UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report
(Date of earliest event reported) July 14, 1995

BANCORP HAWAII, INC.
(Exact name of registrant as specified in its charter)

Hawaii	1-6887	99-0148992
(State of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

Registrant's telephone number,
including area code) (808) 537-8111

Item 5.Other Events

Exhibits are filed herewith in connection with a proposed offering of subordinated notes by Bank of Hawaii, a subsidiary of Bancorp Hawaii, Inc.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

EXHIBITS

(23) Consent of Ernst & Young LLP

(24) Consolidated Financial Statements of Bank of Hawaii and Subsidiaries for the Years ended December 31, 1994, 1993 and

1992 with Report of Independent Auditors.

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 July 14, 1995 BANCORP HAWAII, INC.

RICHARD J. DAHL
(Signature)

Richard J. Dahl
President and Director

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

BANCORP HAWAII, INC.

EXHIBITS TO CURRENT REPORT ON
FORM 8-K DATED July 14, 1995

Commission File Number 1-6887

Exhibit Index

EXHIBIT 23

Consent of Independent Auditors

We consent to the use of our report dated January 19, 1995, with respect to the consolidated financial statements of Bank of Hawaii and subsidiaries, included in this Form 8-K of Bancorp Hawaii, Inc. dated July 14, 1995.

ERNST & YOUNG LLP

Honolulu, Hawaii
July 13, 1995

EXHIBIT 99

Consolidated Financial Statements

Bank of Hawaii and subsidiaries

Years ended December 31, 1994, 1993 and 1992

with Report of Independent Auditors

Bank of Hawaii and subsidiaries

Consolidated Financial Statements

Years ended December 31, 1994, 1993 and 1992

Contents

Report of Independent Auditors

Board of Directors
Bank of Hawaii

We have audited the accompanying consolidated statements of condition of Bank of Hawaii and subsidiaries as of December 31, 1994, 1993 and 1992, and the related consolidated statements of income, shareholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bank of Hawaii and subsidiaries at December 31, 1994, 1993 and 1992, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 11 to the financial statements, in 1993 and 1992 the Company changed its method of accounting for certain investments in debt and equity securities and income taxes, respectively.

ERNST & YOUNG LLP

January 19, 1995

Bank of Hawaii and subsidiaries

Consolidated Statements of Condition

	December 31 1994	1993	1992
	(In Thousands)		
Assets			
Interest-bearing deposits	$ 718,458	$ 821,043	$ 1,340,257
Investment securities			
-Held to maturity (market value of $1,654,344, $2,723,968, and $3,013,263, in 1994, 1993 and 1992, respectively)	1,703,085	2,687,091	2,941,497
-Available for sale	1,340,163	870,495	-
Securities purchased under agreements to resell	-	-	420,000
Funds sold	55,899	57,699	195,569
Loans:	6,743,547	6,247,134	6,098,532
Unearned income	(127,524)	(131,501)	(124,244)
Reserve for possible loan losses	(131,323)	(107,568)	(112,018)
Net loans	6,484,700	6,008,065	5,862,270
Total earning assets	10,302,305	10,444,393	10,759,593
Cash and non-interest bearing deposits	497,692	388,454	384,510
Advances to affiliates	28,000	-	-
Premises and equipment	203,696	148,035	136,655
Customers' acceptance liability	17,776	8,475	26,041
Accrued interest receivable	69,984	75,934	87,351
Other real estate	165	3,093	3,820
Goodwill	52,784	55,980	262
Trading securities	13,224	73,476	111,820
Other assets	102,736	94,331	102,719
Total assets	$11,288,362	$11,292,171	$11,612,771

	December 31 1994	1993	1992
	(In Thousands)		

Liabilities and shareholder's equity

Domestic deposits:			
Demand--non-interest bearing	$ 1,416,679	$ 1,390,657	$ 1,243,751
Demand--interest bearing	1,489,716	1,643,251	1,741,224
Savings	998,613	1,088,165	1,008,124
Time	1,259,082	1,279,191	1,936,063
Foreign deposits	1,230,047	980,918	1,164,177
Total deposits	6,394,137	6,382,182	7,093,339
Securities sold under agreements to repurchase	2,133,099	2,508,850	2,294,608
Funds purchased	609,574	748,500	1,113,356
Other short-term borrowings	406,711	390,689	165,857
Bank's acceptances outstanding	17,776	8,475	26,041
Accrued pension costs	23,353	24,367	25,324
Accrued interest payable	47,154	32,736	30,790
Income taxes payable	116,996	136,194	107,928
Other liabilities	62,268	69,400	70,791
Long-term debt	698,172	224,370	-
Total liabilities	10,509,240	10,525,763	10,928,034
Shareholder's equity:			
Capital stock ($8 par value), authorized 1,875,000 shares; outstanding 1,863,516.5 shares each year	14,908	14,908	14,908
Surplus	420,341	419,820	419,820
Unrealized valuation adjustments	(18,326)	(152)	(3,248)
Retained earnings	362,199	331,832	253,257
Total shareholder's equity	779,122	766,408	684,737
Total liabilities and shareholder's equity	$11,288,362	$11,292,171	$11,612,771

<FN>
See accompanying notes.

Bank of Hawaii and subsidiaries

Consolidated Statements of Income

	1994	Year ended December 31 1993 (In Thousands)	1992
Interest income			
Interest on loans	$454,257	$410,373	$421,033
Loan fees	28,351	33,548	30,283
Income on lease financing	13,212	16,611	16,957
Interest and dividends on investment securities:			
Taxable	129,933	197,055	185,720
Nontaxable	1,561	2,257	4,258
Income on investment securities available for sale	53,960	5,947	-
Interest on deposits	35,807	41,220	48,997
Interest on security resale agreements	-	2,934	12,507
Interest on funds sold	2,367	2,269	8,180
Total interest income	719,448	712,214	727,935
Interest expense			
Interest on deposits	170,598	174,496	264,084
Interest on security repurchase agreements	98,507	87,839	39,206
Interest on funds purchased	25,376	24,365	28,868
Interest on short-term borrowings	12,300	8,504	10,877
Interest on long-term debt	21,427	5,745	32
Total interest expense	328,208	300,949	343,067
Net interest income	391,240	411,265	384,868
Provision for possible loan losses	21,764	52,009	48,503
Net interest income after provision for			

possible loan losses	369,476	359,256	336,365
Non-interest income			
Trust income	48,658	40,925	30,519
Service charges on deposit accounts	27,461	25,637	24,113
Fees, exchange and other service charges	42,549	38,690	35,956
Other operating income	23,098	12,968	17,231
Investment securities gains (losses)	(17,693)	9,219	2,566
Total non-interest income	124,073	127,439	110,385
Non-interest expense			
Salaries	127,058	123,023	114,701
Pensions and other employee benefits	39,228	39,205	36,370
Net occupancy expense of premises	34,124	33,491	29,866
Net equipment expense	29,539	26,260	23,577
Other operating expense	96,488	78,633	73,200
Total non-interest expense	326,437	300,612	277,714
Income before income taxes	167,112	186,083	169,036
Provision for income taxes	67,330	70,909	65,501
Income before cumulative effect of accounting change	99,782	115,174	103,535
Cumulative effect of accounting change	-	-	10,762
Net income	$ 99,782	$115,174	$114,297

<FN>
See accompanying notes.

