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, 1999

or

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

Commission File Number 1-6887

PACIFIC CENTURY FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	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 29, 1999 - 80,243,020 sharesPACIFIC CENTURY FINANCIAL CORPORATION and subsidiaries
September 30, 1999

PART I. - Financial Information

Item 1. Financial Statements

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

(in thousands of dollars)	September 30 1999	December 31 1998	September 30 1998
Assets			
Interest-Bearing Deposits	$410,497	$453,527	$407,265
Investment Securities - Held to Maturity			
(Market Value of $815,416, $668,068 and $792,205, respectively)	816,728	652,802	773,659
Investment Securities - Available for Sale	2,625,545	3,018,403	2,753,981
Securities Purchased Under Agreements to Resell	4,103	--	40,000
Funds Sold	40,726	45,683	114,940
Loans	9,746,581	9,854,000	9,549,741
Unearned Income	(213,798)	(225,915)	(207,346)
Reserve for Loan Losses	(211,306)	(211,276)	(209,731)
Net Loans	9,321,477	9,416,809	9,132,664
Total Earning Assets	13,219,076	13,587,224	13,222,509

Cash and Non-Interest Bearing Deposits	417,142	564,243	541,217
Premises and Equipment	281,512	293,591	301,124
Customers' Acceptance Liability	10,797	8,227	6,244
Accrued Interest Receivable	77,915	85,485	88,581
Other Real Estate	5,874	5,648	10,853
Intangibles, including Goodwill	211,609	216,106	219,442
Other Assets	281,436	256,039	248,536
Total Assets	$14,505,361	$15,016,563	$14,638,506
Liabilities			
Domestic Deposits			
Demand - Non-Interest Bearing	$1,683,210	$1,745,747	$1,656,713
- Interest Bearing	2,059,662	2,385,285	2,292,272
Savings	712,968	740,378	740,679
Time	2,570,112	2,637,746	2,759,057
Foreign Deposits			
Demand - Non-Interest Bearing	437,110	489,672	415,846
Time Due to Banks	679,344	685,137	718,210
Other Savings and Time	1,147,983	892,377	840,100
Total Deposits	9,290,389	9,576,342	9,422,877
Securities Sold Under Agreements to Repurchase	1,916,747	2,008,399	2,380,071
Funds Purchased	628,212	942,062	288,727
Short-Term Borrowings	335,416	356,822	363,461
Bank's Acceptances Outstanding	10,797	8,227	6,244
Accrued Retirement Expense	41,494	39,811	38,555
Accrued Interest Payable	60,138	55,694	70,311
Accrued Taxes Payable	90,380	114,443	137,209
Minority Interest	4,587	7,394	7,690
Other Liabilities	123,888	136,159	131,735
Long-Term Debt	794,814	585,616	624,619
Total Liabilities	13,296,862	13,830,969	13,471,499
Shareholders' Equity			
Common Stock ($.01 par value), authorized 500,000,000 shares; issued / outstanding; September 1999 - 80,550,124 / 80,308,130; December 1998 - 80,512,372 / 80,325,998; September 1998 - 80,462,983 / 80,462,983	806	805	804
Capital Surplus	345,477	342,932	341,534
Accumulated Other Comprehensive Income	(52,525)	(22,476)	(21,839)
Retained Earnings	919,664	867,852	846,508
Treasury Stock, at Cost - (September 1999 - 241,994 and December 1998 - 186,374 Shares)	(4,923)	(3,519)	--
Total Shareholders' Equity	1,208,499	1,185,594	1,167,007
Total Liabilities and Shareholders' Equity	$14,505,361	$15,016,563	$14,638,506

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

(in thousands of dollars except per share amounts)	3 Months Ended Sept 30 1999	3 Months Ended Sept 30 1998	9 Months Ended Sept 30 1999	9 Months Ended Sept 30 1998
Interest Income				
Interest on Loans	$173,414	$185,559	$521,050	$556,921
Loan Fees	8,792	12,482	30,090	35,060
Income on Lease Financing	7,035	5,938	21,751	18,429
Interest and Dividends on Investment Securities				
Taxable	14,657	16,414	43,248	54,449
Non-taxable	268	221	820	823
Income on Investment Securities Available for Sale	42,808	43,068	126,508	127,106
Interest on Deposits	5,700	8,585	20,391	25,780
Interest on Security Resale Agreements	70	41	238	41
Interest on Funds Sold	223	1,001	4,374	2,963
Total Interest Income	252,967	273,309	768,470	821,572
Interest Expense				
Interest on Deposits	63,916	77,590	193,703	232,390
Interest on Security Repurchase Agreements	21,812	31,405	70,621	94,348
Interest on Funds Purchased	9,975	4,968	31,486	18,688
Interest on Short-Term Borrowings	2,213	4,063	8,783	10,341
Interest on Long-Term Debt	11,598	10,785	32,180	32,737
Total Interest Expense	109,514	128,811	336,773	388,504
Net Interest Income	143,453	144,498	431,697	433,068
Provision for Loan Losses	13,500	10,737	40,038	71,022
Net Interest Income After Provision for Loan Losses	129,953	133,761	391,659	362,046
Non-Interest Income				
Trust Income	14,670	13,730	44,653	41,561
Service Charges on Deposit Accounts	8,638	9,053	25,708	25,947
Fees, Exchange, and Other Service Charges	21,956	20,143	66,572	57,788
Other Operating Income	26,061	11,183	50,510	28,139
Investment Securities Gains	77	(493)	8,742	2,843
Total Non-Interest Income	71,402	53,616	196,185	156,278
Non-Interest Expense				
Salaries	50,768	50,198	152,093	145,908
Pensions and Other Employee Benefits	13,437	14,544	43,387	42,176
Net Occupancy Expense	11,560	13,087	35,638	34,994
Net Equipment Expense	12,380	12,962	36,192	35,829
Other Operating Expense	44,889	45,314	132,389	130,616
Restructuring Charge	22,478	--	22,478	19,400
Minority Interest	81	86	384	687
Total Non-Interest Expense	155,593	136,191	422,561	409,610
Income Before Income Taxes	45,762	51,186	165,283	108,714
Provision for Income Taxes	24,283	16,351	69,925	36,763
Net Income	$21,479	$34,835	$95,358	$71,951
Basic Earnings Per Share	$0.27	$0.43	$1.19	$0.90
Diluted Earnings Per Share	$0.27	$0.43	$1.18	$0.89
Dividends Declared Per Share	$0.17	$0.1625	$0.51	$0.4875
Basic Weighted Average Shares	80,274,350	80,459,112	80,332,150	80,201,636

Diluted Weighted Average Shares	80,860,870	81,033,346	81,116,106	81,128,698

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

(in thousands of dollars)	Total	Common Stock	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Comprehensive Income
Balance at December 31, 1998	$1,185,594	$805	$342,932	($22,476)	$867,852	($3,519)	
Comprehensive Income							
Net Income	95,358	-	-	-	95,358	-	$95,358
Other Comprehensive Income, Net of Tax							
Investment Securities, Net of							
Reclassification Adjustment	(28,231)	-	-	(28,231)	-	-	(28,231)
Foreign Currency Translation Adjustment	(1,818)	-	-	(1,818)	-	-	(1,818)
Total Comprehensive Income							$65,309
Common Stock Issued							
37,419 Profit Sharing Plan	736	-	3	-	(70)	803	
318,672 Stock Option Plan	5,843	-	2,265	-	(2,288)	5,866	
154,515 Dividend Reinvestment Plan	3,204	1	137	-	(197)	3,263	
6,595 Directors' Restricted Shares and Deferred Compensation Plan	140	-	140	-	-	-	
Treasury Stock Purchased	(11,336)	-	-	-	-	(11,336)	
Cash Dividends Paid	(40,991)	-	-	-	(40,991)	-	
Balance at September 30, 1999	$1,208,499	$806	$345,477	($52,525)	$919,664	($4,923)	
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	$-	

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

Nine Months ended September 30 (in thousands of dollars)	1999	1998
Operating Activities		
Net Income	$95,358	$71,951
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses, depreciation, and amortization of income and expense	46,428	71,649
Deferred income taxes	(34,140)	(16,479)
Realized and unrealized investment security gains	(8,779)	(3,562)
Other assets and liabilities, net	(4,657)	(10,078)
Net cash provided by operating activities	94,210	113,481
Investing Activities		
Proceeds from redemptions of investment securities held to maturity	191,667	545,530
Purchases of investment securities held to maturity	(355,592)	(98,974)
Proceeds from sales of investment securities available for sale	1,184,289	1,822,875
Purchases of investment securities available for sale	(829,680)	(1,914,473)
Net decrease (increase) in interest-bearing deposits	49,530	(44,366)
Net decrease (increase) in funds sold	854	(74,483)
Net decrease in loans and lease financing	110,783	170,635
Premises and equipment, net	(15,474)	(29,167)
Purchase of Paribas Bank, net of cash and non-interest bearning deposits acquired	--	6,327
Purchase of Triad Insurance Agency, Inc. net of cash and non-interest bearing deposits acquired	(2,183)	--
Purchase of additional interest in Bank of Hawaii Nouvelle Caledonie, net of cash and non-interest bearing deposits acquired	(642)	--
Purchase of additional interest in Banque de Tahiti, net of cash and non-interest bearing deposits acquired	(633)	--
Net cash provided by investing activities	332,919	383,904
Financing Activities		
Net decrease in demand, savings, and time deposits	(311,733)	(455,761)
Proceeds from lines of credit and long-term debt	434,126	52,034
Principal payments on lines of credit and long-term debt	(225,058)	(134,247)

Net decrease in short-term borrowings	(427,343)	(186,896)
Net proceeds (payments) from sale (repurchase) of stock	(1,413)	14,049
Cash dividends	(40,991)	(39,127)
Net cash used by financing activities	(572,412)	(749,948)
Effect of exchange rate changes on cash	(1,818)	(1,552)
Decrease in cash and non-interest bearing deposits	(147,101)	(254,115)
Cash and non-interest bearing deposits at beginning of year	564,243	795,332
Cash and non-interest bearing deposits at end of period	$417,142	$541,217

Note 1. Basis of Presentation

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

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

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

Note 2. Recent Accounting Pronouncements

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

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

Note 3. Acquisitions

In January 1999, Pacific Century acquired Triad Insurance

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

In August 1999, Pacific Century concluded the transaction to increase its ownership by acquiring 5.8 million shares, or approximately 10%, of the outstanding shares of the Bank of Queensland in Australia. This transaction is in addition to a 1998 purchase of 5.4 million convertible notes of the Bank of Queensland.

