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 September 30, 1998

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	99-0148992
(State of incorporation)	(IRS Employer Identification No.)

130 Merchant Street, Honolulu, Hawaii	96813
(Address of principal executive offices)	(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 October 30, 1998 - 80,207,436 shares

PACIFIC CENTURY FINANCIAL CORPORATION and subsidiaries
September 30, 1998

PART I. - Financial Information

Item 1. Financial Statements

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

(in thousands of dollars)	September 30 1998	December 31 1997	September 30 1997

Assets			
Interest-Bearing Deposits	$407,265	$335,847	$490,153
Investment Securities - Held to Maturity			
(Market Value of $792,205, $1,223,235, and $1,206,091 respectively)	773,659	1,220,215	1,199,967
Investment Securities - Available for Sale	2,753,981	2,651,270	2,501,678
Securities Purchased Under Agreements to Resell	40,000	--	--
Funds Sold	114,940	80,457	111,890
Loans	9,549,741	9,498,408	9,529,535
Unearned Income	(207,346)	(209,721)	(206,823)
Reserve for Loan Losses	(209,731)	(174,362)	(177,689)
Net Loans	9,132,664	9,114,325	9,145,023
Total Earning Assets	13,222,509	13,402,114	13,448,711
Cash and Non-Interest Bearing Deposits	541,217	795,332	579,087
Premises and Equipment	301,124	288,358	286,090
Customers' Acceptance Liability	6,244	21,575	46,576
Accrued Interest Receivable	88,581	93,831	87,013
Other Real Estate	10,853	6,151	11,016
Intangibles, including Goodwill	219,442	203,366	209,005
Other Assets	248,536	184,737	203,743
Total Assets	$14,638,506	$14,995,464	$14,871,241
Liabilities			
Domestic Deposits			
Demand - Non-Interest Bearing	1,656,713	$1,714,886	$1,589,808
- Interest Bearing	2,292,272	2,112,425	1,991,881
Savings	740,679	823,216	836,220
Time	2,759,057	2,929,782	2,932,356
Foreign Deposits			
Demand - Non-Interest Bearing	415,846	351,178	335,815
Time Due to Banks	718,210	707,684	605,543
Other Savings and Time	840,100	968,524	1,151,684
Total Deposits	9,422,877	9,607,695	9,443,307
Securities Sold Under Agreements to Repurchase	2,380,071	2,279,124	2,268,250
Funds Purchased	288,727	710,472	364,528
Short-Term Borrowings	363,461	226,127	494,417
Bank's Acceptances Outstanding	6,244	21,575	46,576
Accrued Pension Costs	16,247	15,134	17,639
Accrued Interest Payable	70,311	57,512	68,541
Accrued Taxes Payable	137,209	152,092	153,560
Minority Interest	7,690	5,758	5,757
Other Liabilities	154,043	96,979	101,021
Long-Term Debt	624,619	705,789	766,485
Total Liabilities	13,471,499	13,878,257	13,730,081
Shareholders' Equity			
Common Stock ($.01 par value at September 30, 1998 and $2.00 par value at December 31, 1997 and September 30, 1997), authorized 500,000,000 shares; issued and outstanding, September 1998 - 80,462,983; December 1997 - 79,684,553; September 1997 - 40,221,783	804	159,369	80,444
Capital Surplus	341,534	168,920	194,131
Accumulated Other Comprehensive Income	(21,839)	(24,766)	(6,509)
Retained Earnings	846,508	813,684	873,094
Total Shareholders' Equity	1,167,007	1,117,207	1,141,160
Total Liabilities and Shareholders' Equity	$14,638,506	$14,995,464	$14,871,241

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

(in thousands of dollars except per share amounts)	3 Months Ended September 30 1998	3 Months Ended September 30 1997	9 Months Ended September 30 1998	9 Months Ended September 30 1997
Interest Income				
Interest on Loans	$187,711	$186,887	$565,926	$525,859
Loan Fees	12,482	7,947	35,060	24,683
Income on Lease Financing	5,938	5,553	18,429	15,875
Interest and Dividends on Investment Securities				
Taxable	16,414	20,818	54,449	62,004
Non-taxable	221	296	823	874
Income on Investment Securities Available for Sale	43,068	40,995	127,106	118,542
Interest on Deposits	8,585	7,864	25,780	26,522
Interest on Security Resale Agreements	41	1	41	86
Interest on Funds Sold	1,001	1,091	2,963	2,715
Total Interest Income	275,461	271,452	830,577	777,160
Interest Expense				
Interest on Deposits	79,742	83,165	241,395	240,429
Interest on Security Repurchase Agreements	31,405	30,120	94,348	85,152
Interest on Funds Purchased	4,968	5,795	18,688	17,588
Interest on Short-Term Borrowings	4,063	4,783	10,341	13,839
Interest on Long-Term Debt	10,785	12,030	32,737	34,559
Total Interest Expense	130,963	135,893	397,509	391,567
Net Interest Income	144,498	135,559	433,068	385,593
Provision for Loan Losses	10,737	8,162	71,022	20,536

Net Interest Income After Provision for Loan Losses	133,761	127,397	362,046	365,057
Non-Interest Income				
Trust Income	13,730	13,162	41,561	39,271
Service Charges on Deposit Accounts	9,053	7,790	25,947	20,988
Fees, Exchange, and Other Service Charges	20,143	17,108	57,788	49,301
Other Operating Income	11,183	7,795	28,139	22,244
Investment Securities Gains / (Losses)	(493)	292	2,843	2,304
Total Non-Interest Income	53,616	46,147	156,278	134,108
Non-Interest Expense				
Salaries	50,198	45,161	145,908	126,686
Pensions and Other Employee Benefits	14,544	12,522	42,176	40,032
Net Occupancy Expense	13,087	11,065	34,994	32,620
Net Equipment Expense	12,962	9,837	35,829	28,530
Other Operating Expense	45,314	40,107	130,616	105,129
Restructuring Charge	--	--	19,400	--
Minority Interest	86	287	687	999
Total Non-Interest Expense	136,191	118,979	409,610	333,996
Income Before Income Taxes	51,186	54,565	108,714	165,169
Provision for Income Taxes	16,351	19,312	36,763	58,829
Net Income	$34,835	$35,253	$71,951	$106,340
Basic Earnings Per Share	$0.43	$0.44	$0.90	$1.34
Diluted Earnings Per Share	$0.43	$0.43	$0.89	$1.31
Dividends Declared Per Share	$0.1625	$0.1625	$0.488	$0.4625
Basic Weighted Average Shares	80,459,112	80,936,920	80,201,636	79,730,632
Diluted Weighted Average Shares	81,033,346	82,188,388	81,128,698	80,773,130

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<TABLE>

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

(in thousands of dollars except per share amounts)	Total	Common Stock	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Comprehensive Income
Balance at December 31, 1997	$1,117,207	$159,369	$168,920	($24,766)	$813,684	
Comprehensive Income						
Net Income	71,951	-	-	-	71,951	$71,951
Other Comprehensive Income, Net of Tax						
Investment Securities, Net of Reclassification Adjustment	4,479	-	-	4,479	-	4,479
Foreign Currency Translation Adjustment	(1,552)	-	-	(1,552)	-	(1,552)
Total Comprehensive Income						$74,878
Common Stock Issued						
148,307 Profit Sharing Plan	3,225	225	3,000	-	-	
543,608 Stock Option Plan	8,943	530	8,413	-	-	
207,415 Dividend Reinvestment Plan	4,431	199	4,232	-	-	
5,100 Directors' Restricted Shares and Deferred Compensation Plan	(416)	1	(417)	-	-	
Stock Repurchased	(2,134)	(1)	(2,133)	-	-	
Change in par value of common stock from $2.00 per share to $.01 per share	-	(159,519)	159,519	-	-	
Cash Dividends Paid	(39,127)	-	-	-	(39,127)	
Balance at September 30, 1998	$1,167,007	$804	$341,534	($21,839)	$846,508	
Balance at December 31, 1996	$1,066,122	$79,918	$186,391	($3,722)	$803,535	
Comprehensive Income						
Net Income	106,340	-	-	-	106,340	$106,340
Other Comprehensive Income, Net of Tax						
Investment Securities, Net of Reclassification Adjustment	2,633	-	-	2,633	-	2,633
Foreign Currency Translation Adjustment	(5,420)	-	-	(5,420)	-	(5,420)
Total Comprehensive Income						$103,553
Common Stock Issued						
65,220 Profit Sharing Plan	2,925	130	2,795	-	-	
183,207 Stock Option Plan	4,745	366	4,379	-	-	
102,899 Dividend Reinvestment Plan	4,877	207	4,670	-	-	
2,950 Directors' Restricted Shares and Deferred Compensation Plan	128	6	122	-	-	
2,317,873 Shares Issued to Acquire CU Bancorp	108,469	4,636	103,833	-	-	
Stock Repurchased	(112,878)	(4,819)	(108,059)	-	-	
Cash Dividends Paid	(36,781)	-	-	-	(36,781)	
Balance at September 30, 1997	$1,141,160	$80,444	$194,131	($6,509)	$873,094	

/TABLE

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 1997 Annual Report to Shareholders. Operating results for the nine months ended September 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998.

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 primarily located in Japan, South Korea, Singapore, Hong Kong, Taiwan, French Polynesia and New Caledonia.

Certain amounts in prior period financial statements have been reclassified to conform with the 1998 presentation.