Bank of Hawaii and subsidiaries

Consolidated Statements of Shareholder's Equity

(In Thousands Except Per Share Amounts)

	Total	Capital Stock	Surplus	Unrealized Valuation Adjustment	Retained Earnings
Balance at December 31, 1991 (1,863,516.5 shares)	$605,793	$14,908	$419,820	$(2,370)	$173,435
Changes during 1992:					
Net income	114,297	-	-	-	114,297
Foreign exchange translation adjustment	(878)	-	-	(878)	-
Cash dividends paid of $18.50 per share	(34,475)	-	-	-	(34,475)
Balance at December 31, 1992 (1,863,516.5 shares)	684,737	14,908	419,820	(3,248)	253,257
Changes during 1993:					
Net income	115,174	-	-	-	115,174
Unrealized valuation adjustments:					
Investment securities	3,166	-	-	3,166	-
Foreign exchange translation adjustment	(70)	-	-	(70)	-
Cash dividends paid of $19.64 per share	(36,599)	-	-	-	(36,599)
Balance at December 31, 1993 (1,863,516.5 shares)	766,408	14,908	419,820	(152)	331,832
Changes during 1994:					
Net income	99,782	-	-	-	99,782
Unrealized valuation adjustments:					
Investment securities	(20,634)	-	-	(20,634)	-
Foreign exchange translation adjustment	2,460	-	-	2,460	-
Cash dividends paid of $37.25 per share	(69,415)	-	-	-	(69,415)
Contribution of Bancorp Investment Group from Bancorp Hawaii, Inc.	521	-	521	-	-
Balance at December 31, 1994					

(1,863,516.5 shares)	$779,122	$14,908	$420,341	$(18,326)	$362,199
	==========	==========	==========	==========	==========

<FN>
See accompanying notes.

Bank of Hawaii and subsidiaries

Consolidated Statements of Cash Flows

	Year ended December 31 1994	1993 (In Thousands)	1992
Operating activities			
Net income	$ 99,782	$ 115,174	$ 114,297
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	21,764	52,009	48,503
Depreciation and amortization	24,361	19,787	15,519
Deferred income taxes	(15,734)	20,640	6,915
Realized and unrealized investment security losses (gains)	-	737	(2,107)
Realized losses (gains) on investment securities available for sale	14,902	(9,025)	-
Net decrease (increase) in trading securities	252	(2,482)	(641)
Amortization of lease income	(25,720)	(29,108)	(19,887)
Amortization of loan fee income	(10,583)	(12,983)	(12,296)
Decrease (increase) in interest receivable	5,950	11,417	(1,236)
Increase (decrease) in interest payable	14,418	1,946	(12,434)
Decrease (increase) in other assets	9,569	13,110	(29,642)
Decrease in other liabilities	(5,063)	(8,235)	(5,834)
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Net cash provided by operating activities	133,898	172,987	101,157
Investing activities			
Proceeds from redemptions of investment securities held to maturity	1,488,678	909,192	879,217
Purchases of investment securities held to maturity	(504,672)	(1,522,665)	(1,362,422)
Proceeds from sales of investment securities available for sale	565,870	849,853	-
Proceeds from redemptions of investment securities available for sale	95,000	-	-
Purchases of investment securities available for sale	(1,091,975)	(697,892)	(100,043)
Net decrease (increase) in interest-bearing deposits placed in other banks	102,585	519,214	(280,072)
Net decrease (increase) in funds sold	1,800	454,977	(282,433)
Net increase in loans	(433,998)	(155,713)	(201,627)
Purchases of premises and equipment	(74,049)	(28,102)	(29,708)
Proceeds from sale of premises and equipment	2,518	336	757
Purchase of American Financial Services of Hawaii, Inc., net of cash acquired	-	(48,990)	-
Purchase of Banque d'Hawaii (Vanuatu), Ltd., net of cash and non-interest bearing deposits acquired	39,963	-	-
Purchase of National Bank of Solomon Islands, net of cash and non-interest bearing deposits acquired	(315)	-	-
Contribution of Bancorp Investment Group from Bancorp Hawaii, Inc.	521	-	-
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Net cash provided (used) by investing activities	191,926	280,210	(1,376,331)
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Carry forward	325,824	453,197	(1,275,174)

<FN>
See accompanying notes.

	Year ended December 31 1994	1993 (In Thousands)	1992
Brought forward	$ 325,824	$ 453,197	$(1,275,174)
Financing activities			
Net decrease in demand, savings and time deposits	(96,778)	(711,157)	(759,175)
Proceeds from lines of credit and long-term debt	480,122	224,846	-
Principal payments on lines of credit and long-term			

debt	(6,320)	(476)	(921)
Net (decrease) increase in short-term borrowings	(498,655)	74,203	1,975,303
Net increase in advance to affiliates	(28,000)	-	-
Cash dividends	(69,415)	(36,599)	(34,475)
Net cash (used) provided by financing activities	(219,046)	(449,183)	1,180,732
Effect of exchange rate changes on cash	2,460	(70)	(878)
Increase (decrease) in cash and non-interest bearing deposits	109,238	3,944	(95,320)
Cash and non-interest bearing deposits at beginning of year	388,454	384,510	479,830
Cash and non-interest bearing deposits at end of year	$ 497,692	$ 388,454	$ 384,510

<FN>
See accompanying notes.

Bank of Hawaii and subsidiaries

Notes to Consolidated Financial Statements

December 31, 1994, 1993 and 1992

1. Summary of Significant Accounting Policies

The accounting principles followed by Bank of Hawaii (a subsidiary of Bancorp Hawaii, Inc. "Bancorp") and its subsidiaries and the methods of applying those principles conform with generally accepted accounting principles and with general practice within the banking industry. Certain accounts have been reclassified to conform with the 1994 presentation. The significant policies are summarized below.

Consolidation

The consolidated financial statements include the accounts of Bank of Hawaii and its subsidiaries (the Bank). Significant intercompany accounts have been eliminated in consolidation.

Accounting Changes

In May 1993, the Financial Accounting Standards Board (FASB) issued Statement No. 114, "Accounting by Creditors for Impairment of a Loan." The statement addresses the accounting by creditors for impairment of certain loans and requires these loans be measured based on the present value of expected future cash flows or if the loan is collateral dependent, the fair value of the collateral. This is a significant change from the currently applied rules for both generally accepted accounting principles and regulatory reporting. In October 1994, the FASB issued Statement No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures," that amended Statement No. 114 by eliminating provisions for reporting income on impaired loans by Creditors and clarifying disclosure requirements. The Bank has elected to implement the provisions of Statement No 114, as amended, effective January 1, 1995. At this time, the impact of adopting the new rules on the Bank's financial position or results of operation is not expected to be material.