Note 4. Earnings Per Share

For the three and nine months ended September 30, 1999 and 1998, there were no adjustments to net income (the numerator) for purposes of computing basic and diluted earnings per share (EPS). The weighted average shares (the denominator) for computing basic and diluted EPS for the three and nine months ended September 30, 1999 and 1998 are presented in the Consolidated Statements of Income. Included in the weighted average shares for computing EPS is the dilutive effect of stock options of 586,520 and 574,234 shares for the three months ended September 30, 1999 and 1998, respectively, and 783,956 and 927,062 for the first nine months ended September 30, 1999 and 1998, respectively.

Note 5. Income Taxes

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

Note 6. Restructuring Charge

Pacific Century recorded a restructuring charge of $22.5 million in the third quarter of 1999 in connection with a redesign program to increase revenues and improve efficiencies. The restructuring charge included direct and incremental costs associated with this program and consisted of the recognition of accruals of $6.1 million for staff reduction and $0.7 million for occupancy and equipment. In addition, the restructuring charge included period costs of $15.7 million that were directly related to completing the project. Staffing costs consist of projected employee severance payments. The occupancy and equipment portion consists of estimated lease termination costs and losses on the disposal of fixed assets. Project costs include costs relative to the assessment phase of the redesign project of which $14.7 million was paid in September 1999.

In the second quarter of 1998, Pacific Century recognized a $19.4 million restructuring charge in connection with its strategic actions to improve efficiencies through consolidating subsidiaries, closing branches, and outsourcing activities. The restructuring charge included expected direct and incremental costs associated with these actions and consisted of $9.1 million for lease termination costs, $5.4 million for disposal of fixed assets, $1.6 million for staff reduction, and $3.3 million for data processing and other costs. As of December 31, 1998, the balance in the restructuring accrual was $9.6 million, of which $7.8 million related to termination of lease obligations. In the third quarter of 1999 restructuring liabilities of $2.1 million were transferred to the fixed assets category from the lease obligations ($1.8 million) and other ($0.3 million) categories. During the first nine months of 1999, amounts charged against the restructuring accrual (including amounts set aside to settle long-term lease obligations) totaled $9.5 million. An adjustment of $134,000, netted against non-interest expense was made in

1999's third quarter to eliminate the restructuring accrual.

Note 7. Business Segments

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

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

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

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

Line of Business Selected Financial Information

(in thousands of dollars)	Hawaii	Pacific	Asia	U. S. Mainland	Treasury and Other Corporate	Consolidated Total
Three Months Ended September 30, 1999						
Net Interest Income	$72,396	$31,123	$10,127	$25,530	$4,277	$143,453
Economic Provision (1)	(8,174)	(3,579)	(1,203)	(2,639)	2,095	(13,500)
Risk-Adjusted Net Interest Income	64,222	27,544	8,924	22,891	6,372	129,953
Non-Interest Income	29,365	8,870	4,995	17,450	10,722	71,402
Total Risk-Adjusted Revenue	93,587	36,414	13,919	40,341	17,094	201,355
Non-Interest Expense (2)	71,378	26,570	6,693	17,314	33,638	155,593
Net Income (Loss) Before Income Taxes	22,209	9,844	7,226	23,027	(16,544)	45,762
Income Taxes (3)	(10,256)	(4,420)	(3,031)	(13,676)	7,100	(24,283)
Net Income (Loss)	11,953	5,424	4,195	9,351	(9,444)	21,479
Capital Charge	(13,589)	(7,774)	(3,058)	(10,294)	(10,464)	(45,179)
Net Income (Loss) After Capital Charge	($1,636)	($2,350)	$1,137	($943)	($19,908)	($23,700)
Total Assets	$5,051,881	$2,498,351	$1,337,413	$2,632,591	$2,985,125	$14,505,361
Three Months Ended September 30, 1998						
Net Interest Income	$73,435	$30,428	$9,335	$24,893	$6,407	$144,498
Economic Provision (1)	(9,203)	(2,123)	(1,270)	(2,834)	4,693	(10,737)

Risk-Adjusted Net Interest Income	64,232	28,305	8,065	22,059	11,100	133,761
Non-Interest Income	30,217	10,993	4,038	2,602	5,766	53,616
Total Risk-Adjusted Revenue	94,449	39,298	12,103	24,661	16,866	187,377
Non-Interest Expense	73,592	29,602	6,842	20,935	5,220	136,191
Net Income Before Income Taxes	20,857	9,696	5,261	3,726	11,646	51,186
Income Taxes (3)	(9,126)	(3,949)	(2,061)	2,338	(3,553)	(16,351)
Net Income	11,731	5,747	3,200	6,064	8,093	34,835
Capital Charge	(14,346)	(8,476)	(3,950)	(10,419)	(6,581)	(43,772)
Net Income (Loss) After Capital Charge	(2,615)	(2,729)	(750)	(4,355)	1,512	(8,937)
Total Assets	$5,204,899	$2,519,051	$1,001,921	$2,408,904	$3,503,732	$14,638,507

(1) The economic provision for loan losses reflects the expected normalized loss factor determined by a statistically applied approach that considers risk factors, including historical loss experience, within a given portfolio. The economic provision differs from the provision determined under generally accepted accounting principles. The difference between the sum of the economic provision allocated to business segments and the provision in the consolidated financial statements is included in Treasury and Other Corporate.

(2) Non-interest expense for the Treasury and Other Corporate segment included a restructuring charge of $22.5 million.

(3) Tax benefits are allocated to the business segment to which they relate. In the quarters ended September 30, 1999 and 1998, income taxes for the U. S. Mainland segment included $4.0 million and $5.0 million, respectively, in tax benefits from low income housing tax credits and investment tax credits.

Line of Business Selected Financial Information

(in thousands of dollars)	Hawaii	Pacific	Asia	U. S. Mainland	Treasury and Other Corporate	Consolidated Total
Nine Months Ended September 30, 1999						
Net Interest Income	$217,941	$90,916	$28,552	$77,495	$16,793	$431,697
Economic Provision (1)	(25,038)	(10,368)	(3,599)	(8,252)	7,219	(40,038)
Risk-Adjusted Net Interest Income	192,903	80,548	24,953	69,243	24,012	391,659
Non-Interest Income	91,408	30,078	13,635	27,289	33,775	196,185
Total Risk-Adjusted Revenue	284,311	110,626	38,588	96,532	57,787	587,844
Non-Interest Expense (2)	215,280	80,933	19,852	52,042	54,454	422,561
Net Income Before Income Taxes	69,031	29,693	18,736	44,490	3,333	165,283
Income Taxes (3)	(30,708)	(12,856)	(7,676)	(16,043)	(2,642)	(69,925)
Net Income	38,323	16,837	11,060	28,447	691	95,358
Capital Charge	(41,169)	(23,329)	(9,433)	(31,316)	(30,446)	(135,693)
Net Income (Loss) After Capital Charge	($2,846)	($6,492)	$1,627	($2,869)	($29,755)	($40,335)
Total Assets	$5,051,881	$2,498,351	$1,337,413	$2,632,591	$2,985,125	$14,505,361
Nine Months Ended September 30, 1998						
Net Interest Income	$217,792	$88,536	$27,806	$75,267	$23,667	$433,068
Economic Provision (1)	(27,477)	(8,320)	(3,801)	(8,320)	(23,104)	(71,022)
Risk-Adjusted Net Interest Income	190,315	80,216	24,005	66,947	563	362,046
Non-Interest Income	87,943	31,747	11,921	8,269	16,398	156,278
Total Risk-Adjusted Revenue	278,258	111,963	35,926	75,216	16,961	518,324
Non-Interest Expense (2)	214,696	82,867	19,060	56,412	36,575	409,610
Net Income (Loss) Before Income Taxes	63,562	29,096	16,866	18,804	(19,614)	108,714
Income Taxes (3)	(27,037)	(11,658)	(6,546)	1,350	7,128	(36,763)
Net Income (Loss)	36,525	17,438	10,320	20,154	(12,486)	71,951
Capital Charge	(42,247)	(21,900)	(10,860)	(31,005)	(23,706)	(129,718)
Net Income (Loss) After Capital Charge	(5,722)	(4,462)	(540)	(10,851)	(36,192)	(57,767)
Total Assets	$5,204,899	$2,519,051	$1,001,921	$2,408,904	$3,503,731	$14,638,506

(1) The economic provision for loan losses reflects the expected normalized loss factor determined by a statistically applied approach that considers risk factors, including historical loss experience, within a given portfolio. The economic provision differs from the provision determined under generally accepted accounting principles. The difference between the sum of the economic provision allocated to business segments and the provision in the consolidated financial statements is included in Treasury and Other Corporate.
(2) Non-interest expense for the Treasury and Other Corporate segment included a restructuring charge of $22.5 million in 1999 and $19.4 million in 1998.
(3) Tax benefits are allocated to the business segment to which they relate. For the nine months ended September 30, 1999 and 1998, income taxes for the U. S. Mainland segment included $10.3 million and $10.5 million, respectively, in tax benefits from low income housing tax credits and investment tax credits.

