

U N I T E D S T A T E S
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 1994

or

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

Commission File Number 1-6887

B A N C O R P H A W A I I , I N C .

(Exact name of registrant as specified in its charter)

Hawaii

99-0148992

(State of incorporation)

(IRS Employer Identification No.)

130 Merchant Street, Honolulu, Hawaii

96813

(Address of principal executive offices)

(Zip Code)

(808) 537-8111

(Registrant's telephone number, including area code)

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

Yes X No

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

Common Stock, \$2 Par Value; outstanding at September 30, 1994 - 42,223,990 shares

BANCORP HAWAII, INC. and subsidiaries
September 30, 1994

PART I. - Financial Information

Item 1. Financial Statements

The consolidated statements of condition as of September 30, 1994 and 1993, and December 31, 1993 and related statements of income, shareholders' equity, and cash flows are included herein.

The unaudited financial statements listed above have been

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

The financial statements reflect all adjustments of a normal and recurring nature which are, in the opinion of management, necessary to a fair statement of the results for the interim periods.

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

(in thousands of dollars)	September 30 1994	December 31 1993	September 30 1993
Assets			
Interest-Bearing Deposits	\$792,196	\$837,704	\$1,028,378
Investment Securities - Held to Maturity (Market Value of \$2,221,072, \$2,791,328, \$3,658,639, respectively)	2,253,645	2,753,590	3,595,098
Investment Securities - Available for Sale	1,159,218	893,453	28,983
Funds Sold	61,250	57,699	72,598
Loans	7,639,021	7,258,368	7,209,695
Unearned Income	(145,015)	(149,949)	(151,768)
Reserve for Possible Loan Losses	(143,061)	(125,284)	(119,726)
Net Loans	7,350,945	6,983,135	6,938,201
Total Earning Assets	11,617,254	11,525,581	11,663,258
Cash and Non-Interest Bearing Deposits	442,695	395,315	424,014
Premises and Equipment	197,342	167,260	161,229
Customers' Acceptance Liability	13,553	8,475	15,090
Accrued Interest Receivable	80,543	82,023	82,172
Other Real Estate	1,878	4,123	2,495
Intangibles, including Goodwill	94,643	102,929	95,117
Trading Securities	13,805	74,351	14,300
Other Assets	100,285	102,070	82,787
Total Assets	\$12,561,998	\$12,462,127	\$12,540,462
Liabilities			
Domestic Deposits			
Demand - Non-Interest Bearing	\$1,322,843	\$1,405,540	\$1,324,627
Savings - Interest-Bearing	1,734,449	1,931,807	1,902,241
Time	1,196,409	1,251,876	1,277,245
Foreign Deposits	1,562,432	1,581,534	1,630,201
	1,144,642	834,218	938,137
Total Deposits	6,960,775	7,004,975	7,072,451
Securities Sold Under Agreements to Repurchase	2,362,487	2,509,550	2,717,056
Funds Purchased	557,550	743,915	663,920
Short-Term Borrowings	625,400	600,266	621,054
Bank's Acceptances Outstanding	13,553	8,475	15,090
Accrued Pension Costs	23,763	24,367	23,520
Accrued Interest Payable	56,797	34,347	41,544
Accrued Taxes Payable	141,384	154,291	140,112
Other Liabilities	96,960	85,967	82,668
Long-Term Debt	745,680	357,870	253,500
Total Liabilities	11,584,349	11,524,023	11,630,915
Shareholders' Equity			
Common Stock (\$2 par value), authorized 100,000,000 shares; issued/outstanding, September 1994 - 42,190,534; December 1993 - 28,425,038; September 1993 - 28,396,983;	84,381	56,850	56,794
Surplus	269,447	284,886	284,411
Unrealized Valuation Adjustments	(11,097)	537	(1,626)
Retained Earnings	634,918	595,831	569,968
Total Shareholders' Equity	977,649	938,104	909,547
Total Liabilities and Shareholders' Equity	\$12,561,998	\$12,462,127	\$12,540,462

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

(in thousands of dollars except per share amounts)	3 Months Ended September 30 1994	3 Months Ended September 30 1993	9 Months Ended September 30 1994	9 Months Ended September 30 1993
Interest Income				
Interest on Loans	\$137,950	\$125,455	\$397,920	\$370,401
Loan Fees	7,462	10,070	24,498	28,021
Income on Lease Financing	3,276	4,590	10,558	12,786
Interest and Dividends on Investment Securities				
Taxable	33,111	51,144	106,921	153,118

Non-taxable	427	544	1,272	1,850
Income on Investment Securities Available for Sale	14,685	308	36,395	5,466
Interest on Deposits	8,921	10,595	25,768	33,367
Interest on Security Resale Agreements	--	8	--	2,934
Interest on Funds Sold	438	639	1,230	1,744
Total Interest Income	206,270	203,353	604,562	609,687
Interest Expense				
Interest on Deposits	48,492	47,122	134,938	153,468
Interest on Security Repurchase Agreements	25,101	21,772	70,337	66,972
Interest on Funds Purchased	7,685	6,103	18,521	17,574
Interest on Short-Term Borrowings	3,805	3,242	11,742	10,332
Interest on Long-Term Debt	9,456	3,852	22,044	7,403
Total Interest Expense	94,539	82,091	257,582	255,749
Net Interest Income	111,731	121,262	346,980	353,938
Provision for Possible Loan Losses	3,031	23,889	17,253	45,105
Net Interest Income After Provision for Possible Loan Losses	108,700	97,373	329,727	308,833
Non-Interest Income				
Trust Income	13,170	11,118	36,355	29,497
Service Charges on Deposit Accounts	6,922	6,969	21,137	19,761
Fees, Exchange, and Other Service Charges	8,969	8,188	25,753	23,757
Other Operating Income	5,463	5,401	20,086	14,565
Investment Securities Gains (Losses)	(671)	6,669	(2,269)	9,638
Total Non-Interest Income	33,853	38,345	101,062	97,218
Non-Interest Expense				
Salaries	34,492	33,806	103,058	100,911
Pensions and Other Employee Benefits	10,344	10,305	34,061	32,367
Net Occupancy Expense of Premises	9,325	10,016	27,505	27,707
Net Equipment Expense	7,598	6,604	22,503	19,950
Other Operating Expense	27,085	24,313	79,710	69,355
Total Non-Interest Expense	88,844	85,044	266,837	250,290
Income Before Income Taxes	53,709	50,674	163,952	155,761
Provision for Income Taxes	21,749	20,532	63,438	58,886
Net Income	\$31,960	\$30,142	\$100,514	\$96,875
Earnings Per Common Share and Common Share Equivalents	\$0.75	\$0.70	\$2.34	\$2.25
Average Common Shares and Common Share Equivalents Outstanding	42,845,626	42,979,704	42,943,828	43,080,657

