UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 1999

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____________ to ____________

Commission File Number 1-6887

PACIFIC CENTURY FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State of incorporation)

99-0148992 (IRS Employer Identification No.)

130 Merchant Street, Honolulu, Hawaii (Address of principal executive offices)

96813 (Zip Code)

(808) 643-3888
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 Par Value; outstanding at July 30, 1999 - 80,256,963 sharesPACIFIC CENTURY FINANCIAL CORPORATION and subsidiaries
June 30, 1999

PART I. - Financial Information

Item 1. Financial Statements

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

(in thousands of dollars)	June 30 1999	December 31 1998	June 30 1998
Assets			
Interest-Bearing Deposits	$411,239	$453,527	$542,966
Investment Securities - Held to Maturity			
(Market Value of $825,434, $668,068 and $927,753, respectively)	828,350	652,802	912,648
Investment Securities - Available for Sale	2,721,765	3,018,403	2,800,772
Securities Purchased Under Agreements to Resell	4,325	-	-
Funds Sold	34,995	45,683	31,715
Loans	9,610,980	9,854,000	9,464,901
Unearned Income	(219,717)	(225,915)	(207,742)
Reserve for Loan Losses	(209,573)	(211,276)	(204,049)
Net Loans	9,181,690	9,416,809	9,053,110

Total Earning Assets	13,182,364	13,587,224	13,341,211
Cash and Non-Interest Bearing Deposits	493,483	564,243	575,553
Premises and Equipment	288,955	293,591	297,392
Customers' Acceptance Liability	14,802	8,227	6,162
Accrued Interest Receivable	79,384	85,485	90,348
Other Real Estate	6,009	5,648	11,555
Intangibles, including Goodwill	214,997	216,106	218,933
Other Assets	271,464	256,039	189,956
Total Assets	$14,551,458	$15,016,563	$14,731,110
Liabilities			
Domestic Deposits			
Demand - Non-Interest Bearing	$1,699,343	$1,745,747	$1,578,978
- Interest Bearing	2,176,931	2,385,285	2,219,187
Savings	725,010	740,378	761,688
Time	2,456,318	2,637,746	2,838,522
Foreign Deposits			
Demand - Non-Interest Bearing	442,102	489,672	413,393
Time Due to Banks	632,626	685,137	514,662
Other Savings and Time	1,153,825	892,377	1,179,538
Total Deposits	9,286,155	9,576,342	9,505,968
Securities Sold Under Agreements to Repurchase	1,990,178	2,008,399	2,313,784
Funds Purchased	715,398	942,062	366,066
Short-Term Borrowings	353,177	356,822	379,129
Bank's Acceptances Outstanding	14,802	8,227	6,162
Accrued Retirement Expense	40,892	39,811	38,266
Accrued Interest Payable	49,376	55,694	53,903
Accrued Taxes Payable	123,720	114,443	132,567
Minority Interest	4,374	7,394	6,851
Other Liabilities	104,325	136,159	122,834
Long-Term Debt	654,847	585,616	665,106
Total Liabilities	13,337,244	13,830,969	13,590,636
Shareholders' Equity			
Common Stock ($.01 par value), authorized 500,000,000 shares; issued / outstanding; June 1999 - 80,544,104 / 80,287,805; December 1998 - 80,512,372 / 80,325,998; June 1998 - 80,385,041 / 80,385,041	805	805	804
Capital Surplus	345,468	342,932	340,872
Accumulated Other Comprehensive Income	(39,245)	(22,476)	(25,958)
Retained Earnings	912,686	867,852	824,756
Treasury Stock, at Cost - (June 1999 - 256,299 and December 1998 - 186,374 Shares)	(5,500)	(3,519)	-
Total Shareholders' Equity	1,214,214	1,185,594	1,140,474
Total Liabilities and Shareholders' Equity	$14,551,458	$15,016,563	$14,731,110

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

(in thousands of dollars except per share amounts)	3 Months Ended June 30 1999	3 Months Ended June 30 1998	6 Months Ended June 30 1999	6 Months Ended June 30 1998
Interest Income				
Interest on Loans	$171,636	$187,949	$347,636	$371,362
Loan Fees	11,717	11,846	21,298	22,578
Income on Lease Financing	6,448	6,608	14,716	12,491
Interest and Dividends on Investment Securities				
Taxable	14,912	18,071	28,591	38,035
Non-taxable	276	308	552	602
Income on Investment Securities Available for Sale	41,918	42,568	83,700	84,038
Interest on Deposits	6,465	10,712	14,691	17,195
Interest on Security Resale Agreements	67	-	168	-
Interest on Funds Sold	1,598	872	4,151	1,962
Total Interest Income	255,037	278,934	515,503	548,263
Interest Expense				
Interest on Deposits	63,460	78,659	129,787	154,800
Interest on Security Repurchase Agreements	24,393	32,345	48,809	62,943
Interest on Funds Purchased	8,743	6,810	21,511	13,720
Interest on Short-Term Borrowings	3,321	3,469	6,570	6,278
Interest on Long-Term Debt	10,720	10,799	20,582	21,952
Total Interest Expense	110,637	132,082	227,259	259,693
Net Interest Income	144,400	146,852	288,244	288,570
Provision for Loan Losses	13,948	41,982	26,538	60,285
Net Interest Income After Provision for Loan Losses	130,452	104,870	261,706	228,285
Non-Interest Income				
Trust Income	14,408	13,871	29,983	27,831
Service Charges on Deposit Accounts	7,675	8,680	17,070	16,894
Fees, Exchange, and Other Service Charges	22,618	18,735	44,616	37,645
Other Operating Income	12,094	8,557	24,449	16,956
Investment Securities Gains	6,818	(45)	8,665	3,336
Total Non-Interest Income	63,613	49,798	124,783	102,662
Non-Interest Expense				
Salaries	50,483	49,445	101,325	95,710
Pensions and Other Employee Benefits	14,907	12,725	29,950	27,632
Net Occupancy Expense	11,810	10,799	24,078	21,907

Net Equipment Expense	11,685	12,112	23,812	22,867
Other Operating Expense	43,147	46,886	87,500	85,302
Restructuring Charge	-	19,400	-	19,400
Minority Interest	96	349	303	601
Total Non-Interest Expense	132,128	151,716	266,968	273,419
Income Before Income Taxes	61,937	2,952	119,521	57,528
Provision for Income Taxes	23,475	(144)	45,642	20,412
Net Income	$38,462	$3,096	$73,879	$37,116
Basic Earnings Per Share	$0.48	$0.04	$0.92	$0.47
Diluted Earnings Per Share	$0.47	$0.04	$0.91	$0.46
Dividends Declared Per Share	$0.17	$0.1625	$0.34	$0.325
Basic Weighted Average Shares	80,302,154	80,258,217	80,361,529	80,070,764
Diluted Weighted Average Shares	81,121,840	81,416,341	81,263,475	81,170,893

Pacific Century Financial Corporation and subsidiaries
Consolidated Statements of Shareholders' Equity (Unaudited)

(in thousands of dollars)	Total	Common Stock	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Comprehensive Income
Balance at December 31, 1998	$1,185,594	$805	$342,932	($22,476)	$867,852	($3,519)	
Comprehensive Income							
Net Income	73,879	0	-	-	73,879	-	$73,879
Other Comprehensive Income, Net of Tax							
Investment Securities, Net of							
Reclassification Adjustment	(16,470)	-	-	(16,470)	-	-	(16,470)
Foreign Currency Translation Adjustment	(299)	-	-	(299)	-	-	(299)
Total Comprehensive Income							$57,110
Common Stock Issued							
81 Profit Sharing Plan	370	-	3	0	(9)	376	
21,196 Stock Option Plan	4,952	-	2,264	0	(1,653)	4,341	
4,276 Dividend Reinvestment Plan	2,335	-	136	0	(47)	2,246	
6,179 Directors' Restricted Shares and Deferred Compensation Plan	133	-	133	0	0	0	
Treasury Stock Purchased	(8,944)	-	0	0	0	(8,944)	
Cash Dividends Paid	(27,336)	-	0	0	(27,336)	0	
Balance at June 30, 1999	$1,214,214	$805	$345,468	($39,245)	$912,686	($5,500)	
Balance at December 31, 1997	$1,117,207	$159,369	$168,920	($24,766)	$813,684	$-	
Comprehensive Income							
Net Income	37,116	-	-	-	37,116	-	$37,116
Other Comprehensive Income, Net of Tax							
Investment Securities, Net of							
Reclassification Adjustment	502	-	-	502	-	-	502
Foreign Currency Translation Adjustment	(1,694)	-	-	(1,694)	-	-	(1,694)
Total Comprehensive Income							$35,924
Common Stock Issued							
125,889 Profit Sharing Plan	2,851	224	2,627	-	-	-	
431,140 Stock Option Plan	7,188	529	6,659	-	-	-	
138,738 Dividend Reinvestment Plan	3,233	199	3,034	-	-	-	
4,721 Directors' Restricted Shares and Deferred Compensation Plan	115	2	113	-	-	-	
Change in par value of common stock from $2.00 per share to $.01 per share	0	(159,519)	159,519	-	-	-	
Cash Dividends Paid	(26,044)	-	-	-	(26,044)	-	
Balance at June 30, 1998	$1,140,474	$804	$340,872	($25,958)	$824,756	$-	

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

Six Months ended June 30 (in thousands of dollars)	1999	1998
Operating Activities		
Net Income	$73,879	$37,116
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses, depreciation, and amortization of income and expense	29,151	58,936
Deferred income taxes	12,033	147
Realized and unrealized investment security gains	(8,771)	(3,549)
Other assets and liabilities, net	(46,954)	6,242
Net cash provided by operating activities	59,338	98,892
Investing Activities		
Proceeds from redemptions of investment securities held to maturity	169,514	380,782
Purchases of investment securities held to maturity	(345,061)	(73,215)
Proceeds from sales of investment securities available for sale	1,083,400	1,101,307
Purchases of investment securities available for sale	(803,809)	(1,246,336)
Net decrease (increase) in interest-bearing deposits	48,788	(180,067)
Net decrease in funds sold	6,363	48,742
Net decrease in loans and lease financing	253,071	256,805

Premises and equipment, net	(13,311)	(24,093)
Purchase of Paribas Bank, net of cash and non-interest bearing deposits acquired	--	6,327
Purchase of Triad Insurance Agency, Inc. net of cash and non-interest bearing deposits acquired	(2,183)	--
Purchase of additional interest in Bank of Hawaii Nouvelle Caledonie, net of cash and non-interest bearing deposits acquired	(642)	--
Purchase of additional interest in Banque de Tahiti, net of cash and non-interest bearing deposits acquired	(633)	--
Net cash provided by investing activities	395,497	270,252
Financing Activities		
Net decrease in demand, savings, and time deposits	(315,977)	(372,670)
Proceeds from lines of credit and long-term debt	276,789	--
Principal payments on lines of credit and long-term debt	(207,688)	(41,726)
Net decrease in short-term borrowings	(248,965)	(160,176)
Net proceeds (payments) from sale of stock	(1,154)	13,387
Cash dividends	(27,336)	(26,044)
Net cash used by financing activities	(524,331)	(587,229)
Effect of exchange rate changes on cash	(1,264)	(1,694)
Decrease in cash and non-interest bearing deposits	(70,760)	(219,779)
Cash and non-interest bearing deposits at beginning of year	564,243	795,332
Cash and non-interest bearing deposits at end of period	$493,483	$575,553

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Pacific Century Financial Corporation (Pacific Century) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the consolidated financial statements reflect all adjustments of a normal and recurring nature, including adjustments related to completed acquisitions which are necessary for a fair presentation of the results for the interim periods, and should be read in conjunction with the audited consolidated financial statements and related notes included in Pacific Century's 1998 Annual Report to Shareholders. Operating results for the six months ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999.

