

**HAWAII NATIONAL BANCSHARES, INC.
AND
HAWAII NATIONAL BANK
INSIDER ACTIVITIES POLICY**

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AND
HAWAII NATIONAL BANK**

INSIDER ACTIVITIES POLICY

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**HAWAII NATIONAL BANCSHARES, INC.
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INSIDER ACTIVITIES POLICY

INTRODUCTION

Hawaii National Bancshares, Inc. (the "Company") and Hawaii National Bank (the "Bank") are institutions of public trust. The Company and the Bank have a responsibility to conduct their business by the highest ethical standards and to prevent abuses that can raise safety and soundness concerns. These guidelines have been developed to enable insiders of these institutions to avoid both the existence and appearance of conflicts of interest and breaches of fiduciary responsibility. For the purposes of this policy, the term "insider" refers to executive officers, directors, principal shareholders (more than 10%), and their related interests as defined in Regulation O, 12 CFR 215.

CODE OF CONDUCT AND CONFLICTS OF INTEREST

Introduction

Hawaii National Bancshares, Inc. and Hawaii National Bank depend upon the talents and efforts of their insiders and employees to serve their customers' banking needs in a totally proper and highly professional manner. The Company's and the Bank's reputation for honesty, integrity and safety is perhaps their most valuable asset and is determined by the conduct of their insiders and employees.

The Company and the Bank have an absolute duty to require the highest level of conduct and ethics of themselves and their insiders and employees. That duty shall extend not only to actual conduct but, also, to any act or activity which could be perceived by our shareholders, depositors, or the community as being inconsistent with the highest standards of professionalism and ethics.

It is not acceptable under any circumstances to further the Company's, the Bank's, or one's own interests through any violation of law or regulation of the United States of America, the State of Hawaii, or any jurisdiction in which the Company or the Bank does business. To assure uniformity in standards of conduct, the Company and the Bank have established this Code of Conduct and Conflict of Interest Policy ("Code"). This Code reaffirms and clarifies our basic policy that conflicts of interest are to be avoided, but should they occur, they will be quickly and satisfactorily corrected and otherwise resolved in such a manner so as to avoid any liability and injury to the reputation of the Company or the Bank.

Each of us must manage his or her personal and business affairs to avoid situations that might lead to conflict or an appearance of a conflict of interest.

In situations involving ethical or moral judgments, it may be difficult to determine the correct course of action. In such instances, this Code requires that insiders not rely solely on their own judgment, but to discuss any such matter in full with the Board of Directors. Full and accurate disclosure of the facts in a timely fashion in accordance with established procedures, abstaining from the approval process on any transaction in which the insider may benefit directly or indirectly from the decision, and obtaining Board approval generally will serve to meet responsibilities with respect to this Code.

Statutory Responsibilities

No insider shall at any time take any action on behalf of the Company or the Bank which is known or should be known to violate any law or regulation. It is the duty and responsibility of such persons to report immediately and directly to the Chairman of the Audit and Corporate Governance Committee any request or directive to:

- perform any act which is or appears to be improper;
- make any improper entry on the Company's or the Bank's records or reports;
- omit to make any entry that should be made;
- suppress or fail or refuse to disclose any information that may result in detriment to the Company or the Bank, or cause a violation of law.

Confidential Information

The confidential relationship between the Company, the Bank and each of their customers is to be protected at all times. This fundamental principle of the banking business of maintaining the confidentiality of the affairs of the Company, the Bank and their clients is a matter of the highest importance. Confidential information acquired through the course of employment or by serving as a director must be kept private and on a strict need-to-know basis by those to whom it is entrusted and must never be discussed outside of the normal and necessary course of official business. Confidential information must be used solely for Company or Bank purposes and not as a basis for furthering a private interest or as a means of making a profit for oneself. Accordingly, insiders are prohibited from soliciting "anything of value" from anyone in return for any confidential information of the Company or the Bank. The term "anything of value" refers to anything which may benefit the insider or any other person or entity other than the Company or the Bank.

Information pertaining to internal matters, such as operating procedures and policies, financial statistics and reports, interest rates and terms, manuals and operating forms, is also considered confidential and is not to be disclosed or reproduced and distributed, in whole or in part, outside the Company or the Bank, unless otherwise permitted by policy or first approved for release by the Bank's Management Committee.

Conflicts of Interest

Any transaction between the Company, the Bank and persons or firms with whom you, your family, or dependents have any significant connection or financial interest that poses a possible conflict of interest should generally be avoided. No insider should permit a conflict of interest or appearance of conflict of interest to exist without disclosure to and receiving authorization to proceed from the Board of Directors.

Investments

It is contrary to policy for an insider, or any member of his or her immediate family, without written disclosure to and approval by the Company or the Bank, to hold investments, including any direct or indirect financial interest in the business of a customer, supplier, or servicer of the Company or the Bank, or in any enterprise for which financing accommodations are made or may be extended by the Company or the Bank, where such person has any dealings with such customer, supplier, or servicer on behalf of the Company or the Bank.

Extensions of Credit

No insider shall participate in processing, recommending or approving an extension of credit to any individual or entity with which he, she, or any family member has any direct or indirect involvement or financial participation or from which the payment of commissions or fees is received. (Refer also to Board of Director approval procedures for Loans to Insiders.)

