The maximum principal amount of that note outstanding in 2002, and the outstanding principal balance at December 31, 2002, was $50 million.

Bank of the West holds deposits and purchases federal funds from BNP Paribas. The deposits generally are for terms up to six months. Federal funds purchases are generally for one to four days. The maximum daily amount owed by Bank of the West to BNP Paribas in 2002 in connection with such deposits and federal funds purchases was $980 million, and the balance outstanding on December 31, 2002 was $261.3 million.

**Part III** *(continued)*

In connection with the BNP Paribas Merger, the Corporation became the borrower under a $1.55 billion 6.54% term loan from a BNP Paribas subsidiary due December 31, 2010. At December 31, 2002, the outstanding principal balance of that loan was $1.55 billion.

In November 2002, the Corporation sold BNP Paribas approximately 14.815% of the outstanding common stock of Bank of the West for $800 million and used the proceeds to repay $800 million the Corporation borrowed from BNP Paribas to acquire United California Bank. As discussed in Note 4 to the Consolidated Financial Statements, the Corporation and BNP Paribas also entered into a Stockholders' Agreement that included put and call options on the Bank of the West stock owned by BNP Paribas.

As discussed in Note 4 to the Consolidated Financial Statements, the Corporation has entered into a $150 million interest rate swap with BNP Paribas to hedge obligations under the 9.5% BancWest Capital I Quarterly Income Preferred Securities. The swap is accounted for as a fair value hedge. We pay 3-month LIBOR and receive fixed payments at 9.5%. The fair value of the swap at December 31, 2002 was $804,000.

Mr. Kobayashi is a director of the Corporation and First Hawaiian Bank, and his law corporation is a partner in the law firm of Kobayashi, Sugita & Goda. In 2002, the Corporation and its subsidiaries paid legal fees to Kobayashi, Sugita & Goda totaling $1,273,822. Of this amount, $407,953 is reimbursable by bank customers. Kobayashi, Sugita & Goda leases from First Hawaiian Bank 26,788 square feet of office space in the headquarters building. Rent paid in 2002 was $1,031,331 plus operating expenses and will increase periodically through the lease's final year, 2006.

Mr. Peck is a director of the Corporation and Bank of the West and a Senior Partner of Pillsbury Winthrop LLP, which provides legal services to the Corporation and its subsidiaries.

**Part III** *(continued)*

## Item 14. Controls and Procedures

Within the 90 days prior to the 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.

## Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

The following financial statements are included in Part II of the 10-K.

### (a) 1. Financial Statements

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| Consolidated Statements of Income for the periods from January 1 to December 19, 2001 and from December 20 to December 31, 2001 and the year ended December 31, 2000 | 39 |
| Consolidated Statements of Changes in Stockholder's Equity for the periods from January 1 to December 19, 2001 and from December 20 to December 31, 2001 and the year ended December 31, 2000 | 40 |
| Consolidated Statements of Cash Flows for the periods from January 1 to December 19, 2001 and from December 20 to December 31, 2001 and the year ended December 31, 2001 | 41 |
| BancWest Corporation (Parent Company): Balance Sheets at December 31, 2002 and 2001 | 68 |
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### 2. Financial Statement Schedules

Schedules to the Consolidated Financial Statements required by this Item 14(a)2 are not required under the related instructions, or the information is included in the consolidated financial statements, or are inapplicable, and therefore have been omitted.

**Part III** *(continued)*

**3. Exhibits**

| | |
|---|---|
| 2.1 | Agreement and Plan of Merger, among BancWest Corporation, BNP Paribas and Chauchat L.L.C. is incorporated by reference to Annex A to the Corporation's Proxy Statement filed on Schedule 14A with the SEC on August 20, 2001. |
| 3.1 | Certificate of Incorporation of BancWest Corporation as in effect from December 20, 2001, is incorporated by reference to Exhibit 3.1 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001. |
| 3.2 | Amended and Restated Bylaws of BancWest Corporation as in effect from December 20, 2001, is incorporated by reference to Exhibit 3.2 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001. |
| 4.1 | Instruments with respect to long-term debt not filed herewith will be furnished to the Commission upon its request. |
| 4.2 | Indenture, dated as of August 9, 1993, between First Hawaiian, Inc. and The First National Bank of Chicago, Trustee, is incorporated by reference to Exhibit 4.2 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993. |
| 4.3 | Indenture, dated as of June 30, 1997, between First Hawaiian, Inc. and The First National Bank of Chicago, Trustee, is incorporated by reference to the Corporation's Registration Statement on Form S-4 filed with the SEC on October 17, 1997. |
| 4.4 | Form of Indenture relating to Junior Subordinated Debentures entered into between BancWest Corporation and Bank One Trust Company, N.A., as Indenture Trustee, is incorporated by reference to Exhibit 4(a) to the Registration Statement on Form S-3 of BancWest Corporation, BancWest Capital I and BancWest Capital II, filed October 25, 2000 (File No. 333-48552). |
| 10.1 | Lease Agreement, dated as of December 1, 1993, between REFIRST, Inc. and First Hawaiian Bank is incorporated by reference to Exhibit 10.3 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993. |
| 10.2 | Ground Lease, dated as of December 1, 1993, among First Hawaiian Center Limited Partnership, FH Center, Inc. and REFIRST, Inc. is incorporated by reference to Exhibit 10.5 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993. |
| 10.4 | Long-Term Incentive Plan of First Hawaiian, Inc., effective as of January 1, 1992, and Amendments No. 1 and 2, are incorporated by reference to Exhibit 10 to the Corporation's Form 10-Q for the quarterly period ended June 30, 1998.* |
| 10.5 | Amendment No. 3 to the BancWest Corporation Long-Term Incentive Plan, approved March 16, 2000, is incorporated by reference to Exhibit 10 to the Corporation's Report on Form 10-Q for the quarterly period ended March 31, 2000.* |
| 10.6 | First Hawaiian, Inc. Supplemental Executive Retirement Plan, as amended and restated as of January 1, 1998, is incorporated by reference to Exhibit 10 to the Corporation's Form 10-Q for the quarterly period ended June 30, 1998.* |
| 10.7 | Amendment No. 1 to First Hawaiian, Inc. Supplemental Executive Retirement Plan, effective November 1, 1998, is incorporated by reference to Exhibit 10(x) to the Corporation's Form 10-K for the fiscal year ended December 31, 1998.* |
| 10.8 | Amendment No. 2 to BancWest Corporation Supplemental Executive Retirement Plan, effective November 1, 2002.* |
| 10.9 | First Hawaiian, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 1998, and Amendment No. 1, are incorporated by reference to Exhibit 10 to the Corporation's Form 10-Q for the quarterly period ended June 30, 1998.* |
| 10.10 | First Hawaiian, Inc. Incentive Plan for Key Executives, and amendments effective January 1, 1998, are incorporated by reference to Exhibit 10 to the Corporation's Form 10-Q for the quarterly period ended June 30, 1998.* |
| 10.11 | Amendment to First Hawaiian, Inc. Incentive Plan for Key Executives adopted October 15, 1998 is incorporated by reference to Exhibit 10.9 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.* |
| 10.12 | Directors' Retirement Plan, effective as of January 1, 1992, and Amendments No. 1 and 2, are incorporated by reference to Exhibit 10 to the Corporation's Form 10-Q for the quarterly period ended June 30, 1998.* |

