2007 ANNUAL REPORT FINANCIAL STATEMENTS

BANK OF THE WEST AND SUBSIDIARIES

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
of Bank of the West and its subsidiaries:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in stockholder's equity and comprehensive income and of cash flows present fairly, in all material respects, the financial position of Bank of the West and its subsidiaries ("the Bank") at December 31, 2007 and December 31, 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Bank'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 the standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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.

/s/ PricewaterhouseCoopers LLP
San Francisco, CA
March 20, 2008

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands)	Year Ended December 31, 2007	2006
Interest income		
Loans	**$2,629,054**	$2,458,042
Lease financing	**150,022**	119,414
Securities available for sale	**383,764**	376,312
Other	**31,437**	25,389
Total interest income	**3,194,277**	2,979,157
Interest expense		
Deposits	**989,342**	864,382
Short-term borrowings	**226,043**	192,624
Long-term debt	**410,765**	320,866
Total interest expense	**1,626,150**	1,377,872
Net interest income	**1,568,127**	1,601,285
Provision for loan and lease losses	**162,300**	60,000
Net interest income after provision for loan and lease losses	**1,405,827**	1,541,285
Noninterest income		
Service charges on deposit accounts	**208,879**	216,938
Trust and investment services income	**18,762**	18,589
Brokerage service fees	**51,618**	49,866
Credit and debit card fees	**58,264**	52,590
Other service charges and fees	**104,880**	96,260
Net gains (losses) on securities available for sale	**(183,906)**	455
Vehicle and equipment operating lease income	**14,318**	17,996
Income from bank-owned life insurance	**54,579**	43,694
Other	**76,651**	45,327
Total noninterest income	**404,045**	541,715
Noninterest expense		
Salaries and employee benefits	**632,954**	634,680
Occupancy	**130,081**	122,424
Outside services	**104,136**	97,867
Intangible amortization	**43,762**	46,818
Equipment	**61,791**	58,609
Depreciation - vehicle and equipment operating leases	**11,694**	15,987
Restructuring and integration costs	-	5,033
Other	**205,262**	189,523
Total noninterest expense	**1,189,680**	1,170,941
Income before income taxes	**620,192**	912,059
Provision for income taxes	**202,938**	340,027
Net income	**$ 417,254**	$ 572,032

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

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share amounts)	December 31, 2007	2006
Assets		
Cash and due from banks	**$ 1,938,523**	$ 2,035,312
Interest-bearing deposits in other banks	**14,547**	13,902
Federal funds sold and securities purchased under agreements to resell	**149,715**	248,000
Long-term securities purchased under agreements to resell	**100,000**	-
Trading assets	**6,132**	6,042
Securities available for sale	**8,586,673**	6,890,840
Loans held for sale	**84,076**	108,093
Loans and leases:		
Loans and leases	**43,651,231**	39,495,309
Less allowance for loan and lease losses	**431,504**	394,458
Net loans and leases	**43,219,727**	39,100,851
Vehicle and equipment operating leases, net	**39,946**	66,018
Premises and equipment, net	**529,773**	572,312
Customers' acceptance liability	**6,717**	9,915
Goodwill	**4,203,425**	4,202,217
Other intangibles, net	**231,813**	269,431
Other real estate owned and repossessed personal property	**31,360**	24,801
Interest receivable	**273,588**	280,678
Bank-owned life insurance	**1,207,287**	1,046,847
Pension assets	**32,447**	2,820
Other assets	**1,174,096**	764,857
Total assets	**$61,829,845**	$55,642,936
Liabilities and Stockholder's Equity		
Deposits:		
Interest-bearing	**$28,889,026**	$27,986,025
Noninterest-bearing	**9,166,425**	9,450,395
Total deposits	**38,055,451**	37,436,420
Federal funds purchased and securities sold under agreements to repurchase	**2,039,161**	1,593,117
Short-term borrowings	**1,301,615**	501,445
Acceptances outstanding	**6,717**	9,915
Long-term debt	**10,670,022**	6,690,009
Liability for pension benefits	**87,487**	87,839
Other liabilities	**640,495**	513,698
Total liabilities	**52,800,948**	46,832,443
Stockholder's equity:		
Preferred stock, par value $0.001		
Authorized — 1,000,000 shares		
Issued and outstanding — zero for 2007 and 2006	-	-
Common stock, par value $0.001 per share in 2007 and 2006		
Authorized — 20,000,000 shares		
Issued and outstanding — 4,773,943 shares at December 31, 2007 and 2006	**5**	5
Additional paid-in capital	**7,726,455**	7,721,364
Retained earnings	**1,408,242**	1,190,889
Accumulated other comprehensive income, net	**(105,805)**	(101,765)
Total stockholder's equity	**9,028,897**	8,810,493
Total liabilities and stockholder's equity	**$61,829,845**	$55,642,936

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

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY AND COMPREHENSIVE INCOME

(dollars in thousands)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2005	-	$-	4,773,943	$5	$7,712,172	$ 701,446	$ (82,337)	$8,331,286
Comprehensive income:								
Net income	-	-	-	-	-	572,032	-	572,032
Other comprehensive income, net of tax:								
Minimum pension liability adjustment	-	-	-	-	-	-	4,213	4,213
Unrealized net gains on securities available for sale arising during the year	-	-	-	-	-	-	14,649	14,649
Reclassification of net realized gains on securities available for sale included in net income	-	-	-	-	-	-	(270)	(270)
Unrealized net losses on cash flow derivative hedges arising during the year	-	-	-	-	-	-	(204)	(204)
Reclassification of net realized gains on cash flow derivative hedges included in net income	-	-	-	-	-	-	(965)	(965)
Comprehensive income	-	-	-	-	-	572,032	17,423	589,455
Cumulative pension adjustment per FAS 158	-	-	-	-	-	-	(36,851)	(36,851)
Other		-	-	-	1,757	-	-	1,757
Dividends	-	-	-	-	-	(82,589)	-	(82,589)
Capital infusion related to push down of goodwill	-	-	-	-	5,206	-	-	5,206
Capital infusion related to purchase of credit card portfolio	-	-	-	-	2,229	-	-	2,229
Balance, December 31, 2006	-	$-	4,773,943	$5	$7,721,364	$1,190,889	$(101,765)	$8,810,493
Comprehensive income:								
Net income	-	-	-	-	-	**417,254**	-	**417,254**
Other comprehensive income, net of tax:								
Cumulative effect for uncertain income tax positions per FIN 48	-	-	-	-	-	**(5,185)**	-	**(5,185)**
Cumulative effect for leveraged lease transactions per FSP 13-2	-	-	-	-	-	**(478)**	-	**(478)**
Unrealized net losses on securities available for sale arising during the year	-	-	-	-	-	-	**(127,072)**	**(127,072)**
Reclassification of net realized losses on securities available for sale included in net income	-	-	-	-	-	-	**109,240**	**109,240**
Unrealized net gains on cash flow derivative hedges arising during the year	-	-	-	-	-	-	**36**	**36**
Comprehensive income	-	-	-	-	-	**411,591**	**(17,796)**	**393,795**
Pension adjustment per FAS 158	-	-	-	-	-	-	**13,756**	**13,756**
Other	-	-	-	-	**5,091**	-	-	**5,091**
Dividends	-	-	-	-	-	**(194,238)**	-	**(194,238)**
Balance, December 31, 2007	-	$-	**4,773,943**	**$5**	**$7,726,455**	**$1,408,242**	**$(105,805)**	**$9,028,897**

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

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)	Year Ended December 31, 2007	2006
Cash flows from operating activities		
Net income	**$ 417,254**	$ 572,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	**162,300**	60,000
Net losses (gains) on securities available for sale	**183,906**	(455)
Net gains on sale of loans	**(4,076)**	(10,534)
Net decrease (increase) in trading assets	**(90)**	1,711
Depreciation and amortization	**114,997**	124,794
Deferred income taxes	**83,040**	(27,892)
Decrease (increase) in interest receivable and other assets	**(311,297)**	76,534
Increase in interest payable and other liabilities	**69,076**	63,035
Net decrease (increase) in loans held for sale	**(40,997)**	(42,181)
Other, net	**(16,352)**	1,757
Net cash provided by operating activities	**657,761**	818,801
Cash flows from investing activities		
Securities available for sale		
Proceeds from maturities and prepayments	**2,156,139**	1,569,805
Proceeds from sales	**544,962**	1,198,931
Purchases	**(4,616,252)**	(1,380,232)
Net increase in loans resulting from originations and collections	**(2,994,004)**	(68,477)
Purchases of loans and leases	**(1,398,326)**	(1,915,558)
Proceeds from sales of loans	**164,927**	226,116
Decrease in vehicle and equipment operating leases resulting from collections	**14,378**	15,352
Purchase of premises and equipment	**(53,518)**	(83,104)
Increase in bank-owned life insurance investment	**(105,861)**	(13,157)
Increase in securities purchased under agreements to resell	**(100,000)**	-
Other, net	**(119,362)**	(22,545)
Net cash used for investing activities	**(6,506,917)**	(472,869)
Cash flows from financing activities		
Net increase in deposits	**619,031**	3,534,509
Net increase in short-term borrowings under three months	**446,214**	94,126
Proceeds from issuance of short-term borrowings	**8,350,000**	2,100,000
Repayment of short-term borrowings	**(7,550,000)**	(5,532,500)
Proceeds from issuance of long-term debt	**5,771,665**	1,750,000
Repayment of long-term debt	**(1,787,945)**	(2,011,885)
Cash dividends paid	**(194,238)**	(82,589)
Net cash provided by (used for) financing activities	**5,654,727**	(148,339)
Net increase (decrease) in cash and cash equivalents	**(194,429)**	197,593
Cash and cash equivalents at beginning of year	**2,297,214**	2,099,621
Cash and cash equivalents at end of year	**$ 2,102,785**	$ 2,297,214
Supplemental disclosures		
Interest paid	**$ 1,613,364**	$ 1,318,963
Income taxes paid	**297,312**	242,888
Noncash investing and financing activities:		
Transfers from loans to foreclosed properties	**13,530**	11,143
Transfers from securities available for sale to trading assets	-	5,000
Noncash capital infusion from Bancwest (parent)	-	7,435

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

1. Organization and Summary of Significant Accounting Policies

Bank of the West ("BOW") is a State of California chartered bank. BOW has 685 branch banking locations (666 full service retail branches and 19 limited service retail offices) and other commercial banking offices located in Arizona, California, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin and Wyoming providing a wide range of financial services to both consumers and businesses. BOW also has branches serving Pacific Rim customers, specializing in domestic and international products and services in predominantly Asian American communities. Lending and other services focus on corporate, consumer and smaller middle market businesses. Bank of the West's principal subsidiaries include Essex Credit Corporation ("Essex"), BW Insurance ("BWI") and BancWest Investment Services, Inc. ("BWIS"). The terms "the Bank," "we," "our," "us" and similar terms as used in this report refer to Bank of the West and subsidiaries.

At December 31, 2007, BancWest Corporation ("BancWest"), a financial holding company, owned 80.5% of the outstanding common stock of the Bank. The balance of the Bank's common stock is held by BNP Paribas (BNPP). BancWest's other bank subsidiary (wholly owned) is First Hawaiian Bank. The Bank has no preferred or non-voting stock outstanding. BancWest is a wholly owned subsidiary of BNPP.

The Bank's primary regulators are the Federal Deposit Insurance Corporation ("FDIC") and the California Department of Financial Institutions. The Bank is a member of the Federal Home Loan Bank System and is required to maintain an investment in the capital stock of the Federal Home Loan Bank. The Bank maintains insurance on its customer deposit accounts with the FDIC, which requires quarterly payments of deposit insurance premiums.

The accounting and reporting policies of the Bank and its subsidiaries conform with accounting principles generally accepted in the United States ("GAAP") and practices within the banking industry. The following is a summary of the significant accounting policies.

Consolidation

The accompanying consolidated financial statements include the accounts of Bank of the West and all of its subsidiaries. All material intercompany transactions among the Bank and its subsidiaries have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the Bank in the future, actual results may be different from the estimates.

Reclassifications

Certain amounts in the financial statements for the prior year have been reclassified to conform with the current financial statement presentation.

Business Combinations

Business combinations are accounted for using the purchase method of accounting and the net assets of the businesses acquired are recorded at their fair values at the date of acquisition.

Cash and Due from Banks

Cash and due from banks include amounts due from other financial institutions as well as in-transit clearings. Under the terms of the Depository Institutions Deregulation and Monetary Control Act, the Bank is required to maintain reserves with the Federal Reserve Bank based on the amount of deposits held. The average amount of these reserve balances, including coin and currency, was $396 million for 2007 and $490 million for 2006.

