



## **PART ONE OF FIVE: Pacific Century Financial Corporation Reports Second Quarter Earnings of \$0.08 Per Share**

July 20, 2000

HONOLULU--(BUSINESS WIRE)--July 20, 2000--Pacific Century Financial Corporation (NYSE:BOH) reported second quarter earnings of \$6.7 million and diluted earnings of \$0.08 per share. Comparatively, earnings for the second quarter of 1999 were \$38.5 million and \$0.47 per share, and \$39.8 million and \$0.50 per share for the first quarter of 2000.

The decline in net income reflects the impact of the previously announced increased provisioning to the reserve for loan losses. The second quarter's provisioning of \$83.4 million exceeded net charge-offs of \$32.9 million. Pacific Century increased provisioning in response to weakness in its syndicated loan and Hawaii commercial real estate loan portfolios. The extra provisioning also considers recent political and economic turmoil in Fiji.

"We took prudent and appropriate action to address weaknesses and issues related to asset quality," said Lawrence M. Johnson, Chairman and CEO. "We have bolstered our reserve for loan losses by approximately \$50 million to complement our capital base."

Earnings for the first six months of 2000 were \$46.5 million compared to \$73.9 million for the first half of 1999. Diluted earnings per share totaled \$0.58 relative to \$0.91 for the six-month period in 1999. Tangible or economic earnings for the first half of 2000 were \$54.9 million and tangible diluted earnings per share were \$0.69. Year-to-date return on average assets was 0.66 percent and on a tangible basis was 0.79 percent. Year-to-date return on average equity was 7.65 percent and on a tangible basis was 10.84 percent. For the first six months of 2000, the efficiency ratio was 59.6 percent and 57.3 percent on a tangible basis.

At June 30, 2000, net loans totaled \$9.5 billion compared to \$9.2 billion at second quarter-end 1999 and \$9.3 billion at March 31, 2000. Total deposits at the end of the second quarter were \$9.1 billion relative to \$9.3 billion at June 30, 1999 and relatively unchanged from March 31, 2000. Total assets at June 30, 2000 were \$14.3 billion relative to the \$14.6 billion at June 30, 1999 and unchanged from March 31, 2000.

Non-performing assets, exclusive of loans past due 90+ days, totaled \$199.4 million, compared to \$136.4 million at March 31, 2000 and \$149.4 million at June 30, 1999. The increase from the end of the first quarter 2000 includes the previously announced expected additions, primarily from syndicated loans and Hawaii commercial real estate loans. At the end of the second quarter, non-performing assets as a percent of total loans represented 1.98 percent compared to 1.39 percent at March 31, 2000 and 1.55 percent at June 30, 1999.

The ratio of reserve to loans outstanding was 2.53 percent for the second quarter of 2000, 2.05 percent for the first quarter of 2000 and 2.23 percent for the second quarter of 1999. The ratio of reserve to non-performing assets (exclusive of loans past due 90+ days) was 124 percent, relative to 143 percent at March 31, 2000 and 140 percent at June 30, 1999.

Johnson noted that during the quarter, Bank of Hawaii engaged in a comprehensive review of the commercial loan portfolio, which involved reviewing loans of \$250,000 or more. "We felt the task was warranted given industry concerns about asset quality and a perceived tightening in credit standards for the industry as a whole," said Johnson.

Both non-interest income and non-interest expense in the second quarter demonstrated the positive benefit of New Era Redesign, which completed its third quarter of implementation. Non-interest income in the second quarter also included \$11.9 million in non-recurring income related to the partial settlement of the company's defined benefit pension plan.

Johnson noted that the implementation of New Era ideas was on track and contributing to the company's overall efforts to improve efficiency. "We're extremely pleased that our results show tangible improvements in line with our stated performance objectives for New Era. Since the implementation process began in October 1999, everyone in the organization has played a role in our success and bringing about positive changes."

Hawaii's economy continues to strengthen with economists' 2000 forecast for real gross state product growth between 3.0 and 3.5 percent. The visitor industry showed 4.0 percent growth in visitor arrivals for the first five months of 2000. The state's Department of Business Economic Development & Tourism expects visitor arrivals to grow by 3.8 percent in 2000 and 3.5 percent in 2001. Employment and jobs grew in the first quarter and the state's unemployment rate fell to 4.6 percent, approaching the U.S. unemployment rate of 4.1 percent recorded in the first quarter.

Further highlights on Pacific Century's performance are included in the attached "Comments on Second Quarter 2000 Results."

Pacific Century Financial Corporation is a regional financial services holding company with locations throughout the Pacific region. Pacific Century and its subsidiaries provide varied financial services to businesses, governments and consumers in four principal markets: Hawaii, the West and South Pacific, Asia and selected markets on the U.S. Mainland. Pacific Century's principal subsidiary, Bank of Hawaii, is the largest commercial bank in the

state of Hawaii.

