U N I T E D   S T A T E S

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, 1996

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

B A N C O R P   H A W A I I,   I N C.
------------------------------------------------------
(Exact name of registrant as specified in its charter)

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

| 130 Merchant Street, Honolulu, Hawaii | 96813 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

(808) 847-8888
----------------------------------------------------
(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, $2 Par Value; outstanding at July 31, 1996 - 40,833,656 shares

BANCORP HAWAII, INC. and subsidiaries
June 30, 1996

PART I. - Financial Information

Item 1.  Financial Statements

The consolidated statements of condition as of June 30, 1996 and 1995, and December 31, 1995 and related statements of income, shareholders' equity, and cash flows are included herein.

The unaudited financial statements listed above have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles.

The financial statements reflect all adjustments of a normal and recurring nature which are, in the opinion of management, necessary to a fair statement of the results for the interim periods. Certain accounts have been reclassified to conform with the 1996 presentation.

Consolidated Statements of Condition (Unaudited) — Bancorp Hawaii, Inc. and subsidiaries

| (in thousands of dollars) | June 30 1996 | December 31 1995 | June 30 1995 |
|---|---|---|---|
| Assets | | | |
| Interest-Bearing Deposits | $638,204 | $789,050 | $752,923 |
| Investment Securities - Held to Maturity | | | |
| (Market Value of $1,272,486, $1,135,364 and $1,565,095 respective | 1,280,379 | 1,129,251 | 1,574,160 |
| Investment Securities - Available for Sale | 2,217,867 | 2,230,902 | 1,543,324 |
| Securities Purchased Under Agreements to Resell | -- | -- | 90,000 |
| Funds Sold | 218,628 | 116,173 | 144,900 |
| Loans | 8,549,043 | 8,152,406 | 7,704,174 |
| Unearned Income | (177,225) | (147,404) | (142,084) |
| Reserve for Possible Loan Losses | (163,266) | (151,979) | (150,302) |
| Net Loans | 8,208,552 | 7,853,023 | 7,411,788 |
| Total Earning Assets | 12,563,630 | 12,118,399 | 11,517,095 |
| Cash and Non-Interest Bearing Deposits | 482,067 | 469,031 | 474,554 |
| Premises and Equipment | 271,762 | 246,515 | 231,978 |
| Customers' Acceptance Liability | 21,759 | 16,825 | 22,648 |
| Accrued Interest Receivable | 85,910 | 84,669 | 74,598 |
| Other Real Estate | 9,571 | 9,306 | 1,581 |
| Intangibles, including Goodwill | 96,971 | 87,673 | 91,422 |
| Trading Securities | 1,192 | 29 | 566 |
| Other Assets | 157,292 | 174,337 | 159,209 |
| Total Assets | $13,690,154 | $13,206,784 | $12,573,651 |
| Liabilities | | | |
| Domestic Deposits | | | |
| Demand - Non-Interest Bearing | $1,295,882 | $1,549,302 | $1,377,586 |
| - Interest-Bearing | 1,612,901 | 1,592,533 | 1,653,386 |
| Savings | 931,286 | 1,004,550 | 1,051,617 |
| Time | 2,517,056 | 2,204,242 | 1,835,287 |
| Foreign Deposits | 2,065,696 | 1,226,143 | 1,086,042 |
| Total Deposits | 8,422,821 | 7,576,770 | 7,003,918 |
| Securities Sold Under Agreements to Repurchase | 1,695,907 | 1,926,540 | 2,250,738 |
| Funds Purchased | 600,232 | 787,437 | 379,473 |
| Short-Term Borrowings | 499,580 | 476,867 | 655,652 |
| Bank's Acceptances Outstanding | 21,759 | 16,825 | 22,648 |
| Accrued Pension Costs | 23,451 | 21,145 | 24,433 |
| Accrued Interest Payable | 70,629 | 49,473 | 48,669 |
| Accrued Taxes Payable | 145,427 | 160,306 | 165,730 |
| Minority Interest | 17,057 | 2,961 | 2,641 |
| Other Liabilities | 86,166 | 70,588 | 121,241 |
| Long-Term Debt | 1,057,225 | 1,063,436 | 877,640 |
| Total Liabilities | 12,640,254 | 12,152,348 | 11,552,783 |
| Shareholders' Equity | | | |
| Common Stock ($2 par value), authorized 100,000,000 shares; outstanding, June 1996 - 40,830,130; December 1995 - 41,340,817; June 1995 - 41,520,923; | 81,660 | 82,682 | 83,042 |
| Surplus | 221,897 | 240,080 | 249,718 |
| Unrealized Valuation Adjustments | (15,760) | 13,902 | 12,410 |
| Retained Earnings | 762,103 | 717,772 | 675,698 |
| Total Shareholders' Equity | 1,049,900 | 1,054,436 | 1,020,868 |
| Total Liabilities and Shareholders' Equity | $13,690,154 | $13,206,784 | $12,573,651 |

/TABLE

<TABLE>

Consolidated Statements of Income (Unaudited) — Bancorp Hawaii, Inc. and subsidiaries

| (in thousands of dollars except per share amounts) | 3 Months Ended June 30 1996 | 3 Months Ended June 30 1995 | 6 Months Ended June 30 1996 | 6 Months Ended June 30 1995 |
|---|---|---|---|---|
| Interest Income | | | | |
| Interest on Loans | $167,460 | $151,161 | $325,259 | $298,305 |
| Loan Fees | 8,283 | 6,087 | 16,577 | 13,109 |
| Income on Lease Financing | 6,640 | 3,100 | 9,674 | 6,092 |
| Interest and Dividends on Investment Securities | | | | |
| Taxable | 14,545 | 23,734 | 29,161 | 46,764 |
| Non-taxable | 298 | 351 | 609 | 719 |
| Income on Investment Securities Available for Sale | 35,995 | 26,337 | 72,859 | 51,204 |
| Interest on Deposits | 9,901 | 10,169 | 18,908 | 18,374 |
| Interest on Security Resale Agreements | -- | 133 | -- | 133 |
| Interest on Funds Sold | 916 | 758 | 2,078 | 1,715 |
| Total Interest Income | 244,038 | 221,830 | 475,125 | 436,415 |
| Interest Expense | | | | |
| Interest on Deposits | 70,360 | 58,977 | 133,362 | 113,969 |
| Interest on Security Repurchase Agreements | 24,582 | 30,333 | 49,925 | 60,266 |
| Interest on Funds Purchased | 7,352 | 7,015 | 14,718 | 15,149 |
| Interest on Short-Term Borrowings | 5,328 | 4,526 | 11,472 | 10,204 |
| Interest on Long-Term Debt | 15,587 | 13,832 | 31,982 | 27,359 |
| Total Interest Expense | 123,209 | 114,683 | 241,459 | 226,947 |
| Net Interest Income | 120,829 | 107,147 | 233,666 | 209,468 |
| Provision for Possible Loan Losses | 4,163 | 4,120 | 8,587 | 8,573 |
| Net Interest Income After Provision for Possible Loan Losses | 116,666 | 103,027 | 225,079 | 200,895 |
| Non-Interest Income | | | | |
| Trust Income | 11,814 | 12,135 | 24,718 | 25,526 |
| Service Charges on Deposit Accounts | 7,390 | 6,180 | 13,951 | 12,840 |
| Fees, Exchange, and Other Service Charges | 13,426 | 12,428 | 25,385 | 24,785 |
| Other Operating Income | 9,969 | 4,962 | 16,300 | 10,534 |
| Investment Securities Gains (Losses) | 67 | 273 | (62) | 2,104 |
| Total Non-Interest Income | 42,666 | 35,978 | 80,292 | 75,789 |
| Non-Interest Expense | | | | |
| Salaries | 40,899 | 35,408 | 77,519 | 71,005 |
| Pensions and Other Employee Benefits | 12,071 | 10,896 | 25,480 | 22,153 |
| Net Occupancy Expense of Premises | 8,662 | 10,040 | 19,444 | 20,252 |
| Net Equipment Expense | 8,797 | 9,033 | 16,554 | 16,774 |
| Other Operating Expense | 32,857 | 28,114 | 61,711 | 54,079 |
| Minority Interest | 501 | 198 | 657 | 481 |
| Total Non-Interest Expense | 103,787 | 93,689 | 201,365 | 184,744 |
| Income Before Income Taxes | 55,545 | 45,316 | 104,006 | 91,940 |
| Provision for Income Taxes | 20,932 | 16,768 | 36,683 | 35,144 |
| Net Income | $34,613 | $28,548 | $67,323 | $56,796 |
| Earnings Per Common Share and Common Share Equivalents | $0.84 | $0.68 | $1.63 | $1.35 |
| Average Common Shares and Common Share Equivalents Outstanding | 41,276,498 | 42,121,368 | 41,411,266 | 42,129,385 |