**Part III** *(continued)*

| | |
|---|---|
| 10.18 | Employment Agreement between Don J. McGrath and the Corporation, effective November 1, 1998, is incorporated by reference to Exhibit 10.17 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.* |
| 10.19 | BancWest Corporation Umbrella TrustTM Trust Agreement by and between BancWest Corporation and Wachovia Bank, N.A., for BancWest Corporation Supplemental Executive Retirement Plan and BancWest Corporation Deferred Compensation Plan, executed November 23, 1999, is incorporated by reference to Exhibit 10.18 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.* |
| 10.20 | BancWest Corporation Split-Dollar Plan For Executives, effective January 1, 1999, is incorporated by reference to Exhibit 10.19 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.* |
| 10.21 | Sublease made as of November 1, 1993, between Bank of the West and Banque Nationale de Paris, is incorporated by reference to Exhibit 10.19 to the Corporation's Form 10-K for the fiscal year ended December 31, 1998. |
| 10.22 | Employment Agreement between Walter A. Dods, Jr. and BancWest Corporation, executed May 7, 2001, is incorporated by reference to Exhibit 10.22 to the Corporation's Form 10-Q for the quarterly period ended March 31, 2001.* |
| 10.23 | Termination Protection Agreement between John K. Tsui and BancWest Corporation, executed May 7, 2001, is incorporated by reference to Exhibit 10.23 to the Corporation's Form 10-Q for the quarterly period ended March 31, 2001.* |
| 10.24 | Termination Protection Agreement between Howard H. Karr and BancWest Corporation, executed May 7, 2001, is incorporated by reference to Exhibit 10.24 to the Corporation's Form 10-Q for the quarterly period ended March 31, 2001.* |
| 10.25 | Termination Protection Agreement between Donald G. Horner and BancWest Corporation, executed May 7, 2001, is incorporated by reference to Exhibit 10.25 to the Corporation's Form 10-Q for the quarterly period ended March 31, 2001.* |
| 10.26 | Amendment No. 3 to BancWest Corporation Deferred Compensation Plan is incorporated by reference to Exhibit 10.26 to the Corporation's Form 10-Q for the quarterly period ended June 30, 2001.* |
| 10.27 | Resolutions of the Board of Directors adopted September 20, 2001 amending the Company's Defined Contribution Plan, Future Plan and Incentive Plan for Key Executives, and terminating its option plans, effective upon the closing of the Company's merger with Chauchat L.L.C., are incorporated by reference to Exhibit 10.27 to the Corporation's Form 10-Q for the quarterly period ended September 30, 2001.* |
| 10.28 | Stock Purchase Agreement, dated November 20, 2002, between BancWest Corporation and BNP Paribas S.A., concerning Bank of the West common stock. |
| 10.29 | Stockholders' Agreement, dated as of November 20, 2002, between BancWest Corporation and BNP Paribas S.A., concerning Bank of the West common stock. |
| | *Management contract or compensatory plan or arrangement. |
| 12. | Statement re: computation of ratios, filed herewith. |

Table of Contents

**Part III** *(continued)*

21. Subsidiaries of the registrant, filed herewith.

**(b) Reports on Form 8-K**

None

**(c) The exhibits listed in Item 15(a)3 are incorporated by reference or attached hereto.**

**(d) Response to this item is the same as the response to Item 15(a)2.**

## SIGNATURES

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

**BANCWEST CORPORATION**
(Registrant)

By /s/ DOUGLAS C. GRIGSBY

**Douglas C. Grigsby**
**Executive Vice President,**
**Chief Financial Officer**
**and Treasurer**

Date: April 14, 2003

**Part III** *(continued)*

**CERTIFICATION**

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

1. I have reviewed this annual report on Form 10-K of BancWest Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures 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 annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Walter A. Dods, Jr.