Note 2. Recent Accounting Pronouncements

Effective January 1, 1998, Pacific Century adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." With the adoption of SFAS No. 130, the format of the Consolidated Statements of Shareholders' Equity has changed to provide the required disclosures, and prior interim periods have been reclassified to conform with the statement. The adoption of SFAS No. 130 had no material effect on Pacific Century's financial position or results of operations.

In February 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement standardizes, to the extent practicable, disclosure requirements and requires additional information on changes in benefit obligations, fair value of plan assets and certain other disclosures. It also eliminates certain disclosures that were previously required. SFAS No. 132 is effective for fiscal years beginning after December 15, 1997. The implementation of SFAS No. 132 will have no impact on Pacific Century's financial position or results of operations.

In June 1998, the FASB issued 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. SFAS No. 133 will become effective for fiscal years beginning after June 15, 1999. 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 May 1998, Pacific Century concluded an agreement to acquire the interest of Group Paribas in Banque Paribas Pacifique in New Caledonia and Banque Paribas Polynesie in French Polynesia. As of the acquisition date, Banque Paribas Pacifique and Banque Paribas Polynesie had total assets of approximately $224 million and $80 million, respectively. The acquisitions were accounted for under the purchase method and the combined goodwill of approximately $17.1 million is being amortized over 15 years on a straight line basis.

Note 4. Earnings Per Share

On December 12, 1997, a two-for-one stock split in the form of a 100% stock dividend was distributed to shareholders. Prior period EPS data in the consolidated financial statements have been retroactively adjusted to reflect the stock split.

On December 31, 1997, Pacific Century adopted SFAS No. 128 "Earnings Per Share." All reported prior period earnings per share (EPS) information have been restated in accordance with SFAS No. 128.

For the three and nine months ended September 30, 1998 and 1997, there were no adjustments to net income (the numerator) for purposes of computing basic and diluted EPS. The weighted average shares (the denominator) for computing basic and diluted EPS for the three and nine months ended September 30, 1998 and 1997 are presented in the Consolidated Statements of Income. Included in the weighted average shares for computing diluted EPS is the dilutive effect of stock options of 574,234 and 1,251,468 shares for the quarter ended September 30, 1998 and 1997, respectively, and 927,062 and 1,042,498 shares for the nine months ended September 30, 1998 and 1997, 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 financial statements after adjusting for non-taxable items, principally from certain state tax adjustments, tax exempt interest income, bank owned life insurance income, and low income housing 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 previously announced strategic actions to accelerate expense reduction and improve efficiency. These actions include the merger in Hawaii of First Federal Savings and Loan Association of America with Bank of Hawaii, the merger of Pacific Century's two U.S. Mainland banks into a single nationally chartered entity, and the outsourcing of certain functions. The merger of the two Hawaii-based companies was completed as of September 30, 1998 and will result in the closing of 19 thrift branches in the fourth quarter, which will bring the total bank and thrift branches closed in 1998 to 27. In August 1998, the merger of California United Bank and Pacific Century Bank, N.A. was consummated. The restructuring charge includes expected direct and incremental costs associated with exiting these activities and consists primarily of employee severance payments, lease termination costs, losses on disposal of premises and other fixed assets, and certain data processing related costs including the write-off of redundant systems. As of September 30, 1998, the balance in the restructuring accrual was approximately $18.3 million.

Note 7. Shareholders' Equity

At Pacific Century's Annual Meeting in April 1998, shareholders approved a proposal to change the state of incorporation of Pacific Century from Hawaii to Delaware. The reincorporation in Delaware was effective on April 24, 1998. The Delaware Certificate of Incorporation authorizes 500,000,000 shares of Common Stock and reduces the par value to $.01 per share from $2.00 per share under the Hawaii Restated Articles of Incorporation.

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 September 30, 1998 of $34.8 million, compared to $35.3 million in the same quarter in 1997. Basic earnings per share were $0.43 in 1998's third quarter, compared to $0.44 in the same year ago quarter. Diluted earnings per share were $0.43 in the third quarter of 1998, the same level as in the comparable 1997 period.

For the nine months ended September 30, 1998, earnings were $72.0 million, a decrease of 32.3% from $106.3 million in the same period last year. Basic earnings per share were $0.90 in the first nine months of 1998, down from $1.34 for the same year ago period. Diluted earnings per share were $0.89 in the first nine months of 1998, compared to $1.31 in the comparable period last year.

The decline in year-to-date earnings is attributed to the recognition of second quarter special items related to a restructuring charge of $19.4 million and a significant increase in the quarterly provision for loan losses to $42.0 million. The restructuring charge relates to Pacific Century's branch rationalization program that primarily involves the merger of First Federal Savings and Loan Association of America (First Federal) into Bank of Hawaii and the closure of approximately 25% of the combined branches in the State of Hawaii. In addition, Pacific Century has merged its two mainland subsidiary banks into one nationally chartered entity. Expenses related to completing these actions are included in the restructuring charge. For further information, see the section on Restructuring Plan in this report.

The 1998 increase in provision for loan losses reflects a rise in gross charge-offs and a build up of the loan loss reserve in consideration of continuing economic uncertainties in Asia. For the nine months ended September 30, 1998, gross charge-offs were $30.2 million higher than in the same 1997 period and are largely attributed to an increase in the foreign category. For further information, see the Summary of Loan Loss Experience section in this report.

Performance ratios for the nine months ended September 30, 1998 were down from those reported in the comparable 1997 period reflecting the special charges. For the third quarter of 1998, the annualized return on average assets (ROAA) and return on average equity (ROAE) was 0.93% and 11.87%, respectively. On an annualized basis, ROAA was 0.64% and ROAE was 8.35% for the nine months ended September 30, 1998. Comparatively, ROAA and ROAE in the first nine months of 1997 were 1.01% and 12.94%, respectively, and for the full year 1997 were 0.98% and 12.57%, respectively.

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 were $82.9 million for the nine months ended September 30, 1998, compared to $114.2 million in the same period last year. On a per share basis, tangible diluted earnings per share were $1.02 and $1.41 in the first nine months of 1998 and 1997, respectively.

Non-performing assets, excluding accruing loans past due 90 days or more, ended the current quarter at $151.5 million, or 1.59% of total loans, up from $97.1 million, or 1.02% of total loans, at December 31, 1997. This increase is primarily due to a rise in the foreign and commercial categories. The foreign increase includes non-performing assets acquired in the May 1998 acquisitions of Banque Paribas Pacifique and Banque Paribas Polynesie.

Asia continues to remain the focus of Pacific Century's attention. At the end of the third quarter, financial volatility remains in those Asian countries that have been impacted by an economic and liquidity crisis that began in mid-1997. Pacific Century is carefully following developments in the region, monitoring its credit exposure in those countries that are experiencing financial difficulties, and taking action on credit reserves as appropriate under the circumstances. Additional information regarding Asian events are included in the International Operations section of this report.

Pacific Century's operating performance has been impacted by Hawaii's weak economy. The current forecast among economists is for Hawaii's gross state product to exhibit little growth in 1998, continuing a trend that stretches back to 1991. In addition, recent financial turbulence in Asian markets is expected to challenge near term improvements in the Hawaiian economy. The Asian economic crisis has weakened the currency exchange rates of certain countries in the Pacific region relative to the U.S. dollar and has resulted in lowering the number of Asian visitors to Hawaii and reducing the level of their spending. Recent increases in the number of U.S. Mainland visitors, however, have partially offset the decline in the Asian market. Additionally, the Asian crisis could adversely affect the economies of other countries in the Pacific in which Pacific

Century conducts business.

Pacific Century completed its purchase of approximately $20 million (U.S. dollar equivalent) in Bank of Queensland 6.375% convertible notes in April 1998. The Bank of Queensland is located in northeastern Australia, and the purchase will enable Pacific Century to broaden its geographic reach in the Pacific Rim.

In May 1998, Pacific Century completed its acquisition of Group Paribas' interest in Banque Paribas Pacifique in New Caledonia and Banque Paribas Polynesie in French Polynesia. As of the acquisition date, Banque Paribas Pacifique and Banque Paribas Polynesie had total assets of approximately $224 million and $80 million, respectively.

The acquisitions of Banque Paribas Pacifique and Banque Paribas Polynesie, California United Bank (CUB) in July 1997, and Bank of Hawaii (PNG) Ltd. in March 1997 affect the comparability between those amounts reported in the September 30, 1998 consolidated financial statements and the corresponding amounts in the September 30, 1997 statements.

Restructuring Plan

On February 17, 1998, Pacific Century announced a restructuring plan to accelerate expense reduction and improve Pacific Century's efficiency. In the initial phase, the program calls for First Federal, which was acquired by Pacific Century in 1990, to be merged with Bank of Hawaii. This merger was completed as of September 30, 1998. First Federal branches have been consolidated into the Bank of Hawaii network, and by 1998 year-end 19 thrift branches will be closed. As a result, a total of 27 bank and thrift branches will be closed in 1998.

In August 1998, Pacific Century's U.S. Mainland operations were merged into one nationally chartered entity. California United Bank (CUB), acquired in 1997, and Pacific Century Bank, N.A. located in Phoenix, Arizona, were consolidated under the name Pacific Century Bank, N.A.

In connection with these actions, a $19.4 million restructuring charge was taken against second quarter earnings. The restructuring charge consists of direct and incremental costs that are primarily associated with closing facilities, staffing, and outsourcing.

Pacific Century's restructuring program will continue in 1999 with a comprehensive nine-month redesign process to increase revenues and further improve efficiency. Pacific Century has contracted with a nationally recognized corporate redesign specialist to orchestrate this activity.