Acquisition

In December 1994, Bank of Hawaii acquired a 51% interest in the National Bank of Solomon Islands (NBSI) for $4.8 million. The acquisition has been accounted for using the purchase method. At year-end, NBSI financial results have been included in the consolidated totals. Total assets of NBSI were $50.3 million at year-end 1994. Goodwill recorded in this transaction was $2.4 million and is being amortized over 15 years.

On May 7, 1993, Bank of Hawaii finalized the purchase of 100% of the shares of American Financial Services of Hawaii, Inc. (AFS), a trust holding company whose wholly owned subsidiaries are Bishop Trust Company, Limited and American Trust Company of Hawaii, Inc. AFS administered $2.7 billion in trust assets at the acquisition date. The acquisition has been accounted for under the purchase method for the approximately $4 million of assets of AFS. Goodwill recorded in this transaction is being amortized on a straight-line basis over 15 years. In 1994, AFS was merged into Hawaiian Trust Company, Limited.

Also in December 1993, Bank of Hawaii purchased 80% of Banque Indosuez Vanuatu, Limited for $12.1 million. Its name was changed to Banque d'Hawaii (Vanuatu), Limited. For 1994, the Banque d'Hawaii (Vanuatu), Limited's financial results have been included in the consolidated financial statements and effective January 1, 1994, Vanuatu was accounted for as a purchase.

In conjunction with these acquisitions, liabilities were assumed as follows:

	1994	1993 (In Thousands)	1992
Assets acquired	$132,855	$65,002	$ -
Cash paid for capital stock	(16,913)	(51,500)	-
Liabilities assumed	$115,942	$13,502	$ -

Cash and Non-Interest Bearing Deposits

Cash and non-interest bearing deposits include the amounts due from other financial institutions as well as in-transit clearings. Under the terms of the Depository Institution Deregulation and Monetary Control Act, the Bank is required to place reserves with the Federal Reserve Bank based on the amount of deposits held. The Bank, along with the other banks in the State of Hawaii, was allowed to phase into this reserve requirement, with such phase-in to be completed by 1993. For 1994, 1993 and 1992, the average amount of these reserve balances were $156,892,000, $165,041,000, and $134,592,000, respectively.

Income Taxes

The Bank files a consolidated federal income tax return with Bancorp Hawaii, Inc. and its domestic subsidiaries. Deferred income taxes are provided to reflect the tax effect of temporary differences between financial statement carrying amounts and the corresponding tax bases of assets and liabilities.

The Bank's tax sharing policy provides for the settlement of income taxes between each entity as if each one had filed a separate return. Payments are made to Bancorp by each entity with tax liabilities, and entities which generate tax benefits receive payments for the benefits as used. Deferred taxes are recorded on the books of the entity which generated the temporary difference.

For lease arrangements, which are accounted for by the financing method, investment tax credits are deferred and amortized over the lives of the respective leases.

Intangible Assets and Amortization

The excess of cost over the fair market value of tangible assets and liabilities purchased in various transactions by the Bank is being amortized using the straight-line method over various periods not exceeding 15 years. The amortization expense of these intangibles was $4,559,000 $2,260,000 and $36,000 for 1994, 1993 and 1992, respectively. As of December 31, 1994, the accumulated amortization totaled $6,945,000.

Interest Rate and Foreign Currency Risk Management

The Bank has entered into various off-balance-sheet transactions, primarily interest rate swap agreements, for interest rate risk exposure management purposes. The Bank's objective in managing interest-rate exposure is to maintain a targeted mix of assets and liabilities that mature or reprice over a one year time horizon. However, the extent of rate sensitivity can vary within the intervening time periods. Management's asset/liability management strategy is intended to limit the impact of changes in interest rates on net income. Interest rate swaps are primarily used to modify the interest rate sensitivity of short term assets or long term liabilities (both deposits and debt).

As a result of having various foreign operations, the Bank is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value. The Bank has purchased foreign currency forward contracts to minimize the effect of fluctuating foreign currencies on its reported income. The forward contracts qualify as hedges for financial reporting purposes as they are tied to specific foreign loans and their repayment. Although the volatility of income over the entire twelve month period is reduced, increased volatility may be reported during interim periods.

Valuation adjustments on foreign exchange swap and forward contracts are recognized through the income statement as a component of foreign currency gain or loss.

International Operations

International operations include certain activities located domestically in the International Division, as well as branches and subsidiaries domiciled outside the United States. The activities of branches located in the Southern and Western Pacific which are denominated in U.S. dollars are classified as domestic.

Investment Securities

The method followed in determining the cost of investments sold was based on identified certificates for each of the three years ending December 31, 1994.

The Bank adopted the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," affecting the statement of condition as of December 31, 1993, by reclassifying investment securities into the following categories.

Investment Securities Held to Maturity are securities intended to be held for the full term of the security. These securities are stated at cost adjusted for amortization of premium and accretion of discount. Restricted equity securities represent Federal Home Loan Bank shares recorded at par, which is also fair value.

Investment Securities Available for Sale are recorded at market value with the unrealized gains and losses recorded as a valuation adjustment in equity, net of taxes. The market value of mortgage-backed securities are based on quoted market prices. In 1992 and 1993, these assets were recorded at the lower of cost or market with valuation adjustments reflected as a charge against income.

Trading Securities are securities purchased and held principally for the purpose of selling them in the near term. The trading securities portfolio was comprised primarily of debt securities which have been recorded at market value. Changes in market value are recognized as a securities gain or loss through the income statement. During 1994 and 1993, the net gain (loss) from the trading securities portfolio was ($750,000) and $980,000, respectively, and is recognized as a component of investment securities gains/losses in the income statement. Income from the trading securities was $576,000 and $655,000 for 1994 and 1993, respectively, and is included as part of other operating income.

Loans

Loans are carried at the principal amount outstanding. Interest income is generally recognized on the accrual basis. Loan fees are considered in the yields and amortized.

The Bank's policy is to place loans on nonaccrual as soon as a loan is delinquent over 90 days, unless unusual treatment is indicated by the type of borrowing agreement and/or collateral. At the time a loan is placed on nonaccrual, all accrued but unpaid interest is reversed against current earnings. Subsequent payments received are generally applied to reduce the principal balance.

Other Real Estate

Other real estate is comprised of properties acquired through foreclosure proceedings. These properties are carried at the lower of cost or fair market value based on current appraisals. Losses arising at the time of acquisition of such property acquired through foreclosure are charged against the reserve for possible loan losses. Subsequent re-evaluation of the properties, which indicate reduced value and carrying costs, are recognized through charges to operating expenses.

Premises and Equipment

Premises and equipment include the cost of land, buildings, machinery and equipment, and significant improvements thereto. They are stated on the basis of cost less allowances for depreciation and amortization.

The annual provisions for depreciation on premises and improvements, and equipment have been computed using lives of two to fifty years and three to ten years, respectively, under the straight-line method.