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

Date: April 14, 2003

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**Part III** *(continued)*

I, Douglas C. Grigsby, certify that:

1. I have reviewed this annual report on Form 10-K of BancWest Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures 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 annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Douglas C. Grigsby

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

Date: April 14, 2003

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**Part IV** *(continued)*

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

| Signature | Title | Date |
|---|---|---|
| /s / WALTER A. DODS, JR.<br>Walter A. Dods, Jr. | Chairman,<br>Chief Executive Officer<br>& Director | April 14, 2003<br>Date |
| /s / JACQUES ARDANT<br>Jacques Ardant | Director | April 14, 2003<br>Date |
| /s / GÉRARD DENOT<br>Gérard Denot | Director | April 14, 2003<br>Date |
| /s / W. ALLEN DOANE<br>W. Allen Doane | Director | April 14, 2003<br>Date |
| /s/ JULIA ANN FROHLICH<br>Julia Ann Frohlich | Director | April 14, 2003<br>Date |
| /s/ ROBERT A. FUHRMAN<br>Robert A. Fuhrman | Director | April 14, 2003<br>Date |
| /s / PAUL MULLIN GANLEY<br>Paul Mullin Ganley | Director | April 14, 2003<br>Date |
| /s/ DAVID M. HAIG<br>David M. Haig | Director | April 14, 2003<br>Date |
| /s / JOHN A. HOAG<br>John A. Hoag | Director | April 14, 2003<br>Date |
| /s / BERT T. KOBAYASHI, JR.<br>Bert T. Kobayashi, Jr. | Director | April 14, 2003<br>Date |
| /s / MICHEL LARROUILH<br>Michel Larrouilh | Director | April 14, 2003<br>Date |
| *<br>Pierre Mariani | Director | April 14, 2003<br>Date |
| /s / FUJIO MATSUDA<br>Fujio Matsuda | Director | April 14, 2003<br>Date |

* Director not available for signature.

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**Part IV** *(continued)*

| | | |
|---|---|---|
| /s/ DON J. McGRATH<br>Don J. McGrath | President,<br>Chief Operating Officer<br>& Director | April 14, 2003<br>Date |
| /s/ RODNEY R. PECK<br>Rodney R. Peck | Director | April 14, 2003<br>Date |
| *<br>Edouard A. Sautter | Director | April 14, 2003<br>Date |
| /s/ JOHN K. TSUI<br>John K. Tsui | Vice Chairman,<br>Chief Credit Officer<br>& Director | April 14, 2003<br>Date |
| /s/ JACQUES HENRI WAHL<br>Jacques Henri Wahl | Director | April 14, 2003<br>Date |
| /s/ ROBERT C. WO<br>Robert C. Wo | Director | April 14, 2003<br>Date |
| /s/ DOUGLAS C. GRIGSBY<br>Douglas C. Grigsby | Executive Vice President,<br>Chief Financial Officer and Treasurer<br>(Principal financial and accounting officer) | April 14, 2003<br>Date |

* Director not available for signature.

# STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, dated as of November 20, 2002, between BancWest Corporation, a Delaware corporation ("SELLER"), and BNP Paribas, a French societe anonyme ("BUYER").

WHEREAS, Seller owns all 3,276,535 issued and outstanding shares of Common Stock, par value $5.00 per share (the "SHARES"), of Bank of the West, a Californian banking corporation, (the "BANK"); and

WHEREAS, on March 15, 2002, the Seller acquired all of the 10,864,198 outstanding common shares of United California Bank; and

WHEREAS, on April 1, United California Bank merged with and into the Bank, and as a result of such merger, Seller received in exchange for its shares of United California Bank, 1,456,238 shares of common shares of the Bank, including the shares represented by the share certificate number 31 issued by the Bank on November 20, 2002, representing 485,413 common shares of the Bank with an aggregate fair market value and U.S. Federal income tax basis of $800 million (the "MINORITY SHARES");

WHEREAS, Buyer desires to purchase the Minority Shares from Seller upon the terms and conditions hereinafter set forth; and

WHEREAS, Buyer and Seller have entered into a Stockholders' Agreement of even date herewith (the "STOCKHOLDERS' AGREEMENT") concerning the Minority Shares;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Sale of Minority Shares. Upon the terms and subject to the conditions set forth in this Agreement, Seller shall sell, transfer and assign the Minority Shares to Buyer, and Buyer shall purchase the Minority Shares from Seller for an aggregate purchase price of $800,000,000 (the "PURCHASE PRICE"). Closing of the transactions contemplated hereby shall occur on November 22, 2002 or such other date as the parties may mutually agree (the "PURCHASE DATE"). On the Purchase Date, (i) Seller shall deliver to Buyer Bank share certificate number 31 for the Minority Shares duly endorsed to Buyer, or accompanied by a stock power duly endorsed to Buyer, and (ii) Buyer shall deliver $800,000,000 to Seller by interbank transfer in immediately available funds to an account designated by Seller.

2. Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer as follows:

(a) Due Authorization; Enforceable Obligation. Seller has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly authorized by all necessary corporate action on the part of Seller, has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller enforceable against Seller in accordance with its terms.

(b) Conflicting Instruments. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will violate or result in any violation of or be in conflict with or constitute a default under any term of the Certificate of Incorporation or By-Laws of Seller or any judgment, decree or order of any court or administrative body applicable to it or any agreement or other instrument or law applicable to it.

(c) Title. Except as provided in this Agreement, (i) Seller is the record and beneficial owner of the Minority Shares with sole power to vote and to dispose of the Minority Shares and (ii) the Minority Shares are owned by Seller free and clear of all security interests, liens, claims, encumbrances, charges, restrictions on transfer, proxies and voting and other agreements.

(d) Delivery. Seller has, and upon consummation of the transactions contemplated hereby Buyer will acquire, good and marketable title to the Minority Shares, free and clear of all security interests, liens, claims, encumbrances, charges, restrictions on transfer, proxies and voting and other agreements.

3. Representations and Warranties of Buyer. Buyer hereby represents and warrants to Seller that (i) this Agreement has been duly authorized by all necessary corporate action on the part of Buyer, (ii) this Agreement has been duly executed and delivered by Buyer and (iii) this Agreement constitutes the valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms.

4. Miscellaneous

(a) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

(b) Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any rights hereunder shall be assigned by Buyer without the prior written consent of the Seller.

