UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2001

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) 537-8430

(Registrant's telephone number, including area code)

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

Yes [X] No [_]

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

Common Stock, $.01 Par Value; outstanding at July 31, 2001 - 80,750,640 shares

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Pacific Century Financial Corporation and Subsidiaries

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

(dollars in thousands except per share amounts)	Three Months Ended June 30 2001	Three Months Ended June 30 2000	Six Months Ended June 30 2001	Six Months Ended June 30 2000
Interest Income				
Interest and Fees on Loans and Leases	$ 163,815	$ 197,980	$ 352,974	$ 389,382
Interest and Dividends on Investment Securities	11,046	13,564	22,822	28,079
Income on Investment Securities Available for Sale	36,146	41,161	75,447	82,194
Deposits	4,903	3,834	10,117	7,598
Funds Sold and Security Resale Agreements	1,353	491	2,450	974
Total Interest Income	217,263	257,030	463,810	508,227
Interest Expense				
Deposits	60,061	71,064	132,080	139,278
Security Repurchase Agreements	20,843	26,021	45,473	48,974
Funds Purchased	2,333	7,834	8,456	16,361
Short-Term Borrowings	2,764	6,514	5,994	11,046
Long-Term Debt	14,459	13,319	29,773	26,007
Total Interest Expense	100,460	124,752	221,776	241,666
Net Interest Income	116,803	132,278	242,034	266,561
Provision for Loan Losses	6,413	83,407	58,879	96,929
Net Interest Income After Provision for Loan Losses	110,390	48,871	183,155	169,632
Non-Interest Income				
Trust and Asset Management	15,247	16,317	31,042	33,204
Mortgage Banking	4,606	2,799	9,683	4,878
Service Charges on Deposit Accounts	9,878	10,180	19,818	19,737
Fees, Exchange, and Other Service Charges	20,000	25,393	43,593	49,485
Gain on Sale of Card Portfolio and Branches	24,794	-	100,208	-
Gain on Settlement of Pension Obligation	-	11,900	-	11,900
Investment Securities Gains (Losses)	11,681	(515)	31,884	(233)
Other Operating Income	12,170	13,097	22,883	28,672
Total Non-Interest Income	98,376	79,171	259,111	147,643
Non-Interest Expense				
Salaries	47,722	44,460	95,605	92,007
Pensions and Other Employee Benefits	12,543	10,788	26,896	25,418
Net Occupancy Expense	12,488	12,480	24,612	24,296
Net Equipment Expense	13,729	12,066	27,108	24,133
Goodwill and Other Intangibles Amortization	3,633	4,278	7,583	8,340
Restructuring and Other Related Costs	37,751	-	82,189	-
Minority Interest	84	107	163	176
Other Operating Expense	33,885	36,998	70,319	72,209
Total Non-Interest Expense	161,835	121,177	334,475	246,579
Income Before Income Taxes	46,931	6,865	107,791	70,696
Provision for Income Taxes	20,192	158	47,375	24,224
Net Income	$ 26,739	$ 6,707	$ 60,416	$ 46,472
Basic Earnings Per Share	$0.33	$0.08	$0.75	$0.58
Diluted Earnings Per Share	$0.32	$0.08	$0.74	$0.58
Dividends Declared Per Share	$0.18	$0.18	$0.36	$0.35
Basic Weighted Average Shares	80,516,216	79,425,245	80,120,449	79,623,305

Diluted Weighted Average Shares	82,975,267	80,002,989	82,030,085	79,975,904

See accompanying notes to consolidated financial statements.

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

(dollars in thousands)	June 30 2001	December 31 2000	June 30 2000
Assets			
Interest Bearing Deposits	$ 458,696	$ 188,649	$ 199,020
Investment Securities - Held to Maturity (Market Value of $628,393, $676,621 and $721,617, respectively)	616,412	670,038	730,445
Investment Securities - Available for Sale	2,202,718	2,507,076	2,493,066
Securities Purchased Under Agreements to Resell	7,688	3,969	-
Funds Sold	318,182	134,644	50,646
Loans Held for Sale	571,395	179,229	128,720
Loans	7,618,407	9,235,158	9,615,277
Allowance for Loan Losses	(199,800)	(246,247)	(246,559)
Net Loans	7,418,607	8,988,911	9,368,718
Total Earning Assets	11,593,698	12,672,516	12,970,615
Cash and Non-Interest Bearing Deposits	391,552	523,969	473,950
Premises and Equipment	242,040	254,621	259,037
Customers' Acceptance Liability	4,184	14,690	9,406
Accrued Interest Receivable	61,702	68,585	75,883
Foreclosed Assets	40,077	4,526	4,915
Goodwill and Other Intangibles	157,515	192,264	198,363
Other Assets	264,743	282,645	302,456
Total Assets	$12,755,511	$14,013,816	$14,294,625
Liabilities			
Domestic Deposits			
Demand - Non-Interest Bearing	$ 1,591,824	$ 1,707,724	$ 1,696,106
- Interest Bearing	1,914,474	2,008,730	2,091,074
Savings	758,262	665,239	684,572
Time	2,602,035	2,836,083	2,781,868
Foreign Deposits			
Demand - Non-Interest Bearing	319,165	385,366	378,497
Time Due to Banks	265,768	535,126	442,678
Other Savings and Time	656,940	942,313	1,034,351
Total Deposits	8,108,468	9,080,581	9,109,146
Securities Sold Under Agreements to Repurchase	1,632,774	1,655,173	1,573,980
Funds Purchased	176,768	413,241	663,234
Short-Term Borrowings	242,781	211,481	530,231
Bank's Acceptances Outstanding	4,184	14,690	9,406
Accrued Retirement Expense	35,946	37,868	37,214
Accrued Interest Payable	59,559	72,460	64,579
Accrued Taxes Payable	170,815	130,766	83,343
Minority Interest	4,014	4,536	4,350
Other Liabilities	93,619	94,512	107,569
Long-Term Debt	830,852	997,152	902,174
Total Liabilities	11,359,780	12,712,460	13,085,226
Shareholders' Equity			
Common Stock ($.01 par value), authorized 500,000,000 shares; issued / outstanding: June 2001 - 81,368,629 / 80,948,825; December 2000 - 80,558,811 / 79,612,178; June 2000 - 80,555,424 / 79,399,919	806	806	806
Capital Surplus	367,390	346,045	346,018
Accumulated Other Comprehensive Income	25,886	(25,079)	(75,462)
Retained Earnings	1,028,036	996,791	959,041
Deferred Stock Grants	(17,891)	-	-
Treasury Stock, at Cost - (Shares: June 2001 - 419,804; December 2000 - 946,633; and June 2000 - 1,155,505)	(8,496)	(17,207)	(21,004)
Total Shareholders' Equity	1,395,731	1,301,356	1,209,399
Total Liabilities and Shareholders' Equity	$12,755,511	$14,013,816	$14,294,625

See accompanying notes to consolidated financial statements.

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

(dollars in thousands)	Total	Common Stock	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Deferred Stock Grants	Treasury Stock	Comprehensive Income
Balance at December 31, 2000	$1,301,356	$806	$346,045	$(25,079)	$ 996,791	$ -	$(17,207)	
Comprehensive Income								

Net Income	60,416	-	-	-	60,416		-	$ 60,416
Other Comprehensive Income, Net of Tax								
Investment Securities	22,775	-	-	22,775	-	-	-	22,775
Foreign Currency Translation Adjustment	27,496	-	-	27,496	-	-	-	27,496
Pension Liability Adjustments	(159)	-	-	(159)	-	-	-	(159)
Total Comprehensive Income								$110,528
Common Stock Issued								
32,942 Profit Sharing Plan	725	-	180	-	-	-	545	
416,413 Stock Option Plan	7,073	-	643	-	(381)	-	6,811	
64,791 Dividend Reinvestment Plan	1,419	-	326	-	-	-	1,093	
3,672 Directors' Restricted Shares and Deferred Compensation Plan	343	-	81	-	-	-	262	
741,000 Employees' Restricted Shares	925	-	18,816	-	-	(17,891)	-	
65,146 Hawaii Insurance Network	1,299	-	1,299	-	-	-	-	
Stock Compensation	853	-		853	-	-	-	
Cash Dividends Paid	(28,790)	-	-	-	(28,790)	-	-	
Balance at June 30, 2001	$1,395,731	$806	$367,390	$ 25,886	$1,028,036	$(17,891)	$ (8,496)	
Balance at December 31, 1999	$1,212,330	$806	$345,851	$(66,106)	$ 942,177	$ -	$(10,398)	
Comprehensive Income								
Net Income	46,472	-	-	-	46,472	-	-	$ 46,472
Other Comprehensive Income, Net of Tax								
Investment Securities	(10,696)	-	-	(10,696)	-	-	-	(10,696)
Foreign Currency Translation Adjustment	1,340	-	-	1,340	-	-	-	1,340
Total Comprehensive Income								$ 37,116
Common Stock Issued								
39,382 Profit Sharing Plan	723	-	18	-	(128)	-	833	
140,260 Stock Option Plan	2,018	-	3	-	(1,019)	-	3,034	
115,574 Dividend Reinvestment Plan	1,899	-	52	-	(616)	-	2,463	
4,696 Directors' Restricted Shares and Deferred Compensation Plan	94	-	94	-	-	-	-	
Treasury Stock Purchased	(16,936)	-	-	-	-	-	(16,936)	
Cash Dividends Paid	(27,845)	-	-	-	(27,845)	-	-	
Balance at June 30, 2000	$1,209,399	$806	$346,018	$(75,462)	$ 959,041	$ -	$(21,004)	

See accompanying notes to consolidated financial statements.