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

PERFORMANCE HIGHLIGHTS

Pacific Century Financial Corporation (Pacific Century) reported earnings for the three months ended September 30, 1999 of $21.5 million, which reflects a pretax restructuring charge of $22.5 million relative to a redesign program to enhance revenues and improve efficiencies. When fully implemented in the fourth quarter of 2000, the redesign is estimated to produce annualized cost savings of $43 million and revenue enhancements of $21 million (Refer to "Forward-Looking Statements"). Comparatively, earnings in the third quarter of 1998 were $34.8 million. Both basic and diluted earnings per share in the third quarter of 1999 were $0.27, compared to $0.43 in the same 1998 quarter.

Earnings in the first nine months of 1999 totaled $95.4 million, a 32.5% increase from $72.0 million in the same year earlier period. Basic earnings per share were $1.19 in the first nine months of 1999, up from $0.90 in the comparable 1998 period. Diluted earnings per share were $1.18 for the nine months ended September 30, 1999, compared to $0.89 in the like year ago period.

Year-over-year comparability in earnings is impacted by the previously mentioned restructuring charge in 1999 and by special charges in the second quarter of 1998, that included a pretax restructuring charge of $19.4 million and a significant increase in the provision for loan losses.

In the third quarter of 1999, return on average assets (ROAA) and return on average equity (ROAE) were 0.59% and 7.01%, respectively compared to 0.95% and 11.87% in the same 1998 quarter. Performance ratios for the nine months ended September 30, 1999 improved over 1998. ROAA and ROAE were 0.87% and 10.55% in the first nine months of 1999, compared to 0.65% and 8.35%, respectively, in the same year ago period. For the full year of 1998, ROAA was 0.72% and ROAE was 9.21%.

Pacific Century has accounted for all of its business acquisitions under the purchase method, which has resulted in the recognition of goodwill and other intangible assets. These intangible assets are amortized over various periods as a non-cash charge to operating income. Operating results under a tangible performance basis excludes from reported earnings the after tax impact of amortization of all intangibles, including goodwill. On a tangible performance basis, Pacific Century's earnings in the third quarter of 1999 were $25.9 million, down from $39.0 million for the same quarter in 1998. Tangible earnings for the nine months ended September 30, 1999 and 1998 were $107.4 million and $82.9 million, respectively. On a per share basis, tangible diluted earnings per share were $0.32 and $0.48 in the third quarter of 1999 and 1998, respectively, and were $1.32 and $1.02 in the first nine months of 1999 and 1998, respectively.

Third quarter tangible ROAA for Pacific Century was 0.73% in 1999 and 1.07% in the same 1998 quarter. Tangible ROAE was 10.25% and 14.78% for the similar quarters of 1999 and 1998, respectively. In the first nine months of 1999 tangible ROAA and ROAE were 0.99% and 14.45%, respectively, compared to 0.76% and

11.78%, respectively, in the same year ago period.

On a taxable equivalent basis, net interest income for the three and nine months ended September 30, 1999 were $143.8 million and $432.4 million, compared to $144.6 million and $433.5 million in the same year ago periods. The lower 1999 net interest income is attributed to a decrease in average earning assets that was partially offset by a rise in net interest margin between periods.

Total assets at September 30, 1999 stood at $14.5 billion relative to $14.6 billion at September 30, 1998 and $15.0 billion at December 31, 1998. The decline in total assets is the result of managed reductions in less productive assets such as cash and non-interest bearing deposits and short-term investments. Average assets in the third quarter and first nine months of 1999 were down 0.9% and 1.3%, respectively, from the same year-earlier periods.

Non-performing assets (NPAs), exclusive of accruing loans past due 90 days or more, ended 1999's third quarter at $154.8 million, or 1.59% of total loans. Comparatively, NPAs were $151.5 million, or 1.59% of total loans at September 30, 1998 and $137.5 million, or 1.40% of total loans at year-end 1998.

The reserve for loan losses totaled $211.3 million at the end of September 1999, representing 2.22% of loans outstanding, compared to $209.7 million and 2.24%, respectively, on the same date in 1998. Net charge-offs for the third quarter of 1999 were $13.5 million, or 0.57% of average loans, compared to $12.7 million and 0.54%, respectively, in 1999's second quarter and $10.2 million, or 0.43% in the third quarter of 1998. For the first nine months of 1999 net charge-offs were $37.0 million, down from $54.1 million in the like period last year. In the current quarter, provisions for loan losses of $13.5 million were charged to income, compared to $13.9 million for the quarter ended June 30, 1999 and $10.7 million in the same quarter last year. For the nine months ended September 30, 1999, loan loss provisions were $40.0 million, down from $71.0 million in the same year ago period. The higher 1998 loan loss provision reflects a build up in reserves during the second quarter of 1998 to cover an increase in NPAs and net charge-offs.

Performance Highlights
Table 1

(in millions of dollars except per share amounts)

Earnings Highlights and Performance Ratios	1999	1998	Percentage Change
Three Months Ended September 30			
Net Income	$21.5	$34.8	-38.3%
Basic Earnings Per Share	0.27	0.43	-37.2%
Diluted Earnings Per Share	0.27	0.43	-37.2%
Cash Dividends	13.7	13.1	
Return on Average Assets	0.59%	0.95%	
Return on Average Equity	7.01%	11.87%	
Average Spread on Earning Assets	4.28%	4.24%	
Efficiency Ratio	72.44%	68.57%	
Nine Months Ended September 30			
Net Income	$95.4	$72.0	32.5%
Basic Earnings Per Share	1.19	0.90	32.2%
Diluted Earnings Per Share	1.18	0.89	32.6%
Cash Dividends	41.0	39.1	
Return on Average Assets	0.87%	0.65%	
Return on Average Equity	10.55%	8.35%	
Average Spread on Earning Assets	4.27%	4.25%	
Efficiency Ratio	68.25%	69.84%	

Summary of Results Excluding the Effect of Intangibles (a)

Three Months Ended September 30			
Tangible Net Income	$25.9	$39.0	-33.6%
Tangible Basic Earnings per Share	0.32	0.48	-33.3%
Tangible Diluted Earnings per Shar	0.32	0.48	-33.3%
Tangible Return on Average Assets	0.73%	1.07%	
Tangible Return on Average Equity	10.25%	14.78%	
Tangible Efficiency Ratio	70.04%	66.18%	
Nine Months Ended September 30			
Tangible Net Income	$107.4	$82.9	29.6%
Tangible Basic Earnings per Share	1.34	1.03	30.1%
Tangible Diluted Earnings per Shar	1.32	1.02	29.4%
Tangible Return on Average Assets	0.99%	0.76%	
Tangible Return on Average Equity	14.45%	11.78%	
Tangible Efficiency Ratio	66.03%	67.73%	

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

Forward-Looking Statements

This report contains forward-looking statements regarding Pacific Century's beliefs, estimates, projections and assumptions, which are provided to assist in the understanding of certain aspects of Pacific Century's anticipated future financial performance. Pacific Century cautions readers not to place undue reliance on any forward-looking statement. Forward-looking statements are subject to significant risks and uncertainties, many of which are beyond Pacific Century's control. Although Pacific Century believes that the assumptions underlying its forward-looking statements are reasonable, any assumptions could prove to be inaccurate and actual results may differ from those contained in or implied by such forward-looking statements. Factors that might cause differences to occur include, but are not limited to, economic conditions in the markets Pacific Century serves and those that impact Hawaii, the U.S. Mainland and Asian economies, fluctuations in interest rates, changes in currencies of Asian Rim and South Pacific countries relative to the U.S. dollar, credit quality, and changes in applicable federal, state, and foreign income tax laws and regulatory and monetary policies, and the nature and level of competition. Forward-looking statements that could significantly differ from estimates include uncertainties relating to Pacific Century's efforts to prepare its systems and technology for Year 2000 readiness, as well as uncertainties relating to the ability of third parties with whom Pacific Century has business relationships to address Year 2000 issues in a timely and adequate manner and uncertainties of fully realizing the anticipated cost savings and revenue enhancements associated with Pacific Century's recently announced redesign program within the expected timeframe.