(c) Entire Agreement; Amendments. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof, notwithstanding any provision of any such documents to the contrary. This Agreement may not be modified, amended, altered or supplemented except upon execution and delivery of a written agreement executed by the Buyer and Seller.

(d) Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly received if so given) by delivery in person or by cable, telegram or telex to the respective parties as follows:

If to Seller:

BancWest Corporation
999 Bishop Street
Honolulu, HI 96813
Telecopy: (808) 529-6088
Attention: General Counsel & Secretary

If to Buyer:

BNP Paribas
3 rue d'Antin
75009 Paris, FRANCE
Telecopy: + 33 1 40 14 93 96
Attention: M. Philippe Bordenave

or to such other address as any party may have furnished to the other in writing in accordance herewith.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(f) Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one and the same agreement.

(g) Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

(h) Further Assurances. Seller shall, upon the reasonable request by Buyer, execute and deliver any additional documents necessary or desirable to complete the sale, conveyance, transfer and assignment of the Minority Shares.

(i) Survival. The warranties, representations, covenants and agreements made pursuant to this Agreement shall survive and continue irrespective of any investigation made by or on behalf of any party.

(j) Specific Performance. Seller acknowledges that performance of its obligations hereunder will confer a unique benefit on Buyer and, accordingly, that a failure of performance by Seller is not compassable by money damages. Buyer shall therefore be entitled, without prejudice to the rights and remedies otherwise available to it, to specific performance of all obligations of Seller hereunder.

*                    *                    *

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

BNP Paribas SA

By /s/ PIERRE MARIANI
-------------------------------
Name Pierre Mariani
Title: Executive Vice President

BancWest Corporation

By /s/ WALTER A DODS, JR.
-------------------------------
Name Walter A. Dods, Jr.
Title: Chairman & CEO

EXHIBIT 10.29

# STOCKHOLDERS' AGREEMENT

This STOCKHOLDERS' AGREEMENT (this "AGREEMENT"), dated as of November 20, 2002, is entered into by and between BancWest Corporation, a Delaware corporation ("BW"), and BNP Paribas S.A., a societe anonyme or limited liability banking corporation organized under the laws of the Republic of France ("BNP PARIBAS").

WHEREAS, BW is the owner of all 3,276,535 of the issued and outstanding shares of common stock, par value $5 per share (the "COMMON STOCK"), of Bank of the West, a California banking corporation (the "BANK");

WHEREAS, in connection with the acquisition of United California Bank, BW borrowed $800 million (the "LOAN") on an interim basis from the New York branch of BNP Paribas and desires to restructure said financing in compliance with the terms of the application to the Board of Governors of the Federal Reserve System seeking approval of the acquisition of United California Bank by setting up a long term financing structure on terms which BW regards to be in its best interests;

WHEREAS, in order to refinance the Loan, BW has agreed to sell to BNP Paribas, and BNP Paribas has agreed to purchase from BW, 485,413 shares of Common Stock (the "MINORITY SHARES") for their $800 million fair value (the "ORIGINAL PURCHASE PRICE"), pursuant to a Stock Purchase Agreement, dated as of the date hereof, between BW and BNP Paribas (the "STOCK PURCHASE AGREEMENT"), and BW will use the sale proceeds to repay the current $800 million outstanding principal balance of the interim debt; and

WHEREAS, BW wishes to retain the right to repurchase the Minority Shares, pursuant to the terms and subject to the conditions set forth herein, in order to be able to restore its position as the owner of all of the issued and outstanding Common Stock;

NOW THEREFORE, in consideration of the representations and warranties contained in this Agreement, and other good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

## ARTICLE I

## DEFINITIONS

1.1 Defined Terms. Unless the context otherwise requires, the terms defined in this Article I shall, for the purposes of this Agreement, have the meanings specified herein.

An "ACCELERATION EVENT" shall be deemed to occur if (i) BNP Paribas and its Affiliates cease to own directly or indirectly securities representing at least 80% of the voting power of BW, (ii) an event occurs causing the Minority Shares owned by BNP Paribas to represent less than 10% of the Bank's voting share capital, (iii) a transaction is approved by the Bank's board of directors which would cause the Bank to cease to join in filing consolidated tax returns with BW, (iv) as a result of any new law, rule or regulation, or any modification, or as a result of the construction of any law, rule or regulation by a relevant authority, whether such law, rule, regulation or authority be French, United States, European, foreign, state, provincial or local, it becomes illegal or impractical for the parties hereto to maintain their participation in this Agreement, or (v) the parties reasonably agree, after good faith discussions, that there has been a change in applicable law, rules or regulations (or judicial, administrative or regulatory interpretation thereof) that, in the good faith judgment of the parties, is reasonably likely to adversely impact the economic benefits of the transactions contemplated by this Agreement to either party.

"AFFILIATE" as applied to any person means any other person directly or indirectly controlling, controlled by, or under common control with that person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by", and "under common control with"), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities or by contract or otherwise.

"BUSINESS DAY" means any day other than a Saturday, Sunday or one on which banks are authorized or required by law to close in New York, New York, San Francisco, California, Honolulu, Hawaii or Paris, France.

"CLOSING" shall have the meaning set forth in Section 3.4(b).

"CLOSING DATE" means the date on which a Closing takes place.

"DISTRIBUTION" means any dividend or other distribution paid by the Bank on all or any part of the Common Stock, whether paid in cash or property or for other consideration (with the amount of such dividend or distribution which is paid in a form other than cash being determined for purposes of this Agreement to be the fair value thereof as determined in good faith by the Board of Directors of the Bank); provided, however that "Distribution" shall not include a pro rata dividend or distribution of shares of the Common Stock or other pro rata adjustment that is subject to Section 6.2, or any amount received as consideration for the purchase, redemption, or other acquisition of shares of Common Stock by the Bank.