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

Six Months ended June 30 (dollars in thousands)	2001	2000
Operating Activities		
Net Income	$ 60,416	$ 46,472
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Provision for loan losses	58,879	96,929
Depreciation and amortization	30,427	28,908
Amortization of deferred loan fees and leasing income	(21,330)	(23,051)
Amortization of deferred stock grants	1,778	--
Deferred income taxes	(10,652)	(24,685)
Investment security (gains) losses	(31,884)	78
Proceeds from sales of loans held for sale	195,922	120,151
Originations of loans held for sale	(588,088)	(112,774)
Gain on sale of card portfolio and branches	(100,208)	--
Net change in other assets and liabilities	49,716	(942)
Net cash provided (used) by operating activities	(355,024)	131,086
Investing Activities		
Proceeds from redemptions of investment securities held to maturity	102,322	84,074
Purchases of investment securities held to maturity	(48,696)	(18,197)
Proceeds from sales and redemptions of investment securities available for sale	683,078	86,216
Purchases of investment securities available for sale	(324,061)	(54,955)
Net decrease (increase) in loans and lease financing	925,953	(297,845)
Proceeds from sale of card portfolio and branches	707,010	--
Premises and equipment, net	(7,976)	(6,475)
Net cash provided (used) by investing activities	2,037,630	(207,182)
Financing Activities		
Net decrease in demand, savings, and time deposits	(972,113)	(285,072)
Proceeds from lines of credit and long-term debt	2,048	200,048
Repayments of long-term debt	(168,348)	(25,531)
Net decrease in short-term borrowings	(227,572)	(22,134)

Proceeds from issuance of common stock, net of common stock repurchased	9,560	(12,202)
Cash dividends	(28,790)	(27,845)
Net cash used by financing activities	(1,385,215)	(172,736)
Effect of exchange rate changes on cash	27,496	1,340
Increase (Decrease) in cash and cash equivalents	324,887	(247,492)
Cash and cash equivalents at beginning of year	851,231	971,108
Cash and cash equivalents at end of period	$ 1,176,118	$ 723,616

See accompanying notes to consolidated financial statements.

Pacific Century Financial Corporation
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of Pacific Century Financial Corporation (the Company) have been prepared in accordance with accounting principles generally accepted in the United States 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 accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the consolidated financial statements reflect all normal recurring adjustments necessary for a fair presentation of the results for the interim periods. Certain prior period amounts have been reclassified to conform to current period classifications.

These statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's 2000 Annual Report on Form 10-K. Operating results for the three and six months ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

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 (First Savings) located in the West and South Pacific that are denominated in U.S. dollars are classified as domestic. The Company's international operations are primarily concentrated in Hong Kong, Japan, Singapore, South Korea, Taiwan, French Polynesia, Fiji, New Caledonia, Papua New Guinea and Vanuatu.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include: cash and non-interest bearing deposits, interest bearing deposits, securities purchased under agreements to resell and funds sold. All amounts are readily convertible to cash and have maturities less than ninety days.

Income Taxes

The provision for income taxes is computed by applying statutory federal, foreign, 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 tax-exempt interest income, bank owned life insurance income and goodwill written off in the second quarter of 2001. The write-off was associated with the Company's divestiture of its California bank. The tax provision is also reduced by low-income housing, and investment tax credits.

Regulatory Matters

The Company continues to comply with the terms of the previously disclosed

Memorandum of Understanding. The Company obtained regulatory approval for dividend payments for the first, second and third quarters of 2001. In addition, regulatory approval was obtained for a $70 million share repurchase program which began on July 26, 2001.

Note 2. Restructuring

On April 23, 2001 the Company announced its new strategic plan designed to maximize shareholder value by strengthening its Hawaii and West Pacific operations and divesting most other holdings. The Company plans to divest or wind down its operations in California, the South Pacific and Asia. It will maintain its operations in Hawaii, the West Pacific, American Samoa, Japan and a leasing office in Arizona.

On June 5, 2001, the Company announced the sale of Pacific Century Bank, N.A, its California bank subsidiary. The sale of all 20 branches includes approximately $640 million in deposits, $570 million in loans and 300 employees. The sale is expected to be completed in the third quarter. The Company also expects to sell its operations in the South Pacific and to close its Asian branches by the end of 2001.

In connection with these divestitures, the Company incurred restructuring and related costs as follows.

(in millions)	Three-Months Ended June 30, 2001	Six-Months Ended June 30, 2001
Foreign Currency Translation Losses	$ 2.2	$30.2
Write-down of goodwill	15.5	15.5
Termination Costs	14.3	15.7
Unrealizable Foreign Tax Credit	-	5.0
Unrecoverable Investments	-	6.1
Contract and Lease Terminations	3.1	3.1
Consulting fees	1.5	2.1
Other	1.2	4.5
Total	$37.8	$82.2

In addition, $1.2 million of accelerated depreciation on assets to be disposed of in connection with the closure of the Asian branches was incurred in the second quarter 2001.

The foreign currency translation losses were for the write-off of the deferred tax assets associated with translation losses that were previously recognized. The $15.5 million goodwill impairment charge was taken in anticipation of the sale of the California bank subsidiary and reflects the after tax loss that will occur as a result of the sale. The termination costs accrued were primarily for severance costs that will be paid out over the next six months to 474 employees of the Asia Division and the California bank. The termination costs and the lease and contract termination are included in the restructuring accrual as of June 30, 2001.

Activity in the Restructuring Accrual

Balance at December 31, 2000	$ -
Restructuring Charges	2.3
Balance at March 31, 2001	$ 2.3
Restructuring Charges	17.4
Payments	(1.2)
Balance at June 30, 2001	$ 16.2

Note 3. Business Segments

The Company is a financial services organization that has maintained a broad presence throughout the Pacific region. This presence will change over the remainder of the year in conjunction with management's announced intention to divest non-core holdings. Operations in Hawaii, the West Pacific, American

Samoa and Japan will be retained, as well as an office in Arizona for its leasing operations and technology support. Consequently, during the first quarter of 2001, the Company realigned its business from geographic segments into the following segments: Retail Banking, Commercial Banking, Financial Services Group, Divestiture Businesses and Treasury and Other Corporate. Corporate Restructuring Related Activities have been segregated for the current year due to their non-recurring nature.

Business segment results are determined based on the Company's internal financial management organizational structure. The Company uses a variety of techniques to assign and transfer balance sheet and income statement amounts between business segments including allocations of common costs and capital. These techniques and accounting practices are not covered by accounting principles generally accepted in the United States. The Company is continuing to develop its business segment accounting practices and, during the first half of 2001, implemented changes in the way that segment results are used. Accordingly, the previously presented operating results for the periods ended June 30, 2000 have been reclassified to be consistent with the periods ended June 30, 2001. It is possible that further revision of segment accounting practices may be made in future periods, accordingly prior segment information may be reclassified.

The financial results for the three and six months ended June 30, 2001 and 2000 are presented below for each of the Company's principal segments.

Business Segment Selected Financial Information

	Retail	Commercial	Financial Services Group	Divestiture Businesses	Treasury and Other Corporate	Corporate Restructuring Related Activities	Consolidated Total
Three Months Ended June 30, 2001							
Net Interest Income	$ 42,150	$ 41,096	$ 2,863	$ 28,979	$ 1,715	--	$ 116,803
Loan Loss Provision	(1,724)	(848)	--	(3,841)	--	--	(6,413)
Net Interest Income after Provision	40,426	40,248	2,863	25,138	1,715	--	110,390
Gains from Divestitures	--	--	--	--	--	35,929	35,929
Other Non-Interest Income	20,370	6,474	20,959	7,507	7,137	--	62,447
Total Revenue	60,796	46,722	23,822	32,645	8,852	35,929	208,766
Restructuring & Other related costs	--	--	--	--	--	38,988	38,988
Non-Interest Expense	45,394	22,749	19,843	30,625	4,236	--	122,847
Net Income (Loss) Before Income Taxes	15,402	23,973	3,979	2,020	4,616	(3,059)	46,931
Income Taxes	(7,140)	(9,845)	(1,672)	(828)	394	(1,101)	(20,192)
Net Income (Loss)	$ 8,262	$ 14,128	$ 2,307	$ 1,192	$ 5,010	($ 4,160)	$ 26,739

	Retail	Commercial	Financial Services Group	Divestiture Businesses	Treasury and Other Corporate	Corporate Restructuring Related Activities	Consolidated Total
Three Months Ended June 30, 2000							
Net Interest Income	$ 40,041	$ 49,695	$ 2,069	$ 38,213	$ 2,260	--	$ 132,278
Loan Loss Provision	(2,026)	(58,117)	--	(15,596)	(7,668)	--	(83,407)
Net Interest Income after Provision	38,015	(8,422)	2,069	22,617	(5,408)	--	48,871
Gains from Divestitures	--	--	--	--	--	--	--
Other Non-Interest Income	18,634	8,067	21,780	11,517	19,173	--	79,171
Total Revenue	56,649	(355)	23,849	34,134	13,765	--	128,042
Restructuring & Other related costs	--	--	--	--	--	--	--
Non-Interest Expense	39,511	22,810	16,952	33,746	8,158	--	121,177
Net Income (Loss) Before Income Taxes	17,138	(23,165)	6,897	388	5,607	--	6,865
Income Taxes	(7,198)	9,720	(2,896)	675	(459)	--	(158)
Net Income (Loss)	$ 9,940	($ 13,445)	$ 4,001	$ 1,063	$ 5,148	--	$ 6,707