International operations include certain activities located domestically in Hawaii, as well as branches and subsidiaries domiciled outside the United States. The operations of Bank of Hawaii and First Savings and Loan Association of America located in the West and South Pacific that are denominated in U.S. dollars are classified as domestic. Pacific Century's international operations are located in Japan, South Korea, Singapore, Hong Kong, Taiwan, French Polynesia, New Caledonia, Papua New Guinea and Vanuatu.

Certain amounts in prior period financial statements have been reclassified to conform to the 1999 presentation.

Note 2. Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities." This statement standardizes the accounting for derivative instruments by requiring the recognition of those instruments as assets or liabilities in the statement of financial condition, measured at fair value. Gains or losses resulting from changes in the fair values of derivatives would be accounted for depending on the use of the derivatives and whether they qualify for hedge accounting. In order to qualify for hedge accounting, the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows. SFAS No. 133 requires matching the timing of gain or loss recognition on derivative instruments with the recognition of the changes in the fair value of the hedged asset or liability that is attributed to the hedged risk or the effect on earnings of the hedged forecasted transaction.

In June 1999, the FASB issued SFAS No. 137 "Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 defers the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. The adoption of SFAS No. 133 is not expected to have a material impact on Pacific Century's financial position or results of operations.

Note 3. Acquisitions

In January 1999, Pacific Century acquired Triad Insurance Agency, Inc. (Triad), a major Hawaii-based property/casualty insurance agency. In Hawaii, Triad represents a number of large U.S. property/casualty insurance companies for whom it acts as a servicing agent. The merger, accounted for as a purchase, will expand Pacific Century's range of financial services, which it can offer to customers. Goodwill of approximately $4 million is being amortized over 15 years on a straight-line basis.

In June 1999, Pacific Century agreed to increase its ownership in the Bank of Queensland by acquiring 5.8 million shares, or approximately 10%, of that company's outstanding common stock. This will bring Pacific Century's ownership stake in the Bank of Queensland to approximately 17%. The transaction is expected to close in the third quarter of this year, pending regulatory approval, and will strengthen and enhance the strategic alliance between the two banks that began in 1997.

Note 4. Earnings Per Share

For the three and six months ended June 30, 1999 and 1998, there were no adjustments to net income (the numerator) for purposes of computing basic and diluted earnings per share (EPS). The weighted average shares (the denominator) for computing basic and diluted EPS for the three and six months ended June 30, 1999 and 1998 are presented in the Consolidated Statements of Income. Included in the weighted average shares for computing EPS is the dilutive effect of stock options of 819,686 and 1,158,124 shares for the three months ended June 30, 1999 and 1998, respectively, and 901,946 and 1,100,129 for the first six months ended June 30, 1999 and 1998, respectively.

Note 5. Income Taxes

The provision for income taxes is computed by applying statutory federal and state income tax rates to income before income taxes as reported in the Consolidated Statements of Income after adjusting for non-taxable items, principally from certain state tax adjustments, tax exempt interest income, bank owned life insurance income and tax credits for low income housing, foreign taxes and investment tax credits.

Note 6. Restructuring Charge

In the second quarter of 1998, Pacific Century recognized a pre-tax restructuring charge of $19.4 million in connection with its strategic actions to accelerate expense reduction and improve efficiency. These actions primarily included the merger in Hawaii of First Federal Savings and Loan Association of America with Bank of Hawaii, and the merger of Pacific Century Bank, N.A. and California United Bank into a single nationally chartered entity. In August 1998, the consolidation of Pacific Century's two U.S. Mainland banks was consummated under the name Pacific Century Bank, N.A. The merger of the two Hawaii-based companies was completed as of September 30, 1998 and resulted in the closing of 19 thrift branches and eight Bank of Hawaii branches during 1998. Also, as part of the restructuring plan, Bank of Hawaii's credit card services activities were outsourced in the fourth quarter of 1998 to a third party vendor.

The restructuring charge included expected direct and incremental costs associated with these consolidations and initiatives and consisted of $9.1 million for lease termination costs, $5.4 million for disposal of fixed assets, $1.6 million for staff reduction, and $3.3 million for data processing and other costs. As of December 31, 1998, the balance in the restructuring accrual was $9.6 million, of which $7.8 million related to termination of lease obligations. During the first six months of 1999, the amount utilized from the restructuring accrual totaled $2.1 million, leaving the balance of the restructuring accrual at $7.5 million, most of which related to the termination of lease obligations.

Since the establishment of the restructuring accrual, no adjustments have been made to revise the accrual. Pacific Century believes that the restructuring accrual as of June 30, 1999 remains adequate to complete the planned initiatives.

Note 7. Business Segments

Pacific Century is a financial services organization that maintains a broad presence throughout the Pacific region. Pacific Century has aligned its operations into the following four major geographic business segments: Hawaii, the Pacific, Asia, and the U.S. Mainland. In addition, the Treasury and Other Corporate segment includes corporate asset and liability management activities and the unallocated portion of various administrative and support units. Descriptions of these business segments are included in Pacific Century's 1998 Annual Report to Shareholders on pages 93-95. There have been no significant changes to Pacific Century's business segments since year-end 1998.

Line of business results are determined based on Pacific Century's internal financial management reporting process and organization structure. The financial management reporting process uses various techniques to assign and transfer balance sheet and income statement amounts between business units. In measuring line of business financial performance, Pacific Century utilizes certain accounting practices that differ from generally accepted accounting principles. Accordingly, certain balances reflected in the line of business report differ from the corresponding amounts in the Consolidated Financial Statements. Accounting practices and other key elements of Pacific Century's line of business financial management reporting is discussed in Pacific Century's 1998 Annual Report to Shareholders.

From time to time, Pacific Century's line of business management reporting process may change based on refinements in segment reporting policies or changes in accounting systems, information systems, organizational structure, or product lines. These changes could result in a realignment of business lines or modifications to allocation and transfer methodologies. Should material changes be made to the financial management reporting process, prior period reports would be restated.

Presented below are the financial results for each of Pacific Century's major market segments for the three and six months ended June 30, 1999 and 1998.

Line of Business Selected Financial Information

(in thousands of dollars)	Hawaii	Pacific	Asia	U. S. Mainland	Treasury and Other Corporate	Consolidated Total
Three Months Ended June 30, 1999						
Net Interest Income	$72,727	$28,893	$9,674	$25,779	$7,327	$144,400
Economic Provision (1)	(7,950)	(3,406)	(1,169)	(2,662)	1,239	(13,948)
Risk-Adjusted Net Interest Income	64,777	25,487	8,505	23,117	8,566	130,452
Non-Interest Income	31,222	9,870	4,419	7,010	11,092	63,613
Total Risk-Adjusted Revenue	95,999	35,357	12,924	30,127	19,658	194,065
Non-Interest Expense	71,382	26,461	6,399	17,255	10,631	132,128
Net Income Before Income Taxes	24,617	8,896	6,525	12,872	9,027	61,937
Income Taxes (3)	(10,847)	(3,895)	(2,682)	(649)	(5,402)	(23,475)
Net Income	$13,770	$5,001	$3,843	$12,223	$3,625	$38,462
Total Assets	$5,111,287	$2,377,871	$1,148,773	$2,722,478	$3,191,049	$14,551,458

Three Months Ended June 30, 1998						
Net Interest Income	$69,624	$32,157	$10,485	$25,478	$9,108	$146,852
Economic Provision (1)	(9,152)	(3,124)	(1,253)	(2,754)	(25,699)	(41,982)
Risk-Adjusted Net Interest Income	60,472	29,033	9,232	22,724	(16,591)	104,870
Non-Interest Income	30,453	11,305	2,686	2,874	2,480	49,798
Total Risk-Adjusted Revenue	90,925	40,338	11,918	25,598	(14,111)	154,668
Non-Interest Expense (2)	70,305	30,273	5,988	18,011	27,139	151,716
Net Income Before Income Taxes	20,620	10,065	5,930	7,587	(41,250)	2,952
Income Taxes (3)	(8,415)	(3,867)	(2,222)	(29)	14,677	144
Net Income	$12,205	$6,198	$3,708	$7,558	($26,573)	$3,096
Total Assets	$5,245,751	$2,503,244	$867,966	$2,733,337	$3,380,812	$14,731,110

(1) The economic provision for loan losses reflects the expected normalized loss factor determined by a statistically applied approach that considers risk factors, including historical loss experience, within a given portfolio. The economic provision differs from the provision determined under generally accepted accounting principles. The difference between the sum of the economic provision allocated to business segments and the provision in the consolidated financial statements is included in Treasury and Other Corporate.
(2) Non-interest expense for the Treasury and Other Corporate segment included a restructuring charge of $19.4 million.
(3) Tax benefits are allocated to the business segment to which they relate. In the quarters ended June 30, 1999 and 1998, income taxes for the U. S. Mainland segment included $3.5 million and $2.9 million, respectively, in tax benefits from low income housing tax credits and investment tax credits.

Line of Business Selected Financial Information

(in thousands of dollars)	Hawaii	Pacific	Asia	U. S. Mainland	Treasury and Other Corporate	Consolidated Total
Six Months Ended June 30, 1999						
Net Interest Income	$145,545	$59,794	$18,425	$51,964	$12,516	$288,244
Economic Provision (1)	(16,864)	(6,789)	(2,396)	(5,613)	5,124	(26,538)
Risk-Adjusted Net Interest Income	128,681	53,005	16,029	46,351	17,640	261,706
Non-Interest Income	62,043	21,208	8,640	9,839	23,053	124,783
Total Risk-Adjusted Revenue	190,724	74,213	24,669	56,190	40,693	386,489
Non-Interest Expense	143,901	54,363	13,159	34,727	20,818	266,968
Net Income Before Income Taxes	46,823	19,850	11,510	21,463	19,875	119,521
Income Taxes (3)	(20,452)	(8,436)	(4,644)	(2,369)	(9,741)	(45,642)
Net Income	$26,371	$11,414	$6,866	$19,094	$10,134	$73,879
Total Assets	$5,111,287	$2,377,871	$1,148,773	$2,722,478	$3,191,049	$14,551,458
Six Months Ended June 30, 1998						
Net Interest Income	$144,358	$58,107	$18,470	$50,374	$17,261	$288,570
Economic Provision (1)	(18,275)	(6,196)	(2,531)	(5,486)	(27,797)	(60,285)
Risk-Adjusted Net Interest Income	126,083	51,911	15,939	44,888	(10,536)	228,285
Non-Interest Income	57,726	20,753	7,884	5,667	10,632	102,662
Total Risk-Adjusted Revenue	183,809	72,664	23,823	50,555	96	330,947
Non-Interest Expense (2)	141,104	53,265	12,219	35,476	31,355	273,419
Net Income Before Income Taxes	42,705	19,399	11,604	15,079	(31,259)	57,528
Income Taxes (3)	(17,912)	(7,708)	(4,485)	(988)	10,681	(20,412)
Net Income	$24,793	$11,691	$7,119	$14,091	($20,578)	$37,116
Total Assets	$5,245,751	$2,503,244	$867,966	$2,733,337	$3,380,812	$14,731,110

(1) The economic provision for loan losses reflects the expected normalized loss factor determined by a statistically applied approach that considers risk factors, including historical loss experience, within a given portfolio. The economic provision differs from the provision determined under generally accepted accounting principles. The difference between the sum of the economic provision allocated to business segments and the provision in the consolidated financial statements is included in Treasury and Other Corporate.
(2) Non-interest expense for the Treasury and Other Corporate segment included a restructuring charge of $19.4 million.
(3) Tax benefits are allocated to the business segment to which they relate. For the six months ended June 30, 1999 and 1998, income taxes for the U. S. Mainland segment included $6.3 million and $5.6 million, respectively, in tax benefits from low income housing tax credits and investment tax credits.