Pacific Century Markets

Pacific Century's oldest and largest market is Hawaii, where operations are conducted primarily through its principal subsidiary Bank of Hawaii. Over the past four decades, Pacific Century's strategy has called for expanding outside of Hawaii, with emphasis on key Pacific locations. Today, Pacific Century's strategic focus is to provide targeted financial services to four primary markets: Hawaii, the Pacific, Asia, and the U.S. Mainland.

Risk Elements in Lending Activities

Total loans outstanding were $9.5 billion as of September 30, 1998, up slightly by 0.5% and 0.2% over year-end 1997 and September 30, 1997, respectively. Comparability between periods is impacted by the May 1998 Banque Paribas acquisitions. Approximately $211 million of loans in the aggregate were acquired in the acquisitions. Excluding the effects of these acquisitions, total loans as of the end of the current quarter would have declined by 1.7% from year-end 1997 and 2.0% from September 30, 1997. The following table presents Pacific Century's total loan portfolio for the periods indicated.

<TABLE>

Loan Portfolio Balances — Pacific Century Financial Corporation

(in millions of dollars)	September 30 1998	December 31 1997	September 30 1997
Domestic Loans			
Commercial and Industrial	$2,375.1	$2,104.3	$2,102.4
Real Estate			
Construction -- Commercial	279.4	268.1	285.3
-- Residential	15.7	12.9	17.6
Mortgage -- Commercial	1,237.1	1,354.5	1,390.1
-- Residential	2,618.6	2,738.9	2,713.7
Installment	795.3	891.6	884.1
Lease Financing	479.6	519.4	497.7
Total Domestic	7,800.8	7,889.7	7,890.9
Foreign Loans	1,748.9	1,608.7	1,638.6
Total Loans	$9,549.7	$9,498.4	$9,529.5

/TABLE

Commercial and Industrial Loans

Commercial and Industrial (C & I) loans ended the third quarter of 1998 at approximately $2.4 billion, up 12.9% from year-end 1997. This growth reflects a rise in the C & I portfolio in Hawaii, the U.S. Mainland and the West Pacific. Compared to the same date a year ago, C & I loans showed an increase of $272.7 million. The proportion of C & I loans to the total loan portfolio rose to 24.9% at September 30, 1998 from 22.2% and 22.1% at year-end 1997 and September 30, 1997, respectively.

Real Estate Loans

As of September 30, 1998, real estate loans as a group represented 43.5% of total loans, down from 46.1% at year-end 1997. The table above presents the composition of real estate loans, which consists of both residential and commercial mortgages. Residential mortgage loans totaled $2.6 billion at September 30, 1998, down 4.4% from year-end 1997 and 3.5% from

September 30, 1997, but still continued to represent the largest component in the real estate group.

Commercial mortgage loans were $1.2 billion at September 30, 1998, a decrease of 8.7% and 11.0% from year-end 1997 and September 30, 1997, respectively. About 70% of commercial mortgage loans are secured by real estate located in Hawaii, with the remainder mostly in Guam, California and Arizona. The commercial real estate portfolio is diversified in the types of properties securing the obligations, which include shopping centers, commercial/industrial/warehouse facilities, and office buildings. Generally, loans secured by commercial/industrial/warehouse and office buildings are either solely or partially owner-occupied.

Total construction loans (both residential and commercial) at September 30, 1998 comprised 3.1% of the total loan portfolio. As of September 30, 1998, total construction loans were $295.1 million, an increase of 5.0% over year-end 1997 and a decrease of 2.6% from September 30, 1997. These loans tend to be short-term in nature with permanent take out financing commitments in place before the construction begins.

Foreign Loans

Foreign loans at the end of 1998's third quarter totaled approximately $1.7 billion, up 8.7% and 6.7% over year-end 1997 and September 30, 1997, respectively. Excluding the effects of the May 1998 Paribas acquisitions, foreign loans as of September 30, 1998 would have declined 4.4% from year-end 1997. At September 30, 1998 foreign loans represented 18.3% of the total loan portfolio, up from 16.9% and 17.2% at year-end 1997 and September 30, 1997, respectively.

As of September 30, 1998, foreign loans in the South Pacific totaled $1,095 million, an increase of 42.8% from $767 million at year-end 1997 primarily reflecting the May 1998 acquisitions in New Caledonia and French Polynesia. Most of the South Pacific loans are in two subsidiary banks, Banque de Tahiti and Bank of Hawaii-Nouvelle Caledonie, which in the aggregate held loans of $993 million at the end of the third quarter of 1998.

Excluding South Pacific loans, the remaining foreign loans are mostly in Asia. Loans in this group totaled $654 million at September 30, 1998, down 22.3% from $842 million at year-end 1997. Pacific Century's Asian business emphasis is primarily on correspondent banking, trade finance and working capital loans for companies that have business interests in the Asia-Pacific markets. The majority of Asian loans are short-term.

Additional information on Asian credit exposure and recent Asian economic events are contained in the International Operations section of this report.

Other Lending

Other lending includes installment loans and lease financing. Installment loans ended the third quarter of 1998 at $795.3 million, compared to $891.6 million at year-end 1997 and $884.1 million at September 30, 1997. Credit cards (included in the installment totals) were $271.1 million as of September 30, 1998, down 6.1% from year-end 1997. Also included in the installment category are consumer installment loans, which totaled $524.2 million at September 30, 1998, compared to $602.9 million at December 31, 1997. These loans consist mainly of auto loans (direct and indirect) and unsecured creditlines.

Lease financing as of September 30, 1998, declined 7.7% from year-end 1997 and 3.6% from the same year ago date. At end of the third quarter of 1998, total leases outstanding were $479.6 million, compared to $519.4 million at year-end 1997 and $497.7 million at September 30, 1997.

Non-Performing Assets and Past Due Loans

Pacific Century's non-performing assets (NPAs) consist of non-accrual loans, restructured loans and foreclosed real estate. As of September 30, 1998, NPAs totaled $151.5 million, or 1.59% of total loans outstanding. Comparatively, this ratio was 1.02% at year-end 1997 and 0.99% at the same year ago date. In dollars, total NPAs have increased from the $97.1 million at year-end 1997 and $94.7 million at September 30, 1997. The increase in non-performing assets mostly results from a rise in the foreign and commercial categories.

Non-accrual loans were $140.6 million at September 30, 1998, up from $126.1 million at June 30, 1998 and $89.3 million at year-end 1997. Relative to year-end 1997, the increase is largely attributed to higher foreign non-accruals. Foreign non-accruals aggregated $67.9 million at September 30, 1998, reflecting a rise of $28.0 million over year-end 1997. Included in the current quarter-end foreign total was approximately $11.5 million in non-accrual loans relating to the May 1998 acquisitions of Banque Paribas Pacifique and Banque Paribas Polynesie. As of September 30, 1998, foreign non-accruals primarily consisted of $22.9 million in Asia and $41.8 million in French Polynesia and New Caledonia. Also contributing to the increase in non-accrual loans during the first nine months of 1998, was a $13.3 million rise in the commercial category that reflects the addition of a $12.3 million Hawaii-based loan in conjunction with partial charge-offs taken in the second and third quarters.

Foreclosed real estate was $10.9 million at the end of the third quarter, compared to $6.2 million at year-end 1997 and $11.0 million at September 30, 1997. The increase in foreclosed real estate from year-end 1997 is mostly due to the addition of one C & I property. Excluding this property, foreclosed real estate as of September 30, 1998 consisted primarily of residential properties located in Hawaii. Total foreclosed real estate remains at a low level representing 0.07% of total assets as of September 30, 1998.

Accruing loans past due 90 days or more increased to $27.3 million at September 30, 1998 from $25.0 million at year-end 1997. Compared to the same time last year, accruing loans past due 90 days were up $1.5 million.

Total NPAs and loans 90 days past due totaled $178.8 million at the end of the third quarter of 1998, compared to $122.1 million and $120.5 million at year-end 1997 and September 30, 1997, respectively. Total NPAs and loans 90 days past due represented 1.87% of total loans outstanding at September 30, 1998, compared to 1.29% at year-end 1997 and 1.26% at September 30, 1997.

The following table presents NPAs and accruing loans past due 90 days or more for the periods indicated.

<TABLE>
Pacific Century Financial Corporation and subsidiaries
Consolidated Non-Performing Assets and Accruing Loans Past Due 90 Days or More

(in millions of dollars)	September 30 1998	December 31 1997	September 30 1997
Non-Accrual Loans			
Commercial	$24.0	$10.7	$12.9
Real Estate			
Construction	4.4	1.0	0.9
Commercial	6.7	2.8	3.8
Residential	35.9	32.9	35.8
Installment	0.9	2.0	1.9
Leases	0.8	--	0.2
Foreign	67.9	39.9	26.1
Subtotal	140.6	89.3	81.6
Restructured Loans			
Real Estate			
Commercial	--	1.6	2.1
Subtotal	--	1.6	2.1
Foreclosed Real Estate			
Domestic	10.8	6.2	11.0
Foreign	0.1	--	--
Subtotal	10.9	6.2	11.0
Total Non-Performing Assets	151.5	97.1	94.7
Accruing Loans Past Due 90 Days or More			
Commercial	7.3	2.0	2.2
Real Estate			
Construction	0.6	--	0.4
Commercial	0.8	0.6	3.0
Residential	4.8	7.3	3.0
Installment	6.6	7.6	6.9
Leases	0.1	0.1	0.2
Foreign	7.1	7.4	10.1
Subtotal	27.3	25.0	25.8
Total	$178.8	$122.1	$120.5
Ratio of Non-Performing Assets to Total Loans	1.59%	1.02%	0.99%
Ratio of Non-Performing Assets and Accruing Loans Past Due 90 Days or More to Total Loans	1.87%	1.29%	1.26%

/TABLE

Summary of Loan Loss Experience

As of September 30, 1998, the reserve for loan losses totaled $209.7 million, representing 2.24% of loans outstanding. Comparatively, this ratio was 1.88% and 1.91% at year-end 1997 and September 30, 1997, respectively. During the first nine months of 1998, the reserve for loan losses increased $35.3 million, primarily reflecting loan provisions that exceeded net charge-offs by $16.9 million and reserves acquired of $13.6

million from the two Paribas acquisitions.