Client Relationship

The Bank Bribery Act (18 USC 215) makes it a crime for an officer, director, employee, agent, or attorney of a financial institution to corruptly solicit or demand for the benefit of any person, or corruptly accept or agree to accept, anything of value from any person, with the intent to be influenced or rewarded, in connection with any business or transaction of such institution. The statute also makes it a crime for the giver as well as the receiver. Thus, the person who corruptly gives, offers, or promises anything of value to a person associated with a bank or bank holding company may also have criminal charges brought against him or her.

The penalties for violating the Bank Bribery Act are severe. An individual who violates this statute may be fined up to \$1,000,000 or 3 times the value of the thing given, offered, promised, solicited, demanded, accepted, or agreed to be accepted, whichever is greater, or imprisoned up to 30 years, or both. If the value of the thing given, offered, promised, solicited, demanded, accepted, or agreed to be accepted, does not exceed \$1,000, the violator shall be fined under 18 USC 215, or imprisoned up to 1 year, or both.

It is the policy of the Company and the Bank to prohibit insiders from soliciting or demanding anything of value from anyone in return for any business service or confidential information of the Company or the Bank. Further, except as provided below, insiders are prohibited from accepting or agreeing to accept anything of value other than bona fide salary, wages, fees or other compensation paid in the usual course of business from anyone in connection with the business of the Company or the Bank, either before or after a transaction is discussed or consummated. Any attempt to circumvent these rules by having another person seek, accept, or agree to accept, anything of value on behalf an insider is also forbidden. As defined earlier, the term "anything of value" refers to anything which may benefit the insider or any other person or entity other than Company or the Bank.

In certain cases, an insider may accept, or agree to accept, certain things of value from persons doing or seeking to do business with the Company or the Bank without violating this Code or the provisions of the Bank Bribery Act. The Company and the Bank recognize that the custom of exchanging gifts is a widespread practice in Hawaii and throughout the Pacific and, thus, appropriate allowances have been made for these circumstances. The following is a list of permissible exceptions in which gifts, bequests, or other items of value may be accepted from outside parties.

- Meals, gratuities, amenities, or favors of a reasonable value based on obvious family or personal relationships when the circumstances make it clear that the acceptance is based on a relationship that exists independent of Company or Bank business. A gift will be considered to be of a reasonable value if the value would be within the Company or the Bank insider's ability to reciprocate on a personal basis or if the Company or the Bank insider would be eligible for reimbursement under similar circumstances.
- Meals, refreshments, travel arrangements, accommodations, or entertainment of a reasonable value in the course of a meeting or other business occasion where bona fide business discussions are held or the purpose of which is to foster better business relations. The reasonableness of the value of such items will be determined by whether the expense would be paid by the Company or the Bank as a reasonable business expense if the expense were not covered by another party.

- Loans from other banks or financial institutions on customary terms to finance proper and usual activities, such as home mortgage loans. Insiders must ensure that financial arrangements are not contingent upon the Bank accepting or offering any other service. Insiders must also ensure that they do not receive preferential loans from correspondent banks. (See "Loans to Insiders - Insider Loans and Correspondent Relationships.")
- Advertising materials or promotional materials of reasonable value such as pens, pencils, note pads, key chains, calendars and similar items.
- Discounts or rebates on merchandise or services that do not exceed those available to other customers of that seller or service provider.
- Gifts given as a token of friendship or related to commonly recognized occasions such as a promotion, new job, wedding, retirement, Christmas, so long as the value of the gift is reasonable. A gift will be considered to be of a reasonable value if the value would be within the Company or the Bank insider's ability to reciprocate on a personal basis or if the Company or the Bank insider would be eligible for reimbursement under similar circumstances.
- Civic, charitable, educational, or religious organizational awards for recognition of service or accomplishment so long as the value of the gift is reasonable. A gift will be considered to be of a reasonable value if the value would be within the insider's ability to reciprocate on a personal basis or if the insider would be eligible for reimbursement under similar circumstances.

An insider should decline any gift, benefit or favor where there is even the slightest implication that the person offering it intends or hopes to influence future business dealings with the Company or the Bank. If an insider is offered something of value that does not fall within one of the permissible exceptions or dollar limits specified above, whether accepted or not, a full written disclosure of all relevant facts must be submitted to the Board of Directors. Insiders may accept such gifts, benefits or favors only after first obtaining Board approval.

Note: The above guidelines do not apply to the exchange of gifts between insiders, employees, or members of their households.

Transactions with Insiders

The Company and the Bank may engage in business transactions with insiders if the transactions:

- Are legal;
- Benefit both the insider, as a customer, and the Company or the Bank; and

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- Pose no ethical questions or conflicts of interest.

All transactions with insiders and insider-related organizations (including vendors who are also customers) must be conducted at arm's-length during the ordinary course of business on terms and under circumstances, including credit standards, that are substantially the same - or at least as favorable to the Company or the Bank - as those prevailing at the time for comparable transactions with or involving other persons or nonaffiliated companies. If there are no comparable transactions, then the transaction must be on terms that, in good faith, would be offered to, or would apply to, other persons or companies who are not related to the Company or the Bank. The executive officers of the Company and the Bank are the only persons who are authorized by the Board of Directors to enter into insider transactions on behalf of the Company or the Bank.