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

(in thousands of dollars except per share amounts)	Total	Common Stock	Surplus	Unrealized Valuation Adj.	Retained Earnings
Balance at December 31, 1993	\$938,104	\$56,850	\$284,886	\$537	\$595,831
Net Income	100,514	-	-	-	100,514
Sale of Common Stock					
182,640 Profit Sharing Plan	5,909	365	5,544	-	-
126,813 Stock Option Plan	2,018	254	1,764	-	-
163,421 Dividend Reinvestment Plan	5,420	327	5,093	-	-
Stock Repurchased	(29,543)	(1,703)	(27,840)	-	-
Unrealized Valuation Adjustments					
Investment Securities	(14,699)	-	-	(14,699)	-
Foreign Exchange Translation Adjustment	3,065	-	-	3,065	-
50 Percent Stock Dividend	(59)	28,288	-	-	(28,347)
Cash Dividends Paid of \$.78 Per Share	(33,080)	-	-	-	(33,080)
Balance at September 30, 1994	\$977,649	\$84,381	\$269,447	(\$11,097)	\$634,918
Balance at December 31, 1992	\$828,328	\$56,112	\$272,810	(\$2,271)	\$501,677
Net Income	96,875	-	-	-	96,875
Sale of Common Stock					
75,139 Profit Sharing Plan	3,429	150	3,279	-	-
124,937 Stock Option Plan	2,786	250	2,536	-	-
140,717 Dividend Reinvestment Plan	6,068	282	5,786	-	-
Unrealized Valuation Adjustments					
Investment Securities	(19)	-	-	(19)	-
Foreign Exchange Translation Adjustment	664	-	-	664	-
Cash Dividends Paid of \$.67 Per Share	(28,584)	-	-	-	(28,584)
Balance at September 30, 1993	\$909,547	\$56,794	\$284,411	(\$1,626)	\$569,968

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Consolidated Statements of Cash Flows (Unaudited)

Bancorp Hawaii, Inc. and subsidiaries

Nine Months Ended September 30 (in thousands of dollars)	1994	1993
Operating Activities		
Net Income	\$100,514	\$96,875
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses, depreciation, and amortization of income and expense	48,837	30,778
Deferred income taxes	10,739	4,612
Realized and unrealized investment security gains	(1,720)	(8,688)
Net (increase) decrease in trading securities	454	(2,523)
Other assets and liabilities, net	26,649	53,636
Net cash provided by operating activities	185,473	174,690
Investing Activities		
Proceeds from redemptions of investment securities held to maturity	977,956	418,114
Purchases of investment securities held to maturity	(478,011)	(977,168)
Proceeds from sales of investment securities available for sale	269,605	694,761
Purchases of investment securities available for sale	(498,148)	(614,651)
Net decrease in interest-bearing deposits placed in other banks	45,508	404,120
Net (increase) decrease in funds sold	(3,551)	531,876
Net increase in loans and lease financing	(395,261)	(256,911)
Premises and equipment, net	(45,237)	(17,683)
Purchase of American Financial Services of Hawaii, Inc., net of cash acquired	--	(48,990)
Net cash provided (used) by investing activities	(127,139)	133,468
Financing Activities		
Net decrease in demand, savings, and time deposits	(44,200)	(818,040)
Proceeds from lines of credit and long-term debt	387,810	190,012
Principal payments on lines of credit and long-term debt	--	(20,612)
Net increase (decrease) in short-term borrowings	(308,294)	386,578
Proceeds from sale of stock	(16,196)	12,283
Cash dividends	(33,139)	(28,584)
Net cash used by financing activities	(14,019)	(278,363)
Effect of exchange rate changes on cash	3,065	664
Increase in cash and non-interest bearing deposits	47,380	30,459
Cash and non-interest bearing deposits at beginning of year	395,315	393,555
Cash and non-interest bearing deposits at end of period	\$442,695	\$424,014

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

Financial Review

Performance Highlights

Bancorp Hawaii, Inc. (Bancorp) reported earnings for the third quarter of 1994 of \$32.0 million, 6.0% above earnings for the third quarter of 1993. On a per share basis, earnings were \$0.75 for the third quarter of 1994, 7.1% above the third quarter of 1993. Year-to-date net income totaled \$100.5 million through September 30, 1994, an increase of 3.8% over the same period in 1993. Earnings per share were \$2.34 and \$2.25 for the nine months ended September 30, 1994 and 1993, respectively. Per share figures have been adjusted for the 50% stock dividend declared in the first quarter of 1994. Tepid loan demand in Hawaii, Bancorp's main market, along with significant increases in interest rates during 1994 have resulted in slowed earnings growth.