"FUTURE VALUE" of any payment means the amount of such payment, together with interest on such payment, from the date of payment to the date for which such Future Value is being computed, at a rate of 4.39%, compounded quarterly on March 31, June 30, September 30 and December 31 of each year and calculated on the basis of a 365 day year and the number of days actually elapsed following the date of payment.

"INJUNCTION" means any judgment, order, injunction, ruling or decree by a court or other governmental authority of competent jurisdiction.

"LIEN" means any lien, pledge, mortgage, security interest, charge, escrow, right of first refusal, encumbrance, or other claim of any kind or character.

"ORIGINAL TRANSACTION DATE" means November 22, 2002.

1.2 Headings. The headings and subheadings in this Agreement are included for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

ARTICLE II

DISTRIBUTIONS

2.1 Distribution Policy. Each of BNP Paribas and BW, as the owner of a portion of the Common Stock, shall be free to exercise the full extent of its voting rights as it deems appropriate in its sole discretion under applicable state law and the Bank's bylaws and articles of incorporation. Separate from the election of directors of the Bank and all other voting powers with respect to the Common Stock, each of BNP Paribas and BW may request the Board of Directors of the Bank to declare dividends and to cause the Bank to make Distributions on the Common Stock out of available earnings. Notwithstanding the foregoing, it is expressly understood and agreed by the parties hereto that the declaration and payment by the Bank of dividends and other Distributions on the Common Stock is within the sole discretion of the Bank's Board of Directors, and nothing in this Agreement shall give the parties any rights or claims against the Bank or any member of the Board of Directors of the Bank regarding the declaration or payment of dividends or other Distributions on the Common Stock (or any determination not to declare and pay dividends or other Distributions).

2.2 Limitations on Distributions. Notwithstanding anything to the contrary stated in this Article II, neither BNP Paribas nor BW shall take any action, or cause or request any member of the Board of Directors of the Bank to take any action, that would result in the Bank declaring, making or paying a Distribution to the extent such Distribution would violate Sections 640 et. seq. of the California Financial Code (or any successor provision), the Federal Deposit Insurance Act, the rules, regulations, policies or other requirements of the Federal Deposit Insurance Corporation, the Federal Reserve Board or the California Department of Financial Institutions or any other applicable foreign, federal, state or local laws, rules, regulations, policies or Injunctions or would result in the Bank or any other banking subsidiary of BW no longer being "well capitalized" under the rules, regulations and policies of the United States federal banking authorities.

ARTICLE III

CALL OPTION

3.1 Call Option. Upon the terms and subject to the conditions set forth in this Agreement, BW shall have the unconditional right (the "CALL RIGHT") to purchase from BNP Paribas all or a portion of the Minority Shares on the Closing Date (as defined below) at an aggregate price (the "CALL PRICE") for such number of Minority Shares to be purchased equal to the product of (a) the total of (i) $800 million plus (ii) 4.39% per annum of the Original Purchase Price accruing from the Original Transaction Date to the Closing Date (compounded quarterly, on March 31, June 30, September 30 and December 31 of each year and calculated on the basis of a 365 day year and the number of days actually elapsed since the Original Transaction Date) minus (iii) the aggregate amount of the Future Value as of the Closing Date of all Distributions paid on the Minority Shares from the Original Transaction Date to the Closing Date (provided, that any Distribution with a record date prior to the Closing Date but not yet paid by the Closing Date shall be treated as if it was paid on the Closing Date), plus (iv) $5,000,000, multiplied by (b) the quotient of (i) the number of Minority Shares that BW is purchasing on such Closing Date divided by (ii) the total number of Minority Shares subject to the Agreement on the date hereof. To the extent BW exercises the Call Right with respect to less than all of the Minority Shares, it may exercise the Call Right on one or more future occasions in accordance with the terms of this Agreement (except to the extent BNP Paribas previously has exercised its Put Right (as defined below)). Appropriate adjustments to this formula using similar terms and conditions shall be made by the parties if any of the Minority Shares are redeemed while Minority Shares are still held by BNP Paribas.

3.2 Failure to Exercise Call Right. In the event that (A) BW does not exercise its Call Right with respect to all of the Minority Shares pursuant to the delivery to BNP Paribas of one or more Call Exercise Notices (as defined below) on or before December 22, 2011, or (B) an event described in clauses (i), (ii), (iii) or (iv) of the definition of Acceleration Event occurs and is continuing or the parties hereto reach an agreement described in clause (v) of the definition of Acceleration Event and BW does not exercise its Call Right with respect to all of the Minority Shares pursuant to the delivery to BNP Paribas of a Call Exercise Notice on or before the 90th day following such event or agreement, then commencing 30 days after the last day on which BW could have exercised its Call Right, BNP Paribas shall have the unconditional right (the "PUT RIGHT") to require BW to purchase all of the Minority Shares then owned by BNP Paribas at an aggregate price (the "Put Price") for such number of Minority Shares to be purchased equal to the product of (a) the total of (i) $800 million plus (ii) 4.39% per annum of the Original Purchase Price accruing from the Original Transaction Date to the Closing Date (compounded quarterly on March 31, June 30, September 30 and December 31 of each year and calculated on the basis of a 365 day year and the number of days actually elapsed since the Original Transaction Date) minus (iii) the aggregate amount of the Future Value as of the Closing Date of all Distributions paid on the Minority Shares from the Original Transaction Date to the Closing Date (provided, that any Distribution with a record date prior to the Closing Date but not yet paid by the Closing Date shall be treated as if it was paid on the Closing Date), plus (iv) $50,000,000, multiplied by (b) the quotient of (i) the number of Minority Shares that BNP Paribas has required BW to purchase on such Closing Date divided by (ii) the total number of Minority Shares subject to the Agreement on the date hereof. Appropriate adjustments to this formula using similar terms and conditions shall be made by the parties if any of the Minority Shares are redeemed while Minority Shares are still held by BNP Paribas. BNP Paribas may give notice to BW of its intention to exercise its Put Right ("PUT EXERCISE NOTICE") beginning at the time such Put Right shall arise and at the latest 30 days after such time (but in no event later than February 22, 2012).