Fees and Payments

Fees and payments to insiders should be reasonable; have a direct relationship to, and be based solely upon, the fair value of goods and services received; compensate the provider only for goods and services that meet the legitimate needs of the Company or the Bank; and be made only to service providers who have the necessary expertise to provide the services. Fees paid when there is no benefit to the Company or the Bank, for services not yet received, or established solely to meet a shareholder's or insider-related organization's need for funds, are prohibited.

All fees and payments to insiders shall be supported in writing by an invoice, purchase order, contract or agreement. The reasonableness of any such fees and payments shall be reviewed, at the onset and upon renegotiation, by the Board of Directors. The method used to determine such fees should be based on one of the following methods:

- Reimbursement for cost of goods sold or services;
- Cost plus a reasonable profit margin; or
- Comparative fair market value.

Credit Life/Accident and Health Insurance Fees

No insider (including any entity in which this person owns an interest of more than 10%) may retain commissions or other income from the sale of credit life, accident, or health insurance in connection with any loan made by the Bank.

Other Commissions of Fees

Insiders who receive payment of commissions or fees directly or indirectly related to a loan or other Bank transaction should fully disclose their interest and abstain from participating in the approval of that transaction.

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Dividends

Dividends paid by the Company shall be based on prudent dividend policies and shall not be established to accommodate shareholder's and insider-related organizations' need for income.

Use of Facilities, Real or Personal Property, or Personnel

The use of the Company's or the Bank's facilities, real or personal property, or personnel may be made available to insiders, providing: (i) the circumstances and conditions are not more favorable than those granted to other parties and (ii) such use does not unduly burden the Company or the Bank, its facilities, property or personnel.

Purchase from or Sales to Directors

The Bank shall not purchase from or sell any securities or other property to its directors, or to any firm of which its directors is a member, unless the purchase or sale is made in the regular course of business on terms not less favorable to the Bank than those afforded to others, or the purchase is authorized by a majority of the Board of Directors not interested in the sale of the property, and the authority is evidenced by the affirmative vote or written assent of those directors.

Interest Paid on Deposit Accounts

No insider shall be paid a higher rate of interest than that paid to other customers with similar deposits at the Bank.

Other Guidelines

- Insiders may not accept a fee or any other thing of value for performing a service that the Company or the Bank could have performed.
- Insiders may not personally accept a business opportunity from someone doing or seeking to do business with the Company or the Bank if that business opportunity is not available to other persons or if it is made available to the individual because of that person's position with the Company or the Bank.
- Except where family relationships exist, each insider who is named as a beneficiary under a will or trust instrument of any customer of the Company or the Bank must report this fact to the Board of Directors as promptly as possible.

- No insider may have signatory or telephonic authority over any customer's account unless the customer is a relative of the insider or a related interest which has been disclosed to the Bank in the insider's Statement of Interest Report. The Company and the Bank discourages any insider from accepting any such authority over customers' accounts. In each instance where an insider will be given such authority, such person must first receive the prior written approval from the customer as well as the Bank.
- Insiders may not do any of the things prohibited by this Code by using the name of another person.
- The Compensation Committee will review all compensation, fees and benefits for executive officers and directors to ensure that they are reasonable.
- Expense vouchers submitted by insiders should support legitimate business expenses.
- The Company's and the Bank's letterhead stationery is to be used only for Company and Bank matters and not for personal or non-official correspondence.

Disclosure Requirements

The following disclosure requirements have been adopted for the reporting of conflicts of interest:

- All insiders must disclose to the Board of Directors: (i) any actual or potential conflicts of interest; (ii) any gift, favor, benefit or favor that does not fall within one of the permissible exceptions listed in the section on "Client Relations," whether accepted or not; (iii) all related interests as defined in 12 CFR 215; (iv) any direct or indirect interest in the business of a borrower, an applicant, customer, vendor or supplier; and (iv) any transactions with the Company or Bank including payment to or receipt from the Company or Bank of fees and commissions by insiders.
- All insiders, who serve on the Bank's Management Loan or Discount Committees, shall be required to declare in writing any conflict of interest or insider transactions whenever any credit is presented to the Committee on which they have an actual or potential conflict of interest or insider transaction. (Refer also to Board of Director approval procedures for Loans to Insiders.)
- All insiders are required to submit to the Board of Directors a Statement of Interest Report at least annually and whenever an actual or potential conflict of interest arises.

PROHIBITION AGAINST TRADING ON MATERIAL INSIDE INFORMATION

Introduction

As a result of highly publicized insider trading scandals, Congress passed first the Insider Trading Sanctions Act of 1984 and later the Insider Trading and Securities Fraud Enforcement Act of 1988, substantially increasing the civil and criminal penalties for those who trade in possession of material nonpublic information (so-called "inside" information) and for those who control such individuals. As a result, an individual who trades on inside information or "tips" any other person who trades may face a civil fine of up to 3 times the profit gained or the losses avoided and criminal penalties of up to 10 years and a maximum fine of \$1 million. Moreover, the Company, and potentially the officers and directors of the Company and the Bank, may be held liable if they either knew or recklessly disregarded a violation of the insider trading rules by an employee and failed to take appropriate steps to prevent the violation.