Consolidated Statements of Shareholders' Equity (Unaudited) Bancorp Hawaii, Inc. and subsidiaries

| (in thousands of dollars except per share amounts) | Total | Common Stock | Surplus | Unrealized Valuation Adj. | Retained Earnings |
|---|---|---|---|---|---|
| Balance at December 31, 1995 | $1,054,436 | $82,682 | $240,080 | $13,902 | $717,772 |
| Net Income | 67,323 | - | - | - | 67,323 |
| Sale of Common Stock | | | | | |
| 35,803 Profit Sharing Plan | 1,231 | 72 | 1,159 | - | - |
| 151,216 Stock Option Plan | 3,549 | 302 | 3,247 | - | - |
| 92,394 Dividend Reinvestment Plan | 3,634 | 184 | 3,450 | - | - |
| 1,800 Restricted Share Plan | 64 | 4 | 60 | - | - |
| Stock Repurchased | (27,683) | (1,584) | (26,099) | - | - |
| Unrealized Valuation Adjustments | | | | | |
| Investment Securities | (22,349) | - | - | (22,349) | - |
| Foreign Exchange Translation Adjustment | (7,313) | - | - | (7,313) | - |
| Cash Dividends Paid of $.56 Per Share | (22,992) | - | - | - | (22,992) |
| Balance at June 30, 1996 | $1,049,900 | $81,660 | $221,897 | ($15,760) | $762,103 |
| Balance at December 31, 1994 | $966,788 | $83,703 | $260,040 | ($18,122) | $641,167 |
| Net Income | 56,796 | - | - | - | 56,796 |
| Sale of Common Stock | | | | | |
| 96,251 Profit Sharing Plan | 2,637 | 192 | 2,445 | - | - |
| 84,332 Stock Option Plan | 1,495 | 169 | 1,326 | - | - |
| 132,374 Dividend Reinvestment Plan | 3,735 | 265 | 3,470 | - | - |
| Stock Repurchased | (18,850) | (1,287) | (17,563) | - | - |
| Unrealized Valuation Adjustments | | | | | |
| Investment Securities | 24,826 | - | - | 24,826 | - |
| Foreign Exchange Translation Adjustment | 5,706 | - | - | 5,706 | - |
| Cash Dividends Paid of $.53 Per Share | (22,265) | - | - | - | (22,265) |
| Balance at June 30, 1995 | $1,020,868 | $83,042 | $249,718 | $12,410 | $675,698 |

Consolidated Statements of Cash Flows(Unaudited) Bancorp Hawaii, Inc. and subsidiaries

| Six Months Ended June 30 (in thousands of dollars) | 1996 | 1995 |
|---|---|---|
| **Operating Activities** | | |
| Net Income | $67,323 | $56,796 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses, depreciation, and amortization of income and expense | 6,935 | 5,497 |
| Deferred income taxes | (1,704) | (2,459) |
| Realized and unrealized investment security gains | 94,067 | 1,387 |
| Net decrease in trading securities | 1,163 | 13,130 |
| Other assets and liabilities, net | 19,810 | 25,879 |
| Net cash provided by operating activities | 187,594 | 100,230 |
| **Investing Activities** | | |
| Proceeds from redemptions of investment securities held to maturity | 419,088 | 519,393 |
| Purchases of investment securities held to maturity | (548,108) | (307,593) |
| Proceeds from sales of investment securities available for sale | 527,659 | 283,159 |
| Purchases of investment securities available for sale | (645,939) | (421,356) |
| Net decrease in interest-bearing deposits placed in other banks | 355,537 | (25,907) |
| Net decrease (increase) in funds sold | (102,455) | (180,733) |
| Net increase in loans and lease financing | 241,710 | 201,405 |
| Premises and equipment, net | (21,936) | (21,385) |
| Purchase of additional interest, net of cash and non-interest bearing deposits acquired: | | |
| Banque D'Hawaii (Vanuatu), Ltd. | -- | 6,808 |
| Credipac Polynesie and Credipac Nouvelle Caledonie | 1,291 | -- |
| Purchase of majority interest of Banque de Tahiti & New Caledonie net of cash and non-interest bearing deposits acquired | 23,892 | -- |
| Net cash provided by investing activities | 250,739 | 53,791 |
| **Financing Activities** | | |
| Net increase in demand, savings, and time deposits | 25,549 | (122,365) |
| Proceeds from lines of credit and long-term debt | 571,293 | 16,068 |
| Principal payments on lines of credit and long-term debt | (577,504) | -- |
| Net decrease in short-term borrowings | (395,125) | (54,390) |
| Proceeds from sale (repurchase) of stock | (19,205) | (10,983) |
| Cash dividends | (22,992) | (22,265) |
| Net cash used by financing activities | (417,984) | (193,935) |
| Effect of exchange rate changes on cash | (7,313) | 5,706 |
| Decrease in cash and non-interest bearing deposits | 13,036 | (34,208) |
| Cash and non-interest bearing deposits at beginning of year | 469,031 | 508,762 |
| Cash and non-interest bearing deposits at end of period | $482,067 | $474,554 |

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

## Financial Review

### Performance Highlights

Bancorp Hawaii, Inc. (Bancorp) reported earnings for the second quarter of 1996 of $34.6 million, 21.2% above earnings for the second quarter of 1995. On a per share basis, earnings were $0.84 for the second quarter of 1996, an increase from the $0.68 reported for the second quarter of 1995, and from the $0.79 reported for the first quarter of 1996.