3.3 Call Exercise Notice. BW may exercise its Call Right by giving a notice (a "CALL EXERCISE NOTICE") to BNP Paribas of its intention to exercise the Call Right in whole or, from time to time, in part:

(a) at any time from and including November 23 to and including December 22 of each year from and including 2004 to and including 2011; and/or

(b) on the occurrence of an event described in clause (i), (ii), (iii) or (iv) of the definition of Acceleration Event that is continuing, or the parties hereto reach an agreement described in clause (v) of the definition of Acceleration Event, at any time from and after such event or agreement to and including the 90th day following such event or agreement (but in no event later than December 22, 2011).

Each Call Exercise Notice shall specify the number of Minority Shares to be purchased.

3.4 Purchase, Closing.

(a) In consideration of the sale of the Minority Shares pursuant to Section 3.1 or 3.2, at the Closing, BW shall pay BNP Paribas the following (such amount at such Closing, the "PURCHASE PRICE"): (A) the Call Price, in the event BW shall have exercised its Call Right, or (B) the Put Price, in the event BNP Paribas shall have exercised its Put Right.

(b) Subject to satisfaction or waiver of the conditions precedent contained in this Article III, the closing (the "CLOSING,") with respect to a particular purchase and sale of the Minority Shares pursuant to Section 3.1 or 3.2 shall take place at 10:00 a.m. San Francisco, California time at the offices of the Bank at 1450 Treat Boulevard, Walnut Creek, California on the following Closing Date: (i) if BW has delivered a Call Exercise Notice pursuant to Section 3.3(a), January 7 of the year following the year in which such Call Exercise Notice has been delivered, or (ii) if BW has delivered a Call Exercise Notice pursuant to Section 3.3(b) or BNP Paribas has delivered a Put Exercise Notice, the tenth Business Day following delivery of such Call Exercise Notice or Put Exercise Notice. BNP Paribas shall designate an account or accounts to which BW shall wire the Call Price or the Put Price, as the case may be, in accordance with Section 3.7 (including the amount to be wired to each such account) within five Business Days of receipt of the Call Exercise Notice or delivery of the Put Exercise Notice.

3.5 Conditions to BW's Purchase of the Minority Shares. The purchase of any or all of the Minority Shares by BW pursuant to this Article III is subject to the satisfaction of the following conditions at or prior to the Closing of such purchase, unless waived by BW in its sole discretion:

(a) BNP Paribas shall have delivered to BW each of the documents required to be delivered by it at or prior to such Closing pursuant to this Article III; and

(b) No Injunction shall have been issued and remain in effect restraining or prohibiting the performance of this Agreement or the consummation of any of the transactions contemplated herein, and the parties hereto shall have received all necessary regulatory approvals and consents, if any, for the consummation of the transactions contemplated herein, and any applicable waiting periods shall have expired or been terminated.

3.6 Conditions to BNP Paribas' Sale of the Minority Shares. The sale of any or all of the Minority Shares by BNP Paribas pursuant to this Article III is subject to the satisfaction of the following conditions at or prior to the Closing of such sale, unless waived by BNP Paribas in its sole discretion:

(a) BW shall have delivered to BNP Paribas each of the documents required to be delivered by it at or prior to such Closing pursuant to this Article III;

(b) BW shall have paid the Purchase Price in respect of the Minority Shares to be transferred as provided herein to the account or accounts designated by BNP Paribas; and

(c) No Injunction shall have been issued by any court or governmental body and remain in effect restraining or prohibiting the performance of this Agreement or the consummation of any of the transactions contemplated herein, and the parties hereto shall have received all necessary regulatory approvals and consents, if any, for the consummation of the transactions contemplated herein, and any applicable waiting periods shall have expired or been terminated.

3.7 Delivery and Payment. At each Closing:

(a) BNP Paribas shall deliver to BW (i) certificates for the appropriate number of Minority Shares duly endorsed in blank or accompanied by appropriate stock powers, in either case signed exactly as the name of the registered holder appears on the certificates, with the signatures on such certificates or stock powers guaranteed by a financial institution that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program, and (ii) all certificates and other instruments or documents contemplated under this Article III to be delivered by BNP Paribas and BW at or prior to the Closing shall have been delivered. For the avoidance of doubt, title to the Minority Shares shall not pass from BNP Paribas to BW until the completion of the Closing.

(b) BW shall pay the Purchase Price with respect to the Minority Shares transferred on a particular Closing Date to BNP Paribas by wire transfer of immediately available funds to the account or accounts previously designated by BNP Paribas.

3.8 Further Assurances. At and after each Closing, BNP Paribas will cause its officers to execute and deliver, in the name and on behalf of BNP Paribas, any deeds, bills of sale, assignments or assurances, letters of transmittal, stock powers, guarantees or other documents reasonably requested by BW and in such form as BNP Paribas shall reasonably agree (such agreement not to be unreasonably withheld or delayed) in order to effect the delivery of the Minority Shares to, and the vesting of title thereto in, BW.

3.9 Specific Performance. Each of BW and BNP Paribas agrees that the right and obligation of BW to purchase the Minority Shares, and the right and obligation of BNP Paribas to transfer the Minority Shares to BW, pursuant to this Article III shall (subject to applicable law) be subject to specific performance, that the options described in Sections 3.1 and 3.2 may be settled only by physical delivery of certificates representing the Minority Shares and, for the avoidance of doubt, that BNP Paribas shall not be entitled to satisfy its obligations, or exercise its rights, under this Agreement by paying BW the excess of the value of the Minority Shares over the Purchase Price. Both BW and BNP Paribas acknowledge and agree that damages shall not be an adequate remedy for breach of BNP Paribas' obligation to transfer the Minority Shares to BW pursuant to Section 3.1 or BW's obligation to purchase the Minority Shares from BNP Paribas pursuant to Section 3.2. Accordingly, except as provided in Section 6.9 hereof, during the term of this agreement, BNP Paribas shall not transfer the Minority Shares without the prior consent of BW.