Total assets were \$12.6 billion as of September 30, 1994, up 0.8% from the \$12.5 billion reported at year-end 1993. Net loans outstanding increased to \$7.4 billion at September 30, 1994 from \$7.0 billion at year-end 1993, an increase of 5.3%. Total investment securities stood at \$3.4 billion at September 30, 1994 representing a 6.4% decline from year-end 1993. The overall decrease in total investments reflects the maturing of investment securities and reduction of the securities sold under agreement to repurchase.

Total deposits remained level at \$7.0 billion, compared with

year-end 1993 and decreased from the \$7.1 billion reported on September 30, 1993. Securities sold under agreements to repurchase (repos) as of September 30, 1994 totaled \$2.4 billion, a decline of 5.9% from year-end 1993 and a 13.0% decline from September 30, 1993. The changes in repo balances, which are mainly comprised of government funds are discussed later in the liquidity section of this report.

Non-performing assets (NPAs) increased to \$56.1 million at September 30, 1994 compared to \$53.3 million at the end of the second quarter of 1994. This favorably compares with NPAs of \$68.8 million at year-end 1993. A further discussion on NPAs and Reserve for Loan Losses follows.

Trust income for the third quarter of 1994 which includes both American Financial Services (AFS) and Hawaiian Trust Company totaled \$13.2 million, an 18.5% increase over the \$11.1 million reported for the same quarter in 1993. The substantial increase in trust income was partially due to synergies gained by consolidating the operations of AFS. Synergies gained from the consolidation are expected to continue for the rest of the year.

Risk Elements in Lending Activities

At September 30, 1994, total loans were \$7.6 billion, a 5.2% increase over year-end 1993 and 6.0% above total loans on September 30, 1993. The focus of the loan growth has been in the residential mortgage and installment loan categories with the weak commercial loan growth reflecting Hawaii's sluggish economy. In spite of this slower loan growth, Bancorp's lending policies remain unchanged and conservative. The following table presents Bancorp's total loan portfolio balances for the periods indicated.

Loan Portfolio Balances	Bancorp Hawaii, Inc., and subsidiaries		
(in millions of dollars)	September 30 1994	December 31 1993	September 30 1993
Domestic Loans			
Commercial and Industrial	\$1,653.1	\$1,709.2	\$1,712.4
Real Estate			
Construction -- Commercial	125.4	136.2	137.4
-- Residential	18.1	35.1	35.0
Mortgage -- Commercial	1,269.8	1,230.6	1,191.2
-- Residential	2,771.4	2,476.0	2,371.9
Installment	713.3	676.2	657.6
Lease Financing	380.0	401.6	406.5
Total Domestic	6,931.1	6,664.9	6,512.0
Foreign Loans	707.9	593.5	697.7
Total Loans	\$7,639.0	\$7,258.4	\$7,209.7

Commercial and Industrial Loans

Commercial and Industrial loans outstanding were \$1.7 billion as of September 30, 1994, reflecting a decrease of 3.3% from year-end 1993. There was also a decline in loan balances as compared to the same time last year. The decline in this loan category reflects the lack of loan demand due to the tepid business climate in Hawaii.

Real Estate Loans

Total real estate loans at September 30, 1994 were \$4.2 billion, up 7.9% over year-end 1993. The real estate sector continues to show growth reflecting the residuals of the refinancing surge and to a certain extent the tight housing market in Hawaii. Both commercial and residential real estate balances showed growth in 1994. Commercial real estate balances (excluding construction) of \$1.3 billion on September 30, 1994 rose 3.2% from year-end 1993 and 6.6% from September 30, 1993. Residential mortgage loans (excluding construction loans) totaled \$2.8 billion as of September 30, 1994, up 11.9% from year-end 1993 and up 16.8% from the same date last year. Construction loan balances have declined to \$143.5 million at September 30, 1994. These balances compare with \$171.3 million at year-end 1993 and \$172.4 million on September 30, 1993. Although there is an overall slowdown in the construction sector in Hawaii, the residential housing market continues to show good growth.

Other Lending

Installment loans as of September 30, 1994 increased by 5.5% to \$713.3 million from the \$676.2 million reported on December 31, 1993. The September 30, 1994 balance was 8.5% above the \$657.6 million on September 30, 1993. The increase reflects Bancorp's efforts to increase its installment loan base through special programs for VISA cards and other consumer loans. Lease financing of \$380.0 million on September 30, 1994 decreased 5.4% from \$401.7 million reported at year-end 1993 and 6.5% from \$406.5 million reported at September 30, 1993. The decline in leasing activity reflects the competitiveness in the market between loans and leases for equipment financing.

Foreign loan balances have increased to \$707.9 million as of September 30, 1994, up 19.3% from a year-end 1993 and up 1.5% from a year ago September 30. The rise in foreign loans over year-end 1993 reflect the increased valuation of Japanese loans due to the yen-U.S. dollar relationship. The foreign loan total includes outstanding credits to Less Developed Countries (LDC). LDC exposure remains very limited at \$1.0 million in outstanding credits and \$98.1 million in confirmed letters of credit and banker's acceptances at September 30, 1994. All LDC exposure is in the Philippines.

Non-Performing Assets and Past Due Loans

Bancorp's non-performing assets include non-accrual loans, restructured loans and foreclosed real estate. NPAs totaled \$56.1 million, representing 0.73% of total loans outstanding at September 30, 1994. This ratio compares with 0.95% at year-end 1993 and 1.26% at the end of the third quarter 1993. The improvement of this ratio reflects Bancorp's effort to aggressively manage these loans and charge off balances when appropriate.

Non-accrual loans increased during the third quarter of 1994 to \$54.2 million from \$42.6 million at June 30, 1994, but remained lower than the \$58.4 million reported at year-end 1993. The increase from the second quarter of 1994 was mainly due to the addition of a commercial real estate property loan of \$10.8 million. Of the non-accrual loans, only eight loans exceed \$1 million and represent in total \$41.8 million of the balance at September 30, 1994.