For the six months ended June 30, 1996, Bancorp reported net income of $67.3 million, 18.5% above that for the same period in 1995. Earnings per share were $1.63 for the first half of 1996, compared with $1.35 for the same period in 1995. Earnings reflect the improving economy in Hawaii, Bancorp's main market, the improvement in Bancorp's net interest margin, and the acquisition of the majority interest of Banque de Tahiti (BDT) and Banque de Nouvelle Caledonie (BNC) during the second quarter. With the increased ownership, the consolidated financial statements of Bancorp includes the balance sheet of BDT and BNC as of June 30, 1996 and the income statement from May 2, 1996, the acquisition date. Comparisons with prior periods should consider this change.

Performance ratios for the year-to-date period improved over those reported for the year ended December 31, 1995. Return on average assets and return on average equity were 1.03% and 12.70%, respectively, for the first half of 1996. These ratios were 0.93% and 11.42%, respectively, for the like period in 1995 and 0.98% and

11.87%, respectively, for all of 1995.

Total assets ended June 30, 1996 at $13.7 billion, an increase from $13.2 billion at December 31, 1995 and $12.6 billion at June 30, 1995. Net loans outstanding increased from June 30, 1995 and year-end 1995 by 10.7% and 4.5%, respectively. Total investment securities increased to $3.5 billion at June 30, 1996 representing a 4.1% increase from year-end 1995 and 12.2% from the same date a year ago.

Total deposits increased to $8.4 billion, compared to $7.6 billion reported at year-end 1995 and increased from the $7.0 billion reported a year ago on June 30. Securities sold under agreements to repurchase (repos) as of June 30, 1996 totaled $1.7 billion, a decrease of 12.0% from year-end 1995 and a 24.7% decline from June 30, 1995. The changes in repo balances, which are mainly comprised of government funds, are explained later in this report.

Non-performing assets (NPAs) have increased to $84.0 million at June 30, 1996. This total reflects the inclusion of the BDT and BNC NPA which was $19.4 million at June 30, 1996. A further discussion on NPAs and the Reserve for Loan Losses follows later in this report.

Trust income for the second quarter of 1996 totaled $11.8 million, a 2.6% decrease from the same quarter in 1995. Growing trust income has been difficult as competition based on pricing has increased. Products introduced in recent years such as the Pacific Capital family of funds are gaining recognition and building historical results creating opportunities for future growth.

The average net interest margin or spread on earning assets for the second quarter of 1996 grew to 3.91% bringing year-to-date spread through June 30 to 3.85%. Comparatively, spread was 3.80% for the same quarter in 1995 and 3.71% for the first half of 1995. A further discussion of spread follows in this report.

## Risk Elements in Lending Activities

At June 30, 1996, total loans were $8.5 billion, a 4.9% increase from year-end 1995 and 11.0% above total loans on June 30, 1995. As indicated earlier in this report, the BDT and BNC loans have been included in Bancorp's consolidated totals. At June 30, 1996, BDT and BNC loans totaled $0.6 billion. Also during the quarter, Bancorp securitized $350 million in residential mortgage loans and retained the securities in its held to maturity investment portfolio. Adjusting the June 30, 1996 total loans for the acquisition and securitization, the increase from year-end 1995 would have been 1.5%. The following table presents Bancorp's total loan portfolio balances for the periods indicated.

Loan Portfolio Balances — Bancorp Hawaii, Inc., and subsidiaries

| (in millions of dollars) | June 30 1996 | December 31 1995 | June 30 1995 |
|---|---|---|---|
| Domestic Loans | | | |
| Commercial and Industrial | $1,771.7 | $1,902.2 | $1,863.0 |
| Real Estate | | | |
| Construction -- Commercial | 210.6 | 199.6 | 129.8 |
| -- Residential | 26.2 | 33.7 | 40.9 |
| Mortgage -- Commercial | 1,283.9 | 1,308.8 | 1,259.4 |
| -- Residential | 2,550.9 | 2,702.4 | 2,532.3 |
| Installment | 815.4 | 817.3 | 762.5 |

| | | | |
|---|---|---|---|
| Lease Financing | 406.8 | 392.9 | 384.2 |
| Total Domestic | 7,065.5 | 7,356.9 | 6,972.1 |
| Foreign Loans | 1,483.5 | 795.5 | 732.1 |
| Total Loans | $8,549.0 | $8,152.4 | $7,704.2 |

Commercial and Industrial Loans

Commercial and Industrial loans outstanding were $1.8 billion as of June 30, 1996, a decrease of 6.9% from year-end 1995 and 4.9% from June 30, 1995. The decline in Commercial and Industrial loans has been affected by the Hawaii economy which has stifled loan demand, low and undesirable pricing in the U.S. corporate market, and aggressive management of substandard borrowers.

Real Estate Loans

Real estate loans totaled $4.1 billion at June 30, 1996, a 4.1% decrease from year-end 1995 but a 2.8% increase from the same date a year ago. The decrease since year-end 1995 was attributed to the securitization of $350 million in residential mortgage loans in this quarter. Considering this securitization, a comparison with year-end 1995 would reflect an increase of 4.2% in total real estate loans.

Construction loans at June 30, 1996 totaled $236.8 million, compared with $233.3 million at year-end 1995 and $170.7 million at June 30, 1995. Commercial mortgage loans have remained relatively consistent.

Other Lending

Installment loans and leases have remained at similar levels compared to year-end 1995 balances. At June 30, 1996, total installment loans were $815.4 million, compared with $817.3 million reported at year-end 1995, and $762.5 million on the same date in 1995. The growth from a year ago was evenly divided between charge cards and consumer installment loans. Total leases at June 30, 1996 increased to $406.8 million from $392.9 million at year-end 1995. Lease financing activity has become very competitive as interest rates have remained at relatively low levels.

Foreign loan balances were $1.48 billion as of June 30, 1996, compared to $795 million at year-end 1995, and $732.1 million at June 30, 1995. The rise in the foreign loan total since year-end reflects the BDT and BNC loan portfolio acquired during the quarter.

Non-Performing Assets and Past Due Loans

Bancorp's non-performing assets include non-accrual loans, restructured loans and foreclosed real estate. NPAs as of June 30, 1996 increased to $84.0 million reflecting the inclusion of the NPA for BDT and BNC for the first time. As of quarter-end, excluding the NPAs reported for BDT and BNC, the total would have been $64.6 million compared with $62.9 million at March 31, 1996 and $56.9 million at year-end 1995. NPAs as of June 30, 1996 represented 0.98% of total loans outstanding. This ratio compares with 0.76% at the end of the first quarter 1996 and 0.70% as of year-end 1995. This ratio was 0.66% at the end of the second quarter 1995. Bancorp continues its effort to monitor and manage NPAs aggressively. Total non-performing assets and loans 90 days past due represented 1.39% of loans outstanding compared with 0.95% at year-end 1995 and 1.02% at March 31, 1996. Excluding the affects of the acquisitions, total non-performing assets and loans 90 days past due as of June 30, 1996 would have been 0.89%.

Non-accrual loans increased during the quarter to $74.4 million from $53.7 million at the March 1996 quarter-end and $47.6 million at year-end 1995. The increase from the first quarter of 1996 reported in the foreign category reflecting the acquisition. Without the additional non-accrual loans reported by BDT and BNC, non-accrual loans would have been $55.0 million at June 30, 1996.