For purposes of the consolidated statement of cash flows, the Bank considers cash and due from banks, interest-bearing deposits in other banks and Federal funds sold and securities purchased under agreements to resell (with original maturities of less than three months) to be cash equivalents.

Securities

Securities consist predominantly of debt and asset-backed securities issued by the U.S. Treasury, U.S. Government agencies, corporations, government sponsored agencies and state and local government units. These securities have been adjusted for amortization of premiums or accretion of discounts using the interest method. All securities transactions are recorded on a trade date basis. Securities are classified as follows:

(1) Trading securities are debt and equity securities that 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.

(2) Securities available for sale are debt and equity securities, which the Bank does not have a positive intent and ability to hold to maturity and which are not trading securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses reported in other comprehensive income as a separate component of stockholder's equity.

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

We reduce the asset value when we consider the declines in the value of debt securities and marketable equity securities to be other than temporary and record the estimated loss in noninterest income. We conduct other-than-temporary impairment analysis on a quarterly basis. The initial indicator of other-than-temporary impairment for securities is a decline in market value below the amount recorded for an investment, and the severity and duration of the decline. In determining whether an impairment is other than temporary, we consider the length of time and the extent to which market value has been less than cost, any recent events specific to the issuer and economic conditions of its industry, and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or market value. Gains and losses on loan sales (sales proceeds minus carrying value) are recorded in noninterest income. Direct loan origination costs and fees are deferred at origination of the loan.

Loans and Leases

Loans held in portfolio are recorded at the principal amount outstanding, adjusted for deferred loan costs or fees and any discounts or premiums on purchased loans. Deferred fees and discounts or costs and premiums are accreted or amortized using the interest method over the contractual term of the loan adjusted for actual prepayments.

We recognize unaccreted or unamortized fees, costs, premiums and discounts on loans and leases paid in full as a component of interest income. 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 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.

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

- Unearned income on 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 Bank. 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.

Purchased Impaired Loans

The accounting for acquired impaired loans is governed by the American Institute of Certified Public Accountants (AICPA) Statement of Position 03-3 (SOP 03-3), *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. SOP 03-3 applies to individual loan purchases, portfolio purchases, and loans acquired in a purchase business combination. It does not apply to loans to borrowers in good standing under revolving credit agreements, such as credit cards and home equity loans, loans carried at fair value on the balance sheet, or leases.

For acquired loans for which the Bank does not expect to receive all contractual cash flows due, we generally record the loans at their fair values, which represent the present value of cash flows actually expected to be received. At the time of acquisition, no amount is included for these loans in the allowance for loan and lease losses. The difference between the contractual payments due and the cash flows expected to be received is considered the non-accretable difference and is not accreted into income. The difference between the total cash flows expected to be received and the fair value of the loans acquired is the accretable discount, which is accreted into interest income using the effective interest method over the period the loans are expected to be held. The Bank periodically updates its estimates of the cash flows expected to be received; increases in estimated cash flows are reflected as increases in the accretable difference and recorded as income over the remaining term of the loan; decreases in estimated cash flows are recognized as impairment through the allowance for loan and lease losses. Depending on the size and risk characteristics of the acquired loans, the loans may be accounted for individually or aggregated into pools.

Impaired and Nonaccrual Loans and Leases

We evaluate certain loans for impairment on a case-by-case basis. Examples of such loans include commercial loans, commercial real estate loans and construction loans. We consider a loan 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. We measure impairment based on the present value of the expected future cash flows discounted at the loan’s effective interest rate, except for collateral-dependent loans.

For collateral-dependent loans, we measure impairment based on the fair value of the collateral less disposition costs. On a case-by-case basis, we may measure impairment based upon a loan’s observable market price.

We collectively evaluate for impairment finance leases and large groups or pools of homogeneous loans with smaller balances that are not evaluated on a case-by-case basis. Examples of such small balance portfolios are consumer loans, residential mortgage loans and small business loans. The risk assessment process includes the use of estimates to determine the inherent loss in these portfolios. Loss forecast estimates are utilized for consumer products, which consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends and delinquencies. These factors are updated frequently to capture changes in the characteristics of subject portfolios and changes in the Bank’s business strategies.

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 interest, unless they are well secured and in the process of collection.

Not all impaired loans or leases 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 or leases without a related allowance for loan and lease losses are generally collateralized by assets with fair values in excess of the recorded investment in the loans or leases.

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 recorded balance. Otherwise, we record such payments as income.

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

Allowance for Loan and Lease Losses

We maintain the allowance for loan and lease losses (the "Allowance") at a level which, in management's judgment, is adequate to absorb probable losses that have been incurred in the Bank's loan and lease portfolio as of the balance sheet date. While the Bank has a formalized methodology for determining an adequate and appropriate level of the Allowance, estimates of inherent loan and lease 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 consists of two components, allocated and unallocated. The allocated portion of the Allowance includes reserves that are allocated based on impairment analyses of specific loans or pools of loans as described under "Impaired and Nonaccrual Loans and Leases" above. The unallocated portion of the Allowance for loan and lease losses is maintained to cover uncertainties in the range of probable outcomes inherent in the estimate of inherent losses. These uncertainties include the imprecision inherent in the forecasting methodologies and certain industry and geographic concentrations (including global economic uncertainty). Management assesses each of these components to determine the overall level of the unallocated portion. The relationship of the unallocated component to the total allowance for loan and lease losses may fluctuate from period to period. Management evaluates the adequacy of the allowance for loan and lease losses based on the combined total of allocated and unallocated components.

The Allowance is increased by provisions for loan and lease losses and reduced by charge-offs, net of recoveries. 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 may be charged off to the extent they are classified as loss, either internally or by the Bank'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 loan and lease losses reflects management's judgment of the current period cost of credit risk inherent in the Bank's loan and lease portfolio. Specifically, the provision for loan and lease losses represents the amount charged against current period earnings to achieve an allowance for loan and lease losses that in management's judgment is adequate to absorb probable losses that have been incurred in the Bank's loan and lease portfolio as of the balance sheet date. Accordingly, the provision for loan and lease losses will vary from period to period based on management's ongoing assessment of the adequacy of the Allowance.

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 10-39 years for premises, 3-20 years for equipment and the lower of the lease term or remaining life for leasehold improvements.

Operating Lease Assets

Operating lease rental income for leased assets, generally automobiles, is recognized on a straight-line basis. Related depreciation expense is recorded on a straight-line basis over the life of the lease taking into account the estimated residual value of the leased asset. On a periodic basis, leased assets are reviewed for impairment. Impairment loss is recognized if the carrying amount of leased assets exceeds their fair value and is not recoverable. The carrying amount of leased assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the lease payments and the estimated residual value upon the eventual disposition of the equipment. Auto lease receivables are generally charged off before they reach 149 days but no later than 239 days past due.

Intangible Assets

Business combinations are accounted for using the purchase method of accounting, which generally results in recording goodwill. We identify and recognize intangible assets other than goodwill that are acquired individually, with a group of assets or as part of a business combination.

Core deposit and other intangible assets determined to have finite lives are amortized over their estimated useful lives and are also subject to impairment testing. 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 represents the cost of acquired businesses in excess of the fair value of net assets of those acquired businesses. Goodwill and certain other intangible assets, which do not possess finite lives, are not amortized into net income over an estimated life but rather are tested at least annually for impairment. Goodwill is subject to a two-step impairment test. The first step of impairment testing compares the fair value of the reporting unit, which is an individual business segment of the Bank, to the carrying amount. If the carrying amount exceeds the fair value, then a second step is conducted whereby we assign fair values to identifiable assets and liabilities, leaving an implied fair value for goodwill. The implied fair value is compared with the carrying amount of the goodwill. If the implied fair value of the goodwill is less than the carrying amount, an impairment loss is recognized. Goodwill is tested for impairment on an annual basis, and between annual tests if circumstances change that would reduce the fair value of goodwill below its carrying value. The Bank's goodwill was tested for impairment in the fourth quarter of 2007 and 2006 and none was identified.

Other Real Estate Owned and Repossessed Personal Property

Other real estate owned ("OREO") and repossessed personal property is primarily comprised of properties that we acquired through foreclosure proceedings. We value these properties at the lower of the recorded balance of the loan or the fair value less cost to sell of the property 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.

Transfers and Servicing of Financial Assets

A transfer of financial assets is accounted for as a sale when control is surrendered over the assets transferred. Servicing rights and other retained interests in the assets sold are recorded by allocating the previously recorded investment between the asset sold and the interest retained based on their relative fair values, if practicable to determine, at the date of transfer. Fair values of servicing rights and other retained interests are determined using present value of estimated future cash flows valuation techniques, incorporating assumptions that market participants would use in their estimates of values.

Servicing rights are periodically assessed for impairment. Any such indicated impairment is recognized in noninterest income during the period in which it occurs. Servicing rights are amortized over the period of estimated net servicing income. The amortization takes into account prepayment assumptions and is included in the consolidated statement of income under the caption, “other service charges and fees.” For the years presented, servicing assets and the related amortization and other retained interests were not material.

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. 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. The Bank or a custodian holds all collateral.

Income Taxes

We recognize current income tax expense in an amount which approximates the amount of tax to be paid or refunded for the current period. 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 years in which the differences are expected to reverse. Throughout the year the Bank, reviews for any necessary accruals or reversals of reserves for uncertain tax positions.

Effective January 1, 2007, the Bank evaluates tax positions for recognition by determining if the available evidence indicates the likelihood that the position will be sustained upon examination and the amount that would be expected to be paid upon ultimate settlement as required by Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). The Bank then measures the appropriate amount of the benefit to recognize. The Bank recognizes accrued interest related to unrecognized tax benefits and penalties in income tax expense. The tax position would be derecognized when it is no longer more likely than not of being sustained.

The Bank is included in a consolidated Federal income tax return filed by BancWest. Federal income tax payments are generally allocated to individual subsidiaries as if each had filed a separate return. State taxes are also allocated to individual subsidiaries. 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.

Stock-Based Compensation

The Bank expenses the fair value of stock options based on the grant date fair value of the awards as disclosed below, adjusted for expected forfeitures. The Bank uses the modified prospective application to record expense over the remaining required service period for the portion of the existing stock options for which the required service had not been rendered as of December 31, 2005.

Certain members of Bank of the West’s senior management team received stock option awards from BNPP for shares of BNPP Stock. The stock options were awarded in the years 2003 through 2007. The options do not vest until after the fourth year, at which time they are exercisable from the fourth anniversary through the tenth anniversary date (the expiration date) for the 2003 and 2004 grants and through the eighth anniversary date for the 2005, 2006 and 2007 grants. The range of exercise prices for the 2003-2007 options were $38.73 through $105.03. As of December 31, 2007, no stock options were expired. Annual stock option awards are recognized over the vesting period and reflected as compensation expense, which was $1.9 million and $1.8 million at December 31, 2007 and 2006, respectively. The related income tax benefit recognized in the income statement was $0.8 million and $0.7 million for 2007 and 2006, respectively.

The following table is a summary of stock option activity:

	Number	Weighted average exercise price	Weighted average remaining contractual life (in years)
Options outstanding as of December 31, 2005	353,108	$ 55.10	7.39
2006:			
Granted	167,495	92.02	
Forfeited	(8,479)	75.57	
Options outstanding as of December 31, 2006	512,124	$ 66.84	6.67
2007:			
Granted	**176,115**	**$105.03**	
Exercised	**(98,676)**	**38.73**	
Forfeited	**(27,361)**	**93.79**	
Options outstanding as of December 31, 2007	**562,202**	**82.42**	**6.21**

The total fair value of vested options and options exercised in 2007 was $1.2 million and $2.1 million, respectively. The total intrinsic value of vested options and options exercised in 2007 was $0.4 million and $0.3 million, respectively. No options vested or were exercised during 2006.

The fair value of each stock option was estimated on the date of grant using a trinomial tree pricing model. The weighted-average grant-date fair value of options granted during the years 2007 and 2006 was $22.53 and $16.14, respectively. Total unrecognized compensation costs related to nonvested shares was $7.8 million and $7.5 million and the weighted-average period which these costs will be recognized is 2.09 and 1.85 years at December 31, 2007 and 2006, respectively. The following table presents the weighted-average assumptions used.

	2007	**2006**
Dividend Yield	**3.87%**	3.50%
Expected Volatility	**22.50**	21.36
Risk Free Interest Rate	**4.08**	3.84
Expected Life (in years)	**8**	8

A summary of the Bank's nonvested options and changes during the year ended December 31, 2007, is presented below.