Business Segment Selected Financial Information

	Retail	Commercial	Financial Services Group	Divestiture Businesses	Treasury and Other Corporate	Corporate Restructuring Related Activities	Consolidated Total
Six Months Ended June 30, 2001							
Net Interest Income	$ 84,307	$ 81,713	$ 5,395	$ 66,945	$ 6,118	(2,444)	$ 242,034
Loan Loss Provision	(4,470)	(10,152)	--	(7,541)	--	(36,716)	(58,879)
Net Interest Income after Provision	79,837	71,561	5,395	59,404	6,118	(39,160)	183,155
Gains from Divestitures	--	--	--	--	--	132,282	132,282
Other Non-Interest Income	41,972	15,492	41,867	20,581	10,217	(3,300)	126,829
Total Revenue	121,809	87,053	47,262	79,985	16,335	89,822	442,266
Restructuring & Other related costs	--	--	--	--	--	83,426	83,426
Non-Interest Expense	86,557	46,240	39,024	68,970	10,258	--	251,049
Net Income (Loss) Before Income Taxes	35,252	40,813	8,238	11.015	6,077	6,396	107,791
Income Taxes	(14,805)	(18,690)	(3,460)	(2,450)	(257)	(7,713)	(47,375)
Net Income (Loss)	$ 20,447	$ 22,123	$ 4,778	$ 8,565	$ 5,820	($ 1,317)	$ 60,416

	Retail	Commercial	Financial Services Group	Divestiture Businesses	Treasury and Other Corporate	Corporate Restructuring Related Activities	Consolidated Total
Six Months Ended June 30, 2000							
Net Interest Income	$ 81,830	$ 98,164	$ 3,874	$ 76,148	$ 18,098	--	$ 278,114
Loan Loss Provision	(4,477)	(64,917)	--	(19,866)	(7,669)	--	(96,929)
Net Interest Income after Provision	77,353	33,247	3,874	56,282	10,429	--	181,185
Gains from Divestitures	--	--	--	--	--	--	--
Other Non-Interest Income	36,797	15,595	44,206	22,942	17,952	--	137,492
Total Revenue	114,150	48,842	48,080	79,224	28,381	--	318,677
Restructuring & Other related costs	--	--	--	--	--	--	--
Non-Interest Expense	80,327	45,025	34,532	70,870	17,227	--	247,981
Net Income (Loss) Before Income Taxes	33,823	3,817	13,548	8,354	11,154	--	70,696
Income Taxes	(14,206)	(807)	(5,690)	(2,619)	(902)	--	(24,224)
Net Income (Loss)	$ 19,617	$ 3,010	$ 7,858	$ 5,735	$ 10,252	--	$ 46,472

Note 4. Recent Accounting Pronouncements

During 2001, the Company adopted the requirements of Statement of Financial Accounting Standards (SFAS) No. 140, Accounting for Transfers and Servicing of Financial Assets and

Extinguishments of Liabilities (SFAS 140). SFAS 140 revised the criteria for accounting for securitizations and other transfers of financial assets and collateral, and introduced new disclosures. Adoption of SFAS 140 had no material effect on the Company's financial statements.

On June 29, 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 141, effective June 30, 2001, requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method of accounting. SFAS 142 eliminates amortization of goodwill associated with business combinations completed after June 30, 2001. During a transition period from July 1, 2001 through December 31, 2001, goodwill associated with business combinations completed prior to July 1, 2001 will continue to be amortized through the income statement. Effective January 1, 2002, all goodwill amortization expense will cease and goodwill will be assessed (at least annually) for impairment at the reporting unit level by applying a fair-value based test. SFAS 142 also provides additional guidance on acquired intangibles that should be separately recognized and amortized. Under SFAS 142 intangibles with indefinite lives will no longer be amortized to the income statement. Beginning January 1, 2002, under SFAS 142 the elimination of goodwill amortization is expected to increase net income by approximately $1.8 million, after taking into consideration the goodwill that will be eliminated with the Company's planned divestitures. The Company will also perform an initial goodwill assessment to determine if a transition impairment charge will be recognized under SFAS 142.

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

Forward Looking Statements

This report contains forward-looking statements regarding the Company's beliefs, estimates, projections and assumptions, which are provided to assist in the understanding of certain aspects of the Company's anticipated future financial performance. The Company 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 the Company's control. Although the Company believes that the assumptions underlying its forward-looking statements are reasonable, any assumption could prove to be inaccurate and actual results may differ from those contained in or implied by such forward-looking statements for a variety of reasons. Factors that might cause differences to occur include, but are not limited to, economic conditions in the markets that the Company serves including those in Hawaii, the U.S. Mainland, Asia and the South Pacific; shifts in interest rates; fluctuations in currencies of Asian Rim and South Pacific countries relative to the U.S. dollar; factors impacting the implementation of the strategic plan (including restructuring of the Company), which may result in the plan not being completed within the expected financial and time estimates; credit markets may deteriorate; credit quality initiatives may fall short of the Company's goals; the expense reductions may not be achieved; the Company may not be able to maintain its net interest margin; proposed equity repurchases may not be implemented within the expected financial and time estimates; implementation of the strategic plan may cause unanticipated organizational disruptions; customer acceptance of our business as restructured may be less than expected; changes in applicable federal, state, and foreign income tax laws and regulatory and monetary policies; and increases in competitive pressures in the banking and financial services industry could increase, particularly in connection with product delivery and pricing. Unless expressly stated, the Company does not undertake and specifically disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

PERFORMANCE HIGHLIGHTS

The Company reported earnings for the three months ended June 30, 2001 of $26.7 million, compared to $6.7 million for the three months ended June 30, 2000. Diluted earnings per share were $0.32 for the second quarter of 2001 compared to $0.08 in the second quarter of 2000. The Company's net income for the first six months of 2001 was $60.4 million, compared to $46.5 million for the corresponding period of the prior year.

On April 23, 2001 the Company announced a new strategic plan designed to maximize shareholder value by strengthening its Hawaii and West Pacific operations and divesting most other holdings. In connection with this plan, the Company announced in June 2001, the sale of Pacific Century Bank, N.A., the California bank subsidiary. The sale is expected to be completed in the third quarter. The Company also plans to sell its operations in the South Pacific and close its Asian branches by the end of 2001. It will maintain its operations in Hawaii, the West Pacific, American Samoa, Japan and a leasing office in Arizona. As a consequence of the plan, the Company recognized restructuring and other related costs of $39.0 million and $83.4 million during the three and six months ended June 30, 2001.

For the quarter ended June 30, 2001, earnings included gains of $24.8 million from the sale of Pacific Century Bank N.A.'s Arizona branches, and $11.1 million from the sale of investment securities. During the first quarter of 2001, the Company realized a gain of $75.4 million on the sale of its credit card portfolio and a gain of $20.9 million on the exchange of stock in Star Systems, Inc. for Concord EFS, Inc.

The provision for loan and lease losses was $6.4 million for the second quarter 2001, approximating net charge-offs. The prior quarter and comparable quarter last year included provisions for loan and lease losses of $52.5 million and $83.4 million, respectively, which strengthened the allowance for loan and lease losses.

The Company continued to improve its asset quality during the second quarter. Non-performing assets, exclusive of accruing loans past due 90 days or more, decreased to $118.9 million at June 30, 2001, relatively unchanged from March 31, 2001 and down from $183.0 million at December 31, 2000 and $210.6 million at June 30, 2000. At June 30, 2001 and March 31, 2001 the allowance for loan losses was $199.8 million compared with $246.2 million and $246.6 million at December 31 and June 30, 2000, respectively. The ratio of the allowance to loans was 2.62% and 2.56% at June 30, 2001 and 2000, respectively.

In the second quarter of 2001, return on average assets (ROAA) and return on average equity (ROAE) were 0.83% and 7.69%, respectively, compared to 0.19% and 2.19% in the second quarter of 2000. On a year-to-date basis, ROAA was 0.91% and 0.66% in 2001 and 2000, respectively, and ROAE was 9.0% in 2001 compared to 7.65% in 2000.

Total assets at June 30, 2001 were $12.8 billion, down from $14.0 billion at December 31, 2000 and $14.3 billion at June 30, 2000. The decrease in total assets was largely due to reductions in the Company's loan portfolio, which was $2.0 billion lower at June 30, 2001 as compared to June 30, 2000. The decline in loans was partially due to sales in 2001 of commercial loans, credit card loans, the Company's Arizona branches and planned risk reduction in the portfolio, partially offset by a $106.9 million increase in the mortgage loan portfolio. In addition, since December 31, 2000, loans in the Company's Asia branches have declined as the branches are winding down their operations.