The provision for loan losses was $10.7 million in the third quarter of 1998, down from $42.0 million in the June 1998 quarter and $18.3 million in the March 1998 quarter. As compared to the prior quarter, the lower third quarter loan loss provision reflected a decline in net charge-offs. In the first nine months of 1998, the provision for loan losses totaled $71.0 million, an increase of $50.5 million from $20.5 million in the same period last year.

Gross charge-offs were $12.9 million in the third quarter of 1998, down from $29.7 million and $20.4 million in the second and first quarters of 1998, respectively. Current year-to-date charge-offs were $63.0 million, an increase of $30.2 million over the first nine months of 1997. Relative to the year-to-date period, most of the increase in gross charge-offs results from a rise in the foreign category, which reflects the effects of the Asian economic and financial crisis. Foreign loan charge-offs in the first nine months of 1998 were $26.8 million, up from nil in the same 1997 period. Included in the foreign category were Asian charge-offs in the first nine months of 1998 of $22.1 million in Thailand and $3.0 million in Indonesia. For the nine months ended September 30, 1998, C & I charge-offs increased $3.6 million over the comparable period in 1997 and reflects a total of $8.5 million in partial charge-offs recognized on one commercial real estate loan in Hawaii.

In the current quarter, recoveries declined to $2.7 million, compared to $3.7 million in the prior quarter. Recoveries in the first nine months of 1998 were $8.9 million, down from $14.4 million in the same year ago period. Net charge-offs in the current quarter were $10.2 million, or 0.43% of average loans, compared to $26.0 million, or 1.08% of average loans in the June 1998 quarter and $17.9 million, or 0.78% in the March 1998 quarter. For the first nine months of 1998, net charge-offs were $54.1 million, or 0.76% of average loans, compared to $18.4 million, or 0.28% of average loans in the first nine months of 1997.

A detailed breakdown of the loan loss reserve including charge-offs and recoveries by category is presented in the following table.

<TABLE>

Summary of Loan Loss Experience — Pacific Century Financial Corporation and subsidiaries

(in millions of dollars)	Third Quarter 1998	Third Quarter 1997	First Nine Months 1998	First Nine Months 1997
Average Amount of Loans Outstanding	$9,499.6	$9,206.2	$9,452.1	$8,783.2
Balance of Reserve for Loan Losses				
at Beginning of Period	$204.0	$167.8	$174.4	$167.8
Loans Charged-Off				
Commercial and Industrial	4.3	5.5	13.8	10.2
Real Estate - Mortgage				
Commercial	0.3	0.3	0.5	0.5
Residential	0.8	0.2	1.6	0.9
Installment	6.9	7.5	20.1	20.8
Foreign	0.6	--	26.8	--
Leases	--	0.2	0.2	0.4
Total Charged-Off	12.9	13.7	63.0	32.8
Recoveries on Loans Previously Charged-Off				
Commercial and Industrial	0.6	3.5	2.2	8.8

Real Estate - Mortgage				
Commercial	0.2	--	1.2	0.3
Residential	--	--	0.2	0.7
Installment	1.8	1.6	4.8	4.4
Foreign	0.1	0.1	0.5	0.2
Total Recoveries	2.7	5.2	8.9	14.4
Net Charge-Offs	(10.2)	(8.5)	(54.1)	(18.4)
Provision Charged to Operating Expenses	10.7	8.1	71.0	20.5
Other Net Additions *	5.2	10.3	18.4	7.8
Balance at End of Period	$209.7	$177.7	$209.7	$177.7
Ratio of Net Charge-Offs to Average Loans Outstanding (annualized)	0.43%	0.37%	0.76%	0.28%
Ratio of Reserve to Loans Outstanding	2.24%	1.91%	2.24%	1.91%

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

International Operations

Pacific Century maintains an extensive international presence in the Asia-Pacific region that provides opportunities to take part in correspondent banking, lending and deposit-taking activities in these markets. These activities are facilitated through Bank of Hawaii branches, a representative office with extensions, and full service subsidiary/affiliate banks. Pacific Century's international operations are primarily located in Japan, South Korea, Singapore, Hong Kong, Taiwan, French Polynesia and New Caledonia. The operations of Pacific Century's subsidiaries located in the West and South Pacific, which are denominated in U.S. dollars are classified as domestic.

An important part of Pacific Century's strategy is to facilitate trade activity within and across the Pacific. Providing trade financing in both directions throughout the Pacific provides short-term exposure and generates fee income from letters of credit and bankers' acceptances. Letters of credit and bankers' acceptances sold with recourse (which are off-balance sheet transactions) are considered in Pacific Century's overall country exposure analysis, but not in the cross-border asset analysis.

Pacific Century's foreign assets consist of both local currency and cross-border lending. Local currency lending are those loans that are funded and will be repaid in the currency of the borrower's country. Cross-border lending, on the other hand, involves credits denominated in a currency other than that of the country in which a borrower is located. This type of lending involves additional risks arising from a country's reserve position, exchange and transfer restrictions, and fluctuations in the currency exchange rate.

Pacific Century's total credit exposure on a cross-border basis was approximately $1.35 billion at September 30, 1998, down from $1.45 billion at both the end of the second quarter of 1998 and year-end 1997. Cross-border interbank placements and loans were $754 million at September 30, 1998, down from $815 million at June 30, 1998 and $835 million at December 31, 1997. The table following presents for September 30, 1998, June 30, 1998 and December 31, 1997 a geographic distribution of Pacific Century's cross-border assets in each country in which such assets exceeded 0.75% of total assets.

<TABLE>
Geographic Distribution of Cross-Border International Assets (1)

(in millions of dollars)	Government and Other Official Institusions	Banks and Other Financial Institutions (2)	Commercial and Industrial Companies	Total
At September 30, 1998				
Japan	$ -	$228.5	$126.4	$ 354.9
South Korea	87.6	77.2	90.4	255.2
Taiwan	-	71.0	56.1	127.1
All Others	37.2	377.1	202.4	616.7
	$124.8	$753.8	$475.3	$1,353.9
At June 30, 1998				
Japan	$ -	$216.1	$147.5	$ 363.6
South Korea	85.1	106.3	138.2	329.6
Taiwan	-	118.8	43.2	162.0
All Others	29.5	374.0	192.7	596.2
	$114.6	$815.2	$521.6	$1,451.4
At December 31, 1997				
Japan	$ -	$253.1	$136.8	$ 389.9
South Korea	-	219.7	193.5	413.2
Taiwan	57.5	39.5	23.8	120.8
All Others	48.4	322.9	154.5	525.8
	$105.9	$835.2	$508.6	$1,449.7

(1) 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.
(2) Includes U.S. dollar advances to foreign branches and affiliate banks which were used to fund local currency transactions. Totals for September 30, 1998, June 30, 1998 and December 31, 1997 were $351.3 million, $380.5 million and $419.9 million, respectively.

The Asian economic turmoil that began in mid-1997 has adversely impacted the economies of many countries in the region. Those countries affected have experienced a significant devaluation of their currencies relative to the U.S. dollar, as well as higher interest rates and a general tightening of credit. These problems have made it more difficult for borrowers in those countries to obtain and repay credit. Through the end of the third quarter, economic uncertainty still remains in many Asian countries. Pacific Century is closely following the developments in Asia and has adjusted its activities in the region. In view of the risks, Pacific Century has increased its provision for loan losses in 1998 as more fully discussed in the section on Summary of Loan Loss Experience. Pacific Century will continue to monitor its activities on a country by country basis as events evolve and will take such actions on credit reserves and business strategy as appropriate under the circumstances.

Those countries that have been affected most from the current economic turmoil are Thailand, Indonesia and South Korea, which have all experienced liquidity problems, currency devaluation, and erosion of investor confidence that required the intervention of the International Monetary Fund. These events have generally resulted in severe financial problems for the corporate and financial sectors in those countries and have created a high level of volatility in the financial markets. At Pacific Century, all exposures relating to South Korea, Japan, Taiwan, Hong Kong, the Philippines and Malaysia ended both year-end 1997 and September 30, 1998 on a performing status. There were no charge-offs in the Asian portfolio during 1998's third quarter.