Provision for Possible Loan Losses

The provision for possible loan losses is maintained at a level considered adequate to provide for potential losses. The provision charged to operating expenses is based on management's evaluation of potential losses in the loan and lease portfolios and consideration of economic conditions.

Shareholder's Equity

The Bank is subject to regulatory restrictions that limit cash dividends and loans to Bancorp. As of December 31, 1994, $343,872,000 of undistributed earnings of the Bank was available for distribution to Bancorp without prior regulatory approval.

The following is a breakdown of the unrealized valuation adjustment component of shareholder's equity as of December 31:

	1994	1993 (In Thousands)	1992
Foreign exchange translation adjustment	$ (858)	$(3,318)	$(3,248)
Investment securities	(17,468)	3,166	-
Unrealized valuation adjustments	$(18,326)	$ (152)	$(3,248)

2. Investment Securities

The following presents the details of the investment portfolio as of December 31, 1994:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
		(In Thousands)		
Securities held to maturity				
Restricted equity securities	$ 34,303	$ -	$ -	$ 34,303
Debt securities issued by the United States Treasury and agencies	969,005	316	(20,482)	948,839
Debt securities issued by state and municipalities of the United States	37,353	1,367	(796)	37,924
Debt securities issued by foreign governments	35,672	533	-	36,205
Corporate debt securities	-	-	-	-
Mortgage back-securities	606,710	1,600	(31,192)	577,118
Other debt securities	20,042	12	(99)	19,955
	$ 1,703,085	$3,828	$(52,569)	$1,654,344

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
		(In Thousands)		
Securities available for sale				
Equity securities	$ -	$ -	$ -	$ -
Debt securities issued by the United States Treasury and agencies	600,551	191	(8,421)	592,321
Debt securities issued by state and municipalities of the United States	-	-	-	-
Debt securities issued by foreign governments	-	-	-	-
Corporate debt securities	-	-	-	-
Mortgage backed-securities	716,343	50	(20,874)	695,519
Other debt securities	52,383	-	(60)	52,323
	$1,369,277	$ 241	$(29,355)	$1,340,163

The following presents the details of the investment portfolio as of December 31, 1993:

	Amortized Cost	Unrealized Gains	Unrealized Losses	GrossGross Aggregate Fair Value
		(In Thousands)		
Securities held to maturity				
Debt securities issued by the United States Treasury and agencies	$2,110,735	$24,014	$ -	$2,134,749
Debt securities issued by state and municipalities of the United States	40,566	3,260	(3)	43,823
Debt securities issued by foreign governments	9,175	-	-	9,175
Mortgage-backed securities	496,601	9,502	(989)	505,114
Other debt securities	30,014	1,093	-	31,107
	$2,687,091	$37,869	$ (992)	$2,723,968

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
		(In Thousands)		
Securities available for sale				
Debt securities issued by the United States Treasury and agencies	$ 216,162	$ 7,162	$ -	$ 223,324
Corporate securities	-	-	-	-
Mortgage-backed securities	649,094	2,139	(4,062)	647,171
	$ 865,256	$ 9,301	$ (4,062)	$ 870,495

The book values and estimated market values of investment securities as of December 31, 1992 are as follows:

	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
		(In Thousands)		
United States Treasury securities	$1,773,715	$ 39,002	$ (523)	$1,812,194
Securities of other United States government agencies and corporations	578,970	12,390	(901)	590,459
Obligations of states and political subdivisions	57,485	2,464	(293)	59,656
Debt securities issued by foreign governments	1,897	-	-	1,897
Corporate securities	494	6,711	-	7,205
Mortgage-backed securities	468,039	13,463	(3,115)	478,387
Other securities	60,897	2,568	-	63,465
	$2,941,497	$ 76,598	$(4,832)	$3,013,263

The following presents an analysis of the contractual maturities of the investment securities portfolio as of December 31, 1994:

	Cost	Estimated Fair Value
	(In Thousands)	
Securities held to maturity		
Due in one year or less	$ 607,915	$ 604,421
Due after one year through five years	369,122	352,444
Due after five years through ten years	8,230	9,523
Due after ten years	76,805	76,535
	1,062,072	1,042,923
Mortgage-backed securities	606,710	577,118
Restricted equity securities	34,303	34,303
	$1,703,085	$1,654,344
Securities available for sale		
Due in one year or less	$ 515,727	$ 514,737
Due after one year through five years	137,207	129,908
Due after five years through ten years	-	-
Due after ten years	-	-
	652,934	644,645
Mortgage-backed securities	716,343	695,518
Equity securities	-	-
	$1,369,277	$1,340,163

Proceeds from sales of investment securities during 1994 were $516,906,000. Gross gains of $244,000 and gross losses of $17,235,000 were realized on those sales. The cumulative investment valuation reserve was $17,468,000 (net of taxes) as of December 31, 1994.

Investment securities carried at $3,010,907,000, $3,369,036,000, and $3,418,254,000, were pledged to secure deposits of public (governmental) entities, repurchase agreements and swap agreements at December 31, 1994, 1993 and 1992, respectively. The December 31, 1994 amount included investment securities with a carrying value of $2,365,226,000 and a market value of $2,327,239,000 which were pledged solely for repurchase agreements.

3. Loans

Loans consisted of the following at year-end:

	1994	1993	1992
		(In Thousands)	
Domestic loans:			
Commercial and industrial	$1,798,430	$1,672,512	$1,835,674
Real estate:			
Construction - Commercial	105,505	128,041	214,226
- Residential	1,180	5,839	27,808
Mortgage - Commercial	1,122,802	1,116,396	921,438
- Residential	1,951,670	1,698,454	1,486,150
Installment	695,840	639,930	624,830
Total domestic loans	5,675,427	5,261,172	5,110,126
Foreign loans	696,734	593,497	608,633
Subtotal	6,372,161	5,854,669	5,718,759
Lease financing:			
Direct	96,758	110,698	115,518
Leveraged	274,628	281,767	264,255
Total lease financing	371,386	392,465	379,773

Total loans	$6,743,547	$6,247,134	$6,098,532

Transactions in the reserve for possible loan losses were as follows:

	1994	1993 (In Thousands)	1992
Balance at beginning of year	$107,568	$112,018	$100,118
Provision charged to operations	21,764	52,009	48,503
Reserves acquired	1,437	-	-
Charge-offs	(23,316)	(62,686)	(41,797)
Recoveries	23,870	6,227	5,194
Net recoveries (charge-offs)	554	(56,459)	(36,603)
Balance at end of year	$131,323	$107,568	$112,018

Certain commercial and mortgage loans totaling $303,873,000 were pledged to secure certain public deposits and the Federal Home Loan Bank advance at December 31, 1994.

Non-performing assets, including non-accrual and restructured loans and foreclosed real estate, totaled $47,026,000, $53,717,000 and $81,246,000 as of December 31, 1994, 1993, and 1992, respectively.