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

PERFORMANCE HIGHLIGHTS

Pacific Century Financial Corporation (Pacific Century) reported earnings for the three months ended June 30, 1999 of $38.5 million, significantly higher than the $3.1 million reported for the same period in 1998. Earnings for the second quarter of 1999 included a non-recurring pre-tax gain resulting from sale of newly issued equity securities acquired in conjunction with leasing transactions. Basic and diluted earnings per share in the second quarter of 1999 were $0.48 and $0.47, respectively. Comparatively, both basic and diluted earnings per share were $0.04 for the same period last year.

Earnings in the first six months of 1999 totaled $73.9 million, a 99% increase from $37.1 million in the same year earlier period. Basic earnings per share were $0.92 in the first six months of 1999, up from $0.47 in the comparable 1998 period. Diluted earnings per share were $0.91 for the six months ended June 30, 1999, compared to $0.46 in the like year ago period.

Year-over-year comparability in earnings is impacted by special charges in the second quarter of 1998, that included a pre-tax restructuring charge of $19.4 million and a significant increase in the provision for loan losses.

Performance ratios for the three and six months ended June 30, 1999 reflected significant improvement over 1998. In the second quarter of 1999, return on average assets (ROAA) and return on average equity (ROAE) increased to 1.05% and 12.72%, respectively from 0.08% and 1.08% in the like 1998 period. For the six months ended June 30, 1999, ROAA and ROAE were 1.01% and 12.36%, compared to 0.50% and 6.53%, respectively, in the same year ago period. For the full year of 1998, ROAA was 0.72% and ROAE was 9.21%.

Pacific Century has accounted for all of its business acquisitions under the purchase method, which has resulted in the recognition of goodwill and other intangible assets. These intangible assets are amortized over various periods as a non-cash charge to operating income. Operating results under a tangible performance basis excludes from reported earnings the after tax impact of amortization of all intangibles, including goodwill. On a tangible performance basis, Pacific Century's earnings in the second quarter of 1999 were $42.3 million, up from $7.4 million for the same quarter in 1998. Tangible earnings in the first half of 1999 and 1998 were $81.5 million and $43.9 million, respectively. On a per share basis, tangible diluted earnings per share were $0.52 and $0.09 in the second quarters of 1999 and 1998, respectively, and were $1.00 and $0.54 in the first six months of 1999 and 1998, respectively.

Second quarter tangible ROAA for Pacific Century was 1.18% in 1999 and 0.20% in 1998. Tangible ROAE was 17.01% and 3.25% for the similar quarters of 1999 and 1998, respectively. In the first six months of 1999 tangible ROAA and ROAE were 1.13% and 16.62%, respectively, compared to 0.60% and 9.58%, respectively, in the first half of 1998.

On a taxable equivalent basis, net interest income for the three and six months ended June 30, 1999 were $144.6 million and $288.5 million, respectively, reflecting a slight decline from $147.0 million and $288.9 million in the same year ago periods. The decline in net interest income is attributed to a decrease in average earning assets that was partially offset by a rise in net interest margin between the periods.

Total assets at June 30, 1999 stood at $14.6 billion relative to $14.7 billion at June 30, 1998 and $15.0 billion at December 31, 1998. The decline in total assets is the result of managed reductions in less productive assets such as cash and non-interest bearing deposits and short-term interest bearing deposits and securities. Average assets in the second quarter and first half of 1999 were down 5.4% and 1.4%, respectively, from the same year-earlier periods.

Non-performing assets (NPAs), exclusive of accruing loans past due 90 days or more, ended 1999's second quarter at $149.4 million, or 1.55% of total loans, down $13.9 million from $163.3 million at the March 1999 quarter-end. Comparatively, NPAs were $139.3 million, or 1.47% of total loans at June 30, 1998.

The reserve for loan losses totaled $209.6 million at the end of June 1999, representing 2.23% of loans outstanding, compared to $204.0 million and 2.20%, respectively, on the same date in 1998. Net charge-offs for the second quarter of 1999 were $12.7 million, or 0.54% of average loans, compared to $10.8 million and 0.46%, respectively, in 1999's first quarter and

$26.0 million, or 1.08% in the second quarter of 1998. For the first six months of 1999 net charge-offs were $23.5 million, down from $43.9 million in the like period last year. In the current quarter, provisions for loan losses of $13.9 million were charged to income, up from $12.6 million for the quarter ended March 31, 1999 and down from $42.0 million in the same 1998 period. For the six months ended June 30, 1999 and 1998 provision for loan losses were $26.5 million and $60.3 million, respectively. The higher 1998 loan loss provision reflects a build up in reserves during the second quarter of 1998 to cover the increase in NPAs and net charge-offs.

Performance Highlights
Table 1

(in millions of dollars except per share amounts)

Earnings Highlights and Performance Ratios	1999	1998	Percentage Change
Three Months Ended June 30			
Net Income	$38.5	$3.1	1142.3%
Basic Earnings Per Share	0.48	0.04	1100.0%
Diluted Earnings Per Share	0.47	0.04	1075.0%
Cash Dividends	13.6	13.1	
Return on Average Assets	1.05%	0.08%	
Return on Average Equity	12.72%	1.08%	
Average Spread on Earning Assets	4.28%	4.21%	
Efficiency Ratio	65.67%	77.13%	
Six Months Ended June 30			
Net Income	$73.9	$37.1	99.0%
Basic Earnings Per Share	0.92	0.47	95.7%
Diluted Earnings Per Share	0.91	0.46	97.8%
Cash Dividends	27.3	26.0	
Return on Average Assets	1.01%	0.50%	
Return on Average Equity	12.36%	6.53%	
Average Spread on Earning Assets	4.26%	4.25%	
Efficiency Ratio	66.02%	70.49%	

Summary of Results Excluding the Effect of Intangibles (a)

Three Months Ended June 30			
Tangible Net Income	$42.3	$7.4	470.0%
Tangible Basic Earnings per Share	0.53	0.09	488.9%
Tangible Diluted Earnings per Shar	0.52	0.09	477.8%
Tangible Return on Average Assets	1.18%	0.20%	
Tangible Return on Average Equity	17.01%	3.25%	
Tangible Efficiency Ratio	63.53%	75.19%	
Six Months Ended June 30			
Tangible Net Income	$81.5	$43.9	85.7%
Tangible Basic Earnings per Share	1.01	0.55	83.6%
Tangible Diluted Earnings per Shar	1.00	0.54	85.2%
Tangible Return on Average Assets	1.13%	0.60%	
Tangible Return on Average Equity	16.62%	9.58%	
Tangible Efficiency Ratio	63.89%	68.52%	

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

Forward-Looking Statements

This report contains forward-looking statements regarding Pacific Century's beliefs, estimates, projections and assumptions. Although Pacific Century believes that its expectations are based on reasonable assumptions, there can be no assurance that such assumptions will ultimately materialize. Forward-looking statements are contained in various sections of this report including those covering the Overview, International Operations, Market Risk and Year 2000. These forward-looking statements are subject to risks and uncertainties, and accordingly, actual results could differ significantly from those stated or implied by such forward-looking statements. Factors that might cause differences to occur include, but are not limited to, economic conditions in the markets Pacific Century serves and those that impact Hawaii, the U.S. Mainland and Asian economies, fluctuations in interest rates, changes in currencies of Asian Rim and South Pacific countries relative to the U.S. dollar, credit quality, and changes in applicable federal, state, and foreign income tax laws and regulatory and monetary policies, and the nature and level of competition. Additional forward-looking statements that could significantly differ from estimates include uncertainties relating to Pacific Century's efforts to prepare its systems and technology for Year 2000 readiness, as well as uncertainties relating to the ability of third parties with whom Pacific Century has business relationships to address Year 2000 issues in a timely and adequate manner.

LINE OF BUSINESS FINANCIAL REVIEW

Pacific Century is a financial services organization that maintains a broad presence throughout the Pacific region and operates through a unique trans-Pacific network of locations. Pacific Century's activities are conducted primarily through approximately 180 branches and representative and extension offices (including branches of affiliate banks). Its staff of approximately 5,000 employees provide diverse financial products and services to individuals, businesses, governmental agencies and financial institutions.

Pacific Century assesses the financial performance of its operating components primarily in accordance with geographic areas of operations. For business segment reporting, Pacific Century has aligned its operations into the following four major geographic segments: Hawaii, the Pacific, Asia, and the U.S. Mainland. In addition, there is also a segment for Treasury and Other Corporate. A further discussion of these segments and the reporting process is included in the 1998 Annual Report to Shareholders.

Note 7 to the Consolidated Financial Statements presents the line of business financial reports for Pacific Century's major market segments for the three and six months ended June 30, 1999 and 1998. Because the market segment financial report is prepared in accordance with accounting practices that could differ from generally accepted accounting principles, the amounts reflected therein may not agree with the corresponding amounts reported in the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

In addition to the performance measurements in the line of business financial report, Pacific Century also utilizes risk-adjusted return on capital (RAROC) to assess business segment performance. RAROC is the ratio of net income to risk-adjusted equity. Equity is allocated to business units based on various risk factors inherent in the operations of each unit. A second performance measurement is net income after capital charge (NIACC). NIACC is net income available to common shareholders less a charge for allocated capital. The cost of capital is based on the estimated minimum rate of return expected by the financial markets. The minimum rate of return consists of the following components: the long-term government bond rate plus an additional level of return for the average risk premium of an equity investment adjusted for Pacific Century's market risk. Over the past few years the cost of capital has fluctuated between 12% to 15%.

Hawaii Market

Pacific Century's oldest and largest market is Hawaii, where operations are conducted primarily through its principal subsidiary, Bank of Hawaii. Bank of Hawaii was established in 1897, and is the largest bank headquartered in the State of Hawaii offering a wide array of financial products and services. Bank of Hawaii operates through 72 branches in Hawaii, including both traditional full-service branches and in-store locations.

Within the Hawaii segment, line of business results are divided into retail and commercial operating units. Retail operating units service and sell a broad line of consumer financial products. These units include consumer deposits, consumer lending, residential real estate lending, auto financing, credit cards, and private and institutional services (trust, mutual funds, and stock brokerage).

For the quarter ended June 30, 1999, the Hawaii segment contributed $13.8 million in net income an increase from the $12.2 million reported for the second quarter of 1998. RAROC for this segment rose to 15% for the second quarter of 1999 from 13% in the same quarter of 1998. Year-over-year total assets in the Hawaii segment declined to $5.1 billion at June 30, 1999 from $5.2 billion at June 30, 1998 and $5.3 billion at year-end 1998.

For the six months ended June 30, 1999, net income for the Hawaii segment was up 6.4% to $26.4 million from $24.8 million in the same year-earlier period. RAROC rose to 14% in the first six months of 1999 from 13% in the comparable 1998 period.

Pacific Market

Pacific Century's Intra-Pacific region spans island nations across the West and South Pacific. Pacific Century is the only United States financial institution to have such a broad presence in this region.

Pacific Century serves the West Pacific through branches of both Bank of Hawaii and First Savings and Loan Association of America (First Savings).

Pacific Century's presence in the South Pacific includes various subsidiary and affiliate banks and branches of Bank of Hawaii. Principal subsidiaries in the South Pacific are located in French Polynesia and New Caledonia. The Bank of Hawaii locations in this region consist of three branches in Fiji and two branches in American Samoa.

Net income in the Pacific segment was $5.0 million for the quarter ended June 30, 1999 compared with $6.2 million in the second quarter of 1998. The higher 1998 net income is attributed to the June 1998 Banque Paribas acquisitions, which called for the recognition of income from the beginning of 1998. RAROC, including the amortization of intangibles for this segment, declined to 10% in the second quarter of 1999 from 14% for the same quarter in 1998. Total assets in the Pacific segment decreased to $2.4 billion at the end of June 1999, from $2.5 billion a year ago. Comparatively total assets at year-end 1998 were $2.4 billion.

For the first six months of 1999, net income for the Pacific segment was $11.4 million, almost level with the $11.7 million reported in the same period last year. Year-to-date RAROC for the Pacific segment decreased to 11% in 1999 from 13% for the first six months of 1998.