## ARTICLE IV

## REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of BNP Paribas. BNP Paribas represents and warrants to BW as follows:

(a) BNP Paribas is a societe anonyme duly organized and validly existing under the laws of the Republic of France and has all requisite corporate power and authority to enter into this Agreement and to be bound by and carry out the transactions contemplated herein;

(b) this Agreement has been duly authorized, executed and delivered by BNP Paribas and constitutes the legal, valid and binding obligation of BNP Paribas, enforceable against it in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity);

(c) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein will: (i) conflict with, result in any violation of, require any consent under, or constitute a default (whether with notice or lapse of time or both) under, BNP Paribas' constituent documents or any mortgage, bond, indenture, agreement, instrument or obligation to which BNP Paribas is a party or by which BNP Paribas or the Minority Shares are bound or subject; (ii) violate any Injunction that is binding on BNP Paribas; (iii) constitute a violation by BNP Paribas of any law, rule or regulation of any jurisdiction; or (iv) result in any obligation on the part of BW or any other person or entity to purchase any other securities (other than the Minority Shares);

(d) at each Closing, BNP Paribas shall own, hold of record and have sole voting and dispositive power with respect to the Minority Shares to be transferred and shall have good and marketable title to such shares, free and clear of any Liens, except for the restrictions set forth in this Agreement; and

(e) no consent, approval, waiver, order or authorization of, or registration, declaration or filing with, any governmental authority or other person is required (other than those previously obtained) in connection with the execution and delivery of this Agreement by BNP Paribas or the consummation by BNP Paribas of the transactions contemplated herein.

4.2 Representations and Warranties of BW. BW represents and warrants to BNP Paribas as follows:

(a) BW is a corporation duly organized and validly existing under the laws of the State of Delaware and has all requisite corporate power and authority to enter into this Agreement and to be bound by and carry out the transactions contemplated herein;

(b) this Agreement has been duly authorized, executed and delivered by BW and constitutes the legal, valid and binding obligation of BW, enforceable against it in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity);

(c) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein will: (i) conflict with, result in any violation of, require any consent under, or constitute a default (whether with notice or lapse of time or both) under, BW's certificate of incorporation or bylaws or any mortgage, bond, indenture, agreement, instrument or obligation to which BW is a party or by which BW or the Minority Shares are bound or subject; (ii) violate any Injunction, that is binding on BW; or (iii) constitute a violation by BW of any law, rule or regulation of any jurisdiction; and

(d) no consent, approval, waiver, order or authorization of, or registration, declaration or filing with, any governmental authority or other person is required (other than those previously obtained) in connection with the execution and delivery of this Agreement by BW or the consummation by BW of the transactions contemplated herein.

## ARTICLE V

## CONDITIONS PRECEDENT

5.1 Conditions to the Parties' Obligations Under this Agreement. The respective rights and obligations of each of the parties under this Agreement and the other transactions contemplated hereby shall be subject to the execution of the Stock Purchase Agreement between the parties and the closing of the transactions contemplated thereunder, including the sale of the Minority Shares by BW to BNP Paribas and the purchase of the Minority Shares from BW by BNP Paribas.

## ARTICLE VI

## MISCELLANEOUS

6.1 Entire Agreement. This Agreement and the Stock Purchase Agreement set forth the entire agreement between the parties hereto with respect to the transactions contemplated herein and supersede all prior agreements or understandings among the parties with respect to the subject hereof.

6.2 Adjustment; Antidilution. In the event that the outstanding number of shares of Common Stock changes or shares of a different class are issued by the Bank, as a result of a stock split, reverse stock split, stock dividend, subdivision, reclassification, combination, exchange, recapitalization, merger or other similar transaction during the term of this Agreement, the term "Common Stock," shall refer to all of the shares of Common Stock, or to the other applicable securities, as appropriate, and the amount of cash received or receivable as a result of the ownership of such Common Stock, or other applicable securities, as the case may be, at any time after the date hereof, and any other number, amount or price that is based upon the number of shares of such Common Stock, or other applicable securities, as of the date hereof shall be appropriately adjusted.

6.3 Notices. All notices, requests and other communications to any party hereunder shall be in writing and sufficient if delivered personally or sent by telecopy (with confirmation of receipt), by overnight delivery or courier service, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to BNP Paribas:

BNP Paribas
3 rue d'Antin
75009 Paris, FRANCE
Telecopy: + 33 1 40 14 93 96
Attention: M. Philippe Bordenave

If to BW:

BancWest Corporation
999 Bishop Street
Honolulu, HI 96813
Telecopy: (808) 529-6088
Attention: General Counsel and Secretary

or to such other address or telecopy number as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

6.4 Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute one agreement.

6.5 Survival. Unless otherwise expressly provided herein, all representations and warranties, agreements and covenants contained in this Agreement, or in any document delivered pursuant to this Agreement or in connection with this Agreement, shall survive the Closings and shall remain in full force and effect.

6.6 Expenses. Each of the parties hereto shall bear its own costs and expenses in connection with the negotiation, execution and delivery of this Agreement and the consummation of the transactions contemplated herein. BW shall pay any and all stamp and other documentary taxes payable or deemed to be payable in connection with the transfer of the Minority Shares and agrees to hold BNP Paribas harmless from and against all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes.

6.7 Benefits of Agreement and Successors. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement is for the sole benefit of the parties and not for the benefit of any third party; provided, however, that the provisions of the last sentence of Section 2.1 and the provisions of Section 2.2 hereof shall inure to the benefit of and be enforceable by the Bank and the members of the Board of Directors of the Bank.