Certain directors and executive officers of the Bank, its subsidiary companies, companies in which they are principal owners, and trusts and estates in which they are involved, were loan customers during 1994, 1993 and 1992. These loans were made in the ordinary course of business at the Bank's normal credit terms, including interest rate and collateral requirements, and do not represent more than a normal risk of collection. Such loans at December 31, 1994, 1993 and 1992 amounted to $70,472,000, $75,931,000 and $84,026,000, respectively. During 1994, the activity in these loans included new borrowings of $27,741,000 and repayments of $29,345,000 and other adjustments of $3,855,000 relating to the changes in directors and the companies and trusts in which they are involved.

4. Premises and Equipment

The Bank owns and leases premises consisting primarily of operating facilities, the great majority of which are located in Hawaii. The Bank has three significant properties, all of which are in downtown Honolulu. The largest is the condominium units in the Financial Plaza of the Pacific in which the Bank's head office is situated. The capital leases are for portions (less than 12.0%) of the Financial Plaza of the Pacific. The terms of the leases are 60 years, further details of the capital leases are included in the long-term debt foot note. In addition, the Bank owns a two-story building on the outskirts of downtown Honolulu which houses data processing and certain operational functions and a five-story building which houses administrative departments. In 1993, the Bank entered into a contract to build a 248,000 square foot facility in the Kapolei area on Oahu. The building will be primarily used as an operations facility and will also house a Bank of Hawaii branch. The contracts for construction of the building total $43 million, $33.7 of which has been included as part of premises and equipment. Depreciation will commence when the building is placed in service in late 1995.

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The following is a summary of data for major categories of premises and equipment:

	Cost	Accumulated Depreciation and Amortization (In Thousands)	Net Book Value
December 31, 1994			
Capital leases	$ 4,464	$ (357)	$ 4,107
Premises	217,940	(65,676)	152,264
Equipment	119,277	(71,952)	47,325
	$341,681	$(137,985)	$203,696
December 31, 1993			
Premises	$167,943	$ (58,680)	$109,263
Equipment	103,507	(64,735)	38,772
	$271,450	$(123,415)	$148,035
December 31, 1992			
Premises	$153,011	$ (52,332)	$100,679
Equipment	97,205	(61,229)	35,976
	$250,216	$(113,561)	$136,655

The amounts of depreciation and amortization (including capital lease amortization) included in consolidated expense were $19,802,000, $17,527,000 and $15,519,000 in 1994, 1993 and 1992, respectively.

The Bank's operating leases are for certain branch premises and data processing equipment. The majority of the premises' leases provide for a base rent for a stipulated period with various renewal options. Portions of certain properties are subleased to others for periods expiring in various years through 2000. Lease terms generally provide for the lessee to pay operating costs such as taxes and maintenance.

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Future minimum payments, by year and in the aggregate, for noncancelable operating leases with initial or remaining terms of one year or more and capital leases consisted of the following at December 31, 1994:

	Capital Leases	Operating Leases (In Thousands)
1995	$ 7	$ 11,162
1996	7	8,670
1997	7	7,668
1998	7	7,299
1999	7	6,326
Thereafter	34,945	92,543
Total minimum lease payments	34,980	$133,668
Amounts representing interest	29,858	
Present value of net minimum lease payments	$ 5,122	

Minimum future rentals receivable under subleases for noncancelable operating leases at December 31, 1994 amounted to $765,000.

Rental expense for all operating leases consisted of:

	1994	1993 (In Thousands)	1992
Minimum rentals	$19,194	$20,589	$17,874
Sublease rental income	(282)	(229)	(235)
	$18,912	$20,360	$17,639

5. Deposits

Interest on deposit liabilities in 1994, 1993 and 1992 consisted of the following:

	1994	1993 (In Thousands)	1992
Domestic interest bearing demand accounts	$ 36,031	$ 37,560	$ 53,209
Domestic savings accounts	24,064	28,041	34,312
Domestic time accounts	52,256	63,784	139,314
Foreign accounts	58,247	45,111	37,249
	$170,598	$174,496	$264,084

Time deposits with balances of $100,000 or more in domestic banking offices were $505,925,000 in 1994. Of this amount, $27,472,000 represents deposits of public (governmental) entities which require collateralization by acceptable securities. The majority of deposits in the foreign category are time deposits in denominations of $100,000 or more.

Maturities of domestic time deposits of $100,000 or more at December 31, 1994 are summarized as follows:

	Domestic (In Thousands)
Under 3 months	$264,724
4 to 6 months	85,790
7 to 12 months	67,557
Over 12 months	87,854
	$505,925

6. Short-term Borrowings

Details of short-term borrowings for 1994, 1993 and 1992 were as follows:

	Funds Purchased	Other Short-term Borrowings (In Thousands)	Securities Sold Under Agreements to Repurchase
1994			
Amounts outstanding December 31	$ 609,574	$406,711	$2,133,099
Average amount outstanding during year	$ 595,187	$415,166	$2,401,099
Maximum amount outstanding at any month's end	$ 660,301	$509,643	$2,728,370
Weighted-average interest rate during year *	4.26%	2.96%	4.10%
Weighted-average interest rate on balance outstanding at end of year	5.79%	3.22%	5.26%
1993			
Amounts outstanding December 31	$ 748,500	$390,689	$2,508,850
Average amount outstanding during year	$ 761,521	$223,468	$2,666,354
Maximum amount outstanding at any month's end	$ 970,311	$468,356	$3,041,525
Weighted-average interest rate during year *	3.20%	3.81%	3.29%
Weighted-average interest rate on balance outstanding at end of year	3.15%	2.72%	3.35%
1992			
Amounts outstanding December 31	$1,113,356	$165,857	$2,294,608
Average amount outstanding during year	$ 755,675	$178,572	$1,064,292
Maximum amount outstanding at any month's end	$1,113,356	$229,724	$2,294,608
Weighted-average interest rate during year *	3.82%	6.09%	3.68%
Weighted-average interest rate on balance outstanding at end of year	3.38%	3.74%	3.37%

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*Average rates for the year are computed by dividing actual interest expense on borrowings by average daily borrowings.

Funds purchased generally mature on the day following the date of purchase. Other short-term borrowings consist mainly of foreign call deposits which generally mature in 90 days and bear interest rates reflecting such maturities. There was also a one year Bank note for $100 million bearing a fixed interest rate of $3.55% which matured in January 1995.