Asia Market

Pacific Century operates in Asia through Bank of Hawaii branches in Hong Kong, Japan, Singapore, South Korea and Taiwan and a representative office with extensions in the Philippines.

Pacific Century's business focus in Asia is correspondent banking and trade financing. The lending emphasis is on short-term loans based on cash flows. Pacific Century's network of locations in the Pacific and its presence on the U.S. Mainland help customers facilitate the flow of business and investment transactions across Asia-Pacific.

For the quarter ended June 30, 1999, net income in the Asia segment was $3.8 million, compared to $3.7 million for the same quarter in 1998. RAROC for this segment was 18% in the second quarter of 1999, compared to 16% for the same quarter in 1998. As of June 30, 1999, June 30, 1998 and December 31, 1998, total assets in the Asia segment were $1.1 billion, $0.9 billion and $1.0 billion, respectively.

For the six months ended June 30, 1999, net income for the Asia segment was $6.9 million, compared to $7.1 million in the first half of 1998. RAROC for the Asia segment was 16% and 15% for the six months ended June 30, 1999 and 1998, respectively.

For additional information on Asia, see the "International Operations" section in this report.

U.S. Mainland Market

Pacific Century's U.S. Mainland segment includes Pacific Century Bank, N.A. (PCB) and Bank of Hawaii operating units for large corporate lending and leasing.

In the second quarter of 1999, the U.S. Mainland segment contributed net income of $12.2 million, up from $7.6 million in the same year ago quarter. Comparison between 1999 and 1998 reflect a pretax security gain of $6.5 million relative to the sale of newly issued equity securities acquired in conjunction with leasing transactions. Net income for the three months ended June 30, 1999 and 1998, included tax benefits of $3.5 million and $2.8 million, respectively, from low income housing tax credits and investment tax credits. RAROC, including the amortization of intangibles for this segment was 17% in the second quarter of 1999, improving significantly from 11% for the same quarter in 1998. As of June 30, 1999, June 30, 1998 and December 31, 1998, total assets in the U.S. Mainland segment were $2.7 billion, $2.7 billion and $2.6 billion, respectively.

For the first six months of 1999, net income for the U.S. Mainland segment was $19.1 million, a 35.5% increase over $14.1 million in the like 1998 period. Included in net income were tax benefits from low income housing tax credits and investment tax credits of $6.3 million and $5.6 million for the six months ended June 30, 1999 and 1998, respectively. RAROC for the U.S. Mainland segment was 14% and 10% in the first six months of 1999 and 1998, respectively.

Treasury and Other Corporate

The primary operations in this segment is Treasury, which consists of corporate asset and liability management activities including investment securities, federal funds purchased and sold, government deposits, short and long-term borrowings, and derivative activities for managing interest rate and foreign currency risks. Additionally, the net residual effect of transfer pricing assets and liabilities is included in Treasury, as is any corporate-wide interest rate risk.

The Treasury and Other Corporate segment reflected net income of $3.6 million in the second quarter of 1999, compared to a net loss of $26.6 million for the same quarter in 1998. The second quarter 1998 loss reflected an increase in the consolidated provision for loan losses that exceeded the economic provision and a pre-tax restructuring charge of $19.4 million. At June 30, 1999, June 30, 1998 and year-end 1998 this segment held assets of $3.2 billion, $3.4 billion, and $3.7 billion, respectively.

For the six months ended June 30, 1999 and 1998, net income for the Treasury and Other Corporate segment was $10.1 million, compared to a net loss of $20.6 million. As previously mentioned, the 1998 loss reflected special charges.

STATEMENT OF INCOME ANALYSIS

Comparability between periods in the Consolidated Statements of Income is impacted by the timing of the January 1999 acquisition of Triad and the restructuring charge recognized in the second quarter of 1998.

Net Interest Income

In the second quarter of 1999, net interest income on a taxable equivalent basis was $144.6 million, down from $147.0 million in the same year-earlier quarter. For the six months ended June 30, 1999, tax equivalent net interest income was $288.5 million almost equivalent to the $288.9 million in the first half of 1998. The decline in 1999's net interest income reflected a year-over-year drop in average earning assets of $453 million and $48 million in the second quarter and first six months of 1999, respectively. The large second quarter decline in average earning assets is attributed to the accounting method used in recording the June 1998 Banque Paribas acquisitions.

In the second quarter of 1999, the average net interest margin on earning assets improved to 4.28% from 4.21% for the same quarter in 1998 and edged up in the first six months of 1999 to 4.26% from 4.25% in the comparable year ago period. The improvement in net interest margin was driven by lower cost of funds, which declined 57 basis points in the second quarter of 1999 to 4.04% from 4.61%. For the first six months of 1999, the cost of funds was 4.11% reflecting a decrease of 50 basis points from 4.61% in the same period last year. During these same periods, the yield on earning assets also fell, but by a lesser amount. The year-over-year decline in the yield on earning assets was 44 and 46 basis points in 1999's June quarter and first six months, respectively. Presented in Table 2 are average balances, yields, and rates paid for the three and six months ended June 30, 1999 and 1998.

Pacific Century Financial Corporation and subsidiaries
Consolidated Average Balances and Interest Rates Taxable Equivalent (Unaudited)

Table 2

(in millions of dollars)	Three Months Ended June 30, 1999 Average Balance	Income Expens	Yield/ Rate	Three Months Ended June 30, 1998 Average Balance	Income Expens	Yield/ Rate
Earning Assets						
Interest Bearing Deposits	$458.9	$6.5	5.65%	$593.7	$10.7	7.24%
Investment Securities Held to Maturity						
-Taxable	831.8	14.9	7.19	933.2	18.1	7.77
-Tax-Exempt	11.7	0.4	14.55	12.0	0.5	15.87
Investment Securities Available for Sale	2,715.0	41.9	6.19	2,763.7	42.6	6.18
Funds Sold	155.0	1.7	4.31	75.8	0.9	4.62
Net Loans						
-Domestic	7,696.3	150.0	7.82	7,622.5	160.2	8.43
-Foreign	1,676.7	28.1	6.71	1,997.2	34.4	6.91
Loan Fees		11.7			11.8	
Total Earning Assets	13,545.4	255.2	7.56	13,998.1	279.2	8.00
Cash and Due From Banks	485.1			619.2		
Other Assets	596.5			837.3		
Total Assets	$14,627.0			$15,454.6		
Interest Bearing Liabilities						
Domestic Dep- Demand	$2,145.7	12.0	2.25	$2,192.0	14.1	2.57
- Savings	728.7	3.7	2.03	794.9	4.9	2.46
- Time	2,499.7	30.0	4.81	2,770.9	36.6	5.30
Total Domestic	5,374.1	45.7	3.41	5,757.8	55.6	3.87
Foreign Deposits						
- Time Due to Banks	681.1	8.3	4.89	510.7	10.2	7.99
- Other Time and Savings	1,155.2	9.5	3.28	1,328.0	13.0	3.91
Total Foreign	1,836.3	17.8	3.88	1,838.7	23.2	5.04
Total Interest Bearing Deposits	7,210.4	63.5	3.53	7,596.5	78.8	4.15
Short-Term Borrowings	3,107.3	36.4	4.71	3,189.8	42.6	5.36
Long-Term Debt	654.3	10.7	6.57	700.8	10.8	6.18
Total Interest Bearing Liabilities	10,972.0	110.6	4.04	11,487.1	132.2	4.61
Net Interest Income		144.6	3.52		147.0	3.39
Average Spread on Earning Assets			4.28%			4.21%
Demand Deposit- Domestic	1,669.5			1,681.6		

- Foreign	396.1			460.8		
Total Demand Deposits	2,065.6			2,142.4		
Other Liabilities	376.5			671.1		
Shareholders' Equity	1,212.9			1,154.0		
Total Liabilities and Shareholders' Equity	$14,627.0			$15,454.6		
Provision for Loan Losses		13.9			42.0	
Net Overhead		68.5			101.9	
Income Before Income Taxes		62.2			3.1	
Provision for Income Taxes		23.5			(0.1)	
Tax-Equivalent Adjustment		0.2			0.1	
Net Income		$38.5			$3.1	

Pacific Century Financial Corporation and subsidiaries
Consolidated Average Balances and Interest Rates Taxable Equivalent (Unaudited)

Table 2

(in millions of dollars)	Six Months Ended June 30, 1999 Average Balance	Income/ Expense	Yield/ Rate	Six Months Ended June 30, 1998 Average Balance	Income/ Expense	Yield/ Rate
Earning Assets						
Interest Bearing Deposits	$462.7	$14.7	6.40%	$481.8	$17.2	7.20%
Investment Securities Held to Maturity						
-Taxable	811.0	28.6	7.11	1,025.5	38.0	7.48
-Tax-Exempt	11.7	0.8	14.64	12.0	0.9	15.56
Investment Securities Available for Sale	2,764.9	83.7	6.10	2,663.8	84.0	6.36
Funds Sold	181.5	4.3	4.80	101.3	2.0	3.91
Net Loans						
-Domestic	7,737.0	307.0	8.00	7,656.5	322.7	8.50
-Foreign	1,695.1	55.4	6.59	1,771.4	61.2	6.97
Loan Fees		21.3			22.6	
Total Earning Assets	13,663.9	515.8	7.61	13,712.3	548.6	8.07
Cash and Due From Banks	501.2			589.8		
Other Assets	645.2			718.7		
Total Assets	$14,810.3			$15,020.8		
Interest Bearing Liabilities						
Domestic Dep- Demand	$2,154.8	24.0	2.25	$2,181.8	28.0	2.59
- Savings	731.9	7.4	2.02	809.2	10.0	2.47
- Time	2,554.9	61.5	4.86	2,821.9	75.4	5.39
Total Domestic	5,441.6	92.9	3.44	5,812.9	113.4	3.93
Foreign Deposits						
- Time Due to Banks	667.0	16.9	5.12	566.0	19.6	6.99
- Other Time and Savings	1,157.6	20.0	3.48	1,171.5	21.8	3.76
Total Foreign	1,824.6	36.9	4.08	1,737.5	41.4	4.81
Total Interest Bearing Deposits	7,266.2	129.8	3.60	7,550.4	154.8	4.13
Short-Term Borrowings	3,261.2	76.9	4.75	3,115.1	82.9	5.37
Long-Term Debt	631.1	20.6	6.58	697.4	22.0	6.35
Total Interest Bearing Liabilities	11,158.5	227.3	4.11	11,362.9	259.7	4.61
Net Interest Income		288.5	3.50		288.9	3.46
Average Spread on Earning Assets			4.26%			4.25%
Demand Deposit- Domestic	1,657.0			1,689.8		
- Foreign	422.0			366.9		
Total Demand Deposits	2,079.0			2,056.7		
Other Liabilities	367.9			454.7		
Shareholders' Equity	1,204.9			1,146.5		
Total Liabilities and Shareholders' Equity	$14,810.3			$15,020.8		
Provision for Loan Losses		26.5			60.3	
Net Overhead		142.2			170.7	

Income Before Income Taxes	119.8	57.9
Provision for Income Taxes	45.6	20.4
Tax-Equivalent Adjustment	0.3	0.4
Net Income	$73.9	$37.1

Provision for Loan Losses

The provision for loan losses was $13.9 million in the second quarter of 1999, down from $42.0 million for the same quarter in 1998. For the first six months of 1999, the provision for loan losses totaled $26.5 million, compared to $60.3 million in the like year ago period. The smaller 1999 provisions reflect a decline in net loan charge-offs. The provisions for loan losses in 1998 primarily reflected higher levels of gross loan charge-offs and an increase in NPAs. For further information on credit quality, refer to the section on "Credit Risk - Reserve for Loan Losses."

Non-Interest Income

Total non-interest income in the second quarter of 1999, was $63.6 million, compared to $49.8 million for the same quarter in 1998, an increase of 29.5%. For the first six months of 1999, total non-interest income was $124.8 million, up 21.5% over the same year-earlier period. Incremental non-interest income attributed to the Triad acquisition was approximately $2.0 million in the second quarter of 1999 and $4.2 million in the first half of 1999.