Highlights Table 1

(dollars in thousands except per share amounts)

Earnings Highlights and Performance Ratios	2001	2000
Three Months Ended June 30		
Net Income	$26,739	$6,707
Basic Earnings Per Share	0.33	0.08
Diluted Earnings Per Share	0.32	0.08
Cash Dividends	14,426	14,305
Return on Average Assets	0.83%	0.19%
Return on Average Equity	7.69%	2.19%
Net Interest Margin	3.92%	4.11%
Core Efficiency Ratio (a)	68.74%	60.57%
Six Months Ended June 30		
Net Income	$60,416	$46,472
Basic Earnings Per Share	0.75	0.58
Diluted Earnings Per Share	0.74	0.58
Cash Dividends	28,790	27,845
Return on Average Assets	0.91%	0.66%
Return on Average Equity	9.00%	7.65%
Net Interest Margin	3.94%	4.12%
Core Efficiency Ratio (a)	66.98%	61.26%
Summary of Results Excluding the Effect of Intangibles (b)		
Three Months Ended June 30		
Net Income	$28,676	$10,526
Basic Earnings per Share	$0.36	$0.13
Diluted Earnings per Share	$0.35	$0.13
Return on Average Assets	0.90%	0.30%
Return on Average Equity	9.41%	4.10%
Core Efficiency Ratio (a)	66.71%	58.43%
Six Months Ended June 30		
Net Income	$67,383	$53,973
Basic Earnings per Share	$0.84	$0.68

Diluted Earnings per Share	$0.82	$0.67
Return on Average Assets	1.03%	0.77%
Return on Average Equity	11.59%	10.66%
Core Efficiency Ratio (a)	64.96%	59.18%

(a) Core earnings excludes restructuring and non-recurring transactions.
(b) Intangibles include goodwill, core deposit and trust Intangibles, and other intangibles.

Statement of Condition Highlights	June 30 2001	June 30 2000
Total Assets	$12,755,511	$14,294,625
Net Loans	7,418,607	9,368,718
Total Deposits	8,108,468	9,109,146
Total Shareholders' Equity	1,395,731	1,209,399
Book Value Per Common Share	$17.24	$15.23
Allowance / Loans Outstanding	2.62%	2.56%
Average Equity / Average Assets	10.08%	8.59%
Employee (FTE)	4,197	4,275
Branches	156	174
Common Stock Price Range Quarter Ended		
Closing	$25.79	$14.63
High	$25.80	$23.19
Low	$19.38	$14.63

STATEMENT OF INCOME ANALYSIS

Net Interest Income

Taxable-equivalent net interest income was $116.9 million for the second quarter of 2001, down $17.2 million, or 12.8% from the comparable period in 2000. Taxable-equivalent net interest income was $242.2 million for the six-months ended June 30, 2001, down $26.4 million, or 9.8% from the same period in 2000. The decline in net interest income was attributable to: 1) decreases in the Company's loan portfolio, in particular the sale of the credit card portfolio and Arizona branches which portfolios were higher yielding than the portfolios that remain, and 2) interest rate reductions during 2001 as a result of actions taken by the Federal Reserve. During the second quarter of 2001, the Federal Reserve reduced interest rates by 125 basis points. Since the end of the second quarter 2000 interest rates have been reduced by 275 basis points.

The income statement presentation has been modified effective June 30, 2001. All prior periods have been reclassified. The modifications include: presenting mortgage banking related activities as a separate financial statement line, combining Interest on Loans, Loan Fees and Income on Lease Financing into one financial statement line, reclassifying interchange and other fees to Fees, Exchange, and Other Service charges, and separately classifying goodwill and other intangible amortization. The following illustrates the reclassifications for the three and six months ended June 30, 2000.

(in thousands)	Three Months Ended 6/30/00 Previously Reported	Three Months Ended 6/30/00 Amounts after Reclassification	Six Months Ended 6/30/00 Previously Reported	Six Months Ended 6/30/00 Amounts after Reclassification
Interest & Fees on Loans & Leases	$185,584	$197,980	$365,986	$389,382
Income from Lease Financing	9,747	--	17,726	--
Loan Fees	8,977	--	17,223	--
Mortgage Banking	--	2,799	--	4,878
Fees, Exchange, and Other Service Charges	22,586	25,393	44,212	49,485
Goodwill & Other Intangible Amortization	--	4,278	--	8,340
Other Operating Expense	41,998	36,998	81,951	72,209

The Company's net interest margin was 3.92% in the quarter ended June 30, 2001, a decrease of 19 basis points from the comparable period a year ago. For the first six-months of the year, the net interest margin was 3.94%, compared to 4.12% for the comparable period in 2000. Presented in Table 2 are average balances, yields earned, and rates paid for the three and six-month periods ended June 30, 2001 and June 30, 2000.

Consolidated Average Balances and Interest Rates Taxable Equivalent Table 2

(in millions of dollars)	Three Months Ended June 30, 2001 Average Balance	Income/ Expense	Yield/ Rate	Three Months Ended June 30, 2000 Average Balance	Income/ Expense	Yield/ Rate
Earning Assets						
Interest Bearing Deposits	$414.3	$4.9	4.75%	$220.0	$3.6	6.49%
Investment Securities Held to Maturity						
-Taxable	638.4	10.9	6.85	723.3	13.3	7.41
-Tax-Exempt	3.7	0.2	23.78	8.3	0.4	18.04
Investment Securities Available for Sale	2,318.3	36.2	6.25	2,514.8	41.2	6.58
Funds Sold	120.3	1.4	4.51	32.2	0.5	6.13
Net Loans						
-Domestic	7,341.8	144.5	7.90	8,104.4	174.6	8.66
-Foreign	1,136.9	19.3	6.80	1,532.5	25.1	6.58
Total Loans	8,478.7	163.8	7.75	9,636.9	199.6	8.33
Total Earning Assets	11,973.7	217.4	7.28	13,135.5	258.5	7.92
Cash and Due From Banks	367.6			444.0		
Other Assets	655.1			638.8		
Total Assets	$12,996.4			$14,218.4		
Interest Bearing Liabilities						
Domestic Deposits - Demand	$1,905.0	9.3	1.95	$2,097.8	12.3	2.36
- Savings	698.8	3.7	2.14	691.5	3.5	2.03
- Time	2,654.1	37.3	5.64	2,744.0	36.4	5.33
Total Domestic	5,257.9	50.3	3.83	5,533.3	52.1	3.79
Foreign Deposits						
- Time Due to Banks	317.4	3.5	4.45	422.0	6.2	5.90
- Other Time and Savings	709.3	6.3	3.55	1,133.8	12.4	4.42
Total Foreign	1,026.7	9.8	3.83	1,555.8	18.6	4.82
Total Interest Bearing Deposits	6,284.6	60.1	3.83	7,089.1	70.8	4.02
Short-Term Borrowings	2,108.2	25.9	4.94	2,728.1	40.4	5.95
Long-Term Debt	864.5	14.5	6.71	807.2	13.3	6.64
Total Interest Bearing Liabilities	9,257.3	100.5	4.35	10,624.4	124.5	4.71
Net Interest Income		116.9			134.1	
Interest Rate Spread			2.93%			3.21%
Net Interest Margin			3.92%			4.11%
Demand Deposits - Domestic	1,567.8			1,666.5		
- Foreign	348.4			366.0		
Total Demand Deposits	1,916.2			2,032.5		
Other Liabilities	428.5			331.5		
Shareholders' Equity	1,394.4			1,230.0		
Total Liabilities and Shareholders' Equity	$12,996.4			$14,218.4		
Provision for Loan Losses		6.4			83.4	
Net Overhead		63.5			43.1	
Income Before Income Taxes		47.0			7.6	
Provision for Income Taxes		20.2			0.2	
Tax-Equivalent Adjustment		0.1			0.7	
Net Income		$26.7			$6.7	

	Six Months Ended June 30, 2001 Average Balance	Income/ Expense	Yield/ Rate	Six Months Ended June 30, 2000 Average Balance	Income/ Expense	Yield/ Rate
Earning Assets						
Interest Bearing Deposits	$373.5	$10.1	5.46%	$226.0	$7.3	6.51%
Investment Securities Held to Maturity						
-Taxable	645.5	22.5	7.04	749.4	27.6	7.40
-Tax-Exempt	3.7	0.4	23.53	9.1	0.8	17.65
Investment Securities Available for Sale	2,398.7	75.4	6.34	2,520.9	82.2	6.56
Funds Sold	100.5	2.5	4.92	33.6	1.0	5.83
Net Loans						
-Domestic	7,662.0	311.9	8.21	8,001.2	341.2	8.58
-Foreign	1,206.9	41.1	6.87	1,559.3	49.9	6.44
Total Loans	8,868.9	353.0	8.03	9,560.5	391.1	8.23
Total Earning Assets	12,390.8	463.9	7.55	13,099.5	510.0	7.83
Cash and Due From Banks	402.7			475.3		
Other Assets	625.2			635.1		
Total Assets	$13,418.7			$14,209.9		
Interest Bearing Liabilities						
Domestic Deposits - Demand	$1,956.4	20.9	2.16	$ 2,106.7	24.5	2.34
- Savings	682.3	7.1	2.09	695.8	7.0	2.03
- Time	2,777.7	80.4	5.84	2,754.4	71.5	5.22