At the end of the third quarter of 1994, there were no restructured loans reported compared with \$7.3 million reported at June 30, 1994 and \$6.3 million at year-end 1993. Total foreclosed real estate declined to \$1.9 million compared to the \$3.4 million reported at June 30, 1994 and \$4.1 million reported at year-end 1993. The decrease reflects the sale of a hotel property on the island of Kauai at no additional loss. There remains only seven properties in foreclosed real estate, of the seven properties, two represent \$1.2

million or 67% of foreclosed real estate.

Accruing loans past due 90 days or more decreased to \$9.2 million from the \$9.9 million reported at June 30, 1994 and also lower than the \$10.0 million reported at year-end 1993. Total NPAs and loans 90 days past due totaled \$65.3 million, a 17.1% decrease from the \$78.8 million reported at year-end 1993. Total NPAs and loans 90 days past due as a percent of total loans outstanding was .85%, 24 basis points below the 1.09% reported at year-end 1993.

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

Bancorp Hawaii, Inc.

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

(in millions of dollars)	September 30 1994	December 31 1993	September 1993
<hr/>			
Non-Accrual Loans			
Commercial	\$20.8	\$15.7	\$35.6
Real Estate			
Construction	1.8	17.7	18.2
Commercial	15.5	7.8	9.1
Residential	15.0	16.4	17.0
Installment	0.3	0.5	0.6
Leases	0.8	0.3	0.4
Other	--	--	--
Foreign	--	--	1.3
	<hr/>		
Subtotal	54.2	58.4	82.2
Restructured Loans			
Commercial	--	1.0	1.0
Real Estate			
Construction	--	--	--
Commercial	--	5.3	5.3
Residential	--	--	--
Installment	--	--	--
Leases	--	--	--
Other	--	--	--
Foreign	--	--	--
	<hr/>		
Subtotal	--	6.3	6.3
Foreclosed Real Estate			
Domestic	1.9	4.1	2.5
Foreign	--	--	--
	<hr/>		
Subtotal	1.9	4.1	2.5
	<hr/>		
Total Non-Performing Assets	56.1	68.8	91.0
	<hr/> <hr/>		
Accruing Loans Past Due 90 Days or More			
Commercial	0.9	0.3	1.1
Real Estate			
Construction	--	--	1.5
Commercial	1.4	1.9	1.5
Residential	2.4	4.1	3.9
Installment	4.5	3.5	4.2
Leases	--	0.1	0.1

Other	--	0.1	--
Foreign	--	--	--

Subtotal	9.2	10.0	12.3

Total	\$65.3	\$78.8	\$103.3
	=====		

Ratio of Non-Performing Assets to Total Loans	0.73%	0.95%	1.26%

Ratio of Non-Performing Assets and Accruing Loans Past Due 90 Days or More to Total Loans	0.85%	1.09%	1.43%

Summary of Loan Loss Experience

The reserve for loan losses stood at \$143.1 million at September 30, 1994, representing 1.91% of loans outstanding. This compares with 1.91% as of June 30, 1994, 1.76% at year-end 1993 and 1.70% on September 30, 1993.

Loan loss provisions were \$3.1 million for the third quarter of 1994, about half the \$5.9 million reported for the second quarter of 1994. The reduced level of provisions reflecting the strong recoveries and the lower level of charge-offs so far this year. As indicated in the table following, charge-offs totaled \$8.0 million for the third quarter of 1994, compared with \$4.8 million for the second quarter of 1994 and \$37.0 million during the third quarter of 1993. The large amount charged-off in the third quarter of 1993 was mainly due to the additional charge-off of loans to a single borrower secured by commercial leasehold property. Partial charge-offs were also recognized in late 1992. The strong level of recoveries for 1994 have been largely realized from those loans.

Net charge-offs for the third quarter of 1994 were \$1.2 million, compared to the net recovery figure of \$5.2 million reported for the second quarter of 1994. For the year-to-date, Bancorp reported a net recovery of \$0.5 million compared to net charge-offs of \$54.0 million for the same period in 1993. The annualized ratio of net charge-offs to average loans outstanding for the third quarter 1994 of 0.06%, compares with the ratio of net recoveries to average loans of 0.29% for the second quarter of 1994 and well below the net charge-off ratio of 2.00% reported for the third quarter of 1993.

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

Summary of Loss Experience		Bancorp Hawaii, Inc., and subsidiaries			
		Third Quarter 1994	Third Quarter 1993	First Nine Months 1994	First Nine Months 1993
(in millions of dollars)					

Average Loans Outstanding		\$7,468.3	\$7,076.7	\$7,310.9	\$6,973.4
Balance of Reserve for Possible Loan Losses at Beginning of Period		\$141.2	\$131.2	\$125.3	\$128.6
Loans Charged Off					
Commercial and Industrial		4.1	31.0	9.8	42.0
Real Estate - Construction		0.1	--	0.1	0.2
Real Estate - Mortgage					
Commercial		0.8	--	1.8	2.6
Residential		0.5	0.2	0.6	0.2
Installment		2.5	2.3	6.8	6.2
Foreign		--	1.5	0.7	6.4
Leases		--	2.0	0.1	2.0

Total Charged Off		8.0	37.0	19.9	59.6
Recoveries on Loans Previously Charged Off					
Commercial and Industrial		5.2	0.7	16.3	2.7
Real Estate - Construction		--	--	--	--
Real Estate - Mortgage					

Commercial	0.2	--	0.9	--
Residential	--	0.1	0.2	0.2
Installment	0.8	0.8	2.4	2.4
Foreign	--	--	--	0.2
Leases	0.6	--	0.6	0.1
Total Recoveries	6.8	1.6	20.4	5.6
Net (Charge Offs) Recoveries	(1.2)	(35.4)	0.5	(54.0)
Provision Charged to Operating Expenses	3.1	23.9	17.3	45.1
Balance at End of Period	\$143.1	\$119.7	\$143.1	\$119.7
Ratio of Net (Charge Offs) Recoveries to Average Loans Outstanding (annualized)	(0.06)%	(2.00)%	0.01%	(1.03)%
Ratio of Reserve to Loans Outstanding	1.91%	1.70%	1.91%	1.70%

Capital

The level of Bancorp's capital is managed through the target ratios outlined in Bancorp's 1993 Annual Report. Bancorp's 6% minimum target of average equity to average assets keeps both objectives of a return on assets of 1% and return on equity of 16% in reasonable balance. The average equity to average assets ratio for the year through September 1994 was 7.69%, compared with the 7.09% reported for 1993.