Securities sold under agreements to repurchase were treated as financings and the obligations to repurchase the identical securities sold were reflected as a liability with the dollar amount of securities underlying the agreements remaining in the asset accounts. At December 31, 1994, the weighted average contractual maturity of these agreements was 90 days and represent investments by public (governmental) entities, primarily the State of Hawaii ($1.3 billion) and a local municipality ($0.6 billion). A schedule of maturities of these agreements are as follows (in thousands):

Overnight	$ -
Less than 30 days	361,222
30 to 90 days	938,170
Over 90 days	833,707
	$2,133,099

7. Long-term Debt

Amounts outstanding as of year-end were as follows:

	1994	1993 (In Thousands)	1992
Subordinated notes	$118,609	$124,540	$ -
Medium-term notes	549,441	99,830	-
Federal Home Loan Bank advance	25,000	-	-
Capitalized lease obligations	5,122	-	-
	$698,172	$224,370	$ -

The subordinated notes, which were issued in 1993, have a fixed interest rate of 6.875% and mature in 2003. The medium-term notes, which were issued in 1993 and 1994, are unsecured and carry two year terms with floating interest rates which are tied to the three-month LIBOR rate; adjusted quarterly. The Federal Home Loan Bank advance bears interest at 7.92% and matures in 1996. As of December 31, 1994, loans totaling $30,000,000 were pledged to secure the advance along with FHLB stock.

The capitalized lease obligations are for certain condominium units in the Financial Plaza of the Pacific. The leases have 60 year terms. The lease payments allocated to the capital leases are fixed at $7,000 per year until 2002; $605,000 per year from 2003 to 2007 and $665,000 per year from 2008 to 2012. The rates are negotiable thereafter.

Long-term debt maturities for the five years succeeding December 31, 1994, are $99,932,000 in 1995; $474,523,000 in 1996; $7,000 in 1997, $7,000 in 1998 and $7,000 in 1999.

Interest paid on long-term debt in 1994 totaled $17,392,000.

8. International Operations

The following table provides certain selected financial data for the Bank's international operations for the years ended December 31, 1994, 1993 and 1992:

	1994	1993 (In Thousands)	1992
Average assets	$1,699,168	$1,908,883	$1,864,876
Average loans	667,828	666,091	589,974
Average deposits	1,240,692	1,259,042	860,773
Operating income	97,134	94,096	105,652
Income before taxes	12,000	13,425	17,865
Net income	7,137	8,528	11,457

Average assets primarily consist of short-term, interest-bearing deposits with foreign branches of U.S. banks and large international banks. On average, these deposits were $802,833,000, $1,086,554,000, and $1,118,977,000 during 1994, 1993 and 1992, respectively.

To measure international profitability, the Bank maintains an internal transfer pricing system for the use of domestic funds and makes certain income and expense allocations. Interest rates used in determining charges on advances of funds are based on prevailing deposit rates. Overhead is allocated to reflect services rendered by administration units to profit centers.

9. Contingent Liabilities

The Bank is a defendant in various legal proceedings and, in addition, there are various other contingent liabilities arising in the normal course of business. After consultation with legal counsel, management does not anticipate that disposition of these proceedings and contingent liabilities will have a material effect on the consolidated financial statements.

10. Retirement, Profit Sharing and Other Post Retirement Benefit Plans

The Bank has a noncontributory, defined-benefit retirement plan (Plan) which covers salaried employees who have met the Plan's eligibility requirements. Benefits are based on years of service and average final compensation. The Bank's funding policy is to contribute annually an amount that falls within the minimum to maximum amount that can be deductible for income tax purposes.

Plan assets are managed by investment advisors in accordance with investment policies established by the Plan Trustees. Investments are generally marketable securities including stocks, bonds and money market funds.

The Bank has a nonqualified Excess Benefits Plan which covers all employees of the Bank and participating subsidiaries who have met eligibility requirements. The unfunded Excess Benefits Plan recognizes the liability to Plan participants for amounts exceeding those allowed to be included in the qualified defined benefit Plan. The table below includes the status of this Excess Benefit Plan.

In January 1995, the Bank announced a restructuring of these plans. The benefits provided by the plans will be "frozen" as of December 31, 1995 with a phase out provided to certain groups of staff members. In conjunction with this restructuring, qualifying staff have been offered an early retirement option. The option for staff members who are at least 50 years of age with 10 years or more of service provides an extra 5 years of service and 5 years of age for benefit calculation purposes. In addition, the staff member will receive $250.00 per month until age 65 to defray medical benefit costs. At this point, it is not certain as to how many of these qualifying staff members will accept the offer of early retirement and the ultimate financial impact is not determinable. The restructuring will be accounted for as a curtailment.

The following table sets for the Plans' funded status and amounts recognized in the Bank's statements of condition at December 31, 1994, 1993 and 1992:

	1994	1993	1992
		(In Thousands)	
Actuarial present value of benefit obligations:			
Vested benefit obligation	$59,208	$56,553	$44,369
Accumulated benefit obligation	$63,445	$61,038	$48,154
Projected benefit obligation	$98,443	$99,831	$83,614
Plan assets (primarily marketable securities) at fair value	78,689	73,064	59,456

Projected benefit obligation in excess of plan assets	(19,754)	(26,767)	(24,158)
Unrecognized net (gain)/loss	(3,766)	2,287	(1,892)
Unrecognized net obligation at January 1, 1985 being recognized over 15 years	(1,841)	(2,220)	(2,600)
Prior service cost not yet recognized in net periodic pension cost	1,907	2,333	3,121
Accrued pension liability recognized in the Statement of Condition	$(23,454)	$(24,367)	$(25,529)

Net pension costs included the following components:

	1994	1993 (In Thousands)	1992
Service cost--benefits earned during the period	$ 7,561	$ 6,803	$ 6,172
Interest cost on projected benefit obligation	7,299	6,626	5,786
Actual return on assets	1,533	(5,992)	(2,548)
Net amortization and deferral	(8,080)	557	(2,096)
Net periodic pension costs of affiliates	(635)	(703)	(598)
Net periodic pension costs	$ 7,678	$ 7,291	$ 6,716

Assumptions used in the accounting were as follows:

		December 31	
	1994	1993	1992
Weighted-average discount rates	8.25%	7.5%	8.0%
Rates of increase in compensation levels	5.00%	5.0%	5.5%
Expected long-term rate of return on assets	8.50%	8.5%	8.5%

There is a deferred compensation profit-sharing plan (Profit Sharing Plan) for the benefit of all employees who have met the Profit Sharing Plan's eligibility requirements. The Profit Sharing Plan provides for annual contributions based on a schedule of performance levels. The schedule establishes the percentage of adjusted net income to be contributed based on the Bank's adjusted return on equity. Members of the Profit Sharing Plan are permitted to elect to invest their annual allocation in shares of common stock of Bancorp Hawaii, Inc., and to receive up to 50% of their annual allocation in cash. Contributions amounted to $6,737,000 in 1994, $8,928,000 in 1993, and $9,249,000 in 1992.

The restructuring of the defined benefit plan, mentioned earlier will affect the Profit Sharing Plan. The Profit Sharing Plan will be enhanced with a company matching of the 401(k) contribution of $1.25 for each $1.00 contributed by the staff member up to 2% of their compensation. The Bank will also establish a new defined contribution plan for which it will contribute 4% of annual compensation to staff members meeting certain eligibility and vesting requirements. These changes are expected to be implemented on January 1, 1996.