Nonvested Options Outstanding	**Number**	**Weighted-Average Grant-Date Fair Value**
Outstanding at January 1, 2007	**512,124**	**$14.74**
Granted	**176,115**	**22.53**
Vested	**(153,333)**	**21.26**
Forfeited	**(27,361)**	**8.79**
Nonvested options outstanding at December 31, 2007	**507,545**	**15.34**

A summary of the Bank's vested options and changes during the year ended December 31, 2007, is presented below.

Vested Options Outstanding	Number	Weighted-Average Grant-Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (dollars in thousands)
Outstanding at January 1, 2007	-	$ -			
Vested	153,333	21.26			
Exercised	(98,676)	21.26			
Forfeited	-	-			
Vested and exercisable options outstanding at December 31, 2007	54,657	21.26	$38.73	5.22	$148.1

Derivative Instruments and Hedging Activities

Derivatives are recognized on the consolidated balance sheet at fair value. On the date the Bank enters into a derivative contract, the Bank designates 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 or designated as intended for hedge accounting ("free-standing 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, to the extent that the hedge is considered effective, changes in the fair value of the derivative instrument are recorded in other comprehensive income within stockholder's 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. The Bank formally documents 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 identified assets and liabilities on the consolidated balance sheet, an unrecognized firm commitment or a forecasted transaction. The Bank also formally assesses, both at the inception of the hedge and on a quarterly basis, whether the derivative instruments used are highly effective in offsetting changes in fair values of or cash flows related to 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 2007 or 2006.

The Bank occasionally purchases or originates financial instruments that contain an embedded derivative instrument. At the inception of the financial instrument, the Bank assesses whether the economic characteristics of the embedded derivative instrument are clearly and closely related to the economic characteristics of the financial instrument (host contract), whether the financial instrument that embodies both the embedded derivative instrument and the host contract is currently measured at fair value with changes in fair value reported in earnings and whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. If the embedded derivative instrument is determined not to be clearly and closely related to the host contract, the combined instrument is not currently measured at fair value with changes in fair value reported in earnings, and the embedded derivative instrument would qualify as a derivative instrument, the embedded derivative instrument is separated from the host contract and carried at fair value with changes recorded in current period earnings.

Recent Accounting Standards

The following section highlights important developments in the area of accounting and disclosure requirements as promulgated by various standard setting and regulatory bodies. Chief among these are the federal financial institutions regulators, the Securities and Exchange Commission 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.

In December 2007, the FASB issued Statement No. 160 (FAS 160), *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51.* FAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement is effective for fiscal years beginning after December 15, 2008. Management is currently assessing the impact to the Bank's financial statements.

In December 2007, the FASB also issued Statement No. 141 (revised 2007) (FAS 141R), *Business Combinations.* This statement requires the purchasing entity to recognize the fair value of assets acquired, liabilities assumed and any noncontrolling interest at the acquisition date and replaces the cost allocation process as prescribed by Statement No. 141. This statement is effective for acquisitions completed after December 15, 2008. Management is currently assessing the impact to the Bank's financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* This statement allows the Bank to elect whether eligible items will be recorded at fair value and requires additional disclosures for those items. The fair value will be determined on an instrument-by-instrument basis at an election date, as defined within the statement. This statement is effective for fiscal years beginning after November 15, 2007. As of December 31, 2007, we have not adopted the provisions of this statement. Management believes this statement will not have a material impact to the Bank's financial statements.

In September 2006, the FASB issued Statement No. 157*, Fair Value Measurements.* This statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement also establishes a framework for measuring the fair value and enhances the disclosure of fair values within the financial statements. This statement is effective for fiscal years beginning after November 15, 2007. As of December 31, 2007, we have not adopted the provisions of this statement. Management believes this statement will not have a material impact to the Bank's financial statements.

In September 2006, the FASB's Emerging Issues Task Force (EITF) issued Consensus No. 06-5, *Accounting for Purchase of Life Insurance — Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance.* This EITF issue clarifies the amount that is to be recognized for company-owned and bank-owned life insurance. The EITF states that the employer must consider the contractual provisions and cash surrender values on an individual-life by individual-life policy (or certificate by certificate in a group policy). In addition, certain amounts that are recoverable by the policyholder from the surrender of the policy in periods beyond one year should be discounted. This EITF was effective for fiscal years beginning after December 15, 2006. The adoption of this EITF did not have a material effect to the Bank's financial statements.

In July 2006, the FASB issued FASB Staff Position (FSP) No. 13-2*, Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction.* This FSP requires that the Bank review the cash flows relating to income taxes generated from leveraged lease transactions once a year or when events or circumstances indicate that a change in cash flows will occur. If a change or projected change in the timing of the cash flows occurs, the FSP requires the recalculation of lease income resulting from income taxes generated from leveraged lease transactions. This FSP is effective for fiscal years beginning after December 15, 2006. The adoption of this FSP did not have a material impact to the Bank's financial statements.

In June 2006, the FASB issued Interpretation No. 48 (FIN 48)*, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.* This interpretation clarifies the recognition and reporting for income tax positions when the tax law is not clear. This interpretation was effective for fiscal years beginning after December 15, 2006 and requires that upon adoption, any necessary adjustment be recorded to the beginning balance of retained earnings. In accordance with the provisions of this statement, we recorded an adjustment to beginning retained earnings. Refer to Note 17 (Income Taxes) to the consolidated financial statements for a description of the impact this statement had to our December 31, 2007 financial statements.

In February 2006, the FASB issued Statement No. 155, *Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140*. This statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The statement was effective for fiscal years beginning after September 15, 2006. The adoption of this statement did not have a material effect to the Bank's financial statements.

2. Transactions with Affiliates

The Bank participates in various transactions with its affiliates, including BancWest, First Hawaiian Bank, BNP Paribas and its affiliates. Junior subordinated debt of $117 million is owed to the CFB Capital IV, Commercial Federal Capital I, Commercial Federal Capital II and Commercial Federal Capital III trusts (see Notes 3 and 12). Subordinated notes of $50 million 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.

These transactions are subject to review by the FDIC and other regulatory authorities. The 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. These 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, 2007 and 2006 were as follows:

(dollars in thousands)	**2007**	**2006**
Cash and due from banks	**$ 51,832**	$ 50,672
Noninterest-bearing demand deposits	**42,521**	39,607
Time certificates of deposit	**244,871**	520,000
Other liabilities	**8,721**	8,639
Long-term debt	**75,000**	310,000
Subordinated debt(1)	**50,671**	51,088
Junior subordinated debt(1)	**116,984**	180,801
Structured repurchase agreement	**350,000**	-
Derivatives and off-balance sheet transactions:		
Standby letters of credit	**23,091**	48,815
Guarantees received	**44,710**	11,587
Fair value hedge(2)	**2,386**	2,483
Commitments to purchase foreign currencies(2)	**83,148**	64,187
Commitments to sell foreign currencies(2)	**32,412**	18,169
Interest rate contracts(2)	**988,563**	726,087

(1) Includes purchase accounting adjustments of $2.7 million and $6.9 million at December 31, 2007 and 2006, respectively.
(2) Represents the notional amount of derivative financial instruments that are carried on our balance sheet at fair value.

Interest expense to affiliates for 2007 and 2006 was $52.4 million and $69.9 million, respectively. Interest income from affiliate transactions was not material.

3. Variable Interest Entities (VIEs)

The Bank is associated with entities that meet the definition of a VIE under FASB Interpretation No. 46R, but do not meet the requirements for consolidation.

The Bank owns several limited partnership interests in low-income housing developments in conjunction with the Community Reinvestment Act. Limited partners do not participate in the control of the partnerships' businesses. The general partner exercises the day-to-day control and management of the projects. The general partners have exclusive control over the partnerships' businesses and have all of the rights, powers, and authority generally conferred by law or necessary, advisable or consistent with accomplishing the partnerships' businesses. FIN 46R indicates that if an entity (e.g., limited partner) cannot sell, transfer, or encumber its interests in the VIE without the prior approval of an enterprise (e.g., general partner), the limited partner is deemed to be a de facto agent for the general partner. The Bank is considered to be a de facto agent for the general partner where the Bank has a limited partnership interest over 50%. The Bank is not the primary beneficiary for these partnerships or for those where its interest is less than 50%. The business purpose of these entities is to provide affordable housing within the Bank's service area in return for tax credits and tax loss deductions. At December 31, 2007, our subscription amount for these investments was approximately $183.2 million with approximately $68.9 million as the residual contribution outstanding. We are not obligated to fund deficiencies of the limited partnerships and our maximum exposure to losses is limited to our subscription amount. Bargain purchase options are available for the general partners to purchase the Bank's portion of interests in the limited partnerships. These commitments were entered into from 1991 through 2007.

In addition, the Bank has junior subordinated notes which are due to business trusts. These trusts are unconsolidated subsidiaries of the Bank and are described below.

On April 15, 2007, the Bank completed the redemption of the 2,400,000 outstanding shares of CFB Capital III Trust at a price of $25 per share plus accrued and unpaid interest. CFB Capital Trust III was a Delaware business trust which was formed in 2002 and issued $60 million of 8.125% Cumulative Capital Securities. The proceeds of the offering were invested by CFB Capital III in junior subordinated debentures of Community First, which were later assumed by BOW following the merger of Community First with and into BOW. The Trust owned Junior Subordinated Debentures of Bank of the West, which were also redeemed on April 15, 2007.

CFB Capital IV Trust is a Delaware business trust which was formed in 2003 and issued $60 million of 7.60% Cumulative Capital Securities. The proceeds of the offering were invested by CFB Capital IV in junior subordinated debentures of Community First, which were later assumed by BOW following the merger of Community First with and into BOW. At December 31, 2007, CFB Capital IV Trust's total assets were $62.4 million, comprised predominantly of BOW's junior subordinated debentures. The debentures and the associated interest expense make up BOW's maximum exposure to losses for this trust. On March 15, 2008, the Bank completed the redemption of the 2,400,000 outstanding shares of CFB Capital IV Trust at a price of $25 per share plus accrued and unpaid interest. The Trust owned Junior Subordinated Debentures of Bank of the West, which were also redeemed on March 15, 2008. All of the common securities of CFB Capital IV were owned by BOW, and therefore the preferred securities did not qualify as Tier 1 capital.

Commercial Federal Capital Trust I ("CFC Trust I"), a Delaware statutory trust, was formed in 2003 and issued $10 million of floating-rate capital securities. The proceeds of the offering were invested by CFC Trust I in junior subordinated debentures of Commercial Federal, which were later assumed by BOW following the merger of Commercial Federal with and into BOW. The capital securities and debentures bear interest equal to three-month LIBOR as of the applicable reset date plus 2.95% (or 8.28% at December 31, 2007). At December 31, 2007, CFC Trust I total assets were $10.5 million, comprised predominantly of BOW's junior subordinated debentures. The debentures and the associated interest expense make up BOW's maximum exposure to losses for this trust. With regulatory approval, the debentures may be redeemed no earlier than October 8, 2008, and mature October 8, 2033. All of the common securities of CFC Trust I are owned by BOW, and therefore the preferred securities do not qualify as Tier 1 capital.

Commercial Federal Capital Trust II ("CFC Trust II"), a Delaware statutory trust, was formed in 2004 and issued $25 million of floating-rate capital securities. The proceeds of the offering were invested by CFC Trust II in junior subordinated debentures of Commercial Federal, which were later assumed by BOW following the merger of Commercial Federal with and into BOW. The capital securities and debentures bear interest equal to three-month LIBOR as of the applicable reset date plus 2.08% (or 7.51% at December 31, 2007). At December 31, 2007, CFC Trust II total assets were $25.8 million, comprised predominantly of BOW's junior subordinated debentures. The debentures and the associated interest expense make up BOW's maximum exposure to losses for this trust. With regulatory approval, the debentures may be redeemed no earlier than December 15, 2009, and mature December 15, 2034. All of the common securities of CFC Trust II are owned by BOW, and therefore the preferred securities do not qualify as Tier 1 capital.

Commercial Federal Capital Trust III ("CFC Trust III"), a Delaware statutory trust, was formed in 2005 and issued $20 million of floating-rate capital securities. The proceeds of the offering were invested by CFC Trust III in junior subordinated debentures of Commercial Federal, which were later assumed by BOW following the merger of Commercial Federal with and into BOW. The capital securities and debentures bear interest equal to three-month LIBOR as of the applicable reset date plus 1.97% (or 7.33% at December 31, 2007). At December 31, 2007, CFC Trust III total assets were $20.8 million, comprised predominantly of BOW's junior subordinated debentures. The debentures and the associated interest expense make up BOW's maximum exposure to losses for this trust. With regulatory approval, the new debentures may be redeemed no earlier than May 23, 2010, and mature May 23, 2035. All of the common securities of CFC Trust III are owned by BOW, and therefore the preferred securities do not qualify as Tier 1 capital.