As announced earlier in 1994, Bancorp began a program to repurchase shares of its common stock. So far in 1994, Bancorp has repurchased more than 850,000 shares, more than offsetting the new shares issued for its Profit Sharing Plan, Stock Option Plan and Dividend Reinvestment Plan.

Regulatory risk-based capital remained well above minimum guidelines. Bancorp's Total Capital and Tier 1 Capital ratios were 13.79% and 11.05%, respectively, compared to 13.59% and 10.84%, respectively, at June 30, 1994. Regulatory guidelines prescribe a minimum Total Capital ratio of 10.00% and a Tier 1 Capital ratio of 6.00% for an institution to qualify as well capitalized. Bancorp's strategy is to maintain its capital ratios at levels to meet this qualification to benefit from the financial and regulatory incentives provided to well capitalized companies.

In addition, the leverage ratio, which is Tier 1 Capital to Total Average Assets, was 7.46% at September 30, 1994, compared to 7.21% at June 30, 1994 and 6.84% at September 30, 1993. The required minimum ratio is 5.00% to qualify an institution as well capitalized.

Spread Management

The average net interest margin or spread on earning assets for the third quarter of 1994 was 3.79%, a decrease from the 4.01% reported in the second quarter of 1994 and a decrease from the 4.07% reported for the same period in 1993. Year-to-date spread for 1994 was 3.95% compared to 4.00% for the same period in 1993. The rise in interest rates in 1994, combined with the modest loan growth, has continued to place pressure on Bancorp's ability to maintain current spread levels. The impact is seen by the substantial decrease in spread when comparing the third quarter 1994 with second quarter 1994. Over the next two quarters, Bancorp will have an opportunity to reduce its liability sensitive position as a significant amount of fixed rate investments are scheduled to mature.

The cost of funds rate for the third quarter of 1994 was 3.77%, which was above the 3.25% reported for the third quarter of 1993. The rise in the cost of funds reflects the impact of higher interest rates and increased competition for deposits.

The earning asset yield was 6.98% for the third quarter of 1994, an increase over the third quarter 1993 of 6.81%. This increase has not kept up with the increased cost of funds and results in the squeeze on Bancorp's spread.

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

(in millions of dollars)	Three Months Ended September 30, 1994			Three Months Ended September 30, 1993		
	Average Balance	Income/Yield/ Expense	Rate	Average Balance	Income/Yield/ Expense	Rate
Earning Assets						
Interest Bearing Deposits	\$747.0	\$8.9	4.74%	\$1,127.3	\$10.6	3.73%
Investment Securities						
-Taxable	2,445.2	33.1	5.37	3,586.7	51.2	5.66
-Tax-Exempt	18.3	0.7	14.22	26.9	0.8	12.18
Funds Sold	1,039.6	14.7	5.60	21.2	0.3	5.78
Net Loans	31.6	0.4	5.50	46.2	0.6	5.55
-Domestic	6,820.2	134.6	7.83	6,376.7	122.4	7.61
-Foreign	648.1	6.8	4.18	700.0	7.9	4.50
Loan Fees		7.5			10.1	
Total Earning Assets	11,750.0	206.7	6.98	11,885.0	203.9	6.81
Cash and Due From Banks	373.2			309.5		
Other Assets	329.3			246.0		
Total Assets	\$12,452.5			\$12,440.5		
Interest Bearing Liabilities						
Domestic Deposits - Demand	\$1,864.4	11.1	2.36	\$2,016.8	10.5	2.07
- Savings	1,219.6	6.4	2.10	1,251.6	8.0	2.54
- Time	1,516.8	16.1	4.20	1,650.6	18.5	4.45
Total Domestic	4,600.8	33.6	2.90	4,919.0	37.0	2.99
Total Foreign	1,240.4	14.9	4.75	1,163.1	10.1	3.43
Total Deposits	5,841.2	48.5	3.29	6,082.1	47.1	3.07
Short-Term Borrowings	3,429.6	36.6	4.23	3,703.0	31.1	3.33
Long-Term Debt	682.0	9.4	5.50	251.1	3.9	6.09
Total Interest Bearing Liabilities	9,952.8	94.5	3.77	10,036.2	82.1	3.25
Net Interest Income		112.2	3.21		121.8	3.56
Average Spread on Earning Assets			3.79%			4.07%
Demand Deposits	1,329.2			1,346.5		
Other Liabilities	193.1			151.3		
Shareholders' Equity	977.4			906.5		
Total Liabilities and Shareholders' Equity	\$12,452.5			\$12,440.5		
Provision for Possible Losses		3.0			23.9	
Net Overhead		55.0			46.7	
Income Before Income Taxes		54.2			51.2	
Provision for Income Taxes		21.8			20.6	
Tax-Equivalent Adjustment		0.4			0.5	
Net Income		\$34.4			\$33.0	