Within Asia, the two most problematic economies for Pacific

Century remain Thailand and Indonesia. Pacific Century's cross-border credit assets in Thailand and Indonesia at September 30, 1998 were approximately $37 million and $16 million, respectively, compared to $74 million and $21 million, respectively, at year-end 1997. In the first quarter of 1998, $5.7 million in U.S. dollar denominated Thai finance company loans were exchanged for Thai baht denominated government deposits. Charge-offs relative to Thai and Indonesian exposures in the first half of 1998 totaled $22.1 million and $3.0 million, respectively. There were no charge-offs in the third quarter. Total Thai non-performing credits at September 30, 1998 were $19.5 million, up from $17.6 million at year-end 1997. With respect to Indonesia, non-performing credits totaled $2.7 million at September 30, 1998. In the third quarter of 1998, $10.6 million in Indonesian exposure to banks was converted to sovereign risk in conjunction with a government sponsored plan to support the local banking system. Representing the majority of the $16 million in Indonesian credit assets as of September 30, 1998, the converted loans mature over four years.

Capital

At September 30, 1998, Pacific Century's total capital was $1.17 billion, an increase of $50 million over year-end 1997. Dividends in the third quarter were paid at $0.1625 per share.

Regulatory risk-based capital remained well above minimum guidelines. At September 30, 1998, Pacific Century's Total Capital, Tier 1 Capital and leverage ratios were 11.74%, 9.65% and 7.32%, respectively. This compares with year-end 1997, when the Total Capital Ratio was 11.65%, the Tier 1 Capital Ratio was 9.34% and the leverage ratio was 7.21%. Regulatory guidelines prescribe a minimum Total Capital Ratio of 10%, a Tier 1 Capital Ratio of 6% and a leverage ratio of 5% for an institution to qualify as "well capitalized." Pacific Century's strategy is to maintain its capital ratios at levels to meet this qualification to benefit from the financial and regulatory incentives provided to "well capitalized" institutions.

Market Risk Exposures

Other Than Trading Activities

In the normal course of business, elements of Pacific Century's balance sheet are exposed to varying degrees of market risk. Market risk arises from movements in interest rates and foreign currency exchange rates. A key element in the process of managing market risk involves oversight by the Board of Directors and senior management as to the level of such risk assumed by Pacific Century in its balance sheet. The Board reviews and approves risk management policies, including risk limits and guidelines and delegates to the Asset Liability Management Committee (ALCO) oversight functions. The ALCO, consisting of the Managing Committee and senior business and finance officers, monitors Pacific Century's market risk exposure and as market conditions dictate, modifies balance sheet positions or directs the use of derivative instruments.

Interest Rate Risk. Pacific Century's balance sheet is sensitive to changes in the general level of interest rates. This interest rate risk arises primarily from normal business activities of making loans and taking deposits. Many other factors also affect Pacific Century's exposure to changes in interest rates. These factors include general economic and financial conditions, customer preferences, and historical pricing spread relationships.

The primary method 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. These estimates are based on numerous assumptions that include loan and deposit volumes and pricing, prepayment speeds on mortgage-related assets, and principal amortization and maturities on other financial instruments. While such assumptions are inherently uncertain, management believes that these assumptions are reasonable. As a result, the NII simulation model provides a sophisticated estimate rather than a precise prediction of the exposure to higher or lower interest rates on NII.

The simulation model is used to estimate the change in NII from a gradual 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 had not changed. Based on the result of the model, a 200 basis points rise in interest rate as of September 30, 1998 would have resulted in a decline in NII of 1.1%, while a 200 basis points drop in interest rates would have resulted in an increase in NII of 1.6%. Comparatively, as of year-end 1997, a 200 basis points rise in interest rates would have resulted in a decline in NII of 2.0%, while a 200 basis points drop in interest rates would have resulted in an increase in NII of 2.3%. The resulting estimate in NII exposure is well within the approved ALCO 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.

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 three years. During this period, Pacific Century has relied more on the use of on-balance sheet alternatives to manage its interest rate risk position.

Foreign Currency Risk. Pacific Century's broad area of operations throughout the South Pacific and Asia has the potential to expose Pacific Century 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 specific policy limits, the net exposure in these "other than trading" activities 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 Asia. These investments are designed to diversify the total balance sheet exposure. While a portion of the capital investment in French Polynesia and New Caledonia is offset by a borrowing denominated in French Francs or foreign exchange currency hedge transactions, the remainder of these capital positions, aggregating approximately $89.3 million, is not hedged.

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.

To estimate the potential loss in its net investment in foreign subsidiaries and branches, Pacific Century takes the daily volatility and annualizes it by multiplying by the number of trading days in a year. Therefore, the VAR determines the potential one-year loss within a 95% confidence interval of the net investment in subsidiaries.

Presented below is Pacific Century's foreign currency exposure from its net investments in subsidiaries and branch operations that are denominated in a foreign currency as measured by the VAR as of September 30, 1998 and December 31, 1997.

Market Risk Exposure From Changes in Foreign Exchange Rates

		September 30, 1998		December 31, 1997
(in millions of dollars)	Book Value	Value-at-Risk	Book Value	Value-at Risk
Net Investments in Foreign Subsidiaries and Branches				
Japanese Yen	$11.8	$ 3.4	$11.0	$ 1.9
Korean Won	36.3	9.1	29.5	23.0
Pacific Franc (1)	27.8	4.3	24.3	3.7
Other	13.4	18.5	29.5	8.9
Total	$89.3	$35.3	$94.3	$37.5

(1) Net of borrowing denominated in French francs of $46.0 million and $43.0 million as of September 30, 1998 and December 31, 1997, respectively and foreign exchange hedge transactions of $23 million as of September 30, 1998.

Trading Activities

Pacific Century's trading activities include foreign currency and foreign exchange contracts that expose Pacific Century to a modest degree of foreign currency risk. These transactions are executed on behalf of customers and for Pacific Century's own account. Pacific Century, however, manages its trading account such that it does not maintain significant foreign currency open positions. To measure the exposure of these open positions, Pacific Century uses the VAR methodology described above. The VAR measurement for trading activities as of September 30, 1998 continues to be insignificant.

On January 1, 1999, eleven members of the European Union will be converting their currency to a common currency, the "euro". Included in this conversion is the French franc. Presently, the Pacific franc, the currency of French Polynesia and New Caledonia, is pegged to the French franc. It is expected that the Pacific franc will not be converted to the euro. After 1998, the French government has expressed its intent to peg the Pacific franc to the euro in the same relationship as the current fixed translation with the French franc. This change is not expected to have a significant impact on the operations or financial results of Pacific Century.

Pacific Century expects to be compliant with its information technology systems relative to the requirements for the conversion to the new euro currency. The costs associated with these modifications are not expected to be significant.

Liquidity

Liquidity is managed to ensure that Pacific Century has continuous access to sufficient, reasonably priced funding to conduct its business in a normal manner.

As of September 30, 1998, total deposits declined 1.9% to $9.4 billion from $9.6 billion at year-end 1997. During this period, domestic deposits declined $132 million, while foreign deposits declined $53 million. Comparability is impacted by the May 1998 Paribas acquisitions, which added approximately $253 million to foreign deposits. Excluding the acquisitions, total deposits at September 30, 1998, would have declined by approximately 4.6% from year-end 1997. The intense competition for deposits by banks and other financial institutions, as well as securities brokerage firms, continues to impact the ability to attract and retain deposits. Comparing September 30, 1998 with the same date in 1997, total deposits showed a slight decline of $20 million.

Repos are offered to governmental entities as an alternative to deposits. At September 30, 1998, Repos were $2.4 billion, compared to $2.3 billion at both year-end 1997 and September 30, 1997.

Short-term borrowing, including Funds Purchased, were $652 million at the end of September 1998 down from $937 million at year-end 1997 and $859 million at September 30, 1997. Long-term debt has decreased from $706 million at year-end 1997 to $625 million at September 30, 1998, reflecting maturities. During the current quarter no new debt was issued under Bank of Hawaii's $1 billion "revolving" Bank Note program. Effective August 21, 1998, the Bank Note program was modified to allow the issuance of both senior and subordinated bank notes. Additionally, Bank of Hawaii's Board of Directors recently approved the issuance of $150 million in subordinated bank notes under this program. As of the end of the third quarter no subordinated bank notes have been issued. Outstanding senior bank notes under this program totaled $25 million at September 30, 1998. Long-term debt outstanding includes the $100 million Bancorp Hawaii Capital Trust I, 8.25% Capital Securities issued in December 1996.

Net Interest Margin

The average net interest margin (taxable equivalent basis) on earning assets in the third quarter of 1998 was 4.16%, compared to 3.93% in the same quarter of 1997 and 4.21% in the second quarter of 1998. For the first nine months of 1998, the average net interest margin (taxable equivalent basis) was 4.22%, an increase from 3.94% in the first nine months of 1997. The increase in net margin in 1998 is partly attributed to a widening of the net margin in the Hawaii market that is driven by higher yields on earning assets and to the CUB acquisition, as CUB's margins are higher than the rest of Pacific Century. Net interest income (taxable equivalent basis) totaled $144.6 million and $433.5 million in the third quarter and first nine months of 1998, respectively, compared to $135.8 million and $386.3 million in the third quarter and first nine months of 1997, respectively.

The yield on earning assets in the third quarter of 1998 improved to 7.93% from 7.87% in the same year ago quarter. For the first nine months of 1998, the yield on earning assets was 8.09%, up from 7.93% in the same period last year. The cost of funds has remained relatively stable at a rate of 4.74% and 4.73% for the quarter ended September 30, 1998 and 1997, respectively, and 4.73% and 4.76% for the nine months ended September 30, 1998 and 1997, respectively.