LINE OF BUSINESS FINANCIAL REVIEW

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

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

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

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

Hawaii Market

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

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

For the quarter ended September 30, 1999, the Hawaii segment contributed $12.0 million in net income an increase from the $11.7 million reported for the third quarter of 1998. RAROC for this segment rose to 13% for the third quarter of 1999 from 12% in the same quarter of 1998. Total assets in the Hawaii segment declined to $5.1 billion at September 30, 1999 from $5.2 billion at September 30, 1998 and $5.3 billion at year-end 1998.

For the nine months ended September 30, 1999, net income for the Hawaii segment was up 4.9% to $38.3 million from $36.5 million in the same year-earlier period. RAROC rose to 14% in the first nine months of 1999 from 13% in the comparable 1998 period.

Pacific Market

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

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

Pacific Century's presence in the South Pacific includes various subsidiary and affiliate banks and branches of Bank of Hawaii. Subsidiaries in the South Pacific are located in French Polynesia, New Caledonia, Papua New Guinea and Vanuatu, and affiliates are located in Samoa, Solomon Islands, and Tonga. Bank of Hawaii locations in this region consist of three branches in Fiji and two branches in American Samoa.

Net income in the Pacific segment was $5.4 million for the quarter ended September 30, 1999 compared to $5.7 million in the third quarter of 1998. RAROC, including the amortization of intangibles for this segment, declined to 10% in the third quarter of 1999 from 11% for the same quarter in 1998. Total assets in the Pacific segment were $2.5 billion at the end of September 1999, about level with same year ago date. Comparatively total assets at year-end 1998 were $2.4 billion.

For the first nine months of 1999, net income for the Pacific segment was $16.8 million, down from $17.4 million reported in the same period last year. Year-to-date RAROC for the Pacific segment decreased to 11% in 1999 from 12% for the first nine months of 1998.

Asia Market

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

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

For the quarter ended September 30, 1999, net income in the Asia segment was $4.2 million, compared to $3.2 million for the same quarter in 1998. RAROC for this segment was 21% in the third quarter of 1999, compared to 13% for the same quarter in 1998. The improved 1999 results in Asia were driven by higher net interest income and fee income. As of September 30, 1999, September 30, 1998 and December 31, 1998, total assets in the Asia segment were $1.3 billion, $1.0 billion and $1.0 billion, respectively.

For the nine months ended September 30, 1999, net income for the Asia segment was $11.1 million, compared to $10.3 million in the comparable 1998 period. RAROC for the Asia segment was 18% and 14% for the nine months ended September 30, 1999 and 1998, respectively.

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

U.S. Mainland Market

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

In the third quarter of 1999, the U.S. Mainland segment contributed net income of $9.4 million, up from $6.1 million in the same year ago quarter. Results for 1999 included a net gain of $1.3 million from the sale of Arbella Leasing Corp., a special purpose leasing subsidiary. Net income for the three months ended September 30, 1999 and 1998, included tax benefits of $4.0 million and $5.0 million, respectively, from low income housing tax credits and investment tax credits. RAROC, including the amortization of intangibles for this segment was 14% in the third quarter of 1999, improving from 9% for the same quarter in 1998. As of September 30, 1999, September 30, 1998 and December 31, 1998, total assets in the U.S. Mainland segment were $2.6 billion, $2.4 billion and $2.6 billion, respectively.

For the first nine months of 1999, net income for the U.S. Mainland segment was $28.4 million, a 41.1% increase over $20.2 million in the like 1998 period. Comparison between periods reflect a pretax security gain of $6.5 million in 1999 relative to the sale of newly issued equity securities acquired in conjunction with leasing transactions. Included in net income were tax benefits from low income housing tax credits and investment tax credits of $10.3 million and $10.5 million for the nine months ended September 30, 1999 and 1998, respectively. RAROC for the U.S. Mainland segment was 14% and 10% in the first nine months of 1999 and 1998, respectively.

Treasury and Other Corporate

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

The Treasury and Other Corporate segment reflected a third quarter 1999 net loss of $9.4 million, that included the $22.5 million restructuring charge, compared to net income of $8.1 million in the same quarter in 1998. At September 30, 1999, September 30, 1998 and year-end 1998 this segment held assets of $3.0 billion, $3.5 billion, and $3.7 billion, respectively.

For the nine months ended September 30, 1999, net income for the Treasury and Other Corporate segment was $0.7 million, compared to a net loss of $12.5 million in the same 1998 period. Both the 1999 and 1998 periods were impacted by special charges. As previously mentioned, 1999's results were affected by a restructuring charge, while 1998 included a $19.4 million restructuring charge and an increase in the consolidated provision for loan losses that exceeded the economic provision.

STATEMENT OF INCOME ANALYSIS

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

Net Interest Income

In the third quarter of 1999, net interest income on a taxable equivalent basis was $143.8 million, slightly lower than $144.6 million in the same year-earlier quarter. For the nine months ended September 30, 1999, tax equivalent net interest income was $432.4 million compared to the $433.5 million in the first nine months of 1998. The decline in 1999's net interest income reflected a year-over-year drop in average earning assets of approximately $133 million and $193 million in the third quarter and first nine months of 1999, respectively.

In the third quarter of 1999, the average net interest margin on earning assets improved to 4.28% from 4.24% for the same quarter in 1998 and edged up in the first nine months of 1999 to 4.27% from 4.25% in the comparable year ago period. The improvement in net interest margin was driven by lower cost of funds, which declined 60 basis points in the third quarter of 1999 to 4.06% from 4.66% in the same year earlier quarter. For the first nine months of 1999, the cost of funds was 4.09% reflecting a decrease of 54 basis points from 4.63% in the first nine months of 1998. During these same periods, the yield on earning assets also fell, but by a lesser extent. The year-over-year decline in the yield on earning assets was 46 and 45 basis points in 1999's September quarter and first nine months, respectively. Presented in Table 2 are average balances, yields, and rates paid for the three and nine months ended September 30, 1999 and 1998.

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

	Three Months Ended September 30, 1999			Three Months Ended September 30, 1998		
	Average	Income/	Yield/	Average	Income/	Yield/

(in millions of dollars)	Balance	Expense	Rate	Balance	Expense	Rate
Earning Assets						
Interest Bearing Deposits	$348.5	$5.7	6.49%	$560.6	$8.6	6.08%
Investment Securities Held to Maturity						
-Taxable	804.8	14.7	7.23	845.9	16.4	7.70
-Tax-Exempt	11.7	0.4	14.04	11.3	0.3	11.94
Investment Securities Available for	2,677.5	42.8	6.31	2,763.0	43.1	6.18
Funds Sold	38.9	0.5	5.57	71.2	1.1	5.80
Net Loans						
-Domestic	7,692.0	154.6	7.98	7,638.2	164.7	8.56
-Foreign	1,729.7	25.8	5.92	1,643.6	26.7	6.45
Loan Fees		8.8			12.5	
Total Earning Assets	13,303.1	253.3	7.55	13,533.8	273.4	8.01
Cash and Due From Banks	425.2			595.8		
Other Assets	655.2			387.1		
Total Assets	$14,383.5			$14,516.7		
Interest Bearing Liabilities						
Domestic Dep- Demand	$2,128.8	12.3	2.30	$2,023.8	14.4	2.83
- Savings	720.5	3.7	2.03	763.2	4.6	2.39
- Time	2,492.7	29.4	4.68	2,682.2	35.6	5.26
Total Domestic	5,342.0	45.4	3.37	5,469.2	54.6	3.96
Foreign Deposits						
- Time Due to Banks	606.7	8.1	5.27	621.3	10.6	6.79
- Other Time and Savings	1,175.7	10.4	3.52	1,172.6	12.4	4.20
Total Foreign	1,782.4	18.5	4.11	1,793.9	23.0	5.10
Total Interest Bearing Deposits	7,124.4	63.9	3.56	7,263.1	77.6	4.24
Short-Term Borrowings	2,837.3	34.0	4.75	3,030.8	40.4	5.29
Long-Term Debt	732.3	11.6	6.28	672.5	10.8	6.36
Total Interest Bearing Liabilitie	10,694.0	109.5	4.06	10,966.4	128.8	4.66
Net Interest Income		143.8			144.6	
Interest Rate Spread			3.49%			3.35%
Net Interest Margin			4.28%			4.24%
Demand Deposit- Domestic	1,633.7			1,574.9		
- Foreign	438.6			542.7		
Total Demand Deposits	2,072.3			2,117.6		
Other Liabilities	401.2			268.5		
Shareholders' Equity	1,216.0			1,164.2		
Total Liabilities and Shareholder	$14,383.5			$14,516.7		
Provision for Loan Losses		13.5			10.7	
Net Overhead		84.2			82.6	
Income Before Income Taxes		46.1			51.3	
Provision for Income Taxes		24.3			16.4	
Tax-Equivalent Adjustment		0.1			0.1	
Net Income		$21.7			$34.8	