Non-Interest Income
Table 3

(in millions)	3 Months Ended June 30, 1999	3 Months Ended June 30, 1998	6 Months Ended June 30, 1999	6 Months Ended June 30, 1998
Trust Income	$14.4	$13.9	$30.0	$27.8
Service Charges on Deposit Accounts	7.7	8.7	17.1	16.9
Fees, Exchange and Other Service Charges	22.6	18.7	44.6	37.7
Other Operating Income	12.1	8.6	24.4	17.0
Investment Securities Gains	6.8	(0.1)	8.7	3.3
Total Non-Interest Income	$63.6	$49.8	$124.8	$102.7

Trust income for the second quarter of 1999 increased to $14.4 million, up 3.9% from the same quarter last year. Year-to-date trust income totaled $30.0 million, reflecting a 7.7% increase over the first half of 1998. Pacific Century continues to show growth in the trust category due in part, to organizational changes that have allowed relationship officers to deliver a wider array of financial services to customers. The Pacific Capital family of mutual funds and Hawaiian Tax Free Trust, which are managed by Pacific Century Trust, have continued to experience growth. The growth in these funds has contributed to the rise in 1999 trust income.

Service charges on deposit accounts for the June 1999 quarter decreased to $7.7 million, from $8.7 million in the second quarter of 1998. However, for the first six months of 1999, service charges from deposit accounts were ahead of the same year ago period by $0.2 million.

Fees, exchange and other service charges increased to $22.6 million for the second quarter of 1999, from $18.7 million in the same 1998 quarter. The year-to-date total for this category was $44.6 million in 1999, an increase of nearly $7.0 million, or 18.5%, over the first six months of 1998. Income generated from international activities including letter of credit and acceptance fees, profit on foreign currency, and exchange fees totaled $12.3 million for the first half of 1999, up $1.8 million, or 17.7% increase over the same period in 1998.

Mortgage servicing fees increased to $4.3 million in the first six months of 1999, up 12.4% from $3.8 million for the same period in 1998. This increase is due to the growth in Pacific Century's mortgage servicing portfolio to $2.4 billion at June 30, 1999 from $1.8 billion at June 30, 1998. The growth in the servicing portfolio reflected Bank of Hawaii's record level of residential loan originations in 1998 that totaled $1.06 billion, and the effects of continuing strong loan demand in 1999.

Also, included in fees, exchange and other service charges are fees earned through Pacific Century's ATM network. Pacific Century's ATM network at the end of June 1999 comprised 494 machines, compared to 492 at year-end 1998 and 489 a year ago. Fees generated by this network totaled $7.5 million in the first six months of 1999, up 59.4% from $4.7 million for the same quarter in 1998.

Other operating income in the second quarter of 1999 was $12.1 million, a 41.3% increase over the $8.6 million reported in the same quarter of 1998. Year-to-date other income increased 44.2% over the first half of 1998. This growth partly reflected the 1999 acquisition of Triad. For the three and six months ended June 30, 1999 Triad reported insurance commissions of approximately $2.0 million and $4.2 million, respectively.

Sales of investment securities during the second quarter of 1999 resulted in net investment securities gains of $6.8 million, compared to a small net loss in the same quarter last year. Approximately $6.5 million of the 1999 gain resulted from the sale of newly issued equity securities acquired in conjunction with leasing transactions. For the first six months of 1999, investment securities gains were $8.7 million, compared to $3.3 million in the same year-earlier period.

Non-Interest Expense

Total non-interest expense for the June 1999 quarter was $132.1 million, compared to $151.7 million in the similar quarter of 1998, a decrease of $19.6 million. Year-to-date total non-interest expense was $267.0 million, down 2.4% from the first six months of 1998. Comparisons between 1999 and 1998 reflect the restructuring charge recognized in the second quarter of 1998. Incremental non-interest expense attributed to the Triad acquisition was $1.7 million and $3.5 million for the three and six months ended June 30, 1999.

Non-Interest Expense
Table 4

(in millions)	3 Months Ended June 30, 1999	3 Months Ended June 30, 1998	6 Months Ended June 30, 1999	6 Months Ended June 30, 1998
Salaries	$50.5	$49.5	$101.3	$95.7
Pension and Other Employee Benefits	14.9	12.7	30.0	27.6
Net Occupancy Expense	11.8	10.8	24.1	21.9
Net Equipment Expense	11.7	12.1	23.8	22.9
Other Operating Expense	43.1	46.9	87.5	85.3
Restructuring Charge	-	19.4	-	19.4
Minority Interest	0.1	0.3	0.3	0.6
Total Non-Interest Expense	$132.1	$151.7	$267.0	$273.4

On February 17, 1998, Pacific Century announced a restructuring and redesign program to accelerate expense reduction, improve efficiency and enhance revenues. The program is described in Pacific Century's 1998 Annual Report to Shareholders.

In connection with the restructuring program, a pre-tax restructuring charge of $19.4 million was taken in the second quarter of 1998. The restructuring charge consists of direct and incremental costs that are primarily associated with closing facilities and reducing staff. Through June 30, 1999, $11.9 million of the restructuring accrual had been utilized leaving an unutilized balance of $7.5 million. During the first six months of 1999, $2.1 million was charged to the accrual. Pacific Century believes that the restructuring accrual as of June 30, 1999 remains adequate to complete the planned initiatives.

Pacific Century's restructuring program has continued in 1999 with a comprehensive redesign process to increase revenues and further improve efficiency. Pacific Century has contracted with a nationally recognized corporate redesign specialist to assist in this activity. The redesign timeline calls for a six-month process review and idea development phase that began in March 1999 followed by a twelve-month implementation phase. Since Pacific Century is still in the development stages of this redesign program, opportunities have not been quantified or realized. It is anticipated that the results of the redesign plan, along with any restructuring charge, will be announced in the third quarter of 1999.

Salaries and pension and other employee benefits expense totaled $65.4 million in the second quarter of 1999 compared to $62.2 million in the same quarter last year. For the first six months, total salaries and benefits rose 6.4% to $131.3 million from $123.3 million in the same period last year. Approximately $1.6 million of the year-to-date increase is attributed to the Triad acquisition. The Year 2000 project also continues to affect salaries and benefits for 1999.

Net occupancy and equipment expense in the June 1999 quarter increased to $23.5 million from $22.9 million for the same period in 1998. For the first six months of 1999, net occupancy and equipment expense totaled $47.9 million, up 7.0% from $44.8 million in the similar period last year.

Other operating expense decreased to $43.1 million in the second quarter of 1999, an 8.0% decline from $46.9 million for the same quarter in 1998. Year-to-date other operating expense, however, increased $2.2 million to $87.5 million from $85.3 million in the first half of 1998. Approximately $1.7 million of the 1999 year-to-date increase was due to the Triad acquisition. Also contributing to the increase were consulting and other professional fees including those related to the Year 2000 project.

Pacific Century utilizes the efficiency ratio as a tool to manage non-interest income and expense. The efficiency ratio is derived by dividing non-interest expense by net operating revenue (net interest income plus non-interest income before securities transactions). For the second quarter and first six months of 1999, the efficiency ratio was 65.7% and 66.0%, respectively. Comparatively, this ratio was 77.1% in the same quarter last year and 70.5% in the first half of 1998. Excluding the restructuring charge the efficiency ratio was 65.5% for the six months ended June 30, 1998.

BALANCE SHEET ANALYSIS

Loans

Loans comprise the largest category of earning assets for Pacific Century and produce the highest level of earnings. At June 30, 1999, loans outstanding were $9.6 billion, compared to $9.9 billion at year-end 1998 and $9.5 billion at June 30, 1998.

Pacific Century's objective is to maintain a diverse loan portfolio in order to spread credit risk and reduce exposure to economic downturns that may impact different markets and industries. The composition of the loan portfolio is regularly monitored to ensure diversity as to loan type, geographic distribution, and industry and borrower concentration.

Table 5 presents the composition of the loan portfolio by major loan categories as of June 30, 1999, December 31, 1998 and June 30, 1998.

Loan Portfolio Balances
Table 5

(in millions of dollars)	June 30 1999	December 31 1998	June 30 1998
Domestic Loans			
Commercial and Industrial	$2,406.5	$2,579.7	$2,241.7
Real Estate			
Construction-- Commercial	262.8	276.3	261.7
-- Residential	64.1	23.5	14.9
Mortgage --Commercial	1,259.8	1,139.1	1,323.5
-- Residential	2,559.1	2,699.4	2,678.1
Installment	736.7	763.0	843.8
Lease Financing	548.2	554.5	497.8
Total Domestic	7,837.2	8,035.5	7,861.5
Foreign Loans	1,773.8	1,818.5	1,587.9
Total Loans	$9,611.0	$9,854.0	$9,449.4

Investment Securities

Pacific Century's investment portfolio is managed to provide collateral for cash management needs, to meet strategic asset/liability positioning, and to provide both interest income and balance sheet liquidity. At June 30, 1999, the available-for-sale securities decreased to $2.7 billion from $2.8 billion a year ago and $3.0 billion at year-end 1998. Securities held to maturity were $0.8 billion at June 30, 1999, down from $0.9 billion a year ago but up from $0.7 billion at year-end 1998.

Deposits

As of June 30, 1999, deposits totaled $9.3 billion, down from $9.5 billion from June 30, 1998 and $9.6 billion at year-end 1998. As of June 30, 1999, the mix of deposits has changed with domestic deposits decreasing and foreign deposits increasing. At $7.1 billion, domestic deposits at June 30, 1999 were $451 million lower than year-end 1998, while foreign deposits increased $161 million. Lower levels of time and interest-bearing demand accounts accounted for most of the decline in domestic deposits. Pacific Century has been aggressive in building and extending relationships rather than pursuing rate sensitive single relationship deposit accounts. The present environment characterized by low domestic interest rates and high competition for deposits among banks and other financial institutions, including securities brokerage firms, continues to impact the ability to attract and retain deposits.

Table 6 presents average deposits by type for the second quarters of 1999 and 1998 and the full year 1998.

Average Deposits
Table 6

	Quarter Ended June 30, 1999		Year Ended December 31, 1998		Quarter Ended June 30, 1998	
(in millions of dollars)	Amount	Mix	Amount	Mix	Amount	Mix
Domestic						
Non-Interest Bearing Demand	$1,669.5	18.0%	$1,650.4	17.3%	$1,681.6	17.3%
Interest-Bearing Demand	2,145.7	23.1	2,114.8	22.1	2,192.0	22.5
Regular Savings	728.7	7.9	783.9	8.2	794.9	8.2
Time Certificates						

of Deposit ($100,000 or More)	1,028.0	11.1	1,028.2	10.8	998.1	10.2
All Other Time and Savings Certificates	1,471.7	15.9	1,752.5	18.4	1,772.8	18.2
Total Domestic	7,043.6	75.9	7,329.8	76.8	7,439.4	76.4
Foreign						
Non-Interest Bearing Demand	396.1	4.3	447.7	4.7	460.8	4.7
Time Due to Banks	681.1	7.3	596.1	6.2	510.7	5.2
Other Time and Savings	1,155.2	12.5	1,176.1	12.3	1,328.0	13.6
Total Foreign	2,232.4	24.1	2,219.9	23.2	2,299.5	23.6
Total	$9,276.0	100.0%	$9,549.7	100.0%	$9,738.9	100.0%

Borrowings

Short-term borrowings, including funds purchased and securities sold under agreements to repurchase, totaled $3.1 billion at June 30, 1999, $3.3 billion at year-end 1998 and $3.1 billion at June 30, 1998.

Long-term debt on June 30, 1999 increased to $0.7 billion from $0.6 billion at year-end 1998. This increase was due to $125 million in subordinated notes issued by Bank of Hawaii in the first quarter of 1999. The notes bear a fixed rate of interest at 6.875%, mature in 10 years (March 1, 2009), and qualify as Tier 2 capital.