Although the Company is private and trading in the stock is very limited, the anti-fraud rules of the federal securities laws still apply. Accordingly, insiders of the Company or the Bank, especially those who are directors or executive officers, need to be particularly careful about trading in the Company's securities since it is generally assumed that they have actual knowledge of all material information regarding the Company or the Bank. In fact, one can argue that the burden is even higher since no reports, such as 10-Qs, 10-Ks, proxy materials, ownership reports, etc., are filed with the Securities and Exchange Commission ("SEC") which provide current information to investors.

In view of the increased liability exposure under federal laws and the intensified enforcement activities of the SEC relating to insider trading, the Company and the Bank have adopted the following policies and procedures.

Policy

It is the policy of Hawaii National Bancshares, Inc. and Hawaii National Bank to prohibit trading in the Company's securities by any insider of the Company or the Bank or by any member of their household, while such person possesses material nonpublic information concerning the Company or the Bank.

"Material" information includes any information that would influence a reasonable investor to buy or sell Company securities. Examples of information that the courts have held to be material are:

- A significant change in annual or quarterly earnings or dividends of the Company or the Bank;

- A proposed acquisition of another corporation by the Company or other merger or acquisition transaction involving the Company; or
- A proposed repurchase of shares of the Company's stock.

"Nonpublic" information is information which has not been disclosed to the public generally, such as through a press release to a news wire service or other means of widespread dissemination.

An insider of the Company or the Bank who becomes aware of any such information concerning the Company or the Bank cannot legally:

- Buy or sell Company stock; or
- Communicate such information to other persons (sometimes referred to as "tipping").

Procedures

In an effort to prevent insider trading, the following procedures have been adopted:

- No insider of the Company or the Bank, or any member of their household, should purchase or sell any Company securities, if there is any uncertainty as to whether the information he or she possesses constitutes "material nonpublic" information, without first contacting the President or the Chief Financial Officer at the Company's main office.
- The Company's and the Bank's policy and procedures regarding insider trading will be delivered to and reviewed and acknowledged by each officer, director and employee, whether permanent or temporary.

In order to reduce the chances of inadvertent tipping of inside information, insiders should:

- Refrain from discussing nonpublic information which may be considered "material" with any person inside the Company or the Bank except on a "need to know" basis.
- Refrain from discussing nonpublic information which may be considered "material" with any person outside the Company and the Bank, unless specifically authorized to do so by an executive officer.
- Use particular caution when receiving inquiries from securities analysts, companies in the same business as the Company or the Bank, and members of the press. All such inquiries should be referred to an executive officer.

LOANS TO INSIDERS

Introduction

Regulation O (12 CFR 215) governs extensions of credit by a bank and its subsidiaries to insiders of the bank, a bank holding company of which the bank is a subsidiary, and any other subsidiary of that bank holding company. The purpose of the regulation is to prevent abusive or self-serving practices which may expose the banking organization to undue risk or exposure to loss. Compliance with Regulation O is imperative. Insider lending is an area which is closely scrutinized by regulatory agencies, external auditors, and the community. Violations of any provision of Regulation O may result in civil penalties of up to \$1 million a day for every day a violation exists. In addition, director and officers of the bank may be held personally liable for any damages which the bank, its shareholders, or any other persons may have sustained as a consequence of the violation.

Although Regulation O does not apply to extensions of credit by bank holding companies and their nonbank subsidiaries, it is used as a guide by the Federal Reserve Board in evaluating credit extensions by a bank holding company to bank holding company officials. In cases where an extension of credit by the bank holding company appears to circumvent the intent of Regulation O, it will be noted in the bank holding company's examination report for follow-up review and possible formal corrective action by the agency.

Definitions

For the purposes of Regulation O and this policy, the following definitions apply:

"Company" means any corporation, partnership, trust (business or otherwise), association, joint venture, pool syndicate, sole proprietorship, unincorporated organization, or any other form of business entity except an insured depository institution or a corporation the majority of the shares of which are owned by the United States or any state.

"Control of a company or bank" means that a person directly or indirectly, or acting through or in concert with one or more persons: (i) owns, controls, or has the power, to vote 25% or more of any class of voting securities of the company or bank; (ii) controls in any manner the election of a majority of the directors of the company or bank; or (iii) has the power to exercise a controlling influence over the management or policies of the company or bank.

A person is presumed to have control, including the power to exercise controlling influence over the management or policies, of a company or bank if either: (i) the person is an executive officer or director of the company or bank and directly or indirectly owns, controls, or has the power to vote more than 10% of any class of voting securities of the company or bank; or (ii) the person directly or indirectly owns, controls, or has the power to vote more than 10% of any class of voting securities of the company or bank, and no other person owns, controls, or has the power to vote a greater percentage of that class of voting securities.

An individual is not considered to have control, including the power to exercise a controlling influence over the management or policies, of a company or bank solely by virtue of the individual's position as an officer or director of the company or bank. A person may rebut a presumption of control established by these rules by submitting to its federal banking agency written materials that, in the agency's judgement, demonstrate an absence of control.

"Correspondent account" is an account that is maintained by a bank with another bank for the deposit or placement of funds. A correspondent account does not include: (i) time deposits at prevailing market rates; and (ii) an account maintained in the ordinary course of business for the purpose of effecting federal funds transactions at prevailing market rates or making Eurodollar placements at prevailing market rates.