Accruing 90 day past due loans have increased to $35.0 million mainly in the foreign category reflecting the acquisition. Past due loans would have been $21.2 million without the past due loans for BDT and BNC as of June 30, 1996. Installment past due loans (including charge cards) decreased to $8.0 million at June 30, 1996 from $11.5 million as of March 31, 1996, the result of stepped up collection efforts and charge-offs. Residential mortgage loans past due 90 days increased to $7.3 million, 0.29% of total residential mortgage loans, while past due commercial mortgage loans increased to $3.5 million, 0.27% of total commercial real estate loans. Both these ratios remain at modest levels. For residential mortgage loans, the underlying collateral which represented, at initial closing, loan to value ratios of 70-80%, significantly reduces loss exposure.

The foreclosed real estate category remained at low levels, totaling $9.6 million at June 30, 1996, compared with $9.2 million at March 31, 1996 and $9.3 million at year-end 1995. There were only 22 properties in Other Real Estate at June 30, 1996.

The following table presents NPAs and past due loans for the periods indicated.

Bancorp Hawaii, Inc.
Consolidated Non-Performing Assets and Accruing Loans Past Due 90 Days or More

| (in millions of dollars) | June 30 1996 | December 31 1995 | June 30 1995 |
|---|---|---|---|
| Non-Accrual Loans | | | |
| Commercial | $17.7 | $16.9 | $15.3 |
| Real Estate | | | |
| Construction | -- | 0.3 | 0.8 |
| Commercial | 14.7 | 14.9 | 16.5 |
| Residential | 19.0 | 14.7 | 15.5 |
| Installment | 1.1 | 0.8 | 1.2 |
| Leases | 1.8 | -- | 0.1 |
| Foreign | 20.1 | -- | -- |
| Subtotal | 74.4 | 47.6 | 49.4 |
| Restructured Loans | -- | -- | -- |
| Foreclosed Real Estate | | | |
| Domestic | 9.6 | 9.3 | 1.6 |
| Foreign | -- | -- | -- |
| Subtotal | 9.6 | 9.3 | 1.6 |
| Total Non-Performing Assets | 84.0 | 56.9 | 51.0 |

| | | | |
|---|---|---|---|
| Accruing Loans Past Due 90 Days or More | | | |
| Commercial | 1.9 | 1.8 | 2.1 |
| Real Estate | | | |
| Construction | 0.4 | -- | -- |
| Commercial | 3.5 | 2.4 | 0.1 |
| Residential | 7.3 | 5.8 | 7.3 |
| Installment | 8.0 | 10.5 | 6.5 |
| Leases | 0.1 | 0.2 | -- |
| Foreign | 13.8 | -- | -- |
| Subtotal | 35.0 | 20.7 | 16.0 |
| Total | $119.0 | $77.6 | $67.0 |
| Ratio of Non-Performing Assets to Total Loans | 0.98% | 0.70% | 0.66% |
| Ratio of Non-Performing Assets and Accruing Loans Past Due 90 Days or More to Total Loans | 1.39% | 0.95% | 0.87% |

Summary of Loan Loss Experience

The reserve for loan losses stood at $163.3 million at June 30, 1996, representing 1.95% of loans outstanding. This compares with 1.88% as of March 31, 1996, 1.90% at year-end 1995 and 1.99% on June 30, 1995.

Loan loss provisions were $4.2 million for the second quarter of 1996, compared with the $4.4 million reported for the first quarter of 1996. Bancorp reported net recoveries of $0.1 million for the second quarter of 1996, combined with the net charge-offs of $4.3 million for the first quarter of 1996, this brought year-to-date net charge-offs to $4.2 million.

Gross charge-offs increased to $14.0 million for the second quarter of 1996, compared to $6.9 million for the first quarter of 1996. Year-to-date, gross charge-offs totaled $20.9 million, compared with $15.9 million for the same period in 1995. Recoveries reported for the quarter ended June 30, 1996 were $14.1 million, bringing year-to-date recoveries to $16.7 million. Recoveries through June 30, 1996, which already exceed the $14.4 million reported for all of 1995, were boosted by an $11.5 million recovery on loans secured by commercial leasehold property charged off in 1992 and 1993.

The annualized ratio of net charge-offs to average loans outstanding for the second quarter 1996 was zero percent. The ratio of net charge-offs to average loans of 0.10% for the first half of 1996 and 0.18% for the comparable period in 1995. For the full year of 1995, Bancorp reported a ratio of 0.18%.

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

Summary of Loss Experience — Bancorp Hawaii, Inc., and subsidiaries

| (in millions of dollars) | Second Quarter 1996 | Second Quarter 1995 | First Six Months 1996 | First Six Months 1995 |
|---|---|---|---|---|
| Average Loans Outstanding | $8,464.6 | $7,587.8 | $8,242.3 | $7,599.1 |
| Balance of Reserve for Possible Loan Losses at Beginning of Period | $152.1 | $150.4 | $152.0 | $148.5 |

| | | | | |
|---|---|---|---|---|
| Loans Charged Off | | | | |
| Commercial and Industrial | 2.5 | 4.9 | 3.9 | 6.6 |
| Real Estate - Construction | -- | -- | -- | 2.1 |
| Real Estate - Mortgage | | | | |
| Commercial | 0.8 | 0.4 | 1.3 | 0.5 |
| Residential | 0.7 | 0.2 | 0.9 | 0.2 |
| Installment | 10.0 | 3.4 | 14.6 | 6.4 |
| Foreign | -- | -- | -- | -- |
| Leases | -- | 0.1 | 0.2 | 0.1 |
| Total Charged Off | 14.0 | 9.0 | 20.9 | 15.9 |
| Recoveries on Loans Previously Charged Off | | | | |
| Commercial and Industrial | 12.6 | 2.3 | 13.2 | 5.5 |
| Real Estate - Construction | -- | -- | 0.7 | -- |
| Real Estate - Mortgage | | | | |
| Commercial | 0.1 | -- | 0.1 | -- |
| Residential | 0.1 | -- | 0.2 | -- |
| Installment | 1.1 | 0.9 | 2.1 | 1.7 |
| Foreign | -- | 1.3 | -- | 1.3 |
| Leases | 0.2 | 0.3 | 0.4 | 0.6 |
| Total Recoveries | 14.1 | 4.8 | 16.7 | 9.1 |
| Net Charge Offs (Recoveries) | (0.1) | 4.2 | 4.2 | 6.8 |
| Provision Charged to Operating Expenses | 4.2 | 4.1 | 8.6 | 8.6 |
| Reserves Acquired | 6.9 | -- | 6.9 | -- |
| Balance at End of Period | $163.3 | $150.3 | $163.3 | $150.3 |
| Ratio of Net Charge Offs (Recoveries) to Average Loans Outstanding (annualized) | 0.00% | 0.22% | 0.10% | 0.18% |
| Ratio of Reserve to Loans Outstanding | 1.95% | 1.99% | 1.95% | 1.99% |

/TABLE

## Capital

Bancorp continues to manage its capital levels through the target ratios outlined in Bancorp's 1995 Annual Report. The acquisition of the banks in the South Pacific, as expected, has had an impact on Bancorp's ratios as discussed below. Bancorp's average equity to average assets ratio for the second quarter of 1996 was 8.14%, a decrease from the 8.27% reported for 1995 and 8.33% for the first quarter of 1996.