INTERNATIONAL OPERATIONS

Pacific Century maintains an extensive international presence in the Asia-Pacific region that provides opportunities to take part in lending, correspondent banking and deposit-taking activities in these markets. Pacific Century divides its international business into two areas: the Asia Market and the Pacific Market, which is comprised of economies located in the South and West Pacific.

Through its Asia Market, Pacific Century offers banking services to its corporate and financial institution customers in most of the major Asian financial centers with support from its New York and Honolulu operations. The International Banking Group of Bank of Hawaii continues to focus on correspondent banking and trade-related financing activities and lending to customers with which it has a direct relationship.

The South Pacific Division consists of investments in subsidiary banks in French Polynesia, New Caledonia, Papua New Guinea, Vanuatu, and Bank of Hawaii branch operations in Fiji and American Samoa. Since American Samoa is U.S. dollar based, its operation is included as domestic. Additionally, Bank of Hawaii has interests in affiliate banks located in Samoa, Solomon Islands and Tonga.

The West Pacific Division includes Bank of Hawaii branches in Guam and in other locations in the region. Since the U.S. dollar is used in these locations, Pacific Century's operations in the West Pacific are not considered foreign for financial reporting purposes.

A detailed description of controls over risk exposure in international lending is provided in Pacific Century's 1998 Annual Report to Shareholders. There has been no significant change to that process during the quarter. Pacific Century continues to monitor its exposure in international lending with particular attention provided to Asia and the South Pacific.

The countries in Asia to which Pacific Century maintains its largest credit exposure on a cross border basis include South Korea, Japan and Taiwan. Within Asia, the two most problematic economies for Pacific Century remain Thailand and

Indonesia. The financial and liquidity problems in Thailand and Indonesia required the intervention of the International Monetary Fund. Pacific Century's cross-border credit assets in Thailand and Indonesia at June 30, 1999 were approximately $20 million and $16 million, respectively, compared to approximately $24 million and $17 million, respectively at December 31, 1998.

Table 7 presents as of June 30, 1999, December 31, 1998, and June 30, 1998 a geographic distribution of Pacific Century's cross-border assets for each country in which such assets exceeded 0.75% of total assets.

Geographic Distribution of Cross-Border International Assets (1)
Table 7

(in millions) Country	June 30, 1999	December 31, 1998	June 30, 1998
Japan	$272.0	$354.8	$363.6
South Korea	295.3	264.9	329.6
Taiwan	64.5	123.9	162.0
France	129.1	35.5	42.5
All Others	647.7	593.6	553.7
	$1,408.6	$1,372.7	$1,451.4

(1) In this table, cross-border outstandings are defined as foreign monetary assets that are payable to Pacific Century in U.S. dollars or other non-local currencies, plus amounts payable in local currency but funded with U.S. dollars or other non-local currencies. Monetary assets include loans, acceptances, and interest-bearing deposits with other banks.

CORPORATE RISK PROFILE

Credit Risk

Non-Performing Assets and Past Due Loans

Non-performing assets (NPAs) consist of non-accrual loans, restructured loans and foreclosed real estate. These assets increased to $149.4 million at June 30, 1999 from $139.3 million a year ago and $137.5 million at the end of 1998. Compared with the prior quarter-end, NPAs ended the current quarter at $13.9 million below the $163.3 million reported at March 31, 1999.

At June 30, 1999, the ratio of NPAs to outstanding loans was 1.55%. Comparatively the ratio was 1.40% at year-end 1998 and 1.47% at June 30, 1998. Table 8 presents Pacific Century's NPAs and ratio of NPAs to total loans.

In order to minimize credit losses, Pacific Century strives to maintain high underwriting standards, identify potential problem loans and work with borrowers to cure delinquencies. Moreover, charge-offs, if required, are taken promptly and reserve levels are maintained at adequate levels. Pacific Century's policy is to place loans on non-accrual status when a loan is over 90 days delinquent, unless collection is likely based on specific factors such as the type of borrowing agreement and/or collateral. At the time a loan is placed on non-accrual, all accrued but unpaid interest is reversed against current earnings.

Total non-accrual loans rose to $143.4 million at June 30, 1999, up from $131.9 million and $126.1 million at year-end 1998 and June 30, 1998, respectively. Higher non-accrual balances in the commercial real estate, commercial and industrial loan, and lease categories accounted for most of the increase relative to year-end 1998 and June 1998. Foreign non-accrual loans at June 30, 1999 declined $10.0 million from year-end 1998 and reflected reductions in both Asia and the South Pacific Markets. Non-accrual loans as of June 30, 1999 decreased $13.7 million from the $157.1 million reported at 1999's first quarter-end.

Non-performing residential mortgages (excluding construction loans) totaled $35.2 million at June 30, 1999, compared to $36.4 million at year-end 1998 and $35.2 million a year ago. Because residential mortgages are secured by real estate, the credit risk on these loans are lower than for unsecured lending. Most of Pacific Century's residential loans are owner-occupied first mortgages and were generally underwritten to provide a loan-to-value ratio of no more than 80% at origination.

Foreclosed real estate totaled $6.0 million at June 30, 1999 compared to $5.6 million at year-end 1998 and $11.6 million a year ago. At June 30, 1999, the foreclosed real estate portfolio consisted of 45 properties, mostly located in Hawaii. The largest property represented 16% of the total.

Accruing loans past due 90 days or more has remained relatively constant over the last year. Accruing loans past due 90 days or more totaled $21.4 million at June 30, 1999, $20.8 million at year-end 1998, and $22.1 million at June 30, 1998.

Non-Performing Assets and Accruing Loans Past Due 90 Days or More
Table 8

(in millions of dollars)	June 30 1999	December 31 1998	June 30 1998
Non-Accrual Loans			
Commercial and Industrial	$37.5	$28.2	$23.7
Real Estate			
Construction	0.8	2.9	2.2
Commercial	17.2	5.4	3.4
Residential	35.2	36.4	35.2
Installment	0.8	0.8	1.9
Leases	4.4	0.7	-
Foreign	47.5	57.5	59.7
Subtotal	143.4	131.9	126.1
Restructured Loans			
Real Estate			
Commercial	-	-	1.6
Subtotal	-	-	1.6
Foreclosed Real Estate			
Domestic	5.8	5.5	11.6
Foreign	0.2	0.1	-
Subtotal	6.0	5.6	11.6
Total Non-Performing Assets	149.4	137.5	139.3
Accruing Loans Past Due 90 Days or More			
Commercial and Industrial	3.9	0.4	2.4
Real Estate			
Construction	0.2	0.4	4.2
Commercial	0.2	-	0.9
Residential	3.7	4.5	2.4
Installment	5.2	7.3	6.4
Leases	-	0.3	0.9
Foreign	8.2	7.9	4.9
Subtotal	21.4	20.8	22.1
Total	$170.8	$158.3	$161.4
Ratio of Non-Performing Assets to Total Loans	1.55%	1.40%	1.47%
Ratio of Non-Performing Assets and Accruing Loans Past Due 90 Days or More to Total Loans	1.78%	1.61%	1.71%

Reserve for Loan Losses

Pacific Century maintains the reserve for loan losses at a level that it believes is adequate to absorb estimated future losses on all loans. The reserve level is determined based on a continuing assessment of problem credits, recent loss experience, changes in collateral values, and current and anticipated economic conditions. Pacific Century's credit administration procedures emphasizes the early recognition and monitoring of problem loans in order to control delinquencies and minimize losses. This process and the quarterly analysis to determine the adequacy of its reserve for loan losses is described in Pacific Century's 1998 Annual Report to Shareholders.

The reserve for loan losses ended the second quarter of 1999 at $209.6 million, a $1.7 million decrease from year-end 1998 and a $5.6 million increase over the same date last year. Net charge-offs for the second quarter of 1999 were $12.7 million or 0.54% of average loans, compared to $26.0 million, or 1.08% of average loans for the same quarter last year and $65.7 million, or 0.70% of average loans for all of 1998. For the six months ended June 30, 1999, net charge-offs were $23.5 million, or 0.50% of average loans, compared to $43.9 million and 0.93%, respectively in same 1998 period. The ratio of reserves to loans outstanding at June 30, 1999 was 2.23%, compared to 2.20% at this date last year and 2.19% at year-end 1998. A summary of the activity in the reserve for loan losses is presented in Table 9.

At June 30, 1999, the reserve for loan losses provided coverage of 140% of non-performing loans, compared to 154% coverage at year-end 1998 and 146% at June 30, 1998. Additionally, the annualized ratio of reserves to gross charge-offs was 2.6 times for the second half of 1999, compared to 2.6 times for all of 1998 and 2.0 times for the second half of 1998.

For the first six months of 1999, recoveries totaled $16.7 million largely driven by a $7.0 million recovery of a U.S. mainland loan in the commercial and industrial portfolio and $3.2 million in foreign loan recoveries. Comparatively, recoveries were $6.2 million in the first six months of 1998 and $16.3 million for all of 1998.

Reserve for Loan Losses
Table 9

(in millions of dollars)	Second Quarter 1999	Second Quarter 1998	First Six Months 1999	First Six Months 1998
Average Amount of Loans Outstanding	$9,373.0	$9,619.7	$9,432.1	$9,427.9
Balance of Reserve for Loan Losses at Beginning of Period	$209.3	$175.2	$211.3	$174.4
Loans Charged-Off				
Commercial and Industrial	7.6	7.2	15.4	9.5
Real Estate				
Construction	0.2	0.0	0.2	0.0
Commercial	0.2	0.2	2.2	0.2
Residential	1.6	0.2	3.6	0.8
Installment	6.9	6.0	12.9	13.2
Foreign	2.8	16.0	5.8	26.2
Leases	0.1	0.1	0.1	0.2
Total Charged-Off	19.4	29.7	40.2	50.1
Recoveries on Loans Previously Charged-Off				
Commercial and Industrial	1.5	1.0	9.5	1.6
Real Estate				
Construction	0.0	0.0	0.0	0.0
Commercial	0.1	1.0	0.2	1.0
Residential	0.2	0.1	0.2	0.2
Installment	2.0	1.5	3.6	3.0
Foreign	2.9	0.1	3.2	0.4

Total Recoveries	6.7	3.7	16.7	6.2
Net Charge-Offs	(12.7)	(26.0)	(23.5)	(43.9)
Provision Charged to Operating Expenses	13.9	42.0	26.5	60.3
Other Net Additions (Reductions)*	(0.9)	12.8	(4.7)	13.2
Balance at End of Period	$209.6	$204.0	$209.6	$204.0
Ratio of Net Charge-Offs to Average Loans Outstanding (annualized)	0.54%	1.08%	0.50%	0.93%
Ratio of Reserve to Loans Outstanding	2.23%	2.20%	2.23%	2.20%

* Includes balance transfers, reserves acquired, and foreign currency translation adjustments.

Market Risk

At Pacific Century, assets and liabilities are managed to maximize long term risk adjusted returns to shareholders. Pacific Century's asset and liability management process involves measuring, monitoring, controlling and managing financial risks that can significantly impact Pacific Century's financial position and operating results. Financial risks in the form of interest rate sensitivity, foreign currency exchange fluctuations, liquidity, and capital adequacy are balanced with expected returns to maximize earnings performance and shareholder value, while limiting the volatility of each. A detailed discussion of these risks and Pacific Century's approach to managing the risks are described in its 1998 Annual Report to Shareholders.

The activities associated with these financial risks are categorized into "other than trading" or "trading."

Other Than Trading Activities

A key element in Pacific Century's ongoing process to measure and monitor interest rate risk is the utilization of a net interest income (NII) simulation model. This model is used to estimate the amount that NII will change over a one-year time horizon under various interest rate scenarios using numerous assumptions, which management believes are reasonable. The NII simulation model provides a sophisticated estimate rather than a precise prediction of NII's exposure to higher or lower interest rates.