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

(in millions of dollars)	Nine Months Ended September 30, 1994			Nine Months Ended September 30, 1993		
	Average Balance	Income/Yield/ Expense	Rate	Average Balance	Income/Yield/ Expense	Rate
Earning Assets						
Interest Bearing Deposits	\$839.5	\$25.8	4.10%	\$1,179.7	\$33.4	3.78%
Investment Securities						
-Taxable	2,618.3	106.9	5.46	3,467.1	153.1	5.90
-Tax-Exempt	19.0	2.0	13.78	31.2	2.8	12.01
Funds Sold	969.8	36.4	5.02	70.1	5.5	10.42
Net Loans	36.7	1.2	4.48	178.7	4.7	3.50

-Domestic	6,665.8	385.4	7.73	6,295.4	361.1	7.67
-Foreign	645.1	23.7	4.90	678.0	22.8	4.50
Loan Fees		24.5			28.0	
Total Earning Assets	11,794.2	605.9	6.87	11,900.2	611.4	6.87
Cash and Due From Banks	429.3			411.4		
Other Assets	338.6			275.8		
Total Assets	\$12,562.1			\$12,587.4		
Interest Bearing Liabilities						
Domestic Deposits - Demand	\$1,903.4	29.8	2.10	\$2,046.0	35.3	2.31
- Savings	1,249.4	20.7	2.21	1,231.2	25.5	2.77
- Time	1,529.3	47.7	4.17	1,756.3	60.4	4.60
Total Domestic	4,682.1	98.2	2.81	5,033.5	121.2	3.22
Total Foreign	1,213.8	36.7	4.04	1,197.8	32.3	3.61
Total Deposits	5,895.9	134.9	3.06	6,231.3	153.5	3.29
Short-Term Borrowings	3,576.9	100.6	3.76	3,803.7	94.8	3.33
Long-Term Debt	560.2	22.1	5.26	168.7	7.4	5.87
Total Interest Bearing Liabilities	10,033.0	257.6	3.43	10,203.7	255.7	3.35
Net Interest Income		348.3	3.44		355.7	3.52
Average Spread on Earning Assets			3.95%			4.00%
Demand Deposits	1,371.3			1,306.3		
Other Liabilities	192.0			198.3		
Shareholders' Equity	965.8			879.1		
Total Liabilities and Shareholders' Equity	\$12,562.1			\$12,587.4		
Provision for Possible Losses		17.3			45.1	
Net Overhead		165.8			153.1	
Income Before Income Taxes		165.2			157.5	
Provision for Income Taxes		63.4			58.9	
Tax-Equivalent Adjustment		1.3			1.7	
Net Income		\$34.4			\$33.0	

Liquidity

Bancorp's liquidity or the ability to meet day-to-day financial needs of its customers is important. The strategy to meet these liquidity needs was outlined in the 1993 Annual Report and currently remains in place.

The investment portfolio totaled \$3.4 billion at September 30, 1994 reflecting a change from the \$3.6 billion reported at year-end 1994. There has been a change in the mix of the portfolio with the held to maturity portfolio decreasing from \$2.8 billion at year-end 1993 to \$2.3 billion at September 30, 1994. Over the same period, securities classified as available for sale have increased from \$893.5 million to \$1.6 billion to improve Bancorp's liquidity.

At September 30, 1994, deposits were \$7.0 billion, compared to \$7.0 billion and \$7.1 billion reported at year-end 1993 and September 30, 1993, respectively. The level of deposits reflect increased competition for deposits, not only by banks and savings and loan companies, but also by securities brokerage firms. These deposit totals do not include repos, which are offered to governmental entities as an alternative to deposits. Repos offered to state and municipal governments require the same level of collateralization as government deposits, but provide a marginally higher rate of interest, as these funds are not FDIC insured. Repos totaled \$2.4 billion as of September 30, 1994, compared to \$2.5 billion at year-end 1993 and \$2.7 billion as of September 30, 1993. The lower level of repo balances reflects expected variations in governmental cash flows.

During the quarter, Bank of Hawaii issued an additional \$150 million in bank notes. The notes were issued under the established bank note facility allowing the issuance of up to \$750 million in

notes. The notes bear floating and fixed interest rates and mature in 1 to 2 years. As of September 30, 1994, \$450 million have been issued under this facility. As a result, long term debt increased to \$745.7 million at September 30, 1994.

Net Overhead

The net overhead ratio is a tool used to manage Bancorp's net overhead. As stated in Bancorp's 1993 Annual Report, the net overhead ratio is defined as the ratio of non-interest expense to non-interest income. Bancorp's long term goal is to have a ratio of 2 to 1, where fee income offsets at least half of the cost of operations. The ratio for the third quarter of 1994 was 2.57, compared to the 2.71 for the second quarter of 1994 and 2.68 reported last year for the same period. The net overhead ratio for full year 1993 was 2.82. These ratios are calculated before investment securities gains and losses.

Another productivity measure used at Bancorp is the amount of net income per full-time equivalent staff (FTE). The objective is to improve net income with existing or lesser staff levels. Year-to-date 1994 net income per FTE was just over \$23,300 or \$31,000 on an annualized basis, compared to the \$31,000 and \$31,100 reported for the full years of 1993 and 1992, respectively.

Non-interest income for the third quarter was \$34.5 million (excluding investment securities gains/losses), a 9.0% increase over the same quarter in 1993. Trust income was \$13.2 million, up 18.5% from the same period last year. The substantial increase was partially due to synergies gained from the consolidation of the subsidiaries of AFS as sales forces and operating units have been combined. Service charges on deposit accounts for the third quarter of 1994 were \$6.9 million, compared to \$7.0 million reported for the same quarter last year. Fees, exchange and other service charges for the third quarter were \$9.0 million, an increase of 9.5% over the same period last year. The increase was largely fueled by increased ATM usage fees. Other operating income totaled \$5.4 million for the third quarter of 1994; just slightly above the number reported for the third quarter of 1993.