The Bank adopted SFAS No. 106 "Employer's Accounting for Postretirement Benefits Other Than Pensions," (SFAS 106) as of January 1, 1993. The defined benefit plan provides group life, dental and medical insurance coverage. Over the last several years, the programs have been modified to provide a "sharing of costs" where both the employer and employees pay a portion of the premium costs. Most of the employees of the Bank and its subsidiaries are covered who have met the eligibility requirements. The Bank has elected to recognize the transition obligation over 20 years as allowed upon adoption of SFAS 106. Bancorp has no segregated assets to provide postretirement benefits as of December 31, 1994 and 1993.

The following schedule presents the funded status of the liability as of December 31:

	1994	1993
	(In Thousands)	
Accumulated Postretirement Benefit Obligation		
Retirees	$ (8,785)	$ (8,869)
Other Fully Eligible Plan Participants	(6,243)	(6,038)
Other Active Plan Participants	(8,863)	(9,447)
Total	(23,891)	(24,354)
Plan Assets	-	-
Accumulated Postretirement Benefit Obligation in Excess of Plan Assets	(23,891)	(24,354)
Unrecognized Transition Obligation Being Amortized Over 20 years	13,166	13,337
Unrecognized Net Gain/Loss	(2,833)	699
Accrued Postretirement Benefit Liability	$(13,558)	$(10,318)

The net periodic postretirement benefit cost was:

	1994	1993
	(In Thousands)	
Service Cost	$1,089	$1,151
Interest Cost	1,820	1,678
Amortization of Transition Obligation	731	702
Net Periodic Postretirement Benefit cost	$3,640	$3,531

The following table presents the assumptions utilized to determine the expense and liability:

	1994	1993
Health Care Cost Trend Rate	15.0%	15.0%
Dental Care Cost Trend Rate	7.5%	7.5%
Weighted Average Discount Rate	7.5%	7.5%
Rate of Increase in Compensation Level	5.0%	5.0%

The health care cost trend rate is projected at 15% per year until the year 2000 leveling to the ultimate 7%. A one percent increase in that trend rate of assumption (with all other assumptions remaining constant) would increase the service and interest cost components of the net periodic postretirement cost from $2,909,000 to $3,336,000. The impact of this one percent increase in the trend rates on the accumulated postretirement benefit obligation would be an increase to $26,681,000 at December 31, 1994.

11. Income Taxes

Effective January 1, 1992, the Bank adopted Financial Accounting Standards Board Statement 109, "Accounting for Income Taxes," and has reported the cumulative effect of that change in the method of accounting for income taxes in the 1992 Consolidated Statement of Income.

The income tax provision includes the following significant components:

	1994	1993 (In Thousands)	1992
Current	$ 83,064	$50,269	$58,586
Deferred	(15,734)	20,640	6,915
Provision for income taxes	$ 67,330	$70,909	$65,501

The 1994, 1993, and 1992 tax provision includes state tax expense of $12,313,000, $13,251,000, and $11,423,000, respectively. The current provision also includes taxes on the gains and (losses) on the sale of securities of $(7,130,000), $3,227,000, and $872,000, for 1994, 1993, and 1992, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Bank's deferred tax liabilities and assets as of December 31, 1994, 1993 and 1992, reclassified based on the tax returns as filed are as follows (in thousands):

	1994	1993	1992
Deferred tax liabilities			
Lease transactions	$174,892	$165,830	$151,379
Deferred investment tax credits	7,318	7,652	7,809
Accelerated depreciation	1,480	2,225	2,269
Total deferred tax liabilities	183,690	175,707	161,457
Deferred tax assets			
Reserve for loan losses	49,941	40,826	42,666
Accrued pension cost	7,728	7,227	7,968
Net operating loss carryforwards	722	1,963	-
Securities valuation reserve	11,646	(2,110)	-
Others - net	11,243	9,657	10,115
Total deferred tax assets	81,280	57,563	60,749
Net deferred tax liabilities	$102,410	$118,144	$100,708

For financial statement purposes, the Bank had deferred investment tax credits for property purchased for lease to customers of $7,318,000, $7,652,000 and $7,809,000 at December 31, 1994, 1993 and 1992, respectively. In 1994, 1993 and 1992, investment tax credits included in the computation of the provision for income taxes were $334,000 $157,000 and $568,000, respectively.

The following analysis reconciles the federal statutory income tax rate to the effective consolidated income tax rate:

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	1994	1993	1992
Statutory federal income tax rate	35.0%	35.0%	34.0%
Increase (decrease) in tax rate resulting from:			
State taxes, net of federal income tax and foreign tax adjustments	4.8	4.6	4.5
Tax-exempt interest income	(0.5)	(0.7)	(1.5)
Effect of tax rate change on deferred tax assets and liabilities	-	0.3	-
Low income housing and investment tax credits	(0.6)	(0.6)	(0.3)
Other	1.6	(0.5)	2.2
Effective tax rate	40.3%	38.1%	38.9%

12. Financial Instruments with Off-Balance Sheet Risk

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to manage its own exposure to fluctuations in interest and foreign exchange rates. These financial instruments include commitments to extend credit, foreign exchange contracts, standby letters of credit and interest rate swaps. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of condition. The contract or notional amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments. The FASB has segregated certain of these off balance sheet financial instruments which includes foreign exchange and interest rate swap type of instruments as derivative financial instruments. FASB has further categorized these derivative financial instruments into "held or issued for purposes other than trading" or "trading." The Bank does not currently utilize these derivative financial instruments for trading purposes.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. For derivative financial instruments the contract or notional amounts do not represent exposure to credit loss. The Bank controls the credit risk of these instruments through credit approvals, limits and monitoring procedures.

Descriptions of these financial instruments with off balance sheet risks follows:

Traditional Off Balance Sheet Risk Instruments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any terms or conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on an individual basis. The amount of collateral obtained is based on management's credit evaluation of the customer. Collateral held varies, but may include cash, accounts receivable, inventory, and property, plant and equipment.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support borrowing agreements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds cash and deposits as collateral supporting those commitments for which collateral is deemed necessary.

Derivative Financial Instruments Held or Issued for Other Than Trading

Foreign exchange contracts are contracts for delayed delivery of foreign currency in which the seller agrees to make delivery at a specified future date at a specified price. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in exchange rates and interest rates. Collateral is generally not required for these transactions. Net revenue (loss) on foreign exchange contracts totaled $0.2 million, $1.2 million and $(1.0) million for 1994, 1993, and 1992, respectively.

The Bank enters into various interest-rate swaps in managing its interest-rate risk. In these swaps, the Bank agrees to exchange, at specified intervals, the difference between fixed-and floating-interest amounts calculated on an agreed-upon notional principal amount. The Bank used swap agreements to effectively convert portions of its floating rate loans to a fixed rate basis. These swap transactions allowed the Bank to better match the funding source which is a portion of the Bank's core deposit base. The core deposit base, although subject to immediate withdrawal, displays a longer term fixed character. At December 31, 1994, $1.5 billion of such "receive-fixed" swaps were in effect. In addition, the Bank had entered into "pay fixed" swap agreements, prior to 1994, that effectively converted a portion of its floating rate liabilities to a fixed rate basis. These swap transactions were entered into to fix the funding costs for specific term loans. At December 31, 1994, $119.3 million of such "pay fixed" swaps were in effect. The net amount payable or receivable from interest-rate swap agreements is accrued as an adjustment to interest income. The related amount payable or receivable from counter parties is included in accrued interest payable or receivable. The fair value of the swap agreements are not recognized in the financial statements.