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

(in millions of dollars)	Three Months Ended September 30, 1998 Average Balance	Income/Expense	Yield/Rate	Three Months Ended September 30, 1997 Average Balance	Income/Expense	Yield/Rate
Earning Assets						
Interest Bearing Deposits	$598.0	$8.6	5.70%	$490.0	$7.9	6.37%
Investment Securities Held to Maturity						
-Taxable	837.9	16.4	7.77	1,259.3	20.8	6.56
-Tax-Exempt	11.3	0.3	11.94	12.6	0.5	14.42
Investment Securities Available for Sale	2,768.7	43.1	6.17	2,535.4	41.0	6.41
Funds Sold	71.2	1.0	5.80	84.6	1.1	5.12
Net Loans						
-Domestic	7,638.2	162.7	8.45	7,676.2	159.3	8.23
-Foreign	1,861.4	31.0	6.61	1,639.4	33.2	8.04
Loan Fees		12.5			7.9	
Total Earning Assets	13,786.7	275.6	7.93	13,697.5	271.7	7.87
Cash and Due From Banks	630.6			549.6		
Other Assets	446.8			495.9		
Total Assets	$14,864.1			$14,743.0		
Interest Bearing Liabilities						
Domestic Deposits - Demand	$2,023.8	14.4	2.83	$2,065.6	14.0	2.68
- Savings	763.2	4.6	2.39	871.4	5.5	2.51
- Time	2,530.9	35.5	5.57	2,938.1	40.9	5.53
Total Domestic	5,317.9	54.5	4.07	5,875.1	60.4	4.08
Foreign Deposits						
- Time Due to Banks	634.7	10.7	6.64	569.1	9.3	6.47
- Other Time and Savings	1,326.0	14.6	4.36	1,267.3	13.5	4.22
Total Foreign	1,960.7	25.3	5.10	1,836.4	22.8	4.92
Total Deposits	7,278.6	79.8	4.35	7,711.5	83.2	4.28
Short-Term Borrowings	3,001.6	40.4	5.34	2,930.1	40.7	5.51
Long-Term Debt	672.5	10.8	6.36	751.1	12.0	6.35
Total Interest Bearing Liabilities	10,952.7	131.0	4.74	11,392.7	135.9	4.73
Net Interest Income		144.6	3.19		135.8	3.14
Average Spread on Earning Assets			4.16%			3.93%
Demand Deposits - Domestic	1,574.9			1,640.8		
- Foreign	621.7			262.5		
Total Demand Deposits	2,196.6			1,903.3		
Other Liabilities	550.6			296.4		
Shareholders' Equity	1,164.2			1,150.6		
Total Liabilities and Shareholders' Equity	$14,864.1			$14,743.0		
Provision for Possible Loan Losses		10.7			8.2	
Net Overhead		82.6			72.8	
Income Before Income Taxes		51.3			54.8	
Provision for Income Taxes		16.4			19.3	
Tax-Equivalent Adjustment		0.1			0.2	
Net Income		$34.8			$35.3	

/TABLE

<TABLE>
Pacific Century Financial Corporation and subsidiaries
Consolidated Average Balances and Interest Rates Taxable Equivalent

	Nine Months Ended September 30, 1998 Average	Income/	Yield/	Nine Months Ended September 30, 1997 Average	Income/	Yield/

(in millions of dollars)	Balance	Expense	Rate	Balance	Expense	Rate
Earning Assets						
Interest Bearing Deposits	$521.0	$25.8	6.62%	$526.5	$26.5	6.73%
Investment Securities Held to Maturity						
-Taxable	962.2	54.4	7.57	1,232.9	62.0	6.72
-Tax-Exempt	11.8	1.3	14.39	12.6	1.4	14.29
Investment Securities Available for Sale	2,699.2	127.1	6.30	2,437.6	118.5	6.50
Funds Sold	91.1	3.0	4.41	78.0	2.8	4.80
Net Loans						
-Domestic	7,650.3	485.3	8.48	7,292.8	445.8	8.17
-Foreign	1,801.8	99.0	7.35	1,527.3	96.1	8.42
Loan Fees		35.1			24.7	
Total Earning Assets	13,737.4	831.0	8.09	13,107.7	777.8	7.93
Cash and Due From Banks	603.5			538.7		
Other Assets	627.1			492.2		
Total Assets	$14,968.0			$14,138.6		
Interest Bearing Liabilities						
Domestic Deposits - Demand	$2,128.5	42.5	2.67	$1,891.8	39.0	2.75
- Savings	793.7	14.5	2.44	872.6	16.2	2.48
- Time	2,743.8	110.9	5.41	2,838.9	116.4	5.48
Total Domestic	5,666.0	167.9	3.96	5,603.3	171.6	4.09
Foreign Deposits						
- Time Due to Banks	589.2	30.3	6.87	776.7	34.8	5.98
- Other Time and Savings	1,223.5	43.2	4.73	1,038.8	34.0	4.38
Total Foreign	1,812.7	73.5	5.42	1,815.5	68.8	5.07
Total Deposits	7,478.7	241.4	4.32	7,418.8	240.4	4.33
Short-Term Borrowings	3,076.9	123.4	5.36	2,847.0	116.6	5.47
Long-Term Debt	689.0	32.7	6.35	724.7	34.5	6.38
Total Interest Bearing Liabilities	11,244.6	397.5	4.73	10,990.5	391.5	4.76
Net Interest Income		433.5	3.36		386.3	3.17
Average Spread on Earning Assets			4.22%			3.94%
Demand Deposits - Domestic	1,651.1			1,463.7		
- Foreign	452.8			262.6		
Total Demand Deposits	2,103.9			1,726.3		
Other Liabilities	467.1			323.2		
Shareholders' Equity	1,152.4			1,098.6		
Total Liabilities and Shareholders' Equity	$14,968.0			$14,138.6		
Provision for Possible Loan Losses		71.0			20.6	
Net Overhead		253.3			199.9	
Income Before Income Taxes		109.2			165.8	
Provision for Income Taxes		36.8			58.8	
Tax-Equivalent Adjustment		0.4			0.7	
Net Income		$72.0			$106.3	

/TABLE

Non-Interest Income and Expense

Pacific Century utilizes the efficiency ratio to measure its success in managing 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). The efficiency ratio for the three months ended September 30, 1998 and 1997 was 68.6% and 65.6%, respectively, and for the nine months ended September 30, 1998 and 1997 was 69.8% and 64.6%, respectively. Comparability between the year-to-date periods is impacted by the restructuring charge. Excluding the restructuring charge, the efficiency ratio would have been 66.5% for the nine months ended September 30, 1998.

<TABLE>
Non-Interest Income

(in millions)	3 Months Ended Sept. 30, 1998	3 Months Ended Sept. 30, 1997	9 Months Ended Sept. 30, 1998	9 Months Ended Sept. 30, 1997
Trust Income	$13.7	$13.2	$41.6	$39.3
Service Charges on Deposit Accounts	9.1	7.8	26.0	21.0
Fees, Exchange and Other Service Charges	20.1	17.1	57.8	49.3
Other Operating Income	11.2	7.8	28.1	22.2
Investment Securities Gains	(0.5)	0.3	2.8	2.3
Total Non-Interest Income	$53.6	$46.2	$156.3	$134.1

Non-interest income in the third quarter of 1998 was $53.6 million, up 16.2% over the similar quarter in 1997. For the first nine months of 1998, non-interest income was $156.3 million, an increase of 16.5% over the same period last year. Comparisons between periods are affected by the acquisitions, which accounted for approximately $12.5 million of the increase in non-interest income in the nine months ended September 30, 1998.

Trust income in the third quarter of 1998 and 1997 was $13.7 million and $13.2 million, respectively. Year-to-date trust income totaled $41.6 million, up 5.8% from $39.3 million in the same 1997 period. These increases are primarily attributed to a rise in the total trust assets administered and to continued growth in Pacific Century's family of mutual funds.

Service charges on deposit accounts rose 16.2% in 1998's third quarter over the same period in 1997. For the nine months ended September 30, 1998, this category totaled nearly $26.0 million, reflecting an increase of $5.0 million over the first nine months of 1997. The acquisitions added about $2.9 million in deposit fees in the first nine months, while fees in the Hawaii market grew by $1.2 million.

In the three and nine months ended September 30, 1998, fees, exchanges, and other service charges were up 17.7% and 17.2%, respectively, over the same periods in 1997. The acquisitions accounted for approximately $4.4 million of the increase in these fees relative to the current year-to-date period. Pacific Century's emphasis on fee income continues to reflect positively in this category. Current year-to-date income from mortgage servicing, foreign currency and ATM fees were higher, while income from letters of credit was lower than in the same period last year.

Other operating income in the quarter ended September 30, 1998 was $11.2 million compared to $7.8 million in the like 1997 quarter. For the first nine months of 1998, other operating income was $28.1 million, an increase of $5.9 million over the same year ago period, reflecting the impact of the acquisitions of approximately $5.2 million and a $0.6 million asset sale gain in the first quarter.

For the nine months ended September 30, 1998, net gains from investment securities sales were $2.8 million, up from $2.3 million in the same 1997 period. In the third quarter, investment security transactions registered a loss of $0.5 million.