"Correspondent bank" means a bank that maintains one or more correspondent accounts for the Bank during a calendar year that in the aggregate exceed an average daily balance during that year of \$100,000 or 0.5% of the Bank's total deposits (as reported in its first consolidated report of condition during that calendar year), whichever amount is smaller.

"Director" means any director of the Bank or the Company.

"Executive officer" means any person at the Bank or Company who participates or has authority to participate (other than in the capacity of a director) in major policy making functions whether or not the person has an official title; the title designates the officer an assistant; or the officer is serving with salary or other compensation.

The executive officers of the Bank are: the Chairman of the Board, Chief Executive Officer ("CEO"), and President; the Senior Vice President, Chief Financial Officer ("CFO"), and Secretary; the Senior Vice President, Corporate Strategy & Services Division, and Assistant Secretary; and the Executive Vice President and Senior Loan Administrator. The executive officers of the Company¹ are: the Chairman of the Board, CEO, and President; the Vice President and Secretary; and the Vice President and Treasurer.

¹ An executive officer of the Company is considered an executive officer of the Bank and cannot be excluded by resolution of the Board or by the bylaws.

"Extension of credit" means a making or renewal of any loan, a granting of a line of credit, or an extending of credit in any manner whatsoever. Refer to the section below on extension of credit for examples and exceptions.

"Immediate family" means the spouse of an individual, the individual's minor children, and of the individual's children (including adults) residing in the individual's home.

"Insider" refers to executive officers, directors, principal shareholders, and their related interests as defined in Regulation O, 12 CFR 215.

"Principal shareholder" means any person or entity (other than a bank or bank holding company) who directly or indirectly owns, controls, or has the power to vote more than 10% of any class of the Company's voting securities. Shares owned or controlled by a member of an individual's immediate family are considered to be held by the individual.

"Related interest" means any company or political or campaign committee that is controlled by, or the funds or services of which will benefit, the insider.

"Unimpaired capital and unimpaired surplus" means the Bank's Tier 1 and Tier 2 capital included in the Bank's risk-based capital as reported in the most recent Call Report, plus the balance of the Bank's allowance for loan and lease losses not included in the Bank's Tier 2 capital.

Extension of Credit

Regulation O defines an "extension of credit" as the making or renewing of any loan, the granting of a line of credit, or the extending of credit in any manner. An extension of credit is considered to have been made at the time the Bank enters into a binding commitment to make the extension of credit. As a matter of policy, no extensions of credit will be granted to insiders by the Company. Extensions of credit include:

- A purchase under repurchase agreement of securities, other assets, or obligations;
- An advance by means of an overdraft, cash item or otherwise;
- Issuance of a standby letters of credit or an ineligible acceptance;
- An acquisition by discount, purchase, exchange, or otherwise of any note, draft, bill of exchange, or other evidence of indebtedness upon which an insider may be liable as maker, drawer, endorser, guarantor, or surety;
- An increase of an existing indebtedness, but not if the additional funds are advanced by the Bank for its own protection for (i) accrued interest or (ii) taxes, insurance, or other expenses incidental, to the existing indebtedness;

- An advance of unearned salary or other unearned compensation for a period in excess of 30 days; and
- Any other similar transaction as a result of which an insider becomes obligated to pay money (or its equivalent) to the Bank, whether the obligation arises directly or indirectly, or because of an endorsement on an obligation or otherwise, or by any means whatsoever.

An extension of credit is made to an insider when the proceeds of the extension are used for the tangible economic benefit of, or are transferred to, the insider. However, loans to third parties where the third party will use the loan proceeds to purchase goods, services, or property from an insider, may be excluded from Regulation O, provided the terms are not more favorable than terms on other loans and the transaction is at arm's length.

Certain transactions are excluded from Regulation O and are not considered extensions of credit. These include:

- An advance against accrued salary or other accrued compensation, or an advance for the payment of authorized travel or other expenses incurred or to be incurred on behalf of the Bank;
- Checks deposited or received by the Bank in the usual course of business, unless they result in the carrying of a cash item for or the granting of an overdraft (other than an inadvertent overdraft not exceeding \$1,000 on an account, providing the account is not overdrawn for more than 5 days and the Bank charges the officer or director the same fees that would be charged to any other customer of the bank in similar circumstances);
- Acquisition of a loan or other indebtedness through bank mergers or acquisitions or foreclosure on collateral, provided the indebtedness is not held for more than 3 years after the date of foreclosure;
- Endorsement or guarantee of a loan or other asset previously acquired by the Bank in good faith, if the endorsement or guarantee is obtained for the protection of the Bank;
- Indebtedness of up to \$15,000 under the Bank's credit card plan², provided the terms of the plan are not more favorable than those offered to the general public;

² According to a May 22, 2006, Federal Reserve Board staff interpretation, when an insider uses a bank-owned credit card to purchase goods and services for the insider's personal purposes, the bank may be making an extension of credit to the insider. An extension of credit would occur for purposes of Regulation O if (and to the extent) that the amount of outstanding personal charges made to the card, when aggregated with all other indebtedness of the insider that qualifies for the credit card exception in section 215.3(b)(5) of Regulation O, exceeds \$15,000.

