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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1997

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)

HAWAII	99-0148992
(STATE OF INCORPORATION)	(IRS EMPLOYER IDENTIFICATION NO.)
130 MERCHANT STREET, HONOLULU, HAWAII	96813
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(808) 643-3888
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $2 Par Value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price of said stock on the New York Stock Exchange on February 27, 1998 ($21.56 per share): $1,720,956,214

As of February 27, 1998, 79,950,189 shares of Common Stock, $2 par value, of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 24, 1998, are incorporated by reference into Part III of this Report.

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PART I

ITEM 1. BUSINESS

Pacific Century Financial Corporation (Pacific Century) was organized on August 12, 1971, as the first bank holding company in the State of Hawaii. Originally organized as Hawaii Bancorporation, Inc., its name was changed in 1979 to Bancorp Hawaii, Inc. and in 1997 changed to Pacific Century Financial Corporation. The latter change in name was made to provide a more distinctive and descriptive identity that reflects the Company's strategic goals to expand its activities beyond Hawaii to Asia, the West and South Pacific, and the U.S. Mainland.

Pacific Century provides a broad range of financial products and services to customers in Hawaii, other areas of the Pacific Basin, Asia, and the U.S. Mainland. It is the largest bank holding company headquartered in the State of Hawaii. The principal subsidiaries of Pacific Century are Bank of Hawaii, Bancorp Pacific, Inc., California United Bank (CUB), and Pacific Century Bank, N.A. (PCB).

In March 1997, Bank of Hawaii International, Inc. (BOHI), a wholly-owned subsidiary of Bank of Hawaii, finalized its acquisition of Indosuez Niugini Bank, Ltd. in Papua New Guinea, renaming it Bank of Hawaii (PNG) Ltd. With this acquisition, BOHI has operations across the South Pacific from French Polynesia to Papua New Guinea.

Pacific Century also finalized its acquisition of CU Bancorp and its wholly-owned subsidiary, CUB in July 1997. The acquisition accounted for as a purchase merged CU Bancorp into Pacific Century making it the parent of CUB. CUB's headquarters are located in Encino, California. CUB has 21 branches in Southern California and targets small and middle market commercial businesses and retail customers.

In December 1997, BOHI announced the signing of a definitive agreement to acquire Banque Paribas Pacifique in New Caledonia and Banque Paribas Polynesie in French Polynesia. The acquisitions, which are subject to regulatory approval, are expected to be completed in the second quarter of 1998. Upon completion, the acquired banks will be merged into two of BOHI's existing subsidiaries, Bank of Hawaii-Nouvelle Caledonie and Banque de Tahiti. Banque Paribas Pacifique reported assets of $211.3 million and Banque Paribas Polynesie reported assets of $80.6 million, both as of December 31, 1997.

In October 1997, Hawaiian Trust Company, Limited was merged into Bank of Hawaii and became Pacific Century Trust, a division of Bank of Hawaii. This merger provides synergy to grow both bank and trust products through coordinated marketing and bundled services.

Pacific Century Asset Management, Inc. (formerly Pacific Capital Asset Management) was closed at the end of 1997 having been operational since 1994. The company intended to provide high-end, performance-oriented portfolio management services to the institutional marketplace. However, the ability to penetrate this highly competitive market could not be demonstrated.

Pacific Century's organization structure as of December 31, 1997 is included in Exhibit 21.1. All subsidiaries are wholly-owned except as otherwise noted for certain banks in the South Pacific and for those entities whose directors own qualifying shares. Each entity is consolidated with its immediate parent company except for affiliate banks in the South Pacific. BOHI's investments in these affiliate banks include Bank of Tonga, National Bank of Solomon Islands and Pacific Commercial Bank, Ltd., which are accounted for under the equity method.

At December 31, 1997, Pacific Century and its subsidiaries employed 5,114 persons on a full-time or part-time basis.

The following is a brief description of each of Pacific Century's subsidiaries.

Bank of Hawaii was organized under the laws of Hawaii on December 17, 1897, and has been continuously in business since. Its headquarters are in Honolulu, Hawaii, and its deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Bank of Hawaii is the largest full-service financial institution in Hawaii with a statewide network of 65 regular branches and 13 supermarket branches. It is not a member of the Federal Reserve System.

Pacific Century and 15 directors of Bank of Hawaii (each of whom holds 125 qualifying shares each) own 100% of the outstanding shares. There are four directors of Bank of Hawaii who do not hold qualifying shares. The legal requirement for directors of Hawaii banks to hold qualifying shares was eliminated in 1993. It is anticipated that directors currently holding such shares will retain them until they retire or resign from the Board of Bank of Hawaii.

Bank of Hawaii provides customary commercial banking services through branch offices in the State of Hawaii and branches or representative offices in Bahamas (Nassau), Republic of Fiji (Suva, Nadi, and Lautoka), Hong Kong, Japan (Tokyo), South Korea (Seoul), Philippines (Manila, Cebu, and Davao), Singapore, Taiwan (Taipei), American Samoa, Commonwealth of the Northern Mariana Islands (Saipan), Federated States of Micronesia (Pohnpei, Kosrae, and Yap), Guam, Republic of the Marshall Islands (Majuro), and Republic of Palau (Koror). Bank of Hawaii also provides representative services in India through Capital Trust Limited, a leading merchant bank in India. Bank of Hawaii also has subsidiary and affiliate banks in New Caledonia, Papua New Guinea, French Polynesia, Tonga, Vanuatu, Solomon Islands, and Samoa. Pacific Century Trust, a division of Bank of Hawaii, operates offices in Guam and Arizona as well as Hawaii. Trust assets under administration at year-end 1997 were $12.5 billion.

Bank of Hawaii owns all of the outstanding stock of Pacific Century Leasing, Inc.; BOHI; Bank of Hawaii International Corp., New York; Pacific Century Investment Services, Inc.; Bankoh Corporation; Pacific Century Advisory Services, Inc.; Pacific Century Insurance Agency, Inc.; and Realty and Mortgage Investors of the Pacific, Ltd. A brief discussion of these Bank subsidiaries follows:

Pacific Century Leasing, Inc. (PCL), formerly Bancorp Leasing of Hawaii, Inc., formed in 1973, provides leasing and leasing services, mainly to the commercial sector in Hawaii. PCL has several subsidiaries that are "specific purpose leasing vehicles." These subsidiaries include S.I.L., Inc.; Arbella Leasing Corp.; Pacific Century Leasing International, Inc.; and BNE Airfleets Corporation. On a consolidated basis, PCL's assets represented 1.5% of Pacific Century's total assets at year-end 1997. In 1997, Bankoh Equipment Leasing Corp. and Pacific Century Leasing of America, Inc. were dissolved. Both of these companies were former subsidiaries of PCL.

BOHI was formed in 1968. BOHI holds equity interests in the following foreign financial institutions (in the percentages indicated): Bank of Hawaii-Nouvelle Caledonie--91%; Bank of Hawaii (PNG) Ltd.--100%; Banque de Tahiti--

92%; Bank of Tonga--30%; Banque d'Hawaii (Vanuatu), Ltd.--100%; National Bank of Solomon Islands--51%; and Pacific Commercial Bank, Ltd.--43%, in Samoa. BOHI's total assets represented 6.3% of Pacific Century's total assets at year-end 1997.

Bank of Hawaii International Corp., New York (BOHICNY) was organized in 1982 as an Edge Act corporation. BOHICNY provides payment, clearing, and settlement services with the New York Clearing House and Clearing House Interbank Payment Service for both affiliated and unaffiliated banks. BOHICNY had total assets representing 1.3% of Pacific Century's total assets at year-end 1997.

Pacific Century Investment Services, Inc. (PCIS), formerly Bancorp Investment Group, Ltd., was formed in 1991 to provide full service brokerage and other investment services. The company began operations in February of 1992 as a subsidiary of Pacific Century. In 1994, Pacific Century contributed the stock of PCIS to Bank of Hawaii. As a result, PCIS became a wholly-owned subsidiary of Bank of Hawaii.

Bankoh Corporation was originally incorporated in 1984 as Hawaiian Hong Kong Holdings, Ltd. and remained inactive until 1994. In 1994, the name was changed to Bankoh Corporation, with minimal activity since its name change.

Pacific Century Advisory Services, Inc., formerly Bankoh Investment Advisory Services Ltd., was reactivated in 1991 to provide advisory services for businesses seeking to operate in Hawaii. The activity of this company remained very limited during 1997.

Pacific Century Insurance Agency, Inc. (PCIA), formerly Pan-Ocean Insurance Agency, Inc., engages in general insurance agency, insurance sub agency and general insurance brokerage business to the extent permitted under applicable federal and state laws. Business activity began in late 1995 with limited activity in 1997.

Realty and Mortgage Investors of the Pacific, Ltd. (RAMPAC), a wholly-owned subsidiary, was organized in 1992 as a financial services company in the State of Hawaii. Its activity is focused on commercial real estate lending in Hawaii, and it does not accept deposits. Total assets at year-end 1997 were $37.4 million.

Pacific Century also holds all of the outstanding stock, except as noted, of the corporations listed below:

Bancorp Pacific, Inc., formerly known as FirstFed America, Inc., was incorporated under Delaware law in July 1986 for the purpose of becoming a savings and loan holding company to own the outstanding stock of First Federal Savings and Loan Association of America (First Federal) upon its conversion from a federally chartered mutual savings and loan association to a federally chartered stock savings and loan association.

Bancorp Pacific Inc.'s only significant business is conducted through its wholly-owned subsidiary, First Federal, and First Federal's subsidiary, First Savings and Loan Association of America (First Savings).

First Federal, a federally chartered stock savings and loan association, has been in operation since 1904. First Federal operates 21 full service branches in Hawaii whose deposits are insured by the FDIC. In 1997, three First Federal branches were closed with the deposits transferred to nearby Bank of Hawaii branches. In addition, First Federal's Lanai branch was transferred to, and continues to operate as a branch of Bank of Hawaii. Total assets for First Federal represented 7.0% of Pacific Century's total assets at year-end 1997.

First Savings operates in a market area that includes the entire territory of Guam and the island of Saipan in the Commonwealth of the Northern Mariana Islands (located approximately 120 miles northeast of Guam). First Savings operates three full-service branches and three in-store branches in Guam and one full-service branch in Saipan. The FDIC insures its deposits. First Savings has agreed to transfer its Saipan office to Bank of Hawaii. Upon the transfer, which is expected to occur in the spring of 1998 following the receipt of regulatory approvals, the deposits and certain assets of the branch will be consolidated with a nearby branch of Bank of Hawaii. The stock of Pacific Century Capital Corporation (PCCC), formerly Bancorp Finance of Hawaii-(Guam), Inc., was contributed to First Savings in 1991. PCCC was originally formed in 1979 as Bankoh Finance, Inc. through the purchase of the assets of an industrial loan company based in Guam. PCCC has deposit-taking authority under Guam law, but discontinued accepting new deposits in 1984 and has had no deposit liabilities since 1987. On a consolidated basis, First Savings' assets represented 1.2% of Pacific Century's total assets at year-end 1997.

PCB, formerly First National Bank of Arizona, was acquired by Pacific Century in October 1987. Pacific Century and the directors of PCB (each of whom holds 1,000 qualifying shares) own 100% of the outstanding shares of PCB. PCB is organized under the laws of the United States. The FDIC insures its deposits, and it is a member of the Federal Reserve System. PCB provides customary commercial banking services through ten branch offices located in the State of Arizona. Four of these branches were acquired from Home Savings of America in March 1997 along with deposits of approximately $250 million. PCB had total assets representing 3.6% of Pacific Century's total assets at year-end 1997.

Pacific Century Life Insurance Corporation (PCLIC), formerly Bancorp Life Insurance Company of Hawaii, Inc., was incorporated in 1981 in the State of Arizona to underwrite, as a reinsurer, the credit life and credit accident and health insurance sold in conjunction with Bank of Hawaii's short-term consumer lending activities.

Pacific Century Agency, Inc., formerly Bancorp Insurance Agency of Hawaii, Inc., was formed in 1982 to act as an agent for the sale of all credit life and credit accident and health insurance that is reinsured with PCLIC.

In 1989, Pacific Century established a wholly-owned captive insurance company, Pacific Century Insurance Services, Inc. (Pacific Century Insurance), formerly Bancorp Hawaii Insurance Services, Ltd. With Pacific Century Insurance's formation, Pacific Century became the first Hawaii corporation to establish a Hawaii captive insurance company for its self-insurance needs. Pacific Century Insurance provides bankers professional liability insurance exclusively to Pacific Century and its subsidiaries and affiliates. In 1992, Pacific Century Insurance began providing workers compensation insurance for Pacific Century and its subsidiaries. Pacific Century Insurance's formation provides Pacific Century with greater flexibility and stability in controlling insurance coverages and premium costs. Pacific Century Insurance also provides Pacific Century with the opportunity to design self-insurance programs not otherwise available in the conventional insurance market.

Pacific Century Small Business Investment Company, Inc. (PCSBIC), formerly Bancorp Hawaii Small Business Investment Company, Inc., was formed in September 1983 in the State of Hawaii as a small business investment company. Its investment and lending activities were reactivated in 1995 with several new investments made during the year. In 1997, activity remained limited with new investments totaling $0.8 million. Total assets of PCSBIC was $2.1 million at year-end 1997.

REGULATION AND COMPETITION

Effect of Governmental Policies

The earnings of Pacific Century and its principal subsidiaries are affected not only by general economic conditions, both domestically and internationally, but also by the monetary and fiscal policies of the United

States and its agencies, particularly the Federal Reserve System, and foreign governments and their agencies. The monetary policies of the Federal Reserve System influence to a significant extent the overall growth of loans, investments, deposits, interest rates charged on loans, and interest rates paid on deposits. The nature and impact of future changes in monetary policies are often not predictable. Flexibility is a key attribute in successfully responding to these varied forces.

Competition

The financial services industry has become highly competitive. Pacific Century, Bank of Hawaii, and First Federal compete with local Hawaii financial institutions, and CUB and PCB compete with local financial institutions in Southern California and Arizona, respectively. In addition, each of them competes with institutions located in the major financial centers of the world. These financial institutions include not only banks and savings associations, but also insurance companies, brokerage houses, mortgage companies, consumer finance companies, credit unions, and diversified financial services companies that provide many or all of the services offered by commercial banks and savings institutions but operate without a banking charter and thus free of most of the associated regulatory requirements.

Six commercial banks, four savings associations, approximately seven deposit-taking financial services loan companies, approximately 114 credit unions, and scores of mortgage companies and other financial services firms serve the State of Hawaii. The State is also served by a large number of out-of-state institutions and foreign banks. Bank of Hawaii is the largest Hawaii based financial services firm operating in the market. Outside of Hawaii, Bank of Hawaii's primary competition in the Pacific Basin comes from several major U.S. Mainland and foreign banks that operate in those areas. First Federal is the second largest savings association in Hawaii.

Southern California, in which CUB competes, is served by at least 226 local commercial banks, at least 52 savings associations, and approximately 443 credit unions as well as numerous other financial services firms of a wide variety of types, including foreign banks and other foreign financial entities. Likewise, in the state of Arizona, in which PCB competes, approximately 41 commercial banks, 7 savings associations, 71 credit unions,

and numerous other financial services firms conduct full-service operations. CUB is approximately the 46th largest insured depository institution, and PCB is approximately the eleventh largest insured depository institution, in Southern California and Arizona, respectively, as measured by deposits placed in offices there.

Additional financial institution holding companies or their subsidiaries may enter markets served by Pacific Century and thereby provide additional competition. Likewise, if Pacific Century, Bank of Hawaii, First Federal, CUB, PCB and their respective subsidiaries pursue additional business opportunities, they will encounter significant competition from other businesses, including ones not associated with banks or financial institution holding companies.

Supervision and Regulation

Pacific Century is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act) and, as such, is subject to the Act and regulations issued thereunder by the Board of Governors of the Federal Reserve System (the Board of Governors). Pacific Century is also registered as a bank holding company under the Hawaii Code of Financial Institutions (the Code) and, as such, is subject to the registration, reporting, and examination requirements of the Code.

The BHC Act requires prior approval of the Board of Governors of the acquisition by Pacific Century of more than 5% of the voting shares of any bank or any other bank holding company. The statute has been eliminated, effective September 29, 1995, which had prohibited the acquisition of more than 5% of the stock of Pacific Century by a bank holding company whose operations are principally conducted in a state other than Hawaii, and the acquisition by Pacific Century of more than 5% of the stock of any bank located in a state other than Hawaii unless the statutory law of the state in which such bank is located specifically authorized such acquisition. Accordingly, at the present time and subject to certain limits, the BHC Act allows adequately capitalized and adequately managed bank holding companies to acquire control of banks in any state. Thus, assuming it is judged to be adequately capitalized and adequately managed, Pacific Century is no longer disabled by the BHC Act from acquiring control of banks in any state, and bank holding companies whose operations are principally conducted in states other than Hawaii are no longer disabled by the BHC Act from acquiring control of Pacific Century. An interstate acquisition may not be approved, however, if immediately before the acquisition the acquirer controls an FDIC-insured institution or branch in the state of the institution to be acquired, and if immediately following the acquisition the acquirer would control 30 percent or more of the total FDIC-insured deposits in that state; but a state may waive the 30 percent limitation by statute, regulation, or order, or by certain nondiscriminatory administrative approvals.

Beginning on June 1, 1997, an adequately capitalized and adequately managed bank may apply for permission to merge with an out-of-state bank and convert all branches of both parties into branches of a single bank. States retain the authority to prohibit such mergers if between September 29, 1994 and June 1, 1997 they enacted a statute expressly prohibiting them and that statute applies equally to all out-of-state banks. An interstate merger may not be approved, however, if immediately before the acquisition the acquirer controls an FDIC-insured institution or branch in the state of the institution to be acquired, and if immediately following the acquisition the acquirer would control 30 percent or more of the total FDIC-insured deposits in that state; but a state may waive the 30 percent limitation by statute, regulation, or order, or by certain nondiscriminatory administrative approvals. Banks are also permitted to open newly established branches in any state that expressly permits all out-of-state banks to open newly established branches, if the law applies equally to all banks.

Hawaii has enacted a statute, effective June 1, 1997, which authorizes out-of-state banks to engage in "interstate merger transactions" with (mergers and consolidations with and purchases of all or substantially all of the assets and branches of) Hawaii banks, following which any such out-of-state bank may operate the branches of the Hawaii bank it has acquired. The Hawaii bank must have been in continuous operation for at least five years prior to such an acquisition, unless it is subject to or in danger of becoming subject to certain types of supervisory action. This statute does not permit out-of-state banks to acquire branches of Hawaii banks

other than through an "interstate merger transaction" (except in the case of a bank that is subject to or in danger of becoming subject to certain types of supervisory action) nor to open branches in Hawaii on a de novo basis.

The BHC Act prohibits, with certain exceptions, Pacific Century from acquiring direct or indirect control of more than 5% of the voting shares of any company that is not a bank or bank holding company and from engaging directly or indirectly in any activity other than those of banking, managing or controlling banks or other subsidiaries authorized under the BHC Act, or furnishing services to or performing services for its subsidiaries. Among the permitted activities is the ownership of shares of any company the activities of which the Board of Governors determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In making this determination, the Board of Governors is required to weigh the expected benefits to the public, such as greater convenience, increased competition, or gains in efficiency, against the risks of possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. The Board of Governors has adopted regulations that specify various activities as being so closely related to banking or managing or controlling banks as to be a proper incident thereto. The exact nature and scope of such activities have been the subject of intense national debate, and thus, they may change and become broader as they evolve over time.

Under the policies of the Board of Governors, Pacific Century is expected to act as a source of financial strength to its subsidiary banks and to commit resources to support its subsidiary banks in circumstances where it might not do so absent such a policy. It is the policy of the Board of Governors that in serving as a source of strength to its subsidiary banks, a bank holding company should stand ready to use available resources to provide adequate capital funds to its subsidiary banks during periods of financial adversity and should maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks.

In 1989 Congress expanded the authority of bank holding companies to acquire savings associations, subject to approval by the Board of Governors. Bank holding companies may acquire healthy as well as failed or failing savings associations in any state. Congress in 1989 restructured the regulation of the savings and loan industry and its deposit insurance and provided a new regulatory structure for the resolution of troubled and insolvent savings associations. Congress in 1989 also permitted the FDIC to impose cross-guarantee liability on insured institutions for any cost or loss incurred by the FDIC in connection with the default by, or assistance to, a commonly controlled institution.

By virtue of Section 23A of the Federal Reserve Act and Section 18(j) of the Federal Deposit Insurance Act, Pacific Century and its subsidiaries are "affiliates" of Bank of Hawaii, CUB and PCB and are subject to the provisions of Section 23A, which limit the amount of and require substantial security for loans and extensions of credit by Bank of Hawaii, CUB or PCB to, and investments in, Pacific Century or certain of its subsidiaries and the amount of advances to third parties collateralized by the securities and obligations of Pacific Century or certain of its subsidiaries. Sections 23A and 18(j) are designed to assure that the capital of depository institutions such as Bank of Hawaii, CUB and PCB is not put at risk to support their non-bank affiliates. A similar provision, Section 11 of the Home Owners' Loan Act, subjects the thrift subsidiaries of Pacific Century to essentially the same limitations in their transactions with their "affiliates," including Pacific Century. Also, Pacific Century and its subsidiaries are prohibited from engaging in certain "tie-in" arrangements in connection with extensions of credit or provision of property or services.

Bank of Hawaii is subject to supervision and examination by the FDIC and the Department of Commerce and Consumer Affairs of the State of Hawaii. CUB is subject to supervision and examination by the Board of Governors and the California State Department of Financial Institutions and in certain respects the FDIC. PCB is subject to supervision and examination by the Comptroller of the Currency and in certain respects the FDIC.

Banks, including Bank of Hawaii, CUB and PCB, are subject to extensive federal and (in the case of Bank of Hawaii and CUB) state statutes and regulations that significantly affect their business and activities. Banks must file reports with their regulators concerning their activities and financial condition and obtain regulatory approval to enter into certain transactions. Banks are also subject to periodic examinations by their regulators to

ascertain compliance with various regulatory requirements. Other applicable statutes and regulations relate to insurance of deposits, allowable investments, loans, acceptance of deposits, trust activities, mergers, consolidations, payment of dividends, capital requirements, reserves against deposits, establishment of branches and certain other facilities, foreign and international operations, limitations on loans to one borrower and loans to affiliated persons, and other aspects of the business of banks. Recent federal legislation has instructed federal agencies to adopt standards or guidelines governing banks' internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation and benefits, asset quality, earnings and stock valuation, and other matters. Similar provisions subject savings associations, including First Federal and First Savings, to comparable requirements and restrictions. Legislation adopted in 1994 gives the federal banking agencies greater flexibility in implementing standards on asset quality, earnings, and stock valuation. Regulatory authorities have broad authority to initiate proceedings designed to prohibit banks and savings associations from engaging in unsafe and unsound banking practices.

Bancorp Pacific, Inc., as a savings and loan holding company, is subject to supervision by the Office of Thrift Supervision (OTS), and its thrift subsidiaries are subject to supervision by the OTS and in certain respects the FDIC. As owner of all of the stock of Bancorp Pacific, Inc., Pacific Century is itself registered with the OTS as a savings and loan holding company and in such capacity is subject to various OTS regulations, examinations, and reporting requirements.

The Home Owners' Loan Act and regulations issued thereunder generally prohibit a savings and loan holding company, directly or indirectly, from (i) acquiring control of an insured savings institution or its holding company without prior OTS approval; (ii) acquiring more than 5% of the voting shares of an insured savings institution or holding company that is not a subsidiary; or (iii) acquiring control of an uninsured savings institution. No director or officer of a savings and loan holding company or person owning or controlling more than 25% of its voting shares may, except with the prior approval of the OTS, acquire control of an insured savings association that is not a subsidiary of that holding company.

Congress adopted legislation in 1991 to permit the FDIC to increase deposit insurance assessment rates for insured banks and to levy emergency special assessments against insured institutions. In response, the FDIC adopted a premium schedule under which the actual assessment rate for a particular institution depends in part upon the risk classification the FDIC assigns to that institution. The FDIC may raise an institution's insurance premiums or terminate insurance altogether upon a finding that the institution has engaged in unsafe and unsound practices. On September 30, 1996, legislation was signed into law to recapitalize the Savings Association Insurance Fund administered by the FDIC (SAIF), which generally insures the deposits of savings associations. The legislation required the FDIC to impose a one-time special assessment on SAIF-assessable deposits, including the deposits of First Federal and First Savings. This one time assessment was accrued and paid in 1996.

The Federal Deposit Insurance Corporation Improvements Act of 1991 (FDICIA) requires the federal banking regulators to take "prompt corrective action" in respect to depository institutions that do not meet minimum capital requirements and imposes certain restrictions upon banks which meet minimum capital requirements but are not "well capitalized" for purposes of FDICIA. FDICIA generally prohibits a depository institution from paying any dividend or making any capital distribution or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. Undercapitalized institutions are subject to regulatory monitoring and may be required to divest themselves of or liquidate subsidiaries. Holding companies of such institutions may be required to divest themselves of such institutions or divest themselves of or liquidate nondepository affiliates. Critically undercapitalized institutions are prohibited from making payments of principal and interest on subordinated debt and are generally subject to the mandatory appointment of a conservator or receiver.

Further, a bank that is not well capitalized is generally subject to various restrictions on "pass through" insurance coverage for certain of its accounts and is generally prohibited from accepting brokered deposits and offering interest rates on any deposits significantly higher than the prevailing rate.

Such banks and their holding companies are also required to obtain regulatory approval before retaining senior executive officers.

Subject to certain exceptions, FDICIA (as modified in 1992) restricts certain investments and activities as principal by state banks (including Bank of Hawaii and CUB) and requires the federal banking regulators to prescribe standards for extensions of credit secured by real estate or made to finance improvements to real estate, loans to bank insiders, regulatory accounting and reports, internal control reports, independent audits, and other matters, and requires that insured depository institutions generally be examined on-site by federal or state personnel at least once every twelve months.

Federal legislation enacted in 1992 affords the federal banking agencies limited discretion to provide relief from certain regulatory requirements to depository institutions doing business or seeking to do business in an emergency or major disaster area. The Omnibus Budget Reconciliation Act of 1993 affects the amortization of intangible assets by banks, requires securities dealers (including banks) to adopt mark-to-market accounting with respect to certain of their securities in calculating income taxes, and establishes a preference for depositors in liquidations of FDIC-insured banks.

Bills are now pending or expected to be introduced in the United States Congress that contain proposals for altering the structure, regulation, and competitive relationships of the nation's financial institutions. If enacted, these bills could increase or decrease the cost of doing business, limit or expand permissible activities (including activities in the insurance and securities fields), or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. Some of these bills would broaden the powers of bank holding companies, reduce regulatory burdens on financial institutions, address aspects of competitive imbalance between credit unions and other regulated financial institutions, promote more open financial markets for U.S. banks and financial companies in foreign nations, limit the prerogative of regulators to expand the range of permissible activities for banks, particularly in the field of insurance, eliminate or revise the features of the specialized savings-association charter, permit affiliations among banks, insurance companies, and securities firms or between banks and nonfinancial companies, and realign the structure and jurisdiction of various financial institution regulatory agencies. Whether or in what form any such legislation may be adopted or the extent to which the business of Pacific Century might be affected thereby cannot be predicted.

ITEM 2. PROPERTIES

Pacific Century and its subsidiaries own and lease premises primarily consisting of operating facilities, the majority of which are located in Hawaii. Bank of Hawaii owns four significant properties, the largest of which are condominium units in the Financial Plaza of the Pacific (FPP) in which the Bank's main branch and administrative offices are located. Portions of the FPP are owned in fee simple or leased. The capital leases are for portions (less than 12%) of the FPP. Details of the capital leases are included in the long term debt footnote. Additionally, Bank of Hawaii owns a two-story building near downtown Honolulu which houses data processing and certain other operational functions; a parcel of land in downtown Honolulu; and Hale O Kapolei, a 248,000 square feet operations facility in the Kapolei area on Oahu. Hale O Kapolei was completed and placed in service in 1995. Interest expense of $1,500,000 was capitalized while Hale O Kapolei was under construction in 1995. First Federal owns a five-story building in downtown Honolulu that serves as its main branch and administrative offices.

ITEM 3. LEGAL PROCEEDINGS

Note J to the Audited Financial Statements on page 69.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of 1997 to a vote of security holders through the solicitation of proxies or otherwise.

Executive Officers of Registrant:

NAME	AGE	POSITION
Lawrence M. Johnson.......	57	Chairman and Chief Executive Officer of Pacific Century and the Bank of Hawaii (the Bank) since August 1994.
Richard J. Dahl...........	46	President of Pacific Century and the Bank since August 1994; Chief Operating Officer of Pacific Century since April 1997 and the Bank since August 1995.
Alton T. Kuioka...........	54	Vice Chair of Pacific Century since April 1997; Vice Chair of the Bank since June 1994; Chief Lending Officer of Pacific Century since April 1997 and the Bank since August 1995.
Mary P. Carryer...........	50	Vice Chair of Pacific Century and the Bank since November 1997.
Thomas C. Leppert.........	43	Vice Chair of Pacific Century since April 1997 to December 31, 1997; Vice Chair of the Bank since December 1996 to December 31, 1997.
David A. Houle............	50	Executive Vice President of Pacific Century since April 1997; Treasurer and Chief Financial Officer of Pacific Century since December 1992; Executive Vice President and Chief Financial Officer of the Bank since February 1994.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Common Stock Listing

The common stock of Pacific Century Financial Corporation, is traded over the counter on the New York Stock Exchange and quoted daily in leading financial publications.

NYSE Symbol: BOH

Market Prices, Book Values, and Common Stock Dividends--Table 2 on page 14.

ITEM 6. SELECTED FINANCIAL DATA

Year-End Summary of Selected Consolidated Financial Data--Table 24 on page 46.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

PERFORMANCE HIGHLIGHTS

Pacific Century Financial Corporation (Pacific Century), formerly known as Bancorp Hawaii, Inc., reported earnings of $139.5 million in 1997, up 4.8% from $133.1 million reported in 1996. In 1995, net income was $121.8 million. Basic earnings per share were $1.75 for 1997, compared to $1.63 in 1996 and $1.46 in 1995. Diluted earnings per share in 1997 were $1.72, compared to $1.62 and $1.45, in 1996 and 1995, respectively.

In 1997, return on average assets (ROAA) decreased slightly to 0.98% but return on average equity (ROAE) improved to 12.57%. ROAA in 1996 was 1.00% and ROAE was 12.43%.

Pacific Century has accounted for all of its business acquisitions under the purchase method, which results in the recording of goodwill and other intangible assets. These intangible assets are amortized over various periods as a non-cash charge to operating income. Operating results under a tangible performance basis excludes from reported earnings the after tax impact of amortization of all intangibles, including goodwill. On a tangible performance basis, Pacific Century's earnings were $147.7 million in 1997, $139.2 million in 1996 and $127.3 million in 1995. On a per share basis, tangible diluted earnings per share were $1.82 in 1997, compared to $1.69 and $1.51 in 1996 and 1995, respectively.

Tangible ROAA for Pacific Century was 1.05% in both 1997 and 1996 and 1.03% in 1995. Tangible ROAE was 15.47%, 14.23%, and 13.62% in 1997, 1996, and 1995, respectively.

Net interest income (on a taxable equivalent basis) increased 11.1% from 1996 to $537.2 million in 1997. Analyzing this increase, about $30.1 million was attributed to an increase in average earning assets, while $23.7 million was attributed to a widening in net interest margin from 3.90% in 1996 to 4.08% in 1997. Comparatively, net interest margin was 3.73% in 1995.

Total non-performing assets, plus accruing loans past due 90 days or more, increased to $122.1 million, representing 1.29% of total loans at year-end 1997, compared to $117.9 million, or 1.36% of total loans reported at year-end 1996 and $77.6 million, or 0.95% of total loans at year-end 1995. The increase in non-performing assets in 1997 is largely attributed to a $17.6 million increase in the foreign loan category. As a percentage of outstanding loans, non-performing assets increased to 1.02% as of year-end, up from 0.96% at year-end 1996 and 0.70% at year-end 1995. Other real estate totaled $6.2 million at year-end 1997, down from $10.7 million at year-end 1996.

The reserve for loan losses totaled $174.4 million at the end of 1997, representing 1.88% of loans outstanding, compared with $167.8 million and 1.97%, respectively at year-end 1996. Net charge-offs in 1997

were $30.2 million, or 0.34% of average loans, compared to net charge-offs of $13.0 million, or 0.16% of average loans in 1996 and net charge-offs of $14.1 million in 1995, or 0.18% of average loans. In 1997, provisions for loan losses of $30.3 million were charged to income, up from $22.2 million in 1996 and $17.0 million in 1995.

Presented in Table 1 are additional 1997 earnings measures and performance ratios. Summarized below are significant events that occurred in 1997.

In 1997, Hawaii's economy remained stagnant continuing a multi-year trend that began in the early 1990's. Since 1991, the growth in Hawaii's real gross state product has averaged under 1%. The growth in Pacific Century's Hawaii market is tied to the State's general economic well-being, and accordingly, Hawaii's weak economy has limited the Company's operating performance in 1997.

By the end of 1997, an economic crisis had spread throughout much of Asia. Many countries in the region experienced a significant devaluation of their currency relative to the U.S. dollar, as well as higher interest rates and a general tightening of credit. In 1997, Pacific Century recognized charge-offs totaling $10.4 million relating to loans in Thailand and placed $17.6 million in Thai loans on non-accrual. Asia continues to play an important part of Pacific Century's longer term strategy of developing a comprehensive franchise and customer base across the Pacific. Additional information regarding Asian events are included in the International Operations section of this report.

Recognizing the risks of operating in only one economy, Pacific Century's long standing strategy calls for expanding outside of Hawaii, with emphasis on key Pacific locations. In 1997, Pacific Century further developed this strategy by completing the following acquisitions in California, Arizona and the South Pacific.

Pacific Century acquired CU Bancorp and its wholly owned subsidiary California United Bank (CUB) in July 1997. The acquisition was accounted for as a purchase. As of December 31, 1997, total assets of CUB was $797.1 million. CUB's net income for the six months of 1997 totaled $4.7 million, net of goodwill amortization.

Additionally, Pacific Century Bank, N.A. (PCB), formerly First National Bank of Arizona, completed in March 1997 its acquisition of four branches and approximately $250 million in deposits in Arizona from Home Savings of America.

In March 1997, Bank of Hawaii International, Inc. (a wholly owned subsidiary of Bank of Hawaii) finalized its purchase of Indosuez Niugini Bank, Ltd., operating in Papua New Guinea. The name was changed to Bank of Hawaii (PNG) Ltd. The acquisition was accounted for as a purchase. Bank of Hawaii (PNG) Ltd. reported total assets of $80.3 million at year-end 1997 and net income of $2.6 million for the ten-month period since the acquisition after considering the amortization of goodwill.

The 1997 acquisitions affect the comparison between the amounts reported in the 1997 consolidated financial statements and the corresponding amounts in the 1996 statements. In addition, the May 1996 purchases of Banque de Tahiti and Banque de Nouvelle Caledonie (renamed in 1997 to Bank of Hawaii-Nouvelle Caledonie) also affect the comparability between these financial statements.

In December 1997, Pacific Century entered into a definitive purchase contract to acquire, subject to regulatory approval, Group Paribas' interest in Banque Paribas Pacifique in New Caledonia and Banque Paribas Polynesie in French Polynesia. The purchase is expected to close in the second quarter of 1998. At December 31, 1997, total assets of Banque Paribas Pacifique and Banque Paribas Polynesie were $292 million in the aggregate.

Pacific Century has agreed, subject to regulatory approval, to purchase approximately $25 million in Bank of Queensland Convertible Notes. The Bank of Queensland is located in northeastern Australia, and the purchase will enable Pacific Century to broaden its geographic reach in the Pacific Rim.

PERFORMANCE HIGHLIGHTS

TABLE 1
(IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS)

EARNINGS MEASURES	1997 AMOUNT	1997 PERCENT CHANGE	1996 AMOUNT	FIVE-YEAR COMPOUND GROWTH
Net Income	$ 139.49	4.8%	$ 133.12	1.8%

Basic Earnings Per Share	1.75	7.4	1.63	2.9
Diluted Earnings Per Share	1.72	6.2	1.62	2.9
Average Assets	14,242.3	7.1	13,295.2	4.1
Average Loans	8,929.7	6.9	8,353.6	6.2
Average Deposits	9,260.4	13.3	8,172.8	1.9
Average Shareholders' Equity	1,109.3	3.6	1,070.9	7.2
Excluding the Effects of Intangibles (1)				
Tangible Net Income	147.72	6.1	139.20	
Tangible Basic Earnings Per Share	1.85	8.2	1.71	
Tangible Diluted Earnings Per Share	1.82	7.7	1.69	

PERFORMANCE RATIOS	1997	1996	FIVE-YEAR AVERAGE
Return on Average Assets	0.98%	1.00%	0.99%
Return on Average Equity	12.57	12.43	12.77
Average Equity to Average Assets Ratio	7.79	8.05	7.76
Loan Loss Reserve to Loans Outstanding	1.88	1.97	1.89
Tier I Capital Ratio	9.34	10.57	
Total Capital Ratio	11.65	12.96	
Leverage Ratio	7.21	7.98	
Excluding the Effects of Intangibles (1)			
Tangible Return on Average Assets	1.05	1.05	1.04
Tangible Return on Average Equity	15.47	14.23	14.82

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

MARKET PRICES, BOOK VALUES AND COMMON STOCK DIVIDENDS

TABLE 2

YEAR/PERIOD	MARKET PRICE (MP) RANGE HIGH	LOW	BOOK VALUE (BV)	HIGH MP AS A PERCENT OF BV	DIVIDEND
1993	$17.96	$13.34	$11.00	163%	$.45
1994	$17.38	$12.07	$11.55	150%	$.52
1995	$18.57	$12.44	$12.76	146%	$.54
1996	$22.00	$16.57	$13.34	165%	$.58
First Quarter	18.13	16.63			.14
Second Quarter	18.82	16.57			.14
Third Quarter	19.88	17.07			.15
Fourth Quarter	22.00	19.19			.15
1997	$28.06	$20.31	$14.02	200%	$.63
First Quarter	23.19	20.56			.15
Second Quarter	23.94	20.31			.15
Third Quarter	27.13	23.19			.16
Fourth Quarter	28.06	23.50			.17

PACIFIC CENTURY'S MARKETS

Pacific Century is the largest bank holding company headquartered in the State of Hawaii. Pacific Century's oldest and largest market is Hawaii, where operations are conducted primarily through its principal subsidiary Bank of Hawaii. Bank of Hawaii was established 100 years ago in 1897 and remained an entirely Hawaii based financial institution until 1959, when it opened its first branch beyond Hawaii in which is now known as the Republic of the Marshall Islands. Expansion has continued since then on a measured basis.