Highlights (Unaudited)  
Pacific Century Financial Corporation and subsidiaries  
(in thousands of dollars except per share amounts)

Earnings Highlights and Performance Ratios

	2000	1999	Percentage Change
Three Months Ended June 30			
Net Income	\$6,707	\$38,462	-82.6%
Basic Earnings Per Share	0.08	0.48	-83.3%
Diluted Earnings Per Share	0.08	0.47	-83.0%
Cash Dividends	14,305	13,645	
Return on Average Assets	0.19%	1.05%	
Return on Average Equity	2.19%	12.72%	
Net Interest Margin	4.27%	4.28%	
Efficiency Ratio	57.31%	65.67%	
Six Months Ended June 30			
Net Income	\$46,472	\$73,879	-37.1%
Basic Earnings Per Share	0.58	0.92	-37.0%
Diluted Earnings Per Share	0.58	0.91	-36.3%
Cash Dividends	27,845	27,336	
Return on Average Assets	0.66%	1.01%	
Return on Average Equity	7.65%	12.36%	
Net Interest Margin	4.28%	4.26%	
Efficiency Ratio	59.63%	66.02%	

Summary of Results Excluding the Effect of Intangibles (a)

Three Months Ended June 30			
Net Income	\$10,995	\$42,291	-74.0%
Basic Earnings per Share	\$0.14	\$0.53	-73.6%
Diluted Earnings per Share	\$0.14	\$0.52	-73.1%
Return on Average Assets	0.32%	1.18%	
Return on Average Equity	4.30%	17.01%	
Efficiency Ratio	54.96%	63.53%	
Six Months Ended June 30			
Net Income	\$54,884	\$81,543	-32.7%
Basic Earnings per Share	\$0.69	\$1.01	-31.7%
Diluted Earnings per Share	\$0.69	\$1.00	-31.0%
Return on Average Assets	0.79%	1.13%	
Return on Average Equity	10.84%	16.62%	
Efficiency Ratio	57.29%	63.89%	

(a) Intangibles include goodwill, core deposit and trust intangibles, and other intangibles.

Statement of Condition Highlights and Performance Ratios

	June 30 2000	June 30 1999	Percentage Change
Total Assets	\$14,294,625	\$14,551,458	-1.8%
Net Loans	9,497,438	9,181,690	3.4%
Total Deposits	9,109,146	9,286,155	-1.9%
Total Shareholders' Equity	1,209,399	1,214,214	-0.4%
Book Value Per Common Share	\$15.23	\$15.12	
Loss Reserve / Loans Outstanding	2.53%	2.23%	

Average Equity / Average Assets	8.59%	8.14%
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Common Stock Price Range	High	Low
1999	\$24.94	\$17.38
2000 First Quarter	\$20.38	\$14.35
Second Quarter	\$23.19	\$14.63

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Pacific Century Financial Corporation and subsidiaries  
Consolidated Statements of Income (Unaudited)

	3 Months Ended June 30 2000	3 Months Ended June 30 1999	6 Months Ended June 30 2000	6 Months Ended June 30 1999
(in thousands of dollars except per share amounts)				
Interest Income				
Interest on Loans	\$185,584	\$171,636	\$365,986	\$347,636
Loan Fees	8,977	11,717	17,223	21,298
Income on Lease Financing	9,747	6,448	17,726	14,716
Interest and Dividends on Investment Securities				
Taxable	13,321	14,912	27,557	28,591
Non-taxable	243	276	522	552
Income on Investment Securities Available for Sale	41,161	41,918	82,194	83,700
Interest on Deposits	3,551	6,465	7,315	14,691
Interest on Security Resale Agreements	6	67	16	168
Interest on Funds Sold	485	1,598	958	4,151
 Total Interest Income	 263,075	 255,037	 519,497	 515,503
Interest Expense				
Interest on Deposits	70,781	63,460	138,995	129,787
Interest on Security Repurchase Agreements	26,021	24,393	48,974	48,809
Interest on Funds Purchased	7,834	8,743	16,361	21,511
Interest on Short-Term Borrowings	6,514	3,321	11,046	6,570
Interest on Long-Term Debt	13,319	10,720	26,007	20,582
 Total Interest Expense	 124,469	 110,637	 241,383	 227,259
 Net Interest Income	 138,606	 144,400	 278,114	 288,244
 Provision for Loan Losses	 83,407	 13,948	 96,929	 26,538
 Net Interest Income After Provision for Loan Losses	 55,199	 130,452	 181,185	 261,706

# Non-Interest Income

Trust Income	16,317	14,408	33,204	29,983
Service Charges on				
Deposit Accounts	10,180	7,675	19,737	17,070
Fees, Exchange, and Other				
Service Charges	22,586	22,618	44,212	44,616
Other Operating Income	13,097	12,094	28,672	24,449
Gain on Settlement of				
Pension Obligation	11,900	--	11,900	--
Investment Securities				
Gains (Losses)	(515)	6,818	(233)	8,665
Total Non-Interest Income	73,565	63,613	137,492	124,783
Non-Interest Expense				
Salaries	44,460	50,483	92,007	101,325
Pensions and Other				
Employee Benefits	10,788	14,907	25,418	29,950
Net Occupancy Expense	12,480	11,810	24,296	24,078
Net Equipment Expense	12,066	11,685	24,133	23,812
Other Operating Expense	41,998	43,147	81,951	87,500
Minority Interest	107	96	176	303
Total Non-Interest Expense	121,899	132,128	247,981	266,968
Income Before Income Taxes	6,865	61,937	70,696	119,521
Provision for Income Taxes	158	23,475	24,224	45,642
Net Income	\$6,707	\$38,462	\$46,472	\$73,879
Basic Earnings Per Share	\$0.08	\$0.48	\$0.58	\$0.92
Diluted Earnings Per Share	\$0.08	\$0.47	\$0.58	\$0.91
Dividends Declared Per				
Share	\$0.18	\$0.17	\$0.35	\$0.34
Basic Weighted Average				
Shares	79,425,245	80,302,154	79,623,305	80,361,529
Diluted Weighted Average				
Shares	80,002,989	81,121,840	79,975,904	81,263,475

(END OF PART ONE OF FIVE)

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