4. Securities Available for Sale

Amortized cost and fair value of securities available for sale at December 31, 2007 and 2006 were as follows:

(dollars in thousands)	2007 Amortized Cost	2007 Unrealized Gains	2007 Unrealized Losses	2007 Fair Value	2006 Amortized Cost	2006 Unrealized Gains	2006 Unrealized Losses	2006 Fair Value
U.S. Treasury and other U.S. government agencies and corporations	**$ 147,632**	**$ 1,187**	**$ (55)**	**$ 148,764**	$ 168,462	$ 73	$ (1,881)	$ 166,654
Government sponsored agencies	**1,248,999**	**9,475**	**(4,299)**	**1,254,175**	1,643,617	900	(19,054)	1,625,463
Mortgage and asset-backed securities:								
Government agencies	**69,547**	**430**	**(161)**	**69,816**	96,081	264	(588)	95,757
Government sponsored agencies	**2,379,351**	**11,077**	**(22,747)**	**2,367,681**	2,517,236	1,615	(65,911)	2,452,940
Collateralized debt obligations	**593,805**	**-**	**(29,121)**	**564,684**	286,350	90	(1,480)	284,960
Collateralized loan obligations	**274,038**	**-**	**(39,480)**	**234,558**	-	-	-	-
Other	**1,674,020**	**990**	**(22,305)**	**1,652,705**	1,437,614	1,286	(20,592)	1,418,308
Collateralized mortgage obligations:								
Government agencies	**-**	**-**	**-**	**-**	296	-	(1)	295
Government sponsored agencies	**192,181**	**570**	**(1,647)**	**191,104**	269,256	448	(5,706)	263,998
Other	**131,668**	**31**	**(1,620)**	**130,079**	102,446	96	(808)	101,734
States and political subdivisions	**1,824,439**	**8,041**	**(12,325)**	**1,820,155**	447,292	1,224	(2,147)	446,369
Other	**190,478**	**402**	**(37,928)**	**152,952**	33,119	1,258	(15)	34,362
Total securities available for sale	**$8,726,158**	**$32,203**	**$(171,688)**	**$8,586,673**	$7,001,769	$7,254	$(118,183)	$6,890,840

The Bank tests for other-than-temporary impairment of investment securities on a regular basis. During 2007, we recognized $189.6 million of other-than-temporary impairment write-downs on our investment securities portfolio and we placed $67.3 million of these securities on nonaccrual status. The write-down of collateralized debt obligations and other mortgage and asset-backed securities followed a series of rating agency downgrades and valuation declines within the real estate market as our investment securities portfolio includes securities that are closely tied to the residential real estate and home builder (construction loan) markets. During 2006, the Bank recognized other-than-temporary impairment of $0.1 million and did not have any securities on nonaccrual status.

Subsequent to year-end, we recorded additional other-than-temporary impairment on investment securities of $32.1 million through January 31, 2008 and had $45.1 million of securities on nonaccrual status at January 31, 2008. On February 1, 2008 the Bank sold investment securities to its parent company, BancWest Corporation for $191.0 million, which included the fair value of $189.1 million plus accrued interest. The sale of investment securities included most of the securities on nonaccrual status and other securities.

Additional impairment may be necessary if there are continued declines in the real estate and home builder (construction loan) markets. Several other factors including job losses, credit risks, decreased liquidity in the securities market and interest rate resets on adjustable rate mortgages could negatively affect the real estate market and the value of our portfolio. The current economic downturn may negatively affect the creditworthiness of state and local governments and various monoline insurers, which could result in additional impairment as the Bank holds bonds from various local governments.

The following table presents the unrealized gross losses and fair values of securities in the securities available for sale portfolio by length of time that individual securities in each category have been in a continuous loss position. Most of the declines in fair value of the securities in the table below were a result of changes in market interest rates and the Bank has both the ability and intent to hold the securities until maturity or until the fair value at least equals the recorded cost. Should market values decline further in selected securities, the Bank will review these securities for potential impairment. Additionally, the Bank may occasionally sell securities at a loss when it decides to restructure portions of the portfolio due to changing market conditions.

	December 31, 2007					
	Less Than 12 Months		12 Months or More		Total	
(dollars in thousands)	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ -	$ -	$ (55)	$ 7,233	$ (55)	$ 7,233
Government sponsored agencies	(4,063)	232,083	(236)	173,701	(4,299)	405,784
Mortgage and asset-backed securities:						
Government agencies	(122)	38,531	(39)	5,529	(161)	44,060
Government sponsored agencies	(291)	107,316	(22,456)	1,541,361	(22,747)	1,648,677
Collateralized debt obligations	(20,965)	315,157	(8,156)	148,269	(29,121)	463,426
Collateralized loan obligations	(39,480)	234,558	-	-	(39,480)	234,558
Other	(17,308)	1,074,007	(4,997)	426,301	(22,305)	1,500,308
Collateralized mortgage obligations:						
Government agencies	-	-	-	-	-	-
Government sponsored agencies	-	-	(1,647)	111,785	(1,647)	111,785
Other	(1,578)	73,342	(42)	5,040	(1,620)	78,382
State and political subdivisions	(11,988)	1,117,545	(337)	75,359	(12,325)	1,192,904
Other	(37,919)	77,310	(9)	91	(37,928)	77,401
Total securities available for sale	$(133,714)	$3,269,849	$(37,974)	$2,494,669	$(171,688)	$5,764,518

	December 31, 2006					
	Less Than 12 Months		12 Months or More		Total	
(dollars in thousands)	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ (69)	$ 1,869	$ (1,812)	$ 162,004	$ (1,881)	$ 163,873
Government sponsored agencies	(314)	69,669	(18,740)	1,405,045	(19,054)	1,474,714
Mortgage and asset-backed securities:						
Government agencies	(88)	14,633	(500)	52,166	(588)	66,799
Government sponsored agencies	(1,097)	197,737	(64,814)	2,063,378	(65,911)	2,261,115
Collateralized debt obligations	(1,222)	176,106	(258)	44,913	(1,480)	221,019
Collateralized loan obligations	-	-	-	-	-	-
Other	(2,910)	279,406	(17,682)	922,632	(20,592)	1,202,038
Collateralized mortgage obligations:						
Government agencies	(1)	295	-	-	(1)	295
Government sponsored agencies	(88)	23,605	(5,618)	198,091	(5,706)	221,696
Other	(9)	9,917	(799)	82,741	(808)	92,658
State and political subdivisions	(1,791)	208,965	(356)	31,507	(2,147)	240,472
Other	(15)	142	-	-	(15)	142
Total securities available for sale	$(7,604)	$982,344	$(110,579)	$4,962,477	$(118,183)	$5,944,821

Gross realized gains and losses on securities available for sale for the periods indicated were as follows:

(dollars in thousands)	Year Ended December 31, 2007	2006
Realized gains	**$ 6,149**	$ 3,930
Realized losses[1]	**(190,055)**	(3,475)
Realized net gains (losses)	**$(183,906)**	$ 455

[1] Includes other-than-temporary impairment of $189.6 million and $0.1 million for 2007 and 2006, respectively.

The fair value, yield and amortized cost of securities available for sale at December 31, 2007, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because debt issuers may have the right to call or prepay obligations.

	December 31, 2007		Remaining Contractual Principal Maturity							
			Within One Year		After One But Within Five Years		After Five Years But Within Ten Years		After Ten Years	
(dollars in thousands)	Total Amount	Weighted Average Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. Treasury and other U.S. Government agencies and corporations	$ 148,764	4.36%	$115,410	4.53%	$ 27,388	3.94%	$ 5,187	3.26%	$ 779	4.92%
Government sponsored agencies	1,254,175	4.86	250,480	3.87	852,095	4.96	55,546	4.91	96,054	6.50
Mortgage and asset-backed securities:										
Government agencies	69,816	4.51	73	3.89	1,201	4.26	6,503	4.68	62,039	4.50
Government sponsored agencies	2,367,681	4.62	8,611	3.22	260,655	3.84	61,020	4.94	2,037,395	4.72
Collateralized debt obligations	564,684	5.96	-	-	-	-	-	-	564,684	5.96
Collateralized loan obligations	234,558	5.68	-	-	-	-	-	-	234,558	5.68
Other	1,652,705	5.41	-	-	910	7.92	183	5.49	1,651,612	5.40
Collateralized mortgage obligations:										
Government sponsored agencies	191,104	4.40	-	-	6,093	4.93	75,045	4.13	109,966	4.56
Other	130,079	5.53	-	-	124	6.27	593	7.23	129,362	5.01
State and political subdivisions[1]	1,820,155	6.28	8,078	5.66	76,256	5.99	338,824	5.96	1,396,997	6.39
Estimated fair value of debt securities[2]	$8,433,721	5.30%	$382,652	4.09%	$1,224,722	4.76%	$542,901	5.44%	$6,283,446	5.45%
Total amortized cost of debt securities	$8,535,680		$382,262		$1,216,870		$539,063		$6,397,485	

[1] The weighted average yields were calculated on a taxable equivalent basis.

[2] The weighted average yields, except for yields of state and political subdivisions, were calculated on the basis of the cost and effective yields weighted for the scheduled maturity of each security.

Securities with an aggregate carrying value of $8.4 billion and $6.0 billion were pledged to secure public deposits, repurchase agreements and Federal Home Loan Bank advances at December 31, 2007 and 2006, respectively. Of these amounts, the secured party had the right to repledge or resell $1.5 billion and $1.0 billion at December 31, 2007 and 2006, respectively.

We held no securities of any single issuer (other than the U.S. Government and government sponsored agencies) which were in excess of 10% of consolidated stockholder's equity at December 31, 2007 and 2006.

5. Loans and Leases

At December 31, 2007 and 2006, loans and leases were comprised of the following:

(dollars in thousands)	2007 Outstanding	2007 Commitments(1)	2006 Outstanding	2006 Commitments(1)
Commercial, financial and agricultural	**$ 7,620,026**	**$ 5,899,817**	$ 6,634,047	$5,380,488
Real estate:				
Commercial	**7,796,857**	**417,571**	7,408,592	299,014
Construction	**2,695,597**	**1,363,373**	2,583,440	1,705,200
Residential	**12,238,497**	**1,810,051**	10,862,497	1,511,887
Total real estate	**22,730,951**	**3,590,995**	20,854,529	3,516,101
Consumer	**10,865,675**	**819,907**	9,966,269	725,871
Lease financing	**2,434,579**	**-**	2,040,464	-
Total loans and leases	**$43,651,231**	**$10,310,719**	$39,495,309	$9,622,460

(1) Commitments to extend credit represent unfunded amounts and are reported net of participations sold to other lenders.

Outstanding loan balances at December 31, 2007 and 2006 are net of unearned income, including net deferred loan fees, of $275.0 million and $207.0 million, respectively.

Real estate loans totaling $16.2 billion were pledged to collateralize the Bank's borrowing capacity at the Federal Home Loan Bank at December 31, 2007.

Our leasing activities consist primarily of leasing automobiles and commercial equipment. Lessees are responsible for all maintenance, taxes and insurance on the leased property.

The following lists the components of the net investment in financing leases at December 31;

(dollars in millions)	2007	2006
Total minimum lease payment to be received	**$2,407**	$1,940
Estimated residual values of leased property	**382**	386
Less: Unearned income	**354**	286
Net investment in financing leases	**$2,435**	$2,040

At December 31, 2007, minimum lease receivables for the five succeeding years and thereafter were as follows:

(dollars in millions)	Lease Receivable
2008	$ 772
2009	653
2010	529
2011	369
2012	276
2013 and thereafter	190
Gross minimum payments	2,789
Less: Unearned income	354
Net minimum receivable	$2,435

In the normal course of business, the Bank makes loans to executive officers and directors of the Bank and to entities and individuals affiliated with those executive officers and directors. Those loans were made on terms no less favorable to the Bank 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 Bank who were not directors or executive officers. Changes in the loans, including the available balance of lines of credit and credit cards issued, to such executive officers, directors and affiliates during 2007 and 2006 were as follows:

(dollars in thousands)	2007	2006
Balance at beginning of year	**$4,201**	$4,874
New loans made	**358**	804
Less repayments and cancellations	**3,850**	1,477
Balance at end of year	**$ 709**	$4,201

In the course of evaluating the credit risk presented by a customer and the pricing that will adequately compensate the Bank for assuming that risk, management may require a certain amount of collateral support. The type of collateral held varies, but may include accounts receivable, inventory, land, buildings, equipment, income-producing commercial properties and residential real estate. The Bank has the same collateral policy for loans whether they are funded immediately or on a delayed basis (commitment).