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

	Nine Months Ended September 30, 1999			Nine Months Ended September 30, 1998		
(in millions of dollars)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Earning Assets						
Interest Bearing Deposits	$424.2	$20.4	6.43%	$508.4	$25.8	6.78%
Investment Securities Held to Maturity						
-Taxable	808.9	43.2	7.15	964.9	54.4	7.54
-Tax-Exempt	11.7	1.3	14.44	11.8	1.3	14.39
Investment Securities Available for	2,735.4	126.5	6.18	2,697.3	127.1	6.30
Funds Sold	125.2	4.9	5.20	91.1	3.0	4.41
Net Loans						
-Domestic	7,721.9	461.6	7.99	7,650.3	487.4	8.52
-Foreign	1,706.8	81.2	6.36	1,728.4	87.9	6.80

Loan Fees		30.1			35.1	
Total Earning Assets	13,534.1	769.2	7.60	13,652.2	822.0	8.05
Cash and Due From Banks	475.6			591.8		
Other Assets	648.5			606.9		
Total Assets	$14,658.2			$14,850.9		
Interest Bearing Liabilities						
Domestic Dep- Demand	$2,146.0	36.4	2.27	$2,128.5	42.5	2.67
- Savings	728.0	11.0	2.03	793.7	14.5	2.44
- Time	2,534.0	90.9	4.80	2,774.8	110.9	5.34
Total Domestic	5,408.0	138.3	3.42	5,697.0	167.9	3.94
Foreign Deposits						
- Time Due to Banks	646.7	25.0	5.17	584.7	30.3	6.92
- Other Time and Savings	1,163.7	30.4	3.49	1,171.9	34.2	3.91
Total Foreign	1,810.4	55.4	4.09	1,756.6	64.5	4.91
Total Interest Bearing Deposits	7,218.4	193.7	3.59	7,453.6	232.4	4.17
Short-Term Borrowings	3,118.3	110.9	4.75	3,086.7	123.4	5.34
Long-Term Debt	665.2	32.2	6.47	689.0	32.7	6.35
Total Interest Bearing Liabilitie	11,001.9	336.8	4.09	11,229.3	388.5	4.63
Net Interest Income		432.4			433.5	
Interest Rate Spread			3.51%			3.42%
Net Interest Margin			4.27%			4.25%
Demand Deposit- Domestic	1,649.2			1,651.1		
- Foreign	427.6			426.1		
Total Demand Deposits	2,076.8			2,077.2		
Other Liabilities	370.8			392.0		
Shareholders' Equity	1,208.7			1,152.4		
Total Liabilities and Shareholder	$14,658.2			$14,850.9		
Provision for Loan Losses		40.0			71.0	
Net Overhead		226.4			253.2	
Income Before Income Taxes		166.0			109.3	
Provision for Income Taxes		69.9			36.8	
Tax-Equivalent Adjustment		0.7			0.5	
Net Income		$95.4			$72.0	

Provision for Loan Losses

The provision for loan losses was $13.5 million in 1999's third quarter, up from $10.7 million for the same quarter last year. In the first nine months of 1999, the provision for loan losses totaled $40.0 million, a $31.0 million decline from $71.0 million in the year earlier period. The lower 1999 year-to-date provision reflects a decline in net loan charge-offs. Additionally, the 1998 provision included a build up of reserves to cover an increase in NPAs. For further information on credit quality, refer to the section on "Corporate Risk Profile - Credit Risk - Reserve for Loan Losses."

Non-Interest Income

Total non-interest income in the third quarter of 1999, was $71.4 million, compared to $53.6 million for the same quarter in 1998, an increase of 33.2%. For the first nine months of 1999, total non-interest income was $196.2 million, up 25.5% over the same year-earlier period. The rise in non-interest income is mostly accounted for by the sale of Arbella Leasing Corp., a special purpose leasing subsidiary, that resulted in a one-time gain of $14.0 million. The net impact of this sale resulted in an increase in earnings of $1.3 million after providing for income taxes of $12.7 million. Incremental non-interest income attributed to the Triad acquisition was approximately $2.1 million in the third quarter of 1999 and $6.3 million in the first nine months of 1999.

Non-Interest Income

Table 3

(in millions)	3 Months Ended Sept. 30, 1999	3 Months Ended Sept. 30, 1998	9 Months Ended Sept. 30, 1999	9 Months Ended Sept. 30, 1998
Trust Income	$14.7	$13.7	$44.7	$41.6
Service Charges on Deposit Accounts	8.6	9.1	25.7	26.0
Fees, Exchange and Other Service Charges	22.0	20.1	66.6	57.8
Other Operating Income	26.0	11.2	50.5	28.1
Investment Securities Gains	0.1	(0.5)	8.7	2.8
Total Non-Interest Income	$71.4	$53.6	$196.2	$156.3

Trust income for the third quarter of 1999 increased to $14.7 million, up 6.8% from the same quarter last year. Year-to-date trust income totaled $44.7 million, reflecting a 7.4% increase over the first nine months of 1998. The year-over-year rise in trust income is primarily attributed to increases in investment management fees, agency fees, and trust fees. The Pacific Capital family of mutual funds and Hawaiian Tax Free Trust, which are managed by Pacific Century Trust, have continued to experience growth.

Service charges on deposit accounts for the September 1999 quarter decreased to $8.6 million, from $9.1 million in the same quarter last year. For the first nine months of 1999, service charges from deposit accounts at $25.7 million were almost level with the same year ago period.

Fees, exchange and other service charges increased to $22.0 million for the third quarter of 1999, from $20.1 million in the same 1998 quarter. The year-to-date total for this category was $66.6 million in 1999, an increase of $8.8 million, or 15.2%, over the first nine months of 1998. Income generated from international activities including letter of credit and acceptance fees, profit on foreign currency, and exchange fees totaled $17.0 million for the first nine months of 1999, up $2.7 million, or 19.3% over the same period in 1998.

Mortgage servicing fees increased to $6.5 million in the first nine months of 1999, up 25.0% from $5.2 million for the same period in 1998. This increase is due to the growth in Pacific Century's mortgage servicing portfolio to $2.4 billion at September 30, 1999 from $1.9 billion at September 30, 1998. The growth in the servicing portfolio reflects Bank of Hawaii's exceptionally high residential loan origination levels over the last twelve months.

Also, included in fees, exchange and other service charges are fees earned through Pacific Century's ATM network. Pacific Century's ATM network at the end of September 1999 comprised 495 machines, compared to 492 at year-end 1998. Fees generated by this network totaled $11.4 million in the first nine months of 1999, up 47.2% from $7.8 million for the same period in 1998.

Other operating income in 1999's third quarter was $26.0 million, an increase of $14.8 million over the same quarter of 1998. Year-to-date other income increased 79.5% over the first nine months of 1998. As mentioned earlier, the Arbella Leasing sale contributed a one-time gain of $14 million to other operating income in 1999. Additionally, the increase in year-to-date other operating income also reflected insurance commissions from the Triad acquisition.

Sales of investment securities during the nine months ended September 30, 1999 resulted in net investment security gains of $8.7 million, compared to $2.8 million in the comparable year earlier period. Approximately $6.5 million of the 1999 gain resulted from the sale of newly issued equity securities acquired in conjunction with leasing transactions.

Non-Interest Expense

Total non-interest expense for the September 1999 quarter was $155.6 million, compared to $136.2 million in the similar quarter of 1998, an increase of $19.4 million. Year-to-date non-interest expense was $422.6 million, up 3.2% from the first nine months of 1998. Comparability between periods is affected by restructuring charges of $22.5 million and $19.4 million, that were recognized in the third quarter of 1999 and in the second quarter of 1998, respectively. The 1999 restructuring charge is related to a redesign program to increase revenues, reduce expenses, and improve financial services and products.

The components of the 1999 restructuring charge consisted of accruals of $6.1 million for staff reductions and $0.7 million for occupancy and equipment plus period costs of $15.7 million associated with the assessment phase of the redesign project. In the third quarter of 1999, $14.7 million of the redesign project costs were paid.

The 1998 restructuring charge was related to strategic actions to improve efficiencies through consolidating subsidiaries, closing branches and outsourcing subsidiaries and consisted of $9.1 million for lease obligation termination costs, $5.4 million for fixed assets disposal, $1.6 million for staff reduction, and $3.3 million for data processing and other costs. In the third quarter of 1999, restructuring liabilities of $1.8 million and $0.3 million from the lease obligation and other costs categories, respectively, were transferred to the fixed assets category. In the first nine months of 1999, $9.5 million was charged against the restructuring accrual (including amounts set aside to settle long-term lease obligations). An adjustment of $134,000, netted against non-interest expense was made in 1999's third quarter to eliminate the residual restructuring accrual.

Incremental non-interest expense attributed to the Triad acquisition was approximately $1.7 million and $5.2 million for the three and nine months ended September 30, 1999.

Non-Interest Expense
Table 4

(in millions)	3 Months Ended Sept. 30, 1999	3 Months Ended Sept. 30, 1998	9 Months Ended Sept. 30, 1999	9 Months Ended Sept. 30, 1998
Salaries	$50.8	$50.2	$152.1	$145.9
Pension and Other Employee Benefits	13.4	14.5	43.4	42.2
Net Occupancy Expense	11.5	13.1	35.6	35.0
Net Equipment Expense	12.4	13.0	36.2	35.8
Other Operating Expense	44.9	45.3	132.4	130.6
Restructuring Charge	22.5	-	22.5	19.4
Minority Interest	0.1	0.1	0.4	0.7
Total Non-Interest Expense	$155.6	$136.2	$422.6	$409.6

Salaries and pension and other employee benefits expense totaled $64.2 million in the third quarter of 1999 compared to $64.7 million in the same quarter last year. For the first nine months, total salaries and benefits rose 3.9% to $195.5 million from $188.1 million in the same period last year. Approximately $2.3 million of the year-to-date increase is attributed to the Triad acquisition. The Year 2000 project also continues to affect salaries and benefits for 1999.