Bancorp's shareholders' equity at June 30, 1996 totaled $1.0 billion. New shares issued for the profit sharing, stock option and dividend reinvestment plans increased capital by $4.8 million during the quarter. Under Bancorp's continuing stock repurchase programs, $5.4 million of shares were repurchased during the second quarter of 1996 largely to offset the requirements of the various plans. Bancorp implemented its restricted stock program approved by shareholders issuing 1,800 shares during the quarter. Dividends for the quarter totaled $11.5 million, the same as the first quarter dividends. The dividends were paid at $0.28 per share for both quarters of 1996.

Regulatory risk-based capital remain above minimum guidelines. At June 30, 1996, Bancorp's Total Capital and Tier 1 Capital ratios were 11.80% and 9.42%, respectively. This compares with year-end 1995, when the Total Capital Ratio was 12.74% and the Tier 1 Capital Ratio was 10.25%. Regulatory guidelines prescribe a minimum Total Capital Ratio of 10.00% and a Tier 1 Capital Ratio of 6.00% for an institution to qualify as well capitalized. Bancorp'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 companies.

In addition, the leverage ratio, which represents the ratio of Tier 1 Capital to Total Average Assets, was 7.62% at June 30, 1996, compared to 7.82% at year-end 1995. The required minimum ratio is

5.00%, to qualify an institution as well capitalized.

## Spread Management

The average net interest margin or spread on earning assets for the second quarter of 1996 improved to 3.91% from 3.80% reported for both the first quarter of 1996 and the second quarter of 1995. Year-to-date spread through June 1996 was 3.85% compared to 3.71% for the same period in 1995. The improvement is partly attributed to the acquisition of the South Pacific banks whose spread is higher.

The cost of funds rate for the second quarter of 1996 was 4.76%, which was slightly below the 4.80% reported for the second quarter of 1995 but slightly higher than the 4.67% for the first quarter of 1996. The earning asset yield was 7.88% for the second quarter of 1996, a slight increase over the second quarter 1995 yield of 7.84%, and 7.77% yield reported in the first quarter of 1996.

<TABLE>

Consolidated Average Balances and Interest Rates Taxable Equivalent  Bancorp Hawaii, Inc. and subsidiaries

| (in millions of dollars) | Three Months Ended June 30, 1996 Average Balance | Income/Expense | Yield/Rate | Three Months Ended June 30, 1995 Average Balance | Income/Expense | Yield/Rate |
|---|---|---|---|---|---|---|
| Earning Assets | | | | | | |
| Interest Bearing Deposits | $756.5 | $9.9 | 5.26% | $626.9 | $10.2 | 6.51% |
| Investment Securities | | | | | | |
| -Taxable | 893.2 | 14.5 | 6.55 | 1,481.8 | 23.7 | 6.42 |
| -Tax-Exempt | 13.1 | 0.5 | 14.11 | 16.7 | 0.5 | 12.97 |
| | 2,255.7 | 36.0 | 6.42 | 1,598.8 | 26.3 | 6.61 |
| Funds Sold | 87.5 | 0.9 | 4.21 | 57.7 | 0.9 | 6.20 |
| Net Loans | | | | | | |
| -Domestic | 7,216.6 | 148.8 | 8.29 | 6,851.9 | 143.3 | 8.39 |
| -Foreign | 1,248.0 | 25.4 | 8.19 | 735.9 | 11.3 | 6.17 |
| Loan Fees | | 8.3 | | | 6.1 | |
| Total Earning Assets | 12,470.6 | 244.3 | 7.88 | 11,369.7 | 222.3 | 7.84 |
| Cash and Due From Banks | 467.8 | | | 474.3 | | |
| Other Assets | 433.1 | | | 388.1 | | |
| Total Assets | $13,371.5 | | | $12,232.1 | | |
| Interest Bearing Liabilities | | | | | | |
| Domestic Deposits - Demand | $1,672.2 | 11.9 | 2.86 | $1,747.0 | 12.9 | 2.96 |
| - Savings | 956.6 | 5.9 | 2.49 | 1,069.9 | 7.8 | 2.94 |
| - Time | 2,360.5 | 31.6 | 5.38 | 1,805.3 | 22.7 | 5.04 |
| Total Domestic | 4,989.3 | 49.4 | 3.98 | 4,622.2 | 43.4 | 3.77 |
| Total Foreign | 1,373.9 | 20.9 | 6.13 | 904.8 | 15.6 | 6.90 |
| Total Deposits | 6,363.2 | 70.3 | 4.45 | 5,527.0 | 59.0 | 4.28 |
| Short-Term Borrowings | 2,869.0 | 37.3 | 5.22 | 3,076.6 | 41.9 | 5.46 |
| Long-Term Debt | 1,181.4 | 15.6 | 5.31 | 983.8 | 13.8 | 5.64 |
| Total Interest Bearing Liabilities | 10,413.6 | 123.2 | 4.76 | 9,587.4 | 114.7 | 4.80 |
| Net Interest Income | | 121.1 | 3.12 | | 107.6 | 3.04 |
| Average Spread on Earning Assets | | | 3.91% | | | 3.80% |
| Demand Deposits | 1,364.4 | | | 1,370.9 | | |
| Other Liabilities | 529.7 | | | 254.1 | | |
| Shareholders' Equity | 1,063.8 | | | 1,019.7 | | |
| Total Liabilities and Shareholders' Equity | $13,371.5 | | | $12,232.1 | | |

| | | |
|---|---|---|
| Provision for Possible Losses | 4.2 | 4.1 |
| Net Overhead | 61.1 | 57.7 |
| Income Before Income Taxes | 55.8 | 45.8 |
| Provision for Income Taxes | 20.9 | 16.8 |
| Tax-Equivalent Adjustment | 0.3 | 0.5 |
| Net Income | $34.6 | $28.5 |