A commitment to extend credit is a legally binding agreement to lend funds to a customer usually at a stated interest rate and for a specified purpose. Such commitments have fixed expiration dates and generally require a fee. The extension of a commitment gives rise to credit risk. The actual liquidity requirements or credit risk that the Bank will experience will be lower than the contractual amount of commitments to extend credit shown in the table above because a significant portion of those commitments are expected to expire without being drawn upon. Certain commitments are subject to loan agreements containing covenants regarding the financial performance of the customer that must be met before the Bank is required to fund the commitment. The Bank uses the same credit policies in making commitments to extend credit as it does in making loans.

In addition, the Bank manages the potential credit risk in commitments to extend credit by limiting the total amount of arrangements, both by individual customer and in the aggregate, by monitoring the size and maturity structure of these portfolios, and by applying the same credit standards maintained for all of its related credit activities. At December 31, 2007 and 2006, the Bank did not have a concentration in any loan category or industry that exceeded 10% of total loans and unfunded commitments that are not already reflected in the table above. The loan and lease portfolio is principally located in California and, to a lesser extent, Arizona, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, South Dakota, North Dakota, Utah, Washington, Wisconsin and Wyoming. 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.

Standby letters of credit totaled $847.1 million and $841.6 million at December 31, 2007 and 2006, respectively. Standby letters of credit are issued on behalf of customers in connection with contracts between the customers and third parties. Under standby letters of credit, the Bank assures that the third parties will receive specified funds if customers fail to meet their contractual obligations. The liquidity risk to the Bank arises from its obligation to make payment in the event of a customer's contractual default. Standby letters of credit are reported net of participations sold to other institutions. The Bank also had commitments for commercial and similar letters of credit of $58.5 million and $60.6 million at December 31, 2007 and 2006, respectively. The commitments outstanding as of December 31, 2007 have maturities ranging from January 1, 2008 to December 6, 2017. Substantially all fees received from the issuance of such commitments are deferred and amortized on a straight-line basis over the term of the commitment.

6. Allowance for Loan and Lease Losses

Changes in the allowance for loan and lease losses were as follows for the years ended December 31,:

(dollars in thousands)	**2007**	**2006**
Balance at beginning of year	**$ 394,458**	$401,867
Reversal of allowance for loans accounted for in accordance with SOP 03-3	-	(3,851)
Provision for loan and lease losses	**162,300**	60,000
Loans and leases charged off:		
Commercial, financial and agricultural	**(26,641)**	(7,854)
Real Estate:		
Commercial	**(5,439)**	(1,970)
Construction	**(4,271)**	(780)
Residential	**(24,013)**	(12,056)
Total real estate	**(33,723)**	(14,806)
Consumer	**(82,146)**	(61,862)
Lease Financing	**(14,815)**	(12,037)
Total Charge-offs	**(157,325)**	(96,559)
Recoveries on loans and leases previously charged off:		
Commercial, financial and agricultural	**5,412**	7,507
Real Estate:		
Commercial	**1,973**	1,381
Construction	**186**	1
Residential	**4,077**	3,379
Total real estate	**6,236**	4,761
Consumer	**14,366**	15,634
Lease Financing	**6,057**	5,099
Total Recoveries	**32,071**	33,001
Net charge-offs	**(125,254)**	(63,558)
Balance at end of year	**$ 431,504**	$394,458

The current economic downturn, initially caused by the sub-prime mortgage crisis, has inhibited the ability of certain borrowers to repay their loans, causing us to incur higher credit losses. Several factors could cause the economy to slow down further or even recede, causing our estimated allowance for loan and lease losses to increase. These factors include a further deterioration in the residential housing market, reduced consumer or corporate spending, higher energy costs, higher interest rates and the cyclical natural of the economy.

The Bank uses the guidance in Statement of Position 03-3, to account for loans acquired where there is deterioration in credit quality since origination and it is probable that we would be unable to collect all contractually required payments. In connection with our acquisition of Commercial Federal on December 2, 2005, the Bank acquired loans subject to SOP 03-3. The outstanding balance of these loans at December 31, 2007 and 2006 was $10.1 million and $18.7 million, respectively. The carrying amount for these loans was $8.6 million, with a related allowance of $0.8 million, and $18.5 million, with a related allowance of $1.4 million, at December 31, 2007 and 2006, respectively.

In accordance with FASB Statement No. 114, the following table presents information related to impaired loans:

(dollars in thousands)	Year Ended December 31 2007	2006
Impaired loans with related allowance	**$100,201**	$ 55,743
Impaired loans with no related allowance	**62,642**	84,378
Total impaired loans	**$162,843**	$140,121
Total allowance for loan and lease losses on impaired loans	**$ 29,311**	$ 14,737
Average impaired loans	**146,160**	93,406
Interest income recognized on impaired loans	**6,586**	10,211

Impaired loans without a related allowance for loan and lease losses are generally collateralized by assets with fair values in excess of the recorded investment in the loans. Payments on impaired loans are generally applied to reduce the outstanding principal balance of such loans.

Total nonaccrual loans and leases were $282.2 million and $235.0 million for the years ended December 31, 2007 and 2006, respectively. Loans and leases categorized as restructured and still accruing totaled $22.4 million and $31.2 million, and loans and leases that were 90 days or more past due, but still accruing were $57.3 million and $45.1 million for the years ended December 31, 2007 and 2006, respectively.

7. Operating Leases

Operating lease rental income for leased assets, generally automobiles, is recognized on a straight-line basis. Related depreciation expense is recorded on a straight-line basis over the life of the lease taking into account the estimated residual value of the leased asset.

The following table shows future minimum lease receivables under leases with terms in excess of one year as of December 31, 2007:

(dollars in thousands)	Rental Income
2008	$10,348
2009	5,872
2010	5
2011	-
2012	-
2013 and thereafter	-
Total minimum payments	$16,225

8. Premises and Equipment

At December 31, 2007 and 2006, premises and equipment were comprised of the following:

(dollars in thousands)	2007	2006
Premises	**$725,774**	$757,951
Equipment	**252,075**	234,430
Total premises and equipment	**977,849**	992,381
Less accumulated depreciation and amortization	**448,076**	420,069
Net book value	**$529,773**	$572,312

Occupancy and equipment expenses include depreciation and amortization expenses of $55.4 million and $54.2 million for 2007 and 2006, respectively.

The Bank is obligated under a number of capital and noncancelable operating leases for premises and equipment with terms, including renewal options, up to 50 years, many of which provide for periodic adjustment of rentals based on changes in various economic indicators. Under the premises leases, we are also required to pay real property taxes, insurance and maintenance. The following table shows future minimum payments under leases with terms in excess of one year as of December 31, 2007:

(dollars in thousands)	Capital Leases	Operating Leases	Less Sublease Income	Net Lease Payments
2008	$ 1,695	$ 59,450	$ 4,455	$ 56,690
2009	1,641	53,736	2,371	53,006
2010	1,676	45,717	1,594	45,799
2011	1,501	32,444	915	33,030
2012	1,509	26,151	486	27,174
2013 and thereafter	20,595	98,985	944	118,636
Total minimum payments	$28,617	$316,483	$10,765	$334,335
Less interest on capital leases	16,165			
Total principal payable on capital leases[1]	$12,452			

[1] Excludes purchase accounting adjustments of $6.6 million.

Rental expense, net of rental income, for all operating leases was $54.8 million and $52.3 million for 2007 and 2006, respectively.

During 2007, the Bank entered into 18 sale-leaseback transactions. The Bank recognized initial gains relating to these transactions of $20.8 million and deferred gains of $41.9 million. The initial gains were recorded in noninterest income and the deferred gains will be amortized as an offset to rent expense on a straight-line basis over the remaining life of each lease. In 2007, the Bank amortized $2.1 million of deferred gains into earnings.

9. Goodwill and Intangible Assets

We performed impairment testing of goodwill for the years ended December 31, 2007 and 2006, in the fourth quarter of each year. The impairment analysis was performed using a discounted cash flows model and no impairment of goodwill was found. The table below provides the breakdown of goodwill by segment.

(dollars in millions)	Regional Banking	Commercial Banking	National Finance	Total
Balance as of January 1, 2006:	$2,961	$844	$424	$4,229
Bank of the West[1]	3	2	1	6
Community First[1]	(4)	-	-	(4)
United California Bank[1]	(11)	(6)	(3)	(20)
Purchase accounting adjustments:				
Commercial Federal	(5)	(3)	(2)	(10)
Insurance agency acquisitions	1	-	-	1
Balance as of December 31, 2006:	$2,945	$837	$420	$4,202
Bank of the West[1]	(1)	-	-	(1)
Commercial Federal[1]	(1)	-	-	(1)
Community First[1]	(1)	-	-	(1)
United California Bank[1]	(1)	-	-	(1)
Purchase accounting adjustments:				
Insurance agency acquisitions	5	-	-	5
Balance as of December 31, 2007:	**$2,946**	**$837**	**$420**	**$4,203**

[1] Adjusted the recorded balance of preacquisition income taxes.

Amortization for intangible assets was $43.8 million in 2007 and $46.8 million in 2006. The estimated annual amortization expense for finite-lived intangible assets, primarily core deposit intangibles, is:

(dollars in thousands)	
Estimate for the year ended December 31,	
2008	$40,781
2009	37,791
2010	35,373
2011	34,055
2012	15,707

The details of our finite-lived intangible assets are presented below:

(dollars in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Book Value**
Balance as of December 31, 2007:			
Core Deposits	**$398,004**	**$185,327**	**$212,677**
Other Intangible Assets	**25,476**	**6,340**	**19,136**
Total	**$423,480**	**$191,667**	**$231,813**
Balance as of December 31, 2006:			
Core Deposits	$398,004	$143,611	$254,393
Other Intangible Assets	19,332	4,294	15,038
Total	$417,336	$147,905	$269,431

10. Deposits

The following table presents the maturity distribution of time certificates of deposits at December 31, 2007:

(dollars in thousands)	**>=$100K**	**<$100K**	**Total**
Domestic:			
Through March 31, 2008	$ 8,187,906	$1,582,764	$ 9,770,670
April 1 - June 30, 2008	1,383,261	1,089,158	2,472,419
July 1 - December 31, 2008	931,308	1,234,869	2,166,177
2009	111,248	259,556	370,804
2010	17,726	63,053	80,779
2011	121,407	24,960	146,367
2012	15,934	32,873	48,807
2013 and Thereafter	5,555	2,500	8,055
Total Domestic	$10,774,345	$4,289,733	$15,064,078
Foreign:			
Through March 31, 2008	$ 2,381,058	$ 662	$ 2,381,720
April 1 - June 30, 2008	129,064	-	129,064
July 1 - December 31, 2008	55,445	117	55,562
Total Foreign	$ 2,565,567	$ 779	$ 2,566,346
Total	$13,339,912	$4,290,512	$17,630,424

Total deposits reclassified to loans due to overdrafts at December 31, 2007 and 2006 were $22.4 million and $18.8 million, respectively.

11. Short-Term Borrowings

At December 31, 2007 and 2006, short-term borrowings were comprised of the following:

(dollars in thousands)	2007	2006
Federal Funds purchased and securities sold under agreements to repurchase	**$2,039,161**	$1,593,117
Advances from Federal Home Loan Banks and other short-term borrowings	**1,301,615**	501,445
Total short-term borrowings	**$3,340,776**	$2,094,562

The table below shows selected information for short-term borrowings:

(dollars in thousands)	2007	2006
Federal Funds purchased and securities sold under agreements to repurchase:		
Weighted average interest rate at December 31	**3.24%**	4.50%
Highest month-end balance	**$4,074,731**	$2,729,477
Average daily outstanding balance	**$2,593,690**	$1,835,342
Weighted average daily interest rate paid	**5.27%**	4.56%
Advances from Federal Home Loan Banks and other short-term borrowings:		
Weighted average interest rate at December 31	**5.13%**	4.90%
Highest month-end balance	**$3,402,073**	$4,035,272
Average daily outstanding balance	**$1,707,831**	$2,005,462
Weighted average daily interest rate paid	**5.24%**	5.44%

The Bank treats securities sold under agreements to repurchase as collateralized financings. The Bank reflects 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, 2007, the weighted average maturity of these agreements was 2.1 days. Maturities of these agreements were as follows:

(dollars in thousands)	2007
Overnight	**$1,214,038**
Less than 30 days	**5,585**
30 days through 90 days	**619**
Over 90 days	-
Total	**$1,220,242**

The Bank has $12.7 billion in lines of credit available from other U.S. financial institutions. Of this amount, $0.8 billion is available from First Hawaiian Bank and $1.5 billion is available from other BNP Paribas affiliates. At December 31, 2007 the Bank had drawn down on the available lines of credit by $0.8 billion, none of which was from First Hawaiian or other BNP Paribas affiliates.