Today, Pacific Century provides services to a customer base that spans 12,000 miles between New York and Singapore and covers much of the South and West Pacific. Pacific Century's focus is in four primary markets: Hawaii, the Pacific, Asia, and the U.S. Mainland.

Hawaii Market

Bank of Hawaii is the largest financial institution in Hawaii offering a wide array of financial products and services to individuals, businesses and institutions. It is the only financial institution that has offices on every major Hawaiian island. In Hawaii, Bank of Hawaii operates through 78 offices, including both traditional full-service branches and in-store locations.

Pacific Century also conducts business in Hawaii through its subsidiary First Federal Savings and Loan Association of America (First Federal). Of First Federal's 21 branches, all but two are located on Oahu. First Federal's focus is on the retail market offering a full line of deposit and residential mortgage products and services.

Pacific Century's combined assets in the Hawaii market totaled $9.1 billion at year-end 1997, compared to $8.8 billion at year-end 1996. Total loans in Hawaii were $5.2 billion, as presented in Table 4, an increase of 2.0% from the $5.1 billion reported at year-end 1996.

Over the years, Bank of Hawaii has been actively introducing new electronically based banking products that provide enhanced customer convenience and service. Additionally, the use of technology has also led to the introduction of new value-added products. These products include: PC Home Banking, Bankoh Bill Pay (an

electronic bill payment service), and various debit cards (Mileage Access Card, the Access Card and Isle Pay cards).

In 1997, Bank of Hawaii expanded its ATM network to 480 machines, up from 401 machines at year-end 1996. ATM services have also increased, with many ATMs having been enhanced to dispense postage stamps, gift certificates and discount coupons.

Hawaii's overall economic condition has a substantial impact on Pacific Century's performance. After less than 0.5% real annual gross state product (GSP) growth from 1991-1995, Hawaii's GSP rose 0.9% during 1996. The current consensus estimate among economists is for Hawaii's 1997 GSP to have remained flat with zero growth estimated for 1998. Tourist arrivals totaled 6.9 million in both 1995 and 1996, and is forecast to be about the same level in 1997.

Pacific Market

Pacific Century has maintained a presence in the Intra-Pacific region for nearly four decades. This market has grown over the years and now spans island nations across the South and West Pacific that have developed as participants in the economic growth occurring within the Asia-Pacific Rim. Pacific Century is the only United States financial organization to have such a broad presence in this region.

Pacific Century serves the West Pacific through branches of both Bank of Hawaii and First Savings and Loan Association of America (First Savings), a wholly owned subsidiary of First Federal. Bank of Hawaii serves Guam through three branches and also has branches in the Commonwealth of the Northern Marianas Islands (Saipan), the Federated States of Micronesia (Yap, Pohnpei and Kosrae), the Republic of the Marshall Islands (Majuro) and the Republic of Palau (Koror). First Savings maintains branches in Guam and Saipan providing retail deposit and mortgage lending products.

For financial reporting purposes, the West Pacific operations are considered domestic, because the U.S. dollar is used as the currency in these locations. Total assets in the West Pacific region were $916 million at year-end 1997, compared to $874 million at year-end 1996. Loans as of year-end 1997 increased to $768.0 million from $714.8 million last year, an increase of 7.4%.

The economic forecast for the West Pacific region is a mix of modest to booming economies. Overall, these dollar denominated economies are expected to grow at an average rate of 2% to 5% in 1998. Steady growth is anticipated in Guam with more rapid growth projected in Saipan and Palau.

Pacific Century's presence in the South Pacific includes branches of Bank of Hawaii and the subsidiary and affiliate banks owned by Bank of Hawaii International, Inc. (BOHI). BOHI owns interests in Banque d'Hawaii (Vanuatu), Ltd. (100%), Bank of Hawaii (PNG) Ltd. (100%), Banque de Tahiti (BDT) (92.4%) and Bank of Hawaii-Nouvelle Caledonie (BHNC) (91.5%) all of which are included in Pacific Century's consolidated financial statements. BOHI also has investments in the National Bank of Solomon Islands (51%), Bank of Tonga (30%) and Pacific Commercial Bank, Ltd. (43%) in Samoa, which are accounted for under the equity method. Four branches of Bank of Hawaii are included in this region: the three branches in Fiji and the American Samoa branch. Since the American Samoa branch is U.S. dollar based, its operations are considered domestic.

Total assets in the South Pacific region were $1.1 billion, down $0.1 billion from the same date a year ago.

Economic forecasts indicate overall growth in the South Pacific to be between 2% and 5%. Modest growth is anticipated in most countries in this region. The economies in French Polynesia and Samoa are in the upper range of forecasted growth. However, given the size of these economies, the growth in monetary terms is modest.

Asia Market

Asia is a market that Pacific Century has developed over the last 19 years. Pacific Century operates in Asia through branches in Hong Kong, South Korea, Singapore, Taiwan and Japan and a representative office with extensions in the Philippines.

Pacific Century's business focus in Asia is correspondent banking and trade financing. The actual activities include letters of credit, remittance processing, foreign exchange, cash management, export bill collection, and working capital loans. The lending emphasis is on short-term loans based on cash flows. Pacific Century provides correspondent banking and lending services to the Asia market through its International Banking Group. Pacific Century's network of locations in the Pacific and its presence on the U.S. Mainland help customers facilitate the flow of business and investment transactions across Asia-Pacific.

The Asia Market reported $1.7 billion in total assets at year-end 1997, compared to $1.8 billion a year ago. Pacific Century's strategy for this region continues to emphasize a trade finance focus.

Countries in the Asian Rim experienced a high level of financial turmoil in 1997. Confidence in Asian equity markets and currencies waned, adversely affecting currency exchange rates and values. Pacific Century's exposure in this region is discussed further in the International Operations section of this report.

U.S. Mainland Market

The U.S. Mainland market provides opportunities to grow both loans and deposits. Pacific Century's interest in this market continues to focus on distinct groups of customers. Specific markets presenting opportunities have been targeted in Arizona and California. Additional lending activity through Bank of Hawaii has targeted Fortune 1000 companies, businesses that have interests in the Pacific, and businesses in the media and communications industry.

Both CUB and PCB focus on the small and middle market commercial customers, while also serving retail borrowers and depositors in their respective markets. In 1997, PCB acquired approximately $250 million in deposits and four branch locations in Arizona from Home Savings of America.

Both the Arizona and California economies remain robust, with growth expected through 1998. The healthy Southwest economic environment is consistent with growth opportunities for both CUB and PCB.

In aggregate, total assets in the U.S. Mainland market were $2.2 billion at December 31, 1997. The increase from the $1.4 billion reported a year ago is largely due to the acquisition of CUB in 1997 and the 1997 deposit acquisition by PCB.

The following sections provide additional information on Pacific Century's 1997 financial position, operating results, lending activities and market risks:

- Risk Elements Involved in Lending Activities
- Asset and Liability Management
  - Capital Adequacy
  - Market Risk Exposures
  - Liquidity Management
  - Control of Net Overhead
- Income Taxes
- Fourth Quarter Results and Other Matters

RISK ELEMENTS INVOLVED IN LENDING ACTIVITIES

Risk Profile of Lending Activity

Loans comprise the largest category of earnings assets for Pacific Century and produce the highest level of earnings. At year-end 1997, loans outstanding grew to $9.5 billion, a 9.2% increase from $8.7 billion at year-end 1996. Most of this growth is attributed to the July 1997 acquisition of CUB. Without the CUB acquisition, loans would have increased 3.9% in 1997. This modest rate of internal loan growth is reflective of the continued adverse impact of Hawaii's weak economy.

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

Table 3 presents the composition of the loan portfolio by major loan categories. For 1997, much of the year-to-year growth in commercial and industrial loans, construction and commercial mortgages, and installment loans are attributed to the 1997 CUB acquisition. Although real estate loans still continue to comprise the largest portion of the loan portfolio, their level of representation has declined slightly from 47.1% of total loans at year-end 1996 to 46.1% at year-end 1997. Included in real estate loans at December 31, 1997, were $2.7 billion in residential mortgages that comprised 62.6% of total real estate loans, down from 64.3% at the prior year-end.

LOAN PORTFOLIO BALANCES

TABLE 3

	1997	1996	1995	1994	1993
	(IN MILLIONS OF DOLLARS)				
Domestic Loans					
Commercial and Industrial.......	$2,104.3	$1,806.7	$1,902.2	$1,830.8	$1,709.2
Real Estate					
Construction--Commercial......	268.1	212.3	199.6	114.2	141.9
--Residential...........	12.9	23.6	33.7	39.7	51.4
Mortgage--Commercial..........	1,354.5	1,227.8	1,308.8	1,241.0	1,230.6
--Residential............	2,738.9	2,635.3	2,702.4	2,849.9	2,454.0
Installment....................	891.6	849.3	817.3	741.6	676.2
Lease Financing................	519.4	437.8	392.9	378.1	401.6
Total Domestic.............	7,889.7	7,192.8	7,356.9	7,195.3	6,664.9
Foreign Loans					
Banks and Other Financial Institutions..................	207.7	281.8	268.7	299.0	295.8
Commercial and Industrial.......	1,074.9	923.2	513.6	364.2	259.4
All Others.....................	326.1	301.5	13.2	33.5	38.3
Total Foreign..............	1,608.7	1,506.5	795.5	696.7	593.5
Total Loans................	$9,498.4	$8,699.3	$8,152.4	$7,892.0	$7,258.4

Commercial and Industrial Loans

At December 31, 1997, commercial and industrial loans (C&I) totaled $2.1 billion, up 16.5% from year-end 1996. The proportion of C&I loans to the total loan portfolio increased to 22.2% at year-end 1997, from 20.8% at year-end 1996. This growth is attributed to the CUB acquisition in 1997 and reflects CUB's emphasis on commercial lending. At the end of 1997 CUB reported $274.7 million in C&I loans.

C&I loans consist of loans made for commercial, financial, and agricultural purposes and involves lending on both a secured and unsecured basis. Collateral requirements vary, but are based on the Company's underwriting and collateral policies to ensure that consistent safety standards are maintained.

The geographic distribution of C&I loans is concentrated in Hawaii and the U.S. Mainland with 34.9% and 54.3%, respectively, as of year-end 1997. In Hawaii, Pacific Century is a major commercial lender and maintains a significant presence throughout the State. Pacific Century provides continuing support to the entire business community by offering a wide range of products and services. At year-end 1997, C&I loans in Hawaii totaled $735.1 million. In the U.S. Mainland market, C&I lending totaled $1.1 billion at year-end 1997, up $266.1 million from year-end 1996, and is comprised largely of loans to Fortune 1000 companies and the media and communication industry, as well as loans that were originated by Pacific Century's two U.S. Mainland subsidiary banks.

Real Estate Loans

At year-end 1997, Pacific Century's total real estate loans were $4.4 billion, 6.7% higher than year-end 1996. This portfolio consists of loans that are secured by residential as well as commercial properties.

The largest component of the real estate loan portfolio consists of loans secured by 1-to-4 family residential properties. At $2.7 billion, this group grew $103.6 million from year-end 1996, and represented 28.8% of total loans outstanding at year-end 1997. More than 90% of these loans are secured by real estate in Hawaii (see Table 4). Pacific Century originates residential mortgages on both a fixed-rate and adjustable-rate basis. Most of the fixed-rate products are sold in the secondary mortgage market, while adjustable-rate mortgages are held in the Company's loan portfolio. Included in the residential mortgage total at year-end 1997 were $96.2 million in available for sale loans. At December 31, 1997, approximately 68% of the 1-to-4 family residential mortgage portfolio were underwritten on a floating rate basis. The average loan size in the residential loan portfolio was $138,000 at year-end 1997, and on average these loans have been outstanding for about 6 years. The Company has targeted residential mortgage lending in Hawaii as an attractive line of business for growth. In 1997, residential first mortgage originations by Pacific Century in Hawaii totaled $570.8 million, representing about 15% of the State's total first mortgage originations. Comparatively, Pacific Century originated $821.6 million and $572.8 million in first mortgage loans in 1996 and 1995, respectively.

Also included in the residential real estate portfolio are home equity credit lines. The total available credit under these lines was $480.6 million at year-end 1997, compared to $489.7 million at year-end 1996. Outstandings declined to $263.7 million at year-end 1997 from $285.6 million at year-end 1996. These credit lines are underwritten based on the borrower's repayment ability rather than the value of the underlying property. Home equity credit lines are generally limited to 75% of the value of the collateral less the amount of prior liens.

The commercial real estate portfolio (excluding construction loans) totaled $1.4 billion at year-end 1997, an increase of 10.3% over year-end 1996. Approximately 70% of these loans were secured by commercial real estate in Hawaii. The commercial real estate portfolio is diversified in the type of property securing the obligations.

Total commercial construction loans increased to $268.1 million at year-end 1997, compared to $212.3 million at year-end 1996. These loans are secured primarily by properties located in Hawaii, which accounted for 71.6% of such loans at December 31, 1997. Because construction lending is considered to generally involve greater risk than financing on improved properties, Pacific Century utilizes higher underwriting and disbursement standards that are designed to compensate for this risk. The majority of these loans are underwritten based on the projected cash flows of the completed project, rather than the value of the underlying property, and generally require a committed source for permanent financing. At year-end 1997 the commercial construction portfolio consisted of the following major categories: tract and land development for residential housing, $129.4 million; hotels, $39.6 million; retail facilities, $31.1 million; commercial offices, $14.9 million and industrial projects, $7.4 million.

Consumer Loans

Total consumer loans (excluding residential mortgages and home equity loans) increased to $891.6 million, up 5.0% from year-end 1996. These loans are shown in Table 3 under the caption "Installment." At year-end 1997, consumer loans consisted of credit cards and consumer installment loans (e.g., auto loans, unsecured credit lines, and guaranteed student loans) representing 32% and 68%, respectively, of the total loans in this category.

The credit card portfolio balance was $288.7 million at year-end 1997, a decrease of 0.8% from year-end 1996. At year-end 1997, 1.8% of the credit card portfolio (based on balances) was more than 90 days delinquent, compared to 0.8% and 1.4%, at year-end 1996 and 1995, respectively. At year-end 1997, Pacific Century's base of credit cardholders decreased about 3.7% to 159,700 cardholders from year-end 1996. The decline in cardholders is attributed to higher than expected card cancellations with respect to a co-branded credit card program. As a result of the high level of cancellations, a charge-off of approximately $1.6 million in capitalized card origination costs was recognized in 1997.

Leasing Activities

At year-end 1997, leases outstanding increased to $519.4 million, up 18.6% from year-end 1996. Pacific Century's lease portfolio is diversified, consisting primarily of leases on equipment, autos, trucks, ships, aircraft, and computers. Also during 1997, a leveraged lease matured and a gain of $4.4 million (pre-tax) was recognized upon the sale of the underlying equipment.

International Lending

Pacific Century's international business emphasis is primarily on correspondent banking, trade finance and working capital loans for companies that have business interests in the Asia-Pacific markets. The majority of foreign loans are short-term and are largely based on the Company's traditional focus on relationships. Foreign loans at the end of 1997 totaled $1.6 billion, an increase of 6.8% over year-end 1996. At year-end 1997 foreign loans represented 16.9% of the total loan portfolio, down from 17.3% at year-end 1996.

At December 31, 1997, foreign loans in the South Pacific totaled $766.8 million, an increase of 3.4% over $741.3 million at year-end 1996. This increase is accounted for by the March 1997 acquisition of Indosuez Niugini Bank, Ltd. in Papua New Guinea, which had $30.6 million in loans outstanding at year-end 1997. Most of the South Pacific loans are in two subsidiary banks, Banque de Tahiti and Bank of Hawaii-Nouvelle Caledonie, which in the aggregate held total loans of $684.9 million at the end of the current year.

At December 31, 1997, outstanding loans to borrowers in Asia totaled $818.6 million, compared to $738.6 million at December 31, 1996. In addition, outstanding commitments represented by open letters of credit and bankers acceptances relative to borrowers in Asia were approximately $388.5 million at year-end 1997. Additional information on Asian credit exposure and recent Asian economic events are contained in the International Operations section of this report.

Geographic Distribution of the Loan Portfolio

A geographic distribution of the loan portfolio is presented in Table 4 based on the geographic location of borrowers. Although loans in Hawaii still constitute the highest geographic lending concentration, their proportion to the total loan portfolio has declined to 54.8% at December 31, 1997 from 58.6% at December 31, 1996. For 1997, the U.S. Mainland figures in Table 4 are affected by the loans acquired in the CUB merger. At year-end 1997, the percentage of U.S. Mainland loans to total loans increased to 19.7% from 15.3% at year-end 1996.

The amounts reflected in the West Pacific include Guam and other locations in the region where both Bank of Hawaii and First Savings and Loan Association of America, have branches. Loan balances in the South Pacific reflect the U.S. dollar equivalent balances of subsidiary banks in French Polynesia, New Caledonia, Papua

New Guinea, Vanuatu and Bank of Hawaii branches in Fiji. Loan balances in American Samoa make up the remainder of loans in the South Pacific region.

GEOGRAPHIC DISTRIBUTION OF LOAN PORTFOLIO (1)

TABLE 4

	TOTAL YEAR-END 1997	HAWAII	WEST PACIFIC	SOUTH PACIFIC	U.S. MAINLAND	ASIA AND OTHER
	(IN MILLIONS OF DOLLARS)					
Commercial and Industrial	$2,104.3	$ 735.1	$203.5	$ 11.1	$1,142.5	$ 12.1
Real Estate						
Construction--						
Commercial	268.1	191.9	0.2	--	76.0	--
--Residential	12.9	9.5	3.4	--	--	--
Mortgage--Commercial	1,354.5	946.2	186.8	6.0	215.5	--
--Residential	2,738.9	2,484.6	223.0	2.0	29.3	--
Installment	891.6	684.6	145.6	23.3	38.1	--
Foreign	1,608.7	23.3	--	766.8	--	818.6
Lease Financing	519.4	125.4	5.5	--	368.1	20.4
Total	$9,498.4	$5,200.6	$768.0	$809.2	$1,869.5	$851.1
Percentage of Total	100.0%	54.8%	8.1%	8.5%	19.7%	8.9%

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(1) Loans classified based upon geographic location of borrowers.

Non-Performing Assets and Past Due Loans

Non-performing assets (NPA) consist of non-accrual loans, restructured loans and foreclosed real estate. These assets, which generally have more than a normal risk of loss, totaled $97.1 million at year-end 1997, compared to $83.2 million at the end of 1996, and $56.9 million at the end of 1995. Pacific Century has generally maintained a level of NPA to outstanding loans of around 1%. In 1997, this ratio rose to 1.02%. Comparatively the ratio was 0.96% and 0.70% for 1996 and 1995, respectively. Table 6 presents the Company's NPA and ratio of NPA to total loans for the last five years.

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

Total non-accrual loans rose to $89.3 million at year-end 1997, up 23.2% over year-end 1996. This increase is attributed to higher non-accrual balances in the real estate and foreign loan categories. At year-end 1997, non-accrual loans secured by real estate totaled $36.7 million, or 41.1% of total non-accruals loans; with the majority of these loans secured by residential real estate in Hawaii. Non-performing residential mortgages (excluding construction loans) totaled $32.9 million at year-end 1997, compared to $23.6 million at year-end 1996. The year-over-year increase in non-accrual residential mortgages was $9.3 million in 1997 reflecting the weak economy and declining real estate prices in Hawaii. Although residential mortgage non-accruals have increased, charge-offs on these loans have remained stable at $1.9 million for both 1997 and 1996.

Because residential mortgages are secured by real estate, the credit risk on these loans are lower than unsecured lending. Most of the Company's residential loans are owner-occupied first mortgages and were underwritten to provide a loan-to-value ratio of no more than 80% at origination. Additionally, the risk in this portfolio is also moderated by the smaller average loan balance compared to commercial lending.

At December 31, 1997, non-performing foreign loans were $39.9 million, compared to $22.3 million at December 31, 1996 and were minimal at December 31, 1995. The rise in non-performing foreign loans in 1997, is primarily related to the recent turmoil in the economies of certain Asian countries. Approximately, $17.6 million in Thai loans were reported as non-accrual at December 31, 1997, following a partial charge-off and proposed restructuring of these loans. At year-end 1997, BDT and BHNC reported $20.5 million in NPA compared with $22.3 million at year-end 1996. Accruing loans past due 90 or more days for BDT and BHNC were $5.8 million at year-end 1997, compared to $9.5 million at year-end 1996. Additional information relative to foreign loans is contained in the International Operations section of this report.

C&I loans that were classified as non-performing totaled $10.7 million or 11.0% of total NPA at year-end 1997, a decline from $20.9 million and $16.9 million at year-end 1996 and 1995, respectively.

Foreclosed real estate declined to $6.2 million at year-end 1997, from $10.7 million at year-end 1996. This decline is attributed to the sale of a $6.6 million residential property in November 1997 at a modest gain. At December 31, 1997, the foreclosed real estate portfolio consisted of 32 properties, mostly located in Hawaii. The largest property represented 18.4% of the total. In 1997, net gains on the sale of foreclosed real estate were $523,000, compared to net losses of $380,000 in 1996 and $276,000 in 1995.

Accruing loans past due 90 days or more totaled $25.0 million at year-end 1997, a decline of $9.7 million from $34.7 million reported at year-end 1996. This decline is mainly due to lower delinquencies in the commercial real estate loan portfolio and, to a lesser extent, in improvements in the foreign and installment loan portfolios. Table 6 presents a five-year history of accruing loans that were past due 90 days or more.

In 1997, Pacific Century recorded $3.7 million in cash basis interest on loans that were previously on non-accrual or charged-off, compared to $2.6 million in 1996. In 1997, $204,000 in interest reversals were recorded on non-accrual loans, an increase from the $216,000 reversed in 1996 and $156,000 in 1995.

FOREGONE INTEREST ON NON-ACCRUALS
YEARS ENDED DECEMBER 31

TABLE 5

	1997	1996	1995	1994	1993
	(IN MILLIONS OF DOLLARS)				
Interest Income Which Would Have Been Recorded Under Original Terms:					
Domestic................................	$6.6	$6.3	$7.6	$5.4	$5.3

Foreign	2.4	2.3	--	0.1	--
Interest Income Recorded During the Current Year on Non-Accruals:					
Domestic	1.5	1.6	0.6	1.0	0.9
Foreign	0.5	0.6	--	0.1	--

NON-PERFORMING ASSETS AND ACCRUING LOANS
PAST DUE 90 DAYS OR MORE

TABLE 6

	1997	1996	1995	1994	1993
	(IN MILLIONS OF DOLLARS)				
Non-Accrual Loans					
Commercial and Industrial	$ 10.7	$ 20.9	$16.9	$20.3	$15.7
Real Estate					
Construction	1.0	0.3	0.3	1.5	17.7
Commercial	2.8	4.1	14.9	14.1	7.8
Residential	32.9	23.6	14.7	15.1	16.4
Installment	2.0	1.3	0.8	0.5	0.5
Foreign	39.9	22.3	--	0.3	--
Leases	--	--	--	0.8	0.3
Subtotal	89.3	72.5	47.6	52.6	58.4
Restructured Loans					
Commercial and Industrial	--	--	--	--	1.0
Real Estate					
Commercial	1.6	--	--	--	5.3
Subtotal	1.6	--	--	--	6.3
Foreclosed Real Estate					
Domestic	6.2	10.7	9.3	0.6	4.1
Foreign	--	--	--	--	--
Subtotal	6.2	10.7	9.3	0.6	4.1
Total Non-Performing Assets	$ 97.1	$ 83.2	$56.9	$53.2	$68.8
Accruing Loans Past Due 90 Days or More					
Commercial and Industrial	2.0	2.0	1.8	1.1	0.4
Real Estate					
Construction	--	0.4	--	--	--
Commercial	0.6	6.8	2.4	0.7	1.9
Residential	7.3	6.8	5.8	3.9	4.1
Installment	7.6	9.0	10.5	5.9	3.5
Foreign	7.4	9.5	--	--	--
Leases	0.1	0.2	0.2	--	0.1
Subtotal	25.0	34.7	20.7	11.6	10.0
Total	$122.1	$117.9	$77.6	$64.8	$78.8
Ratio of Non-Performing Assets to Total Loans	1.02%	0.96%	0.70%	0.67%	0.95%
Ratio of Non-Performing Assets and Accruing Loans Past Due 90 Days or More to Total Loans	1.29%	1.36%	0.95%	0.82%	1.09%

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Summary of Loan Loss Experience

The reserve for loan losses represents the aggregate reserves of Pacific Century's banking subsidiaries that are available to absorb future losses on loans. Additions to the reserve are provided through provisions for loan losses that are charged against earnings.

At the end of 1997, the reserve for loan losses was $174.4 million, an increase of $6.6 million over the prior year level of $167.8 million. The 1997 reserves included $11.5 million of acquired reserves from CUB.

The ratio of reserves to loans outstanding at year-end 1997 was 1.88%, compared with 1.97% at year-end 1996 and 1.90% at year-end 1995. Loan loss provisions in 1997 were $30.3 million, $8.1 million higher than the prior year level of $22.2 million. Net charge-offs in 1997 were $30.2 million or 0.34% of average loans, compared to $13.0 million, or 0.16% of average loans in 1996 and $14.1 million, or 0.18% of average loans in 1995. A summary of the activity in the reserve for loan losses for the last five years is presented in Table 7.

Pacific Century maintains the reserve for loan losses at a level that it believes is adequate to absorb estimated future losses on all loans. The reserve level is determined based on a continuing assessment of problem credits, recent loss experience, changes in collateral values, and current and anticipated economic conditions. Pacific Century's credit administration procedures emphasizes the early recognition and monitoring of loans in order to control delinquencies and minimize losses. For larger commercial credits, a line driven loan grading system is used. These loans are generally graded annually by the lending officer and an independent evaluation of this process is performed by the Credit Review department to ensure reasonable and timely grades.

At year-end 1997, the reserve for loan losses provided a coverage of 180% of non-performing loans, compared to a 202% coverage at year-end 1996. Additionally, the ratio of year-end reserves to gross charge-off was 3.2 times and 3.8 times for 1997 and 1996, respectively.

Gross charge-offs in 1997 totaled $55.1 million, representing 0.62% of average loans outstanding. Comparatively, the ratio was 0.53% and 0.36%, respectively at year-end 1996 and 1995. Gross charge-offs as a percentage of the reserve for loan losses were 31.6%, 26.3% and 18.4% in 1997, 1996 and 1995, respectively. Average annual charge-offs for the five years ended in December 1997 was $43.6 million.

The increase in gross charge-offs in 1997 is attributed to a rise in the foreign category to $10.6 million from $0.9 million in 1996. Of this amount, approximately $10.4 million relates to charge-offs recognized on Thai loans.

Excluding foreign loans, charge-offs in 1997 were mostly concentrated in the installment and commercial loan categories. In 1997, charge-offs on installment loans declined slightly to $28.1 million from $28.9 million in 1996, while charge-offs on commercial loans reflected a $4.0 million increase to $12.7 million.

In 1997, recoveries of previously charged-off loans declined to $24.9 million. Recoveries were $31.1 million in 1996 and $13.8 million in 1995. Most of the 1997 recoveries were concentrated in the C&I portfolio. The level of C&I recoveries in 1997 include $11.7 million collected from the $45 million charged-off in 1992 and 1993 relating to one credit. All charge-offs relating to that credit have now been fully recovered.

SUMMARY OF LOAN LOSS EXPERIENCE

TABLE 7

	1997	1996	1995	1994	1993
	(IN MILLIONS OF DOLLARS)				
Average Amount of Loans Outstanding.................	$8,929.7	$8,353.6	$7,654.9	$7,393.7	$6,991.0
Balance of Reserve for Loan Losses at Beginning of Period......................	$ 167.8	$ 152.0	$ 148.5	$ 125.3	$ 128.6
Loans Charged-Off					
Commercial and Industrial..	12.7	8.7	7.8	11.3	43.9
Real Estate--					
Construction.............	--	--	2.1	0.1	0.5
Mortgage--Commercial.....	1.3	3.3	2.3	3.5	2.7
--Residential....	1.9	1.9	1.1	0.7	0.4
Installment................	28.1	28.9	13.3	8.7	8.6
Foreign....................	10.6	0.9	0.9	0.7	7.5
Leases.....................	0.5	0.4	0.4	0.4	2.1
Total Charged-Off............	55.1	44.1	27.9	25.4	65.7
Recoveries on Loans Previously Charged-Off					
Commercial and Industrial..	16.4	21.8	6.1	19.5	3.9
Real Estate--					
Construction.............	--	0.7	--	0.2	--
Mortgage--Commercial.....	0.6	1.1	1.4	0.9	0.7
--Residential....	1.0	0.4	0.1	0.2	0.3
Installment................	6.3	4.7	3.3	3.2	3.2
Foreign....................	0.6	1.8	1.9	--	--
Leases.....................	--	0.6	1.0	0.8	0.1
Total Recoveries............	24.9	31.1	13.8	24.8	8.2
Net Loans Charged-Off........	(30.2)	(13.0)	(14.1)	(0.6)	(57.5)
Provisions Charged to Operating Expenses..........	30.3	22.2	17.0	21.9	54.2
Other Net Additions(1).......	6.5	6.6	0.6	1.9	--
Balance at End of Period.....	$ 174.4	$ 167.8	$ 152.0	$ 148.5	$ 125.3
Ratio of Net Charge-Offs to Average Loans Outstanding...	0.34%	0.16%	0.18%	--	0.82%
Ratio of Reserve to Loans Outstanding.................	1.88%	1.97%	1.90%	1.92%	1.76%

The details of the Foreign Reserve for Loan Losses, which are included in the table above, are:

	1997	1996	1995	1994	1993
Beginning Balance............	$ 28.4	$ 15.1	$ 12.9	$ 10.5	$ 14.2
Charge-Offs................	10.6	0.9	0.9	0.7	7.5
Recoveries.................	0.6	1.8	1.9	--	--
Net Loans Charged-Off......	(10.0)	0.9	1.0	(0.7)	(7.5)
Provisions Charged to Operating Expenses........	17.6	5.8	0.6	1.2	3.8
Other Net Additions (1)....	(5.0)	6.6	0.6	1.9	--
Ending Balance..............	$ 31.0	$ 28.4	$ 15.1	$ 12.9	$ 10.5

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(1) Includes balance transfers, reserves acquired, and foreign currency translation adjustments.

ALLOCATION OF LOAN LOSS RESERVE

TABLE 8

	1997		1996		1995		1994		1993	
	RESERVE AMOUNT	PERCENT OF OUTSTANDING LOAN AMOUNT	RESERVE AMOUNT	PERCENT OF OUTSTANDING LOAN AMOUNT	RESERVE AMOUNT	PERCENT OF OUTSTANDING LOAN AMOUNT	RESERVE AMOUNT	PERCENT OF OUTSTANDING LOAN AMOUNT	RESERVE AMOUNT	PERCENT OF OUTSTANDING LOAN AMOUNT
	(IN MILLIONS OF DOLLARS)									
Commercial and Industrial	$ 57.5	2.73%	$ 60.0	3.32%	$ 61.9	3.25%	$ 59.5	3.25%	$ 51.2	3.00%
Real Estate--										
Construction	4.2	1.50	4.5	1.91	4.2	2.00	2.6	2.00	4.3	2.51
Commercial	21.8	1.61	18.5	1.51	19.6	1.50	18.6	1.50	15.4	1.25
Residential	13.8	0.50	20.0	0.76	20.5	0.75	21.6	0.75	18.5	0.75
Installment	34.9	3.91	26.0	3.06	20.4	2.50	18.5	2.50	13.5	2.00
Foreign	31.0	1.93	28.4	1.89	15.1	1.90	12.9	1.85	10.5	1.77
Leases	2.6	0.50	2.0	0.46	2.0	0.50	1.9	0.50	2.0	0.50
Not allocated	8.6	--	8.4	--	8.3	--	12.9	--	9.9	--
	$174.4	1.88%	$167.8	1.97%	$152.0	1.90%	$148.5	1.92%	$125.3	1.76%

International Operations

Pacific Century maintains an extensive international presence in the Asia-Pacific region that provides opportunities to take part in lending, correspondent banking and deposit-taking activities in these markets. These activities are facilitated through Bank of Hawaii branches, a representative office with extensions and full service subsidiary/affiliate banks. This network of locations across the Asia-Pacific has enabled customers to participate in trade and investment between the U.S. Mainland, Asia, and the Pacific Islands.

Pacific Century's foreign lending consists of both local currency and cross-border lending. Local currency loans are those that are funded and will be repaid in the currency of the borrower's country. Cross-border lending, on the other hand, involves loans that will be repaid in a currency other than that of the borrower's country. This type of lending involves greater risk because the borrower's ability to repay is additionally dependent on changes in the currency exchange rate.

Pacific Century controls its exposure to the risks of international lending by evaluating the political and economic factors that bear on a country's ability to meet its foreign debt obligations. Based on these analyses, maximum credit limits (both short and long term) are established for each country to ensure diversity and minimize and control risk in the international portfolio. These credit limits are reviewed on a regular basis so that risks and exposures are understood and properly assessed. Pacific Century's strategy for foreign lending is to deal, on a direct basis, primarily with countries and companies that have a strong trade and investment interest in Hawaii and Asia-Pacific region. Pacific Century divides its international business into two areas: the International market, which is Asia related and the Pacific market, which comprises the South and West Pacific Divisions.

Through the International Banking Group of Bank of Hawaii, Pacific Century offers international banking services to its corporate and financial institution customers in most of the major Asian financial centers with support from its New York and Honolulu operations. Bank of Hawaii's offices that offer these services are located in Hong Kong, the Philippines (Manila, Cebu, and Davao), South Korea, Singapore, Japan, Taiwan, and New York. The

International Banking Group of Bank of Hawaii continues to focus on correspondent banking and trade-related financing activities and lending to customers with which it has a direct relationship.

The South Pacific Region 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. In March 1997, Pacific Century expanded its investments in this region by acquiring Indosuez Niugini Bank, Ltd.

in Papua New Guinea. Additionally, Bank of Hawaii has interests in affiliate banks located in Tonga, Samoa and Solomon Islands.

The Banks in the French territories are currently operating under a management contract with Credit Lyonnais. The managers of those areas have a direct reporting line to the South Pacific Manager at Bank of Hawaii. The operations and the clients of the subsidiaries and affiliates are evaluated on a similar basis to those in branch offices. Exposure to foreign currency fluctuations is limited as each subsidiary/affiliate primarily deals in its own currency. The largest South Pacific subsidiary operations are in the French territories of French Polynesia and New Caledonia.

Bank of Hawaii's West Pacific Division provides commercial and retail banking services through branches in the Commonwealth of the Northern Mariana Islands (Saipan), the Federated States of Micronesia (Pohnpei, Kosrae, and Yap), Guam, the Republic of the Marshall Islands (Majuro), and the Republic of Palau (Koror). Since the U.S. dollar is used in these locations, the Company's operations in the West Pacific are not considered foreign for financial reporting purposes and are included in domestic operations.

Table 9 provides a summary of assets, liabilities, operating revenue, and net income for Pacific Century's International Operations for the last three years. Net income for 1997 increased to $10.2 million, compared to the $8.1 million in 1996. This represents a return on assets for these operations of 0.34% in 1997, up from the 0.29% in 1996.

SUMMARY OF INTERNATIONAL ASSETS, LIABILITIES, AND INCOME AND PERCENT OF CONSOLIDATED TOTALS

TABLE 9

	1997		1996		1995	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
	(IN MILLIONS OF DOLLARS)					
Average Assets...............	$3,005.1	21.1%	$2,752.6	20.7%	$1,724.3	13.9%
Average Liabilities..........	2,523.3	19.2	2,687.6	22.0	1,585.2	13.9
Operating Revenue............	215.9	17.3	192.1	16.8	107.9	10.3
Net Income...................	10.2	7.3	8.1	6.1	4.8	3.9

Cross-border interbank placements and loans accounted for $835 million at year-end 1997. Table 10 presents, for the last three years, a geographic distribution of international assets for which Pacific Century has cross-border exposure exceeding 0.75% of total assets.

GEOGRAPHIC DISTRIBUTION OF CROSS-BORDER INTERNATIONAL ASSETS (1)

TABLE 10

	GOVERNMENT AND OTHER OFFICIAL INSTITUTIONS	BANKS AND OTHER FINANCIAL INSTITUTIONS (2)	COMMERCIAL AND INDUSTRIAL COMPANIES	TOTAL
	(IN MILLIONS OF DOLLARS)			
at December 31, 1997				
South Korea	$ --	$ 219.7	$193.5	$ 413.2
Japan	--	253.1	136.8	389.9
Taiwan	57.5	39.5	23.8	120.8
All Others	48.4	322.9	154.5	525.8
	$105.9	$ 835.2	$508.6	$1,449.7
at December 31, 1996				
Japan	$ --	$ 196.0	$115.8	$ 311.8
South Korea	--	253.0	122.4	375.4
Taiwan	--	108.6	18.2	126.8
Thailand	--	74.2	47.4	121.6
All Others	1.0	300.0	69.8	370.8
	$ 1.0	$ 931.8	$373.6	$1,306.4
at December 31, 1995				
Japan	$ --	$ 296.4	$198.1	$ 494.5
South Korea	--	181.8	125.8	307.6
Taiwan	--	260.0	11.0	271.0
Thailand	--	169.7	--	169.7
All Others	1.0	253.2	68.5	322.7
	$ 1.0	$1,161.1	$403.4	$1,565.5

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(1) 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. Monetary assets include loans, acceptances, and interest-bearing deposits with other banks.