Total Domestic	5,416.4	108.4	4.04	5,556.9	103.0	3.73
Foreign Deposits						
- Time Due to Banks	402.9	10.2	5.09	454.9	13.2	5.84
- Other Time and Savings	754.9	13.4	3.60	1,127.7	22.8	4.06
Total Foreign	9,700.1	23.6	4.12	1,582.6	36.0	4.57
Total Interest Bearing Deposits	6,574.2	132.0	4.05	7,139.5	139.0	3.92
Short-Term Borrowings	2,235.8	59.9	5.40	2,677.4	76.4	5.74
Long-Term Debt	890.1	29.8	6.75	790.1	26.0	6.62
Total Interest Bearing Liabilities	9,700.1	221.7	4.61	10,607.0	241.4	4.58
Net Interest Income		242.2			268.6	
Interest Rate Spread			2.94%			3.25%
Net Interest Margin			3.94%			4.12%
Demand Deposits - Domestic	1,602.1			1,665.0		
- Foreign	362.8			392.8		
Total Demand Deposits	1,964.9			2,057.8		
Other Liabilities	400.7			324.1		
Shareholders' Equity	1,353.0			1,221.0		
Total Liabilities and Shareholders' Equity	$13,418.7			$14,209.9		
Provision for Loan Losses		58.9			96.9	
Net Overhead		75.4			100.0	
Income Before Income Taxes		107.9			71.7	
Provision for Income Taxes		47.4			24.2	
Tax-Equivalent Adjustment		0.1			1.0	
Net Income		$60.4			$46.5	

Provision for Loan Losses

The provision for loan losses was $6.4 million and $58.9 million for the three and six-month periods ended June 30, 2001, compared to $83.4 million and $96.9 million for the same respective periods in 2000. The provision for the second quarter 2001 approximated net charge-offs, while the quarters ended June 30, 2000 and March 31, 2001 included additional provisions intended to strengthen the allowance for loan losses. For further information on credit quality, refer to the section on "Corporate Risk Profile - Credit Risk - Allowance for Loan Losses" in this report.

Non-Interest Income

Non-interest income was $98.4 million and $259.1 million for the three and six-month periods ended June 30, 2001, compared to $79.2 million and $147.6 million for the comparable periods in 2000. Several transactions that resulted in gains being recognized, including the sales of the Company's Arizona branches and credit card portfolio and the sale of investment securities impacted non-interest income in 2001. After excluding non-recurring gains in 2001 and in 2000, core non-interest income was $62.4 million in the second quarter of 2001, compared to $67.3 million in the second quarter of 2000, and core non-interest income for the first half of 2001 was $130.1 million, compared to $137.5 million in the same period of 2000.

The decrease in core non-interest income was largely due to the implementation of the Company's strategic plan, which called for an intentional scale-back in certain businesses. The $5.4 million decrease in the second quarter 2001 from the second quarter 2000 was due to a reduction in interchange fees, resulting from the sale of the Company's credit card portfolio, and foreign exchange, trading and letter of credit fees, resulting from the decision to reduce business in Asia.

Trust and asset management income declined to $15.2 million in the second quarter of 2001, from $16.3 million in the second quarter of 2000. Trust and asset management income was $31.0 million for the first six months of 2001, also down from the corresponding period of the prior year. The decreases were primarily attributable to reduced fees associated with declines in assets under administration.

Despite a 9% decrease in average demand deposits, service charges on deposit accounts declined only 3% to $9.9 million in the second quarter of 2001 compared to $10.2 million in the second quarter of 2000. This is primarily attributable to changes in deposit rate structures. Service charges were flat for the comparative six-month periods.

Mortgage banking income was $4.6 million in second quarter of 2001, an increase of 64.2% from $2.8 million in the second quarter of 2000. For the six-months ended June 30, 2001 and 2000, mortgage banking income was $9.7 million and $4.9 million, respectively. The 2001 increase was due to increased mortgage originations and higher gains on the sale of mortgage loans, partially offset by valuation adjustments of the held-for-sale portfolio.

Sales of investment securities during the three and six-months ended June 30, 2001 resulted in net investment security gains of $11.7 million and $31.9 million, respectively. These results compare to slight losses on the sale of securities in the same periods of 2000. Second quarter gains on sales included $7.4 million related to the sale of the Company's ownership interest in Concord EFS, Inc. and $3.7 million from the sale of the Company's holdings in the Bank of Queensland. In the first quarter of 2001 a $20.9 million gain was recognized on the exchange of the Company's ownership interest in Star Systems, Inc. for Concord EFS, Inc.

Non-Interest Expenses

Non-interest expenses were $161.8 million and $334.5 million for the three and six-month periods ended June 30, 2001, compared to $121.2 million and $246.6 million for the comparable periods in 2000. After excluding restructuring and related costs, core non-interest expenses were $122.8 million in the second quarter of 2001, compared to $121.2 million in the second quarter of 2000, and core non-interest expenses for the first half of 2001 were $251.1 million, compared to $248.0 million in the same period of 2000.

The restructuring and related costs that were referred to above totaled $37.8 million and $82.2 million for the three and six-month periods ended June 30, 2001. These expenses primarily related to severance costs, foreign exchange losses, and other expenses related to exiting certain businesses. Also included was a $15.5 million write-down of goodwill in anticipation of the Company's pending sale of the California bank. In addition, $1.2 million of accelerated depreciation on fixed assets to be abandoned in conjunction with the closure of the Asian branches was incurred in the second quarter. These expenses are included in net occupancy and net equipment expense. Refer to Note 2 to the Consolidated Financial Statements for further discussion.

Salaries and pension and other employee benefits expense totaled $60.3 million and $122.5 million in the three and six-month periods of 2001, compared to $55.2 million and $117.4 million for the corresponding periods of 2000. The reduction in employees due to the sale of the Arizona branches was offset by the addition of employees to improve service levels in Hawaii. The increased expenses were primarily attributable to higher commission and incentive plan costs. In addition, the grants of restricted stock to employees increased costs by slightly less than $1.0 million.

Net equipment expense was $13.7 million in the second quarter of 2001, an increase of 13.2% from $12.1 million for the same period in 2000, and was $27.1 million for the first half of 2001, an increase from $24.1 million for the same period last year. The increase was largely due to higher software and equipment maintenance costs incurred in 2001 and accelerated depreciation on assets to be abandoned upon closure of the Asian branches.

Other operating expenses decreased to $33.9 million in the second quarter of 2001 from $37.0 million for the same quarter in 2000. On a year-to-date basis, other operating expenses decreased from $72.2 million in 2000 to $70.3 million in 2001. These decreases were primarily due to an adjustment to the insurance claims reserve of the Company's captive insurance company in the second quarter 2001. Other operating expenses were also lower due to a decrease in processing costs resulting from the sale of the credit card portfolio.

The increase in the efficiency ratio for the quarter is due largely to the divesting businesses where revenues declined faster than the corresponding expense levels. The Company anticipates that the efficiency ratio will return to a more normal level by the end of the year.

Income Tax Provision

The Company's effective tax rate was 43.0% for the second quarter 2001 and 43.9% for the first six-months of 2001. These effective rates compare to 2.3% and 34.3% in the corresponding periods of last year. The increases in 2001 were attributable to higher provisioning for state and foreign taxes, a higher level of non-deductible costs associated with the divestitures, the most significant of which was the write-off of $15.5 million of goodwill associated with the divestiture of the Company's California bank, and the write-off of $2 million of foreign tax assets.

BALANCE SHEET ANALYSIS

Loans

As of June 30, 2001, loans outstanding, excluding loans held-for-sale, had declined to $7.6 billion, from $9.2 billion at year-end 2000 and $9.6 billion at June 30, 2000. Consistent with the Company's strategic plan, during the first half of 2001, the Company sold $166.8 million of commercial loans, its $209.3 million credit card portfolio, and its Arizona branches ($230 million in loans). In addition, loans in the Asian branches have declined $234.1 million or 52.7%. The remaining decline was attributable to other strategic risk reductions in the portfolio.

Table 3 presents the composition of the loan portfolio by major loan categories as of June 30, 2001, March 31, 2001, December 31, 2000 and June 30, 2000.

Loan Portfolio Balances Table 3

(dollars in millions)	June 30 2001	March 31 2001	December 31 2000	June 30 2000
Domestic Loans				
Commercial and Industrial	$1,781.5	$2,088.7	$2,436.2	$2,674.8
Real Estate				
Construction -- Commercial	213.6	284.0	282.4	294.3
-- Residential	32.4	28.9	25.0	21.9
Mortgage -- Commercial	866.3	1,023.8	1,125.5	1,241.2
-- Residential	2,755.4	2,837.2	2,827.3	2,653.3
Installment	486.1	496.4	729.9	750.0
Lease Financing	532.3	522.7	511.1	503.5
Total Domestic	6,667.6	7,281.7	7,937.4	8,139.0
Foreign Loans	950.8	1,143.3	1,297.8	1,476.3
Total Loans	$7,618.4	$8,425.0	$9,235.2	$9,615.3

Loans Held for Sale

Loans held for sale totaled $571.4 million at June 30, 2001, compared to $179.2 million at December 31, 2000, an increase of $392.2 million, and $128.7 million at June 30, 2000, an increase of $442.7 million. The loans held for sale were primarily residential mortgage loans and result from increased mortgage production during the first half of 2001.

Investment Securities

The Company's investment portfolio is managed to meet strategic asset/liability positioning, to provide both interest income and balance sheet liquidity and to collateralize customer deposits. Available-for-sale securities at June 30, 2001 were $2.2 billion, down 12.0% from $2.5 billion at year-end and the same date last year. Securities held to maturity were $616.4 million at June 30, 2001, declining from $670.0 million at year-end 2000 and $730.4 million a year ago. These decreases were largely due to maturities. Other short-term interest-earning assets totaled $784.6 million at the end of the second quarter, compared to $327.3 million and $249.7 million at December 31, 2000 and June 30, 2000, respectively. This increase resulted from the proceeds of the loan portfolio sales during the first half of 2001, and has enabled the Company to improve its liquidity.