12. Long-Term Debt

At December 31, 2007 and 2006, long-term debt was comprised of the following:

(dollars in thousands)	Rate(s)	2007	2006
Fixed-rate advances from the Federal Home Loan Bank due through 2035[1][3][4][5]	2.51%-7.77%	**$ 8,271,823**	$4,490,032
Floating-rate advances from the Federal Home Loan Bank due 2008[1][3]	1 mo. LIBOR +3.75%	**50,000**	50,000
Floating-rate structured Federal Home Loan Bank advance due 2008[1][3][9]	1 mo. LIBOR +3.75%	**500,000**	500,000
First Hawaiian Bank (fixed-rate notes due through 2008)[5][7]	4.11%-4.50%	**75,000**	310,000
BNP Paribas (fixed-rate subordinated note due 2009)[5]	7.35%	**50,671**	51,088
Floating-rate subordinated note due 2011[5]	6 mo. LIBOR +3.75%	**34,044**	35,050
Fixed-rate subordinated note due 2011[5]	8.30%	**52,397**	53,087
Fixed-rate junior subordinated note due 2032[2][4][7]	8.13%	-	60,932
Fixed-rate junior subordinated note due 2033[2][4]	7.60%	**60,787**	63,095
Floating-rate junior subordinated note due 2033[4][6]	3 mo. LIBOR +2.95%	**10,321**	10,427
Floating-rate junior subordinated note due 2034[4][6]	3 mo. LIBOR +2.08%	**25,492**	25,753
Floating-rate junior subordinated note due 2035[4][6]	3 mo. LIBOR +1.97%	**20,384**	20,594
Fixed-rate structured term repurchase agreements due 2010[1][4][8][10]	5.02% and 5.03%	**1,000,000**	1,000,000
Floating-rate structured term repurchase agreements due 2010[1][4][11]	3 mo. LIBOR -.03%	**50,000**	-
Floating-rate structured term repurchase agreements due 2010[1][4][12]	3 mo. LIBOR -.03%	**100,000**	-
Floating-rate BNP structured term repurchase agreement due 2010[3][13]	1 mo. LIBOR -2.03% to -.03%	**150,000**	-
Floating-rate BNP structured term repurchase agreement due 2010[4][14]	1 mo. LIBOR -2.20% to -.03%	**200,000**	-
Capital leases due through 2030[3]		**19,103**	19,951
Total long-term debt		**$10,670,022**	$6,690,009

(1) This debt is secured by real estate loans or securities. See Notes 4 and 5 for additional information.
(2) These notes are related to the CFB Trusts. See Note 3 for additional terms.
(3) Interest is payable monthly.
(4) Interest is payable quarterly.
(5) Interest is payable semi-annually.
(6) These notes are related to the CFC Trusts. See Note 3 for additional terms.
(7) Settled or partially settled in 2007.
(8) These agreements contain put options that are exercisable by the counterparties.
(9) Contains an embedded collar and a prepayment option, where we can prepay these advances without penalty at anytime.
(10) In November 2007, the rates became fixed at 5.02% and 5.03%.
(11) Includes a floor if the 5 yr CMS falls below 4.45% and a cap if the 5 yr CMS is above 5.90%.
(12) Includes a floor if the 3 month LIBOR falls below 4.20%.
(13) Includes a floor if the 1 month LIBOR falls below 4.30%.
(14) Includes a floor if the 1 month LIBOR falls below 4.25%.

As part of long-term and short-term borrowing arrangements, we were subject to various covenants. At December 31, 2007, we were in compliance with all the covenants.

As of December 31, 2007, the principal payments due on long-term debt were as follows:

(dollars in thousands)	
2008	**$ 4,059,200**
2009	**2,904,150**
2010	**3,208,000**
2011	**320,000**
2012	**140,000**
2013 and thereafter	**25,067**
Total	**$10,656,417[(1)]**

(1) Excludes purchase accounting adjustments of $13.6 million.

13. Accumulated Other Comprehensive Income

Comprehensive income is defined as the change in equity from all transactions other than those with stockholders, and is comprised of net income and other comprehensive income. The Bank's significant items of other comprehensive income are net unrealized gains or losses on cash flow hedges, net unrealized gains or losses on certain debt and equity securities and pension adjustments per FASB Statement No. 158 (FAS 158), which include actuarial adjustments, amortization of unrecognized items and reclassification adjustments. Accumulated other comprehensive income for the periods ended December 31, 2007 and December 31, 2006 is presented below:

(dollars in thousands)	Pretax Amount	Income Tax (Expense) Benefit	After-tax Amount[(1)]
Accumulated other comprehensive income, December 31, 2005	$(139,554)	$ 57,217	$ (82,337)
Minimum pension liability adjustment	7,141	(2,928)	4,213
Unrealized net gains on securities available for sale arising during the year	24,703	(10,054)	14,649
Reclassification of net realized gains on securities available for sale included in net income	(455)	185	(270)
Unrealized net losses on cash flow derivative hedges arising during the year	(344)	140	(204)
Reclassification of net realized gains on cash flow derivative hedges included in net income	(1,631)	666	(965)
Other comprehensive income	29,414	(11,991)	17,423
Cumulative pension adjustment per FAS 158	(62,143)	25,292	(36,851)
Accumulated other comprehensive income, December 31, 2006	$(172,283)	$ 70,518	$(101,765)
Unrealized net losses on securities available for sale arising during the year	**(213,926)**	**86,854**	**(127,072)**
Reclassification of net realized losses on securities available for sale included in net income	**183,906**	**(74,666)**	**109,240**
Unrealized net gains on cash flow derivative hedges arising during the year	**61**	**(25)**	**36**
Other comprehensive income	**(29,959)**	**12,163**	**(17,796)**
Pension adjustment per FAS 158	**23,263**	**(9,507)**	**13,756**
Accumulated other comprehensive income, December 31, 2007	**$(178,979)**	**$ 73,174**	**$(105,805)**

(1) Accumulated other comprehensive income, net of tax, consisted of net unrealized losses on securities available for sale of $(82,267) and $(64,435) at December 31, 2007 and 2006, respectively; net unrealized losses on cash flow derivative hedges of $(443) and $(479) at December 31, 2007 and 2006, respectively; and pension adjustments per FAS 158 of $(23,095) and $(36,851) at December 31, 2007 and 2006, respectively.

14. Limitations on Payment of Dividends

Regulations limit the amount of dividends the Bank may declare or pay. At December 31, 2007, the amount available for payment of dividends without prior regulatory approval was $919.7 million.

Subsequent to year-end, the Bank declared and paid dividends to BancWest Corporation and BNPP. Cash dividends in the amount of $25.3 million and $141.7 million were declared on January 16, 2008 and

February 21, 2008. The dividend declared on January 16, 2008 is payable on March 25, 2008 and the dividend declared on February 21, 2008 was paid on February 25, 2008.

15. Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the Federal banking agencies. If the Bank fails to meet minimum capital requirements, these agencies can initiate certain discretionary and mandatory actions. Such regulatory actions could have a material effect on the Bank's financial statements.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets 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 Bank to maintain adequate levels of Tier 1 and Total capital to risk-weighted assets and Tier 1 capital to average assets. The table below sets forth those ratios at December 31, 2007 and 2006.

	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, 2007						
Tier I capital to risk-weighted assets	$4,757,793	9.62%	$1,978,947	4.00%	$2,968,421	6.00%
Total capital to risk-weighted assets	$5,229,297	10.57%	$3,957,894	8.00%	$4,947,368	10.00%
Tier I capital to average assets (leverage ratio)(1)	$4,757,793	8.43%	$2,256,346	4.00%	$2,820,433	5.00%
As of December 31, 2006						
Tier I capital to risk-weighted assets	$4,551,128	10.24%	$1,778,076	4.00%	$2,667,114	6.00%
Total capital to risk-weighted assets	$5,008,645	11.27%	$3,556,152	8.00%	$4,445,190	10.00%
Tier I capital to average assets (leverage ratio)(1)	$4,551,128	8.84%	$2,058,277	4.00%	$2,572,846	5.00%

(1) The leverage ratio consists of a ratio of Tier 1 capital to average assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% 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, are considered strong banking organizations and rated a composite 1 under the Uniform Financial Institution Rating System established by the Federal Financial Institution Examination Council. For all others, the minimum ratio is 4%.

Pursuant to applicable laws and regulations, the Bank 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.

16. Benefit Plans

Pension and Other Postretirement Benefit Plan

The Bank participates in a noncontributory defined benefit pension plan, which resulted from the merger of two separate plans. The first plan, for First Hawaiian employees, was frozen at December 31, 1995. As a result of that freeze, there are no further benefit accruals for First Hawaiian employees in the merged plan. The second plan, for Bank of the West employees, was a cash balance pension plan. The merged employee retirement plan (ERP) continues to provide cash balance benefit accruals for eligible Bank of the West employees. Bank of the West also sponsors an unfunded excess benefit pension plan covering employees whose pay or benefits exceed certain regulatory limits, unfunded postretirement medical and life insurance plans, and, for certain key executives, an unfunded supplemental executive retirement plan (SERP). In addition, Bank of the West offers retiree benefits. The benefits of the plan include access to medical benefits and the payment of premiums for medical and life insurance benefits.

In connection with the acquisition of United California Bank (UCB) in 2002, the Bank assumed the pension and postretirement obligations of UCB. UCB employees participated in a noncontributory final pay defined benefit pension plan, an unfunded excess benefit pension plan covering employees whose pay or benefits exceed certain regulatory limits, an unfunded postretirement medical plan, and a 401(k) savings plan. In addition, certain key executives were eligible for a supplemental pension benefit if they met certain age and service conditions. The UCB plans were curtailed on June 30, 2003. The Bank integrated UCB employees into the Bank's existing benefit plan structure on July 1, 2003. UCB employees were guaranteed the benefits they acquired through the UCB plans up to the curtailment date.

Accounting for defined benefit pension plans involves four key variables that are utilized in the calculation of the Bank's annual pension costs. These factors include: (1) size of the employee population and their estimated compensation increases, (2) actuarial assumptions and estimates, (3) expected long-term rate of return on plan assets and (4) the discount rate.

Pension expense is directly affected by the number of employees eligible for pension benefits and their estimated compensation increases. Management is able to estimate compensation increases by reviewing the Bank's salary increases each year and comparing these figures with industry averages. The Bank uses a December 31st measurement date for its pension and post retirement plans.

In estimating the projected benefit obligation, actuaries base assumptions on factors such as the mortality rate, turnover rate, retirement rate, disability rate and other assumptions related to the population of individuals in the pension plan. If significant actuarial gains or losses occur, the actuary reviews the demographic and economic assumptions with the Bank, at which time the Bank considers revising these assumptions based on actual circumstances.

The Bank uses the building block method to calculate the expected return on plan assets each year based on the balance of the pension asset portfolio at the beginning of the year and the expected long-term rate of return on that portfolio in accordance with SFAS 87, *Employers' Accounting for Pensions*. The method requires (1) the percentage of total plan assets be multiplied by the expected asset return for each component of the plan asset mix, (2) the resulting weighted expected rates of return for each component be added together to determine the total rate of return and (3) the total be adjusted by considering the active management of the portfolio. Under this approach, forward-looking expected returns for each invested asset class are determined. Forward-looking capital market assumptions are typically developed by using historical returns as a starting point and applying a combination of macroeconomics, econometrics, statistical, and other technical analysis, such as spread differentials, to forecast the expected return going forward.

A contribution of $15.0 million was made to the Bank of the West ERP in 2007. The Bank anticipates making future contributions to offset obligations arising from continuing accruals as measured under the funding requirements of the Pension Protection Act of 2006. The Bank anticipates making another $15.0 million contribution to the ERP Plan in 2008. Depending on the funding requirements of the Pension Protection Act of 2006, the Bank may choose to increase or decrease the contribution amount in 2008.

As required by FAS 158, the Bank recognized the funded status of all pension plans starting within its December 31, 2006 consolidated balance sheet. FAS 158 requires that we disclose the effects of initially applying this statement to each balance sheet line item and requires additional disclosures for benefit plans.