(2) Includes U.S. dollar advances to foreign branches and affiliate banks which were used to fund local currency transactions. Totals for 1997, 1996 and 1995 were $419.9 million, $327.9 million and $293.2 million, respectively.

An economic crisis that began in Thailand in mid-Spring of 1997 spread throughout Asia by the end of the year. In June of 1997, the Bank of Thailand suspended the operations of sixteen finance companies. The action helped to intensify the economic crisis throughout Asia. With the suspension of another forty-two finance companies in August, coupled with continuing pressure on the Thai currency, the Thai Baht, a greater erosion of confidence took place.

As the crisis spread, many countries throughout the region began to see a sharp depreciation of their currencies against the U.S. dollar. Those that did not felt significant pressure to devalue. By year-end, currencies such as the Korean Won, the Indonesian Rupiah, and the Thai Baht had depreciated substantially. The rapid rate of depreciation had an immediate negative impact on those companies in Asia that maintained liabilities in dollars. Additionally, the crisis of confidence also led to a general tightening of credit across the region that made it increasingly difficult for businesses to obtain credit. A devalued currency along with much higher levels of interest rates created a greater level of tension and uncertainty to the Asia markets. Those countries that have been affected the most from the current turmoil are Thailand, Indonesia and South Korea. More tangibly, local

companies and financial institutions required greater amounts of local currencies to service debt. The tighter credit environment escalated to a general liquidity crisis that required the intervention of the International Monetary Fund in Thailand, Indonesia and South Korea.

The countries in Asia to which Pacific Century maintains its largest credit exposure on a cross border basis include South Korea, Japan and Taiwan. At December 31, 1997, cross border credit exposure in South Korea, Japan and Taiwan were $413.2 million, $389.9 million, and $120.8 million, respectively. In Japan and Taiwan, despite pressures from neighboring countries, the high levels of foreign exchange reserves have helped to maintain economic stability.

With current on-going implementation of an International Monetary Fund restructuring plan, South Korea is working to bring back confidence and liquidity to the country. Our experience and history in the country give us confidence in our ability to manage our exposure during this difficult period. Pacific Century's lending in South Korea is focused on trade-related activities and is mostly short-term in nature. Most of the South Korean loans are to financial institutions (e.g., national and regional banks) or to the top five major conglomerates.

Pacific Century's cross-border credit exposure in Thailand and Indonesia were $74.4 million and $21.1 million, respectively, at year-end 1997. In 1997, Pacific Century recognized charge-offs totaling $10.4 million in connection with Thai loans. The charge-offs that related to finance companies were largely based on a proposed workout plan that is being arranged by the Thai government to restructure these loans. After the charge-off, these loans totaled $17.6 million and were reported as non-accrual loans as of December 31, 1997.

Pacific Century believes that it has prudently managed its exposure in Asia and has dealt with the known situations. However, because of the uncertainties inherent in Asia, it is difficult to accurately predict the impact of the turmoil in Asia on the economies of Hawaii and the U.S. Mainland, changes in currencies of Pacific region countries relative to the U.S. dollar, changes in interest rates, and changes in applicable U.S. and foreign regulatory and monetary policy. Moreover, it is not known what, if any, further impact there will be on Pacific Century's Asia exposure.

ASSET AND LIABILITY MANAGEMENT

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

Capital Adequacy

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

At year-end 1997, Pacific Century's shareholders' equity grew to $1.12 billion, an increase from $1.07 billion at year-end 1996. The source of growth in shareholders' equity in 1997 included retention of earnings, issuance of common stock under the dividend reinvestment plan and various stock-based employee benefit plans, and shares issued to acquire CU Bancorp. Offsetting these increases were cash dividends paid of $49.7 million, shares repurchased of $142.5 million, and net unrealized valuation adjustments of $21.0 million.

In December 1997, the Company's common shares outstanding were increased through a two-for-one stock split. All historical per share data in this report have been restated to reflect the stock split.

Pacific Century's regulatory capital ratios at year-end 1997 were: Tier 1 Capital Ratio of 9.34%, Total Capital Ratio of 11.65%, and Leverage Ratio of 7.21%. All three capital ratios exceeded the minimum threshold levels that were established in 1993 by federal bank regulators to qualify an institution as well capitalized. The minimum regulatory standards to qualify as well capitalized are as follows: Tier 1 Capital 6%; Total Capital 10%; and the Leverage Ratio 5%. There are certain financial and regulatory benefits of maintaining a well capitalized status. Financial institutions that are designated as well capitalized pay lower FDIC deposit insurance premiums and are subject to fewer regulatory restrictions on certain activities. Table 11 presents a five-year history of activities and balances in Pacific Century's capital accounts along with key capital ratios.

In December 1996, Pacific Century completed a $100 million 8.25% Capital Securities offering that was issued through Bancorp Hawaii Capital Trust I, a newly organized grantor trust. The capital securities mature in 30 years and bear cumulative dividends at 8.25% payable semi-annually. Proceeds from this issue were used for general corporate purposes. These capital securities qualify as Tier I Capital for regulatory accounting purposes, but are classified as long-term debt in the statement of condition.

In order to maintain its capital position at a desired level, Pacific Century has repurchased shares, over the past few years, under various stock repurchase programs. Under these programs, approximately 2.9 million shares in 1997 and 1.8 million shares in 1996 were repurchased. Pacific Century also purchases shares in the open market for use in employee stock-based benefit and dividend reinvestment plans. However, due to the uncertainties of the impact of the economic turmoil in Asia, share repurchase activities have been suspended.

EQUITY CAPITAL

TABLE 11

	1997	1996	1995	1994	1993
	(IN MILLIONS OF DOLLARS)				
Source of Common Equity					
Net Income.................	$ 139.5	$ 133.1	$ 121.8	$ 117.7	$ 132.6
Dividends Paid.............	(49.7)	(47.4)	(45.2)	(44.0)	(38.4)
Dividend Reinvestment Program....................	6.8	6.8	7.1	7.4	7.7
Stock Issued for Acquisition...............	108.4	--	--	--	--
Stock Repurchases..........	(142.5)	(70.4)	(40.0)	(44.3)	(2.0)
Other (1)..................	(11.4)	(10.4)	43.9	(8.1)	9.9

Annual Increase in Equity..	$ 51.1	$ 11.7	$ 87.6	$ 28.7	$ 109.8
Year-End Common Equity.....	$ 1,117.2	$ 1,066.1	$1,054.4	$ 966.8	$ 938.1
Add: 8.25% Capital Securities of Bancorp Hawaii Capital Trust I...	100.0	100.0	--	--	--
Minority Interest..	5.8	9.3	--	--	--
Less: Intangibles........	180.9	68.9	60.2	64.6	72.0
Unrealized Valuation Adjustments.......	5.5	2.2	11.3	(17.3)	3.9
Tier I Capital.............	1,036.6	1,104.3	982.9	919.5	862.2
Allowable Loan Loss Reserve.................	139.2	131.1	120.2	111.1	100.2
Subordinated Debt........	118.7	118.7	118.7	118.6	124.6
Investment in Unconsolidated Subsidiary.............	(1.9)	--	--	--	--
Total Capital.........	$ 1,292.6	$ 1,354.1	$1,221.8	$1,149.2	$1,087.0
Risk Weighted Assets.......	$11,098.6	$10,452.1	$9,587.0	$8,848.6	$7,990.4
Key Ratios					
Growth in Common Equity....	4.8%	1.1%	9.1%	3.1%	13.3%
Average Equity/Average Assets Ratio..............	7.79%	8.05%	8.28%	7.71%	7.09%
Tier I Capital Ratio.......	9.34%	10.57%	10.25%	10.39%	10.79%
Total Capital Ratio........	11.65%	12.96%	12.74%	12.99%	13.60%
Leverage Ratio.............	7.21%	7.98%	7.82%	7.28%	6.89%

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

MARKET RISK EXPOSURES

Other Than Trading Activities

In the normal course of business, elements of Pacific Century's balance sheet are exposed to varying degrees of market risk. Market risk arises from movements in interest rates and foreign currency exchange rates. A key element in the process of managing market risk involves oversight by the Board of Directors and senior management as to the level of such risk assumed by Pacific Century in its balance sheet. The Board reviews and approves risk management policies, including risk limits and guidelines and delegates to the Asset Liability Management Committee (ALCO) oversight functions. The ALCO, consisting of the Managing Committee and senior business and finance officers, monitors Pacific Century's market risk exposure and will modify balance sheet positions or direct the use of derivative instruments as market conditions dictate.

Interest Rate Risk Pacific Century's balance sheet is sensitive to changes in the general level of interest rates. This interest rate risk arises primarily from the Company's normal business activities of making loans and taking deposits. Many other factors also affect the Company's exposure to changes in interest rates. These factors

include general economic and financial conditions, customer preferences, and historical pricing spread relationships.

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. These estimates are based on a large number of assumptions that include loan and deposit volumes and pricing, prepayment speeds on mortgage-related assets, and principal amortization and maturities on other financial instruments. While the assumptions are inherently uncertain, management believes that these assumptions are reasonable. As a result, the NII simulation model provides a sophisticated estimate rather than a precise prediction of the exposure to higher or lower interest rates on NII.

Table 12 presents as of December 31, 1997, the estimate of the change in NII from a gradual 200 basis point increase or decrease in interest rates, moving in parallel fashion over the entire yield curve, over the next 12-month period relative to what the NII would have been if interest rates did not change. The resulting estimate in NII exposure is well within the approved ALCO guidelines and presents a balance sheet exposure that is slightly liability sensitive. A liability sensitive exposure would imply a favorable short-term impact on NII in periods of declining interest rates.

Pacific Century also measures the market value of equity (MVE) sensitivity to complement the results from the NII simulation model. The MVE model measures the net present value of all future cash flows for each asset, liability, and off-balance sheet position based on the implied forward yield curve. This model therefore, measures the exposure to interest rate changes for a longer period than the 12-months time frame of the NII simulation model. There are some limitations to the results from the MVE model. These limitations include factors such as the following: liquidity and credit risk are not considered in valuing the various on- and off-balance sheet positions; maturity and cash flow assumptions are made for indeterminate maturity assets and deposits; and future balance sheet changes from shifting customer preferences or discretionary management responses are not factored into this analysis.

Table 12 presents, as of December 31, 1997, the estimate from the MVE model of the change in MVE from an immediate 200 basis point increase or decrease in interest rates, moving in parallel fashion over the entire yield curve relative to what the MVE would have been if interest rates did not change. The resulting estimate in MVE exposure is well within the approved ALCO guidelines and, similar to the NII simulation results, reflects a balance sheet exposure that is slightly liability sensitive.

MARKET RISK EXPOSURE TO INTEREST RATE CHANGES

TABLE 12

	INTEREST RATE CHANGE (IN BASIS POINTS)	
	-200	+200
Estimated Exposure at December 31, 1997, as a:		
Percent of Net Interest Income	2.3%	(2.0)%
Percent of Market Value of Equity	1.2%	(9.6)%

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

Foreign Currency Risk Pacific Century's broad area of operations throughout the South Pacific and the Asian Rim has the potential to expose the Company 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 as disclosed in Note O to the consolidated financial statements. By policy, the net exposure in these "other than trading" activities is insignificant.

On the other hand, Pacific Century is exposed to foreign currency exchange rate changes from the capital invested in its foreign subsidiaries and branches located throughout the South Pacific and Asian Rim. These investments are designed to diversify the Company's total balance sheet exposure. While a portion of the capital investment in Tahiti and New Caledonia is hedged by a $43 million borrowing denominated in French Francs, as outlined in Note G to the consolidated financial statements, the rest of these capital positions are not hedged.

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

To estimate the potential loss in its net investment in foreign subsidiaries and branches, Pacific Century takes the daily volatility and annualizes it by multiplying by the number of trading days in a year. Therefore, the VAR determines the potential one-year loss within a 95% confidence interval of the net investment in subsidiaries. In other words, a loss greater than VAR has approximately a 5% probability of occurring.

Table 13 represents as of December 31, 1997 the foreign currency exposure, as measured by the VAR, of the Company's net investment in subsidiaries and branch operations that are denominated in a foreign currency.

MARKET RISK EXPOSURE FROM CHANGES IN FOREIGN EXCHANGE RATES

TABLE 13

	1997	
	BOOK VALUE	VALUE-AT-RISK
	(IN MILLIONS OF DOLLARS)	
Net Investments in Foreign Subsidiaries and Branches		
Japanese Yen	$11.0	$ 1.9
Korean Won	29.5	23.0
Pacific Franc (1)	24.3	3.7
Other	29.5	8.9
Total	$94.3	$37.5

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(1)Net of a $43 million borrowing denominated in French Francs.

Trading Activities

Pacific Century's trading activities include foreign currency and foreign exchange contracts that expose Pacific Century to a modest measure of foreign currency risk. These transactions are executed on behalf of customers and for the Company's own account. Pacific Century, however, manages its trading account such that it does not maintain significant foreign currency open positions. To measure the exposure of these open positions, the Company uses the VAR methodology described above. The VAR measurement for trading activities as of year-end 1997 continues to be immaterial.

CONSOLIDATED AVERAGE BALANCES, INCOME AND EXPENSE
SUMMARY, AND YIELDS AND RATES
(TAXABLE EQUIVALENT)

TABLE 14

	1997			1996			1995		
	AVERAGE BALANCE	INCOME/ EXPENSE	YIELDS/ RATES	AVERAGE BALANCE	INCOME/ EXPENSE	YIELDS/ RATES	AVERAGE BALANCE	INCOME/ EXPENSE	YIELDS/ RATES
				(IN MILLIONS OF DOLLARS)					
Earning Assets									
Interest-Bearing Deposits..............	$ 497.8	$ 33.9	6.80%	$ 579.9	$ 42.0	7.24%	$ 645.7	$ 39.4	6.11%
Investment Securities--Held to Maturity									
--Taxable............	1,208.9	81.1	6.70	1,078.1	70.4	6.53	1,516.5	92.3	6.09
--Tax-Exempt.........	12.5	1.8	14.55	13.0	1.8	14.08	15.9	2.1	13.25
Investment Securities--Available for Sale..............	2,452.0	158.9	6.48	2,288.7	148.0	6.46	1,639.0	107.9	6.58
Funds Sold.............	76.4	3.8	4.99	92.1	4.0	4.39	68.5	3.8	5.57
Loans (1)									
--Domestic...........	7,389.4	620.5	8.40	7,099.9	579.7	8.17	6,908.9	572.8	8.29
--Foreign............	1,540.3	129.2	8.39	1,253.7	107.6	8.58	746.0	51.5	6.90
Loan Fees..............		34.3			29.7			28.5	
Total Earning Assets............	13,177.3	1,063.5	8.07	12,405.4	983.2	7.93	11,540.5	898.3	7.78
Cash and Due From Banks.	545.1			462.8			460.6		
Other Assets............	519.9			427.0			389.1		
Total Assets.......	$14,242.3			$13,295.2			$12,390.2		
Interest-Bearing Liabilities									
Domestic Deposits									
--Demand.............	$ 1,945.3	52.9	2.72	$1,726.6	47.2	2.73	$1,752.4	50.9	2.91
--Savings............	865.5	21.4	2.48	937.0	23.7	2.53	1,058.5	30.6	2.89
--Time...............	2,858.7	157.0	5.49	2,465.0	133.5	5.42	1,839.9	98.5	5.36
Total Domestic.....	5,669.5	231.3	4.08	5,128.6	204.4	3.98	4,650.8	180.0	3.87
Foreign Deposits									
--Time Due to Banks..	731.1	44.0	6.01	733.5	46.4	6.33	652.7	37.8	5.79
--Other Time and Savings............	1,079.0	48.2	4.47	745.0	37.9	5.09	329.5	21.7	6.57
Total Foreign......	1,810.1	92.2	5.09	1,478.5	84.3	5.70	982.2	59.5	6.06
Total Deposits.....	7,479.6	323.5	4.33	6,607.1	288.7	4.37	5,633.0	239.5	4.25
Short-Term Borrowings...	2,856.3	156.4	5.48	2,809.6	150.2	5.35	3,155.1	174.0	5.52
Long-Term Debt..........	725.5	46.4	6.39	1,029.2	60.9	5.91	866.8	54.6	6.29
Total Interest-Bearing									

Liabilities	11,061.4	526.3	4.76	10,445.9	499.8	4.78	9,654.9	468.1	4.85
Net Interest Income		537.2	3.31		483.4	3.15		430.2	2.93
Spread on Earning Assets			4.08%			3.90%			3.73%
Demand Deposits									
--Domestic	1,516.8			1,371.5			1,391.6		
--Foreign	264.0			194.2			11.8		
Total Demand Deposits	1,780.8			1,565.7			1,403.4		
Other Liabilities	290.8			212.7			305.9		
Shareholders' Equity	1,109.3			1,070.9			1,026.0		
Total Liabilities & Equity	$14,242.3			$13,295.2			$12,390.2		
Provision for Loan Losses		30.3			22.2			17.0	
Net Overhead		288.0			256.8			218.0	
Income Before Income Taxes		218.9			204.4			195.2	
Provision for Income Taxes		78.5			70.2			71.8	
Tax Equivalency Adjustment (2)		0.9			1.1			1.6	
Net Income		$ 139.5			$133.1			$121.8	

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(1) Includes non-accrual loans.
(2) Based upon a statutory tax rate of 35%.

Liquidity Management

Liquidity is managed to ensure that Pacific Century has continuous access to sufficient, reasonably priced funding to conduct its business in a normal manner. The Company's ALCO monitors sources and uses of funds and modifies asset and liability positions as liquidity requirements change. This process combined with Pacific Century's ability to raise funds in money and capital markets and through private placements provides flexibility in managing the exposure to liquidity risk.

A primary source of funding at Pacific Century comes from deposits. For 1997, average deposits increased to $9.3 billion from $8.2 billion for 1996. Table 22 presents the average deposits by category. The year-to-year increase reflects the positive impact from the acquisition of deposits by PCB during the first quarter of 1997 and Pacific Century's acquisition of CUB during 1997's third quarter.

Pacific Century's balance sheet is unique given the high level of state and local government funding. Historically, these governmental entities have provided a stable source of funds. Over the years, much of this funding has been converted to Securities Sold Under Agreements to Repurchase (Repos). Repos are supported by the same type of collateral that supports governmental deposits, but are not insured by the FDIC. At year-end 1997, repos totaled $2.3 billion compared to $2.1 billion at year-end 1996 and $1.9 billion at year-end 1995.

During 1997, Pacific Century issued commercial paper only in the Hawaii marketplace. To further enhance liquidity, Pacific Century also maintains access to the mainland wholesale commercial paper market through a pre-selected issuing agent. At year-end 1997 commercial paper outstanding totaled $104.9 million, compared to $69.7 million at year-end 1996.

Pacific Century maintains a line of credit for working capital purposes. The line is for $35 million and is subject to annual renewals. Fees are paid on the unused balance of the line. During 1997, the line was not drawn upon.

Bank of Hawaii, First Federal and First Savings are all members of the Federal Home Loan Bank of Seattle (FHLB). FHLB provides these institutions with an additional source of short to intermediate term funding. At year-end 1997, Bank of Hawaii had outstanding debt to the FHLB of $65 million, as compared to $125 million at year-end 1996. First Federal and First Savings also decreased their borrowings from the FHLB to $238 million at year-end 1997 as compared to $273 million at year-end 1996. Borrowings from the FHLB are collateralized by mortgage loans and FHLB stock.

Long term debt on December 31, 1997 totaled $0.7 billion, compared to $0.9 billion at year-end 1996, and $1.1 billion at year-end 1995. Certain amounts of the long-term debt were private placements, which totaled $150 million, $110 million, and $60 million at year-ends 1997, 1996, and 1995, respectively. Pacific Century's access to such private placement counterparties enhances its balance sheet liquidity. In 1997, Pacific Century negotiated several private placement borrowings totaling $90 million. The proceeds were primarily used to finance the CUB acquisition. These borrowings were issued for a seven year term on a floating rate basis.

Additionally, Bank of Hawaii maintains a $1.0 billion revolving medium term note program. Notes outstanding under this facility decreased to $25.0 million at year-end 1997 from $350.0 million at year-end 1996, and $849.7 million at year-end 1995.

Moody's Investors Services and Standard and Poor's downgraded the long and short-term debt ratings of Pacific Century and its subsidiary, Bank of Hawaii on January 30, 1998 and February 4, 1998, respectively. Both rating agencies cited Pacific Century's exposures to Asian events as the primary reason for their downgrade. See International Operations section for further discussion on the Asia economic crisis.

Control of Net Overhead

Pacific Century primarily utilizes the net overhead ratio and efficiency ratio to measure efficiency. The net overhead ratio is defined as non-interest expense to non-interest income (without securities transactions). In 1997, Pacific Century's net overhead ratio was 2.58, compared to 2.58 and 2.53 in 1996 and 1995, respectively.

The efficiency ratio is the percentage of non-interest expense to net operating revenue (net interest income plus non-interest income before securities transactions). In 1997, Pacific Century's efficiency ratio was 66.0%, compared to 65.3% and 63.6% for 1996 and 1995, respectively.

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

Pacific Century has made the identification and resolution of Year 2000 exposures the top priority of the Company. A task force has been established to monitor, evaluate and manage the risks, solutions, and costs associated with Year 2000 issues. Pacific Century has developed a Year 2000 project plan that incorporates the following primary parts: identifying assets and systems that have Year 2000 exposure; assessing the size and complexity of the overall project and its parts; determining risks, priorities and resources; implementing solutions (e.g. rewriting program code, upgrading software and hardware, replacing systems, and obtaining vendor certifications); testing changes made to software and hardware; and formulating contingency plans.

As of December 31, 1997, Pacific Century completed its identification process and has compiled a comprehensive inventory of assets and systems with Year 2000 exposure. In the process of accumulating this inventory, the size, complexity and required resources have been assessed for all critical systems. In Pacific Century's case, very few of its core systems (less than 25%) were developed internally. Instead, most systems were purchased from outside vendors. Therefore, Pacific Century must rely on these vendors to make the necessary modifications to their systems and provide a certification of the system's compliance with Year 2000 issues. Moreover, Pacific Century must review each vendor's Year 2000 software upgrade, incorporate customized software changes, if any, modify system interfaces, and perform validation testing to ensure that the system will operate properly in the year 2000.

Although all Year 2000 issues are being addressed, the Company has identified its most critical systems and has established priorities to provide greater assurance that these systems will be Year 2000 compliant in a timely manner. Pacific Century's goal is to complete all Year 2000 changes for business critical systems by December 31, 1998. However, for a few systems that were purchased from outside vendors, the Year 2000 resolution will extend into the first half of 1999.

While Pacific Century believes its Year 2000 project plan is designed to be successful in resolving all critical Year 2000 issues, it is possible, because of the scope and complexity involved, that not all of the potential problems will be satisfactorily completed in a timely manner. To mitigate this possibility, the Company is formulating contingency plans to assure an orderly transition to the millennium.

Pacific Century initially estimated the total cost of its Year 2000 project in the range of $30 million. These costs include estimates for employee compensation, consultants, and software and hardware expenses. Year 2000 related costs are expensed as incurred and approximately $3.2 million was expensed in 1997. As the Year 2000 project progresses, the Company's cost estimate could change depending on a number of factors, including the failure of third party vendors to address Year 2000 issues in a timely manner.

Non-Interest Income For 1997, total non-interest income was $187.8 million, compared to $164.5 million in 1996 and $146.1 million in 1995. Non-interest income in 1997 increased 14.2% from 1996. The comparison of non-interest income between 1997 and 1996 is affected by the acquisitions of BDT and BHNC (May 1996), CUB (July 1997), and Bank of Hawaii (PNG), Limited (March 1997). For 1997, BDT and BHNC contributed $17.6 million in non-interest income compared to $12.8 million in 1996. CUB and Bank of Hawaii (PNG), Limited reported combined non-interest income of $5.5 million for the year. Table 15 presents the details of non-interest income for the last five years. Trust operations, electronic financial services, insurance and annuity sales, and brokerage sales continue to grow, although at varying rates.

Trust income for 1997 totaled $52.2 million, up from $49.8 million in 1996 and $49.5 million in 1995. For the last two years, the growth rate has been affected by aggressive competition from non-Hawaii based asset management companies. During 1997, Hawaiian Trust Company, Limited was merged into Bank of Hawaii, and, in connection therewith, its name was changed to Pacific Century Trust (PCT). This merger provides synergism to grow both bank and trust products through coordinated marketing and packaged services. While trust income showed a 4.8% increase in 1997, total trust assets administered by PCT increased to $12.5 billion at year-end 1997, up from $11.4 billion at year-end 1996 and $11.2 billion at year-end 1995. Activity in Pacific Century's family of mutual funds has continued to grow, increasing to $2.6 billion at year-end 1997, from $2.2 billion at year-end 1996.

Service charges on deposit accounts increased to $29.4 million, compared to $26.7 million in 1996 and $25.9 million in 1995. The acquisitions accounted for the increase between 1996 and 1997. Pacific Century regularly reviews its fee schedules (including exchange and service charges on deposit accounts) to assure competitive pricing and acceptable levels of profitability.

Fees, exchange and other service charges increased to $67.1 million in 1997, from $58.9 million in 1996 and $47.3 million in 1995. Approximately $4.8 million of the increase was due to the acquisitions. Pacific Century's involvement in trade finance in Asia has steadily increased through its network of offices and branches in the area. Reflecting the continuing increase in international activity, fees for letters of credit, export bills, and acceptances increased to $11.1 million in 1997, compared to $10.1 million and $8.8 million in 1996 and 1995, respectively. Also, related to international activity, profits on foreign currency increased to $12.2 million in 1997, compared to $8.9 million in 1996 and $6.5 million in 1995. The recent financial and economic issues arising in Asia (see International Operations) have impacted currency exchange rates and may affect the level of future fee income.

Mortgage servicing fees increased to $7.1 million in 1997 from $6.6 million in 1996 and $4.3 million in 1995. This increase reflects Bank of Hawaii's continued emphasis on residential mortgage lending and secondary market sales activities. Pacific Century's mortgage servicing portfolio grew to $1.7 billion at year-end 1997.

Also included in fees, exchange and other service charges are fees earned through Pacific Century's ATM network. During 1997, Pacific Century expanded its ATM network, ending the year with 480 machines, an increase from 401 at year-end 1996. The fees generated by this network totaled $9.6 million in 1997, $8.6 million in 1996, and $7.7 million in 1995. The majority of Pacific Century's ATMs are located in Hawaii (403) with 30 in the Western Pacific, 24 in the South Pacific and 23 on the U.S. Mainland. ATM usage has increased steadily over the years averaging more than 1.9 million transactions per month in 1997, compared to more than 1.7 million transactions per month in 1996.

Other operating income ended 1997 at $36.0 million, up from $27.7 million in 1996 and $21.0 million in 1995. In 1997, the acquisitions contributed $0.7 million in incremental fees. During the fourth quarter, a leveraged lease matured and the underlying equipment was sold. The sale resulted in a gain of $4.4 million and was recognized in other operating income. With a high level of recoveries recorded, cash basis interest totaled $3.7 million in 1997, compared to $2.6 million in 1996, and $1.3 million reported in 1995. The income recorded

as cash basis generally includes interest collected on loans written-off or interest collected on non-accrual loans that relate to prior years.

Sales of investment securities in 1997 resulted in a net securities gain of $3.1 million (pre-tax), compared to net gains of $1.4 million and $2.5 million in 1996 and 1995, respectively.

NON-INTEREST INCOME

TABLE 15

YEARS ENDED DECEMBER 31,						
1997		1996		1995	1994	1993
AMOUNT	PERCENT CHANGE	AMOUNT	PERCENT CHANGE	AMOUNT	AMOUNT	AMOUNT
(IN MILLIONS OF DOLLARS)						

Trust Income...............	$ 52.2	+ 4.8%	$ 49.8	+ 0.6%	$ 49.5	$ 48.6	$ 40.9
Service Charges on Deposit Accounts..................	29.4	+ 10.1	26.7	+ 3.1	25.9	28.3	26.5
Fees, Exchange and Other Service Charges							
Card Fees...............	13.2	+ 23.4	10.7	+ 46.6	7.3	8.3	7.4
Letters of Credit and Acceptance Fees.........	11.1	+ 9.9	10.1	+ 14.8	8.8	7.8	7.3
Profit on Foreign Currency................	12.2	+ 37.1	8.9	+ 36.9	6.5	4.3	4.6
ATM......................	9.6	+ 11.6	8.6	+ 11.7	7.7	6.6	5.3
Mortgage Servicing Fees..	7.1	+ 7.6	6.6	+ 53.5	4.3	2.9	2.4
Exchange Fees............	4.2	+ 23.5	3.4	- 12.8	3.9	4.0	2.9
Payroll Services.........	1.6	- 33.3	2.4	+ 14.3	2.1	2.1	1.8
Cash Management..........	0.8	--	0.8	- 20.0	1.0	1.1	1.1
Other Fees...............	7.3	- 1.4	7.4	+ 29.8	5.7	5.4	4.9
Other Income...............	32.3	+ 28.7	25.1	+ 28.1	19.6	23.4	17.9
Cash Basis Interest........	3.7	+ 42.3	2.6	+100.0	1.3	3.4	2.4
Investment Securities Gains (Losses)..................	3.1	+121.4	1.4	- 44.0	2.5	(17.8)	10.0
Total..................	$187.8	+ 14.2%	$164.5	+ 12.6%	$146.1	$128.4	$135.4

Non-Interest Expense Total non-interest expense for 1997, 1996 and 1995 was $475.7 million, $421.3 million and $364.1 million, respectively. The incremental increase in non-interest expense due to the acquisitions was $32.4 million in 1997, including the amortization of intangibles.

The largest component of non-interest expense is salary expense, which was $173.2 million, $159.2 million and $142.1 million in 1997, 1996 and 1995, respectively. Approximately $11.7 million of this increase is accounted for by the acquisitions (BDT and BHNC in 1996 and CUB, Home Savings branches, and Bank of Hawaii (PNG), Limited in 1997). Excluding the acquisitions, total salary expense would have increased 1.5% over 1996.

Pension and other employee benefits expense for 1997 totaled $53.5 million, an increase of 9.6% over 1996's total of $48.8 million. Part of this increase is due to the acquisitions which were responsible for $2.1 million in pension and benefit expense for the year. Excluding the acquisitions, pension and benefit expense would have risen approximately $2.6 million in 1997, or 5.3% from 1996.

Net occupancy expense for 1997 increased to $46.7 million from $39.4 million in 1996 and $41.1 million in 1995. The increase is partly due to the acquisitions. Additionally, during the fourth quarter, a five story building in downtown Honolulu was closed and demolished and its book value of $2.7 million was written-off. Taking the building out of service will save approximately $1.1 million in annual premises operating expenses.

Net equipment expense increased 13.2% over 1996. Net equipment expense was $38.5 million, $34.0 million and $31.7 million in 1997, 1996 and 1995, respectively. The increase results from the acquisitions, and also reflects Pacific Century's continuing investment in technological enhancements. Pacific Century's ongoing commitment to upgrade and improve its information systems continued in 1997. Also contributing to the increase were one-time costs associated with converting the computer systems of two subsidiaries.

Other operating expense increased to $162.3 million in 1997 from $138.4 million in 1996 and $104.4 million in 1995. About $15.5 million of this increase was due to the various acquisitions. The comparison between years is also affected by a $2.8 million loss recognized in 1996 on the early termination of a leveraged lease.

Legal and professional fees increased to $23.4 million in 1997 from $17.7 million in 1996 and $15.6 million in 1995. The increase was partly due to legal fees incurred in a lender liability suit for which a favorable verdict was reached in the fourth quarter. During the fourth quarter, partial recovery of legal fees was realized from an insurance policy. Further recovery is being pursued.

FDIC insurance declined $5.3 million in 1997 to $1.5 million. The decline primarily results from a one-time FDIC special assessment of $5.0 million that was paid in 1996 by the Company's two thrift subsidiaries.

Reflecting the acquisitions made in 1997 and 1996, the amortization of intangibles increased to $12.7 million for 1997, compared to $9.3 million for 1996 and $8.4 million for 1995.

NON-INTEREST EXPENSE

TABLE 16

	1997 AMOUNT	1997 PERCENT CHANGE	1996 AMOUNT	1996 PERCENT CHANGE	1995 AMOUNT	1994 AMOUNT	1993 AMOUNT
	YEARS ENDED DECEMBER 31, (IN MILLIONS OF DOLLARS)						
Salaries	$173.2	+ 8.8%	$159.2	+12.0%	$142.1	$138.0	$134.6
Pension and Other Employee Benefits	53.5	+ 9.6	48.8	+11.9	43.6	42.4	42.4
Net Occupancy Expense	46.7	+18.5	39.4	- 4.1	41.1	37.4	37.0
Net Equipment Expense	38.5	+13.2	34.0	+ 7.3	31.7	30.5	27.3
Other Operating Expense							
Legal and Professional	23.4	+32.2	17.7	+13.5	15.6	18.2	11.9
Advertising	10.6	- 7.0	11.4	+ 1.8	11.2	10.3	9.7
Stationery and Supplies	10.7	--	10.7	+15.1	9.3	8.8	7.5
FDIC Insurance	1.5	-77.9	6.8	-10.5	7.6	13.6	15.1
Amortization of Intangible Assets	12.7	+36.6	9.3	+10.7	8.4	9.3	7.2
Other	103.4	+25.2	82.6	+57.6	52.4	51.4	43.4
Minority Interest	1.5	+ 7.1	1.4	+27.3	1.1	0.5	--
Total	$475.7	+12.9%	$421.3	+15.7%	$364.1	$360.4	$336.1

INCOME TAXES

The 1997 tax provision reflects a change in the effective tax rate to 36.0% from 34.5% and 37.1% in 1996 and 1995, respectively. The tax structure at Pacific Century is complex given the various foreign and domestic locations in which it operates. Pacific Century uses its municipal securities portfolio, low income housing tax credits and its leasing portfolio to manage its tax liability. The first two reduce the effective tax rate, while the leasing portfolio assists in deferring the payment of taxes.

The tax-exempt securities portfolio continues to decline. For 1997, average tax exempt securities totaled $12.5 million, minimally impacting Pacific Century's effective tax rate. Low income housing credits are Pacific

Century's main vehicle for reducing the effective tax rate. In 1997, Pacific

Century's low income housing credit investments decreased $1.7 million to $64.6 million at year-end 1997. Pacific Century's low income housing investments are predominantly in Hawaii. While low income housing investments provide an opportunity to reduce taxes and earn competitive yields, there are regulatory limits on the total investments an institution may hold. As of year-end 1997, the regulatory limit is 10% of Pacific Century's capital. For Pacific Century, that limit was about $110 million at December 31, 1997.

Pacific Century also continues to pursue lease financing to defer tax payments. During 1997, the leasing portfolio grew 18.6% to $519.4 million at year-end with much of this activity in smaller traditional leasing transactions. There were no leveraged leases recorded in 1997.

Pacific Century's tax planning is also structured to minimize the impact of the alternative minimum tax (AMT). At the end of 1997, Pacific Century was not subject to the AMT.

FOURTH QUARTER RESULTS AND OTHER MATTERS

Fourth Quarter Results

Earnings in the fourth quarter of 1997 totaled $33.1 million, a decrease of 3.8% from the $34.5 million reported in the same quarter of 1996. Basic earnings per share were $0.41 and $0.43 in the fourth quarter of 1997 and 1996, respectively. Diluted earnings per share were $0.41 and $0.42 in the same respective periods.

Interest margin in the fourth quarter of 1997 was 4.17%, compared to 3.93% in the fourth quarter of 1996. The improvement was driven by acquisitions and the continued efforts to position the balance sheet towards higher yielding assets. Earning asset yields increased to 8.17% from 8.01% comparing the fourth quarters of 1997 and 1996, respectively. The cost of funds rate decreased to 4.74% from 4.89% between the same periods.

The provision for loan losses totaled $9.8 million in the fourth quarter, the highest amount for any quarter in 1997. The level of provisioning increased as gross charge-offs increased to $22.3 million during the quarter, which includes $10.4 million that relates to Thai loans. Recoveries were $10.5 million in the last quarter, the highest quarterly level reported in 1997.

Included in the fourth quarter's results were the following non-recurring transactions. A gain of $4.4 million was recognized on a leveraged lease. A downtown office building was demolished resulting in a $2.7 million write-off of its book value.

Forward-Looking Statements

This report contains forward-looking statements regarding management's beliefs, estimates, projections and assumptions. These forward-looking statements are subject to risks and uncertainties, and accordingly, actual results may differ significantly from those presented in such statements. Factors that might cause such a difference include, but are not limited to, economic conditions in the areas in which Pacific Century conducts its operations, fluctuations in interest rates, fluctuations in foreign currency exchange rates, credit quality, and U.S. and foreign government regulations and monetary policies.

Reengineering for a New Era

On February 17, 1998, Pacific Century unveiled a comprehensive two-year reorganization and restructuring program to accelerate expense reduction and improve the Company's efficiency. The program will see the merger of First Federal Savings & Loan Association of America with Bank of Hawaii, the closing of approximately 25 branches in the State of Hawaii, and a comprehensive customer-focused redesign process to begin in 1999. At present the timing of these changes and their related cost and expenses (including intangibles) have not been determined.

Pacific Century recognizes that the competitive environment in the financial services industry has dramatically intensified. At the same time Hawaii's stagnant economy, coupled with economic turbulence in Asia, has inhibited the Company's attempts to significantly improve its financial results. Pacific Century must, therefore, become more efficient in the use of its resources to improve performance.

Pacific Century has set a goal to lower (improve) its efficiency ratio to 55 percent by the end of year 2000. A 55 percent efficiency ratio is consistent with the Company's targeted financial objectives. This efficiency target is expected to be achieved by taking steps to reduce redundancy, enhance revenues and streamline operations.

Through strategic alliances and rationalization of delivery channels in the State of Hawaii, Pacific Century expects to realize annualized expense reductions of approximately $25 million and a reduction of its statewide workforce by about 15 percent over the next two years.

Pacific Century's restructuring program will culminate in 1999 with a comprehensive nine-month redesign process that will put the Company on track to meet its financial goals. Pacific Century has contracted with Aston Associates, a nationally recognized corporate redesign specialist, to orchestrate this activity.