Consolidated Average Balances and Interest Rates Taxable Equivalent  Bancorp Hawaii, Inc. and subsidiaries

| (in millions of dollars) | Six Months Ended June 30, 1996 Average Balance | Income/ Expense | Yield/ Rate | Six Months Ended June 30, 1995 Average Balance | Income/ Expense | Yield/ Rate |
|---|---|---|---|---|---|---|
| Earning Assets | | | | | | |
| Interest Bearing Deposits | $693.9 | $18.9 | 5.48% | $623.7 | $18.4 | 5.94% |
| Investment Securities | | | | | | |
| -Taxable | 909.8 | 29.2 | 6.45 | 1,542.9 | 46.8 | 6.11 |
| -Tax-Exempt | 13.4 | 0.9 | 14.03 | 17.2 | 1.1 | 13.02 |
| | 2,279.6 | 72.9 | 6.43 | 1,591.2 | 51.2 | 6.49 |
| Funds Sold | 85.9 | 2.1 | 4.86 | 62.5 | 1.8 | 5.96 |
| Net Loans | | | | | | |
| -Domestic | 7,204.1 | 295.9 | 8.26 | 6,881.5 | 281.2 | 8.24 |
| -Foreign | 1,038.2 | 39.3 | 7.62 | 717.6 | 23.8 | 6.69 |
| Loan Fees | | 16.6 | | | 13.1 | |
| Total Earning Assets | 12,224.9 | 475.8 | 7.83 | 11,436.6 | 437.4 | 7.71 |
| Cash and Due From Banks | 447.6 | | | 477.8 | | |
| Other Assets | 424.6 | | | 380.3 | | |
| Total Assets | $13,097.1 | | | $12,294.7 | | |
| Interest Bearing Liabilities | | | | | | |
| Domestic Deposits - Demand | $1,707.4 | 23.7 | 2.80 | $1,780.2 | 25.9 | 2.93 |
| - Savings | 978.2 | 12.4 | 2.54 | 1,091.3 | 15.4 | 2.84 |
| - Time | 2,286.4 | 61.7 | 5.42 | 1,747.1 | 46.1 | 5.33 |
| Total Domestic | 4,972.0 | 97.8 | 3.95 | 4,618.6 | 87.4 | 3.82 |
| Total Foreign | 1,242.8 | 35.6 | 5.76 | 916.0 | 26.6 | 5.85 |
| Total Deposits | 6,214.8 | 133.4 | 4.32 | 5,534.6 | 114.0 | 4.15 |
| Short-Term Borrowings | 2,877.7 | 76.1 | 5.32 | 3,154.7 | 85.6 | 5.47 |
| Long-Term Debt | 1,201.3 | 32.0 | 5.35 | 980.9 | 27.4 | 5.62 |
| Total Interest Bearing Liabilities | 10,293.8 | 241.5 | 4.72 | 9,670.2 | 227.0 | 4.73 |
| Net Interest Income | | 234.3 | 3.11 | | 210.4 | 2.98 |
| Average Spread on Earning Assets | | | 3.85% | | | 3.71% |
| Demand Deposits | 1,388.1 | | | 1,403.6 | | |
| Other Liabilities | 349.5 | | | 217.6 | | |
| Shareholders' Equity | 1,065.7 | | | 1,003.3 | | |
| Total Liabilities and Shareholders' Equity | $13,097.1 | | | $12,294.7 | | |
| Provision for Possible Losses | | 8.6 | | | 8.6 | |
| Net Overhead | | 121.0 | | | 108.9 | |
| Income Before Income Taxes | | 104.7 | | | 92.9 | |
| Provision for Income Taxes | | 36.7 | | | 35.1 | |
| Tax-Equivalent Adjustment | | 0.7 | | | 1.0 | |
| Net Income | | $67.3 | | | $56.8 | |

## Interest Rate Risk and Derivatives

As discussed in Bancorp's 1995 Annual Report, Bancorp utilizes interest rate sensitivity analysis and computer simulation techniques to measure the exposure of its earnings to interest rate movements. The objective of the process is to position its balance sheet to optimize earnings without unduly increasing risk. The Interest Rate Sensitivity Table presents the possible exposure to interest rate movements for various time frames at June 30, 1996.

As the table indicates, Bancorp's one year cumulative sensitivity gap was asset sensitive and totaled $0.2 billion, representing 1.56% of total assets. Comparatively, the one year cumulative gap was liability sensitive at $0.1 billion at year-end 1995, 0.97% of total assets.

Bancorp uses interest rate swaps as a cost effective risk management tool for dealing with interest rate risk. Swap activity during the second quarter of 1996 was limited to maturities of existing swap agreements. At June 30, 1996, the notional amount of swaps declined to $0.8 billion, compared with $1.1 billion at year-end 1995. Net expense on interest rate swap agreements totaled $0.8 million for the second quarter of 1996 (and totaled $2.2 million for 1996 year-to-date). Comparatively, net expense of $11.7 million was recognized for all of 1995.

Interest Rate Sensitivity Table — Bancorp Hawaii, Inc. and subsidiaries

| JUNE 30, 1996 (in millions of dollars) | 0-90 DAYS | 91-365 DAYS | 1-5 YEARS | OVER 5 YEARS | NON-INTEREST BEARING |
|---|---|---|---|---|---|
| ASSETS (1) | | | | | |
| INVESTMENT SECURITIES | 1,421.7 | 670.5 | 909.5 | 496.6 | - |
| SHORT TERM INVESTMENTS | 337.8 | 63.7 | 1.8 | - | - |
| INTERNATIONAL ASSETS | 855.5 | 161.8 | 31.5 | 21.1 | 21.2 |
| DOMESTIC LOANS (2) | 2,898.5 | 2,116.9 | 1,656.2 | 1,023.2 | 53.2 |
| TRADING SECURITIES | - | - | 1.2 | - | - |
| OTHER ASSETS | 77.1 | 38.6 | 270.0 | - | 562.5 |
| TOTAL ASSETS | 5,590.6 | 3,051.5 | 2,870.2 | 1,540.9 | 636.9 |
| LIABILITIES AND CAPITAL (1) | | | | | |
| NON-INT BEARING DEMAND (3) | 190.5 | 109.3 | 736.9 | 259.2 | - |
| INT BEARING DEMAND (3) | 58.9 | 58.9 | 196.2 | 78.5 | - |
| SAVINGS (3) | 355.8 | 294.8 | 1,070.7 | 430.4 | - |
| TIME DEPOSITS | 862.1 | 1,072.0 | 540.3 | 42.6 | - |
| FOREIGN DEPOSITS | 1,352.1 | 224.8 | 92.6 | 95.5 | 300.6 |
| S/T BORROWINGS | 1,844.4 | 941.8 | 9.5 | - | - |
| LONG-TERM DEBT | 354.9 | 248.7 | 334.3 | 119.4 | - |
| OTHER LIABILITIES | - | - | - | - | 364.5 |
| CAPITAL | - | - | - | - | 1,049.9 |
| TOTAL LIABILITIES AND CAPITAL | 5,018.7 | 2,950.3 | 2,980.5 | 1,025.6 | 1,715.0 |
| INTEREST RATE SWAPS | -744.4 | 284.9 | 459.5 | - | - |
| INTEREST SENSITIVITY GAP | -172.5 | 386.1 | 349.2 | 515.3 | -1078.1 |
| CUMULATIVE GAP | -172.5 | 213.6 | 562.8 | 1078.1 | - |
| PERCENTAGE OF TOTAL ASSETS | -1.26% | 1.56% | 4.11% | 7.88% | - |

Assumptions used:
(1) Based on repricing date.
(2) Includes the effect of estimated amortization.
(3) Historical analysis shows that these deposit categories, while technically subject to immediate withdrawal, actually display sensitivity characteristics that generally fall within one and five years. The allocation presented is based on that historic analysis.

/TABLE

Liquidity

The ability to meet day-to-day financial needs of Bancorp's customer base is essential. Much of the strategy of meeting liquidity needs was described in Bancorp Hawaii's 1995 Annual

Report and remains in place.