Non-Interest Expense

(in millions)	3 Months Ended Sept. 30, 1998	3 Months Ended Sept. 30, 1997	9 Months Ended Sept. 30, 1998	9 Months Ended Sept. 30, 1997
Salaries	$50.2	$45.2	$145.9	$126.7
Pension and Other Employee Benefits	14.5	12.5	42.2	40.0
Net Occupancy Expense	13.1	11.1	35.0	32.6
Net Equipment Expense	13.0	9.8	35.8	28.6
Other Operating Expense	45.3	40.1	130.6	105.1
Restructuring Charge	-	-	19.4	-
Minority Interest	0.1	0.3	0.7	1.0
Total Non-Interest Expense	$136.2	$119.0	$409.6	$334.0

Non-interest expense in the third quarter of 1998 totaled $136.2 million, up 14.5% from $119.0 million in the same quarter last year. For the nine months ended September 30, 1998, non-interest expense increased $75.6 million, or 22.6% over the same period in 1997. The year-to-date increase includes the $19.4 million second quarter restructuring charge and the effects of the acquisitions, which added approximately $27.8 million to non-interest expense. The restructuring charge is discussed in an earlier section of this report. Excluding the effects of the restructuring charge and the acquisitions, non-interest expense in the first nine months of 1998 would have increased by approximately 8.5% over the comparable 1997 period.

Salaries and benefits were $64.7 million for the third quarter of 1998, compared to $57.7 million for the same year ago period. Year-to-date salaries and benefits totaled $188.1 million, up 12.8% from $166.7 million in the first nine months of 1997. These increases are mainly due to the acquisitions, which accounted for approximately $13.5 million of the rise in the nine months ended September 30, 1998. The Year 2000 project, which is discussed in detail in the following section of this report, also contributed to the increase in these expense categories for 1998.

In the third quarter of 1998, net occupancy and equipment expense totaled $26.0 million, compared to $20.9 million in the same period last year. Net occupancy and equipment expense for the nine months ended September 30, 1998 totaled $70.8 million, an increase of 15.8% from $61.2 million for the similar period in 1997. Included in 1998's first quarter were $1.7 million in non-recurring expenses attributed to equipment and premise write-offs. Additionally, about $3.1 million of the increase in the first nine months of 1998 is explained by the acquisitions.

Other operating expense in the current quarter was $45.3 million, up $5.2 million over 1997's third quarter. Current year-to-date other operating expense totaled $130.6 million, an increase of 24.2% over the $105.1 million reported for the same period in 1997. The increase in other operating expense in the current quarter is mostly due to a $1.7 million write-down in a real estate investment and a $2.7 million third quarter loss related to an equipment lease termination which was offset by an equal amount of tax savings. In addition to these items, the increase in other operating expense for the current year-to-date period is partly due to approximately $13.7 million relating to the effects of the acquisitions (including $2.5 million for amortization of intangibles), $1.4 million in first quarter non-recurring expenses, a $2.0 million second quarter write-down of a real estate investment, and $1.0 million in charge-offs of various other items. Additionally, costs incurred for the Year 2000 project also contributed to the increase in other operating expense.

Year 2000

A significant issue facing all banks nationwide that could have a large impact on expenses 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.

Pacific Century has made the resolution of Year 2000 issues its top priority. As a diversified financial services organization, Pacific Century depends on a variety of systems to operate its businesses in Hawaii, the U.S. Mainland and the Asia-Pacific region. Recognizing the significant risks associated with the Year 2000 problem, Pacific Century established "Project 2000" in 1996 as a corporate-wide Year 2000 initiative. Through Project 2000, Pacific Century centrally manages, coordinates and tracks all Year 2000 compliance activities for its subsidiaries. Pacific Century believes that its level of preparedness is appropriate to address Year 2000 issues in a timely manner and has developed a project plan that is designed to remediate both critical information technology and non-information technology assets in a timely manner. Pacific Century's Year 2000 program management is structured around an Executive Technology Council (the ETC) and Program Management Office (the PMO). The ETC, which is comprised of executive officers of Pacific Century and its subsidiaries, maintains a corporation-wide focus on Year 2000 compliance efforts. Year 2000 compliance activities are coordinated by the PMO across all lines of business and geographic regions to ensure consistency in project management elements throughout the enterprise. Incorporated in Pacific Century's Year 2000 project plan are the following five phases:

Awareness
This phase consisted of securing executive level support needed to achieve Year 2000 compliance. In addition, this phase required the establishment of a Year 2000 program team and the development of an overall strategy that encompassed internal systems, service providers for systems that are outsourced, vendors, auditors, customers, counterparties and suppliers. Pacific Century has completed the awareness phase.

Assessment
This phase consisted of identifying the software, hardware, networks, processing platforms, non-technology assets and customers and vendors that are affected by the Year 2000 date change. In addition, this phase also addressed the size and complexity of the Year 2000 issues, as well as, identified and developed the resources necessary to perform compliance work. The assessment phase was completed in the first quarter of 1998.

Renovation
The renovation phase includes work required to bring products and services into Year 2000 compliance (i.e., code enhancements, hardware, and software replacements, and vendor certification). Detailed analyses are performed to determine the impact of the required changes on related applications and hardware. Work is prioritized based on information gathered during the assessment phase. The determining factor in the decision to repair, replace, or risk-accept an asset is based on the criticality of an asset to the operation of a business unit. For Pacific Century's mission-critical systems, approximately 90% of the total lines of code, including vendor code, have been renovated and are currently undergoing testing.

Validation Testing
This phase consists of testing information technology and non-

information technology assets. During the initial phase of testing, the functionality of the Year 2000 modified system is tested to demonstrate that changes made to data processing do not disrupt the daily processing of the system. Next, the Year 2000 modified application is tested together with related applications to ensure that it can be safely integrated into production without negatively impacting related applications. Before the modified application is placed into production, it is reviewed, tested and approved by end-users in the business units. Pacific Century is currently in the midst of renovation and validation testing and is on schedule to meet its goals of having substantially completed testing of critical systems by year-end 1998. In addition, the validation phase also addresses external testing with third party and service-provider systems for

Year 2000 compliance. The bulk of third-party interface testing will be conducted during the first quarter of 1999.

Implementation
In the implementation phase systems which have been tested as Year 2000 compliant are migrated into production. As each renovated system passes this final quality-assurance review, it is placed into production. Pacific Century expects to have all of its critical systems fully implemented and placed into production by the end of June 1999.

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 major commercial customers, counterparties and business partners.

While Pacific Century believes its Year 2000 project plan is designed to be successful in resolving Year 2000 issues for all critical systems, it is possible, because of the scope and complexity involved, that not all potential problems will be satisfactorily completed in a timely manner. To mitigate this possibility, Pacific Century is formulating contingency plans for critical assets to assure an orderly transition into the millennium. Contingency plans include specific trigger dates for alternative solutions to situations or events that may occur that are beyond Pacific Century's control. Contingency plans are reviewed and adjusted on a regular basis. In addition, business continuity plans are being developed as a safeguard against unforeseen business interruptions.

Pacific Century estimates that costs directly related to Project 2000 issues will approximate $41 million, including $30 million in estimated incremental cost. In previous reports, Pacific Century had disclosed its Project 2000 costs on an incremental basis only. However, new regulatory guidance requires this disclosure to be made on a total cost basis. 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 September 30, 1998, cumulative costs for Project 2000 totaled about $20.2 million of which approximately $5.9 million and $17.0 million were incurred in the third quarter and first nine months of 1998, respectively. 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 primarily from operating cash flow.

Forward-Looking Statements

From a forward-looking perspective, the extent and magnitude of the Year 2000 problem as it will affect Pacific Century, both before and for some period after January 1, 2000, are difficult to predict or quantify for a number of reasons. Among the most important are the difficulty of locating all internal software that is not Year 2000 compatible, as well as "embedded" chips that may be in a great variety of hardware. Pacific Century believes that it will be able to identify and remediate mission-critical internal computer systems and systems containing embedded chips and will have contingency plans to deal with these systems. Other important difficulties relate to the lack of control over, and difficulty inventorying, assessing, remediating, verifying and testing, outside systems connected, and vital, to internal computers, telecommunications or other mission-critical systems. Year 2000 costs are difficult to estimate accurately because of unanticipated vendor delays, technical difficulties, the impact of tests of outside systems and similar events. Additionally, there can be no assurance for example that all outside systems will be adequately remediated so that they are Year 2000 ready by January 1, 2000, or by some earlier date, so as not to create a material disruption to Pacific Century's business. If, despite diligent, prudent efforts under its Year 2000 Plan, there are Year 2000-related failures that create substantial disruptions to Pacific Century's business, the adverse impact on business could be material. However, no significant adverse events have been currently identified. Moreover, the estimated costs, referred to above, of implementing the Plan do not take into account the costs, if any, that might be incurred as a result of Year 2000-related failures that could occur despite implementation of the Plan.

This report contains other forward-looking statements regarding management's beliefs, estimates, projections and assumptions. These forward-looking statements are subject to risks and uncertainties, and accordingly, actual results may differ significantly from those presented in such statements. Factors that might cause such a difference include, but are not limited to, economic conditions in the areas in which Pacific Century conducts its operations, fluctuations in interest rates, fluctuations in foreign currency exchange rates, credit quality, and U.S. foreign government regulations and monetary policies.

Part II. - Other Information

Items 1 to 5 omitted pursuant to instructions.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit Index

Exhibit Number

11	Statement Regarding Computation of Per Share Earnings
20	Quarterly Report to Shareholders
27	Financial Data Schedule
99	Statement of Ratios

(b) On August 14, 1998, Pacific Century filed a Form 8-K regarding a proposed offering of subordinated notes by Bank of Hawaii.