In the near term, the plan calls for First Federal, which was acquired by Pacific Century in 1990, to be merged with Bank of Hawaii (pending regulatory approval). First Federal branches will be consolidated into the Bank of Hawaii network, and up to 25 branches in Hawaii (approximately 25% of the combined First Federal and Bank of Hawaii total) will be closed over the next two years. Customer accounts will be consolidated into Bank of Hawaii's remaining 75 branches throughout the State. The Company has also implemented a hiring freeze in the State of Hawaii for 1998 and 1999.

Subject to the approval of shareholders at the annual meeting in April, Pacific Century will reincorporate in the State of Delaware. The holding company will remain headquartered in Hawaii.

Also in 1998, (pending regulatory approval) Pacific Century's U.S. Mainland operations will be merged into one nationally chartered entity, to be headquartered in California. California United Bank, acquired in 1997, and Pacific Century Bank, located in Phoenix, Arizona, will be consolidated under the name Pacific Century Bank, N.A.

First Savings and Loan Association of America (Guam), First Federal's subsidiary in the West Pacific, is to become a federally chartered institution and a direct subsidiary of Pacific Century.

It is hoped that the Hawaii and Asian economies will be reinvigorated very soon, but the Company cannot rely on these markets to rebound in the near term. Therefore, Pacific Century will move through 1998 and 1999 focused on expense effectiveness, efficiency gains and revenue enhancements, and doing what it can to support economic revitalization in the areas in which it does business.

CONSOLIDATED QUARTERLY RESULTS OF OPERATIONS

TABLE 17

	THREE MONTHS ENDED							
	1997				1996			
	MAR.	JUN.	SEPT.	DEC.	MAR.	JUN.	SEPT.	DEC.
	(IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS)							
Total Interest Income...	$253.8	$258.9	$274.6	$275.3	$231.4	$244.4	$250.5	$255.8
Total Interest Expense..	125.1	130.6	135.9	134.7	118.3	123.2	127.9	130.4
Net Interest Income.....	128.7	128.3	138.7	140.6	113.1	121.2	122.6	125.4
Provision for Loan Losses.................	5.1	7.3	8.1	9.8	4.4	4.2	3.7	9.9
Investment Securities Gains (Losses).........	0.5	1.5	0.2	0.8	(0.1)	0.1	0.2	1.1
Non-Interest Income.....	41.2	44.8	45.9	52.9	37.1	40.9	41.8	43.4
Non-Interest Expense....	109.6	112.3	122.1	131.7	97.5	103.8	112.6	107.3
Income Before Income Taxes..................	55.7	55.0	54.6	52.8	48.2	54.2	48.3	52.7
Provision for Income Taxes..................	20.2	19.4	19.3	19.7	15.5	19.6	17.0	18.2
Net Income..............	$ 35.5	$ 35.6	$ 35.3	$ 33.1	$ 32.7	$ 34.6	$ 31.3	$ 34.5
Basic Earnings Per Share..................	$ 0.45	$ 0.45	$ 0.44	$ 0.41	$ 0.40	$ 0.42	$ 0.38	$ 0.43
Diluted Earnings Per Share..................	$ 0.44	$ 0.44	$ 0.43	$ 0.41	$ 0.40	$ 0.42	$ 0.38	$ 0.42

SUPPLEMENTARY DATA

MATURITY DISTRIBUTION, MARKET VALUE AND WEIGHTED-AVERAGE YIELD TO MATURITY OF SECURITIES

TABLE 18

AT YEAR-END DECEMBER 31	WITHIN 1 YEAR	1-5 YEARS	5-10 YEARS	OVER 10 YEARS	TOTAL	APPROXIMATE MARKET VALUE
	(IN MILLIONS OF DOLLARS)					
Maturity Distribution Based on Amortized Cost						
U.S. Treasury Securities...........	$ 80.0	$ --	$ --	$ --	$ 80.0	$ 74.7
U.S. Government Agencies.............	191.3	125.5	--	--	316.8	322.2
Obligations of States and Political Subdivisions.........	3.4	8.3	0.1	0.2	12.0	13.3
Corporate Securities..	--	--	--	64.2	64.2	64.3
Mortgage-Backed Securities (1).......	77.8	109.2	10.4	440.6	638.0	639.8
Other.................	98.2	5.5	--	--	103.7	103.4
Securities Available for Sale (1).........	212.4	729.2	94.5	1,606.0	2,642.1	2,651.3
Total--1997.........	$663.1	$ 977.7	$105.0	$2,111.0	$3,856.8	$3,869.0
--1996..............	$310.1	$1,382.0	$ 94.6	$1,841.2	$3,627.9	$3,634.0
--1995..............	$382.9	$1,195.1	$ 75.6	$1,706.6	$3,360.2	$3,366.3
Weighted-Average Yield to Maturity (2)						
U.S. Treasury Securities...........	5.2%	-- %	-- %	-- %	5.2%	

U.S. Government Agencies	6.0	6.6	--	--	6.2
Obligations of States and Political Subdivisions	12.4	10.7	10.8	7.4	11.1
Corporate Securities	--	--	--	6.8	6.8
Mortgage-Backed Securities	5.6	5.9	8.3	7.1	6.7
Other	10.8	5.9	--	--	10.5
Securities Available for Sale	6.6	6.2	6.4	6.7	6.5
Total--1997	6.8%	6.3%	6.6%	6.8%	6.6%
Tax Equivalent Adjustment Amount	$ 0.2	$ 0.4	$ 0.1	$ 0.1	$ 0.8

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(1)Contractual maturities do not anticipate reductions for periodic paydowns.

(2)Tax equivalent at 35% tax rate.

AVERAGE ASSETS

TABLE 19

	1997		1996		1995	1994	1993
	AMOUNT	MIX	AMOUNT	MIX	AMOUNT	AMOUNT	AMOUNT
	(IN MILLIONS OF DOLLARS)						
Interest-Bearing Deposits	$ 497.8	3.5%	$ 579.9	4.4%	$ 645.7	$ 812.6	$ 1,140.1
Investment Securities							
--Held to Maturity	1,221.4	8.6	1,091.1	8.2	1,532.4	2,482.1	3,542.3
--Available for Sale	2,452.0	17.2	2,288.7	17.2	1,639.0	1,063.9	69.1
Funds Sold	76.4	0.5	92.1	0.7	68.5	52.5	146.0
Loans	8,929.7	62.7	8,353.6	62.8	7,654.9	7,393.7	6,991.0
Total Earning Assets	13,177.3	92.5	12,405.4	93.3	11,540.5	11,804.8	11,888.5
Non-Earning Assets	1,065.0	7.5	889.8	6.7	849.7	791.8	697.3
Total	$14,242.3	100.0%	$13,295.2	100.0%	$12,390.2	$12,596.6	$12,585.8

AVERAGE LOANS

TABLE 20

	1997		1996		1995	1994	1993
	AMOUNT	MIX	AMOUNT	MIX	AMOUNT	AMOUNT	AMOUNT
	(IN MILLIONS OF DOLLARS)						
Commercial and Industrial	$1,923.8	21.5%	$1,784.0	21.4%	$1,850.3	$1,681.1	$1,695.5
Real Estate							
Construction	264.6	3.0	229.6	2.7	164.2	145.2	181.1
Mortgage	3,882.0	43.5	3,863.2	46.2	3,765.8	3,840.1	3,419.2
Installment	846.3	9.5	814.8	9.8	754.4	686.7	639.5
Foreign (1)	1,540.3	17.2	1,253.7	15.0	746.0	667.8	666.1

Lease Financing	472.7	5.3	408.3	4.9	374.2	372.8	389.6
Total	$8,929.7	100.0%	$8,353.6	100.0%	$7,654.9	$7,393.7	$6,991.0

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(1) See section entitled International Operations for definition of Foreign.

MATURITIES AND SENSITIVITIES OF LOANS TO CHANGES IN INTEREST RATES (1)

TABLE 21

DECEMBER 31, 1997	DUE IN ONE YEAR OR LESS	DUE IN ONE TO FIVE YEARS (2)	DUE AFTER FIVE YEARS (2)	TOTAL
	(IN MILLIONS OF DOLLARS)			
Commercial and Industrial	$1,360.8	$ 564.0	$ 179.5	$2,104.3
Real Estate--Construction	206.8	63.6	10.6	281.0
Other Loans	1,356.4	2,340.4	1,807.6	5,504.4
Foreign Loans	1,475.3	113.3	20.1	1,608.7
Total	$4,399.3	$3,081.3	$2,017.8	$9,498.4

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(1) Based on contractual maturities.

(2) As of December 31, 1997, of the loans maturing after one year, $2,771.6 million have floating rates and $2,327.5 million have fixed rates.

AVERAGE DEPOSITS

TABLE 22

	1997		1996		1995	1994	1993
	AMOUNT	MIX	AMOUNT	MIX	AMOUNT	AMOUNT	AMOUNT
	(IN MILLIONS OF DOLLARS)						
Domestic							
Non-Interest Bearing Demand	$1,516.8	16.4%	$1,371.5	16.8%	$1,391.6	$1,373.2	$1,312.1
Interest-Bearing Demand	1,945.3	21.0	1,726.6	21.1	1,752.4	1,895.4	2,032.3
Regular Savings	865.5	9.3	937.0	11.5	1,058.5	1,232.3	1,239.4
Private Time Certificates of Deposit ($100,000 or More)	848.1	9.2	719.2	8.8	581.5	476.8	489.4
Public Time Certificates of Deposit ($100,000 or More)	205.9	2.2	310.6	3.8	89.3	64.6	143.4
Bearer Certificates of Deposit	--	--	1.3	--	5.0	5.0	5.0
All Other Time and							

Savings Certificates.	1,804.7	19.5	1,433.9	17.5	1,164.1	998.4	1,074.1
Total Domestic......	7,186.3	77.6	6,500.1	79.5	6,042.4	6,045.7	6,295.7
Foreign (1)							
Non-Interest Bearing Demand...............	264.0	2.8	194.2	2.4	11.8	12.8	12.8
Time Due to Banks.....	731.1	7.9	733.5	9.0	652.7	896.5	1,032.7
Other Time and Savings.............	1,079.0	11.7	745.0	9.1	329.5	340.2	191.2
Total Foreign.......	2,074.1	22.4	1,672.7	20.5	994.0	1,249.5	1,236.7
Total..............	$9,260.4	100.0%	$8,172.8	100.0%	$7,036.4	$7,295.2	$7,532.4

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(1) See section entitled International Operations for definition of Foreign.

INTEREST DIFFERENTIAL

TABLE 23

	1997 COMPARED TO 1996			1996 COMPARED TO 1995		
	VOLUME (1)	RATE (1)	TOTAL	VOLUME (1)	RATE (1)	TOTAL
	(IN MILLIONS OF DOLLARS)					
Change in Interest Income:						
Interest Bearing Deposits:						
Foreign.............	$ (5.6)	$(2.5)	$ (8.1)	$ (4.2)	$ 6.8	$ 2.6
Investment Securities--Held to Maturity Taxable...	8.8	1.9	10.7	(28.2)	6.3	(21.9)
Tax-Exempt..........	(0.1)	0.1	--	(0.4)	0.1	(0.3)
Investment Securities--Available for Sale............	10.4	0.5	10.9	42.1	(2.0)	40.1
Funds Sold...........	(0.7)	0.5	(0.2)	1.1	(0.9)	0.2
Loans, Net of Unearned Income:						
Domestic...........	26.9	18.5	45.4	16.2	(8.1)	8.1
Foreign............	24.0	(2.4)	21.6	41.3	14.8	56.1
Total Interest Income..........	$ 63.7	$16.6	$ 80.3	$ 67.9	$ 17.0	$ 84.9
Change in Interest Expense:						
Interest Bearing Deposits:						
Demand Deposits.....	$ 5.9	$(0.2)	$ 5.7	$ (0.7)	$ (3.0)	$ (3.7)
Savings Deposits....	(1.8)	(0.5)	(2.3)	(3.3)	(3.6)	(6.9)
Time Deposits.......	21.7	1.8	23.5	33.8	1.2	35.0
Deposits in Foreign Offices...........	17.5	(9.6)	7.9	28.5	(3.7)	24.8
Short-Term Borrowings.	2.5	3.7	6.2	(18.6)	(5.2)	(23.8)
Long-Term Debt........	(19.1)	4.6	(14.5)	9.7	(3.4)	6.3

Total Interest Expense..........	$ 26.7	$(0.2)	$ 26.5	$ 49.4	$(17.7)	$ 31.7
Net Interest Differential:						
Domestic..............	$ 36.1	$12.1	$ 48.2	$ 9.9	$ 9.4	$ 19.3
Foreign...............	0.9	4.7	5.6	8.6	25.3	33.9
Total Interest Differential.....	$ 37.0	$16.8	$ 53.8	$ 18.5	$ 34.7	$ 53.2

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(1) The change in interest due to both rate and volume has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

YEAR-END SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

TABLE 24

	1997	1996	1995	1994	1993
	(IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS)				
BALANCE SHEET TOTALS					
Net Loans.............	$ 9,114.3	$ 8,347.9	$ 7,853.0	$ 7,599.5	$ 6,983.1
Total Assets..........	14,995.5	14,009.2	13,206.8	12,586.4	12,462.1
Deposits..............	9,621.3	8,684.1	7,576.8	7,115.1	7,005.0
Long-Term Debt........	705.8	932.1	1,063.4	861.6	378.2
Shareholders' Equity..	1,117.2	1,066.1	1,054.4	966.8	938.1
OPERATING RESULTS					
Total Interest Income.	$ 1,062.6	$ 982.1	$ 896.7	$ 813.0	$ 802.6
Net Interest Income...	536.3	482.3	428.5	449.3	467.2
Provision for Loan Losses..............	30.3	22.2	17.0	21.9	54.2
Net Income............	139.5	133.1	121.8	117.7	132.6
Basic Earnings Per Share................	$ 1.75	$ 1.63	$ 1.46	$ 1.39	$ 1.56
Diluted Earnings Per Share................	$ 1.72	$ 1.62	$ 1.45	$ 1.37	$ 1.54
Common Dividends Paid Per Share............	$ 0.63	$ 0.58	$ 0.54	$ 0.52	$ 0.45
Excluding the Effects of Intangibles (1)					
Tangible Net Income.	$ 147.7	$ 139.2	$ 127.3	$ 123.8	$ 137.2
Tangible Basic Earnings Per Share.	$ 1.85	$ 1.71	$ 1.53	$ 1.46	$ 1.62
Tangible Diluted Earnings Per Share.	$ 1.82	$ 1.69	$ 1.51	$ 1.45	$ 1.60
NON-FINANCIAL DATA					
Common Shareholders of Record at Year-End...	6,695	7,120	7,439	6,947	8,315
Weighted Average Shares--Basic........	79,794,011	81,595,728	83,325,878	84,712,506	84,827,274
Weighted Average Shares--Diluted......	80,946,170	82,424,524	84,054,913	85,649,062	85,935,579

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Quarterly Results of Operations--Table 17 on page 41 and narrative on page 39.

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
Pacific Century Financial Corporation

We have audited the accompanying consolidated statements of condition of Pacific Century Financial Corporation and subsidiaries as of December 31, 1997, 1996 and 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pacific Century Financial Corporation and subsidiaries at December 31, 1997, 1996 and 1995, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Honolulu, Hawaii
January 23, 1998

PACIFIC CENTURY FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)		
Interest Income			
Interest on Loans	$ 714,572	$ 659,701	$ 610,959
Loan Fees	34,334	29,692	28,560
Income on Lease Financing	34,917	27,124	12,384
Interest and Dividends on Investment Securities			
Taxable	81,041	70,401	92,295
Non-Taxable	1,186	1,193	1,371
Income on Investment Securities Available			

for Sale	158,851	147,949	107,870
Interest on Deposits	33,862	41,957	39,454
Interest on Security Resale Agreements	86	--	448
Interest on Funds Sold	3,727	4,039	3,365
Total Interest Income	1,062,576	982,056	896,706
Interest Expense			
Interest on Deposits	323,507	288,716	239,537
Interest on Security Repurchase Agreements	115,461	100,085	122,030
Interest on Funds Purchased	23,805	29,020	32,176
Interest on Short-Term Borrowings	17,161	21,110	19,854
Interest on Long-Term Debt	46,344	60,842	54,560
Total Interest Expense	526,278	499,773	468,157
Net Interest Income	536,298	482,283	428,549
Provision for Loan Losses	30,338	22,227	16,967
Net Interest Income After Provision for Loan Losses	505,960	460,056	411,582
Non-Interest Income			
Trust Income	52,237	49,761	49,468
Service Charges on Deposit Accounts	29,354	26,716	25,886
Fees, Exchange and Other Service Charges	67,081	58,949	47,311
Other Operating Income	36,043	27,687	20,962
Investment Securities Gains	3,074	1,364	2,457
Total Non-Interest Income	187,789	164,477	146,084
Non-Interest Expense			
Salaries	173,159	159,213	142,143
Pensions and Other Employee Benefits	53,535	48,811	43,550
Net Occupancy Expense	46,725	39,416	41,108
Net Equipment Expense	38,524	34,017	31,729
Other Operating Expense	162,318	138,359	104,444
Minority Interest	1,488	1,444	1,116
Total Non-Interest Expense	475,749	421,260	364,090
Income Before Taxes	218,000	203,273	193,576
Provision for Taxes	78,512	70,149	71,776
Net Income	$ 139,488	$ 133,124	$ 121,800
Basic Earnings Per Share	$ 1.75	$ 1.63	$ 1.46
Diluted Earnings Per Share	$ 1.72	$ 1.62	$ 1.45
Basic Weighted Average Shares	79,794,011	81,595,728	83,325,878
Diluted Weighted Average Shares	80,946,170	82,424,524	84,054,913

See Notes to Consolidated Financial Statements.

PACIFIC CENTURY FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION

	DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		

ASSETS			
Interest-Bearing Deposits	$ 341,347	$ 635,519	$ 789,050
Investment Securities			
--Held to Maturity (Market Value of $1,217,735, $1,261,146 and $1,172,228, respectively)	1,214,715	1,258,756	1,166,115
--Available for Sale	2,651,270	2,372,897	2,194,038
Funds Sold	80,457	141,920	116,173
Loans	9,498,408	8,699,286	8,152,406
Unearned Income	(209,721)	(183,586)	(147,404)
Reserve for Loan Losses	(174,362)	(167,795)	(151,979)
Net Loans	9,114,325	8,347,905	7,853,023
Total Earning Assets	13,402,114	12,756,997	12,118,399
Cash and Non-Interest Bearing Deposits	795,332	581,221	469,031
Premises and Equipment	288,358	273,122	246,515
Customers' Acceptance Liability	21,575	21,178	16,825
Accrued Interest Receivable	93,831	88,074	84,669
Other Real Estate	6,151	10,711	9,306
Intangibles, Including Goodwill	203,366	96,456	87,673
Other Assets	184,737	181,408	174,366
Total Assets	$14,995,464	$14,009,167	$13,206,784
LIABILITIES			
Domestic Deposits			
Demand--Non-Interest Bearing	$ 1,714,886	$ 1,435,091	$ 1,549,302
--Interest Bearing	2,112,425	1,724,105	1,592,533
Savings	823,216	866,453	1,004,550
Time	2,929,782	2,571,569	2,204,242
Foreign Deposits			
Demand--Non-Interest Bearing	351,178	553,274	46,056
Time Due to Banks	707,684	804,818	664,269
Other Savings and Time	982,104	728,769	515,818
Total Deposits	9,621,275	8,684,079	7,576,770
Securities Sold Under Agreements to Repurchase	2,279,124	2,075,571	1,926,540
Funds Purchased	710,472	599,994	787,437
Short-Term Borrowings	212,547	293,257	476,867
Bank's Acceptances Outstanding	21,575	21,178	16,825
Accrued Pension Costs	15,134	17,309	21,261
Accrued Interest Payable	57,512	69,545	49,473
Accrued Taxes Payable	152,092	154,984	160,306
Minority Interest	5,758	9,307	2,961
Other Liabilities	96,979	85,678	70,472
Long-Term Debt	705,789	932,143	1,063,436
Total Liabilities	13,878,257	12,943,045	12,152,348
Shareholders' Equity			
Common Stock ($2 par value), authorized 200,000,000 shares; issued and outstanding, 79,684,553; 39,959,234; and 41,340,817, respectively	159,369	79,918	82,682
Capital Surplus	168,920	186,391	240,080
Unrealized Valuation Adjustments	(24,766)	(3,722)	13,902
Retained Earnings	813,684	803,535	717,772
Total Shareholders' Equity	1,117,207	1,066,122	1,054,436
Total Liabilities and Shareholders' Equity	$14,995,464	$14,009,167	$13,206,784

See Notes to Consolidated Financial Statements.

PACIFIC CENTURY FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)

	TOTAL	COMMON STOCK	CAPITAL SURPLUS	UNREALIZED VALUATION ADJUSTMENT	RETAINED EARNINGS
Balance at December 31, 1994	$ 966,788	$ 83,703	$ 260,040	$(18,122)	$641,167
Net Income	121,800	--	--	--	121,800
Common Stock Issued					
96,251 Profit Sharing Plan	2,637	192	2,445	--	--
443,879 Stock Option Plan	9,291	888	8,403	--	--
228,321 Dividend Reinvestment Plan	7,095	457	6,638	--	--
Stock Repurchased	(40,004)	(2,558)	(37,446)	--	--
Unrealized Valuation Adjustments					
Investment Securities	28,630	--	--	28,630	--
Foreign Currency Translation Adjustment	3,394	--	--	3,394	--
Cash Dividends Paid	(45,195)	--	--	--	(45,195)
Balance at December 31, 1995	$1,054,436	$ 82,682	$ 240,080	$ 13,902	$717,772
Net Income	133,124	--	--	--	133,124
Common Stock Issued					
37,220 Profit Sharing Plan	1,288	74	1,214	--	--
245,437 Stock Option Plan	5,491	491	5,000	--	--
170,577 Dividend Reinvestment Plan	6,756	341	6,415	--	--
11,483 Directors' Restricted Shares and Deferred Compensation Plan	456	23	433	--	--
Stock Repurchased	(70,444)	(3,693)	(66,751)	--	--
Unrealized Valuation Adjustments					
Investment Securities	(9,114)	--	--	(9,114)	--
Foreign Currency Translation Adjustment	(8,510)	--	--	(8,510)	--
Cash Dividends Paid	(47,361)	--	--	--	(47,361)
Balance at December 31, 1996	$1,066,122	$ 79,918	$ 186,391	$ (3,722)	$803,535
Net Income	139,488	--	--	--	139,488
Common Stock Issued					
88,517 Profit Sharing					

Plan................	4,116	177	3,939	--	--
231,264 Stock Option Plan................	5,356	463	4,893	--	--
164,671 Dividend Reinvestment Plan...	6,754	329	6,425	--	--
3,407 Directors' Restricted Shares and Deferred Compensation Plan...	150	7	143	--	--
2,317,873 CU Bancorp Acquisition.........	108,469	4,636	103,833	--	--
Stock Repurchased......	(142,479)	(5,775)	(136,704)	--	--
Unrealized Valuation Adjustments					
Investment Securities..........	3,233	--	--	3,233	--
Foreign Currency Translation Adjustment..........	(24,277)	--	--	(24,277)	--
Two-for-One Stock Split in the Form of a 100% Stock Dividend........	--	79,614	--	--	(79,614)
Cash Dividends Paid....	(49,725)	--	--	--	(49,725)
Balance at December 31, 1997....................	$1,117,207	$159,369	$ 168,920	$(24,766)	$813,684

See Notes to Consolidated Financial Statements.

PACIFIC CENTURY FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Operating Activities (1)			
Net Income................................	$ 139,488	$ 133,124	$ 121,800
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Provision for Loan Losses................	30,338	22,227	16,967
Depreciation and Amortization............	45,244	38,956	33,165
Deferred Income Taxes....................	100	2,423	7,924
Realized Gains on Investment Securities Available for Sale......................	(2,939)	(1,193)	(1,707)
Amortization of Deferred Lease Income....	(30,505)	(26,326)	(25,482)
Amortization of Deferred Loan Fee Income.	(12,210)	(8,318)	(12,174)
Increase in Interest Receivable..........	(5,757)	(286)	(7,329)
Increase (Decrease) in Interest Payable..	(13,193)	14,116	220
Decrease (Increase) in Other Assets......	18,942	(20,958)	(57,040)
Decrease in Other Liabilities............	(40,136)	(15,641)	(8,777)
Net Cash Provided by Operating Activities...........................	129,372	138,124	67,567
Investing Activities			
Proceeds from Redemptions of Investment			

Securities Held to Maturity	219,216	594,894	956,491
Purchases of Investment Securities Held to Maturity	(127,706)	(665,427)	(535,499)
Proceeds from Sales of Investment Securities Available for Sale	714,742	703,899	655,269
Proceeds from Redemptions of Investment Securities Available for Sale	195,233	81,757	150,507
Purchases of Investment Securities Available for Sale	(981,411)	(978,512)	(1,379,626)
Net Increase (Decrease) in Interest-bearing Deposits Placed in Other Banks	295,031	409,619	(62,034)
Decrease (Increase) in Funds Sold	92,663	(25,747)	(62,006)
Increase (Decrease) in Net Loans	(283,536)	95,118	(229,536)
Purchases of Premises and Equipment	(27,995)	(38,665)	(49,893)
Proceeds from Sale of Premises and Equipment	--	--	2,061
Purchase of Additional Interest in Credipac Polynesie and Creditpac Nouvelle Caledonie, Net of Cash and Non-Interest Bearing Deposits Acquired	--	(4,114)	--
Purchase of Banque de Tahiti and Banque de Nouvelle Caledonie, Net of Cash and Non-Interest Bearing Deposits Acquired	--	18,090	--
Purchase of Banque d'Hawaii (Vanuatu), Ltd., Net of Cash and Non-Interest Bearing Deposits Acquired	--	--	6,808
Purchase of Bank of Hawaii (PNG), Ltd., Net of Cash and Non-Interest Bearing Deposits Acquired	(5,371)	--	--
Purchase of CU Bancorp and California United Bank, Net of Cash and Non-Interest Bearing Deposits Acquired	24,523	--	--
Purchase of Home Savings of America Deposits, Net of Cash and Non-Interest Bearing Deposits Acquired	235,020	--	--
Net Cash Provided (Used) by Investing Activities	350,409	190,912	(547,458)
Financing Activities			
Net Increase (Decrease) in Demand, Savings, and Time Deposits	(72,506)	248,793	450,487
Proceeds from Lines of Credit and Long-Term Debt	104,000	512,787	854,779
Principal Payments on Lines of Credit and Long-Term Debt	(330,354)	(644,080)	(652,915)
Net Increase (Decrease) in Short-Term Borrowings	233,295	(222,022)	(149,409)
Proceeds from Sale of Common Stock	16,376	13,991	19,023
Stock Repurchased	(142,479)	(70,444)	(40,004)
Cash Dividends	(49,725)	(47,361)	(45,195)
Net Cash Provided (Used) by Financing Activities	(241,393)	(208,336)	436,766
Effect of Exchange Rate Changes on Cash	(24,277)	(8,510)	3,394
Increase (Decrease) in Cash and Non-Interest Bearing Deposits	214,111	112,190	(39,731)
Cash and Non-Interest Bearing Deposits at Beginning of Year	581,221	469,031	508,762
Cash and Non-Interest Bearing Deposits at End of Year	$ 795,332	$ 581,221	$ 469,031

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(1) During the years ended December 31, 1997, 1996 and 1995, Pacific Century

Financial Corporation made interest payments of $538,311,000, $479,701,000 and $467,937,000, respectively, and paid income taxes of $81,404,000, $75,471,000 and $45,462,000, respectively.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles followed by Pacific Century Financial Corporation and its subsidiaries (Pacific Century), and the methods of applying those principles conform with generally accepted accounting principles and general practices within the banking industry. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates and such differences could be material to the financial statements. Certain accounts have been reclassified to conform with the 1997 presentation. The significant accounting policies are summarized below.

Name Change

On April 25, 1997, the Company's name was changed from Bancorp Hawaii, Inc. to Pacific Century Financial Corporation (Pacific Century). The change was made to provide a more distinctive and descriptive identity that reflects Pacific Century's strategic goals to grow in Hawaii and throughout the Pacific region. Pacific Century's primary subsidiary, the Bank of Hawaii has maintained its name along with that of First Federal Savings & Loan Association of America. However, some of the Company's other subsidiaries have adopted names that correspond with Pacific Century.

Organization/Consolidation

Pacific Century is a bank holding company providing a broad range of financial services to customers in Hawaii, the Pacific, Asia and the U.S. Mainland. It is the largest bank holding company headquartered in the State of Hawaii. The majority of Pacific Century's operations consist of customary commercial and consumer banking services including, but not limited to, lending, leasing, deposit services, trust and investment activities and trade financing. The principal subsidiaries of Pacific Century are Bank of Hawaii, Bancorp Pacific, Inc. and California United Bank. The consolidated financial statements include the accounts of Pacific Century and its principal subsidiaries including all majority-owned entities. All significant intercompany accounts and transactions have been eliminated and minority interests recognized in consolidation.

Accounting Changes

On January 1, 1997, Pacific Century adopted the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 125 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishment of liabilities and establishes guidelines to distinguish transfers of financial assets that are sales from transfers that are secured borrowings.

SFAS No. 125 requires that servicing assets and liabilities be recorded at fair value at the time loans are sold or securitized. The pronouncement also requires that servicing assets be evaluated for impairment by risk characteristics and are to be carried at the lower of capitalized cost or fair value. There was no material effect on Pacific Century's financial position at

December 31, 1997 or results of operations for the year then ended from adopting SFAS No. 125.

On December 31, 1997, Pacific Century adopted SFAS No. 128, "Earnings Per Share." SFAS No. 128 simplifies the computation and disclosure standards for earnings per share (EPS). The new pronouncement replaces primary EPS with basic EPS and fully diluted EPS with diluted EPS. Basic EPS excludes dilution and is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock

options or other contracts to issue common stock were exercised. In computing diluted EPS, SFAS No. 128 requires the use of the average share price for the period in determining the weighted average number of shares outstanding rather than the higher of the average market price or ending market price as was required under the prior standard. EPS for prior periods have been restated to conform with the presentation required by SFAS No. 128.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting and displaying comprehensive income and its components in a full set of financial statements. The Statement requires that all items that meet the definition of components of comprehensive income be reported in a financial statement for the period in which they are recognized. SFAS No. 130 does not specify a specific format for reporting comprehensive income in financial statements, but requires that the amount representing total comprehensive income be displayed in the financial statements. Under existing accounting standards, other comprehensive income include foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains and losses on available-for-sale securities. SFAS No. 130 is effective for fiscal years beginning after December 15, 1997 and requires the restatement of financial statements for earlier periods. Its implementation will have no impact on Pacific Century's financial position or results of operations.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the reporting of financial information about operating segments in annual financial statements to stockholders, and requires certain selected segment information in interim reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The adoption of SFAS No. 131 will have no material impact on Pacific Century's financial statements. SFAS No. 131 will become effective in 1998 and requires comparative information for earlier years.

Acquisitions

On July 3, 1997, Pacific Century acquired all of the outstanding common stock of CU Bancorp and its subsidiary, California United Bank (CUB), for a purchase price of $185,421,000, which consisted of $56,092,000 in cash and 2,318,000 shares of Pacific Century common stock. As of December 31, 1997, CUB operated 21 branches in Southern California and had total assets of $797,135,000. The acquisition was accounted for as a purchase, and the resulting goodwill of $100,700,000 is being amortized over 25 years on a straight-line basis.

In March 1997, Pacific Century Bank, N.A. (PCB), a wholly-owned subsidiary of Pacific Century purchased approximately $251,300,000 in deposits in Arizona from Home Savings of America. As a result of this purchase, PCB now has a combined total of ten branches servicing customers in Phoenix, Tucson and Yuma, Arizona. Pacific Century paid approximately $17,976,000 for the core deposit base, deposit premium intangibles and other items.

In March 1997, Bank of Hawaii International, Inc. acquired 100% of Indosuez Niugini Bank, Ltd. in Papua New Guinea, for approximately $5.6 million. Indosuez Niugini Bank, Ltd. has been renamed Bank of Hawaii (PNG) Ltd. The acquisition was accounted for as a purchase, resulting in $3,328,000 in goodwill, which is being amortized over 15 years. At December 31, 1997 the Bank of Hawaii (PNG) Ltd. had approximately $80,325,000 in total assets.

In May 1996, Pacific Century finalized its purchase of majority ownership in Banque de Tahiti (BDT), Bank of Hawaii-Nouvelle Caledonie (BNC), formally known as Banque de Nouvelle Caledonie, and two smaller finance companies for an aggregate cost of $60,500,000. After the acquisitions, Pacific Century's ownership in BDT increased to 92.4% from 38% and in BNC it increased to 91.5% from 21%. These acquisitions were accounted for using the purchase method, and the resulting goodwill of $12,200,000 is being amortized over

15 years on a straight line basis. Total assets of both BDT and BNC were $921,721,000 and $981,400,000 at year-end 1997 and 1996, respectively.

In March 1995, Pacific Century acquired the remaining 20% of the shares of Banque d'Hawaii (Vanuatu), Limited. This residual acquisition, like the original 80% purchase of Banque Indosuez Vanuatu, Limited, in 1993, was accounted for using the purchase method. The goodwill recorded in this transaction was $1,100,000 and is being amortized over 15 years. The combined purchase price totaled $13.8 million. Total assets were $90,600,000, $89,500,000 and $74,200,000 at year-end 1997, 1996 and 1995, respectively.

In conjunction with these acquisitions, the following table discloses assets acquired and liabilities assumed:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Assets Acquired	$1,239,616	$552,657	$14,127
Cash and Shares Paid for Capital Stock	(209,023)	(60,583)	(1,786)
Liabilities Assumed	$1,030,593	$492,074	$12,341

In December 1997, Pacific Century entered into a definitive purchase contract to acquire Group Paribas' interest in Banque Paribas Pacifique (located in New Caledonia) and Banque Paribas Polynesie (located in French Polynesia). The purchase, which is expected to close in the second quarter of 1998, is subject to approval by regulators in France and the United States. Upon completion of this transaction at least 85% of the Banque Paribas Pacifique shares and 70% of the Banque Paribas Polynesie shares will be transferred to Bank of Hawaii International, Inc. or its subsidiaries. At December 31, 1997, total assets of Banque Paribas Pacifique and Banque Paribas Polynesie in the aggregate were $291,893,000.

Advertising Costs

The nature of Pacific Century's marketing programs generally do not include direct-response advertising. Pacific Century, therefore, recognizes its advertising costs as incurred.

Credit Card Costs

Pacific Century issues its own VISA and Mastercard credit cards for which all costs are recognized as period costs. In 1996, Pacific Century entered into certain arrangements with third parties to originate VISA cards in specific target markets. As of year-end 1997 and 1996, the unamortized capitalized origination costs totaled $1,611,000 and $3,740,000, respectively. These costs are being amortized over the anticipated life of the cards, currently five years. As cards are canceled, the unamortized costs are expensed. In 1997, capitalized origination costs totaling $1,606,000 were charged-off due to higher than expected levels of card cancellations.

Cash and Non-Interest Bearing Deposits

Cash and non-interest bearing deposits include amounts due from other financial institutions as well as in-transit clearings. Under the terms of the Depository Institutions Deregulation and Monetary Control Act, Pacific Century is required to place reserves with the Federal Reserve Bank based on the amount of deposits held. For 1997, 1996 and 1995, the average amount of these reserve balances was $135,697,000, $131,061,000 and $149,104,000, respectively.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the dilutive

impact of stock options and stock appreciation rights and uses the average share price during the period in determining the number of incremental shares to be added to the weighted average number of common shares outstanding. For the years ended December 31, 1997, 1996 and 1995 there were no adjustments to net income (the numerator) for purposes of computing basic EPS. A reconciliation of the weighted average common shares outstandings for computing diluted EPS follows:

	WEIGHTED AVERAGE SHARES		
	1997	1996	1995
Denominator for Basic EPS	79,794,011	81,595,728	83,325,878
Dilutive Effect of Stock Options	1,152,159	828,796	729,035
Denominator for Diluted EPS	80,946,170	82,424,524	84,054,913

On December 12, 1997, a two-for-one stock split in the form of a 100% stock dividend was distributed to shareholders. Prior period average outstanding shares, stock options, and per common share data in the consolidated financial statements have been retroactively adjusted to reflect the stock split.

Income Taxes

Pacific Century files a consolidated federal income tax return with the Bank of Hawaii, Bancorp Pacific, Inc., and its other domestic subsidiaries. Deferred income taxes are provided to reflect the tax effect of temporary differences between financial statement carrying amounts and the corresponding tax basis of assets and liabilities. Deferred taxes are calculated by applying enacted statutory tax rates and tax laws to future years in which temporary differences are expected to reverse. The impact on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the rate change is enacted. Deferred tax assets that will result in deductible amounts in future years are recognized if based on management's judgment, it is more likely than not that the deferred tax assets will be realized.

Pacific Century's tax sharing policy provides for the settlement of income taxes between each relevant subsidiary as if the subsidiary had filed a separate return. Payments are made to Pacific Century by subsidiaries with tax liabilities, and subsidiaries that generate tax benefits receive payments for those benefits as used.

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

Intangible Assets and Amortization

The excess of cost over the fair value of tangible assets and liabilities acquired (goodwill) arising from business combinations is being amortized using the straight-line method over various periods not exceeding 25 years. These intangibles are reviewed periodically for other than temporary impairment. The amortization of goodwill is included in other operating expense and totaled $12,668,000, $9,344,000 and $8,405,000 for 1997, 1996 and 1995, respectively. As of December 31, 1997, the accumulated amortization totaled $55,533,000.

Servicing assets are recognized when mortgage loans are originated and sold or securitized with servicing rights retained. The capitalized cost of servicing assets is amortized over the estimated life of the related loans. The fair value of servicing assets is estimated based on a review of servicing right values of loans with similar characteristics. An impairment analysis is performed on a periodic basis and includes a review of prepayment trends, delinquency and other relevant factors. For purposes of measuring impairment, servicing assets are stratified by product type. Impairment is recognized when the carrying value of the servicing assets for a stratum exceed its fair value.