At June 30, 2001 and December 31, 2000 investment securities with a book value of $2.0 billion and $2.3 billion, respectively, were pledged as collateral for repurchase agreement.

Deposits

As of June 30, 2001, deposits totaled $8.1 billion, down $1 billion from $9.1 billion at both December 31, 2000 and June 30, 2000. During 2001, domestic deposits decreased $351.2 million, primarily due to the sale of the Company's Arizona branches, while foreign deposits declined by $620.9 million. The decline in foreign deposits is attributable to the Company's planned exit from many of its foreign markets and decreased funding needs.

Table 4 presents average deposits by type as of June 30, 2001, December 31, 2000 and June 30, 2000.

Average Deposits Table 4

	June 30, 2001		December 31, 2000		June 30, 2000	
(dollars in millions)	Amount	Mix	Amount	Mix	Amount	Mix
Domestic						
Non-Interest Bearing Demand	$1,567.8	19.1%	$1,640.0	18.2%	$1,666.5	18.3%
Interest-Bearing Demand	1,905.0	23.2%	2,061.9	22.9%	2,097.8	23.0%
Regular Savings	698.8	8.5%	684.8	7.6%	691.5	7.6%
Time Certificates of Deposit ($100,000 or More)	1,250.2	15.3%	1,212.1	13.5%	1,231.0	13.5%
All Other Time and Savings Certificates	1,403.9	17.1%	1,569.0	17.4%	1,513.0	16.6%
Total Domestic	6,825.7	83.2%	7,167.8	79.6%	7,199.8	79.0%
Foreign						
Non-Interest Bearing Demand	348.4	4.2%	371.4	4.1%	366.0	4.0%
Time Due to Banks	317.4	3.9%	505.4	5.6%	422.0	4.6%
Other Time and Savings	709.3	8.7%	960.5	10.7%	1,133.8	12.4%
Total Foreign	1,375.1	16.8%	1,837.3	20.4%	1,921.8	21.0%
Total	$8,200.8	100.0%	$9,005.1	100.0%	$9,121.6	100.0%

Borrowings

Short-term borrowings, including funds purchased and securities sold under agreements to repurchase, totaled $2.1 billion at June 30, 2001, $2.3 billion at December 31, 2000 and $2.8 billion at June 30, 2000. The decline in short-term borrowings reflected the lower funding needs resulting from the decrease in the Company's assets.

Similarly, long-term debt at June 30, 2001 decreased to $830.9 million from $997.2 million at December 31, 2000 and $902.2 million at June 30, 2000. Subsequent to June 30, 2001, the Company repaid $125.0 million of long-term debt.

Shareholders' Equity

The Company's capital position remains strong. Total capital increased to $1.4 billion at June 30, 2001, an increase from $1.3 billion at December 31, 2000 and $1.2 billion at June 30, 2000. A further discussion of the Company's capital is included in the Corporate Risk Profile section of this report.

LINE OF BUSINESS FINANCIAL REVIEW

Beginning in December of 2000 and extending to the end of the first quarter, the Company performed an analytically rigorous self-assessment of all of its lines of business. The fundamental objective was to develop a plan to improve shareholder value. Management evaluated the attractiveness of each of the Company's businesses, as well as the ability to compete in those businesses in the future. Each business's performance was assessed in relation to the risks assumed and the extent to which returns are expected to exceed the cost of the capital allocated to them. It was concluded that three businesses: Pacific

Century Bank, N.A., the Asia Division, and the South Pacific Division, excluding American Samoa, would not achieve sufficient returns to create shareholder value and therefore, would be divested or liquidated.

A new organizational structure was announced in April 2001 as a result of the assessment process. Businesses have been aligned into the following units: Retail Banking, Commercial Banking, Financial Services, Divestiture Businesses, and Treasury and Other Corporate. Corporate Restructuring Related Activities have been segregated in the current year due to their non-recurring nature. The Line of Business Financial Review in this report is presented in a format that is consistent with the new organization structure. Note 3 to the Consolidated Financial Statements includes the Company's business segment financial reports for the three and six-month periods ended June 30, 2001 and 2000.

Key indicators of performance adopted by the Company include:

<u>Economic:</u>

-- NIACC (Net Income After Capital Charge): The key indicator of creating value for the shareholder, it is determined by subtracting a charge for capital from economic net income. Positive value is created by generating net income above the Company's estimated cost of capital.

-- RAROC (Return on Risk Adjusted Capital): A complementary measure that indicates the economic return produced by the business on the risk-adjusted capital assigned to it.

<u>GAAP:</u>

-- Net income after Taxes: Net income generated by the business using measurement practices consistent with accounting principles generally accepted in the United States.

The key differences between the derivation of Economic and GAAP results are:

<u>Provision for Loan Losses:</u> The GAAP provision represents the current period change in reserve requirements.

The Economic Provision represents estimated losses in the credit portfolio assuming a "normalized" economic environment and loss rate over the business cycle. Consequently, there is no recognition of the free funds value of the loan loss reserve for Economic accounting.

<u>Goodwill Amortization:</u> Amortization of Goodwill is not reflected in Economic results since it is assumed to use shareholder funds supported entirely by capital.

<u>Excess Capital Funding Value:</u> GAAP net income includes the free funding value of a share of the Company's excess capital not allocated to the segments to cover risk. Economic results are based on risk-adjusted capital, necessitating adjustment for the excess capital funding value.

Economic NIACC and RAROC for each segment for the three months and six months ended June 30, 2001 are presented in Table 5.

Economic NIACC and RAROC
(dollars in thousands)

Table 5

	Retail	Commercial	Financial Services Group	Divestiture Businesses	Treasury and Other Corporate	Corporate Restructuring Related Activities
Three Months Ended June 30, 2001						
NIACC (Economic)	4,784	(4,548)	340	(12,228)	(3,728)	--
RAROC (Economic)	19%	11%	16%	0%	-23%	--
Three Months Ended June 30, 2000						
NIACC (Economic)	4,303	1,692	(322)	(10,146)	(34,518)	--
RAROC (Economic)	26%	17%	13%	6%	-46%	--

Six Months Ended June 30, 2001						
NIACC (Economic)	7,535	(7,034)	473	(20,816)	(14,233)	--
RAROC (Economic)	24%	10%	17%	5%	-7%	--
Six Months Ended June 30, 2000						
NIACC (Economic)	8,294	2,580	4,964	(23,785)	36,741	--
RAROC (Economic)	25%	16%	35%	4%	-20%	--

Retail Banking

The Company's retail banking franchise and market share in Hawaii and American Samoa are key strengths of the Company. Retail Banking provides checking and savings services, small business, merchant services, installment, home equity and mortgage lending as well as other services. For the three and six months ended June 30, 2001 revenues improved due to increases in mortgage originations and increases in deposit service charges. Increases in non-interest expense are due to higher allocated costs as a result of new systems and increased usage of systems.

Commercial Banking

The Commercial Banking segment offers corporate banking, commercial products, leasing, commercial real estate lending and auto finance. The Company's West Pacific operations are included in this segment. The decline in net interest income in the three months and six months ended June 30, 2001 compared to the same periods in 2000 are the result of the planned reduction in the loan portfolios designed to reduce credit exposures in some of the Company's markets. Second quarter 2000 included an additional loan loss provision of $32.9 million that was to address weaknesses in the syndicated loan and Hawaii commercial real estate portfolio. The decline in other non-interest income in the second quarter 2001 was due to the aforementioned reduction in the loan portfolios, which resulted in reduced loan fees.

Financial Services Group

The Financial Services Group offers private banking, trust services, asset management, investments such as mutual funds and stocks, financial planning, and insurance. A significant portion of this segment's income is derived from fees, which are based on the market values of assets under management.

Divestiture Businesses

This segment includes the businesses the Company plans to divest or close. The Company expects to complete the divestitures and closures by December 31, 2001. Revenues and expenses in this segment declined from the prior year periods due to the sale of the credit card portfolio and Arizona branches. In addition, as the Asia offices wind down their business toward the closures that are expected to be completed in the fourth quarter business has declined.

Treasury and Other Corporate

The primary operations in this segment are 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 managing interest rate and foreign currency risks. Additionally, the net residual effect of transfer pricing of assets and liabilities is included in Treasury, along with other minor unallocated amounts. Eliminations of intercompany transactions are also reflected in this segment.

Corporate Restructuring Related Activites

This segment reflects the implementation of the Company's strategic plan to improve credit quality and to divest underperforming businesses. It includes the gains and costs of divesting businesses (the credit card portfolio, Pacific Century Bank, N.A., Asia branches and the South Pacific Division) and the costs of restructuring the Company. It also includes losses associated with accelerated resolution of credit problems undertaken in the first quarter of 2001.

FOREIGN OPERATIONS

The Company has an international presence in the Asia-Pacific region that provides lending, correspondent banking, foreign exchange, trade finance and deposit gathering activities in these markets. The Company divides its international business into three areas: the West Pacific, the South Pacific, and Asia.

The South Pacific 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. As American Samoa is U.S. dollar based, its operation is included as domestic for financial reporting purposes. The Company decided to divest the entire South Pacific operations. This exit is anticipated to be complete by the end of 2001. The Asia Division is winding down its business and plans to curtail its Asia operations by year-end.