Net occupancy and equipment expense in the September 1999 quarter declined to $23.9 million from $26.1 million for the same period in 1998. For the first nine months of 1999, net occupancy and equipment expense totaled $71.8 million, up 1.4% from $70.8 million in the similar period last year.

Other operating expense decreased to $44.9 million in the third quarter of 1999, a 0.9% decline from $45.3 million for the same quarter in 1998. Year-to-date other operating expense, however, increased $1.8 million to $132.4 million from $130.6 million in the first nine months of 1998. Incremental other operating expense attributed to the Triad acquisition was approximately $2.5 million in the first nine months of 1999.

Pacific Century utilizes the efficiency ratio as a tool to manage non-interest income and expense. The efficiency ratio is derived by dividing non-interest expense by net operating revenue (net interest income plus non-interest income before securities transactions). For the third quarter and first nine months of 1999, the efficiency ratio was 72.4% and 68.3%, respectively. Comparatively, this ratio was 68.6% in the same quarter last year and 69.8% in the first nine months of 1998. Comparison of the efficiency ratio between periods is affected by the restructuring charges and the sale of Arbella Leasing Corp.

BALANCE SHEET ANALYSIS

Loans

Loans comprise the largest category of earning assets for Pacific Century and produce the highest level of earnings. At September 30, 1999, loans outstanding were $9.7 billion, compared to $9.9 billion at year-end 1998 and $9.5 billion at September 30, 1998.

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

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

Loan Portfolio Balances
Table 5

(in millions of dollars)	September 30 1999	December 31 1998	September 30 1998
Domestic Loans			
Commercial and Industrial	$2,491.5	$2,579.7	$2,375.1
Real Estate			
Constructio-- Commercial	303.7	276.3	279.4
-- Residential	12.4	23.5	15.7
Mortgage --Commercial	1,264.5	1,139.1	1,237.1
-- Residential	2,584.0	2,699.4	2,618.6
Installment	743.9	763.0	795.3
Lease Financing	547.1	554.5	479.6
Total Domestic	7,947.1	8,035.5	7,800.8
Foreign Loans	1,799.5	1,818.5	1,748.9
Total Loans	$9,746.6	$9,854.0	$9,549.7

Investment Securities

Pacific Century's investment portfolio is managed to provide collateral for cash management needs, to meet strategic asset/liability positioning, and to provide both interest income and balance sheet liquidity. At September 30, 1999, available-for-sale securities decreased to $2.6 billion from $2.8 billion a year ago and $3.0 billion at year-end 1998. Securities held to maturity were $817 million at September 30, 1999, up from $774 million a year ago and $653 million at year-end 1998.

Deposits

As of September 30, 1999, deposits totaled $9.3 billion, down from $9.4 billion at September 30, 1998 and $9.6 billion at year-end 1998. As of September 30, 1999, the mix of deposits has changed with domestic deposits decreasing and foreign deposits increasing. At $7.0 billion, domestic deposits at September 30, 1999 were $483 million lower than year-end 1998, while during this same time foreign deposits increased $197 million. A lower level of interest-bearing demand accounts accounted for most of the decline in domestic deposits.

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

Average Deposits
Table 6

	Quarter Ended September 30, 1999		Year Ended December 31, 1998		Quarter Ended September 30, 1998	
(in millions of dollars)	Amount	Mix	Amount	Mix	Amount	Mix
Domestic						
Non-Interest Bearing Demand	$1,633.7	17.8%	$1,650.4	17.3%	$1,574.9	16.8%
Interest-Bearing Demand	2,128.8	23.1	2,114.8	22.1	2,023.8	21.6
Regular Savings	720.5	7.8	783.9	8.2	763.2	8.1
Time Certificates of Deposit ($100,000 or More)	1,024.1	11.1	1,028.2	10.8	1,085.2	11.6
All Other Time and Savings Certificates	1,468.6	16.0	1,752.5	18.4	1,597.0	17.0
Total Domestic	6,975.7	75.8	7,329.8	76.8	7,044.1	75.1
Foreign						
Non-Interest Bearing Demand	438.6	4.8	447.7	4.7	542.7	5.8
Time Due to Banks	606.7	6.6	596.1	6.2	621.3	6.6
Other Time and Savings	1,175.7	12.8	1,176.1	12.3	1,172.6	12.5
Total Foreign	2,221.0	24.2	2,219.9	23.2	2,336.6	24.9
Total	$9,196.7	100.0%	$9,549.7	100.0%	$9,380.7	100.0%

Borrowings

Short-term borrowings, including funds purchased and securities sold under agreements to repurchase, totaled $2.9 billion at September 30, 1999, $3.3 billion at year-end 1998 and $3.0 billion at September 30, 1998.

Long-term debt on September 30, 1999 increased to $795 million from $586 million at year-end 1998. This increase is primarily attributed to $125 million in subordinated notes issued by Bank of Hawaii in the first quarter of 1999. The notes bear a fixed rate of interest at 6.875%, mature in 10 years (March 1, 2009), and qualify as Tier 2 capital.

INTERNATIONAL OPERATIONS

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

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

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

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

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

The countries in Asia to which Pacific Century maintains its largest credit exposure on a cross border basis include South Korea, Japan and Taiwan. Table 7 presents as of September 30, 1999, December 31, 1998, and September 30, 1998 a geographic distribution of Pacific Century's cross-border assets for each country in which such assets exceeded 0.75% of total assets.

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

(in millions)

Country	September 30, 1999	December 31, 1998	September 30, 1998
Japan	$282.1	$354.8	$354.9
South Korea	345.8	264.9	255.2
Taiwan	115.1	123.9	127.1
France	166.7	35.5	55.1
All Others	580.4	593.6	561.6
	$1,490.1	$1,372.7	$1,353.9

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

Pacific Century's cross-border credit assets in Thailand and Indonesia at September 30, 1999 were $13 million and $13 million, respectively, compared to $20 million and $16 million, respectively, at June 30, 1999 and $24 million and $17 million, respectively at December 31, 1998.

CORPORATE RISK PROFILE

Credit Risk

Non-Performing Assets and Past Due Loans

Non-performing assets (NPAs) consist of non-accrual loans, restructured loans and foreclosed real estate. These assets increased to $154.8 million at September 30, 1999 from $151.5 million a year ago and $137.5 million at the end of 1998. Compared with the prior two quarter-ends, NPAs ended the current quarter at $5.4 million above June 30, 1999 and $8.5 million below March 31, 1999.

At September 30, 1999, the ratio of NPAs to outstanding loans was 1.59%. Comparatively the ratio was 1.40% at year-end

1998 and 1.59% at September 30, 1998. Table 8 presents Pacific Century's NPAs and ratio of NPAs to total loans.

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

Total non-accrual loans rose to $148.9 million at September 30, 1999, up from $131.9 million and $140.6 million at year-end 1998 and September 30, 1998, respectively. Higher non-accrual balances in the commercial real estate, commercial and industrial loan, and lease categories accounted for most of the increase relative to year-end 1998 and September 1998. Foreign non-accrual loans at September 30, 1999 declined $1.8 million from year-end 1998 and $12.2 million from the same date last year.

Non-performing residential mortgages (excluding construction loans) totaled $33.1 million at September 30, 1999, compared to $36.4 million at year-end 1998 and $35.9 million a year ago. Because residential mortgages are secured by real estate, the credit risk on these loans are lower than for unsecured lending. Most of Pacific Century's residential loans are owner-occupied first mortgages and were generally underwritten to provide a loan-to-value ratio of no more than 80% at origination.

Foreclosed real estate totaled $5.9 million at September 30, 1999 compared to $5.6 million at year-end 1998 and $10.9 million a year ago. At September 30, 1999, the foreclosed real estate portfolio consisted of properties located mostly in Hawaii.

Accruing loans past due 90 days or more have remained relatively constant since year-end 1998 totaling $21.6 million at September 30, 1999 and $20.8 million at year-end 1998. Compared to September 30, 1998 accruing loans past due 90 days or more declined $5.7 million.

Potential Problem Loans

Pacific Century is currently involved in ongoing discussions with a Korean group of related borrowers who are experiencing financial difficulties. As of September 30, 1999, Pacific Century's aggregate credit exposure to this group totaled approximately $34 million. Although these credits were on an accrual status at the end of the third quarter, it is difficult, at this time, to predict the ultimate outcome of the discussions and any resulting impact to Pacific Century.