At June 30, 1996, deposits were $8.4 billion, compared to $7.6 billion and $7.0 billion reported at year-end 1995 and June 30, 1995, respectively. The increase in deposits between year-end 1995 and June 30, 1996 reflected the acquisition which included $0.8 billion in deposits. The competition for deposits, not only by banks and savings and loan companies, but also by securities brokerage firms continues to impact the level of deposits. Repos which are largely for Bancorp's governmental customers were $1.7 billion at June 30, 1996, compared to $1.9 billion at year-end 1995 and $2.3 billion at June 30, 1995.

Short term borrowings, including Fed Funds, decreased to $1.1 billion at June 30, 1996, compared with $1.3 billion at year-end 1995 and level with the totals at March 31, 1996. Long term debt remained level at $1.1 billion at both June 30, 1996, March 31, 1996 and year-end 1995. Within the long term category, maturities off set the financing for the acquisition of BDT and BNC ($50 million).

Net Overhead

The net overhead ratio at Bancorp is defined as the ratio of non-interest expense to non-interest income without securities transactions. Bancorp's long term goal is to have a ratio of 2 to 1, where fee income offsets at least half of the cost of operations. The ratio for the year-to-date through June 30, 1996 was 2.51, a like ratio for the same period in 1995, and 2.53 for all of 1995. The ratio for the second quarter of 1996 was 2.44.

Non-interest income for the second quarter was $42.7 million, a 18.6% increase over the same quarter in 1995. A year-to-date comparison reports a 5.9% increase between 1996 and 1995. The comparison is affected by the acquisition as an additional $3.7 million in non-interest income has been included in the second quarter of 1996. Trust income for the second quarter 1996 was $11.8 million, down 2.6% from the same quarter last year. Year-to-date, trust fees are also trailing 1995. The lower level of fees reflects the increased competition based on price being experienced in this activity. Pacific Capital Mutual Fund family introduced in 1994 continues to grow with funds exceeding $800 million as of June 30, 1996.

Service charges on deposit accounts for the first half of 1996 was $14.0 million, compared to $12.8 million for the like period last year. The increase in service charges on deposit accounts was partly due to the acquisition. BDT and BNC reported service charges on deposit of $0.5 million for the quarter. Fees, exchange and other service charges for the second quarter of 1996 totaled $13.4 million, an increase from $12.4 million reported for the second quarter of 1995. Compared to the first half of 1995, fees, exchange and other service charges were up 2.4%. The increase largely reflects the inclusion of BDT and BNC in the second quarter of 1996. Other operating income totaled $16.3 million for the year-to-date, compared with $10.5 million for the same period last year. The increase is attributable to the fees reported by BDT and BNC for the quarter of $1.9 million, increased earnings from the remaining affiliates and other interest earned on a cash basis.

For the year-to-date, securities losses totaling $.06 million were reported, compared with gains of $2.1 million for the same period in 1995.

Bancorp continues to emphasize the importance of control over non-interest expenses as a key factor in its effort to remain competitive among its peers. One indicator of this measure is the efficiency ratio. The efficiency ratio is defined as the ratio of non-interest expense to net operating revenue (net interest income plus non-interest income before securities transactions). For the year-to-date, Bancorp's efficiency ratio was 64.12% compared to 63.6% for the full year 1995. The ratio was affected by the consolidation of BDT and BNC.

Non-interest expense in the second quarter was $103.8 million, an increase of 10.8% over the same period in 1995. For the year-to-date, non-interest expense was $201.4 million, a decrease of 9.0% over the same period in 1995. If the expenses for BDT and BNC were excluded, the increase would have been only 5.1% for the year-to-year comparison.

Comparisons for salary and benefit expenses between periods are affected by several factors. In 1995, staff members began to take early retirement opportunity beginning in April of 1995 and the acquisition of BDT and BNC layered on a new level of staff during the second quarter of 1996. For the quarter, salary and benefits totaled $52.9 million, compared with $46.3 million for the same quarter last year and $50.0 million for the first quarter of 1996. For the year-to-date, $103.0 million in salary and benefit has been incurred, compared with $93.2 million for the same period in 1995, an increase of 10.6%.

Premises and equipment expenses totaled $17.5 million for the second quarter of 1996, a decrease from the $19.1 million for the same period in 1995. For the year-to-date, premises and equipment expenses were $36.0 million, a decrease of 2.8% from the same period in 1995. Other operating expenses for the first half of 1996 increased 14.1% over last year during the same period. Expenses for new initiatives to outsource certain activities coupled with the additional expenses for BDT and BNC for 1996 have driven up this expense category.

P

ART 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) Bancorp's Annual Shareholders' Meeting was held on April 26, 1996.

(b) Omitted per instructions.

(c) A brief description of each matter voted upon at the Annual Shareholders' Meeting held on April 26, 1996 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 1999 and a successor to fill the unexpired terms of one retiring Class III director,

whose term expires in 1998.

Class I director:

Peter D. Baldwin -
Votes cast for: 35,705,664
Votes cast against: 0
Votes withheld: 219,860

Richard J. Dahl -
Votes cast for: 35,739,242
Votes cast against: 0
Votes withheld: 186,282

Thomas C. Leppert -
Votes cast for: 35,744,922
Votes cast against: 0
Votes withheld: 180,602

K. Tim Yee -
Votes cast for: 35,731,824
Votes cast against: 0
Votes withheld: 193,700

Class III director:

Stanley S. Takahashi -
Votes cast for: 35,705,066
Votes cast against: 0
Votes withheld: 220,458

(2) Election of Ernst & Young as Auditor.

Votes cast for: 35,701,463
Votes cast against: 86,813
Votes abstained: 137,248

(3) Approve Bancorp Hawaii, Inc. Director Stock Compensation Program

Votes cast for: 31,765,622
Votes cast against: 3,678,741
Votes abstained: 481,161

(d) None.

Item 6 - Exhibits and Reports on Form 8-K

(a) The following exhibits are filed herewith:

Exhibit #11 - Statement regarding computation of per share earnings.

Exhibit #20 - Report furnished to shareholders for the quarter ended March 31, 1996.

Exhibit #27 - Financial Data Schedule.

(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, 1996 BANCORP HAWAII, INC.

LAWRENCE M. JOHNSON
(Signature)

Lawrence M. Johnson
Chairman and Chief
Executive Officer

DAVID A. HOULE
(Signature)

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

<TABLE>

Bancorp Hawaii, Inc.
Exhibit 11 - Statement Regarding Computation of Per Share Earnings
Six Months Ended June 30

| | Primary | Fully Diluted |
|---|---|---|
| **1996** | | |
| Net Income | $67,323,000 | $67,323,000 |
| Daily Average Shares Outstanding | 41,014,193 | 41,014,193 |
| Shares Assumed Issued for Stock Options | 397,073 | 401,426 |
| | 41,411,266 | 41,415,619 |
| Earnings Per Common Share and Common Share Equivalents | $1.63 | $1.63 |
| **1995** | | |
| Net Income | $56,796,000 | $56,796,000 |
| Daily Average Shares Outstanding | 41,814,199 | 41,814,199 |
| Shares Assumed Issued for Stock Options | 315,186 | 342,317 |
| | 42,129,385 | 42,156,516 |
| Earnings Per Common Share and Common Share Equivalents | $1.35 | $1.35 |

/TABLE

To Our Shareholders:

We are pleased to report that your company's first quarter earnings were $32.7 million, up 15.8 percent from the same period last year. Earnings per share for the first quarter were $0.79 compared to $0.67 for the first quarter of 1995, an increase of 17.9 percent. Return on average assets was 1.03 percent and return on average equity was 12.32 percent.