Expense control continues to be a high priority at Bancorp. Non-interest expense for the third quarter of 1994 was \$88.8 million compared to \$85.0 million reported for the third quarter of 1993, an increase of 4.5%. Control over salary and benefits has been an emphasis for Bancorp as it is the largest single expense category after interest expense. Salary and benefit expenses increased to \$44.8 million for the third quarter of 1994, up 1.6% from \$44.1 million reported for the same period last year. For the year-to-date, salary and benefits totaled \$137.1 million, compared to \$133.3 million for the same period in 1993, an increase of 2.9%. The increase largely results from the acquisition of AFS in May of 1993.

Occupancy and premises costs declined 6.9% to \$9.3 million for the third quarter 1994 from \$10.0 million for the third quarter 1993. This decline largely reflecting the elimination of the premises expenses incurred by AFS in 1993. For the year-to-date, net premises is virtually level with the comparable period in 1993. Equipment expenses increased to \$7.6 million, 15.1% above third quarter 1993 expenses of \$6.6 million. For the year-to-date, net equipment expense is up 12.8% to \$22.5 million from the \$20.0 million for the same period in 1993. The rise in equipment expenses reflect increased costs to maintain computer equipment, the conversion of a deposit system and the continuing effort to invest in technology.

Other operating expenses rose to \$79.7 million for the nine months ended September 30, 1994, compared with \$69.4 million reported for the same period in 1993. The substantial increase in this category reflects two large items. The first was the increase in the

amortization of intangibles for acquisitions made in 1993 of \$2.0 million. The second item was an increase in professional service fees of \$3.9 million, this increase is partly due to the recovery of \$2.5 million in legal fees in 1993.

PART II. - Other Information

Items 1 to 5 omitted pursuant to instructions.

Item 6 - Exhibits and Reports on Form 8-K

(a) The following exhibits are filed herewith:

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

Exhibit #20 - Report furnished to shareholders for the quarter ended June 30, 1994.

(b) No Form 8-K filings were made in the third quarter.

SIGNATURES

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

Date November 10, 1994

BANCORP HAWAII, INC.

RICHARD J. DAHL
(Signature)

Richard J. Dahl
President

DENIS K. ISONO
(Signature)

Denis K. Isono
Vice President and
Chief Accounting
Officer

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

	Primary -----	Fully Diluted -----
1994 -----		
Net Income	\$100,514,000 =====	\$100,514,000 =====
Daily Average Shares Outstanding	42,425,784	42,425,784
Shares Assumed Issued for Stock Options	518,044	518,044
	----- 42,943,828 =====	----- 42,943,828 =====
Earnings Per Common Share and Common Share Equivalents	\$2.34 =====	\$2.34 =====
1993 -----		
Net Income	\$96,875,000 =====	\$96,875,000 =====
Daily Average Shares Outstanding	42,490,926	42,490,926
Shares Assumed Issued for Stock Options	589,731	589,731
	----- 43,080,657 =====	----- 43,080,657 =====
Earnings Per Common Share and Common Share Equivalents	\$2.25 =====	\$2.25 =====

To Our Shareholders:

For the second quarter of 1994, Bancorp Hawaii, Inc. reported earnings of \$34.2 million, a 1.2% increase from second quarter 1993. Earnings per share for the second quarter were \$0.79, which matched that of second quarter 1993.

For the first half of 1994, Bancorp Hawaii's earnings were \$68.6 million, which reflects a 2.7% increase from the first six months of 1993. Return on average assets was 1.10% and return on average equity was 14.40% for the six-month period.

Your company's total assets on June 30, 1994 were \$12.6 billion, just slightly lower than assets at the same time last year. Deposits and security repurchase agreements were \$9.4 billion, down 6.1% from June 30, 1993. Net loans increased 5.2% over the same period to \$7.2 billion, from \$6.9 billion.

Asset quality throughout the year has continued to improve. Total non-performing assets (NPAs) declined to \$53.3 million from \$66.8 million at first quarter 1994, representing a decline of 20.2%. NPAs dropped 22.5% from the \$68.8 million reported on December 31, 1993. NPAs at June 30, 1994 represented 0.71% of total loans. Loan loss reserves at the end of the second quarter were 1.91% of loans outstanding, up from 1.80% reported on March 31, 1994.

Bancorp Hawaii's performance for the second quarter, as well as for the first half of 1994 is encouraging and consistent with management's focus on improving asset quality and non-interest income. Hawaii's slow economy, rising interest rates and slow loan demand each had an impact on second quarter earnings. We remain confident that our strength lies in our cautious posture, our commitment to quality and our long-term approach, all of which have contributed to your company's steady financial performance.

In the second quarter, Bank of Hawaii, Bancorp's principal subsidiary, opened the first of several in-store banks at Safeway supermarkets in Hawaii. Also, the bank launched a first-time home buyers loan program. These additions to our consumer banking area demonstrate our commitment to offering quality and convenience to our customers.

The acquisition of trust holding company American Financial Services, Inc. in 1993 has been a positive one and we are pleased with its ahead-of-schedule blending with Bank of Hawaii trust subsidiary, Hawaiian Trust Company. In the June 30, 1994 issue of American Banker, Bancorp Hawaii ranked 52nd among the nation's top 100 bank holding companies based on discretionary trust assets of \$6.4 billion.

On July 27, 1994, the Board of Directors declared a quarterly dividend of 26 cents payable on September 15, 1994 to shareholders of record on August 18, 1994.