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

(in millions of dollars)	September 30 1999	December 31 1998	September 30 1998
Non-Accrual Loans			
Commercial and Industrial	$31.7	$28.2	$24.0
Real Estate			
Construction	2.1	2.9	4.4
Commercial	20.8	5.4	6.7
Residential	33.1	36.4	35.9
Installment	0.7	0.8	0.9
Leases	4.8	0.7	0.8
Foreign	55.7	57.5	67.9
Subtotal	148.9	131.9	140.6

Foreclosed Real Estate			
Domestic	5.6	5.5	10.8
Foreign	0.3	0.1	0.1
Subtotal	5.9	5.6	10.9
Total Non-Performing Assets	154.8	137.5	151.5
Accruing Loans Past Due 90 Days or More			
Commercial and Industrial	6.2	0.4	7.3
Real Estate			
Construction	0.5	0.4	0.6
Commercial	2.4	0.0	0.8
Residential	2.8	4.5	4.8
Installment	4.5	7.3	6.6
Leases	0.2	0.3	0.1
Foreign	5.0	7.9	7.1
Subtotal	21.6	20.8	27.3
Total	$176.4	$158.3	$178.8
Ratio of Non-Performing Assets to Total Loans	1.59%	1.40%	1.59%
Ratio of Non-Performing Assets and Accruing Loans Past Due 90 Days or More to Total Loans	1.81%	1.61%	1.87%

Reserve for Loan Losses

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

Reserve for loan losses ended the third quarter of 1999 at $211.3 million, level with year-end 1998 and $1.6 million above the same date last year. Net charge-offs for the third quarter of 1999 were $13.5 million or 0.57% of average loans, compared to $10.2 million, or 0.43% of average loans for the same quarter last year. For the nine months ended September 30, 1999, net charge-offs were $37.0 million, or 0.52% of average loans, compared to $54.1 million and 0.77%, respectively, in same 1998 period. The ratio of reserves to loans outstanding at September 30, 1999 was 2.22%, compared to 2.24% at this date last year and 2.19% at year-end 1998. A summary of the activity in the reserve for loan losses is presented in Table 9.

At September 30, 1999, the reserve for loan losses provided coverage of 136% of non-performing loans, compared to 154% coverage at year-end 1998 and 138% at September 30, 1998. Additionally, the annualized ratio of reserves to gross charge-offs was 2.6 times for the first nine months of 1999, compared to 2.6 times for all of 1998 and 2.5 times for the first nine months of 1998.

For the nine months ended September 30, 1999, recoveries totaled $23.7 million partially driven by a $7.0 million recovery of a U.S. mainland loan in the commercial and industrial portfolio and $4.0 million in foreign loan recoveries. Comparatively, recoveries were $8.9 million in the first nine months of 1998 and $16.3 million for all of 1998.

Reserve for Loan Losses
Table 9

(in millions of dollars)	Third Quarter 1999	Third Quarter 1998	First Nine Months 1999	First Nine Months 1998
Average Amount of Loans Outstanding	$9,421.7	$9,499.6	$9,428.7	$9,378.7
Balance of Reserve for Loan Losses at Beginning of Period	$209.6	$204.0	$211.3	$174.4
Loans Charged-Off				
Commercial and Industrial	0.3	4.3	15.7	13.8
Real Estate				
Construction	--	--	0.2	--
Commercial	0.1	0.3	2.3	0.5
Residential	2.0	0.8	5.6	1.6
Installment	6.2	6.9	19.1	20.1
Foreign	11.8	0.6	17.6	26.8
Leases	0.1	--	0.2	0.2
Total Charged-Off	20.5	12.9	60.7	63.0
Recoveries on Loans Previously Charged-Off				
Commercial and Industrial	3.4	0.6	12.9	2.2
Real Estate				
Commercial	0.8	0.2	1.0	1.2
Residential	--	--	0.2	0.2
Installment	2.0	1.8	5.6	4.8
Foreign	0.8	0.1	4.0	0.5
Total Recoveries	7.0	2.7	23.7	8.9
Net Charge-Offs	(13.5)	(10.2)	(37.0)	(54.1)
Provision Charged to Operating Expenses	13.5	10.7	40.0	71.0
Other Net Additions (Reductions)*	1.7	5.2	(3.0)	18.4
Balance at End of Period	$211.3	$209.7	$211.3	$209.7
Ratio of Net Charge-Offs to Average Loans Outstanding (annualized)	0.57%	0.43%	0.52%	0.77%
Ratio of Reserve to Loans Outstanding	2.22%	2.24%	2.22%	2.24%

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

Market Risk

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

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

Other Than Trading Activities

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

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

Market Risk Exposure to Interest Rate Changes
Table 10

	September 30, 1999		December 31, 1998		September 30, 1998	
	Interest Rate Change (in basis points)		Interest Rate Change (in basis points)		Interest Rate Change (in basis points)	
	-200	+200	-200	+200	-200	+200
Estimated Exposure as a Percent of Net Interest Income	0.8%	(1.3)%	1.9%	(2.1)%	1.6%	(1.1)%

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

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

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

On the other hand, Pacific Century is exposed to foreign currency exchange rate changes from the capital invested in its foreign subsidiaries and branches located throughout the South Pacific and Asian Rim. These investments are designed to diversify Pacific Century's total balance sheet exposure. A portion of the capital investment in French Polynesia and New Caledonia is offset by a borrowing denominated in euro and a foreign exchange currency hedge transaction. As of September 30, 1999, the remainder of these capital positions which aggregated $92.7 million, was not hedged. The comparative unhedged position at year-end 1998 was $93.0 million.

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

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

Market Risk Exposure From Changes in Foreign Exchange Rates
Table 11

(in millions of dollars)	September 30, 1999 Book Value	September 30, 1999 Value-at-Risk	December 31, 1998 Book Value	December 31, 1998 Value-at-Risk	September 30, 1998 Book Value	September 30, 1998 Value-at-Risk
Net Investments in Foreign Subsidiaries and Branches						
Japanese Yen	$ 8.2	$ 1.9	$ 9.6	$ 2.7	$11.8	$ 3.4
Korean Won	40.5	3.7	44.2	7.9	36.3	9.1
Pacific Franc (1)	25.3	4.6	22.8	3.6	27.8	4.3
Other Currencies	18.7	17.1	16.4	15.3	13.4	18.5
Total	$92.7	$27.3	$93.0	$29.5	$89.3	$35.3

(1) Net of a $42 million, $46 million and $46 million borrowing at September 30, 1999, December 31, 1998 and September 30, 1998, respectively, denominated in euro and foreign exchange hedge transactions of $24 million, $26 million and $23 million at September 30, 1999, December 31, 1998 and September 30, 1998.

Trading Activities

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

Liquidity Management

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

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

Bank of Hawaii and First Savings are both members of the Federal Home Loan Bank of Seattle. The FHLB provides these institutions with an additional source for short and long-term funding. Borrowings from the FHLB ended the third quarter of 1999 at $312 million, compared to $173 million at the prior quarter-end. The increase is accounted for by $150 million in new borrowings in the third quarter for terms of six and eighteen months.

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

Capital Management

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

At September 30, 1999, Pacific Century's shareholders' equity grew to $1.2 billion, an increase of 3.5% over the same date in 1998. The source of growth in shareholders' equity during the first nine months of 1999 included retention of earnings, and issuance of common stock under various stock-based plans. Offsetting these increases were cash dividends paid of $41.0 million, net treasury stock purchases of $11.3 million and unrealized valuation adjustments of $30.0 million. The negative unrealized valuation adjustment primarily is attributed to a decline in the market value of available-for-sale investment securities due to a rise in interest rates. Comparatively, shareholders' equity at September 30, 1999 was about equivalent with the prior quarter-end.

Pacific Century's regulatory capital ratios at September 30, 1999 were: Tier 1 Capital Ratio of 10.00%, Total Capital Ratio of 12.93%, and Leverage Ratio of 8.15%. Comparatively these ratios were 9.65%, 11.74% and 7.32%, respectively, at September 30, 1998. All three capital ratios exceeded the minimum threshold levels that were established by federal bank regulators to qualify an institution as well capitalized. The minimum regulatory standards to qualify as well capitalized are as follows: Tier 1 Capital 6%; Total Capital 10%; and the Leverage Ratio 5%. These standards are minimum regulatory guidelines and Pacific Century manages its capital base in accordance with the attributes noted at the beginning of this section. Table 12 presents the activities and balances in Pacific Century's capital accounts along with key capital ratios.

Equity Capital
Table 12

(in millions of dollars)	Quarter Ended September 30 1999	Year Ended December 31 1998	Quarter Ended September 30 1998
Source of Common Equity			
Net Income	$21.5	$107.0	$34.8
Dividends Paid	(13.7)	(52.8)	(13.1)
Dividend Reinvestment Program	0.9	5.4	1.2
Stock Repurchases	(2.4)	(7.3)	(2.1)
Other (1)	(12.0)	16.1	5.7
Increase in Equity	($5.7)	$68.4	$26.5
Common Equity	$1,208.5	$1,185.6	$1,167.0
Add: 8.25% Capital Securities of Bancorp Hawaii Capital Trust I	100.0	100.0	100.0
Minority Interest	4.6	7.4	7.7
Less: Intangibles	180.1	186.2	190.3
Unrealized Valuation and Other Adjustments	(24.3)	3.6	10.3
Tier I Capital	1,157.3	1,103.2	1,074.1
Allowable Loan Loss Reserve	145.4	147.2	140.1
Subordinated Debt	195.8	95.0	95.0
Investment in Unconsolidated Subsidiary	(2.7)	(2.5)	(2.1)
Total Capital	$1,495.8	$1,342.9	$1,307.1
Risk Weighted Assets	$11,569.6	$11,708.5	$11,135.2

Key Ratios

Tier I Capital Ratio	10.00%	9.42%	9.65%
Total Capital Ratio	12.93%	11.47%	11.74%
Leverage Ratio	8.15%	7.48%	7.32%

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

Year 2000

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

State of Readiness

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

As described in Pacific Century's 1998 Annual Report to Shareholders, Pacific Century's Year 2000 project plan includes five phases: awareness, assessment, renovation, validation testing and implementation. Pacific Century has completed all five phases of its Year 2000 plan for critical systems. Additionally, Pacific Century has completed development of Year 2000 contingency plans for all critical functions. During the remainder of 1999, Pacific Century will continue to test and validate those plans and refine them as necessary and will focus on monitoring the readiness of third parties that it relies on to conduct business and serve customers.