Table 10 presents as of June 30, 1999, December 31, 1998 and June 30, 1998, the results from this model. The NII simulation model provides an estimate of the change in NII from a gradual 200 basis point increase or decrease in interest rates, moving in parallel fashion over the entire yield curve, over the next 12-month period relative to what the NII would have been if interest rates did not change. The resulting estimate in NII exposure is well within the approved Asset Liability Management Committee guidelines and presents a balance sheet exposure that is slightly liability sensitive. A liability sensitive exposure would imply a favorable short-term impact on NII in periods of declining interest rates.

Market Risk Exposure to Interest Rate Changes
Table 10

	June 30, 1999		December 31, 1998		June 30, 1998	
	Interest Rate Change (in basis points)		Interest Rate Change (in basis points)		Interest Rate Change (in basis points)	
	-200	+200	-200	+200	-200	+200
Estimated Exposure as a Percent of Net Interest Income	1.4%	(0.6)%	1.9%	(2.1)%	2.1%	(1.8)%

To enhance and complement the results from the NII simulation model, Pacific Century also reviews other measures of interest rate risk. These measures include the sensitivity of market value of equity and the exposure to basis risk and non-parallel yield curve shifts. There are some inherent limitations to these measures, but used along with the NII simulation model, Pacific Century gets a better overall insight for managing its exposure to changes in interest rates.

In managing interest rate risks, Pacific Century uses several approaches, both on- and off-balance sheet, to modify its risk position. Approaches that are used to shift balance sheet mix or alter the interest rate characteristics of assets and liabilities include changing product pricing strategies, modifying investment portfolio strategies, or using financial derivatives. The use of financial derivatives has been limited over the past several years. During this period, Pacific Century has relied more on the use of on-balance sheet alternatives to manage its interest rate risk position.

Pacific Century's broad area of operations throughout the South Pacific and Asia has the potential to expose it to foreign currency risk. In general, however, most foreign currency denominated assets are funded by like currency liabilities, with imbalances corrected through the use of various hedge instruments. By policy, the net exposure in those balance sheet activities described above is insignificant.

On the other hand, Pacific Century is exposed to foreign currency exchange rate changes from the capital invested in its foreign subsidiaries and branches located throughout the South Pacific and Asian Rim. These investments are designed to diversify Pacific Century's total balance sheet exposure. A portion of the capital investment in French Polynesia and New Caledonia is offset by a borrowing denominated in euro and a foreign exchange currency hedge transaction. As of June 30, 1999, the remainder of these capital positions which aggregated $102.2 million, was not hedged. The comparative unhedged position at year-end 1998 was $93.0 million.

Pacific Century uses a value-at-risk (VAR) calculation to measure the potential loss from foreign currency exposure. Pacific Century's VAR is calculated at a 95% confidence interval and assumes a normal distribution. Pacific Century utilizes the variance/covariance approach to estimate the probability of future changes in foreign exchange rates. Under this approach, equally weighted daily closing prices are used to determine the daily volatility for the last 10, 30, 50, and 100 days. Pacific Century uses the highest daily volatility of the four trading periods in its VAR calculation.

Table 11 presents as of June 30, 1999, December 31, 1998 and June 30, 1998 Pacific Century's foreign currency exposure from its net investment in subsidiaries and branch operations that are denominated in a foreign currency as measured by the VAR.

Market Risk Exposure From Changes in Foreign Exchange Rates
Table 11

	June 30, 1999		December 31, 1998		June 30, 1998	
(in millions of dollars)	Book Value	Value-at-Risk	Book Value	Value-at-Risk	Book Value	Value-at-Risk
Net Investments in Foreign Subsidiaries and Branches						
Japanese Yen	$ 9.7	$ 2.0	$ 9.6	$ 2.7	$11.4	$ 3.2
Korean Won	42.8	5.8	44.2	7.9	35.9	12.1
Pacific Franc (1)	22.1	4.3	22.8	3.6	22.3	2.6
Other Currencies	27.6	15.9	16.4	15.3	23.5	12.2
Total	$102.2	$28.0	$93.0	$29.5	$93.1	$30.1

(1) Net of a $41 million, $46 million and $42 million borrowing at June 30, 1999, December 31, 1998 and June 30, 1998, respectively, denominated in French francs and foreign exchange hedge transactions of $24 million, $26 million and $25 million at June 30, 1999, December 31, 1998 and June 30, 1998.

Trading Activities

Trading activities include foreign currency and foreign exchange contracts that expose Pacific Century to a minor degree of foreign currency risk. Pacific Century manages its trading account such that it does not maintain significant foreign currency open positions. Trading activities remain immaterial as of June 30, 1999.

Liquidity Management

Liquidity is managed to ensure that Pacific Century has continuous access to sufficient, reasonably priced funding to conduct its business in a normal manner. Pacific Century's liquidity management process is described in the 1998 Annual Report to Shareholders.

Pacific Century maintained a $25 million annually renewable line of credit for working capital purposes. Fees are paid on the unused balance of the line. During the second quarter of 1999, the line was not drawn upon.

Bank of Hawaii and First Savings are both members of the Federal Home Loan Bank of Seattle. The FHLB provides these institutions with an additional source for short and long-term funding. Borrowings from the FHLB remain at similar levels to those reported at year-end 1998 ending the second quarter of 1999 at $173 million.

Additionally, Bank of Hawaii maintains a $1 billion senior and subordinated bank note program. Under this facility, Bank of Hawaii may issue additional notes provided that at any time the aggregate amount outstanding does not exceed $1 billion. At June 30, 1999, there was $125 million issued and outstanding under this program.

Capital Management

Pacific Century manages its capital level to optimize shareholder value, support asset growth, provide protection against unforeseen losses and comply with regulatory requirements. Capital levels are reviewed periodically relative to Pacific Century's risk profile and current and projected economic conditions. Pacific Century's objective is to hold sufficient capital on a regulatory basis to exceed the minimum guidelines of a well capitalized institution.

At June 30, 1999, Pacific Century's shareholders' equity grew to $1.2 billion, an increase of 6.5% over the same date in 1998. The source of growth in shareholders' equity during the first six months of 1999 included retention of earnings, and issuance of common stock under various stock-based plans. Offsetting these increases were cash dividends paid of $27.3 million, net treasury stock purchases of $8.9 million and unrealized valuation adjustments of $16.8 million.

Pacific Century's regulatory capital ratios at June 30, 1999 were: Tier 1 Capital Ratio of 10.04%, Total Capital Ratio of 12.97%, and Leverage Ratio of 7.96%. All three capital ratios exceeded the minimum threshold levels that were established by federal bank regulators to qualify an institution as well capitalized. The minimum regulatory standards to qualify as well capitalized are as follows: Tier 1 Capital 6%; Total Capital 10%; and the Leverage Ratio 5%. These standards are minimum regulatory guidelines and Pacific Century manages its capital base in accordance with the attributes noted at the beginning of this section. Table 12 presents the activities and balances in Pacific Century's capital accounts along with key capital ratios.

Equity Capital

Table 12

(in millions of dollars)	Quarter Ended June 30 1999	Year Ended December 31 1998	Quarter Ended June 30 1998
Source of Common Equity			
Net Income	$38.5	$107.0	$3.1
Dividends Paid	(13.6)	(52.8)	(13.0)
Dividend Reinvestment Program	0.8	5.4	1.2
Stock Repurchases	(5.0)	(7.3)	-
Other (1)	(14.1)	16.1	5.9
Annual Increase in Equity	$6.6	$68.4	($2.8)
Common Equity	$1,214.2	$1,185.6	$1,140.5
Add: 8.25% Capital Securities of Bancorp Hawaii Capital Trust I	100.0	100.0	100.0
Minority Interest	4.4	7.4	6.9
Less: Intangibles	182.9	186.2	191.2
Unrealized Valuation and Other Adjustments	(13.6)	3.6	6.4
Tier I Capital	1,149.3	1,103.2	1,049.8
Allowable Loan Loss Reserve	144.0	147.2	138.1
Subordinated Debt	195.8	95.0	95.0
Investment in Unconsolidated Subsidiary	(3.7)	(2.5)	(2.6)
Total Capital	$1,485.4	$1,342.9	$1,280.3
Risk Weighted Assets	$11,450.2	$11,708.5	$10,979.2
Key Ratios			
Tier I Capital Ratio	10.04%	9.42%	9.56%
Total Capital Ratio	12.97%	11.47%	11.66%
Leverage Ratio	7.96%	7.48%	6.88%

(1) Includes profit sharing; stock options and directors' restricted shares and deferred compensation plans; and unrealized valuation adjustments for investment securities, foreign currency translation and pension liability.

Year 2000

A significant issue facing all banks nationwide is the transition to the new millennium. Year 2000 concerns arise primarily from past date-coding practices in both software and hardware that used two-digits rather than four-digits to represent years. If not corrected, systems that use the two-digit format will be unable to correctly distinguish dates after December 31, 1999. This problem could cause these systems to fail or produce inaccurate information.

State of Readiness

The resolution of Year 2000 issues is a top priority at Pacific Century. Recognizing the importance of having its systems ready for the Year 2000, Pacific Century Financial Corporation established Project 2000 as an enterprise-wide initiative in 1996. Project 2000 is a global strategic plan supported by senior management and approved by the Board of Directors.

As described in Pacific Century's 1998 Annual Report to Shareholders, Pacific Century's Year 2000 project plan includes five phases: awareness, assessment, renovation, validation testing and implementation. As of June 30, 1999, Pacific Century has completed the awareness, assessment, renovation and validation testing phases of its Year 2000 plan for critical systems. For all internally maintained critical systems, the programming code, including vendor-provided code, have been renovated and successfully tested for Year 2000 readiness. In the implementation phase, systems that have been tested as Year 2000 compliant are migrated into production. As of June 30, 1999, Pacific Century had completed 95% of the implementation phase for all critical systems. Additionally, as of June 30, 1999 Pacific Century was substantially complete in developing Year 2000 contingency plans for critical functions. During the remainder of 1999, Pacific Century will focus on validating its Year 2000 contingency plans and monitoring the readiness of third parties that it relies on to conduct business and serve customers.

Pacific Century understands that successfully addressing Year 2000 issues extends well beyond the remediation of internal systems. Pacific Century has a detailed and extensive process to ascertain and monitor the Year 2000 readiness of its vendors and service providers. Additionally, Pacific Century has embarked on a Year 2000 risk assessment program to determine the Year 2000 readiness of all material customers, counterparties and business partners.

Notwithstanding these actions, Pacific Century recognizes there can be no assurances that significant customers or critical third parties will adequately address their Year 2000 issues in a timely manner. Consequently, Pacific Century has developed a "Year 2000 event plan" as part of its contingency planning process to cover all critical business operations in the event that circumstances outside of its control causes business disruptions.

Estimated Year 2000 Costs

Pacific Century estimates that costs directly related to Project 2000 issues will approximate $41 million, including $30 million in estimated incremental cost. Costs associated with Project 2000 primarily include estimates for technology and program management staff, staff retention, consultant fees, and software and hardware costs, as well as, costs for customer education and public relations. Through December 31, 1998, cumulative costs for Project 2000 totaled approximately $25.4 million of which approximately $22.2 million were incurred in 1998. During the first six months of 1999, additional expenditures aggregating $7.2 million were incurred, bringing the total Project 2000 cost to $32.6 million at June 30, 1999. As Project 2000 progresses, the cost estimate could change depending on a number of factors, including the failure of third party vendors to address Year 2000 issues in a timely manner. Year 2000 compliance costs are expected to be funded from operating cash flow.

Forward-looking statements contained in the above Year 2000 disclosure should be read in conjunction with the cautionary statements included in the introductory section of this report under "Forward-Looking Statements."

Part II. - Other Information

Items 1, 2, 3 and 5 omitted pursuant to instructions.

Item 4 - Submission of Matters to a Vote of Security Holders

(a) Pacific Century's Annual Shareholders' Meeting was held on April 23, 1999.