The following table illustrates the effects of applying FAS 158 to the consolidated balance sheet at December 31, 2006:

(dollars in thousands)	Before Application of Statement 158	Adjustments	After Application of Statement 158
Assets			
Prepaid pension benefits	$ 52,896	$(50,076)	$ 2,820
Deferred income tax assets	(13,602)	22,364	8,762
Total assets	**$55,670,648**	**$(27,712)**	**$55,642,936**
Liabilities & Stockholder's Equity			
Liability for pension benefits	82,913	4,926	87,839
Total liabilities	$46,827,517	$ 4,926	$46,832,443
Stockholder's equity:			
Accumulated other comprehensive income, net of tax	$ (69,127)	$(32,638)	$ (101,765)
Total stockholder's equity	8,843,131	(32,638)	8,810,493
Total liabilities and stockholder's equity	**$55,670,648**	**$(27,712)**	**$55,642,936**

The following table shows the amounts recognized in other comprehensive income:

	Pension Benefits		Other Benefits	
(dollars in thousands)	2007	2006	2007	2006
Amounts arising during the period:				
Unrecognized loss upon adoption of FAS 158	$ -	$(76,741)	$ -	$(10,555)
Unrecognized prior service cost upon adoption of FAS 158	-	(475)	-	7,814
Net gain (loss) on pension assets	**(4,737)**	5,858	-	-
Net gain (loss) on obligations	**18,610**	(2,762)	**6,347**	2,988
Net increase due to amortization of prior service costs	**(43)**	-	-	-
Reclassification adjustments recognized as components of net periodic benefit cost during the period:				
Net (gain) loss	**4,148**	12,439	**(3)**	381
Net prior service cost (credit)	**65**	34	**(1,124)**	(1,124)
Amounts recognized in other comprehensive income	**$18,043**	$(61,647)	**$ 5,220**	$ (496)

The following table shows the amounts within accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit costs:

	Pension Benefits		Other Benefits	
(dollars in thousands)	2007	2006	2007	2006
Net loss	**$(43,186)**	$(61,206)	**$ (841)**	$(7,185)
Net prior service (cost) credit	**(418)**	(441)	**5,565**	6,689
Ending balance within accumulated other comprehensive income	**$(43,604)**	$(61,647)	**$4,724**	$ (496)

The following table shows the amounts within accumulated other comprehensive income expected to be recognized as components of net periodic benefit costs during 2008:

(dollars in thousands)	Pension Benefits	Other Benefits
Amortization of net (gain) loss	$4,510	$ (3)
Amortization of net prior service cost (credit)	44	(1,124)
Total	$4,554	$(1,127)

There are no plan assets expected to be returned to the Bank during the next twelve month period.

The following table summarizes changes to the benefit obligation for all of the Bank of the West plans for the years indicated:

	Pension Benefits		Other Benefits	
(dollars in thousands)	2007	2006	2007	2006
Benefit obligation at beginning of year	**$396,758**	$377,154	**$38,230**	$39,259
Service cost	**11,644**	12,095	**2,499**	2,778
Interest cost	**21,968**	20,453	**1,952**	1,986
Amendments	**43**	-	**-**	-
Actuarial (gain) loss	**(20,338)**	2,762	**(6,347)**	(2,988)
Termination of benefits	**496**	204	**-**	-
Other	**198**	-	**-**	-
Benefit payments	**(20,378)**	(15,910)	**(2,228)**	(2,805)
Benefit obligation at end of year	**$390,391**	$396,758	**$34,106**	$38,230

The following table summarizes changes to the fair value of assets for the qualified Bank of the West pension plans for the years indicated:

	Pension Benefits	
(dollars in thousands)	2007	2006
Fair value of plan assets at beginning of year	**$349,969**	$329,168
Actual return on plan assets	**22,510**	33,357
Employer contributions	**15,000**	2,000
Benefit payments	**(18,022)**	(14,556)
Fair value of plan assets at end of year	**$369,457**	$349,969

The following table summarizes the funded status of the Bank of the West portion of the plans and amounts recognized in the Bank of the West consolidated balance sheets:

	Pension Benefits		Other Benefits	
(dollars in thousands)	2007	2006	2007	2006
Funded status	**$(20,934)**	$(46,789)	**$(34,106)**	$(38,230)
Unrecognized net loss	**43,186**	61,206	**841**	7,185
Unrecognized prior service cost	**418**	441	**(5,565)**	(6,689)
Net amount recognized	**$ 22,670**	$ 14,858	**$(38,830)**	$(37,734)

Amounts recognized in the Bank of the West's statement of financial position consist of:

(dollars in thousands)	Pension Benefits 2007	Pension Benefits 2006	Other Benefits 2007	Other Benefits 2006
Prepaid benefit cost	**$ 32,447**	$ 2,820	**$ -**	$ -
Accrued benefit liability	**(53,381)**	(49,609)	**(34,106)**	(38,230)
Accumulated other comprehensive income	**43,604**	61,647	**(4,724)**	496
Net amount recognized	**$ 22,670**	$ 14,858	**$(38,830)**	$(37,734)

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 the lesser of five years or the average remaining service period of active employees expected to receive benefits under the plan. 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.

The accumulated benefit obligation for the Bank's defined benefit pension plans was $385.1 million and $391.8 million at December 31, 2007 and 2006, respectively.

Key provisions for the Bank's funded pension plans, as of December 31,:

(dollars in thousands)	2007	2006
Projected benefit obligation	**$337,009**	$347,014
Accumulated benefit obligation	**337,009**	347,014
Fair value of plan assets for the retirement plans with plan assets in excess of accumulated benefit obligations	**369,457**	349,834

Except for the funded pension plans, the remaining plans had an accrued benefit liability. The projected benefit obligations for the unfunded plans were $53.4 million and $49.7 million at December 31, 2007 and 2006, respectively. The accumulated benefit obligation for the unfunded plans were $48.1 million and $44.8 million at December 31, 2007 and 2006, respectively.

The following table sets forth the components of the net periodic benefit cost (credit) for Bank of the West at December 31,:

(dollars in thousands)	Pension Benefits 2007	Pension Benefits 2006	Other Benefits 2007	Other Benefits 2006
Service cost	**$ 11,644**	$ 12,095	**$ 2,499**	$ 2,779
Interest cost	**21,968**	20,453	**1,952**	1,986
Expected return on plan assets	**(27,383)**	(27,364)	**-**	-
Amortization of prior service cost	**65**	34	**(1,124)**	(1,124)
Recognized net actuarial loss	**4,148**	12,439	**(3)**	381
Other	**496**	204	**-**	-
Total benefit cost	**$ 10,938**	$ 17,861	**$ 3,324**	$ 4,022

The following table sets forth the components of the net periodic benefit cost (credit) for Bank of the West's portion of the funded plans at December 31:

(dollars in thousands)	Funded Pension Benefits 2007	Funded Pension Benefits 2006
Service cost	**$ 10,461**	$ 11,121
Interest cost	**19,103**	17,890
Expected return on plan assets	**(27,383)**	(27,364)
Recognized net actuarial loss	**2,316**	9,878
Net periodic benefit cost	**$ 4,497**	$ 11,525

Assumptions

Weighted-average assumptions used to determine benefit obligations were as follows at December 31,:

	ERP Pension Benefits		SERP Pension Benefits		Other Benefits[1]	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Discount rate	**6.00%**	5.50%	**6.00%**	5.50%	**6.00%**	5.50%
Rate of compensation increase	**4.00%**	4.00%	**4.00%**	4.00%	**NA**	NA

(1) Includes the executive life insurance plan, which used a 6.75% discount rate and a 5.00% rate of compensation increase.

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	ERP Pension Benefits		SERP Pension Benefits		Other Benefits[1]	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Discount rate	**6.00%**	5.50%	**6.00%**	5.50%	**6.00%**	5.50%
Expected long-term return on plan assets	**8.00%**	8.50%	**NA**	NA	**NA**	NA
Rate of compensation increase	**4.00%**	4.00%	**4.00%**	4.00%	**NA**	NA

(1) Includes the executive life insurance plan, which used a 6.75% discount rate and a 5.00% rate of compensation increase.

To select the discount rate, the Bank reviews the yield on Moody's AA Corporate Bond Index adjusted to an annual discount rate basis. The Bank then compares the yield to an internal rate of return of a hypothetical bond portfolio reflecting the yields on high quality corporate bonds. The Bank then makes adjustments to reflect the expected duration of the cash flow requirements of the plan. The resulting selected rate is rounded to the nearest 25 basis points.

Assumed health care cost trend rates at December 31,:

	2007	**2006**
Health care cost trend rate assumed for next year	**8.5%**	12.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.0%**	5.0%
Year that the rate reaches the ultimate trend rate	**2015**	2013

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 pretax effect:

(dollars in thousands)	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on 2007 total of service and interest cost components	**$ 64**	**$ (57)**
Effect on postretirement benefit obligation at December 31, 2007	**903**	**(808)**

Plan Assets

Bank of the West's pension plan asset allocations:

	Bank of the West Plan Assets at December 31,		UCB Plan Assets at December 31,	
	2007	**2006**	**2007**	**2006**
Equity securities	**65%**	75%	**49%**	54%
Debt securities	**23**	24	**50**	45
Other	**12**	1	**1**	1
Total	**100%**	100%	**100%**	100%

Equity securities in the Bank of the West and UCB plans did not include BancWest or BNP Paribas stock at December 31, 2007 and 2006.

The assets within the Bank of the West Employee Retirement Plan and the UCB Retirement Plan ("the Plans") are managed in accordance with the Employee Retirement Income Security Act of 1974 (ERISA). The objective of the plans is to achieve, over full market cycles, a compounded annual rate of return equal to or greater than the Plans' expected long-term rate of return. The Plans' committee recognizes that capital markets can be unpredictable and that any investment could result in periods where the market value of the Plans' assets will decline in value. Asset allocation is likely to be the primary determinant of the Plans' return and the associated volatility of returns for the Plans.

The UCB Retirement Plan assets are managed with a focus on asset allocation. Management's assessment of the plan's long-term needs for liquidity and income drives the asset allocation parameters. Asset allocation is also used to manage and limit volatility and risk within the plan. Subsequent to the curtailment of the UCB Retirement Plan, a more risk averse management approach has been employed by the plan's investment advisor. The UCB Retirement Plan uses mutual funds and invests in the equity and debt markets. The equity funds provide broad market exposure to both large and small cap, domestic and international stocks, while the debt fund provides exposure to the investment grade domestic bond market. The plan has not used derivative instruments in the past, and has no plans to utilize them in the future.

The target asset allocations for the two plans for December 31, 2008 are as follows:

	Bank of the West Plan	UCB Plan
Equity securities	60%	50%
Debt securities	30%	50%
Real estate	5%	-%
Other	5%	-%

Contributions

Bank of the West expects to contribute $2.4 million to its non-qualified defined benefit pension plans and $2.6 million to its other post retirement benefit plans in 2008. These contributions are the estimated benefit payments for the unfunded plans and may vary depending on retirements during 2008. Depending on the funding requirements of the Pension Protection Act of 2006, Bank of the West anticipates a contribution of $15.0 million to the ERP during 2008.

Estimated Future Benefit Payments

The following table presents the expected benefit payments, for the periods indicated:

(dollars in thousands)	Pension Benefits	Other Benefits
2008	$ 17,360	$ 2,559
2009	19,316	2,532
2010	20,324	2,596
2011	21,974	4,291
2012	24,337	4,496
2013 - 2017	150,653	22,250

401(k) Match Plan

The Bank matches employee contributions up to 3% of pay to the BancWest Corporation 401(k) Savings Plan, a defined contribution plan. The plan covers all employees who satisfy eligibility requirements. One key executive is a participant in an unqualified grandfathered supplemental executive retirement plan who may participate in the 401(k) plan, but who is not eligible for the match.

The matching employer contributions to the 401(k) plan for 2007 and 2006 were $10.1 million and $9.6 million, respectively.

Incentive Plan for Key Executives

The Bank has an Incentive Plan for Key Executives (the "IPKE"), under which awards of cash are made to key executives. The IPKE limits the aggregate and individual value of the awards that could be issued in any one fiscal year. Salary and employee benefits expense includes IPKE expense of $24.3 million and $26.0 million for 2007 and 2006, respectively.

Long-Term Incentive Plan

The Bank has a Long-Term Incentive Plan ("LTIP") that is designed to reward selected key executives for their performance and BancWest's performance measured over multi-year performance cycles. Salary and employee benefits expense for the Bank includes LTIP expense of nil and $4.2 million for 2007 and 2006, respectively.

In 2006, the Bank created a second incentive plan that is designed to reward certain employees for their performance and Bancwest's performance over a multi-year performance cycle. Salary and employee benefits expense for the Bank includes expense of $4.1 million and $1.8 million for 2007 and 2006, respectively.