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

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

Estimated Year 2000 Costs

Pacific Century estimates that costs directly related to Project 2000 issues will approximate $41 million, including $30 million in estimated incremental cost. Costs associated with Project 2000 primarily include estimates for technology and program management staff, staff retention, consultant fees, and software and hardware costs, as well as, costs for customer education and public relations. Through December 31, 1998, cumulative costs for Project 2000 totaled approximately $25.4 million of which approximately $22.2 million were incurred in 1998. During the first nine months of 1999, additional expenditures aggregating $9.1 million were incurred, bringing the total Project 2000 cost to $34.5 million at September 30, 1999. As Project 2000 progresses, the cost estimate could change depending on a number of factors, including the failure of third party vendors to address Year 2000 issues in a timely manner. Year 2000 compliance costs are expected to be funded from operating cash flow.

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

Part II. - Other Information

Items 1 to 5 omitted pursuant to instructions.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit Index

Exhibit Number

20	Quarterly Report to Shareholders
27	Financial Data Schedule
99	Statement of Ratios

(b) On September 16, 1999, Pacific Century Financial Corporation filed a Form 8-K regarding the redesign program.

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 15, 1999

PACIFIC CENTURY FINANCIAL CORPORATION

/s/ RICHARD J. DAHL

(Signature)

Richard J. Dahl
President and Chief
Operating Officer

/s/ DAVID A. HOULE

(Signature)

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

To Our Shareholders:

This quarter's earnings were among the highest in the history of Pacific Century Financial Corporation. Your company reported strong net income of $38.5 million for 1999's second quarter, up from $3.1 million for 1998's second quarter. Diluted earnings per share were $0.47, up from $0.04 for the same period last year. Year-over-year comparisons reflect the $19.4 million restructuring charge and extra provisioning to the reserve for loan losses incurred in the second quarter of 1998.

Tangible or "cash" earnings for the quarter were $42.3 million compared to $7.4 million reported for the similar period last year. On a per share basis, tangible diluted earnings were $0.52, up from $0.09 in 1998's second quarter.

These results reflect our continuing efforts to make the balance sheet more efficient, control non-interest expense and improve asset quality.

For the first six months of 1999, return on average assets grew to 1.01 percent, up from 0.50 percent in 1998's first half year. Return on average equity was 12.36 percent, compared with 6.53 percent reported in last year's like period.

We are pleased to note that Asia's economic recovery is shaping up to be stronger and faster than expected. We also see compelling evidence of gradually accelerating economic recovery in Hawaii. The consensus economic forecast calls for 2 percent real economic growth for the state through 1999 and into 2000.

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

Your company met the final major regulatory milestone for Year 2000 readiness last month. By June 30, 1999, all of our critical computer systems had been successfully tested to handle the year 2000 change in date, and the Y2K contingency plans were in place. During the remainder of 1999, we will focus on validating our year 2000 contingency plans and monitoring the readiness of third parties we rely on to serve our customers.

Pacific Century's Board of Directors has declared a quarterly cash dividend of 17 cents per share on its outstanding common shares. The dividend will be payable on September 15, 1999 to shareholders of record at the close of business on August 24, 1999.

The value of your holdings in Pacific Century remains our utmost priority, and we appreciate your confidence in our ability to guide your company into the 21st century.

Sincerely,

/s/ LAWRENCE M. JOHNSON

Lawrence M. Johnson
Chairman and CEO

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130 Merchant Street
Honolulu, HI 96813

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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 1999	June 30 1998
Return on Average Assets		1.01%	0.50%
Return on Average Equity		12.36%	6.53%
Average Spread on Earning Assets		4.26%	4.25%
Average Equity/Average Assets		8.14%	7.63%
Book Value Per Common Share		$15.12	$14.19
Loss Reserve/Loans and Leases Outstanding		2.23%	2.20%
Common Stock Price Range	High	Low	Dividend
1998...............................	$25.88	$14.75	$0.6575
1999 First Quarter.................	$24.94	$19.94	$0.17
Second Quarter...........	$23.25	$19.81	$0.17

Consolidated Statements of Income (Unaudited)

(in thousands of dollars except per share amounts)	3 Months Ended June 30 1999	3 Months Ended June 30 1998	6 Months Ended June 30 1999	6 Months Ended June 30 1998
Total Interest Income	$255,037	$278,934	$515,503	$548,263
Total Interest Expense	110,637	132,082	227,259	259,693
Net Interest Income	144,400	146,852	288,244	288,570
Provision for Possible Loan Losses	13,948	41,982	26,538	60,285
Net Interest Income After Provision for Possible Loan Losses	130,452	104,870	261,706	228,285
Total Non-Interest Income	63,613	49,798	124,783	102,662
Total Non-Interest Expense	132,128	151,716	266,968	273,419
Income Before Income Taxes	61,937	2,952	119,521	57,528
Provision for Income Taxes	23,475	(144)	45,642	20,412
Net Income	$38,462	$3,096	$73,879	$37,116
Basic Earnings Per Share	$0.48	$0.04	$0.92	$0.47
Diluted Earnings Per Share	$0.47	$0.04	$0.91	$0.46
Basic Weighted Average Shares	80,302,154	80,258,217	80,361,529	80,070,764
Diluted Weighted Average Shares	81,121,840	81,416,341	81,263,475	81,170,893

Consolidated Statements of Condition (Unaudited)

(in thousands of dollars)	June 30 1999	December 31 1998	June 30 1998
Assets			
Interest-Bearing Deposits	$411,239	$453,527	$542,966
Investment Securities			
(Market Value of $3,547,199, $3,686,471, and $3,728,525, respectively)	3,550,115	3,671,205	3,713,420
Securities Purchased Under Agreements to Resell	4,325	--	--
Funds Sold	34,995	45,683	31,715
Loans	9,610,980	9,854,000	9,464,901
Unearned Income	(219,717)	(225,915)	(207,742)
Reserve for Loan Losses	(209,573)	(211,276)	(204,049)
Net Loans	9,181,690	9,416,809	9,053,110
Total Earning Assets	13,182,364	13,587,224	13,341,211
Cash and Non-Interest Bearing Deposits	493,483	564,243	575,553
Premises and Equipment	288,955	293,591	297,392
Other Assets	586,656	571,505	516,954
Total Assets	$14,551,458	$15,016,563	$14,731,110
Liabilities			
Deposits	$9,286,155	$9,576,342	$9,505,968
Securities Sold Under Agreements to Repurchase	1,990,178	2,008,399	2,313,784

Funds Purchased	715,398	942,062	366,066
Short-Term Borrowings	353,177	356,822	379,129
Other Liabilities	337,489	361,728	360,583
Long-Term Debt	654,847	585,616	665,106
Total Liabilities	13,337,244	13,830,969	13,590,636
Shareholders' Equity			
Common Stock ($.01 par value), authorized 500,000,000 shares; issued / outstanding; June 1999 - 80,544,104 / 80,287,805; December 1998 - 80,512,372 / 80,325,998; June 1998 - 80,385,041 / 80,385,041	805	805	804
Capital Surplus	345,468	342,932	340,872
Accumulated Other Comprehensive Income	(39,245)	(22,476)	(25,958)
Retained Earnings	912,686	867,852	824,756
Treasury Stock, at Cost - (June 1999 - 256,299 and December 1998 - 186,374 Shares)	(5,500)	(3,519)	--
Total Shareholders' Equity	1,214,214	1,185,594	1,140,474
Total Liabilities and Shareholders' Equity	$14,551,458	$15,016,563	$14,731,110

Bank of Hawaii

Exhibit 99 - Statement Regarding Computation of Ratios

Nine Months Ended September 30

(in millions of dollars)	1999	1998
Earnings:		
1. Income Before Income Taxes	$165.3	$108.7
2. Plus: Fixed Charges Including Interest on Deposits	337.4	393.3
3. Earnings Including Fixed Charges	502.7	502.0
4. Less: Interest on Deposits	193.7	232.4
5. Earnings Excluding Interest on Deposits	$309.0	$269.6
Fixed Charges:		
6. Fixed Charges Including Interest on Deposits	$337.4	$393.3
7. Less: Interest on Deposits	193.7	232.4
8. Fixed Charges Excluding Interest on Deposits	$143.7	$160.9
Ratio of Earnings to Fixed Charges:		
Including Interest on Deposits (Line 3 divided by Line 6)	1.5 x	1.3 x
Excluding Interest on Deposits (Line 5 divided by Line 8)	2.2 x	1.7 x

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