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 November 13, 1998

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

Pacific Century Financial Corporation
Exhibit 11 - Statement Regarding Computation of Per Share Earnings
Nine Months Ended September 30

	Basic	Diluted
1998		
Net Income	$71,951,000	$71,951,000
Weighted Average Shares	80,201,636	81,128,698
Earnings Per Share	$0.90	$0.89
1997		
Net Income	$106,340,000	$106,340,000
Weighted Average Shares	79,730,632	80,773,130
Earnings Per Share	$1.34	$1.31

To Our Shareholders:

Second quarter earnings at Pacific Century Financial Corporation reflected the impact of a previously-announced restructuring charge and increased provisioning to the reserve for loan losses. Because of these special items, your company reported a nominal net income of $3.1 million for this year's second quarter. Diluted earnings per share for the quarter were $0.04.

Pacific Century's total assets at June 30, 1998 were $14.7 billion, up 4.0 percent from $14.2 billion at June 30, 1997. Total deposits stood at $9.5 billion, up 6.6 percent from $8.9 billion at second quarter-end 1997. Net loans increased to $9.0 billion, up 4.5 percent from $8.7 billion at June 30, 1997. These year-to-year comparisons are impacted by the acquisition of California United Bank in the third quarter of 1997 and the Banque Paribas institutions in the South Pacific this quarter.

Pacific Century's board of directors declared a quarterly cash dividend of 16 1/4 cents per share on the outstanding common stock. This dividend will be payable on September 15, 1998 to shareholders of record at the close of business on August 21, 1998.

On July 1, 1998, Pacific Century announced two special items relative to the second quarter. The first item was a $19.4 million restructuring charge related to previously announced merger of First Federal Savings & Loan Association (FFSL) and Bank of Hawaii, and the merger of our two bank subsidiaries on the U.S. Mainland. Once completed, Pacific Century's branch rationalization and consolidation program is intended to reduce annual operating expense by as much as $22 million.

The second item involved an increase in the quarterly provisioning to the reserve for loan losses to $42.0 million, up from $18.3 million in the first quarter of 1998. This $42 million in provisioning exceeded net loan charge-offs of $26 million and increased the reserve for loan losses in recognition of the continuing financial volatility in Asia. Loan charge-offs related to Asia totaled $17.0 million, including $3.0 million in Indonesian loans and $14.0 million in Thai loans. This provisioning is consistent with our traditionally conservative credit philosophy.

I want to emphasize that these are positive steps which will enable us to move ahead focused on our financial objectives as well as our redesign initiatives. These actions were taken to improve the performance of our Hawaii and Asia markets in the future and to position all four of our markets to take advantage of the growth opportunities throughout the Pacific region.

In the second quarter, Pacific Century completed the acquisition of Banque Paribas Pacifique in New Caledonia and Banque Paribas Polynesie in French Polynesia. Together, these banks increased total assets by $300 million as of June 30, 1998. In addition, Pacific Century further expanded its Asia-Pacific presence by concluding a strategic alliance with the Bank of Queensland in Australia.

Your company has made significant progress on the key initiatives that were identified earlier this year to improve performance and achieve our financial targets. In April, Pacific Century reincorporated in the state of Delaware. The planned merger of Pacific Century's two mainland banks and the consolidation of Hawaii's FFSL and Bank of Hawaii are on track for completion in the third quarter. Plans are underway for several outsourcing initiatives, including the trust accounting function (to begin in August) and credit card processing (set to begin in November). And customers have been notified of planned branch consolidations in Hilo, Hanalei, Aiea, Enchanted Lake and at Waterfront Plaza. Branches at Barbers Point, Waialua and Kukui Grove have already been consolidated this year.

At the same time, Pacific Century continues to capitalize on the strength and cost efficiencies of its electronic delivery network. Recently e-bankoh, Bank of Hawaii's Internet banking channel, was ranked among the top five on-line banks nationwide and #1 in ease of use by Gomez Advisors, a leading independent on-line financial services authority services. e-bankoh now serves approximately 1% of Bank of Hawaii's customer base.

These are times which challenge us to make tough decisions and take bold actions that will set your company on course for future success. I want to assure you that Pacific Century's management team is committed to doing what it takes to accomplish the performance goals and achieve the financial objectives that we have set.

We remain staunchly confident in the strength of this company as well as in the ability of our people to do the job that needs to be done in the months ahead. We remain steadfastly committed to achieving our performance objectives. We are prepared to take the necessary actions to achieve our goals. And we count on your continuing support as we guide your company into the future.

Sincerely,

LAWRENCE M. JOHNSON

Lawrence M. Johnson
Chairman and Chief Executive Officer

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

	June 30 1998	June 30 1997
Return on Average Assets	0.50%	1.04%

Return on Average Equity	6.53%		13.37%
Average Spread on Earning Assets	4.25%		3.94%
Average Equity/Average Assets	7.63%		7.75%
Book Value Per Common Share	$14.19		$13.75
Loss Reserve/Loans and Leases Outstanding	2.21%		1.90%
Common Stock Price Range	High	Low	Dividend
1997	$28.06	$20.31	$0.625
1998 First Quarter	$25.13	$20.31	$0.1625
1998 Second Quarter	$25.88	$23.56	$0.1625

Consolidated Statements of Income (Unaudited)

(in thousands of dollars except per share amounts)	3 Months Ended June 30 1998	3 Months Ended June 30 1997	6 Months Ended June 30 1998	6 Months Ended June 30 1997
Total Interest Income	$281,036	$255,539	$554,102	$505,708
Total Interest Expense	134,274	130,540	265,622	255,674
Net Interest Income	146,762	124,999	288,480	250,034
Provision for Possible Loan Losses	41,982	7,286	60,285	12,374
Net Interest Income After Provision for Loan Losses	104,780	117,713	228,195	237,660
Total Non-Interest Income	52,171	46,260	105,035	87,961
Total Non-Interest Expense	153,999	108,956	275,702	215,017
Income Before Income Taxes	2,952	55,017	57,528	110,604
Provision (Credit) for Income Taxes	(144)	19,411	20,412	39,517
Net Income	$3,096	$35,606	$37,116	$71,087
Basic Earnings Per Share	$0.04	$0.45	$0.47	$0.90
Diluted Earnings Per Share	$0.04	$0.44	$0.46	$0.88
Basic - Weighted Average Shares	80,258,217	78,799,958	80,070,764	79,117,490
Diluted - Weighted Average Shares	81,416,341	79,771,362	81,170,893	80,115,918

Consolidated Statements of Condition (Unaudited)

(in thousands of dollars	June 30 1998	December 31 1997	June 30 1997
Assets			
Interest-Bearing Deposits	$542,966	$335,847	$547,715
Investment Securities (Market Value of $3,728,525, $3,874,505, and $3,707,927 respectively)	3,713,420	3,871,485	3,705,731
Securities Purchased Under Agreements to Resell	-	-	1,600
Funds Sold	31,715	80,457	85,758
Loans	9,449,351	9,498,408	9,018,809
Unearned Income	(199,613)	(209,721)	(197,967)
Reserve for Loan Losses	(204,049)	(174,362)	(167,842)
Net Loans	9,045,689	9,114,325	8,653,000
Total Earning Assets	13,333,790	13,402,114	12,993,804
Cash and Non-Interest Bearing Deposits	575,553	795,332	484,239
Premises and Equipment	304,813	288,358	272,080
Other Assets	516,954	509,660	418,623
Total Assets	$14,731,110	$14,995,464	$14,168,746
Liabilities			
Deposits	$9,505,968	$9,607,695	$8,916,155
Securities Sold Under Agreements to Repurchase	2,313,784	2,279,124	2,146,713
Funds Purchased	366,066	710,472	471,956
Short-Term Borrowings	379,129	226,127	490,770
Other Liabilities	360,583	349,050	359,350
Long-Term Debt	665,106	705,789	701,633

Total Liabilities	13,590,636	13,878,257	13,086,577
Shareholders' Equity			
Common Stock ($.01 par value at June 30, 1998 and $2.00 par value at December 31, 1997 and June 30, 1997), authorized 500,000,000 shares; issued and outstanding, June 1998 - 80,385,041; December 1997 - 79,684,553; June 1997 - 39,363,421;	804	159,369	78,727
Capital Surplus	340,872	168,920	160,375
Accumulated Other Comprehensive Income	(25,958)	(24,766)	(7,836)
Retained Earnings	824,756	813,684	850,903
Total Shareholders' Equity	1,140,474	1,117,207	1,082,169
Total Liabilities and Shareholders' Equity	$14,731,110	$14,995,464	$14,168,746

/TABLE

<TABLE>

Pacific Century Financial Corporation
Exhibit 99 - Statement Regarding Computation of Ratios
Nine Months Ended September 30

(in millions of dollars)	1998	1997
Earnings:		
1. Income Before Income Taxes	$108.7	$165.2
2. Plus: Fixed Charges Including Interest on Deposits	399.1	395.8
3. Earnings Including Fixed Charges	507.8	561
4. Less: Interest on Deposits	241.4	240.4
5. Earnings Excluding Interest on Deposits	$266.4	$320.6
Fixed Charges:		
6. Fixed Charges Including Interest on Deposits	$399.1	$395.8
7. Less: Interest on Deposits	241.4	240.4
8. Fixed Charges Excluding Interest on Deposits	$157.7	$155.4
Ratio of Earnings to Fixed Charges:		
Including Interest on Deposits (Line 3 divided by Line 6)	1.3x	1.4x
Excluding Interest on Deposits (Line 5 divided by Line 8)	1.7x	2.1x

<ARTICLE> 9
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF CONDITION AND CONSOLIDATED STATEMENTS OF INCOME AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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