- Indebtedness of \$5,000 or less under an interest-bearing overdraft credit plan, provided: (i) there is a written pre-authorized, interest-bearing extension of credit plan that specifies a method of repayment; or (ii) there is a written, pre-authorized transfer of funds from another account of the account holder at the Bank;
- Discounts of promissory notes, bills of exchange, conditional sales contracts, or similar paper, if the discount is without recourse;
- Non-interest-bearing deposits to the credit of a bank;
- The giving of immediate credit to a bank upon uncollected items received in the ordinary course of business.

Terms and Creditworthiness

The Bank is prohibited from extending credit on a preferential basis to an executive officer, director, principal shareholder, or to any related interest of that person. An extension of credit is considered preferential unless:

- Its terms (including interest rate and collateral) and the standards used in underwriting it are no more favorable than those prevailing at the time for comparable transactions by the Bank with other persons not covered by Regulation O and who are not employed by the Bank; and
- It involves no more than the normal risk of repayment or presents other unfavorable features.³

Preferential extensions of credit include, but are not limited to: employee loan rates, fee waivers, lower down payments or collateral requirements, and loan products not offered to other Bank customers. On September 30, 1996, the Economic Growth and Regulatory Paperwork Reduction Act of 1996 was signed into law. Section 2211 of this Act exempts loans made under a company-wide employee benefit or compensation plan from the prohibition on preferential lending, if the plan is widely available to the institution's employees and does not give preference to insiders over other employees.

The Senior Vice President, CFO, and Secretary will review all loan applications from insiders of the Company or the Bank (excluding his own) for compliance prior to submission to the Board of Directors. The Chairman, CEO, and President will review loan applications from the Senior Vice President, CFO, and Secretary.

³ According to the Comptroller of the Currency's Interpretive Letter #1024, "a loan to an insider that has become troubled may not be renewed unless the lending bank obtains additional protection to safeguard it and offset the unfavorable features the loan would otherwise present. Depending on the facts, a bank could require additional collateral, a guarantee, or other credit enhancement."

Board of Director Approval

All extensions of credit to insiders must be approved by a majority of the Board of Directors, with the interested party or parties who will benefit economically, abstaining from participating, directly or indirectly, in voting on the extension of credit. Participation in the discussion or any attempt to influence the voting is considered as "indirect participation in the voting." The abstention shall be noted in the Board's minutes.

Lending Limits

Unimpaired Capital and Unimpaired Surplus

Lending limits under Regulation O are expressed in terms of unimpaired capital and unimpaired surplus. Regulation O defines unimpaired capital and unimpaired surplus as the Bank's Tier 1 and Tier 2 capital included in the Bank's risk-based capital as reported in the most recent Call Report, plus the balance of the Bank's allowance for loan and lease losses not included in the Bank's Tier 2 capital.

Individual Lending Limit

An extension of credit to an insider is prohibited under Regulation O if the extension of credit, when aggregated with the amount of all other extensions of credit by the Bank to that person and to all related interests of that person, exceeds the single borrower lending limit established by the Office of the Comptroller of the Currency for national banks. This limit is set at 15% of the Bank's unimpaired capital and unimpaired surplus for loans that are not fully secured and an additional 10% of the Bank's unimpaired capital and unimpaired surplus for loans that are fully secured by certain readily marketable collateral having a market value, as determined by reliable and continuously available price quotations, at least equal to the amount of the loan. The lending limit also includes any higher amounts that are permitted for national banks under the general lending limit regulations.

Aggregate Lending Limit

An extension of credit to an insider is prohibited under Regulation O if the extension of credit, when aggregated with the amount of all outstanding extensions of credit by the Bank to all of its insiders, would exceed the amount of the Bank's unimpaired capital and unimpaired surplus. In determining the aggregate lending limits, the following transactions may be excluded:

- Extensions of credit secured by a perfected security interest in bonds, notes, certificates of indebtedness, or Treasury bills of the United States or in other such obligations fully guaranteed as to principal and interest by the United States;

- Extensions of credit to or secured by unconditional takeout commitments or guarantees of any department, agency, bureau, board, commission or establishment of the United States or any corporation wholly owned directly or indirectly by the United States; or
- Extensions of credit secured by a perfected security interest in a segregated deposit account in the Bank.
- Extensions of credit arising from the discount of negotiable or non-negotiable installment consumer paper that is acquired from an insider and carrying a full or partial recourse endorsement or guarantee by the insider, provided:
 - The financial condition of each maker of such paper is reasonably documented or known;
 - An officer certifies in writing that the institution is relying primarily upon the maker for payment and not upon any endorsement or guarantee by the insider; and
 - The maker of the instrument is not an insider.