Interest Rate/Foreign Currency Risk Management

Pacific Century utilizes off-balance sheet derivative financial instruments, primarily as an end-user in connection with its risk management activities and, to a lesser extent, as a service to accommodate the needs of customers. Most of Pacific Century's derivative transactions consist of interest rate swaps and foreign exchange contracts. Other derivative instruments may be employed, from time to time, but in the aggregate, these instruments generally are immaterial.

Pacific Century utilizes interest rate swaps for purposes other than trading to manage its exposure to interest rate risks. Interest rate swaps are contractual agreements that generally require the exchange of fixed and floating rate payments based on specified financial indices and the underlying notional amount over the life of the agreements.

The accrual method is used to account for interest rate swaps. Under this method, the differential between interest to be paid and received is accrued and recognized as an adjustment to interest income or expense of the designated asset or liability. The fair value of these agreements is not recorded in the consolidated financial statements. Changes in the fair value of swap contracts are not recognized as long as the hedge correlation continues to exist. If the hedge correlation ceases to exist based on effectiveness tests, any existing gain or loss is amortized over the remaining term of the agreement, and future changes in fair value are accounted for on a mark-to-market basis. If the designated asset or liability matures, or is extinguished, any unrealized gain or loss on the related derivate instrument is recognized immediately.

A foreign exchange contract is a commitment to exchange foreign currency at a contracted price on a specified date. These derivative instruments are used for purposes other than trading primarily for asset and liability management activities, and changes in the fair value of both the foreign exchange contracts and related assets or liabilities hedged are offset and not included in the financial results.

Derivative instruments entered into for trading purposes consist of foreign exchange contracts that are used to offset foreign currency positions taken on behalf of customers and for the Company's own account. These derivatives are carried at fair value, and the associated unrealized gains and losses are recognized currently in the statement of income.

International Operations

International operations include certain activities located domestically in the International Banking Group, as well as branches and subsidiaries domiciled outside the United States. The operations of Bank of Hawaii and Bancorp Pacific, Inc. located in the West and South Pacific which are denominated in U.S. dollars are classified as domestic. Pacific Century's international operations are primarily located in Japan, South Korea, Singapore, Hong Kong, Taiwan, French Polynesia and New Caledonia.

Investment Securities

Pacific Century adopted the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as of December 31, 1993. Pursuant to the transition provisions of the FASB's Special Report on SFAS No. 115, Pacific Century transferred, in December 1995, $235,099,000 of investment securities classified as held to maturity to the available for sale category. The unrealized gains and losses relating to these securities were $2,082,000 and $2,491,000, respectively. The primary reason for selecting these securities for reclassification was to further enhance Pacific Century's flexibility in managing its investment portfolio.

Investment securities held to maturity are those securities, which the Company has the ability and positive intent to hold to maturity. These securities are stated at cost adjusted for amortization of premiums and accretion

of discounts. Restricted equity securities represent Federal Home Loan Bank and Federal Reserve Bank shares, recorded at par, which also reflects fair value. In 1997 and 1996, there were no transfers from investment securities held to maturity.

Investment securities available for sale are recorded at fair value with unrealized gains and losses recorded as an unrealized valuation adjustment in equity, net of taxes. The fair value of mortgage-backed securities is based on quoted prices.

Trading securities are those securities that are purchased for the Company's trading activities and are expected to be sold in the near term. Securities in the trading portfolio are carried at fair value with unrealized holding gains and losses recognized currently in income. Trading securities were $2,374,000, $1,687,000, and $29,000 as of December 31, 1997, 1996, and 1995, respectively. During 1997, 1996 and 1995, the net gain from the trading securities portfolio was $1,612,000, $823,000 and $623,000, respectively, and is recognized as a component of investment securities gains/losses in the income statement. Income from trading securities was $60,000, $16,000 and $323,000 for 1997, 1996 and 1995, respectively, and is included as part of other operating income.

The Company uses the specific identification method to determine the cost of all investment securities sold.

Loans

Loans are carried at the principal amount outstanding. Interest income is generally recognized on the accrual basis. Net loan fees are deferred and amortized as an adjustment to yield.

Pacific Century's policy is to place loans on non-accrual when a loan is over 90 days delinquent, unless collection is reasonably assured based on specific factors such as the type of borrowing agreement and/or collateral. At the time a loan is placed on non-accrual, all accrued but unpaid interest is reversed against current earnings. Subsequent payments received are generally applied to reduce the principal balance.

Other Real Estate

Other real estate consists of properties acquired through foreclosure proceedings, acceptance of a deed-in-lieu of foreclosure, abandoned bank premises and loans for which possession of the collateral has been taken. These properties are carried at the lower of cost or fair value based on current appraisals less selling costs. Losses arising at the time of acquiring such property are charged against the reserve for loan losses. Subsequent declines in property value are recognized through charges to operating expense.

Premises and Equipment

Premises and equipment are stated at cost less allowances for depreciation and amortization. Depreciation is computed using the straight-line method over lives of two to fifty years for premises and improvements, and three to ten years for equipment.

Reserve for Loan Losses

The reserve for loan losses is established through provisions that are charged against income. Loans deemed to be uncollectible are charged against the reserve for loan losses, and subsequent recoveries, if any, are credited to the reserve.

The reserve for loan losses is maintained at a level believed adequate by management to absorb estimated future losses. Management's periodic evaluation of the adequacy of the reserve is based on Pacific Century's

past loan loss experience, known and inherent risks in the portfolio, adverse conditions that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other factors. This evaluation is inherently subjective as it requires material estimates including the amounts and timing of future cash flows expected to be received on loans that may be susceptible to significant changes.

In 1995, Pacific Century adopted SFAS No. 114. Under the standard, a loan is considered impaired when it is probable that all amounts due according to the contractual terms of the loan will not be collected. Impairment is measured based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans. Prior to 1995, loan losses were based on undiscounted cash flows, the fair value of the collateral for collateral dependent loans or other factors specific to the credit. Cash receipts on impaired loans generally are applied to reduce the carrying value of the loan.

Large groups of smaller balance homogeneous loans, such as residential mortgages and consumer loans are excluded from the scope of SFAS No. 114. Loans in these groups are evaluated collectively for impairment based primarily on the historical loss experience for each portfolio.

Stock-Based Compensation

Effective January 1, 1996, Pacific Century adopted SFAS No. 123, "Accounting for Stock-Based Compensation." This standard permits companies to continue to use the intrinsic value method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Based Compensation" (APB No. 25). Pacific Century has elected to continue to use the intrinsic value method. The required disclosures under APB No. 25 and SFAS No. 123 for stock-based compensation plans are included in Note L to the Consolidated Financial Statements.

NOTE B--INVESTMENT SECURITIES

The following presents the details of the investment securities portfolio:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(IN THOUSANDS OF DOLLARS)			
At December 31, 1997				
Securities Held to Maturity:				
Restricted Equity Securities.....	$ 64,254	$ 1	$ --	$ 64,255
Debt Securities Issued by the U.S. Treasury and Agencies......	396,750	503	(384)	396,869
Debt Securities Issued by State and Municipalities of the United States.........................	12,029	1,266	--	13,295
Debt Securities Issued by Foreign Governments....................	62,102	1	(567)	61,536
Mortgage-Backed Securities.......	637,997	3,908	(2,119)	639,786
Other Debt Securities...........	41,583	417	(6)	41,994
Total.........................	$1,214,715	$ 6,096	$ (3,076)	$1,217,735
Securities Available for Sale:				
Equity Securities...............	$ 3,984	$ 6	$ (524)	$ 3,466
Debt Securities Issued by the				

U.S. Treasury and Agencies......	1,002,106	3,660	(1,278)	1,004,488
Debt Securities Issued by State and Municipalities of the United States.........................	20,629	280	(6)	20,903
Debt Securities Issued by Foreign Governments....................	21,335	--	--	21,335
Corporate Debt Securities........	64,874	12	--	64,886
Mortgage-Backed Securities.......	1,529,201	12,079	(5,088)	1,536,192
Other Debt Securities...........	--	--	--	--
Total.........................	$2,642,129	$16,037	$ (6,896)	$2,651,270
At December 31, 1996				
Securities Held to Maturity:				
Restricted Equity Securities.....	$ 57,220	$ --	$ --	$ 57,220
Debt Securities Issued by the U.S. Treasury and Agencies......	348,116	570	(1,453)	347,233
Debt Securities Issued by State and Municipalities of the United States.........................	12,632	1,474	--	14,106
Debt Securities Issued by Foreign Governments....................	74,685	1,922	(7)	76,600
Mortgage-Backed Securities.......	766,103	5,035	(5,151)	765,987
Other Debt Securities...........	--	--	--	--
Total.........................	$1,258,756	$ 9,001	$ (6,611)	$1,261,146
Securities Available for Sale:				
Equity Securities................	$ 12,509	$ 893	$ (100)	$ 13,302
Debt Securities Issued by the U.S. Treasury and Agencies......	984,534	5,509	(4,309)	985,734
Debt Securities Issued by State and Municipalities of the United States.........................	6,401	177	(3)	6,575
Corporate Debt Securities........	67,204	18	(12)	67,210
Mortgage-Backed Securities.......	1,267,238	8,894	(7,284)	1,268,848
Other Debt Securities...........	31,228	--	--	31,228
Total.........................	$2,369,114	$15,491	$(11,708)	$2,372,897

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(IN THOUSANDS OF DOLLARS)			
At December 31, 1995				
Securities Held to Maturity:				
Restricted Equity Securities.....	$ 52,926	$ --	$ --	$ 52,926
Debt Securities Issued by the U.S. Treasury and Agencies......	507,298	1,108	(833)	507,573
Debt Securities Issued by State and Municipalities of the United States.........................	33,812	1,808	--	35,620
Debt Securities Issued by Foreign Governments....................	29,091	325	--	29,416

Mortgage-Backed Securities.......	540,461	5,122	(1,394)	544,189
Other Debt Securities...........	2,527	1	(24)	2,504
Total.........................	$1,166,115	$ 8,364	$(2,251)	$1,172,228
Securities Available for Sale:				
Equity Securities...............	$ 33,494	$ 1,827	$ --	$ 35,321
Debt Securities Issued by the U.S. Treasury and Agencies......	670,980	9,186	(120)	680,046
Debt Securities Issued by State and Municipalities of the United States.........................	6,200	208	--	6,408
Debt Securities Issued by Foreign Governments....................	26,201	--	--	26,201
Corporate Debt Securities........	2,891	21	(16)	2,896
Mortgage-Backed Securities.......	1,434,038	12,502	(4,717)	1,441,823
Other Debt Securities...........	1,317	26	--	1,343
Total.........................	$2,175,121	$23,770	$(4,853)	$2,194,038

The following presents an analysis of the contractual maturities of the investment securities portfolio as of December 31, 1997:

	AMORTIZED COST	FAIR VALUE
	(IN THOUSANDS OF DOLLARS)	
Securities Held to Maturity		
Due in One Year or Less................................	$ 372,924	$ 372,627
Due After One Year Through Five Years..................	139,195	140,712
Due After Five Years Through Ten Years.................	130	130
Due After Ten Years....................................	215	225
	512,464	513,694
Mortgage-Backed Securities.............................	637,997	639,786
Restricted Equity Securities...........................	64,254	64,255
	$1,214,715	$1,217,735
Securities Available for Sale		
Due in One Year or Less................................	$ 210,350	$ 211,478
Due After One Year Through Five Years..................	726,026	725,838
Due After Five Years Through Ten Years.................	53,584	53,897
Due After Ten Years....................................	118,984	120,399
	1,108,944	1,111,612
Mortgage-Backed Securities.............................	1,529,201	1,536,192
Equity Securities......................................	3,984	3,466
	$2,642,129	$2,651,270

Proceeds from sales and maturities of investment securities available for sale during 1997 were $909,975,000. Gross gains of $1,575,000 and gross losses of $82,000 were realized on those sales. Taxes related to these gains and losses were $523,000 in 1997. The cumulative investment valuation reserve was $5,485,000 (net of taxes) as of December 31, 1997.

Investment securities carried at $3,319,340,000, $3,255,203,000 and $3,170,854,000 were pledged to secure deposits of certain public (governmental) entities, repurchase agreements and swap agreements at December 31, 1997, 1996 and 1995, respectively. The December 31, 1997 amount included investment securities with a carrying value of $2,530,835,000 and a market value of $2,538,282,000 which were pledged solely for repurchase agreements.

NOTE C--LOANS

Loans consisted of the following at year-end:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Domestic Loans			
Commercial and Industrial	$2,104,318	$1,806,699	$1,902,189
Real Estate			
Construction--Commercial	268,153	212,324	199,552
--Residential	12,869	23,599	33,722
Mortgage--Commercial	1,354,459	1,227,845	1,308,779
--Residential	2,738,917	2,635,313	2,702,438
Installment	891,607	849,259	817,337
Total Domestic Loans	7,370,323	6,755,039	6,964,017
Foreign Loans	1,608,667	1,506,447	795,477
Subtotal	8,978,990	8,261,486	7,759,494
Lease Financing			
Direct	246,212	181,666	124,753
Leveraged	273,206	256,134	268,159
Total Lease Financing	519,418	437,800	392,912
Total Loans	$9,498,408	$8,699,286	$8,152,406

Commercial and mortgage loans totaling $960,882,000 were pledged to secure certain public deposits and Federal Home Loan Bank advances at December 31, 1997.

Included in the Mortgage-Residential category above were $96,156,000 and $49,567,000 of available for sale loans as of December 31, 1997 and 1996, respectively. These loans were recorded at the lower of cost or market on an aggregate basis.

Servicing assets are summarized in the following table:

	1997	1996
	(IN THOUSANDS OF DOLLARS)	
Balance at Beginning of Year	$5,258	$1,946
Originated Mortgage Servicing Rights	1,629	2,926

Purchased Servicing Rights	889	824
Amortization	(959)	(438)
Balance at End of Year	$6,817	$5,258
Fair Value	$6,979	$5,195

As of December 31, 1997 and 1996, Pacific Century's loan servicing portfolio totaled $1,651,838,000 and $1,543,985,000, respectively.

Pacific Century's lending activities are concentrated in its primary geographic markets of Hawaii, the U.S. Mainland, Asia, and the West and South Pacific.

Certain directors and executive officers of Pacific Century, its subsidiary companies, companies in which they are principal owners, and trusts in which they are involved, have loans with Pacific Century subsidiaries. These loans were made in the ordinary course of business at normal credit terms, including interest rate and collateral requirements. Such loans at December 31, 1997, 1996 and 1995 amounted to $21,383,000, $27,593,000 and $37,335,000, respectively. During 1997, the activity in these loans included new borrowings of $21,958,000, repayments of $23,636,000, and other changes of $4,532,000. Other changes relate to new and retiring directors or companies and trusts in which they are involved.

Transactions in the reserve for loan losses were as follows:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Balance at Beginning of Year	$167,795	$151,979	$148,508
Provision Charged to Operations	30,338	22,227	16,967
Reserves Acquired	12,372	6,581	--
Valuation Adjustments	(5,917)	25	611
Charge-Offs	(55,132)	(44,084)	(27,857)
Recoveries	24,906	31,067	13,750
Net Charge-Offs	(30,226)	(13,017)	(14,107)
Balance at End of Year	$174,362	$167,795	$151,979

The following table presents information on impaired loans:

	DECEMBER 31,	
	1997	1996
	(IN THOUSANDS OF DOLLARS)	

Recorded Investment in Impaired Loans Not Requiring an Allowance for Credit Losses	$ 7,187	$20,918
Recorded Investment in Impaired Loans Requiring an Allowance for Credit Losses	26,490	5,239
Recorded Investment in Impaired Loans	$33,677	$26,157
Reserve for Losses on Impaired Loans	$16,586	$ 2,763
Average Recorded Investment in Impaired Loans	$12,580	$47,085

NOTE D--PREMISES AND EQUIPMENT

The following is a summary of premises and equipment:

	COST	ACCUMULATED DEPRECIATION AND AMORTIZATION	NET BOOK VALUE
	(IN THOUSANDS OF DOLLARS)		
December 31, 1997			
Premises	$304,881	$(103,008)	$201,873
Capital Leases	4,464	(893)	3,571
Equipment	215,909	(132,995)	82,914
	$525,254	$(236,896)	$288,358
December 31, 1996			
Premises	$294,664	$ (96,090)	$198,574
Capital Leases	4,464	(714)	3,750
Equipment	177,800	(107,002)	70,798
	$476,928	$(203,806)	$273,122
December 31, 1995			
Premises	$267,724	$ (76,543)	$191,181
Capital Leases	4,464	(536)	3,928
Equipment	136,965	(85,559)	51,406
	$409,153	$(162,638)	$246,515

Depreciation and amortization (including capital lease amortization) included in non-interest expense were $33,641,000, $29,612,000 and $24,760,000 in 1997, 1996 and 1995, respectively.

Pacific Century leases certain branch premises and data processing equipment. Most of the premise leases provide for a base rent over a specified period with renewal options thereafter. Portions of certain properties are subleased for periods expiring in various years through 2000. Lease terms generally provide for the lessee to pay taxes, maintenance and other operating costs.

Future minimum payments, by year and in the aggregate, for noncancelable operating leases with initial or remaining terms of one year or more and capital leases consisted of the following at December 31, 1997:

	CAPITAL LEASES	OPERATING LEASES
	(IN THOUSANDS OF DOLLARS)	
1998	$ 7	$ 15,048
1999	7	14,036
2000	7	12,478
2001	7	11,062
2002	7	9,330
Thereafter	34,924	107,648
Total Minimum Lease Payments	$34,959	$169,602
Amounts Representing Interest	28,660	--
Present Value of Net Minimum Lease Payments	$ 6,299	$ --

Minimum future rentals receivable under subleases for noncancelable operating leases at December 31, 1997, amounted to $3,298,000.

Rental expense for all operating leases consisted of:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Minimum Rentals	$23,088	$20,164	$21,573
Sublease Rental Income	(544)	(657)	(606)
	$22,544	$19,507	$20,967

NOTE E--DEPOSITS

Interest on deposit liabilities in 1997, 1996 and 1995 consisted of the following:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Domestic Interest-Bearing Demand Accounts	$ 52,912	$ 47,167	$ 50,913
Domestic Savings Accounts	21,444	23,713	30,558
Domestic Time Accounts	156,988	133,493	98,528
Foreign Deposits	92,163	84,343	59,538

	$323,507	$288,716	$239,537

Time deposits with balances of $100,000 or more were $2,705,197,000 in 1997. Of this amount, $112,510,000 represents deposits of public (governmental) entities which require collaterization by acceptable securities. The majority of deposits in the foreign category are time deposits in denominations of $100,000 or more.

Maturities of time deposits of $100,000 or more at December 31, 1997, are summarized as follows:

	DOMESTIC	FOREIGN
	(IN THOUSANDS OF DOLLARS)	
Under 3 Months	$ 520,866	$1,090,047
3 to 6 Months	187,854	416,786
7 to 12 Months	223,011	64,759
Greater than 1 to 2 Years	70,273	18,204
Greater than 2 to 3 Years	22,012	2,083
Greater than 3 to 4 Years	8,132	1,437
Greater than 4 to 5 Years	5,412	--
Greater than 5 Years	13,266	61,055
	$1,050,826	$1,654,371

NOTE F--SHORT-TERM BORROWINGS

Details of short-term borrowings for 1997, 1996 and 1995 were as follows:

	FUNDS PURCHASED	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	OTHER COMMERCIAL PAPER	SHORT-TERM BORROWINGS
	(IN THOUSANDS OF DOLLARS)			
1997				
Amounts Outstanding December 31	$710,472	$2,279,124	$104,916	$107,631
Average Amount Outstanding During Year	422,217	2,108,746	92,311	233,050
Maximum Amount Outstanding at Any Month End	710,472	2,309,775	121,909	399,152
Weighted Average Interest Rate During Year (1)	5.64%	5.48%	5.19%	5.31%
Weighted Average Interest Rate on Balance Outstanding at End of Year	5.88%	5.47%	5.13%	4.30%

1996				
Amounts Outstanding December 31	$599,994	$2,075,571	$ 69,727	$223,530
Average Amount Outstanding During Year	533,647	1,857,286	83,181	335,509
Maximum Amount Outstanding at Any Month End	643,988	2,075,571	114,446	477,697
Weighted Average Interest Rate During Year (1)	5.44%	5.39%	5.03%	5.04%
Weighted Average Interest Rate on Balance Outstanding at End of Year	5.77%	5.38%	4.95%	4.91%
1995				
Amounts Outstanding December 31	$787,437	$1,926,540	$ 73,509	$403,358
Average Amount Outstanding During Year	532,787	2,120,220	69,002	433,046
Maximum Amount Outstanding at Any Month End	787,437	2,263,425	85,600	601,990
Weighted Average Interest Rate During Year (1)	6.04%	5.76%	5.08%	3.78%
Weighted Average Interest Rate on Balance Outstanding at End of Year	5.57%	5.57%	5.18%	4.99%

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

Funds purchased generally mature on the day following the date of purchase. Commercial paper is issued by the parent corporation in various denominations generally maturing 90 days or less from date of issuance.

Securities sold under agreements to repurchase are accounted for as financing transactions and the obligations to repurchase these securities are recorded as liabilities in the Consolidated Statements of Condition. The securities underlying the agreements to repurchase continue to be reflected as an asset of Pacific Century and are delivered to and held in collateral accounts with third party trustees. At December 31, 1997, the weighted average contractual maturity of these agreements was 103 days and consists of transactions with public

(governmental) entities, primarily the State of Hawaii ($1.5 billion) and local municipalities ($0.8 billion). A schedule of maturities of repurchase agreements is as follows:

	DECEMBER 31, 1997 (IN THOUSANDS OF DOLLARS)
Overnight	$ --
Less than 30 days	576,996
30 to 90 days	849,484
Over 90 days	852,644

$2,279,124
==========

A line of credit totaling $35,000,000 is maintained to back up commercial paper issued by Pacific Century. At December 31, 1997 there was no amount drawn on this line. Fees related to line were $34,000 in 1997.

At December 31, 1997, other short-term borrowings consisted mainly of Foreign Call Deposits and Treasury Tax and Loan balances. Foreign Call Deposits generally mature in 90 days and bear interest rates that are reflective of rates on borrowings with similar maturities. Treasury Tax and Loan balances represent tax payments collected on behalf of the U.S. government that are callable at any time and bear market interest rates. A 5.63% Bank note totaling $150 million at December 31, 1996 matured in November 1997. A Federal Home Loan Bank advance totaling $15.0 million bears an interest rate of 5.65% and matures on December 4, 1998.

NOTE G--LONG-TERM DEBT

Amounts outstanding as of year-end were as follows:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Notes..	$150,000	$259,956	$ 709,747
Federal Home Loan Bank Advances..............	288,045	398,045	229,545
Subordinated Notes...........................	118,755	118,707	118,657
8.25% Capital Securities.....................	100,000	100,000	--
Foreign Debt.................................	42,690	49,556	--
Capitalized Lease Obligations................	6,299	5,879	5,487
	$705,789	$932,143	$1,063,436

In December 1996, Pacific Century completed a $100 million offering of 8.25% Capital Securities (the "Securities"). The offering was issued by Bancorp Hawaii Capital Trust I, a grantor trust wholly-owned by Pacific Century. The Securities bear a cumulative fixed interest rate of 8.25% and mature on December 15, 2026. Interest payments are semi-annual. In addition, Pacific Century has entered into an expense agreement with the trust obligating Pacific Century to pay any costs, expenses or liabilities of the trust, other than obligations of the trust to pay amounts due pursuant to the terms of the Securities. The sole assets of the trust are Junior Subordinated Debt Securities (the "Debt") issued by Pacific Century to the trust. The Debt is redeemable prior to the stated maturity at Pacific Century's option. The Securities are subject to mandatory redemption upon repayment of the related Debt at their stated maturity dates or their earlier redemption at a redemption price equal to their liquidation amount plus accrued distributions to the date fixed for redemption and the premium, if any, paid by Pacific Century upon concurrent repayment of the related Debt. Pacific Century has issued guarantees for the payment of distributions and payments on liquidation or redemption of the Securities, but only to the

extent of funds held by the trust. The guarantees are junior subordinated obligations of Pacific Century. Distributions to Securities holders may be deferred for up to five consecutive years. During any such deferred period

Pacific Century's ability to pay dividends on its common shares will be restricted. The Federal Reserve has announced that certain cumulative preferred securities, having the characteristics of the Securities, qualify as minority interest, which is included in Tier 1 capital for bank holding companies.

In 1996, Bank of Hawaii borrowed the equivalent of $50 million USD in French Francs through a private placement. This debt has a fixed interest rate of 5.16% and matures in 1999.

In 1995, Bank of Hawaii incorporated its existing medium term note program into a $1 billion revolving note program. Under the terms of this program the Bank may issue additional notes provided that at any time the aggregate amount outstanding does not exceed $1 billion. At December 31, 1997, there was a total of $24,991,000 outstanding under this program, all of which was classified as short-term.

Privately placed notes issued by Pacific Century totaled $150 million at December 31, 1997. Notes totaling $90 million were issued in 1997. These notes carry seven year terms and bear floating interest rates which are tied to the three-month LIBOR rate. Notes totaling $60 million were issued in 1995. These notes carry three year terms, and bear interest rates from 6.08% to 6.48%.

Federal Home Loan Bank (FHLB) advances bear interest at rates from 5.240% to 7.996% and mature from 1998 through 2004. At December 31, 1997, loans totaling $345,654,000 were pledged to secure these advances along with all FHLB stock.

The subordinated notes issued by Bank of Hawaii in 1993, bear a fixed interest rate of 6.875%. These notes mature in 2003.

Capitalized lease obligations are for certain condominium units in the Financial Plaza of the Pacific. The lease began in 1993 and has a 60 year term. Lease payments are fixed at $7,000 per year until 2002; $605,000 per year from 2003 to 2007 and $665,000 per year from 2008 to 2012 and are negotiable thereafter.

Long-term debt maturities for the five years succeeding December 31, 1997, are $188,000,000 in 1998, $128,190,000 in 1999, $38,875,000 in 2000, $21,000,000 in 2001 and $12,670,000 in 2002.

Interest paid on long-term debt in 1997 totaled $57,144,000.

NOTE H--SHAREHOLDERS' EQUITY

Certain of Pacific Century's consolidated subsidiaries (including Bank of Hawaii, Bancorp Pacific, Inc., and Pacific Century Bank, N.A., and California United Bank) are subject to regulatory restrictions that limit cash dividends and loans to Pacific Century. As of December 31, 1997, approximately $380,166,000 of undistributed earnings of Pacific Century's consolidated subsidiaries were available for distribution to Pacific Century without prior regulatory approval.

Pacific Century is required to maintain minimum levels of capital to meet regulatory guidelines. For evaluating capital adequacy, the regulators require Pacific Century to maintain three capital ratios at specific minimum levels. Tier 1 Capital (common equity reduced by certain intangibles and increased for qualifying preferred shares and minority interests) expressed as a percentage of average risk weighted assets is the Tier 1 Capital Ratio. Total Capital (Tier 1 capital plus qualifying portions of the reserve for loan losses) expressed as a percentage of average risk weighted assets is the Total Capital Ratio. The third ratio is the Leverage Ratio which is Tier 1 Capital divided by average assets. The table below presents the minimum Capital levels that an institution must maintain to qualify as "well capitalized" as it applies to Pacific Century and its subsidiaries Bank of Hawaii, Bancorp Pacific, Inc., Pacific Century Bank, N.A. and California United Bank.

The Federal Deposit Insurance Corporation Improvements Act of 1991 (FDICIA) requires the federal banking regulators to take "prompt corrective action" with respect to depository institutions that do not meet minimum capital requirements and imposes certain restrictions upon banks which meet minimum capital requirements but are not "well capitalized" for purposes of FDICIA. Undercapitalized institutions are subject to regulatory monitoring and may be required to divest themselves of or liquidate subsidiaries. Critically undercapitalized institutions are prohibited from making payments of principal and interest on subordinated debt and are generally subject to the mandatory appointment of a conservator or receiver.

Pacific Century, Bank of Hawaii, Bancorp Pacific, Inc., Pacific Century Bank, N.A. and California United Bank have all been notified by their respective regulators of their status as "well capitalized." The table below sets forth regulatory capital for Pacific Century and its depository subsidiaries at December 31, 1997 and 1996:

	MINIMUM	PACIFIC CENTURY FINANCIAL CORP.	BANK OF HAWAII	BANCORP PACIFIC, INC.	PACIFIC CENTURY BANK, N.A.	CALIFORNIA UNITED BANK
			(IN THOUSANDS OF DOLLARS)			
At December 31, 1997						
Common Equity..........		$1,117,207	$ 872,402	$129,261	$53,753	$86,871
Tier 1 Capital.........		1,036,558	818,136	129,219	36,435	86,645
Total Capital..........		1,292,619	1,055,129	137,826	41,226	93,837
Tier 1 Capital Ratio....	6%	9.34%	8.54%	9.57%	9.60%	14.94%
Total Capital Ratio.....	10%	11.65%	11.01%	18.02%	10.86%	16.18%
Leverage Ratio..........	5%	7.21%	6.63%	9.57%	7.18%	10.99%
At December 31, 1996						
Common Equity..........		$1,066,122	$ 865,761	$123,560	$14,120	$ --
Tier 1 Capital.........		1,104,304	815,983	123,512	14,120	--
Total Capital..........		1,354,120	1,054,089	132,297	15,864	--
Tier 1 Capital Ratio....	6%	10.57%	8.57%	9.08%	10.64%	
Total Capital Ratio.....	10%	12.96%	11.07%	16.96%	11.95%	
Leverage Ratio..........	5%	7.98%	6.63%	9.08%	7.28%	

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

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Foreign Currency Translation Adjustment......	$(30,251)	$(5,974)	$ 2,536
Investment Securities.......................	5,485	2,252	11,366
Unrealized Valuation Adjustments............	$(24,766)	$(3,722)	$13,902

NOTE I--INTERNATIONAL OPERATIONS

The following table provides selected financial data for Pacific Century's international operations for the years ended:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
International			
Average Assets	$3,005,084	$2,752,642	$1,724,347
Average Loans	1,540,294	1,253,695	745,948
Average Deposits	2,074,103	1,672,734	994,102
Operating Revenue	215,876	192,084	107,884
Income Before Taxes	20,870	17,347	9,353
Net Income	10,243	8,082	4,805

Average assets include short-term interest-bearing deposits with foreign branches of U.S. banks and large international banks. On average, these deposits were $704,366,000, $584,622,000 and $648,473,000 during 1997, 1996 and 1995, respectively.

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

By the end of 1997, an economic crisis that first began in Thailand had spread throughout much of Asia. Many countries in the region experienced significant devaluation of their currency, as well as higher interest rates and a general tightening of credit. The tighter credit environment escalated to a liquidity crisis that required the intervention of the International Monetary Fund in South Korea, Thailand and Indonesia. At December 31, 1997, Pacific Century's cross-border exposure to South Korea, Thailand, and Indonesia were $413.2 million, $74.4 million and $21.1 million, respectively. Given the inherent uncertainties and complexities related to the troubled economies in Asia, it is possible that the Company's estimate of the impact of these uncertainties on its operations may change.

NOTE J--CONTINGENT LIABILITIES

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

NOTE K--PROFIT-SHARING, RETIREMENT AND POSTRETIREMENT BENEFITS PLANS

A deferred-compensation profit-sharing plan (Profit Sharing Plan) is provided for the benefit of all employees of Pacific Century and its subsidiaries who have met the Profit Sharing Plan's eligibility requirements. The Profit Sharing Plan provides for annual contributions based on a schedule of performance levels. The schedule establishes the percentage of adjusted net income to be contributed based on Pacific Century's adjusted return on equity. Participants in the Profit Sharing Plan receive up to 50% of their annual allocation in cash. The remaining amounts are deferred and may be invested in various mutual funds, including a fund that invests solely in the common shares of Pacific Century Financial Corporation. Pacific Century's contributions to the Profit Sharing Plan totaled $9,723,000 in 1997, $9,098,000 in 1996 and $7,629,000 in 1995.

Effective January 1, 1996, the Profit Sharing Plan was enhanced with a company match of $1.25 for each $1.00 in 401(k) contributions made by qualified employees up to a maximum of 2% of the employee's

compensation. For 1997 and 1996, matching contributions under this plan totaled $2,882,000 and $2,671,000, respectively.

In 1995, Pacific Century froze its non-contributory, qualified defined-benefit retirement plan (Retirement Plan) and excess retirement plan (Excess Plan) which covered salaried employees of Pacific Century and participating subsidiaries who met certain eligibility requirements. Benefits were based on years of service and an average of the five highest years of annual compensation. In freezing this Plan, all participants became fully vested and final benefits were determined as of December 31, 1995. In conjunction with the termination of the Retirement Plan, qualifying employees who were at least 50 years of age and had 9 years or more of eligible service were offered an early retirement option. The option provided for an extra 5 years of service and 5 years of age for benefit calculation purposes. In addition, the option also provided employees with $250 per month until age 65 to defray medical benefit costs. The early retirement option was elected by 340 employees, almost 75% of those eligible. The curtailment gain in 1995 for the Retirement Plan was $2,971,000 and the curtailment loss for the Excess Retirement Plan was $2,811,000. Additionally, qualifying employees whose combined age and years of service exceeded 60 as of December 31, 1995, were provided a transition benefit that allows for an increase for salary changes until the year 2000. Pacific Century's funding policy is to contribute annually an amount that falls within the minimum and maximum range deductible for income tax purposes. Retirement Plan assets are managed by investment advisors in accordance with investment policies established by the Retirement Plan Trustees. Investments generally consist of marketable securities including stocks, bonds and money market funds.

The Excess Plan is a non-qualified excess benefit plan which covers all employees of Pacific Century and participating subsidiaries who have met eligibility requirements. The unfunded Excess Plan recognizes the liability to participants for amounts exceeding the limits allowed under the Retirement Plan.

The following table sets forth information regarding both the Retirement Plan and Excess Plan at December 31.

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Actuarial Present Value of Benefit Obligations:			
Vested Benefit Obligation	$ 76,599	$ 71,406	$ 71,159
Accumulated Benefit Obligation	$ 79,314	$ 74,550	$ 75,725
Projected Benefit Obligation	$ 84,243	$ 81,479	$ 82,443
Plan Assets (Primarily Marketable Securities) at Fair Value	80,201	71,271	63,519
Projected Benefit Obligation in Excess of Plan Assets	(4,042)	(10,208)	(18,924)
Unrecognized Net (Gain)/Loss	(10,459)	(6,150)	(836)

Unrecognized Net Asset at December 31	(633)	(951)	(1,501)
Accrued Pension Liability Recognized in the Statement of Condition	$(15,134)	$(17,309)	$(21,261)

Net pension costs included the following components:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Service Cost--Benefits Earned During the Period	$ --	$ --	$ 6,881
Interest Cost on Projected Benefit Obligation	6,065	6,046	8,000
Actual Return on Assets	(13,502)	(7,187)	(6,122)
Net Amortization and Deferral	7,067	1,422	111
Net Periodic Pension Cost	$ (370)	$ 281	$ 8,870

Assumptions used in determining net pension cost were as follows:

	DECEMBER 31, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995
Weighted-Average Discount Rates	7.50%	7.75%	7.50%
Rates of Increase in Compensation Levels	5.00%	5.00%	5.00%
Expected Long-Term Rate of Return on Assets	9.00%	9.00%	8.50%

As of January 1, 1996, Pacific Century established a new defined-contribution money purchase plan under which it contributes 4% of compensation to employees meeting certain eligibility and vesting requirements. The money purchase plan has a one year eligibility requirement and a five year vesting period. Employees meeting these requirements as of January 1, 1996, immediately became participants. For 1997 and 1996, Pacific Century contributed $4,943,000 and $4,839,000, respectively, to the money purchase plan.

Pacific Century's postretirement benefit plan provides retirees with group life, dental and medical insurance coverage. The cost of providing postretirement benefits are "shared costs" where both the employer and employees pay a portion of the premium. Most employees of Pacific Century and its subsidiaries who have met the eligibility requirements are covered by this Plan. Pacific Century recognizes the transition obligation over 20 years. Pacific Century has no segregated assets to provide postretirement benefits.

The curtailment of the Retirement Plan and Excess Plan in 1995 also affected the postretirement benefit plan. A curtailment loss of $772,000 was recorded to reflect this change.

The following schedule presents information regarding the postretirement liability and cost as of December 31, 1997, 1996 and 1995.

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Accumulated Postretirement Benefit Obligation			
Retirees	$(14,652)	$(15,163)	$(14,515)
Other Fully Eligible Plan Participants	(4,452)	(3,228)	(3,054)
Other Active Plan Participants	(8,643)	(8,457)	(11,095)
Accumulated Postretirement Benefit Obligation	(27,747)	(26,848)	(28,664)
Unrecognized Transition Obligation Being Amortized Over 20 Years	10,446	11,142	11,838
Unrecognized Net Gain/(Loss)	(5,302)	(4,494)	(459)
Accrued Postretirement Benefit Liability	$(22,603)	$(20,200)	$(17,285)

The Net Periodic Postretirement Benefit Cost was:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Service Cost	$1,002	$1,262	$1,046
Interest Cost	1,894	2,057	1,912
Amortization of Transition Obligation	696	696	647
Other Amortization and Deferral	(189)	--	--
Net Periodic Postretirement Benefit Cost	$3,403	$4,015	$3,605

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

	1997	1996	1995
Health Care Cost Trend Rate	9.00%	9.00%	15.00%
Dental Care Cost Trend Rate	7.00%	7.00%	7.50%

Weighted Average Discount Rate	7.50%	7.75%	7.50%
Rate of Increase in Compensation Level	5.00%	5.00%	5.00%

The health care cost trend rate was revised in 1996 to 9% per year until the year 1999 and leveling to 7% thereafter. A one percent increase in this assumption (with all other assumptions remaining constant) would increase the service and interest cost components of the net periodic postretirement cost for 1997 from $2,896,000 to $3,266,000. Additionally, a one percent increase in health care costs would cause the accumulated postretirement benefit obligation to rise from $27,747,000 to $30,457,000 at December 31, 1997.