(b) Omitted per instructions.

(c) A brief description of each matter voted upon at the Annual Shareholders' Meeting held on April 23, 1999 and number of votes cast for, against or withheld, including a separate tabulation with respect to each nominee for office is presented below:

(1) Election of four Class I directors for terms expiring in 2002.

Peter D. Baldwin -
Votes cast for: 66,385,908
Votes cast against: 0
Votes withheld: 843,446

Richard J. Dahl -
Votes cast for: 66,520,698

Votes cast against: 0
Votes withheld: 708,656

Donald M. Takaki -
Votes cast for: 66,456,513
Votes cast against: 0
Votes withheld: 789,415

J. Richard Fredericks -
Votes cast for: 66,456,513
Votes cast against: 0
Votes withheld: 772,841

(2) Election of one Class III director for term expiring in 2001.

Martin A. Stein -
Votes cast for: 66,361,782
Votes cast against: 0
Votes withheld: 867,569

(3) Proposal to approve an amendment to the Certificate of Incorporation to reduce the percentage of shares required to remove a director.

Votes cast for: 60,420,228
Votes cast against: 377,673
Votes abstained: 173,469

(4) Proposal to approve an amendment to the Certificate of Incorporation to permit ten percent of the shareholders to call a special meeting.

Votes cast for: 60,186,854
Votes cast against: 535,795
Votes abstained: 245,301

(5) Proposal to approve an amendment to Pacific Century Financial Corporation Stock Option Plan of 1994 to increase the number of shares of common stock available for grant under the Option Plan.

Votes cast for: 60,729,635
Votes cast against: 6,173,005
Votes abstained: 326,712

(6) Proposal to approve certain performance-based compensation provisions of the Option Plan for purposes of Section 162(m).

Votes cast for: 64,252,300
Votes cast against: 2,539,601
Votes abstained: 437,450

(7) Proposal to approve certain material terms of the One-Year Incentive Plan for purposes of Section 162(m).

Votes cast for: 63,917,446
Votes cast against: 2,819,028
Votes abstained: 493,778

(8) Proposal to approve certain material terms of the Long-Term Incentive Plan for purposes of Section 162(m).

Votes cast for: 63,990,879
Votes cast against: 2,751,617
Votes abstained: 488,855

(9) Election of Ernst & Young LLP as Auditor.

Votes cast for: 66,731,925
Votes cast against: 367,031

Votes abstained: 130,397

(d) None.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit Index

Exhibit Number

3.1	Amendment to the Company's Certificate of Incorporation to reduce the percentage of shares required to remove a director for cause (incorporated by reference to Proposal 3 of the March 8, 1999 Proxy Statement)
3.2	Amendment to the Company's Certificate of Incorporation to permit ten percent of the shareholders to call a special meeting (incorporated by reference to Proposal 4 of the March 8, 1999 Proxy Statement)
3.2	Amendment 99-1 to the Pacific Century Financial Corporation Stock Option Plan of 1994 (incorporated by reference to Proposal 5 of the March 8, 1999 Proxy Statement)
20	Quarterly Report to Shareholders
27	Financial Data Schedule
99	Statement of Ratios

(b) No Form 8-K was filed during the quarter.

SIGNATURES

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

Date August 13, 1999

PACIFIC CENTURY FINANCIAL CORPORATION

/s/ RICHARD J. DAHL
(Signature)

Richard J. Dahl
President and Chief
Operating Officer

/s/ DAVID A. HOULE
(Signature)

David A. Houle
Executive Vice President,
Treasurer and Chief
Financial Officer

To Our Shareholders:

Pacific Century Financial Corporation saw improved profits in the first quarter of 1999, reporting earnings of $35.4 million, up 4.1 percent from $34.0 million for the same period last year. Per share earnings of 44 cents in the latest quarter were up 4.8 percent from 42 cents a year ago. First quarter net interest income was $143.8 million, up 1.5 percent over last year's first quarter.

Your company's total assets at the end of March stood at $14.9 billion, compared to $14.8 billion at March 31, 1998 and $15.0 billion at year-end 1998. Total deposits at first-quarter end were $9.4 billion, unchanged from the year earlier end date. Net loans were $9.2 billion, up 2.0 percent from last year's first quarter. Return on average assets for the quarter was 0.96 percent and return on average equity was 12.00 percent.

Tangible earnings for the quarter were $39.3 million compared to $36.5 million for the year earlier period. Tangible diluted earnings per share for the quarter were $0.48, up 6.7 percent from the $0.45 reported for the quarter ended March 31, 1998.

Non-interest income was up 15.7 percent at $61.2 million versus $52.9 million in the year-earlier period, with all categories of non-interest income posting double-digit growth. Exclusive of securities transactions, non-interest income totaled $59.3 million, a 19.9 percent increase from 1998's first quarter and a 9.4 percent increase from 1998's fourth quarter. Fueling the rise were an 11.6 percent increase in trust income, a 14.4 percent increase in service charges on deposit accounts, a 16.3 percent increase in other fee income, and a 47.1 percent increase in other operating income over the year-earlier period.

Consensus economic forecasts call for growth in Hawaii's GDP of about one and a half percent in 1999. We also see encouraging signs of economic stabilization in Asia. We believe that we are well positioned to take advantage of an improved operating environment in each of these markets.

In January, Bank of Hawaii consummated the acquisition of Triad/IAG Insurance Agency, a leading Honolulu-based provider of property and casualty insurance. With this transaction, Pacific Century gained a strong foothold in the state's property/casualty insurance industry. The addition of property/casualty insurance to our product line enables us to offer clients a truly comprehensive array of quality financial services.

At the company's annual meeting in April, you and your fellow shareholders voted to approve all of the proposals listed in this year's proxy statement. Shareholders also approved the appointment of two new directors, J. Richard Fredericks and Martin A. Stein, to the holding company board. Expansion of our board will further enhance the body's geographic diversity and augment existing expertise and experience in the areas of technology, strategic development and investment banking.

Also in April, the company named Marshall V. Laitsch President and CEO of our mainland bank subsidiary, Pacific Century Bank, N.A. (PCB). Under his leadership, we expect PCB to further capitalize on the growth potential of the vigorous California and Arizona markets, cementing Pacific Century's position as one of the premiere middle market banks in these regions.

At its April 23rd meeting, your board of directors declared a quarterly cash dividend of 17 cents per share on the outstanding common stock. The dividend will be payable on June 14, 1999 to shareholders of record at the close of business on May 28, 1999. With this dividend declaration, Pacific Century continues to honor its one-hundred-year tradition of paying regular quarterly cash dividends to shareholders.

The value of your holdings in Pacific Century Financial Corporation remains our utmost priority. Your continued confidence and support are invaluable to us as we implement and build upon the initiatives that will lead us into our New Era.

Sincerely,

/c/ LAWRENCE M. JOHNSON

Lawrence M. Johnson
Chairman and CEO

Corporate Offices:
Financial Plaza of the Pacific
130 Merchant Street
Honolulu, Hawaii 96813

Investor or Analyst Inquiries:
David A. Houle
Executive Vice President, Treasurer and Chief Financial Officer
(808) 537-8288

or

Sharlene K. Bliss
Investor Relations
(808) 537-8037

or

Cori C. Weston
Corporate Secretary
(808) 537-8272

Highlights (Unaudited) — Pacific Century Financial Corporation and subsidiaries

		March 31 1999	March 31 1998
Return on Average Assets		0.96%	0.95%
Return on Average Equity		12.00%	12.11%
Average Spread on Earning Assets		4.24%	4.29%
Average Equity/Average Assets		7.98%	7.81%
Book Value Per Common Share		$15.01	$14.27
Loss Reserve/Loans and Leases Outstanding		2.22%	1.90%
Common Stock Price Range	High	Low	Dividend
1998............................	$25.88	$14.75	$0.6575
1999 First Quarter..............	$24.94	$19.94	$0.70

Consolidated Statements of Income (Unaudited)

(in thousands of dollars except per share amounts)	3 Months Ended March 31 1999	3 Months Ended March 31 1998
Total Interest Income	$262,807	$273,066
Total Interest Expense	118,963	131,348
Net Interest Income	143,844	141,718
Provision for Possible Loan Losses	12,590	18,303
Net Interest Income After Provision for Possible Loan Losses	131,254	123,415
Total Non-Interest Income	61,170	52,864
Total Non-Interest Expense	134,840	121,703
Income Before Income Taxes	57,584	54,576
Provision for Income Taxes	22,167	20,556
Net Income	$35,417	$34,020
Basic Earnings Per Share	$0.44	$0.43
Diluted Earnings Per Share	$0.44	$0.42
Basic Weighted Average Shares	80,421,563	79,881,229

Diluted Weighted Average Shares	81,405,868	80,735,604

Consolidated Statements of Condition (Unaudited)

(in thousands of dollars)	March 31 1999	December 31 1998	March 31 1998
Assets			
Interest-Bearing Deposits	$494,202	$453,527	$425,637
Investment Securities			
(Market Value of $3,636,296, $3,686,471, and $3,805,037 respectively)	3,627,968	3,671,205	3,800,428
Securities Purchased Under Agreements to Resell	4,083	0	0
Funds Sold	111,894	45,683	119,480
Loans	9,637,661	9,854,000	9,403,406
Unearned Income	(220,206)	(225,915)	(202,865)
Reserve for Loan Losses	(209,329)	(211,276)	(175,194)
Net Loans	9,208,126	9,416,809	9,025,347
Total Earning Assets	13,446,273	13,587,224	13,370,892
Cash and Non-Interest Bearing Deposits	617,362	564,243	586,746
Premises and Equipment	292,583	293,591	285,916
Other Assets	572,068	571,505	514,261
Total Assets	$14,928,286	$15,016,563	$14,757,815
Liabilities			
Deposits	$9,434,427	$9,576,342	$9,435,399
Securities Sold Under Agreements to Repurchase	2,090,663	2,008,399	2,304,423
Funds Purchased	775,577	942,062	559,573
Short-Term Borrowings	377,387	356,822	259,604
Other Liabilities	367,039	361,728	370,738
Long-Term Debt	675,634	585,616	684,782
Total Liabilities	13,720,727	13,830,969	13,614,519
Shareholders' Equity			
Common Stock ($.01 par value at March 31, 1999 and December 31, 1998) and ($2.00 at March 31, 1998), authorized 500,000,000 shares; issued / outstanding, March 1999 - 80,537,756 / 80,398,067; December 1998 - 80,512,372 / 80,325,998; March 1998 - 80,140,398 / 80,140,398	805	805	160,281
Capital Surplus	344,955	342,932	176,496
Accumulated Other Comprehensive Income	(23,536)	(22,476)	(28,193)
Retained Earnings	888,367	867,852	834,712
Treasury Stock, at Cost - (March 1999 - 139,689 and December 1998 - 186,374 Shares)	(3,032)	(3,519)	--
Total Shareholders' Equity	1,207,559	1,185,594	1,143,296
Total Liabilities and Shareholders' Equity	$14,928,286	$15,016,563	$14,757,815

Bank of Hawaii

Exhibit 99 - Statement Regarding Computation of Ratios

Six Months Ended June 30

(in millions of dollars)		1999	1998
Earnings:			
1.	Income Before Income Taxes	$119.5	$57.5
2.	Plus: Fixed Charges Including Interest	226.8	261.7
3.	Earnings Including Fixed Charges	346.3	319.2
4.	Less: Interest on Deposits	129.8	154.8
5.	Earnings Excluding Interest on Deposits	$216.5	$164.4
Fixed Charges:			
6.	Fixed Charges Including Interest on Depo	$226.8	$261.7
7.	Less: Interest on Deposits	129.8	154.8
8.	Fixed Charges Excluding Interest on Depo	$97.0	$106.9
Ratio of Earnings to Fixed Charges:			
	Including Interest on Deposits (Line 3 divi	1.5x	1.2x
	Excluding Interest on Deposits (Line 5 divid	2.2x	1.5x

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