Additional Restrictions on Loans to Executive Officers

Executive officers of the Bank are subject to an additional lending limit under section 215.5(c) of Regulation O. Under this provision, and subject to the individual and aggregate lending limits specified above, the Bank can extend credit to any executive officer of the Bank:

- In any amount to finance the education of the executive officer's children;
- With prior approval of the Board of Directors, in any amount to finance or refinance the purchase, construction, maintenance or improvement of a residence of the executive officer. These loans must be secured by a first mortgage on the residence, and the residence must be owned (or expected to be owned after the extension of credit) by the executive officer. In the case of a refinancing, only the amount used to repay the original extension of credit, together with the closing costs of the refinancing, and any additional amount for the construction, maintenance or improvement of the residence qualify for this exception;
- In any amount, if the extension of credit is secured by:
 - A perfected security interest in bonds, notes, certificates of indebtedness, or Treasury bills of the United States or in other such obligations fully guaranteed as to principal and interest by the United States;
 - Unconditional takeout commitments or guarantees of any department, agency, bureau, board, commission or establishment of the United States or any corporation wholly owned directly or indirectly by the United States; or

- A perfected security interest in a segregated deposit account in the Bank.
- For any "other purpose" not specified above, if the aggregate amount of these extensions of credit to the executive officer does not exceed at any one time the higher of 2.5% of the Bank's unimpaired capital and unimpaired surplus or \$25,000, but in no event more than \$100,000.

The Bank is also prohibited from extending credit in an aggregate amount greater than that described for "other purpose", above, to a partnership in which one or more of the Bank's executive officers are partners and, either individually or together, hold a majority interest. The total amount of credit extended to such partnership is considered to be extended to each executive officer of the Bank who is a member of the partnership.

All extensions of credit by the Bank to executive officers and to partnerships in which one or more executive officers, individually or collectively, hold a majority interest must be:

- Preceded by the submission of a detailed current financial statement of the executive officer;
- Approved by the Board of Directors; and
- Made subject to a written clause stating that the extension of credit will, at the option of the Bank, become due and payable at any time the officer is indebted to any other bank or banks in an aggregate amount greater than the amount specified for a category of credit in 215.5(c) of Regulation O.

The additional restrictions on loans to executive officers do not apply to executive officers of the Company unless they are also executive officers of the Bank.

Overdrafts

Under Regulation O, the Bank is prohibited from paying an overdraft of an executive officer or director of the Bank or the Company, on an account at the Bank, unless the payment of funds is made in accordance with:

- A written, pre-authorized, interest-bearing extension of credit plan that specifies a method of repayment; or
- A written, pre-authorized transfer of funds from another account of the account holder at the Bank.

This prohibition does not apply to:

- Overdrafts by a principal shareholder unless the principal shareholder is also an executive officer or director;
- Overdrafts of a related interest of an executive officer, director, or principal shareholder; or
- The payment of inadvertent overdrafts on an account in an aggregate amount of \$1,000 or less, provided the account is not overdrawn for more than 5 business days, and the Bank charges the executive officer or director the same fee charged to any other customer of the Bank under similar circumstances.

Prohibition Against Knowingly Receiving Unauthorized Extension of Credit

No executive officer, director, or principal shareholder of the Bank or the Company shall knowingly receive (or knowingly permit any of that person's related interests to receive) from the Bank, directly or indirectly, any extension of credit that is not authorized under this policy or Regulation O.

Insider Loans and Correspondent Relationships

The Bank Holding Company Act Amendments of 1970 (12 USC 1972) prohibits a bank that has a correspondent account relationship with another bank from extending credit on preferential terms to an executive officer, director, or principal shareholder of the other bank in the correspondent relationship or to a related interest of the officer, director, or shareholder. The prohibition on preferential lending applies to both banks involved in the correspondent relationship. The law also prohibits the opening of a correspondent account relationship between banks when a preferential extension of credit already exists between one of the banks and any insider of the other bank.

The definition of a "correspondent bank" does not apply to these restrictions on preferential loans. All that is required to trigger the preferential loan restrictions is the maintenance of a correspondent account. No average daily balance test for the size of the correspondent accounts is applied. A "correspondent account" is an account that is maintained by a bank with another bank for the deposit or placement of funds. A correspondent account does not include: (i) time deposits at prevailing market rates; and (ii) an account maintained in the ordinary course of business for the purpose of effecting federal funds transactions at prevailing market rates or making Eurodollar placements at prevailing market rates.

Consistent with the requirements of the statute, the Bank will not extend credit on preferential terms to insiders of another bank with which the Bank has a correspondent account relationship. Nor are insiders of the Bank or the Company permitted to obtain extensions of credit on preferential terms from other banks when there is a correspondent account relationship between that bank and Hawaii National Bank. Finally, the Bank will not establish a correspondent account with any bank where there is a preferential extension of credit by one of the banks to an insider of

the other bank.

The Executive Vice President and Senior Loan Administrator is responsible for ensuring that preferential loans are not extended to insiders of other banks with whom Hawaii National Bank has a correspondent account relationship.

Recordkeeping and Reporting Requirements

Bank Records

The Bank shall maintain the records necessary to comply with regulatory requirements. These records shall: (i) identify all executive officers, directors, principal shareholders of the Bank and the Company, and the related interests of these persons; and (ii) specify the amount and terms of each extension of credit made to these persons and their related interests. The Bank shall also conduct a survey at least annually requesting that each executive officer, director and principal shareholder of the Bank and the Company provide it with a list of their related interests. Any changes in related interests should be reported promptly to the Board of Directors. Newly appointed executive officers and newly elected directors should report their related interests and outstanding loans from the Bank ~~and other banks~~ soon after their appointment/election.