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

The countries in which the Company maintains its largest exposure on a cross-border basis include Japan, South Korea, United Kingdom and France. Table 6 presents as of June 30, 2001, December 31, 2000, and June 30, 2000 a geographic distribution of the Company's cross-border assets for each country in which such assets exceed 0.75% of total assets.

Geographic Distribution of Cross-Border International Assets Table 6

(dollars in millions) Country	June 30, 2001	December 31, 2000	June 30, 2000
Japan	$ 126.1	$ 298.8	$ 236.7
South Korea	143.2	282.0	299.4
France	98.6	85.8	120.4
United Kingdom	212.6	--	--
All Others	420.6	423.8	537.1
	$1,001.1	$1,090.4	$1,193.6

In this table, cross-border outstandings are defined as foreign monetary assets that are payable to the Company 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. Cross-border outstandings include loans, acceptances, interest-bearing deposits with other banks, other interest-bearing investments, and othermonetary assets.

CORPORATE RISK PROFILE

Credit Risk

Non-Performing Assets

Non-performing assets consist of non-accrual loans, including those held for sale and foreclosed real estate. Total non-performing assets decreased to $118.9 million, or 1.55% of total loans, at June 30, 2001. This represents a decrease of $64.1 million, or 35%, from December 31, 2000 non-performing assets that totaled $183.0 million, or 1.98% of total loans. Non-performing assets at June 30, 2000 were $210.6 million, or 2.19% of loans.

The decrease in domestic non-performing assets between December 31, 2000 and June 30, 2001 was largely due to loan sales and charge-off activity as management made significant progress on its commitment to improve asset quality.

There was no significant in-migration of non-accrual loans during the quarter ended June 30, 2001. Two large Hawaiian real estate loans were transferred to foreclosed assets during the quarter as the loans proceed towards resolution. This caused the increase in foreclosed assets from year-end 2000. At June 30, 2001, foreclosed real estate totaled $40.1 million.

Impaired loans at June 30, 2001 totaled $85.1 million compared to $221.0 million at December 31, 2000. The $75.2 million of impaired loans had a related allowance which totaled $21.3 million at June 30, 2001.

Accruing loans past due 90 days or more were $6.2 million at June 30, 2001, down from $18.8 million at year-end 2000 and $17.0 million at June 30, 2000.

For further information concerning non-performing assets refer to Table 7.

Consolidated Non-Performing Assets — Table 7

(dollars in millions)	June 30 2001	March 31 2001	Dec 31 2000	Sept 30 2000	June 30 2000
Non-Accrual Loans					
Commercial and Industrial	$11.8	$23.8	$55.4	$49.0	$52.7
Real Estate					
Construction	5.8	6.3	6.4	8.1	8.0
Commercial	14.4	29.7	60.1	86.8	62.2
Residential	16.2	18.5	22.7	22.0	23.2
Installment	0.2	0.1	-	0.1	0.1
Leases	0.4	0.2	0.4	0.2	0.3
Total Domestic	48.8	78.6	145.0	166.2	146.5
Foreign	18.5	16.9	33.5	48.3	59.2
Subtotal	67.3	95.5	178.5	214.5	205.7
Loans Held for Sale	11.5	12.8	--	--	--
Foreclosed Real Estate					
Domestic	39.8	10.9	4.2	4.9	4.6
Foreign	0.3	0.3	0.3	0.2	0.3
Subtotal	40.1	11.2	4.5	5.1	4.9
Total Non-Performing Assets	118.9	119.5	183.0	219.6	210.6
Total Loans	$7,618	$8,425	$9,235	$9,339	$9,614
Ratio of Non-Accrual Loans to Total Loans	0.88%	1.13%	1.93%	2.30%	2.14%
Ratio of Non-Performing Assets to Total Loans, Foreclosed Real Estate and Non-Performing Loans Held for Sale	1.55%	1.41%	1.98%	2.35%	2.19%

Changes in Non-Performing Assets

Balance at December 31, 2000	$ 183.0
Additions	
Loans transferred	141.1
Reductions	
Payments	(76.5)
Return to Accrual	(5.5)
Sales of Foreclosed Assets	(4.6)
Charge-offs	(118.6)
Total Reductions	(205.2)
Ending Balance June 30, 2001	$ 118.9

Allowance for Loan and Lease Losses

The allowance for loan and lease losses at June 30, 2001 was $199.8 million, or 2.62% of loans outstanding, compared with $246.2 million and $246.6 million, or 2.56% at June 30, 2000. A summary of the activity in the allowance for loan losses is presented in table 8.

The provision for loan losses was $6.4 million for the second quarter of 2001, which approximated net charge-offs. The provision was $77.0 million lower than for the same quarter last year. Charge-offs during the quarter of $20.3 million were partially offset by loan loss recoveries of $13.4 million. The Company continued to reduce the level of internally criticized and classified assets during the quarter ended June 30, 2001. Exposure to syndicated loans and Asia were also significantly reduced during the 2001 quarters.

Consolidated Allowance for Loan and Lease Losses — Table 8

(dollars in millions)	Second Quarter 2001	First Quarter 2001	Second Quarter 2000	First Six Months 2001	First Six Months 2000
Average Loans Outstanding	$8,047.8	$9,061.8	$9,513.1	$8,552.0	$9,439.6

Balance of Allowance for Loan and Lease Losses at Beginning of Period	$199.8	$246.2	$195.4	$246.2	$194.2
Loans Charged-Off					
Commercial and Industrial	8.9	75.5	12.4	84.4	9.7
Real Estate					
Construction	-	-	0.5	-	0.5
Commercial	1.6	11.9	7.7	13.5	11.5
Residential	1.7	2.5	1.4	4.2	3.7
Installment	4.2	5.4	5.2	9.6	9.9
Leases	-	0.1	0.2	0.1	0.2
Total Domestic	16.4	95.4	27.4	111.8	35.5
Foreign	3.9	10.0	9.1	13.9	17.1
Total Charged-Off	20.3	105.4	36.5	125.7	52.6
Recoveries on Loans Previously Charged-Off					
Commercial and Industrial	4.3	2.7	1.2	7.0	2.9
Real Estate					
Construction	-	-	-	-	-
Commercial	0.8	0.3	0.1	1.1	0.2
Residential	0.3	0.2	0.2	0.5	0.7
Installment	1.6	1.8	1.9	3.4	3.6
Leases	0.1	0.1	-	0.2	-
Total Domestic	7.1	5.1	3.4	12.2	7.4
Foreign	6.3	2.6	0.2	8.9	1.0
Total Recoveries	13.4	7.7	3.6	21.1	8.4
Net Charge-Offs	(6.9)	(97.7)	(32.9)	(104.6)	(44.2)
Provision for Loan Losses	6.4	52.5	83.4	58.9	96.9
Other Net Additions (Reductions)*	0.5	(1.2)	0.7	(0.7)	(0.3)
Balance at End of Period	$199.8	$199.8	$246.6	$199.8	$246.6
Ratio of Net Charge-Offs to Average Loans Outstanding (annualized)	0.34%	4.32%	1.39%	2.47%	0.95%
Ratio of Allowance to Loans Outstanding	2.62%	2.37%	2.56%	2.62%	2.56%

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

Market Risk

The Company manages assets and liabilities to maximize long term, risk adjusted returns to shareholders. The Company's asset and liability management process involves measuring, monitoring, controlling and managing financial risks that can significantly impact 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 with the objective to maximize earnings performance and shareholder value, while

limiting the volatility of each.

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

Other Than Trading Activities

A key element in the Company'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 captures the dynamic nature of the balance sheet and provides a sophisticated estimate rather than a precise prediction of NII's exposure to higher or lower interest rates.

Table 9 presents, as of June 30, 2001, December 31, 2000 and June 30, 2000, the estimate of the change in NII that would result 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 the measured base case scenario for NII. The resulting estimate in NII exposure is well within the approved Asset Liability Management Committee guidelines.

Market Risk Exposure to Interest Rate Changes — Table 9

	June 30, 2001	December 31, 2000	June 30, 2000
	Interest Rate Change (in basis points)	Interest Rate Change (in basis points)	Interest Rate Change (in basis points)

	-200	+200	-200	+200	-200	+200
Estimated Exposure as a Percent of Net Interest Income	(1.7)%	0.7%	(2.3)%	0.5%	0.0%	(2.0)%

To enhance and complement the results from the NII simulation model, the Company 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, the Company gains a better overall insight for managing its exposure to changes in interest rates.

In managing interest rate risk, the Company relies primarily on the balance sheet, to manage 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 and modifying investment portfolio strategies. The use of financial derivatives has been limited over the past several years.

The Company'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, the Company 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 the Company's total balance sheet exposure. A portion of the capital investment in French Polynesia and New Caledonia is offset by a borrowing denominated in the euro and a foreign exchange currency hedge transaction. In the first quarter of 2001, the Company recognized losses of $28.0 million arising from foreign currency translation losses that could not be hedged. These losses were previously included in other comprehensive income.

As of June 30, 2001 the remainder of these capital investments, which aggregated $57.0 million, was not hedged. The comparative unhedged position at year-end 2000 was $71.2 million and $86.1 million at June 30, 2000. The increased provision and charge-off of loans in the South Pacific and Asia have created situations where liabilities exceeded assets as of June 30, 2001. This anomaly results in the negative equity reported in Table 10 for the other currency category.