It has been a distinct pleasure to serve as your Chairman and Chief Executive Officer for the past five years. During the 35 years of my career with the

company, I have had the honor of working with a management group and staff of the highest caliber who have been totally committed to furthering the reputation of Bancorp Hawaii as the leading financial institution in our markets. Now, as I retire from Bancorp Hawaii, I have every confidence that your new Chairman and Chief Executive Officer Lawrence M. Johnson and President Richard J. Dahl will continue your company along a path of solid financial performance. The managing committee, along with the executive and senior management team, is well-equipped to guide Bancorp Hawaii successfully through a continually changing financial services industry. I look forward to my continuing role as a member of Bancorp Hawaii's Board of Directors.

I thank everyone at Bancorp Hawaii, from our tellers to our Board members, for their many contributions to the company. And to you, our shareholders, all of us at Bancorp Hawaii appreciate your continuing support.

Aloha,

H. HOWARD STEPHENSON

H. Howard Stephenson
Chairman and Chief Executive Officer

July 31, 1994

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

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

or

Dale L.I. Suezaki
Assistant Vice President and Investor Relations Officer
(808) 537-8037

or

Ruth E. Miyashiro
Corporate Secretary
(808) 537-8272

Highlights (Unaudited)

Bancorp Hawaii, Inc., and subsidiaries

	June 30 1994	June 30 1993
Return on Average Assets*	1.10%	1.06%
Return on Average Equity*	14.40%	15.55%
Average Spread on Earning Assets*	4.03%	3.96%
Book Value Per Common Share	\$22.63	\$20.87
Loss Reserve/Loans and Leases Outstanding	1.91%	1.87%
Average Equity/Average Assets*	7.61%	6.83%
Common Stock Price Range	High	Low
		Dividend

1993.....	\$35.92	\$26.67	\$0.90
1994 First Quarter.....	\$31.88	\$26.92	\$0.26
1994 Second Quarter.....	\$34.75	\$29.38	\$0.26

* year-to-date ratio

Consolidated Statements of Income (Unaudited)

	3 Months Ended June 30 1994	3 Months Ended June 30 1993	6 Months Ended June 30 1994	6 Months Ended June 30 1993
(in thousands of dollars except per share amounts)				
Total Interest Income	\$202,868	\$202,180	\$398,292	\$406,334
Total Interest Expense	85,254	85,155	163,043	173,658
Net Interest Income	117,614	117,025	235,249	232,676
Provision for Possible Loan Losses	5,964	12,204	14,222	21,216
Net Interest Income After Provision for Possible Loan Losses	111,650	104,821	221,027	211,460
Total Non-Interest Income	33,063	31,034	67,209	58,873
Total Non-Interest Expense	89,749	82,736	177,993	165,246
Income Before Income Taxes	54,964	53,119	110,243	105,087
Provision for Income Taxes	20,802	19,361	41,689	38,354
Net Income	\$34,162	\$33,758	\$68,554	\$66,733
Earnings Per Common Share and Common Share Equivalents	\$0.79	\$0.79	\$1.59	\$1.56
Average Common Shares and Common Share Equivalents Outstanding	43,056,348	42,958,796	43,006,653	42,913,356

Consolidated Statements of Condition (Unaudited)

	June 30 1994	December 31 1993	June 30 1993
(in thousands of dollars)			
Assets			
Interest-Bearing Deposits	\$842,255	\$837,704	\$1,204,563
Investment Securities (Market Value of \$3,491,979, \$3,684,781, \$3,782,658, respectively)	3,532,916	3,647,043	3,709,392
Funds Sold	80,470	57,699	75,572
Loans	7,523,003	7,258,368	7,151,381
Unearned Income	(146,163)	(149,949)	(141,574)
Reserve for Possible Loan Losses	(141,210)	(125,284)	(131,249)
Net Loans	7,235,630	6,983,135	6,878,558
Total Earning Assets	11,691,271	11,525,581	11,868,085
Cash and Non-Interest Bearing Deposits	460,935	395,315	398,203
Premises and Equipment	187,710	167,260	159,309
Other Assets	307,384	373,971	320,655
Total Assets	\$12,647,300	\$12,462,127	\$12,746,252
Liabilities			
Deposits	\$7,082,778	\$7,004,975	\$7,202,427
Securities Sold Under Agreements to Repurchase	2,316,161	2,509,550	2,804,563
Funds Purchased	575,220	743,915	842,100
Short-Term Borrowings	718,228	600,266	426,168
Other Liabilities	399,617	307,447	336,975
Long-Term Debt	595,931	357,870	248,500
Total Liabilities	11,687,935	11,524,023	11,860,733
Shareholders' Equity			
Common Stock (\$2 par value), authorized 100,000,000 shares; issued/outstanding, June 1994 - 42,396,059; December 1993 - 28,425,038; June 1993 - 28,288,988;	84,792	56,850	56,578
Surplus	276,379	284,886	280,698
Unrealized Valuation Adjustments	(15,758)	537	(1,353)
Retained Earnings	613,952	595,831	549,596
Total Shareholders' Equity	959,365	938,104	885,519
Total Liabilities and Shareholders' Equity	\$12,647,300	\$12,462,127	\$12,746,252

Starting in 1995, Bancorp Hawaii will stop mailing quarterly reports to shareholders whose stock is held in "street name," for example through brokerage houses. Bancorp can more quickly communicate the company's performance through direct mail to these shareholders. If your Bancorp stock is held in "street name" and you wish to continue receiving Bancorp's quarterly reports, please complete the address form and return it to Bancorp. Bancorp shareholders with stock held

in their own name are not affected and will continue to receive quarterly reports as usual. Annual reports and proxy materials will continue to be sent to all shareholders.

My Bancorp Hawaii stock is held in "street name." Please continue to send me Bancorp Hawaii, Inc., quarterly reports during 1995 at the following address.

Please print or type

NAME _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

TELEPHONE _____

Clip and mail this form to: Bancorp Hawaii, Inc.
Corporate Secretary
P. O. Box 2900
Honolulu, Hawaii 96846

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