Executive Life Insurance Plan

The Bank provides pre-and post-retirement life insurance benefits for certain executives under the Executive Life Insurance Plan (the "ELIP"). Death benefits under the ELIP are equal to three times current salary while actively employed. Following a "qualified termination," the Bank will continue to provide death benefits to ELIP participants equal to three times final salary until their "policy distribution date." On the policy distribution date, the Bank will transfer to the participant ownership of a company-owned life insurance policy with sufficient cash value, based on reasonable actuarial assumptions, to provide a death benefit equal to three times final salary until the policy maturity date. At the date the policy is transferred to the participant, the Bank will also pay a cash bonus sufficient to cover the executive's estimated income taxes due as a result of transfer of the policy.

A qualified termination includes termination of employment after attaining age 65, termination of employment after attaining age 55 with at least ten years of credited service, or termination of certain executives entitled to enhanced SERP benefits. The accumulated benefit obligation and expense amounts for the ELIP Plan are included in the tables above within Other Benefits.

17. Income Taxes

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

(dollars in thousands)	2007	2006
Current:		
Federal	**$232,663**	$255,572
States and other	**53,315**	56,563
Total current	**285,978**	312,135
Deferred**:**		
Federal	**(71,688)**	16,638
States and other	**(11,352)**	11,254
Total deferred	**(83,040)**	27,892
Total provision for income taxes	**$202,938**	$340,027

The components of the Bank's net deferred income tax asset at December 31, 2007 and 2006 were as follows:

(dollars in thousands)	2007	2006
Assets		
Allowance for loan and lease losses and nonperforming assets	**$207,538**	$190,475
Investment securities	**63,939**	31,853
Deferred compensation expenses	**71,592**	81,821
Depreciation expense	**20,417**	-
State income and franchise taxes	**21,148**	24,808
Other	**4,320**	4,343
Total deferred income tax assets	**388,954**	333,300
Liabilities		
Leases	**285,229**	295,177
Intangible assets	**26,189**	19,785
Depreciation expense	-	9,298
Other	-	278
Total deferred income tax liabilities	**311,418**	324,538
Net deferred income tax assets	**$ 77,536**	$ 8,762

Net deferred income tax assets are included within other assets in the consolidated balance sheets.

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

(dollars in thousands)	2007 Amount	2007 %	2006 Amount	2006 %
Federal statutory income tax expense and rate	**$217,067**	**35.0%**	$319,221	35.0%
Foreign, state and local taxes, net of federal income tax benefit	**30,893**	**5.0**	46,989	5.2
Bank-Owned Life Insurance	**(21,593)**	**(3.5)**	(17,598)	(2.0)
Non-Taxable Income, net	**(13,951)**	**(2.3)**	(6,322)	(0.7)
Tax Credits	**(4,564)**	**(0.7)**	(4,081)	(0.4)
Other	**(4,914)**	**(0.8)**	1,818	0.2
Effective income tax expense and rate	**$202,938**	**32.7%**	$340,027	37.3%

The Bank and its subsidiaries file income tax returns with the federal government and various state and local jurisdictions. With few exceptions, the Bank and its acquired entities are no longer subject to state and local income tax examinations for years prior to 2000 and are no longer subject to federal income tax examinations prior to 2001. The Internal Revenue Service (IRS) is in process with an examination of the Bank's income tax returns for 2001 and 2002, the field work of such is anticipated to be completed by the second quarter of 2008. As of December 31, 2007 the IRS has not proposed any significant adjustments with respect to the Bank or its acquired entities. The Bank and its acquired entities are also under examination or scheduled to be under examination by California, Kansas, Minnesota and other state tax jurisdictions for tax years 2000 and later. As of December 31, 2007 the state tax jurisdictions have not proposed any significant adjustments.

On January 1, 2007, we adopted the provisions of FIN 48. As a result of the implementation of FIN 48, the Bank recognized a net increase in the liability for unrecognized tax benefits of $0.7 million, which included $5.2 million for a reduction to the beginning balance of retained earnings and was substantially offset by a $4.5 million reduction in goodwill. A reconciliation of the beginning and ending unrecognized tax benefits is noted in the table below:

(dollars in thousands)	2007
Balance at January 1, 2007	$35,245
Additions based on tax positions related to the current year	1,551
Additions for tax positions of prior years	1,787
Reductions as a result of a lapse in the statute of limitations	(1,826)
Balance at December 31, 2007	$36,757

Under current accounting rules, $9.6 million of the total balance of unrecognized tax benefits at December 31, 2007, if recognized, would affect the effective tax rate. Subsequent to the implementation of FAS 141R in January 2009, the entire $36.8 million of unrecognized tax benefits, if recognized, will affect the effective tax rate.

During the year ended December 31, 2007, the Bank recognized approximately $1.8 million in interest and nil in penalties. The Bank accrued $8.3 million and $6.5 million for the payment of interest and penalties for the years ended December 31, 2007 and 2006, respectively.

It is reasonably possible that the total amounts of unrecognized tax benefits will decrease within twelve months of the reporting date with respect to the filing requirements for certain state income or franchise tax liabilities that the Bank expects to be finalized with the tax jurisdictions. We estimate the possible change could be approximately $3.0 million.

18. Derivative Financial Instruments

Fair Value Hedges

The Bank has an interest rate swap that hedges the fair value of a commercial loan. At December 31, 2007, the interest rate swap had a notional value of $2.4 million with a fair value loss of $0.3 million. The Bank receives 1-month LIBOR plus 0.75% and pays a fixed rate of 8.32%. At December 31, 2006, the notional balance was $2.5 million with a fair value loss of $0.3 million.

Cash Flow Hedges

At December 31, 2007, the Bank carried interest rate swaps totaling $350 million with fair value losses of $0.7 million. The outstanding interest rate swaps included a $250 million swap, which hedged our LIBOR-based time certificates of deposits. This agreement was entered into during May 2006 in order to mitigate the risk of increases in cash outflows due to changes in interest rates and matures in May 2008. We pay a fixed rate at 5.31% and receive three-month LIBOR plus one basis point. The net settlement on the $250 million swap reduced interest expense on deposits by $0.7 million during 2007. In addition, there was a $100 million agreement, which hedged our LIBOR-based loans. This agreement was entered into during December 2007 in order to mitigate the risk of decreases in cash inflows due to changes in interest rates and matures in March 2011. We receive a fixed rate at 3.92% and pay one-month LIBOR. The net settlement on the $100 million swaps caused no change to interest income on loans during 2007. The Bank estimates that the combined net settlement losses on all cash flow hedges, recorded as interest expense will be $0.8 million during 2008.

At December 31, 2006, the Bank carried interest rate swaps totaling $1,250 million with fair value losses of $0.9 million and a fair value gain of $0.1 million, which hedged our LIBOR-based time certificates of deposits. The transactions were entered into during May 2006 in order to mitigate the risk of increases in cash outflows due to changes in interest rates. These hedges mature in June and November of 2007 and in May 2008. We pay fixed rates ranging from 5.23% to 5.31% and receive floating interest rates based upon one or three-month LIBOR plus or minus a slight spread. The net settlement on the $1,250 million swaps reduced interest expense on deposits by $0.2 million during 2006.

During 2006, the Bank carried interest rate swaps of $600 million which hedged our LIBOR-based commercial loans. The hedges matured during June and July 2006. These interest rate swap agreements synthetically converted variable rate loans to fixed by paying variable and receiving fixed rates of interest. We paid 3-month LIBOR and received fixed rates ranging from 5.64% to 5.87%. The net settlement on the $600 million swaps increased commercial loan interest income by $1.4 million during 2006.

Free-standing Derivative Instruments

Free-standing derivative instruments include derivative transactions entered into for risk management purposes for which hedge accounting does not apply. Trading activities primarily involve providing various free-standing interest rate and foreign exchange derivative products to customers. Interest rate derivative instruments utilized by the Bank in its trading operations include interest rate swaps, caps, floors and collars.

The following table summarizes derivatives, held by the Bank as of December 31,:

(dollars in thousands)	2007 Notional Amount	2007 Credit Risk Amount	2007 Net Fair Value	2006 Notional Amount	2006 Credit Risk Amount	2006 Net Fair Value
Contractual Amounts Which Represent Credit Risk:						
Held for Hedge Purposes:						
Interest rate swaps	**$ 352,386**	**$ -**	**$ (980)**	$1,252,483	$ 108	$ (1,052)
Held for Trading:						
Interest rate swaps	**4,833,405**	**87,763**	**34,744**	3,196,359	38,127	21,660
Purchased interest rate options	**288,180**	**694**	**694**	227,518	411	411
Written interest rate options	**301,498**	**-**	**(694)**	246,804	-	(411)
Commitments to purchase and sell foreign currencies[1]	**362,876**	**4,525**	**1,456**	373,217	3,243	279
Purchased foreign exchange contracts	**7,606**	**76**	**76**	8,652	106	106
Written foreign exchange options	**7,606**	**-**	**(76)**	8,652	-	(106)
Commodity contracts	**11,510**	**580**	**60**	2,151	39	4

(1) Does not include spot foreign exchange transactions.

19. Litigation

The Bank is a member of the VISA USA network. In December of 2007, the Bank recorded $5.3 million of pretax litigation expense related to indemnification obligations related to certain litigation matters involving VISA USA. In connection with VISA's upcoming planned IPO, they have announced plans to adjust, on a pro rata basis, the number of a certain class of shares to be distributed to its member banks. Such withheld shares would be used to fund an escrow account to satisfy certain of the VISA USA's litigation matters and could enable the Bank to release portions of its $5.3 million litigation reserve, which is reported in Other Liabilities within the Bank's consolidated balance sheet.

In addition to the above VISA litigation, in the course of normal business, the Bank is subject to numerous pending and threatened lawsuits, some of which seek substantial relief or damages. While the Bank is not able to predict whether the outcome of other such actions will materially affect our results of operations 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 Bank's consolidated financial position, results of operations or liquidity.

20. Fair Value of Financial Instruments

SFAS 107, *Disclosures about Fair Value of Financial Instruments*, requires that we disclose estimated fair values for certain financial instruments. Financial instruments include such items as loans, deposits, securities, interest rate and foreign exchange contracts, swaps and other instruments as defined by the standard.

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, other real estate owned, 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 Bank.

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:

Short-term Financial Assets: Short-term financial assets include cash and due from banks and due from customers on acceptances. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

Federal funds sold and securities purchased under agreements to resell: The carrying amount of these items is generally a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization. However, the Bank has entered into long-term agreements, in which the fair value is based upon estimated quoted market prices or discounted cash flow analysis based upon incremental funding rates for similar types of agreements.

Trading Assets: Trading assets are carried at fair value. Fair values of trading assets 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.

Securities: Fair values of 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. See Note 4 for information related to fair value.

Loans: Fair values are estimated for portfolios of performing loans with similar characteristics. 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) 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); and (5) 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 values of deposits with no maturity date (e.g., interest and noninterest-bearing checking, regular savings, and certain types of money market savings accounts) are 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 fair values of short-term borrowings are estimated using quoted market prices or discounted cash flow analyses based on our current incremental borrowing rates for similar types of borrowing arrangements.

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

Off-balance sheet and derivative financial instruments: Fair values are based upon: (1) quoted market prices of comparable instruments (e.g., 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 (e.g., interest rate swaps).

As discussed above, some of our financial instruments are short-term, and therefore, the carrying amounts in the consolidated balance sheets approximate fair value. Other significant assets and liabilities, which are not considered financial assets or liabilities and for which fair values have not been estimated, include premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities. This table is a summary of financial instruments, as defined by FAS 107, excluding leases, short-term financial assets and liabilities, for which carrying amounts approximate fair value, trading assets, which are carried at fair value, securities available for sale (Note 4) and derivatives (Note 18).

	2007		2006	
(dollars in thousands)	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Federal funds sold and securities purchased under agreements to resell	**$ 249,715**	**$ 253,622**	$ 248,000	$ 248,000
Loans held for sale	**84,076**	**84,076**	108,093	108,093
Loans, net[(1)]	**40,828,694**	**40,727,928**	37,089,470	36,934,812
Financial Liabilities				
Deposits	**$38,055,451**	**$38,081,061**	$37,436,420	$37,434,484
Short-term borrowings[(2)]	**3,340,776**	**3,341,130**	2,094,562	2,094,732
Long-term debt[(3)]	**10,650,919**	**10,810,908**	6,670,057	6,655,794

(1) Excludes net leases of $2,391 million and $2,011 million at December 31, 2007 and 2006, respectively.

(2) Includes federal funds purchased and securities sold under agreements to repurchase and short-term borrowings.

(3) Excludes capital leases of $19.1 million and $20.0 million at December 31, 2007 and 2006, respectively.

The following table presents a summary of the fair value of the Bank's off-balance sheet commitments and letters of credit excluding lease commitments:

(dollars in thousands)	2007	2006
Commitments to extend credit	**$83,631**	$85,793
Standby letters of credit	**9,396**	9,790
Commercial letters of credit	**636**	626

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