To estimate the potential loss from foreign currency exposure, the Company uses a value-at-risk (VAR) calculation. For net investments in subsidiaries, the Company's VAR is calculated at a 95% confidence interval.

Table 10 presents, as of June 30, 2001, December 31, 2000 and June 30, 2000, the Company's foreign currency exposure from its net investment in subsidiaries and branch operations that were denominated in a foreign currency as measured by the VAR.

Market Risk Exposure From Changes in Foreign Exchange Rates — Table 10

	June 30, 2001		December 31, 2000		June 30, 2000	
(dollars in millions)	Book Value	Value-at-Risk	Book Value	Value-at-Risk	Book Value	Value-at-Risk
Net Investments in Foreign Subsidiaries & Branches						
Japanese Yen	$10.3	$1.8	$10.6	$1.4	$10.2	$1.9
Korean Won	27.9	4.4	29.6	5.1	32.3	2.6
Pacific Franc (1)	23.1	4.3	32.0	6.2	28.0	5.8
Other Currencies	(4.3)	13.5	(1.0)	14.4	15.6	17.3
Total	$57.0	$24.0	$71.2	$27.1	$86.1	$27.6

(1) Net of $33 million, $37 million and $37 million borrowing at June 30, 2001, December 31, 2000 and June 30, 2000, respectively, denominated in euro and foreign exchange hedge transactions of $24 million, $26 million and $22 million at June 30, 2001, December 31, 2000 and June 30, 2000.

Trading Activities

Trading activities include foreign currency and foreign exchange contracts that expose the Company to a minor degree of foreign currency risk. The Company manages its trading account such that it does not maintain significant foreign currency open positions. The exposure from foreign currency trading activities positions measured by VAR methodology as of June 30, 2001 continue to be immaterial.

Liquidity Management

Liquidity is managed to ensure that the Company has continuous access to sufficient, reasonably priced funding to conduct its business in a normal manner. The Company's liquidity management process is described in the 2000 Annual Report to Shareholders on Form 10K.

The Company maintains a $25 million annually renewable line of credit for working capital purposes. Fees are paid on the unused balance of the line. During the first half of 2001 and throughout 2000, the line was not drawn upon.

Bank of Hawaii and First Savings are both members of the Federal Home Loan Bank of Seattle (FHLB). The FHLB provides these institutions with an additional source for short and long-term funding. Borrowings from the FHLB were $438.0 million at June 30, 2001, compared to $520.0 million at year-end 2000 and $626.0 million at June 30, 2000.

Additionally, Bank of Hawaii maintains a $1 billion senior and subordinated bank note program. Under this facility, Bank of Hawaii may issue additional notes provided that at any time the aggregate amount outstanding does not exceed $1 billion. At June 30, 2001, December 31, 2000 and June 30 2000 there was $125 million issued and outstanding under this program.

Capital Management

The Company 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 the Company's risk profile and current and projected economic conditions. The Company's objective is to hold sufficient capital on a regulatory basis to exceed the minimum guidelines of a well-capitalized institution.

At June 30, 2001, the Company's shareholders' equity totaled $1.395 billion, 15.4% higher than at June 30, 2000. The increase in shareholders' equity during the first half of 2001 was primarily attributable to the Company's earnings, net unrealized gains in the investment portfolio, realized foreign currency translation adjustments, and issuance of common stock under various stock-based compensation plans, partially offset by cash dividends that were paid.

In July 2001, the Company announced its plan to repurchase up to $70 million in common stock. The repurchases began on July 26, 2001 and, as of August 10, 2001, a total of 491,200 shares had been repurchased at a cost of $12.6 million.

At June 30, 2001, the Company's regulatory capital ratios exceeded the minimum threshold levels established by federal bank regulators to qualify an institution as well-capitalized, which are as follows: Tier 1 Capital - 6%; Total Capital - 10%; and Leverage - 5%. The Company's regulatory capital ratios are shown on Table 11, along with the activities and balances in the Company's capital accounts.

Equity Capital — Table 11

(dollars in millions)	Six Months Ended June 30, 2001	Year Ended December 31, 2000	Six Months Ended June 30, 2000
Source of Common Equity:			
Net Income	$60.4	$113.7	$46.5
Dividends Paid	(28.8)	(56.5)	(27.8)
Dividend Reinvestment Program	1.4	3.3	1.9
Stock Repurchases	--	(17.0)	(16.9)
Other (1)	61.4	45.6	(6.6)
Increase in Equity	$94.4	$89.1	($2.9)

Common Equity	$1,395.7	$1,301.4	$1,209.4
Add: 8.25% Capital Securities of Bancorp Hawaii Capital Trust I	100.0	100.0	100.0
Minority Interest	4.0	4.5	4.3
Less: Intangibles	127.4	163.9	169.6
Unrealized Valuation and Other Adjustments	25.0	2.2	(51.5)
Tier I Capital	1,347.3	1,239.8	1,195.6
Allowable Loan Loss Reserve	112.6	132.8	141.5
Subordinated Debt	148.4	172.1	195.9
Investment in Unconsolidated Subsidiary	--	(3.4)	(3.6)
Total Capital	$1,608.3	$1,541.3	$1,529.4
Risk Weighted Assets	$8,918.9	$10,512.3	$11,216.5
Key Ratios			
Tier I Capital Ratio	15.11%	11.78%	10.66%
Total Capital Ratio	18.03%	14.64%	13.64%
Leverage Ratio	10.47%	9.10%	8.51%

(1) Includes common stock issued under the profit sharing and stock option plans, unrealized valuation adjustments for investment securities, foreign currency translation, pension liability, and stock compensation.

Item 3. Quantitative and Qualitative Disclosures of Market Risk

See Management's Discussion and Analysis of Results of Operations and Financial Condition-Market Risk.

Part II. - Other Information

Items 1 to 3 and Item 5 omitted pursuant to instructions.

Item 4 - Submission of Matters to a Vote of Shareholders

At the annual shareholders meeting held on April 27, 2001, the following matters were submitted to a vote of the shareholders.

a. Election of Directors - Three directors whose terms in office were expiring as well as one new director nominee were elected to the Board of Directors as follows:

Mary G. Bitterman
Votes cast for: 66,057,712
Votes cast against: 0
Votes withheld: 3,046,761

Martin A. Stein
Votes cast for: 66,167,947
Votes cast against: 0
Votes withheld: 2,936,526

Stanley S. Takahashi
Votes cast for: 66,126,845
Votes cast against: 0
Votes withheld: 2,977,628

Clinton R. Churchill
Votes cast for: 66,335,096
Votes cast against: 0
Votes withheld: 2,769,377

b. Amendment to the Stock Option Plan to Increase Available Shares - The amendment to the plan increased the maximum shares of common stock that may be issued under the Plan by 5,000,000 to 14,650,000.

Votes cast for: 46,932,953
Votes cast against: 13,148,286

Votes withheld: 731,367

c. Amendment to the Stock Option Plan to Allow the Number of Options Granted to Exceed 20% for the Chief Executive Officer (CEO) Upon Hire - The amendment permitted the Company to follow a separate maximum limitation equal to 23% of the total authorized pool of shares as it relates to the number of options granted to the CEO at the time of hire.

Votes cast for: 56,402,027
Votes cast against: 11,974,788
Votes withheld: 727,658

d. Amendment to the Option Plan to Allow the Grant of Options to Independent Contractors - The amendment would allow the Company to grant awards to independent contractors providing services to the Company or a subsidiary.

Votes cast for: 56,723,865
Votes cast against: 11,593,349
Votes withheld: 787,259

e. Election of Ernst & Young LLP as external auditor.

Votes cast for: 66,911,276
Votes cast against: 1,805,426
Votes withheld: 387,771

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit Index

Exhibit Number	
12	Statement Regarding Computation of Ratios

(b) The following reports on Form 8-K were filed during the quarter ended June 30, 2001.

Current Report on Form 8-K dated April 23, 2001 and filed April 24, 2001 Item 5.

Current Report on Form 8-K dated April 25, 2001 and filed April 27, 2001 Item 5.

Current Report on Form 8-K dated June 5, 2001 and filed June 7, 2001 Item 5.

SIGNATURES

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

Date August 13, 2001 PACIFIC CENTURY FINANCIAL CORPORATION

/s/ Michael E. O'Neill
(Signature)

Michael E. O'Neill
Chairman and Chief Executive Officer

/s/ Allan R. Landon
(Signature)

Allan R.Landon
Vice Chairman and Chief Financial Officer

/s/ Leslie F. Paskett

(Signature)

Leslie F. Paskett
Senior Vice President and Controller

Pacific Century Financial Corporation
Exhibit 99 - Statement Regarding Computation of Ratios
Six Months Ended June 30, 2001 & 2000

(dollars in millions)	2001	2000
Earnings:		
1. Income Before Income Taxes	$107.8	$ 70.7
2. Plus: Fixed Charges Including Interest on Deposits	220.4	242.0
3. Earnings Including Fixed Charges	328.2	312.7
4. Less: Interest on Deposits	132.1	139.0
5. Earnings Excluding Interest on Deposits	$196.1	$173.7
Fixed Charges:		
6. Fixed Charges Including Interest on Deposits	$220.4	$242.0
7. Less: Interest on Deposits	132.1	139.0
8. Fixed Charges Excluding Interest on Deposits	$ 88.3	$103.0
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