Bancorp's total assets at the end of March 1996 were $12.9 billion, up 5.8 percent from $12.2 billion at March 31, 1995. Deposits and repurchase agreements stood at $9.3 billion, up 4.4 percent from the same period last year. Net loans at the end of the first quarter were $7.9 billion, up 6.5 percent from last year's first quarter.

Hawaii's recovering economy provided a solid foundation for Bancorp's strong performance this quarter. Preliminary estimates from the Department of Business, Economic Development & Tourism (DBEDT) show real inflation-adjusted growth of gross state product at 0.8 percent for 1995. Total visitor arrivals numbered 6.6 million in 1995, up 3.2 percent from 1994's level. Hawaii's economists expect the improvement in the state's economy, bolstered by the recovering economies in Japan and California, to continue and even accelerate in 1996.

Many of the

benefits of Bancorp's recent loan growth were reflected in this quarter's results. Careful management of our credit standards remains a high priority, and credit quality continues to be excellent despite the less-than-optimal economic conditions of the last few years.

Retail initiatives have also helped your company advance its strategic goals. The Bankoh Contiki Visa card, a co-branded credit card introduced in February, broke new ground as the bank's first card targeted to markets on the mainland and, in its first month, generated more than 19,000 new accounts for the company.

Bancorp Hawaii's share of mortgage loan originations in the state grew significantly as a result of a restructuring and renewed emphasis on the company's residential lending area. Mortgage lending is a linchpin to building the multi-faceted customer relationships that we seek to establish in the context of your company's strategic plans.

Bancorp's growth plans call for an expanding presence in the emerging Pacific Island markets. In January, Bank of Hawaii added a branch in Lautoka, Fiji's main port center, bringing the number of Bankoh branches throughout the West and South Pacific to 15. It is expected that the company will receive regulatory approval to conclude the acquisition of majority interest in Banque de Tahiti and Banque de Nouvelle Caledonie during the first half of 1996. The branches and affiliates of the South and West Pacific have all achieved excellent results and offer promise of further growth opportunities as intra-Asia trade flows expand.

Your continued confidence and support are invaluable to us as we implement and build upon the initiatives leading to Bancorp's long-range objectives. You may be sure that enhancing the value of your company remains our top priority.

Sincerely,

LAWRENCE M. JOHNSON

Lawrence M. Johnson
Chairman and Chief Executive Officer

April 25, 1996

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

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

or

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

or

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

<TABLE>

Highlights (Unaudited) Bancorp Hawaii, Inc., and subsidiaries

| | March 31 1996 | March 31 1995 |
|---|---|---|
| Return on Average Assets | 1.03% | 0.93% |
| Return on Average Equity | 12.32% | 11.61% |
| Average Spread on Earning Assets | 3.80% | 3.62% |
| Book Value Per Common Share | $25.65 | $23.92 |
| Loss Reserve/Loans and Leases Outstanding | 1.88% | 1.97% |
| Average Equity/Average Assets | 8.33% | 7.99% |

| Common Stock Price Range | High | Low | Dividend |
|---|---|---|---|
| 1995.......................... | $37.13 | $24.88 | $1.08 |
| 1996 First Quarter........... | $36.25 | $33.25 | $0.28 |

Consolidated Statements of Income (Unaudited)

| (in thousands of dollars except per share amounts) | 1996 | 1995 |
|---|---|---|
| Total Interest Income | $231,087 | $214,585 |
| Total Interest Expense | 118,250 | 112,264 |
| Net Interest Income | 112,837 | 102,321 |
| Provision for Possible Loan Losses | 4,424 | 4,453 |
| Net Interest Income After Provision for Possible Loan Losses | 108,413 | 97,868 |
| Total Non-Interest Income | 37,626 | 39,811 |
| Total Non-Interest Expense | 97,578 | 91,055 |
| Income Before Income Taxes | 48,461 | 46,624 |
| Provision for Income Taxes | 15,751 | 18,376 |
| Net Income | $32,710 | $28,248 |
| Earnings Per Common Share and Common Share Equivalents | $0.79 | $0.67 |
| Average Common Shares and Common Share Equivalents Outstanding | 41,546,033 | 42,137,738 |

Consolidated Statements of Condition (Unaudited)

| | March 31 1996 | December 31 1995 | March 31 1995 |
|---|---|---|---|
| Assets | | | |
| Interest-Bearing Deposits | $656,292 | $789,050 | $532,726 |
| Investment Securities | | | |
| (Market Value of $3,181,573, $3,366,266 and $3,122,587 respectively) | 3,183,588 | 3,360,153 | 3,152,518 |
| Funds Sold | 64,922 | 116,173 | 79,755 |
| Loans | 8,247,669 | 8,152,406 | 7,756,208 |
| Unearned Income | (145,924) | (147,404) | (141,860) |
| Reserve for Possible Loan Losses | (152,053) | (151,979) | (150,377) |
| Net Loans | 7,949,692 | 7,853,023 | 7,463,971 |
| Total Earning Assets | 11,854,494 | 12,118,399 | 11,228,970 |
| Cash and Non-Interest Bearing Deposits | 430,859 | 469,031 | 387,505 |
| Premises and Equipment | 252,600 | 246,515 | 227,700 |
| Other Assets | 367,180 | 372,839 | 353,674 |
| Total Assets | $12,905,133 | $13,206,784 | $12,197,849 |
| Liabilities | | | |
| Deposits | $7,318,197 | $7,576,770 | $6,776,133 |
| Securities Sold Under Agreements to Repurchase | 1,988,960 | 1,926,540 | 2,139,973 |
| Funds Purchased | 605,980 | 787,437 | 489,549 |
| Short-Term Borrowings | 462,895 | 476,867 | 574,148 |
| Other Liabilities | 340,326 | 321,298 | 353,219 |
| Long-Term Debt | 1,142,111 | 1,063,436 | 862,445 |
| Total Liabilities | 11,858,469 | 12,152,348 | 11,195,467 |
| Shareholders' Equity | | | |
| Common Stock ($2 par value), authorized 100,000,000 shares; outstanding, March 1996 - 40,805,147; December 1995 - 41,340,817; March 1995 - 41,908,241; | 81,610 | 82,682 | 83,816 |
| Surplus | 222,573 | 240,080 | 261,003 |
| Unrealized Valuation Adjustments | 3,541 | 13,902 | (977) |
| Retained Earnings | 738,940 | 717,772 | 658,540 |
| Total Shareholders' Equity | 1,046,664 | 1,054,436 | 1,002,382 |
| Total Liabilities and Shareholders' Equity | $12,905,133 | $13,206,784 | $12,197,849 |

<ARTICLE> 9
<LEGEND>
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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| | | |
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| | 0 | |
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| <ALLOWANCE-UNALLOCATED> | | 0 |