NOTE L--STOCK OPTION PLANS

The Pacific Century Stock Option Plans (the Plans) are administered by the Compensation Committee which is composed entirely of non-employee directors. The Plans provide participants with the option to purchase shares of common stock at a specified exercise price beginning one year after the date the option was granted and expiring 10 years thereafter. The exercise price is equal to the fair market value of the shares on the date the option was granted. The Plans also provide certain participants with stock options in tandem with stock appreciation rights (SAR). A SAR entitles an optionee, in lieu of exercising the stock option, to receive cash equal to the excess of the market value of the shares as of the exercise date over the option price. The Compensation Committee has limited the exercise of SARs to $1 million per year, allocated among the participants. The expense for the SARs recognized in the income statement was $1,000,000 in 1997 and 1996.

In 1996, a Director Stock Option Plan was established that permits the Company to grant options for restricted common shares to directors and requires retention of such shares exercised throughout the service period as a director. The plan automatically grants annually an option for 1,000 shares to each Pacific Century director who is also a director of Bank of Hawaii and an option for 500 shares to directors who are only directors of Pacific Century or Bank of Hawaii. The exercise price is based on the closing market price of the shares on the date that the option was granted. Each option expires on the tenth anniversary date of its grant and is generally not transferable. If an optionee ceases to serve as a director for any reason other than death, the option immediately terminates and any restricted shares that were previously acquired are subject to redemption at a price equal to the market value of the shares at the time of grant. The 42,000 options outstanding under this plan are included in the table below.

The following information relates to options outstanding as of December 31, 1997:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OF SHARES OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF SHARES EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ 6.04--$14.08	1,194,134	$12.15	57.6 months	1,194,134	$12.15
14.25-- 18.38	1,224,616	16.84	79.2 months	1,224,616	16.84
20.88-- 23.94	988,000	21.44	108.0 months	890,000	21.16
25.22-- 26.06	690,300	26.00	118.8 months	--	--

Total.................	4,097,050	$18.13	86.4 months	3,308,750	$16.31

The following table presents the activity of Stock Option Plans for the years indicated:

	1997		1996		1995	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at January 1.............	3,917,790	$15.83	3,644,906	$13.73	3,684,078	$11.77
Granted...............	811,300	25.61	921,000	21.07	1,132,000	17.06
Exercised.............	(575,492)(1)	13.10	(529,558)	11.09	(895,752)	10.37
Forfeited.............	(25,000)	21.13	(117,634)	12.52	(275,420)	9.96
Expired...............	(31,548)	13.96	(924)	6.57	--	--
Outstanding at December 31.....................	4,097,050	$18.13	3,917,790	$15.83	3,644,906	$13.73
Options Exercisable at December 31............	3,308,750		2,996,790		2,557,906	
Shares Available for Future Grants..........	1,233,994		1,988,746		2,792,112	

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(1) The price per share of options exercised during 1997 ranged between $6.04 and $21.13 on an actual exercise price basis.

The following table presents the pro-forma disclosures of the impact that the 1997 and 1996 option grants would have had on net income and earnings per share had the grants been measured using the fair value of accounting prescribed by SFAS No. 123:

	1997	1996	1995
	(IN THOUSANDS EXCEPT PER SHARE AND OPTION DATA)		
Pro Forma			
Net Income (1).........................	$135,805	$130,605	$120,902
Basic Earnings Per Share................	$ 1.70	$ 1.60	$ 1.45
Diluted Earnings Per Share..............	$ 1.68	$ 1.58	$ 1.44
Weighted Average Fair Value of Options Granted During the Year (1)............	$ 6.13	$ 5.85	$ 4.68
Assumptions			
Average Risk Free Interest Rate.......	5.85%	6.47%	6.51%
Average Expected Volatility...........	17.08%	17.73%	17.90%
Expected Dividend Yield..............	3.13%	2.75%	2.75%
Expected Life........................	10 years	10 years	10 years

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(1) The Black-Scholes option pricing model was used to develop the fair values of the grants.

NOTE M--OTHER OPERATING EXPENSE

Other operating expense at year-end was as follows:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
FDIC Insurance	$ 1,530	$ 6,781	$ 7,632
Legal and Other Professional Fees	23,362	17,642	15,623
Advertising	10,612	11,407	11,144
Stationery and Supplies	10,701	10,678	9,247
Other	116,113	91,851	60,798
Total	$162,318	$138,359	$104,444

NOTE N--INCOME TAXES

The significant components of the provision for income taxes are as follows:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Current:			
Federal	$51,588	$45,641	$49,145
State	11,570	10,003	8,634
Foreign	15,254	12,082	6,073
	$78,412	$67,726	$63,852
Deferred:			
Federal	$ 1,493	$ 1,711	$ 7,273
State	(480)	712	651
Foreign	(913)	--	--
	$ 100	$ 2,423	$ 7,924
Provision for Income Taxes	$78,512	$70,149	$71,776

The current income tax provision includes taxes on gains and losses on the sale of securities of $1,107,000, $471,000 and $912,000 for 1997, 1996 and 1995, respectively. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1997, 1996 and 1995 reclassified based on the tax returns as filed, are as follows:

	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		

Deferred Tax Liabilities:			
Lease Transactions	$187,822	$182,018	$181,612
Deferred Investment Tax Credits	5,620	6,003	6,851
Accelerated Depreciation	831	1,406	1,445
Core Deposit Intangible	8,076	9,141	10,206
Total Deferred Tax Liabilities	202,349	198,568	200,114
Deferred Tax Assets:			
Reserve for Loan Losses	57,110	55,778	54,426
Accrued Pension Cost	3,541	3,969	4,507
Net Operating Loss Carry Forwards	--	385	1,299
Securities Valuation Reserve	(3,761)	(1,440)	(7,470)
Post Retirement Benefits	8,741	7,277	6,343
Other--Net	(4,673)	(9,541)	(4,763)
Total Deferred Tax Assets	60,958	56,428	54,342
Valuation Allowance for Deferred Tax Assets	--	(385)	(1,299)
Net Deferred Tax Assets	60,958	56,043	53,043
Net Deferred Tax Liabilities	$141,391	$142,525	$147,071

For financial statement purposes, Pacific Century had deferred investment tax credits for property purchased for lease to customers of $5,620,000, $6,003,000 and $6,851,000 at December 31, 1997, 1996 and 1995, respectively. In 1997, 1996 and 1995, investment tax credits included in the computation of the provision for income taxes were $383,000, $848,000 and $467,000, respectively.

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

	1997	1996	1995
Statutory Federal Income Tax Rate	35.0%	35.0%	35.0%
Increase (Decrease) in Tax Rate Resulting From:			
State Taxes, Net of Federal Income Tax and Foreign Tax Adjustments	3.3	3.4	3.1
Tax-Exempt Interest Income	(0.2)	(0.3)	(0.4)
Low Income Housing and Investment Tax Credit	(3.8)	(2.8)	(0.7)
Other	1.7	(0.8)	0.1
Effective Tax Rate	36.0%	34.5%	37.1%

For financial statement purposes, no deferred income tax liability has been recorded by Bancorp Pacific, Inc. for tax bad debt reserves that arose in tax years beginning before December 31, 1987. Such tax bad debt

reserves total approximately $18.2 million for which no provision for federal income taxes has been provided. If these amounts are used for purposes other than to absorb bad debt losses, they will be subject to federal income taxes at the then applicable rates.

NOTE O--FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Pacific Century is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to manage its own exposure to fluctuations in interest and foreign exchange rates. These financial instruments include commitments to extend credit, standby letters of credit, foreign exchange contracts, interest rate swaps and interest rate options. To varying degrees, these instruments involve elements of credit and interest rate risk in excess of the amount recognized in the statements of condition. The contract or notional amounts of these instruments reflect the extent of involvement that Pacific Century has in each class of financial instrument. The FASB has categorized certain of these off-balance sheet financial instruments that include foreign currency contracts and interest rate swaps as derivative financial instruments. FASB has further categorized these derivative financial instruments into "held or issued for purposes other than trading" or "trading."

Pacific Century's exposure to off-balance sheet credit risk is defined as the possibility of sustaining a loss due to the failure of the counterparty to perform in accordance with the terms of the contract. Credit risks associated with off-balance sheet financial instruments are similar to those relating to on-balance sheet financial instruments. Pacific Century manages off-balance sheet credit risk with the same standards and procedures applied to its commercial lending activity.

Traditional Off-Balance Sheet Risk Instruments

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

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

Derivative Financial Instruments Held for Trading

Foreign exchange contracts are contracts for delayed delivery of a foreign currency in which the seller agrees to make delivery at a specified future date at a specified price. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in currency rates. Collateral is generally not required for these transactions. At December 31, 1997, the notional amount of foreign exchange contracts held for trading totaled $427.6 million, with a fair value of $(6.8) million. Pacific Century uses foreign exchange contracts to offset foreign currency positions taken on behalf of its customers and for its own account. Pacific Century does not maintain significant net open positions in its foreign exchange trading account.

Derivative Financial Instruments Held or Issued for Other Than Trading

At December 31, 1997, the notional amount of foreign exchange contracts held for other than trading totaled $406.0 million with a fair value of $15.7 million. Pacific Century uses these foreign exchange contracts primarily for asset and liability management activities. Pacific Century does not maintain significant net open foreign exchange positions in its other than trading account.

Interest rate options, which primarily consist of caps and floors, are interest rate protection instruments that involve the obligation of the seller to pay the buyer an interest rate differential in exchange for a premium paid by the buyer. This differential represents the difference between current interest rates and an agreed-upon rate applied to a notional amount. Exposure to loss on these options will increase or decrease over their respective lives as interest rates fluctuate. Pacific Century transacts interest rate options on behalf of its customers and does not maintain significant open positions.

Pacific Century utilizes interest-rate swaps in managing its exposure to interest-rate risk. These financial instruments require the exchange of fixed and floating rate interest payments based on the notional amount of the contract for a specified period. Pacific Century has used swap agreements to effectively convert portions of its floating rate loan portfolio to fixed rate. At December 31, 1997, $492.5 million of such "receive-fixed" swaps were in effect.

Pacific Century's current credit risk exposure on interest-rate swaps is equal to the market value of these instruments plus or minus the market value of any collateral exchanged with swap counterparties. The aggregate credit risk of swaps at year-end 1997 was $1.6 million. The net market value of all positions at year-end 1997 was $(2.0) million compared with $(7.7) million at year-end 1996. Net expense on interest rate swap agreements totaled $(2.5) million, $(4.2) million and $(11.7) million for 1997, 1996 and 1995, respectively.

The table below summarizes by notional amounts the activity for each major category of interest-rate swaps in 1997. Pacific Century had no deferred gains or losses relating to terminated swap contracts in 1997.

	RECEIVE FIXED	PAY FIXED
	(IN THOUSANDS OF DOLLARS)	
Balance, December 31, 1994	$1,472,050	$ 119,297
Additions	--	--
Maturities/Amortizations	(376,814)	(100,524)
Balance, December 31, 1995	$1,095,236	$ 18,773
Additions	--	--
Maturities/Amortizations	(421,999)	(18,773)
Balance, December 31, 1996	$ 673,237	$ --
Additions	50,000	--
Maturities/Amortizations	(230,688)	--
Balance, December 31, 1997	$ 492,549	$ --

The approximate annual maturities of interest-rate swap agreements outstanding as of December 31, 1997 were:

	NOTIONAL PRINCIPAL EXPECTED TO MATURE IN		
	1998	1999	TOTAL
	(IN THOUSANDS OF DOLLARS)		
Receive-Fixed Interest-Rate Swaps:			
Fixed Maturity	$100,000	$50,000	$150,000
Pay Rate	5.72%	--	--
Receive Rate	5.97%	6.46%	--
Amortizing (1)	248,179	94,370	$342,549
Pay Rate	5.81%	--	--
Receive Rate	5.21%	5.30%	--

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

NOTE P--FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value information about financial instruments, whether or not recognized in the balance sheet are as follows. When possible, fair values are measured based on quoted market prices for the same or comparable instruments. Because many of the Company's financial instruments lack an available market price, management must use its best judgment in estimating the fair value of those instruments based on present value or other valuation techniques. Such techniques are significantly affected by estimates and assumptions, including the discount rate, future cash flows, economic conditions, risk characteristics, and other relevant factors. These estimates are subjective in nature and involve uncertain assumptions and, therefore, cannot be determined with precision. Many of the derived fair value estimates cannot be substantiated by comparison to independent markets and could not be realized in immediate settlement of the instrument. Certain financial instruments and all non-financial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following methods and assumptions were used by Pacific Century in estimating fair values of financial instruments:

Cash and Cash Equivalents: The carrying amounts reported in the balance sheet for cash and short-term investments approximate the fair value of these assets.

Investment Securities Held to Maturity, Investment Securities Available for Sale and Trading Securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: Fair values of loans are determined by discounting the expected future cash flows of pools of loans with similar characteristics. Loans are first segregated by type such as commercial, real estate, consumer, and foreign and are then further segmented into fixed and adjustable rate and loan quality categories. Expected future cash flows are projected based on contractual cash flows, adjusted for estimated prepayments.

Deposit Liabilities: Fair values of non-interest bearing and interest bearing demand deposits and savings deposits are equal to the amount payable on demand (i.e., their carrying amounts) because these products have no stated maturity. Fair values of time deposits are estimated using discounted cash flow analyses. The discount rates used are based on rates currently offered for deposits with similar remaining maturities.

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

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

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

The following table presents the fair values of Pacific Century's financial instruments at December 31, 1997, 1996 and 1995.

	1997		1996		1995	
	BOOK OR NOTIONAL VALUE	FAIR VALUE	BOOK OR NOTIONAL VALUE	FAIR VALUE	BOOK OR NOTIONAL VALUE	FAIR VALUE
	(IN THOUSANDS OF DOLLARS)					
FINANCIAL INSTRUMENTS--ASSETS						
Loans (1)..................	$8,718,900	$8,915,500	$7,988,400	$8,123,400	$7,565,800	$7,741,700
Investment Securities (2)...	3,866,000	3,869,000	3,631,700	3,634,000	3,360,200	3,366,300
Other Financial Assets (3)..	424,200	424,200	779,100	779,100	905,300	905,300
FINANCIAL INSTRUMENTS--LIABILITIES						
Deposits....................	9,652,500	9,663,500	8,677,100	8,681,800	7,576,800	7,627,600
Short-Term Borrowings (4)...	3,202,100	3,202,100	2,968,800	2,968,800	3,190,800	3,190,800
Long-Term Debt (5)..........	699,500	700,600	926,300	861,500	1,057,900	1,053,500
FINANCIAL INSTRUMENTS--OFF-BALANCE SHEET						
Financial Instruments Whose Contract Amounts Represent Credit Risk:						
Commitments to Extend Credit..................	4,122,300	10,700	3,840,200	10,200	3,615,200	9,600
Standby Letters of Credit.	258,700	5,000	257,400	4,900	224,400	4,200
Commercial Letters of Credit..................	299,500	400	239,700	400	244,800	400
Financial Instruments Whose Notional or Contract Amounts Exceed the Amount of Credit Risk:						
Foreign Exchange and Swap						

Contracts................	833,600	8,900	631,300	900	510,800	1,200
Interest Rate Swap Agreements..............	492,500	(2,000)	673,200	(7,700)	1,114,000	(8,300)

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

NOTE Q--PARENT COMPANY FINANCIAL STATEMENTS

Condensed financial statements of Pacific Century Financial Corporation (Parent only) follow:

Condensed Statements of Income

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Dividends From			
Bank Subsidiaries................................	$ 97,103	$106,165	$ 44,426
Other Subsidiaries...............................	14,000	15,000	7,000
Interest Income			
From Subsidiaries................................	9,987	5,415	6,059
From Others......................................	1,625	1,919	939
Other Income...	195	143	48
Securities Gains.....................................	1,605	661	136
Total Income.....................................	124,515	129,303	58,608
Interest Expense.....................................	19,691	8,036	7,110
Other Expense..	9,444	5,950	6,015
Total Expense....................................	29,135	13,986	13,125
Income Before Income Taxes and Equity in Undistributed Income of Subsidiaries...............	95,380	115,317	45,483
Income Tax Benefits..................................	5,029	2,024	2,484
Income Before Equity in Undistributed Income........	100,409	117,341	47,967
Equity in Undistributed Income of Subsidiaries			
Bank Subsidiaries................................	34,172	15,539	61,372
Other Subsidiaries...............................	4,907	244	12,461
	39,079	15,783	73,833
Net Income...	$139,488	$133,124	$121,800

Condensed Statements of Condition

	DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Assets			
Cash in Bank of Hawaii	$ 100	$ 134	$ 245
Investment Securities Available for Sale	1,759	11,931	12,740
Equity in Net Assets of Bank Subsidiaries	1,013,025	868,066	881,160
Equity in Net Assets of Other Subsidiaries	155,290	162,446	147,491
Interest Bearing Deposits from Bank	171,997	200,300	89,446
Net Loans	733	10,298	12,638
Trading Securities	2,352	1,663	--
Other Assets	145,853	57,782	54,006
Total Assets	$1,491,109	$1,312,620	$1,197,726
Liabilities and Shareholders' Equity			
Commercial Paper and Short-Term Borrowings	$ 105,216	$ 70,827	$ 74,559
Long-Term Debt	253,093	163,093	60,000
Other Liabilities	15,593	12,578	8,731
Shareholders' Equity	1,117,207	1,066,122	1,054,436
Total Liabilities and Shareholders' Equity	$1,491,109	$1,312,620	$1,197,726

Condensed Statements of Cash Flows

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS OF DOLLARS)		
Operating Activities			
Net Income	$ 139,488	$ 133,124	$121,800
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Provision for Loan Losses and Amortization Expense	6,009	3,943	3,943
Realized Investment Securities Gains	(1,476)	(653)	--
Undistributed Income from Subsidiaries	(39,079)	(15,783)	(73,833)
Net Decrease (Increase) in Trading Securities	(689)	(1,663)	472
Other Assets and Liabilities, Net	(11,400)	(3,468)	23,052
Net Cash Provided by Operating			

Activities	92,853	115,500	75,434
Investing Activities			
Investment Securities Transactions, Net	11,272	449	(9,800)
Interest Bearing Deposits, Net	28,303	(110,854)	(10,246)
Loan Transactions, Net	9,565	2,340	411
Capital Contributions to Subsidiaries, Net	(36,400)	(3,093)	17
Purchase of CU Bancorp	(54,188)	--	--
Net Cash Used by Investing Activities	(41,448)	(111,158)	(19,618)
Financing Activities			
Net Proceeds from Borrowings	124,389	99,361	10,445
Proceeds from Sale of Stock	16,376	13,991	19,023
Stock Repurchased	(142,479)	(70,444)	(40,004)
Cash Dividends Paid	(49,725)	(47,361)	(45,195)
Net Cash Used by Financing Activities	(51,439)	(4,453)	(55,731)
Increase (Decrease) in Cash	(34)	(111)	85
Cash at Beginning of Year	134	245	160
Cash at End of Year	$ 100	$ 134	$ 245

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

The following information required by the Instructions to Form 10-K is incorporated herein by reference (except as otherwise indicated below) from various pages of the Pacific Century Financial Corporation Proxy Statement for the annual meeting of shareholders to be held on April 24, 1998, as summarized below:

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Election of Directors on pages 2-7. Disclosure of Compliance with section 16 (a) of the Securities Exchange Act on page 8.

For information relative to executive officers of the Registrant, see "Executive Officers of the Registrant" at the end of Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

Executive Compensation on pages 11-16.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Voting Securities and Principal Holders Thereof and Election of Directors on pages - .

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Management and Others on pages 24-25.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements and Schedules

The following consolidated financial statements of Pacific Century Financial Corporation and subsidiaries are included in Item 8:

Consolidated Statements of Condition--December 31, 1997, 1996, and 1995

Consolidated Statements of Income--Years ended December 31, 1997, 1996, and 1995

Consolidated Statements of Shareholders' Equity--Years ended December 31, 1997, 1996, and 1995

Consolidated Statements of Cash Flows--Years ended December 31, 1997, 1996, and 1995

Notes to Consolidated Financial Statements--December 31, 1997

All other schedules to the consolidated financial statements stipulated by Article 9 of Regulation S-X and all other schedules to the financial statements of the registrant required by Article 5 of Regulation S-X are not required under the related instructions or are inapplicable and, therefore, have been omitted.

Financial statements (and summarized financial information) of (1) unconsolidated subsidiaries or (2) 50% or less owned persons accounted for by the equity method have been omitted because they do not, considered individually or in the aggregate, constitute a significant subsidiary.

EXHIBIT INDEX

EXHIBIT NUMBER	
3.1	Articles of Incorporation as of April 25, 1997 and amended October 27, 1997
3.2	Revised By-laws dated April 25, 1997
4.1	Instruments Defining the Rights of Holders of Long-Term Debt
10.1	Pacific Century Financial Corporation, One-Year Incentive Plan Effective January 1, 1998*
10.2	Pacific Century Financial Corporation, Executive Officer One-Year Incentive Plan Effective January 1, 1998*
10.3	Pacific Century Financial Corporation, Sustained Profit Growth Plan Effective January 1, 1998*
10.4	Bancorp Hawaii, Inc. Key Executive Severance Plan dated April 27, 1983 (incorporated herein by reference to Exhibit 10.4 of Form 10K for the fiscal year ended December 31, 1995)*
10.5	Bancorp Hawaii, Inc. Stock Option Plan of 1983 (incorporated herein by reference to Exhibit 4(a) of Registration No. 2-84164)*
10.6	Bancorp Hawaii, Inc. Stock Option Plan of 1988 (incorporated herein by reference to Exhibit 4(a) of Registration No. 33-23495)*
10.7	Pacific Century Financial Corporation Stock Option Plan of 1994 (incorporated herein by reference to Exhibit 4(a) of Registration No. 33-54777)*
10.8	Bancorp Hawaii, Inc., One-Year Executive Incentive Plan Effective January 1, 1997 (incorporated herein by reference to Exhibit 10.2 of Form 10K for the fiscal year ended December 31, 1996)*
10.9	Bancorp Hawaii, Inc., One-Year Incentive Plan Effective January 1, 1997 (incorporated herein by reference to Exhibit 10.1 of Form 10K for the fiscal year ended December 31, 1996)*
10.10	Bancorp Hawaii, Inc., Sustained Profit Growth Plan Effective January 1, 1994 (incorporated herein by reference to Exhibit C of Bancorp Hawaii, Inc. 1994 Proxy Statement dated March 10, 1994)*
10.11	Bancorp Hawaii, Inc., Sustained Profit Growth Plan Effective January 1, 1995 (incorporated herein by reference to Exhibit 10(d) of

	Bancorp Hawaii, Inc. Form 10K for the fiscal year ended December 31, 1994)*
10.12	Bancorp Hawaii, Inc. Sustained Profit Growth Plan Effective January 1, 1996 (incorporated herein by reference to Exhibit 10.3 of Bancorp Hawaii, Inc. Form 10K for the fiscal year ended December 31, 1995)*
10.13	Bancorp Hawaii, Inc. Sustained Growth Plan Effective January 1, 1997 (incorporated herein by reference to Exhibit 10.3 of Bancorp Hawaii, Inc. Form 10K for the fiscal year ended December 31, 1996)*
10.14	Form of Key Executive Severance Agreement (incorporated herein by reference to Exhibit 19(e) of Bancorp Hawaii, Inc. Form 10K for the fiscal year ended December 31, 1989 for L. M. Johnson)*
10.15	Form of Amended Key Executive Change-in-Control Severance Agreement (incorporated herein by reference to Exhibit 10(e) of Bancorp Hawaii, Inc. 10K for the fiscal year ended December 31, 1994--October 3, 1994 for R. J. Dahl)*
10.16	Form of Key Executive Change-in-Control Severance Agreement (incorporated herein by reference to Exhibit 10(f) of Bancorp Hawaii, Inc. 10K for the fiscal year ended December 31, 1994--October 3, 1994 for A. T. Kuioka)*
10.17	Form of Executive Change-in-Control Severance Agreement (incorporated herein by reference to Exhibit 10(g) of Bancorp Hawaii, Inc. 10K for the fiscal year ended December 31, 1994--for D. A. Houle)*

EXHIBIT NUMBER	
10.18	Pacific Century Financial Corporation Directors' Deferred Compensation Plan (Restatement Effective 1/1/96) with Amendment No. 96-1; Trust Agreement (Effective 9/1/96) (incorporated by reference herein to Exhibit (4) of Registration No. 333-14929)
10.19	Pacific Century Financial Corporation Directors Stock Compensation Program (incorporated herein by reference herein to Exhibit (4) of Registration No. 333-02835)
11.1	Statement Regarding Computation of Per Share Earnings
12.1	Statement Regarding Computation of Ratios
19.1	Report to Shareholders for Quarter ended September 30, 1997
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Auditors
27.1	Financial Data Schedule

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*Management contract or compensatory plan or arrangement

(b) Registrant filed no Form 8-Ks during the quarter ended December 31, 1997.

(c) Response to this item is the same as Item 14(a).

(d) Response to this item is the same as Item 14(a).

STATISTICAL DISCLOSURES

CONTENTS AND REFERENCE

The following statistical disclosures required by the Instructions to Form 10-K are summarized below:

ITEM I. DISTRIBUTION OF ASSETS, LIABILITIES, AND SHAREHOLDERS' EQUITY; INTEREST

RATES AND INTEREST DIFFERENTIAL

Interest Differential--Table 23 on page 45.

Consolidated Average Balances, Income and Expense Summary, and Yields and Rates--Taxable Equivalent--Table 14 on page 33.

Average Loans--Table 20 on page 43.

Average Deposits--Table 22 on page 44.

ITEM II. INVESTMENT PORTFOLIO

Note B to the Audited Financial Statements on page 59.

Maturity Distribution, Market Value and Weighted-Average Yield to Maturity of Securities--Table 18 on page 42.

ITEM III. LOAN PORTFOLIO

Loan Portfolio Balances--Table 3 on page 17.

Maturities and Sensitivities of Loans to Changes in Interest Rates--Table 21 on page 43.

Non-Performing Assets and Accruing Loans Past Due 90 Days or More--Table 6 on page 22.

Foregone Interest on Non-Accruals--Table 5 on page 21.

Geographic Distribution of Cross-Border International Assets--Table 10 on page 27.

ITEM IV. SUMMARY OF LOAN LOSS EXPERIENCE

Summary of Loan Loss Experience--Table 7 on page 24.

Allocation of Loan Loss Reserve--Table 8 on page 25.

Narrative on pages 22 to 23.

ITEM V. DEPOSITS

Consolidated Average Balances, Income and Expense Summary, and Yields and Rates--Taxable Equivalent--Table 14 on page 33.

Note E to the Audited Financial Statements on page 64.

ITEM VI. RETURN ON EQUITY AND ASSETS

	1997	1996	1995
Return on Average Assets	0.98%	1.00%	0.98%
Return on Average Equity	12.57%	12.43%	11.87%
Dividend Payout Ratio	36.16%	35.80%	37.24%
Average Equity to Average Assets Ratio	7.79%	8.05%	8.28%

ITEM VII. SHORT-TERM BORROWINGS

Note F to the Audited Financial Statements on page 65.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) 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: March 12, 1998

Pacific Century Financial Corporation

/s/ Lawrence M. Johnson
By: ________________________________
Lawrence M. Johnson
Chairman of the Board and
Chief Executive Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT IN THE CAPACITIES AND ON THE DATE INDICATED.

Date: March 12, 1998

/s/ Lawrence M. Johnson Lawrence M. Johnson Director	/s/ H. Howard Stephenson H. Howard Stephenson Director
/s/ Peter D. Baldwin Peter D. Baldwin Director	/s/ Fred E. Trotter Fred E. Trotter Director
/s/ Mary G. F. Bitterman Mary G. F. Bitterman Director	/s/ Stanley S. Takahashi Stanley S. Takahashi Director
/s/ Richard J. Dahl Richard J. Dahl Director	/s/ Donald M. Takaki Donald M. Takaki Director
/s/ David A. Heenan David A. Heenan Director	/s/ David A. Houle David A. Houle Chief Financial Officer
/s/ Stuart T. K. Ho Stuart T. K. Ho Director	/s/ Denis K. Isono Denis K. Isono Chief Accounting Officer
/s/ Herbert M. Richards, Jr. Herbert M. Richards, Jr. Director	

Exhibit 3.1

RESTATED

ARTICLES OF INCORPORATION

AS OF APRIL 25, 1997

AND

AS AMENDED OCTOBER 24, 1997

OF

PACIFIC CENTURY FINANCIAL CORPORATION

HONOLULU, HAWAII

OCTOBER 24, 1997

RESTATED

ARTICLES OF INCORPORATION

OF

PACIFIC CENTURY FINANCIAL CORPORATION

(As Amended October 24, 1997)

THESE ARTICLES OF INCORPORATION, made and entered into this 12th day of August, 1971, by and between HARRISON R. COOKE, C.D. TERRY AND WILSON P. CANNON, JR., residents of the City and County of Honolulu, State of Hawaii, United States of America:

WITNESSETH:

That the parties hereto, desiring to become incorporated as a corporation in accordance with the laws of the State of Hawaii, and to obtain the rights and benefits conferred by said laws upon corporations, do hereby associate themselves together and unite and form a corporation, and do make and enter into the following Articles of Incorporation, the terms whereof it is agreed shall be equally obligatory upon the parties signing this instrument and upon all the parties who from time to time may hold stock in the corporation:

I

NAME

The name of the corporation shall be:

PACIFIC CENTURY FINANCIAL CORPORATION

II

OFFICES

The location of the principal office of the corporation shall be at Honolulu, City and County of Honolulu, State of Hawaii, and the mailing address of the initial office of the corporation shall be 111 South King Street, Honolulu, Hawaii 96813. The corporation may have such other offices within and without the State of Hawaii as its business may from time to time require.

III

CAPITAL STOCK

The capital stock of the corporation shall be $420,000,000. The number of shares of stock that the corporation is authorized to issue shall be 220,000,000 shares, of which 200,000,000 shares shall be common stock of the par value of $2 per share and 20,000,000 shares shall be preferred stock of the par value of $1 per share.

No holder of the shares of stock of any class of the corporation shall have any preemptive or preferential right of subscription for or to purchase any shares of any class of stock or other securities of the corporation, whether now or hereafter authorized.

In connection with any offering to stockholders, or any stock dividend, or any other change in the capitalization of the corporation, or any merger of consolidation, the Board of Directors may provide for the issuance of fractional shares of the capital stock of the corporation, or the Board of Directors may provide that no fractional shares shall be issued in connection therewith and that the issuance of fractional shares may be avoided by the sale of shares representing fractions or by the issuance of scrip or in any other manner. The stockholders shall not have the right to split whole shares into fractions or to split fractions.

The Board of Directors is authorized to provide for the issuance from time to time of authorized but unissued shares of the common or preferred stock of the corporation and to determine and approve the consideration for which such shares shall be issued, and the other terms and conditions of the offering. The Board of Directors is authorized to divide authorized and unissued shares of the preferred stock of the corporation into series and issue any such series, and to fix the terms, preferences, voting power, restrictions and qualifications of the preferred stock or any series thereof. The Board of Directors is authorized to determine whether any of the preferred stock or any series of the preferred stock of the corporation shall be convertible into shares of the common stock, of the corporation, and to fix, before issuance, the terms and conditions with or without limitations on which the preferred stock or any series of the preferred stock shall be so convertible.

The Board of Directors may authorize the corporation to issue, sell or dispose of bonds, debentures, notes, certificates of indebtedness and other obligations and securities of the corporation, convertible into common or preferred stock of the corporation or into any form of other security (or not so convertible), all upon such terms and conditions and with such limitations as may be fixed by the Board of Directors.

IV

INITIAL DIRECTORS AND OFFICERS

The names and mailing addresses of the persons who are to act as the initial directors and officers of the corporation are as follows:

DIRECTORS

NAMES	MAILING ADDRESSES
Harrison R. Cooke	2549 Tantalus Drive Honolulu, Hawaii 96813
Hung Wo Ching	1944C Ualakaa Honolulu, Hawaii 96822
James F. Gary	4746 Aukai Avenue Honolulu, Hawaii 96816
Douglas S. Guild	140 Wailupe Circle Honolulu, Hawaii 96821
Keiji Kawakami	2650 Kaaipu Avenue Honolulu, Hawaii 96822
Garfield King	2969 Kalakaua Avenue Honolulu, Hawaii 96815
Edmond H. Leavey	2003 Kalia Road Honolulu, Hawaii 96815
Philip E. Spalding, Jr.	4340 Pahoa Avenue Honolulu, Hawaii 96816
C. D. Terry	938 Onaha Street Honolulu, Hawaii 96816

OFFICERS

NAMES	MAILING ADDRESSES
Harrison R. Cooke Chairman of the Board of Directors	2549 Tantalus Drive Honolulu, Hawaii 96813
C D. Terry President	938 Onaha Street Honolulu, Hawaii 96816
Charles R. Klenske Vice President	3622 Anela Place Honolulu, Hawaii 96815
Wilson P. Cannon, Jr. Vice President	3936 Gail Street Honolulu, Hawaii 96815
Frank J. Manaut Vice President	4866 Analii Place Honolulu, Hawaii 96821
Max L. Pilliard Secretary and Treasurer	3887 Lurline Drive Honolulu, Hawaii 96816

V

PURPOSES AND POWERS

The purposes for which the corporation is organized and its powers in connection therewith are as follows:

(a) To engage generally in all businesses in which a bank holding company may lawfully engage, and in connection therewith to subscribe for, purchase, take, receive or otherwise acquire, hold, own, use, employ, mortgage, lend, pledge, sell or otherwise dispose of and otherwise deal in and with shares of the capital stock and/or other securities of one or more banks or banking institutions and other corporations.

(b) To buy, take leases of or otherwise acquire, hold, own, use, improve, develop, cultivate, grant, bargain, sell, convey, lease, mortgage or otherwise dispose of, and in all respects deal in and with, real properties, improved or unimproved, and any interests and rights therein;

(c) To buy, hire, or otherwise acquire, hold, own, use, produce, manufacture, sell, assign, transfer, pledge, or otherwise dispose of, and in all respects deal in and with, personal property of whatever nature, tangible or intangible, and any interests and rights therein, including any and all kinds of machinery, equipment, materials, tools and other goods and chattels, and including franchises, rights, licenses, patents, trademarks, bonds, notes, choses in action and other evidences of indebtedness, and options for the purchase of any of the foregoing;

(d) To purchase, take, receive, subscribe for, or otherwise acquire, own, hold, use, employ, sell, mortgage, lend, pledge, or otherwise dispose of, and otherwise use and deal in and with, shares of the capital stock of or other interests in, or obligations of, other domestic or foreign corporations, associations, trusts, partnerships or individuals, or direct or indirect obligations of the United States or of any other government, state, territory, governmental district, or municipality or of any instrumentality thereof;

(e) To borrow money and to incur indebtedness, without limit as to the amount and in excess of the capital stock of the corporation, and to issue bonds, debentures, debenture stock, warrants, notes, or other obligations therefor, and to secure the same by any lien, charge, grant, pledge, deed of trust or mortgage of the whole or any part of the real and personal property of the corporation, then owned or thereafter to be acquired and/or to issue bonds, debentures, debenture stocks, warrants, notes or other obligations without any such security;

(f) To act as agent of any corporation, association, trust, partnership or individual or as manager of the business and affairs of any corporation, association, trust, partnership or individual and in such connection to exercise powers and authority on behalf of any corporation, association, trust, partnership or individual, including ministerial, executive, discretionary, and managerial powers, all on such terms and conditions as may be agreed between the corporation and such corporation, association, trust, partnership or individual;

(g) To promote or to aid in any manner, financially or otherwise, any corporation or association any of whose stock or obligations are held directly or indirectly by this corporation, and for this purpose to enter into plans of reorganization or readjustment and to guarantee the whole or any part of the indebtedness and obligations of any such other corporation or association and the payment of dividends on its stock, and to do any other acts or things designed to protect, preserve, improve, or enhance the value of such stock or obligations;

(h) To issue shares of the capital stock and the notes, bonds, and other obligations of the corporation, and options for the purchase of any thereof, in payment for property acquired by the corporation or for services rendered to the corporation or for any other objects in and about its business, and to purchase, take, receive, or otherwise acquire, own, hold, sell, transfer, accept as security for loans, and deal generally in shares of its capital stock and its obligations in every lawful manner;

(i) To enter into, make, perform, and carry out contracts of every kind for any lawful purpose with any person, firm, association, trust or corporation, one or more;

(j) To acquire the whole or any part of the property, assets, business, good will, and rights of any person, firm, association, trust or corporation engaged in any business or enterprise which may lawfully be undertaken by the corporation, and to pay for the same in cash or shares of the capital stock or obligations of the corporation, or by undertaking and assuming the whole or any part of the indebtedness and obligations of the transferor, or otherwise, and to hold or in any manner dispose of the whole, or any part of the property and assets so acquired, and to conduct in any

lawful manner the whole or any part of the business so acquired and to exercise all the powers necessary or convenient in and about the conduct, management and carrying on of such business;

(k) To draw, make, accept, endorse, guarantee, execute and issue promissory notes, bills of exchange, drafts, warrants of all kinds, obligations and certificates and negotiable or transferable instruments, to loan money to others with or without security, and to guarantee the debts and obligations of others and go security on bonds of others, but nothing herein contained shall be construed as authorizing the business of banking or as including the business purposes of a commercial bank, savings bank or trust company;

(l) To effect any of the purposes mentioned in these Articles and to exercise any powers so mentioned either directly or through the acquisition and ownership of shares of stock of any other corporation or association and by holding and voting the same or otherwise exercising and enjoying the rights and advantages incidental thereto, and to operate wholly or partially as a holding company through the acquisition and ownership of shares of stock of any other corporation or association, whether or not such shares of stock so acquired or owned by this corporation shall give to this corporation control of such other corporation or association;

(m) To carry on any other lawful business whatsoever which may seem to the corporation capable of being carried on in connection with the foregoing purposes and powers, or calculated directly or indirectly to promote the interests of the corporation or to enhance the value of its properties;

(n) To enter into partnerships and joint ventures with corporations, partnerships, or persons for the carrying on through such partnerships and joint ventures of any business the purposes of which are the same as or are germane, in whole or in part, to the purposes or business of the corporation;

(o) To conduct its business, carry on its operations and purposes, and exercise its powers or any thereof in any state, territory, district, or possession of the United States of America or in any foreign country;

(p) To have succession by its corporate name perpetually, and to have, enjoy, and exercise all the other rights, powers, and privileges which are now or which may hereafter be conferred upon corporations organized under the general corporation laws of the State of Hawaii;

(q) To have and exercise all powers necessary or convenient to effect any or all of the purposes set forth in these Articles or reasonably incidental to the fulfillment of its purposes or the exercise of its powers as set forth therein;

(r) To make donations of property or money to benevolent or charitable institutions or associations, community funds,

municipalities or public charities or to public or private enterprises or purposes so far as it may deem necessary or helpful in connection with the accomplishment of the purposes herein stated or in the public or community interest.