Disclosure of Credit From Member Banks to Executive Officers and Principal Shareholders

Upon written request from the public, the Bank shall make available a list of executive officers and principal shareholders and their related interests to whom the Bank has outstanding an extension of credit that, when aggregated with all other extensions of credit to that person, exceeds 5% of the Bank's unimpaired capital and unimpaired surplus or \$500,000, whichever is less. The Bank is not required to disclose the specific amounts of individual extensions of credit. Further, no disclosure is necessary if the aggregate amount of all extensions of credit outstanding at such time from the Bank to the executive officer or principal shareholder and to all related interests of such person does not exceed \$25,000. The Bank will maintain records of all requests as well as the disposition of such requests for a period of 2 years from the date of the request. This requirement does not apply to executive officers of the Company unless they are also executive officers of the Bank.

Reporting Requirement for Credit Secured by Certain Bank/Bank Holding Company Stock

Regulation O (12 CFR 215.12) requires that executive officers or directors of banks whose shares are not publicly traded to report annually to their Board of Directors the outstanding amount of any credit secured by shares of the bank's stock. A similar report is required by Regulation Y (12 CFR 225.4(f)) to be made to a bank holding company's Board for executive officers or directors of the bank holding company who have any outstanding credit secured by the bank holding company's stock.

MANAGEMENT INTERLOCKS

Introduction

The Depository Institution Management Interlocks Act (the "Interlocks Act") (12 USC 3201) was issued to foster competition by generally prohibiting a management official from serving two nonaffiliated depository organizations in situations where the management interlock likely would have an anticompetitive effect. The regulations for the "Interlocks Act" are set forth in 12 CFR 26 for national banks and 12 CFR 212 for bank holding companies. The term "management official" means: (i) a director (including, subject to certain exceptions, an advisory or honorary director); (ii) a senior executive officer; (iii) a branch manager; (iv) a trustee of a depository organization under the control of trustees; and (iv) any person who has a representative or nominee serving in any of the capacities noted above.

Prohibitions

The Interlocks Act prohibits the formation of a management interlock between two unaffiliated depository organizations:

- (i) If both depository organizations (or their depository institution affiliates) have offices in the same community.
- (ii) If both depository organizations (or their depository institution affiliates) have offices in the same relevant metropolitan statistical area and each depository organization has total assets of \$20 million or more.
- (iii) If one of the depository organizations (or any affiliate thereof) has more than \$2.5 billion in total assets and the other (or any affiliate thereof) has more than \$1.5 billion, regardless of the location of the two depository organizations.

Exceptions

The federal banking agencies have the authority to make exceptions to the management interlock rules in cases when there is a critical need for the individual's services and the agency finds there is no anti-competitive impact. Among the exceptions which are generally included in this category are those to assist low-to-moderate income areas; minority, women-owned, and newly chartered institutions; and institutions that are deemed to be in a "troubled condition". In cases where the institutions and their affiliates together control less than 20% of the deposits in their area, a "small market share exemption" for interlocks may be granted, providing the institutions' asset sizes are below the threshold set forth in (iii) above.

Policy

It is the policy of Hawaii National Bancshares, Inc. and Hawaii National Bank to comply with prohibitions set forth in the Interlocks Act.

DOCUMENTATION AND COMPLIANCE

System to Monitor and Administer Compliance

The Company and Bank shall establish and maintain a system to administer and monitor compliance with its policies on insider activities. This system shall ensure that insiders are advised of and kept aware of their responsibilities, have access to others to whom they can seek guidance on insider issues, and that the Board of Directors is provided with an independent assessment of compliance in this area.

Acknowledgement

Each insider shall be required to acknowledge in writing having received and read this Insider Policy, including any updates, and to abide by its terms.

Audit and Compliance Reviews

The Audit and Compliance Departments shall conduct periodic reviews of insider activities to ensure compliance with internal policies and applicable laws, rules and regulations. All reports will be presented directly to the Audit and Corporate Governance Committee of the Board of Directors.

Training

Insider activities shall be included in the compliance training program to ensure that executive officers, directors and principal shareholders are educated and reminded of their responsibilities. Besides in-house reviews, outside seminars developed by educational, regulatory and trade organizations may also be attended.

Non-compliance

Any insider, who breaches his or her fiduciary duty, engages in unethical conduct, violates any law or regulation or fails to comply with any of these policies will be subject to dismissal.

QUESTIONS AND INTERPRETATIONS

If an insider has any questions concerning this policy, such questions should be directed to an executive officer or the Compliance Administrator and General Corporate Counsel.

Revised: August 2007

**HAWAII NATIONAL BANCSHARES, INC.
AND
HAWAII NATIONAL BANK**

ACKNOWLEDGMENT

NAME (PLEASE PRINT): _____

I acknowledge receipt of Hawaii National Bancshares, Inc.'s (the "Company") and Hawaii National Bank's (the "Bank") Insider Activities Policy ("Policy"), amended August 2007.

I have read and understand this Policy, and I agree to abide by its rules.

I understand that the guidelines contained in this document are merely a general overview of some of the Company's and the Bank's policies and procedures and that these policies and procedures, as well as any other policies and procedures which may be adopted by the Company or the Bank, are subject to modification, discontinuation or change without notice.

Date

Signature