6.8 Amendments and Waivers. No modification, amendment, or waiver of any provision of, or consent required by, this Agreement, nor any consent to any departure herefrom, shall be effective unless it is in writing and signed by the parties hereto; provided, however, that the parties may at any time renegotiate the terms of this Agreement. Any such renegotiation, modification, amendment, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

6.9 Assignment; Transfer of Shares. Except as set forth in this Section 6.9, this Agreement and the rights and obligations hereunder shall not be assignable or transferable by any party hereto without the prior written consent of the other party. BW may transfer its rights under Article III to any party, whether or not a direct or indirect subsidiary of BNP Paribas, or otherwise related to BW, so long as BW provides prior written notice of such transfers to BNP Paribas. No such transfer shall relieve BW of its obligations under this Agreement. BNP Paribas may transfer all or any of the Minority Shares to any of its Affiliates so long as BNP Paribas provides prior written notice of such transfers to BW and each such transferee agrees, in writing prior to such transfer, to comply with the terms and conditions of this Agreement with respect to the shares transferred to it. No such transfer shall relieve BNP Paribas of its obligations under this Agreement.

6.10 Enforceability. It is the desire and intent of the parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. Accordingly, if any provision of this Agreement shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made.

6.11 Governing Law. The Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely in such state.

6.12 Consent to Jurisdiction, Waiver of Jury Trial. Each of the parties hereto hereby irrevocably and unconditionally consents to the jurisdiction of any federal or state court of New York sitting in New York City and irrevocably agrees that all actions or proceedings arising out of or relating to this Agreement or the transactions contemplated herein shall be litigated exclusively in such courts. Each of BW and BNP Paribas agrees not to commence any legal proceeding related hereto except in such court. Each of BW and BNP Paribas irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any such proceeding in any such court and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceedings bought in any such court has been brought in an inconvenient forum. Each of BW and BNP Paribas irrevocably waives any right it may have to a trial by jury in any such action, suit or proceeding.

6.13 Legal Holidays. In the event that any event, action or occurrence set forth herein would otherwise be on a date that is not a Business Day, then the date of such event, action or occurrence for purposes of this Agreement shall be the next succeeding Business Day.

*                *                *

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed and delivered as of the date first set forth above.

BNP PARIBAS S.A.

By: /s/ PIERRE MARIANI
---
Name: Pierre Mariani
Title: Executive Vice President

By: /s/ JACQUES ARDANT
---
Name: Jacques Ardant
Title: Senior Vice President

BANCWEST CORPORATION

By: /s/ WALTER A. DODS, JR.
---
Name: Walter A. Dods, Jr.
Title: Chairman & CEO

## Exhibit 12. Statement re: Computation of Ratios

### Bancwest Corporation and Subsidiaries
### Computation of Consolidated Ratios of Earnings to Fixed Charges

| (dollars in thousands) | Year Ended December 31, 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| Income before income taxes | **$ 595,326** | $426,116 | $368,621 | $296,129 | $144,901 |
| Fixed charges (1): | | | | | |
| Interest expense | **465,330** | 507,135 | 562,922 | 446,877 | 315,822 |
| Rental expense | **21,332** | 15,531 | 15,290 | 15,017 | 13,659 |
| | **486,662** | 522,666 | 578,212 | 461,894 | 329,481 |
| Less interest on deposits | **281,466** | 393,263 | 458,204 | 368,621 | 253,860 |
| Net fixed charges | **205,196** | 129,403 | 120,008 | 93,273 | 75,621 |
| Earnings, excluding interest on deposits | **$ 800,522** | $555,519 | $488,629 | $389,402 | $220,522 |
| Earnings, including interest on deposits | **$1,081,988** | $948,782 | $946,833 | $758,023 | $474,382 |
| Ratio of earnings to fixed charges: | | | | | |
| Excluding interest on deposits | **3.90x** | 4.29x | 4.07x | 4.17x | 2.92x |
| Including interest on deposits | **2.22x** | 1.82x | 1.64x | 1.64x | 1.44x |

(1) For purposes of computing the consolidated ratios of earnings to fixed charges, earnings represent income before income taxes and 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, consist of the foregoing items plus interest on deposits.

## Exhibit 21. Subsidiaries of the Registrant

The Corporation or one of its subsidiaries beneficially owns 100% of the outstanding capital stock, voting securities and ownership interests of each of the corporations and limited partnerships listed below and all of the common securities of BancWest Capital I and First Hawaiian Capital I. The Corporation is indirectly the sole general partner of First Hawaiian Center Limited Partnership.

| Name | State or Other Jurisdiction of Incorporation |
|---|---|
| Bank of the West | California |
| Eureka Investment Advisors, Inc. | California |
| First Bancorp | California |
| United California Capital | California |
| Trinity Capital Corporation | California |
| First National Bancorporation | California |
| Essex Credit Corporation | Connecticut |
| First Santa Clara Corporation | California |
| First Hawaiian Bank | Hawaii |
| Real Estate Delivery, Inc. | Hawaii |
| FH Center, Inc. | Hawaii |
| FHB Properties, Inc. | Hawaii |
| First Hawaiian Center, L.P. | Hawaii |
| Pacific One Dealer Center, Inc. | Hawaii |
| The Bankers Club, Inc. | Hawaii |
| Center Club, Inc. | Hawaii |
| First Hawaiian Leasing, Inc. | Hawaii |
| First Hawaiian Insurance, Inc. | Hawaii |
| Bishop Street Capital Management Corporation | Hawaii |
| KIC Technology 1, Inc. | Hawaii |
| KIC Technology 2, Inc. | Hawaii |
| KIC Technology 3, Inc. | Hawaii |
| FHL Lease Holding Company, Inc. | Hawaii |
| FHL SPC One, Inc. | Hawaii |
| BancWest Capital I | Delaware |
| First Hawaiian Capital I | Delaware |

All subsidiaries were included in the Consolidated Financial Statements of the Corporation.