The foregoing clauses shall each be construed as purposes and powers and the matters expressed in each clause or any part of any clause shall not be limited or restricted in any manner by reference to or inference from any other clause or any other part of the same clause, but shall be regarded as independent purposes and powers and the enumeration of specific purposes and powers shall not be construed to limit or restrict in any manner the meaning of the general purposes and powers of the corporation, nor shall the expression of one thing be deemed to exclude another, although it be of like nature, not expressed.

VI

BOARD OF DIRECTORS

There shall be a Board of Directors of the corporation to consist of not less than three (3) nor more than fifteen (15) members. No less than one-third of the members of the Board of Directors shall be residents of the State of Hawaii, and in the absence of such one-third membership the Board of Directors shall not function. The members of the Board of Directors shall be elected or appointed at such times, in such manner and for such terms as may be prescribed by the By-Laws which also may provide for the removal of directors and the filling of vacancies and may provide that the remaining members of the Board of Directors, although less than a majority thereof, may by the affirmative vote of the majority of such remaining members fill vacancies in the Board of Directors, including temporary vacancies caused by the illness of directors or the temporary absence of directors from the city in which a meeting is to be held. The directors need not be stockholders of the corporation. The Board of Directors shall have full power to control and direct the business and affairs of the corporation, subject, however, to resolutions adopted by the stockholders and to any limitations which may be set forth in statutory provisions, in these Articles or in the By-Laws. There may be an executive committee and such other committees as the Board of Directors shall determine, each of which shall possess and may exercise such powers of the Board of Directors as may be delegated to it by the Board of Directors. The Board of Directors, without the approval of the stockholders of the corporation, or of any percentage thereof, may authorize the making of donations referred to in paragraph (r) of Article V hereof. Directors, as such, shall not receive any stated salary for their services, but by resolution of the Board of Directors a fixed sum reasonable in amount, and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board of

Directors.

VII

OFFICERS

The officers of the corporation shall consist of a Chairman of the Board of Directors, a President, one or more Vice Presidents as may be prescribed by the By-Laws, a Secretary, a Treasurer, and such other officers and assistant officers and agents as may be prescribed by the By-Laws. The officers shall be elected or appointed, hold office and may be removed as may be prescribed by the By-Laws. The Chairman of the Board of Directors shall be a director of the corporation. No other officer and no subordinate officer need be a director of the corporation, and no officer need be a stockholder of the corporation. Any two or more offices may be held by the same person.

All officers and agents of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be prescribed by the By-Laws, or as may be determined by resolution of the Board of Directors not inconsistent with the By-Laws.

VIII

CONTRACTS

No contract or other transaction between the corporation and any other person, firm, corporation, association or other organization, and no act of the corporation, shall in any way be affected or invalidated by the fact that any of the directors or officers of the corporation are parties to such contract, transaction or act or are pecuniarily or otherwise interested in the same or are directors or officers or members of any such other firm, corporation, association or other organization, provided that the interest of such director shall be disclosed or shall have been known to the Board of Directors authorizing or approving the same, or to a majority thereof. Any director of the corporation who is a party to such transaction, contract, or act or who is pecuniarily or otherwise interested in the same or is a director or officer or member of such other firm, corporation, association or other organization, may be counted in determining a quorum of any meeting of the Board of Directors which shall authorize or approve any such contract, transaction or act, and may vote thereon with like force and effect as if he were in no way interested therein. Neither any director nor any officer of the corporation, being so interested in any such contract, transaction or act of the corporation which shall be approved by the Board of Directors of the corporation, nor any such other person, firm, corporation, association or other organization in which such director or officer may be interested or

of which such officer or director may be a director, officer or member, shall be liable or accountable to the corporation, or to any stockholder thereof, for any loss incurred by the corporation pursuant to or by reason of such contract, transaction or act, or for any gain received by any such other party pursuant thereto or by reason thereof.

IX

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS

Section 1. As used in this Article IX, the following terms shall have the following meanings:

(a) "Employee" means each person who is or was a director, officer, employee, or agent of the corporation or who is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, association, or other enterprise.

(b) "Costs" means expenses (including attorney's fees), judgments, fines, and amounts paid in settlement in connection with any Cause of Action.

(c) "Cause of Action" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative.

Section 2. The corporation shall indemnify each Employee who was or is a party or is threatened to be made a party to any Cause of Action (other than a Cause of Action by or in the right of the corporation) by reason of the fact that he is or was an Employee against Costs actually and reasonably incurred by him in connection with such Cause of Action if (i) he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and (ii) with respect to any criminal Cause of Action, he had no reasonable cause to believe his conduct was unlawful.

Section 3. The corporation shall indemnify each Employee who was a party or is threatened to be made a party to any Cause of Action by or in the right of the corporation by reason of the fact that he is or was an Employee against Costs actually and reasonably incurred by him in connection with such Cause of Action if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation.

Section 4. (a) To the extent that an Employee has been successful on the merits or otherwise in defense of any Cause of Action or defense of any claim, issue, or matter therein, the Employee shall be deemed to have met the applicable standard of conduct set forth in Section 2 or Section 3 of this Article IX and shall be indemnified by the corporation against Costs actually and reasonably incurred by him in connection therewith.

(b) To the extent that an Employee has not been successful on the merits or otherwise in defense of any Cause of Action or defense of any claim, issue or matter therein, the Employee shall nonetheless be indemnified against Costs actually and reasonably incurred by him in connection therewith unless the tribunal, if any, in which such Cause of Action is or was pending upon application by the corporation determines that the Employee has not met the applicable standard of conduct set forth in Section 2 or Section 3 or this Article IX. The termination of any Cause of Action by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not create a presumption that such applicable standard of conduct has not been met.

Section 5. Costs incurred in connection with any Cause of Action shall be paid by the corporation in advance of the final disposition of such Cause of Action upon receipt of an undertaking by or on behalf of the Employee to repay the advanced amount if it is ultimately determined pursuant to Section 4(b) of this Article IX that the Employee is not entitled to be indemnified by the corporation.

Section 6. The indemnification provided by this Article IX shall (i) not be deemed exclusive of any other rights to which an Employee may be entitled by any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, and (ii) continue to a person who has ceased to be an Employee and shall inure to the benefit of his heirs, executors, and administrators.

Section 7. The corporation may purchase and maintain insurance on behalf of any Employee against any liability asserted against or incurred by the Employee, whether or not the corporation would have the power to indemnify the Employee against such liability. Any such insurance may be procured from any insurance company, including an insurance company in which the corporation may have an equity or other interest, through stock ownership or otherwise.

Section 8. This Article IX shall be effective with respect to any Cause of Action arising at any time from acts or omissions occurring prior to the date this Article IX is amended or terminated.

X

LIMITATION OF LIABILITY OF DIRECTORS

Section 1. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for any act or omission of the director not performed in good faith, or which involves intentional misconduct or knowing violation of law, or which constitutes a willful or reckless disregard of the director's fiduciary duty; (iii) for the director's willful or negligent violation of any provision of Chapter 415 of the Hawaii Revised Statutes regarding payment of dividends or stock purchase or redemption; or (iv) for any transaction from which the director received an improper benefit.

Section 2. Any repeal or modification of this Article X by the stockholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

XI

LIMITED LIABILITY

No stockholder of the corporation shall be liable for any debt of the corporation beyond any amount which may be due and unpaid upon the par value of the share or shares held by such stockholder.

XII

SERVICE OF PROCESS

Service of process may be made upon any officer of the corporation.

IN WITNESS WHEREOF, said parties have hereunto set their hands the day and year first above written.

/s/ Harrison R. Cooke

HARRISON R. COOKE

/s/ C. D. Terry

C. D. TERRY

/s/ Wilson P. Cannon, Jr.

WILSON P. CANNON, JR.

Incorporators

Exhibit 3.2

BY-LAWS

OF

PACIFIC CENTURY FINANCIAL CORPORATION

HONOLULU, HAWAII

APRIL 25, 1997

BY-LAWS
OF

PACIFIC CENTURY FINANCIAL CORPORATION
(As Amended April 25, 1997)

ARTICLE I

OFFICES AND SEAL

SECTION 1.01. Offices. The principal office of the corporation shall be located at Honolulu, City and County of Honolulu, State of Hawaii. The corporation may have such other offices either within or without the State of Hawaii as the Board of Directors may designate or as the business of the corporation may require from time to time.

SECTION 1.02. Corporate Seal. The corporation shall have a corporate seal of such form and device as the Board of Directors shall from time to time determine. Duplicate seals may be kept and used as the business of the corporation may require from time to time.

ARTICLE II

STOCKHOLDERS' MEETINGS

SECTION 2.01. Annual Meeting. The annual meeting of the stockholders shall be held at such place in Hawaii and on such date in the month not more than thirteen months subsequent to the prior annual meeting of stockholders as the Chairman of the Board or President shall designate for the purpose of electing directors and an auditor and, subject to any requirements of law or of the Articles of Incorporation or of these By-Laws with respect to notice, for the transaction of such other business as may properly come before the meeting.

SECTION 2.02. Special Meetings. Special meetings of the stockholders, to consider any business and/or nomination unless otherwise prescribed by statute, may be called by the Chairman of the Board, by the President, by a majority of the whole Board of Directors or, to the extent permitted by applicable law, by a stockholder or stockholders. At any special meeting the business brought before and transacted by the stockholders shall be limited to that specified in the notice of the meeting. Special meetings of stockholders shall be held at such place in Hawaii and at such time as shall be designated in the call of the meeting.

SECTION 2.03. Notice of Meetings. Written notice specifying the time and place of the stockholders' meeting,

whether annual or special, and if a special meeting the general nature of the business to be considered, shall be mailed not less than ten (10) nor more than seventy (70) days before such meeting, postage prepaid, addressed to each stockholder of record entitled to vote at such meeting at his address as it appears on the records of the corporation. Non-receipt of such notice by any stockholder shall not invalidate any business done at any meeting, either annual or special, at which a quorum is present. Any stockholder may, prior to, at the meeting, or subsequent thereto, waive notice of any meeting in writing signed by himself or his duly authorized attorney-in-fact. Any previously scheduled meeting of the stockholders may be postponed, and any special meeting of the stockholders may be canceled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

SECTION 2.04. Quorum. A majority of the outstanding shares of the corporation entitled to vote at the meeting, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. The Chairman of the meeting may adjourn the meeting from time to time, whether or not there is such a quorum, and, if less than a majority of the outstanding shares entitled to vote at the meeting are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. No notice of the time and place of adjourned meetings need be given except as required by law. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The stockholders present or represented at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Any decision of a majority of the outstanding shares of the corporation entitled to vote represented at a duly organized meeting shall be valid and binding upon the corporation except as otherwise specifically provided by law, the Articles of Incorporation or these By-Laws, or by the resolution of the Board of Directors creating any series of preferred stock.

The Chairman of any meeting of stockholders shall be the Chairman of the Board, unless the Board of Directors shall by resolution prior to such meeting designate another person as Chairman of such meeting.

SECTION 2.05. Voting. At all meetings of stockholders, a stockholder may vote in person or by proxy

executed in writing by the stockholder or by his duly authorized attorney-in-fact. Each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of stockholders; cumulative voting shall not be permitted. The holders of the outstanding shares from time to time of the common stock and of any preferred stock which has voting rights shall vote together on all matters referred to the stockholders, including the election of directors; provided, however, that the foregoing is subject to any provisions of law or the Articles of Incorporation or the resolution of the

Board of Directors creating any series of preferred stock requiring with respect to any matter the approval or consent of the holders of any designated percentage of the outstanding shares of stock of any class or any series of any class. All provisions of these By-Laws which specify or relate to the power of the stockholders or to action which may be taken by the stockholders at or in connection with a meeting thereof shall be interpreted as referring to the holders of shares of voting stock of the corporation. Elections of directors at all meeting of the stockholders at which directors are to be elected shall be by ballot. Except as otherwise provided by law, the Articles of Incorporation, or these By-Laws, in all mattes other than the election of directors, the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders. At any meeting of stockholders, the Chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at such meeting. Any action required to be taken at a meeting of the stockholders, or any other action which may be taken at a meeting of the stockholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the stockholders entitled to vote with respect to the subject matter thereof.

SECTION 2.06. Business at Meetings. To be properly brought before any stockholders' meeting, business and nominations of persons for election to the Board of Directors of the corporation must be (a) specified in the notice of meeting given by or at the direction of the Chairman of the Board or the President or a majority of the whole Board of Directors, (b) otherwise properly brought before such meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before such meeting by a stockholder or stockholders who was a stockholder or were stockholders, respectively, of record at the time of giving notice provided for in this By-Law, who is entitled to vote for the election of Directors at such meeting and who complies with the notice procedures set forth in this By-Law.

For business to be properly brought before any

stockholders' meeting by a stockholder or stockholders, the stockholder or stockholders must have given timely notice thereof in writing to the Secretary of the corporation and such business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's or stockholders' notice shall be delivered to or received at the principal executive offices of the corporation not later than eighty (80) days nor earlier than ninety (90) days prior to (a) in the case of a special meeting called by such stockholder or stockholders, the date the stockholder has, or the stockholders have, as applicable, selected for such special meeting, and (b) in the case of an annual meeting, the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by such stockholder or stockholders to be timely must be so received by the Secretary of the corporation (i) not later than the close of business on the later of the eightieth (80th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such annual meeting is first made by the corporation and (ii) not earlier than the ninetieth (90th) day prior to such annual meeting. In the event that the number of directors to be elected to the Board of Directors of the corporation is increased and there is no public announcement by the corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least ninety (90) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's or stockholders' notice required by this By-Law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such pubic announcement is first made by the corporation. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by this By-Law shall be delivered to the Secretary at the principal executive offices of the corporation (i) not later than the close of business on the later of the eightieth (80th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting and (ii) not earlier than the close of business on the ninetieth (90th) day prior to such special meeting. In no event shall the public announcement of an adjournment of a meeting commence a new time period for the giving of a stockholder's notice as described above.

A stockholder's notice to the Secretary of the corporation shall set forth as to each matter that the stockholder proposes to bring before such meeting (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before such meeting and the reasons for conducting such business at such meeting of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf such nomination or proposal of business is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, (ii) the class and number of shares of the securities of the corporation that are beneficially owned by such stockholder and such beneficial owner; and (d) any material interest of such stockholder and such beneficial owner in such nomination and such business.

Only such persons who are nominated in accordance with the procedures set forth in this By-Law shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-Law. Except as otherwise provided by law, the Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that the nomination or business that the stockholder proposes to bring before such meeting was not properly brought before such meeting in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting, and the defective proposal or nomination shall be disregarded.

For purposes of this By-Law:

(a) "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(b) calculating the number of days elapsed between (a) the date on which a notice is given and (b) (i) the date on which a special meeting is to be held, (ii) the date that is the anniversary of an annual meeting, or (iii) the date that is the

tenth (10th) day following the day on which public announcement of the date of an annual meeting is first made, shall be made inclusive of dates between which such calculation is made.

Notwithstanding the foregoing provisions of this By-Law, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-Law. Nothing in this By-Law shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of preferred stock to elect directors under specified circumstances.

ARTICLE III

DIRECTORS

SECTION 3.01. Number. The number of directors of the corporation (exclusive of directors to be elected by the holders of any one or more series of preferred stock voting separately as a class or classes) shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the whole Board.

As used in these By-Laws, the term "whole Board" and "whole Board of Directors" means the total number of directors which the corporation would have if there were no vacancies.

SECTION 3.02. Classification and Election. The Board of Directors shall be divided into three classes, as nearly equal in number as the then total number of directors constituting the whole Board permits, with the terms of office of one class expiring each year.

At the annual meeting of stockholders in 1983, the stockholders shall elect three classes of directors: four members of the Board of Directors for terms of three years; four members of the Board of Directors for terms of two years; and three members of the Board of Directors for terms of one year. Thereafter, the stockholders at each annual meeting shall elect members of the Board of Directors for each class for terms of three years to succeed those members of the Board of Directors whose terms shall have expired. Each member of the Board of Directors shall hold office until the date of the annual meeting of the stockholders in the calendar year in which his or her term of office expires and thereafter until his or her successor is duly elected; provided that no member shall be eligible for election or re-election as a member of the Board of Directors after his or her 70th birthday and provided further that, effective with members elected or re-elected subsequent to the annual meeting of stockholders held on April 23, 1986, no member shall continue in office past the date of the annual meeting of the stockholders that is held subsequent to his of her 70th birthday.

Any vacancies in the Board of Directors for any reason other than a vacancy created by a member not continuing in office past the date of the annual meeting of the stockholders that is held subsequent to his or her 70th birthday may be filled only by the Board of Directors, acting by a majority of the directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next election of the class for which such director shall have been chosen and until their successors shall be elected and qualified. In the case of a vacancy created by a member not continuing in office past the date of the annual meeting of the stockholders that is held subsequent to his or her 70th birthday, the stockholders at such annual meeting shall elect a director to succeed such member, and any director so chosen shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall be elected and qualified. No decrease in the number of directors shall shorten the term of an incumbent director.

Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of preferred stock shall have the right, voting separately as a class, to elect one or more directors of the corporation, the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of stockholders.

SECTION 3.03. Quorum. A majority of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if at any meeting of the Board of

Directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless otherwise provided in these By-Laws.

SECTION 3.04. Meetings. A regular meeting of the Board of Directors shall be held without other notice than this By-Law immediately after, and at the same place as, the annual meeting of the stockholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Hawaii, for the holding of additional regular meetings without other notice than such resolution. Special meetings of the Board of Directors may be held at such times as the business of the corporation shall require according to resolutions of the Board of Directors, or upon the call of the Chairman of the Board, the President or a majority of the whole Board of Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Hawaii, as the place for holding any special meeting of the Board of Directors called by them.

SECTION 3.05. Notice of Special Meetings. Notice of any special meeting shall be given by written notice delivered personally, first-class or overnight mail or courier service, telegram or facsimile transmission, or orally by telephone, to each director at his business address or residence. If mailed by first-class mail, such notice shall be deemed to be adequately delivered when deposited in the United States mail so addressed, with postage thereon prepaid at least five (5) days before such meeting. If notice be given by telegram, overnight mail or courier service, such notice shall be deemed to be adequately delivered when the telegram is delivered to the telegraph company or the notice is delivered by the overnight mail or courier service at least twenty four (24) hours before such meeting. If by facsimile transmission, hand delivery, or telephone, such notice shall be deemed adequately delivered if such notice is transmitted, communicated by telephone or delivered by hand at least twelve (12) hours before the time set for such meeting. Non-receipt of any such notice shall not invalidate any business done at any meeting at which a quorum is present. Any director, whether attending a meeting or not, may, prior to, at the meeting, or subsequent thereto, waive notice of the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting.

Section 3.06. Action by Consent of Board of Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 3.07. Conference Telephone Meetings. Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

SECTION 3.08. Removal of Directors. The stockholders of the corporation may, at any special meeting called expressly for the purpose, remove from office any director pursuant to applicable law.

SECTION 3.09. Powers of Directors. The Board of Directors shall have full power to control, manage and direct the property, business and affairs of the corporation and to exercise all the powers and perform all the acts which the corporation may legally exercise and perform.

SECTION 3.10. Notice of Director Nominations. Subject to Section 2.03 and 2.06 of these By-Laws, nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors where such stockholder makes such nomination in conformity with the provisions of Section 2.06 of these By-Laws.

ARTICLE IV

EXECUTIVE COMMITTEE AND OTHER COMMITTEES

SECTION 4.01. Committees Exercising Powers of Board. The Board of Directors may, by resolution adopted by a majority of the whole Board, designate two or more of its members to constitute an executive committee and such other committees as the Board of Directors shall determine, and during the intervals between meetings of the Board of Directors, each of such committees shall possess and may exercise any powers of the Board of Directors which are delegated to it in such resolution by the Board of Directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Each such committee shall keep regular minutes of its proceedings, and all action by it, and its minutes, shall be reported to the Board of Directors at its next succeeding meeting for such action as the Board of Directors deems proper.

SECTION 4.02. General or Special Committees. The Board of Directors may also create and appoint from its own membership or otherwise such general or special committees, to which no powers of the Board of Directors shall be delegated, as it deems desirable.

SECTION 4.03. Meetings of Committees. A majority of any committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. Notice of such meeting shall be given to each member of the committee in the manner provided for in Section 3.05 of these By-Laws. The Board of Directors shall have power at any time to fill vacancies in, to change the membership of, or to dissolve

any such committee. Nothing herein shall be deemed to prevent the Board or Directors from appointing one or more committees consisting in whole or in part of persons who are not directors of the corporation; provided, however, that no such committee shall have or may exercise any authority of the Board of Directors.

ARTICLE V

OFFICERS

SECTION 5.01. Generally. The principal officers of the corporation shall consist of a Chairman of the Board, a President, one or more Vice Chairmen, one or more Vice Presidents, one of whom may be designated as the Executive Vice President, a Treasurer and a Secretary, all of whom shall be appointed annually by the Board of Directors at the first meeting after the annual or special meeting of the stockholders at which the Board of Directors is elected and shall hold office until the next annual meeting and thereafter until their successors shall be duly appointed and qualified, subject, however, to removal by the Board of Directors. The number of Vice Presidents may be changed from time to time by the Board of Directors at any meeting or meetings thereof and if increased at any time the additional Vice President or Vice Presidents shall be appointed by the Board of Directors. There may also be one or more Assistant Vice Presidents, Assistant Treasurers, Assistant Secretaries, and other offices who shall be appointed by the Directors and the number thereof shall be determined from time to time by the Directors. One person may hold more than one office.

SECTION 5.02. Vacancies. Vacancies which may occur in any office, and any newly created office, shall be filled by appointment by the Board of

Directors for the remainder of the term of such office. In case of the absence from the State of Hawaii or other temporary disability of any officer, the Board of Directors may appoint a temporary officer to serve during such absence or disability. Any vacancy in an office appointed by the Chairman of the Board or the President because of death, resignation, or removal may be filled by the Chairman of the Board or the President.

SECTION 5.03. Removals. The Board of Directors of the corporation may at any time remove from office or discharge from employment any officer, subordinate officer, agent or employee appointed by the Board of Directors or by any person under authority delegated by the Board of Directors.

SECTION 5.04. Chairman of the Board. The Chairman shall preside at all meetings of the stockholders and Board of

Directors at which he is present, and shall perform such other duties and have such other powers as the Board of Directors may prescribe.

SECTION 5.05. President. The President shall preside at all meetings of the Board of Directors and of the stockholders at which the Chairman is absent. Subject to the control of the Board of Directors, the President shall have general charge and care of the business and property of the corporation, shall appoint and discharge employees and agents of the corporation and determine their compensation and shall do and perform such additional duties as shall be prescribed by the Board of Directors. When authorized by the Board of Directors so to do, he may delegate to one of the Vice Presidents the whole or any part of the general management and care of the business and property of the corporation including the employment and discharge of agents and employees.

SECTION 5.06. Vice Chairmen. The Vice Chairmen shall discharge such duties and have such authority and powers as may be prescribed by the Chief Executive Officer and such other special duties, authority and powers as may be assigned to him or her by these By-Laws or by the Board of Directors consistently with these By-Laws.

SECTION 5.07. Vice Presidents. It shall be the duty of the Vice Presidents, in the order determined by the Board of Directors, to assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. Each Vice President shall do and perform such additional duties as shall be prescribed by the Board of Directors.

SECTION 5.08. Treasurer. The Treasurer shall be the financial and accounting officer of the corporation. The Treasurer shall have custody of all moneys, valuable papers and documents of the corporation, shall keep the same for safekeeping in such depositories as may be designated by the Board of Directors and shall expend the funds of the corporation as directed by the Board of Directors. He shall keep or cause to be kept a book or books setting forth a true record of the receipts and expenditures, assets and liabilities, losses and gains of the corporation and shall, when and as required by the Board of Directors, render a statement of the financial condition of the corporation. He shall also do and perform such additional duties as shall be prescribed by the Board of Directors. In the absence or disability of the Treasurer, his duties shall be performed by the Secretary or by an Assistant Treasurer.

SECTION 5.09. Secretary. The Secretary shall be ex officio secretary of the Board of Directors, shall give or cause to be given all required notices of meetings of the stockholders

and directors, shall record the proceedings of meetings of the stockholders and directors in a book or books to be kept for that purpose, and shall perform such other duties as may be assigned to him from time to time by the Board of Directors and by the President. In the absence or disability of the Secretary, his duties shall be performed by the Treasurer or by an Assistant Secretary.

SECTION 5.10. Subordinate Officers. The powers and duties of the subordinate officers shall be as prescribed by the Board of Directors.

SECTION 5.11. Stock in Other Corporations. Unless the Board of Directors otherwise directs with respect to any meeting or meetings of the stockholders of any corporation shares of the stock of which are owned by this corporation, whether or not such corporation is a subsidiary of this corporation: the Chairman of the Board or the President or any Vice President designated by the Board of Directors, the Chairman of the Board or the President shall have full authority to attend any meeting of the stockholders of any such corporation and to vote at such meeting the shares of stock of such corporation owned by this corporation; and the Chairman of the Board or the President or any such Vice President shall have full authority to execute on behalf of this corporation any proxy authorizing any other person or persons to vote the shares of stock of any such corporation owned by this corporation at any meeting or meetings of the stockholders of such corporation; and the Chairman of the Board or the President or any such Vice President, or any such person authorized to act on behalf of the corporation by any proxy executed by any of the foregoing director or officers of the corporation, shall have full authority to consent in writing, in the name of the corporation as owner of shares of stock of any such corporation, to any action by such other corporation, any may execute or cause to be executed in the name and on behalf of the corporation and under its corporate seal or otherwise, all such written proxies and other instruments as the Chairman of the Board, the President, such Vice President, or such authorized person, as applicable, may deem necessary or proper in the premises.

ARTICLE VI

AUDITOR

SECTION 6.01. The Auditor shall be elected by the stockholders at their annual meeting to serve until the next annual meeting and thereafter until a successor is elected.

ARTICLE VII

EXECUTION OF INSTRUMENTS

SECTION 7.01. All checks, drafts, notes, bonds, acceptances, deeds, leases, contracts, and all other instruments, shall be signed by such person or persons as may be designated by general or special resolution of the Board of Directors, and in the absence of any such general or special resolution applicable to any such instrument then such instrument shall be signed by the President and a Vice President or by the President or a Vice President and by the Treasurer or the Secretary or an Assistant Secretary or an Assistant Treasurer. The Board of Directors may by resolution provide for the use of facsimile signatures on any instrument and may also provide that any instrument may be sealed with the facsimile seal of the corporation.

ARTICLE VIII

CAPITAL STOCK

SECTION 8.01. Certificates. The certificates for shares of the capital stock of the corporation shall be in such form and not inconsistent with the Articles of Incorporation as shall be approved by the Board of Directors. The certificates shall be sealed with the corporate seal and signed by the President or a Vice President and countersigned by the Treasurer or the Secretary or an Assistant Treasurer or an Assistant Secretary; provided, however, that the Board of Directors may provide that certificates shall be sealed with only the facsimile seal of the corporation and signed only with the facsimile signature of the President or a Vice President and countersigned only with the facsimile signature of the Treasurer or the Secretary. The name of the person owning the shares represented by each certificate, with the number of such shares and the date of issue, shall be entered on the corporation's stock books.

SECTION 8.02. Transfer of Shares. Transfer of shares of stock may be made by endorsement and delivery of the certificates. No such transaction shall be valid, except between the parties thereto, until a new certificate shall have been obtained or the transfer shall have been recorded on the books of the corporation so as to show the date of transfer, the parties thereto, and the number and description of the shares transferred. Upon the surrender of any certificate it shall be canceled.

SECTION 8.03. Regulations. The Board of Directors shall have power and authority to make all such rules and regulations as it deems expedient concerning the issue, transfer and registration of certificates for shares of the capital stock of the corporation.

SECTION 8.04. Closing of Stock Transfer Books and Record Date. The books for the transfer of stock may be closed as the Board of Director may from time to time determine for a period not exceeding seventy (70) days before the annual or any special meeting of stockholders, before the day appointed for the payment of any dividend, or before any date on which rights of any kind in or in connection with the stock of the corporation are to be determined or exercised; provided, however, that if the books for the transfer of stock shall be closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, the books shall be closed at least ten (10) days immediately preceding the meeting; provided, further, that in lieu of closing the books for the transfer of stock, the Board of Directors may fix a date as a record date for the determination of stockholders entitled to notice of and to vote at any such meeting, to receive any such dividends, or to receive or exercise any such rights, as the case may be, such record date to be (i) not more than seventy (70) nor less than ten (10) days prior to the date on which the particular action requiring the determination of stockholders is to be taken at any such meeting of stockholders or (ii) more than seventy (70) days prior to any such payment date or any such date for the determination or exercise of rights.

SECTION 8.05. Lost Certificates. The Board of Directors, subject to such rules and regulations as it may from time to time adopt, may order a new certificate of stock to be issued in the place of any certificate of the corporation alleged to have been lost, destroyed, stolen or mutilated, subject to production of such evidence of such loss, destruction, theft or mutilation and on delivery to the corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board of Directors or any financial officer may in its, his or her discretion require.

SECTION 8.06. Holders of Record. The corporation shall be entitled to treat the holder of record of any share or shares of its capital stock as the holder in fact thereof for any purpose whatsoever and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other claimant thereto.

ARTICLE IX

AMENDMENTS TO THE BY-LAWS

These By-Laws may be amended or repealed, in whole or in part, at any time at any meeting of the directors by resolution adopted by the affirmative vote of a majority of the whole Board of Directors.

Exhibit 4.1

Instruments defining the rights of holders of long-term debt of the Registrant are not filed as exhibits because the amount of debt authorized under any such instrument does not exceed 10% of the total assets of the Registrant and its consolidated subsidiaries. The Registrant hereby undertakes to furnish a copy of any such instrument to the Commission upon request.

Exhibit 10.1

PACIFIC CENTURY FINANCIAL CORPORATION
ONE-YEAR INCENTIVE PLAN

Effective January 1, 1998

SECTION 1. ESTABLISHMENT AND PURPOSES.

1.01 Pacific Century Financial Corporation hereby establishes the 1998 One-Year Incentive Plan.

1.02 The purpose of this Plan is to advance the interests of Pacific Century Financial Corporation by (i) motivating special achievements by Eligible Employees upon whose judgment, initiative and efforts Pacific Century Financial Corporation is largely dependent upon for the successful conduct of its business through a compensation program emphasizing performance objectives; (ii) supplementing other compensation plans; and (iii) assisting Pacific Century Financial Corporation in retaining and attracting such employees.

1.03 This Plan shall be effective as of January 1, 1998 with the term ending December 31, 1998.

SECTION 2. DEFINITIONS.

As used herein, the following terms shall have the following meanings unless a different meaning is plainly required in the context:

2.01 "Board" shall mean the Board of Directors of the Holding Company.

2.02 "Committee" shall mean the Compensation Committee of the Holding Company.

2.03 "Contingent Award" shall mean an award to an Eligible Employee expressed as a percentage of Salary for the Incentive Period.

2.04 "Eligible Employees" shall mean officers or other employees of the Holding Company or any Subsidiary, including directors who are also officers or other employees of the Holding Company or of a Subsidiary, who, in the opinion of the Committee, are or give promise of becoming of exceptional importance to the Holding Company or any Subsidiary, and of making substantial contributions to the success, growth and profit of the Holding Company and its Subsidiaries. Eligible Employees shall <u>not</u> include participants of the Executive Officer One-Year Incentive Plan.

2.05 "Ending Value" shall be the amount as defined in Section 5.01.

2.06 "Financial Performance Factor" shall mean an amount ranging from zero to 2.0, as determined by the Performance Matrix described in Section 6 (or, in certain events, by Section 9.02 or Section 12).

2.07 "Financial Performance Percentage" shall mean the applicable percentage as determined in Section 4.03.

2.08 "Holding Company" shall mean Pacific Century Financial Corporation.

2.09 "Incentive Period", with respect to any Contingent Award, shall mean the Holding Company's fiscal year 1998.

2.10 "Individual Performance Factor" shall mean an amount ranging from zero to 2.0, as determined by following the procedures described in Section 7 (or, in certain events, by Section 9.02 or Section 12).

2.11 "Individual Performance Percentage" shall mean the applicable percentage as determined in Section 4.03.

2.12 "Net Income" shall mean the Holding Company's consolidated net income for the Incentive Period, as reported in the annual report to shareholders (or as otherwise reported to shareholders) adjusted as described in this Section 2.12. The Holding Company's reported net income shall be adjusted for the following:

a. Any extraordinary or unusual gain or loss transaction,
b. Securities gains or losses, and
c. Dividends on preferred shares.

The Committee will, in its sole discretion, determine any adjustments to be made pursuant to this Section 2.12.

2.13 "Participant" shall mean a person that the Committee, in its sole discretion, selects from among the Eligible Employees to be awarded a Contingent Award.

2.14 "Participation Level" shall mean the applicable level as defined in Section 4.03.

2.15 "Performance Matrix" shall mean the matrix shown in Section 6 by which the Financial Performance Factor under this Plan is calculated.

2.16 "Plan" shall mean this 1998 One-Year Incentive Plan, as it may be amended from time to time.

2.17 "Retirement" shall mean the termination of a Participant's employment with the Holding Company or a Subsidiary under circumstances where the Participant terminates on or after the retirement dates specified under the Holding Company's retirement plan and the Participant's withdrawal from any employment in the financial services industry in the State of Hawaii during the Incentive Period.

2.18 "Return on Average Assets" (ROAA) shall mean Net Income (as defined in Section 2.12) of the Holding Company for the Incentive Period divided by Average Total Assets for the Incentive Period (which Average Total Assets are reported in the Holding Company's annual report to shareholders or as otherwise reported to shareholders).

2.19 "Salary" shall mean actual base salary for the Incentive Period.

2.20 "Subsidiary" or "Subsidiaries" shall mean any corporation(s) in which the Holding Company or any Subsidiary (as defined hereby) owns 50 percent or more of the total combined voting power of all classes of stock in such corporation.

SECTION 3. ADMINISTRATION.

3.01 The Plan shall be administered by the Committee.

3.02 The Committee shall be vested with full authority to make such rules and regulations as it deems necessary to administer the Plan and to interpret the provisions of the Plan. Any determination, decision or action of the Committee in connection with the construction, interpretation, administration or application of the Plan shall be final, conclusive and binding upon all Eligible Employees, Participants and any and all persons claiming under or through any Eligible Employee or Participant, unless otherwise determined by the Board.

3.03 Any determination, decision or action of the Committee provided for in this Plan may be made or taken by action of the Board if the Board so determines with the same force and effect as if such determination, decision or action had been made or taken by the Committee. No member of the Committee or Board shall be liable for any determination, decision or action made in good faith with respect to the Plan or any Contingent Award. The fact that a member of the Board shall at the time be, or shall theretofore have been or thereafter may be, an Eligible Employee or a Participant shall not disqualify him or her from taking part in and voting at any time as a member of the Board in favor of or against any amendment of the Plan.

SECTION 4. CONTINGENT AWARDS AND PARTICIPATION LEVELS.

4.01 The Committee may, from time to time, in its sole discretion, award to each Participant a Contingent Award based on a designated performance level. The Committee shall cause notice to be given to each Participant of his or her selection, their Contingent Award and Participation Level.

4.02 The Contingent Award that may be awarded to any Participant shall be a percentage of his or her Salary, which percentage shall be no greater than the amounts set out in the following table:

BANK OF HAWAII OFFICERS	CONTINGENT AWARD AS A % OF SALARY
Group Head/Division Manager	50%
Other	30%
OTHER SUBSIDIARY OFFICERS	40%

4.03 The Committee shall also designate one of the following three Participation Levels for each Participant, under which an Individual Performance Percentage and a Financial Performance Percentage shall be designated for weighting of the Individual Performance Factor and the Financial Performance Factor:

Level 1: 50% Individual Performance Factor / 50% Financial Performance Factor
Level 2: 75% Individual Performance Factor / 25% Financial Performance Factor
Level 3: 90% Individual Performance Factor / 10% Financial

Performance Factor

SECTION 5. ENDING VALUE OF CONTINGENT AWARD.

5.01 The Ending Value of a Contingent Award shall be determined by multiplying the Contingent Award (as a percentage) by the sum of the "Financial Performance Value" and the "Individual Performance Value" as determined below in this Section 5.

5.02 The Financial Performance Value is determined by multiplying the Financial Performance Factor (as determined in accordance with Section 6) by the Financial Performance Percentage of the Participation Level for the Participant.

5.03 The Individual Performance Value is determined by multiplying the Individual Performance Factor (as determined in accordance with Section 7) by the Individual Performance Percentage of the Participation Level for the Participant.

SECTION 6. FINANCIAL PERFORMANCE FACTOR.

6.01 The Financial Performance Factor shall be determined based on the following Matrix:

		FINANCIAL PERFORMANCE FACTOR				
R	1.03%	0.8	1.0	1.4	1.6	2.0
O	0.98%	0.6	0.8	1.2	1.4	1.6
A	0.93%	0.4	0.6	1.0	1.2	1.4
A	0.88%	0.2	0.4	0.6	0.8	1.0
	0.83%	0.0	0.2	0.4	0.6	0.8
		$130MM	$135MM	$140MM	$144MM	$148MM
				NET INCOME		

6.02 Interpolation shall be made on a straight line basis as calculated by the Controllers Division. In unusual cases, either ROAA or Net Income may be above 1.12% and $158MM respectively. In no case will the Financial Performance Factor exceed 2.0.