The Bank's current credit exposure on swaps is limited to the value of interest-rate swaps that have become favorable to the Bank. At December 31, 1994, the market value of pay fixed interest rate swaps was $1.8 million and the market value of receive fixed interest rate swaps was $(93.2) million. The net fair value of all positions was $(91.4) million. Net revenue on interest rate swap agreements totaled $7.7 million, $14.1 million and $0.03 million for 1994, 1993 and 1992, respectively.

The table below summarizes by notional amounts the activity for each major category of swaps in 1994, 1993 and 1992. The Bank had no deferred gains or losses relating to terminated swap contracts in 1994.

	Receive Fixed	Pay Fixed
	(In Thousands)	
Balance, December 31, 1991	$ -	$ 43,103
Additions	150,000	-
Maturities/amortizations	-	(7,627)
Balance, December 31, 1992	150,000	35,476
Additions	1,250,000	100,000
Maturities/amortizations	(121,231)	(15,655)
Balance, December 31, 1993	1,278,769	119,821
Additions	350,000	-
Maturities/amortizations	(156,719)	(524)
Balance, December 31, 1994	$1,472,050	$119,297

The approximate annual maturities of swap agreements entered into as of December 31, 1994 were:

	Notional Principal Expected to Mature in					
	1995	1996	1997	1998	1999	Total
			(In Thousands)			
Pay-fixed interest rate swaps:						
Fixed maturity	$100,000	$15,000	$ -	$ -	$ -	$115,000
Pay rate	4.03%	8.35%	-%	-%	-%	
Receive rate	6.78%	-%	-%	-%	-%	
Amortizing (1)	$ -	$ 4,000	$ -	$ -	$ -	$ 4,000
Pay rate	-%	7.49%	-%	-%	-%	
Receive rate	6.50%	-%	-%	-%	-%	
Receive-fixed interest rate swaps:						
Fixed maturity	$300,000	$260,000	$240,000	$150,000	$ -	$950,000
Pay rate	7.02%	-%	-%	-%	-%	
Receive rate	6.12%	5.17%	4.94%	5.32%	-%	
Amortizing (1)	$ 61,000	$ 53,000	$ 67,000	$211,000	$130,000	$522,000
Pay rate	6.00%	-%	-%	-%	-%	
Receive rate	5.09%	5.10%	5.41%	5.05%	5.31%	

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(1) Amortization estimated utilizing average prepayment speeds provided by various dealers in these instruments.

13. Fair Values of Financial Instruments

In December 1991, the FASB issued SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." This statement requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. Statement 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Bank.

The following methods and assumptions were used by the Bank in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents

The carrying amounts reported in the balance sheet for cash and short-term investments approximate those assets' fair values.

Investment Securities Held to Maturity, Investment Securities Available for Sale and Trading Securities

Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans

Fair values for loans are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial, real estate, consumer, and foreign. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories. Fair values are calculated by discounting scheduled cash flows through the estimated maturity using estimated discount rates which reflect credit and interest rate risks inherent in the loan.

Deposit Liabilities

Fair values for non-interest bearing and interest bearing demand deposits and savings are, by definition, equal to the amount payable on demand at their reporting date (i.e., their carrying amounts). Fair values for time deposits are estimated using discounted cash flow analyses. Discount rates reflect rates currently offered for deposits of similar remaining maturities.

Short-Term Borrowings

The carrying amounts of funds purchased, securities sold under agreements to repurchase, and other short-term borrowings approximate their fair values.

Long-Term Debt

Fair values for long-term debt are estimated using discounted cash flow analyses, based on the Bank's current incremental borrowing rates for similar types of borrowings.

Off-Balance Sheet Instruments

Fair values for off-balance sheet instruments (e.g., commitments to extend credit, standby letters of credit, commercial letters of credit, foreign exchange and swap contracts, and interest rate swap agreements) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing, current settlement values, or quoted market prices of comparable instruments.

The following table presents the fair values of Bancorp's financial instruments at December 31, 1994, 1993 and 1992.

	1994		1993		1992	
	Book or Notional Value	Fair Value	Book or Notional Value	Fair Value	Book or Notional Value	Fair Value
			(In Thousands)			
Financial Instruments - Assets						
Loans (1)	$6,212,900	$6,315,300	$5,731,900	$5,894,000	$5,593,600	$5,775,000
Investment securities (2)	3,043,200	2,994,500	3,557,600	3,594,500	2,941,500	3,013,300
Other financial assets (3)	787,600	787,600	952,200	952,200	1,872,077	1,872,077
Financial Instruments - Liabilities						
Deposits	6,394,100	6,405,600	6,382,200	6,393,000	7,093,300	7,096,000
Short term borrowings (4)	3,149,400	3,149,400	3,648,000	3,648,000	3,573,800	3,573,800
Long term debt (5)	698,200	678,500	224,400	245,000	-	-

	1994		1993		1992	
	Book or Notional Value	Fair Value	Book or Notional Value	Fair Value	Book or Notional Value	Fair Value
			(In Thousands)			
Financial Instruments - Off-Balance Sheet						
Financial instruments whose contract amounts represent credit risk:						
Commitments to extend credit	$3,187,455	$9,548	$2,692,081	$8,113	$2,211,870	$6,438
Standby letters of credit	233,276	4,416	245,383	4,599	254,909	4,759
Commercial letters of credit	144,319	210	102,349	177	98,664	164
Financial instruments whose notional or contract amounts exceed the amount of credit risk:						
Foreign exchange and swap contracts	285,390	229	339,882	61	407,901	(806)
Interest rate swap agreements	1,591,347	(91,420)	1,398,590	(277)	185,476	(967)

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(1) Includes all loans, net of reserve for loan losses, and excludes leases
(2) Includes both held to maturity and available for sale securities
(3) Includes interest bearing deposits, securities purchased under agreements to resell, funds sold, and trading securities
(4) Includes security sold under agreements to repurchase, funds purchased and short term borrowings
(5) Excludes capitalized lease obligations

14. Related Parties and Related Party Transactions

Included in deposits (foreign, demand non-interest bearing, and demand interest bearing) are deposits from its parent and various affiliates (subsidiaries of its parent), of $79,200,000 and $14,800,000, respectively. Interest paid on these deposits totaled $4,911,000 in 1994. The advances to affiliates include an advance of $25,000,000 to Bancorp Pacific, Inc. and $3,000,000 to First National Bank of Arizona. Interest income on these advances totaled $1,309,000 in 1994. The Bank paid insurance premiums of $3,566,000 to Bancorp Hawaii Insurance Services, Ltd., an affiliate, in 1994.