SECTION 7. INDIVIDUAL PERFORMANCE FACTOR.

7.01 The Individual Performance Factor will be established based on individual performance. This step shall appraise each Participant's performance on his or her assigned job responsibilities in consideration of the economic and other circumstances with which each Participant had to cope during the Incentive Period. For this purpose, a Participant's performance appraisal will consider, but is not limited to:

a. 1998 Individual Performance Objectives (see Attachment A).
b. How well basic responsibilities were carried out.
c. How well problems were anticipated and avoided or mollified.

d. How well unanticipated problems were overcome.
e. How well opportunities were identified and capitalized on.

The scope of circumstances to be considered shall include economic conditions; cost considerations; political implications; revenue generation; public, governmental, customer relations; and the like. A Participant whose individual performance is evaluated as "Below Expectations" or "Unsatisfactory" will not be eligible for a payout under the conditions of the Plan (notwithstanding the Financial Performance Value determined in Section 6), and the Ending Value of the Participant's Contingent Award shall be zero.

7.02 The Chairman and the President shall recommend an Individual Performance Factor for each Participant to the Committee. Individual Performance Factors will range from zero to a maximum of 2.0. The Committee shall make the final determination of awards and reserves the right to add to or withhold all or any portion of an award at its sole discretion.

SECTION 8. DETERMINATION AND PAYMENT OF AWARDS.

8.01 If the Ending Value of the Contingent Award as computed in accordance with Sections 5, 6 and 7 is zero, no payment shall be made, any Contingent Awards shall terminate, and all rights thereunder shall cease.

8.02 Subject to the provisions of Section 9 and Section 12 hereof, the Ending Value, if any, of the Contingent Award for each Participant shall be determined as per Sections 5, 6 and 7. The amount determined for each Participant shall be paid in cash in a lump sum (subject to withholding requirements, if applicable) as soon as practical after determination thereof.

However, a Participant may make a request, on a form approved by the Committee, for the deferral of all or part of any payment he or she may receive, provided that such request is delivered to the Human Resources Division no later than November 1 of the Incentive Period.

The Committee may accept or reject any such request for a deferral and may determine the conditions of such deferral at the Committee's sole discretion.

SECTION 9. TERMINATION OF PARTICIPATION.

9.01 Except as otherwise provided in Section 9.02 below, if a Participant does not remain continuously in the employ of the Holding Company or a Subsidiary until the expiration of the Incentive Period with respect to any Contingent Award, such Contingent Award shall terminate and all rights thereunder shall cease.

9.02 If the employment of a Participant with the Holding Company or a Subsidiary terminates during the Incentive Period due to his or her death, disability or Retirement, or if participation of a Participant under this Plan commences or terminates mid-term during the Incentive Period, the Committee shall determine the cash payment to be made with respect to such Participant under the following method:

> In the event of the Participant's death, disability, Retirement or mid-term termination of participation under the Plan, salary shall be the year-to-date actual salary annualized prior to the applicable event. In the event of the Participant's mid-term commencement of participation under the Plan, salary shall be the actual salary annualized subsequent to participation in the Plan. The Ending Value of the Contingent Award calculated under Sections 5, 6, and 7 shall be multiplied by a fraction, the numerator of which shall be the number of full months of the Incentive Period during which Participant was an employee of the Holding Company or Subsidiary, and the denominator of which shall be 12. This calculation and the payment of any award necessarily must be paid after the termination of the Incentive Period in accordance with Section 8.02.

SECTION 10. NON-TRANSFERABILITY OF CONTINGENT AWARD.

No Contingent Award shall be sold, assigned, transferred, encumbered, hypothecated or otherwise anticipated by a Participant, and during the lifetime of a Participant, any payment shall be payable only to the Participant. The Committee shall, if it so determines, adopt rules for the designation by a Participant of a beneficiary to receive cash payments, if any, that may become due pursuant to this Plan after the death of the Participant.

SECTION 11. AMENDMENT OR TERMINATION OF THE PLAN.

The Board or the Committee, may, at any time, terminate or at any time and from time to time amend, modify or suspend this Plan provided that no such amendment, modification, suspension or termination of the Plan shall in any manner adversely affect any Contingent Award theretofore made under the Plan without the consent of the Participant.

SECTION 12. CHANGES IN CAPITALIZATION OR CONTROL.

In the event of a dissolution or liquidation of the Holding Company, or a "Change in Control" of the Holding Company, the amount of cash payable with respect to any Contingent Award for an Incentive Period that will end after such event shall be determined and payable as if the Incentive Period ended on the date of such event and an Ending Value of the Contingent Award of two times the Contingent Award Percentage shall be used in calculating payments under this Plan, notwithstanding any other provisions of this Plan. All Contingent Awards shall be calculated based on the actual annualized salary for such shortened Incentive Period. The Ending Value of the Contingent Award calculated under this Section 12 shall be multiplied by a fraction, the numerator of which shall

be the number of full months of the Incentive Period, as adjusted under this Section 12, and the denominator of which shall be 12. The Ending Value of the Contingent Award under this Section 12 shall be paid to such participants within ten days of the end of the shortened Incentive Period. For this purpose, a "Change in Control" of the Holding Company means any one or more of the following occurrences: (i) Any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of shares of the Holding Company having 25 percent or more of the total number of votes that may be cast for the election of Directors of the Holding Company; or (ii) As a result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were Directors of the Holding Company before the transaction shall cease to constitute a majority of the Board of Directors of the Holding Company or any successor to the Holding Company.

Exhibit 10.2

PACIFIC CENTURY FINANCIAL CORPORATION
EXECUTIVE OFFICER ONE-YEAR INCENTIVE PLAN

Effective January 1, 1998

SECTION 1. ESTABLISHMENT AND PURPOSES.

1.01 Pacific Century Financial Corporation hereby establishes the Executive Officer One-Year Incentive Plan.

1.02 The purpose of this Plan is to advance the interests of Pacific Century Financial Corporation by (i) motivating special achievements by Eligible Employees upon whose judgment, initiative and efforts Pacific Century Financial Corporation is largely dependent for the successful conduct of its business through a compensation program emphasizing performance objectives; (ii) supplementing other compensation plans; and (iii) assisting Pacific Century Financial Corporation in retaining and attracting such employees.

1.03 This Plan shall be effective as of January 1, 1998 and shall operate on the basis of the current Incentive Period. This Plan constitutes the current operating document for the administration of the Plan effective January 1, 1994, that was disclosed to shareholders and received shareholder approval on April 27, 1994. As such, the material terms of this Plan have been approved by shareholders for purposes of the performance-based compensation requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended.

SECTION 2. DEFINITIONS.

As used herein, the following terms shall have the following meanings unless a different meaning is plainly required in the context:

2.01 "Board" shall mean the Board of Directors of the Holding Company.

2.02 "Committee" shall mean the Compensation Committee of the Holding Company.

2.03 "Contingent Award" shall mean an award to an Eligible Employee, as determined in Section 4.02, expressed as a percentage of Salary for the Incentive Period.

2.04 "Eligible Employees" shall mean the Executive Officers of the Holding Company or of a Subsidiary (as described in Section 4.02) who, in the opinion of the Committee, are or give promise of becoming of exceptional importance to the Holding Company or any Subsidiary, and of making substantial contributions to the success, growth and profit of the Holding Company and its Subsidiaries. Neither members of the Committee nor any member of the Board who is not an employee of the Holding Company or of a Subsidiary shall be an Eligible Employee.

2.05 "Ending Value" shall be the amount as defined in Section 5.01.

2.06 "Financial Performance Factor" shall mean an amount ranging from zero to 2.0, as determined by the Performance Matrix as described in Section 5 (or, in certain events, by Section 7.02 or Section 10).

2.07 "Holding Company" shall mean Pacific Century Financial Corporation.

2.08 "Incentive Period", with respect to any Contingent Award, shall mean the Holding Company's fiscal year 1998.

2.09 "Net Income" shall mean the Holding Company's consolidated net income for the Incentive Period, as reported in the annual report to shareholders (or as otherwise reported to shareholders) adjusted as described in this Section 2.09. The Holding Company's reported net income shall be adjusted for the following:

a. Any extraordinary or unusual gain or loss transaction,
b. Securities gains or losses, and
c. Dividends on preferred shares.

The Committee will, in its sole discretion, determine any adjustments to be made pursuant to this Section 2.09.

2.10 "Participant" shall mean a person that the Committee, in its sole discretion, selects from among the Eligible Employees to be awarded a Contingent Award.

2.11 "Performance Matrix" shall mean the matrix shown in Section 5 by which the Financial Performance Factor under this Plan is calculated.

2.12 "Plan" shall mean this Executive Officer One-Year Incentive Plan, as it may be amended from time to time. The Plan constitutes the current operating document for the administration of the Plan adopted effective January 1, 1994.

2.13 "Retirement" shall mean the termination of a Participant's employment with the Holding Company or a Subsidiary under circumstances where the Participant terminates on or after the retirement dates specified under the Holding Company's retirement plan and the Participant's withdrawal from any employment in the financial services industry in the State of Hawaii during the Incentive Period.

2.14 "Return on Average Assets" (ROAA) shall mean Net Income (as defined in Section 2.09) of the Holding Company for the Incentive Period divided by Average Total Assets for the Incentive Period (which Average Total Assets are reported in the Holding Company's annual report to shareholders or as otherwise reported to shareholders).

2.15 "Salary" shall mean actual base salary for the Incentive Period.

2.16 "Subsidiary" or "Subsidiaries" shall mean any corporation(s) in which the Holding Company or any Subsidiary (as defined hereby) owns 50 percent or more of the total combined voting power of all classes of stock in such corporation.

SECTION 3. ADMINISTRATION.

3.01 The Plan shall be administered by the Committee.

3.02 The Committee shall be vested with full authority to make such rules and regulations as it deems necessary to administer the Plan and to interpret the provisions of the Plan. Any determination, decision or action of the Committee in connection with the construction, interpretation, administration or application of the Plan shall be final, conclusive and binding upon all Eligible Employees, Participants and any and all persons claiming under or through any Eligible Employee or Participant, unless otherwise determined by the Board.

3.03 Any determination, decision or action of the Committee provided for in this Plan may be made or taken by action of the Board if the Board so determines with the same force and effect as if such determination, decision or action had been made or taken by the Committee. No member of the Committee or Board shall be liable for any determination, decision or action made in good faith with respect to the Plan or any Contingent Award. The fact that a member of the Board shall at the time be, or shall theretofore have been or thereafter may be, an Eligible Employee or a Participant shall not disqualify him or her from taking part in and voting at any time as a member of the Board in favor of or against any amendment of the Plan.

3.04 With respect to any Incentive Period, the Performance Matrix described in Section 5.02 may be modified by the Committee. Specifically, to measure performance of the Holding Company and to determine the Performance Matrix for any Incentive Period, the Committee may, no later than 90 days after the commencement of the Incentive Period, select from among a number of business criteria or measures, and establish specific objective numeric goals relating to those measures. The measures may include return on average equity or year-end equity, return on average of year-end assets, earnings per share, growth in earnings per share, increase in Holding Company's Common Stock price, total return to shareholders, growth in net income per employee, growth in noninterest income, control of net overhead expense, control of nonperforming loans, capital adequacy, or adequacy of loan loss reserves.

SECTION 4. CONTINGENT AWARDS.

4.01 The Committee may, from time to time, in its sole discretion, award to each Participant a Contingent Award. The Committee shall cause notice to be given to each Participant of his or her selection.

4.02 The Contingent Award shall be an amount determined by multiplying the Participant's salary by a percentage as determined by the Committee, which percentage shall be no greater than the amounts set out in the table below.

BANK OF HAWAII OFFICERS	CONTINGENT AWARD AS A % OF SALARY
Chairman of the Board/CEO	70%
President or Vice Chairman	50%

4.03 In any event, the maximum payout under this Plan shall be two times the Contingent Award. For example, if the Participant has a Salary of $100,000 and the Contingent Award awarded to such Participant is 45%, the Contingent Award is $45,000. In this example, the maximum payout under this Plan is two times the Contingent Award, or $90,000.

4.04 For any Participant, assessment of individual performance may result in a downward adjustment of the maximum award, or the entire elimination of this award. No upward adjustments based on discretion are permitted beyond the maximum award for any Participant. An adjustment under this Section 4.04 may be made prior to a final determination of the award under Section 6.

SECTION 5. ENDING VALUE OF CONTINGENT AWARD.

5.01 The Ending Value of a Contingent Award shall be determined by multiplying the Contingent Award by the Financial Performance Factor (determined from the Performance Matrix in this Section 5).

5.02 Performance Matrix:

		FINANCIAL PERFORMANCE FACTOR				
R	1.03%	1.0	1.3	1.6	1.8	2.0
O	0.98%	0.8	1.1	1.3	1.6	1.8
A	0.93%	0.5	0.8	1.1	1.4	1.6
A	0.88%	0.3	0.5	0.8	1.1	1.4

0.83%	0.0	0.3	0.5	0.8	1.1
	$130MM	$135MM	$140MM	$144MM	$148MM
	NET INCOME				

5.03 Interpolation shall be made on a straight line basis as calculated by the Controllers Division. Proration will still be performed if at least one of these factors is within the range indicated on the Performance Matrix. The maximum Financial Performance Factor under all circumstances is 2.000.

SECTION 6. DETERMINATION AND PAYMENT OF AWARDS.

6.01 If the Ending Value as computed and adjusted in accordance with Section 5 is zero, no payment shall be made, any Contingent Awards shall terminate and all rights thereunder shall cease.

6.02 Subject to the provisions of Section 7 and Section 10 hereof, the Ending Value, if any, of the Contingent Award for each Participant shall be determined as per Section 5. The amount

determined for each Participant shall be paid in cash in a lump sum (subject to withholding requirements, if applicable) as soon as practicable after determination thereof.

However, a Participant may make a request, on a form approved by the Committee, for the deferral of all or part of any payment he or she may receive, provided that such request is delivered to the Human Resources Division no later than November 1 of the Incentive Period.

The Committee may accept or reject any such request for a deferral and may determine the conditions of such deferral at the Committee's sole discretion.

SECTION 7. TERMINATION OF EMPLOYMENT.

7.01 Except as otherwise provided in Section 7.02 below, if a Participant does not remain continuously in the employ of the Holding Company or a Subsidiary until the expiration of the Incentive Period with respect to any Contingent Award, such Contingent Award shall terminate and all rights thereunder shall cease.

7.02 If the employment of a Participant with the Holding Company or a Subsidiary terminates during the Incentive Period due to his or her death, disability or Retirement, or if participation of a Participant under this Plan commences or terminates mid-term during the Incentive Period, the Committee shall determine the cash payment to be made with respect to such Participant under the following method:

> In the event of the Participant's death, disability, Retirement or mid-term termination of participation under the Plan, salary shall be the year-to-date actual salary annualized prior to the applicable event. In the event of the Participant's mid-term commencement of participation under the Plan, salary shall be the actual salary annualized subsequent to participation in the Plan. The Ending Value of the Contingent Award calculated under Sections 4, 5 and 6 shall be multiplied by a fraction, the numerator of which shall be the number of full months of the Incentive Period during which Participant was an employee of the Holding Company or Subsidiary, and the denominator of which shall be 12. This calculation and the payment of any award necessarily must be paid after the termination of the Incentive Period in accordance with Section 6.02.

7.03 Any payout to pro-rated participants who enter the Plan mid-term will be based on the number of full months of participation.

SECTION 8. NON-TRANSFERABILITY OF CONTINGENT AWARD.

No Contingent Award shall be sold, assigned, transferred, encumbered, hypothecated or otherwise anticipated by a Participant, and during the lifetime of a Participant, any payment shall be payable only to the Participant. The Committee shall, if it so determines, adopt rules for the designation by a Participant of a beneficiary to receive cash payments, if any, that may become due pursuant to this Plan after the death of the Participant.

SECTION 9. AMENDMENT OR TERMINATION OF THE PLAN.

The Board or the Committee, may, at any time, terminate or at any time and from time to time amend, modify or suspend this Plan provided that no such amendment, modification, suspension or termination of the Plan shall in any manner adversely affect any Contingent Award theretofore made under the Plan without the consent of the Participant.

SECTION 10. CHANGES IN CAPITALIZATION OR CONTROL.

In the event of a dissolution or liquidation of the Holding Company, or a "Change in Control" of the Holding Company, the amount of cash payable with respect to any Contingent Award for an Incentive Period that will end after such event shall be determined and payable as if the Incentive Period ended on the date of such event and a Financial Performance Factor of 2.00 shall be used in calculating payments under this Plan, notwithstanding any other provisions of this Plan. All Contingent Awards shall be calculated based on the actual annualized salary for such shortened Incentive Period. The Ending Value of the Contingent Award calculated under this Section 10 shall be multiplied by a fraction, the numerator of which shall be the number of full months of the Incentive Period, as adjusted under this Section 10, and the denominator of which shall be 12. The Ending Value of the Contingent Award under this Section 10 shall be paid to such participants within ten days of the end of the shortened Incentive Period. For this purpose, a "Change in Control" of the Holding Company means any one or more of the following occurrences: (i) Any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of shares of the Holding Company having 25 percent or more of the total number of votes that may be cast for the election of Directors of the Holding Company; or (ii) As a result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were Directors of the Holding Company before the transaction shall cease to constitute a majority of the Board of Directors of the Holding Company or any successor to the Holding Company.

Exhibit 10.3

PACIFIC CENTURY FINANCIAL CORPORATION
SUSTAINED PROFIT GROWTH PLAN

Effective January 1, 1998

SECTION 1. ESTABLISHMENT AND PURPOSES.

1.01 Pacific Century Financial Corporation hereby establishes the Sustained Profit Growth Plan.

1.02 The purpose of this Plan is to advance the interests of Pacific Century Financial Corporation by (i) motivating special achievements by Eligible Employees upon whose judgment, initiative and efforts Pacific Century Financial Corporation is largely dependent for the successful conduct of its business through a compensation program emphasizing long-term performance incentives; (ii) supplementing other compensation plans; and (iii) assisting Pacific Century Financial Corporation in retaining and attracting such employees.

1.03 This Plan shall be effective as of January 1, 1998 and shall operate on the basis of the current Incentive Period. This Plan constitutes the current operating document for the administration of the Plan effective January 1, 1994, that was disclosed to shareholders and received shareholder approval on April 27, 1994. As such, the material terms of this Plan have been approved by shareholders for purposes of the performance-based compensation requirements of Section 162 (m) of the Internal Revenue Code of 1986, as amended.

SECTION 2. DEFINITIONS.

As used herein, the following terms shall have the following meanings unless a different meaning is plainly required in the context:

2.01 "Base Year" shall mean the fiscal year prior to the Incentive Period.

2.02 "Board" shall mean the Board of Directors of the Holding Company.

2.03 "Committee" shall mean the Compensation Committee of the Holding Company.

2.04 "Contingent Award" shall mean an award to an Eligible Employee expressed as a percentage of average annual Salary for the Incentive Period.

2.05 "Eligible Employees" shall mean officers or other employees of the Holding Company or any Subsidiary, including directors who are also officers or other employees of the Holding Company or of a Subsidiary, who, in the opinion of the Committee, are or give promise of becoming of exceptional importance to the Holding Company or any Subsidiary, and of making substantial contributions to the success, growth and profit of the Holding

Company and its Subsidiaries. Neither members of the Committee nor any member of the Board who is not an employee of the Holding Company or of a Subsidiary shall be an Eligible Employee.

2.06 "Earnings Per Share" (EPS) shall mean fully diluted Earnings Per Share as reported by the Holding Company in its annual report (or as otherwise reported to shareholders) adjusted as described in this Section 2.06. The Holding Company's reported net income shall be adjusted for the following in computing EPS:

a. Any extraordinary or unusual gain or loss transaction,
b. Securities gains or losses, and
c. Dividends on preferred shares.

The Committee will, in its sole discretion, determine any adjustments to be made to EPS pursuant to this Section 2.06. In the event of a stock dividend or stock split during the Incentive Period, Earnings Per Share shall be recomputed to take into account the effects of such stock dividend or stock split. Earnings Per share will also be recomputed to eliminate the dilution effect of any stock issued pursuant to any shareholders rights plan or similar program.

2.07 "Earnings Growth Rate" shall mean the growth of EPS during the Incentive Period. For example, if EPS in the Base Year is $6.00 and EPS for the third calendar year of the Incentive Period is $7.80, then the Earnings Growth Rate is 30 percent. For purposes of this Plan, the Earnings Growth Rate shall be rounded to the nearest one-tenth of one percent. In the event of a stock dividend or stock split during the Incentive Period, Earnings Growth Rate shall be restated to take into account the effect of such stock dividend or stock split.

2.08 "Ending Value" shall be the amount as defined in Section 5.01.

2.09 "Ending Value Multiplier", with respect to any Contingent Award, shall mean an amount ranging from zero to 2.00 as determined by applying the Performance Matrix as described in Section 5 (or in certain events, Section 8.02 or Section 11) of the Plan.

2.10 "Holding Company" shall mean Pacific Century Financial Corporation.

2.11 "Incentive Period", with respect to any Contingent Award, shall mean the Holding Company's fiscal years 1998 through 2000 inclusive.

2.12 "Participant" shall mean a person that the Committee, in its sole discretion, selects from among the Eligible Employees to be awarded a Contingent Award.

2.13 "Performance Matrix" shall mean the matrix shown in Section 5 by which is used in calculating Ending Value Multipliers under this Plan.

2.14 "Plan" shall mean this Sustained Profit Growth Plan, as it may be amended from time to time. The Plan constitutes the current operating document for the administration of the Plan adopted effective January 1, 1994.

2.15 "Retirement" shall mean the termination of a

Participant's employment with the Holding Company or a Subsidiary under circumstances where the Participant terminates on or after the retirement dates specified under the Holding Company's retirement plan and the Participant's withdrawal from any employment in the financial services industry in the State of Hawaii during the Incentive Period.

2.16 "Return on Average Equity" (ROAE) shall mean the result of the summation of Net Income for the three years included in the Incentive Period divided by the summation of the adjusted Average Total Equity for the three years included in the Incentive Period. Net Income shall be the amounts reported in the Holding Company's annual report to shareholders adjusted as Earnings Per Share in Section 2.06. Adjusted Average Total Equity shall be the Average Total Equity (as reported in the Holding Company's annual report to shareholders) adjusted as appropriate for any preferred shares outstanding.

2.17 "Salary" shall mean base salary only.

2.18 "Subsidiary" or "Subsidiaries" shall mean any corporation(s) in which the Holding Company or any Subsidiary (as defined hereby) owns 50 percent or more of the total combined voting power of all classes of stock in such corporation.

SECTION 3. ADMINISTRATION.

3.01 The Plan shall be administered by the Committee.

3.02 The Committee shall be vested with full authority to make such rules and regulations as it deems necessary to administer the Plan and to interpret the provisions of the Plan. Any determination, decision or action of the Committee in connection with the construction, interpretation, administration or application of the Plan shall be final, conclusive and binding upon all Eligible Employees, Participants and any and all persons claiming under or through any Eligible Employee or Participant, unless otherwise determined by the Board.

3.03 Any determination, decision or action of the Committee provided for in this Plan may be made or taken by action of the Board if the Board so determines with the same force and effect as if such determination, decision or action had been made or taken by the Committee. No member of the Committee or Board shall be liable for any determination, decision or action made in good faith with respect to the Plan or any Contingent Award. The fact that a member of the Board shall at the time be, or shall theretofore have been or thereafter may be, an Eligible Employee or a Participant shall not disqualify him or her from taking part in and voting at any time as a member of the Board in favor of or against any amendment of the Plan.

3.04 With respect to any Incentive Period, the Performance Matrix described in Section 5.02 may be modified by the Committee. Specifically, to measure performance of the Holding Company and to determine the Performance Matrix for any Incentive Period, the Committee may, no later than 90 days after the commencement of the Incentive Period, select from among a number of business criteria or measures, and establish specific objective

numeric goals relating to those measures. The measures may include return on average or year-end equity, return on average or year-end assets, earnings per share, growth in earnings per share, increase in Holding Company's common stock price, total return to shareholders, growth in net income per employee, growth in noninterest income, control of net overhead expense, control of nonperforming loans, capital adequacy, and adequacy of loan loss reserves.

SECTION 4. CONTINGENT AWARDS.

4.01 The Committee may, from time to time, in its sole discretion, award to each Participant a Contingent Award. The Committee shall cause notice to be given to each Participant of his or her selection.

4.02 The Contingent Award that may be awarded to any Participant shall be a percentage of his or her average annual Salary for the Incentive Period, which percentage shall be no greater than the amounts set out in the following table:

HOLDING COMPANY/ BANK OF HAWAII OFFICERS	CONTINGENT AWARD AS A % OF SALARY
Chairman of the Board/CEO	60%
President or Vice Chairman	50%
Group Head/Division Manager	40%
Executive/Senior Vice President	40%
OTHER SUBSIDIARY OFFICERS	40%

4.03 The Contingent Award shall be multiplied by the Participant's average annual Salary for the Incentive Period. In any event, the maximum payout under this Plan shall be two times the Contingent Award. For example, a Participant with an average annual Salary of $80,000 might receive a Contingent Award of 25% or $20,000. In this example, the maximum payout under this Plan would be two times the Contingent Award, or $40,000.

SECTION 5. ENDING VALUE OF CONTINGENT AWARD.

5.01 The Ending Value of a Contingent Award shall be determined by multiplying the Contingent Award by the Ending Value Multiplier determined from the Performance Matrix in Section 5.02.

5.02 Ending Value Multiplier:

	EARNINGS GROWTH RATE				
ROAE	10%	15%	20%	25%	30%
17%	1.00	1.25	1.50	1.75	2.00
16%	0.82	1.07	1.32	1.57	1.82
15%	0.65	0.90	1.15	1.40	1.65
14%	0.48	0.73	0.98	1.23	1.48
13%	0.32	0.57	0.82	1.07	1.32
12%	0.16	0.41	0.66	0.91	1.16
11%	0.00	0.25	0.50	0.75	1.00

5.03 Interpolation between the points shown above shall be made on a straight line basis as calculated by the Controllers Division. The maximum Ending Value Multiplier under all circumstances will be 2.00.

SECTION 6. CONDITIONS.

The Chairman and the President shall prepare recommendations for the Committee. The Committee shall make the final determination of the Ending Value Multiplier and any awards, and reserves the right to add to or withhold all or any portion of any or all award(s) at its sole discretion. However, with respect to any Participant subject to the deduction limit of Section 162(m) of the Internal Revenue Code of 1986, as amended, no upward adjustments based on discretion are permitted beyond the maximum award for the Participants.

SECTION 7. DETERMINATION AND PAYMENT OF AWARDS.

7.01 If the Ending Value as computed and adjusted in accordance with Sections 4 and 5 is zero, no payment shall be made, any Contingent Awards shall terminate and all rights thereunder shall cease.

7.02 Subject to the provisions of Section 8 and Section 11 hereof, the Ending Value, if any, of the Contingent Award for each Participant shall be determined as per Sections 4 and 5. The amount determined for each Participant shall be paid in cash in a lump sum (subject to withholding requirements, if applicable) as soon as practicable after determination thereof.

However, a Participant may make a request, on a form approved by the Committee, for the deferral of all or part of any payment he or she may receive, provided that such request is delivered to the Human Resources Division no later than November 1 of the Incentive Period.

The Committee may accept or reject any such request for a deferral and may determine the conditions of such deferral at the Committee's sole discretion.

SECTION 8. TERMINATION OF EMPLOYMENT.

8.01 Except as otherwise provided in Section 8.02 below, if a Participant does not remain continuously in the employ of the Holding Company or a Subsidiary until the expiration of the Incentive Period with respect to any Contingent Award, such Contingent Award shall terminate and all rights thereunder shall cease.

8.02 If the employment of a Participant with the Holding Company or a Subsidiary terminates during the Incentive Period due to his or her death, disability or Retirement, or if participation of a Participant under this Plan commences or terminates mid-term during the Incentive Period, the Committee shall determine the cash payment to be made with respect to such Participant under the following method:

> In the event of the Participant's death, disability, Retirement or mid-term termination of participation under the Plan, salary shall be the year-to-date actual salary annualized prior to the applicable event. In the event of the Participant's mid-term commencement of participation under the Plan, salary shall be the actual salary annualized subsequent to participation in the Plan. The Ending Value of the Contingent Award calculated under Sections 4 and 5 shall be multiplied by a fraction, the numerator of which shall be the number of full months of the Incentive Period during which Participant was an employee of the Holding Company or Subsidiary, and the denominator of which shall be 36. This calculation and the payment of any award necessarily must be paid after the termination of the Incentive Period in accordance with Section 7.02.

8.03 Any payout to pro-rated participants who enter the Plan mid-term will be based on the number of full months of participation.

SECTION 9. NON-TRANSFERABILITY OF CONTINGENT AWARD.

No Contingent Award shall be sold, assigned, transferred, encumbered, hypothecated or otherwise anticipated by a Participant, and during the lifetime of a Participant, any payment shall be payable only to the Participant. The Committee shall, if it so determines, adopt rules for the designation by a Participant of a beneficiary to receive cash payments, if any, that may become due pursuant to this Plan after the death of the Participant.

SECTION 10. AMENDMENT OR TERMINATION OF THE PLAN.

The Board or the Committee, may, at any time, terminate or at any time and from time to time amend, modify or suspend this

Plan provided that no such amendment, modification, suspension or termination of the Plan shall in any manner adversely affect any Contingent Award theretofore made under the Plan without the consent of the Participant.

SECTION 11. CHANGES IN CAPITALIZATION.

In the event of a dissolution or liquidation of the Holding Company, or a "Change in Control" of the Holding Company, the amount of cash payable with respect to any Contingent Award for an Incentive Period that will end after such event shall be determined and payable as if the Incentive Period ended on the date of such event and an Ending Value Multiplier of 2.00 shall be used in calculating the award for this Plan, notwithstanding any other provisions of this Plan. All Contingent Awards shall be calculated based on the average annual salary of the Participant for the shortened Incentive Period. The Ending Value of the Contingent Award calculated under this Section 11 shall be multiplied by a fraction, the numerator of which shall be the number of full months of the Incentive Period, as adjusted under this Section 11, and the denominator of which shall be 36. The Ending Value of the Contingent Award under this Section 11 shall be paid to such Participants within ten days of the end of the shortened Incentive Period. For this purpose, a "Change in Control" of the Holding Company means any one or more of the following occurrences: (i) Any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of shares of the Holding Company having 25 percent or more of the total number of votes that may be cast for the election of Directors of the Holding Company; or (ii) As a result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were Directors of the Holding Company before the transaction shall cease to constitute a majority of the Board of Directors of the Holding Company or any successor to the Holding Company.

Exhibit 11.1

Pacific Century Financial Corporation
Statement Regarding Computation of Per Share Earnings
Years Ended December 31

	Basic	Diluted
1997		
Net Income	$139,488,000	$139,488,000
Daily Weighted Average Shares Outstanding	79,794,011	79,794,011
Shares Assumed Issued for Stock Options	0	1,152,159
	79,794,011	80,946,170
Earnings Per Share	$ 1.75	$ 1.72
1996		
Net Income	$133,124,000	$133,124,000
Daily Weighted Average Shares Outstanding	81,595,728	81,595,728
Shares Assumed Issued for Stock Options	0	828,796
	81,595,728	82,424,524
Earnings Per Share	$ 1.63	$ 1.62
1995		
Net Income	$121,800,000	$121,800,000
Daily Weighted Average Shares Outstanding	83,325,878	83,325,878
Shares Assumed Issued for Stock Options	0	729,035
	83,325,878	84,054,913
Earnings Per Share	$ 1.46	$ 1.45

Exhibit 12.1

Pacific Century Financial Corporation
Statement Regarding Computation of Ratios
Year Ended December 31, 1997

(in millions of dollars)

Earnings:

1.	Income before income taxes..............................	$218.0
2.	Plus: fixed charges including interest on deposits......	532.2
3.	Earnings including fixed charges........................	750.2
4.	Less: interest on deposits..............................	323.5
5.	Earnings excluding interest on deposits.................	$426.7

Fixed Charges:

6.	Fixed charges including interest on deposits............	$532.2
7.	Less: interest on deposits..............................	323.5
8.	Fixed charges excluding interest on deposits............	$208.7

Ratio of Earnings to Fixed Charges:

Including interest on deposits (line 3 divided by line 6)...	1.41 x
Excluding interest on deposits (line 5 divided by line 8)...	2.04 x

EXHIBIT 19.1

To Our Shareholders:

Pacific Century Financial Corporation has achieved continued improvement in earnings by leveraging its pan-Pacific franchise and capitalizing on opportunities for growth throughout its markets. Your company's strategy of geographic diversification has enabled it to overcome the challenges of Hawaii's sluggish economy.

At the end of third quarter, your company reported year-to-date earnings of $106.3 million, up 7.8 percent from $98.7 million for the same period in 1996. For the first nine months of this year, earnings-per-share were $2.63 as compared to $2.39 at September 30, 1996. Year-to-date return on average assets was 1.01 percent and return on average equity was 12.94 percent.

Earnings for the third quarter of 1997 were $35.3 million, up 12.5 percent from the third quarter of last year and down slightly from the $35.6 million reported for the second quarter of 1997. In last year's third quarter, earnings were lowered $3 million (after tax) by a special Savings Association Insurance Fund assessment. Earnings per share for the quarter were $0.86 compared to $0.76 for the third quarter of 1996 and $0.89 for the second quarter of 1997.

On a tangible performance basis, earnings for the third quarter were $38.7 million compared to $33.5 million for the same period last year. Tangible earnings per share for the quarter were $0.94 compared to $0.81 for the third quarter of 1996. Tangible earnings provide a measure of financial performance without the impact of items such as goodwill.

Total assets stood at $14.9 billion at the end of the third quarter, an increase of 7.9 percent from 1996's third quarter total of $13.8 billion. Net loans grew to $9.1 billion at September 30, 1997, up 9.7 percent from last year's third quarter level of $8.3 billion and 5.7 percent above the second quarter 1997 level.

Pacific Century's recent acquisition of CU Bancorp and its subsidiary, California United Bank (CUB), completed on July 3, 1997, boosted Pacific Century's total assets by $776 million and loans by $443 million. The quarter's results also reflect the dilutive impact of 2.3 million shares of stock issued relative to the acquisition of CUB. The Mainland presence that CUB provides is a cornerstone of our Pacific strategy and will serve as a platform for delivery of financial services to clients across the Pacific from Asia to the U.S. Mainland.

Non-performing assets (NPAs) excluding loans 90-plus days

past due stood at $94.7 million or 0.99 percent of total loans at September 30, 1997. Pacific Century's conservative credit culture together with CUB's excellent credit quality are responsible for the improvement in this area.

We are very pleased to welcome Mary Carryer who will join Pacific Century Financial Corporation and Bank of Hawaii as vice chair this month. Mary will be a member of the company's Managing Committee, working closely with President and Chief Operating Officer Richard Dahl; Vice Chairman and Chief Lending Officer Alton Kuioka and myself. She will oversee Pacific Century's Mainland operations as well as the company's Information Management function. A veteran of Westpac Banking Corporation and Wells Fargo & Company, Mary brings more than 25 years of financial experience to Hawaii. Her experience at these two financial giants spans the areas of corporate planning, international banking and trade operations, trust and investments, and information management.

Mary is a strategic thinker who has the ability to translate planning and ideas into reality. She has demonstrated a remarkable ability to leverage technology to serve a broad and diverse customer base, and possesses a skill set that will complement the strengths that currently exist within our Managing Committee.

Bank of Hawaii was recently recognized by the Small Business Administration for reaching a milestone in its yearly activity of SBA lending. For the fiscal year ending September 30, 1997, Bankoh made 100 SBA loans, putting on the books more than three times as many loans as the next most active SBA lender in the district. We are a strong supporter of small businesses, and our SBA performance demonstrates our commitment to the thousands of small businesses that are the life blood of Hawaii's economy.

Your Board of Directors has declared a fourth quarter cash dividend on the outstanding common stock payable at the rate of $.325 per share. The Board also declared a two-for-one stock split in the form of a 100 percent stock dividend. The cash dividend and the stock distribution are both payable on December 12, 1997 to shareholders of record at the close of business on November 21, 1997. The cash dividend will be paid on the "old" stock and not the stock distributed pursuant to the stock split.

We remain confident in the future of our franchise and optimistic in the potential of our markets. As we approach the 21st century, Pacific Century is positioned to play a pivotal role in the greater Pacific regional economy. We count your support among our strongest assets.

Sincerely,

/s/ LAWRENCE M. JOHNSON

Lawrence M. Johnson
Chairman and Chief Executive Officer

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

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

or

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

or

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

Highlights (Unaudited) Pacific Century Financial Corporation and subsidiaries

	September 30 1997	September 30 1996
Return on Average Assets	1.01%	1.00%
Return on Average Equity	12.94%	12.35%

Average Spread on Earning Assets	4.06%	3.89%
Average Equity/Average Assets	7.80%	8.09%
Book Value Per Common Share	$28.37	$26.19
Loss Reserve/Loans and Leases Outstanding	1.91%	1.97%

Common Stock Price Range	High	Low	Dividend
1996......................................	$44.00	$33.13	$1.16
1997 First Quarter.........................	$46.38	$41.13	$0.30
Second Quarter.........................	$47.88	$40.63	$0.30
Third Quarter..........................	$54.25	$46.38	$0.33

Consolidated Statements of Income (Unaudited)

(in thousands of dollars except per share amounts)	3 Months Ended September 30 1997	3 Months Ended September 30 1996	9 Months Ended September 30 1997	9 Months Ended September 30 1996
Total Interest Income	$ 274,590	$ 250,585	$ 787,300	$ 726,236
Total Interest Expense	135,893	127,937	391,567	369,396
Net Interest Income	138,697	122,648	395,733	356,840
Provision for Possible Loan Losses	8,162	3,733	20,536	12,320
Net Interest Income After Provision for Possible Loan Losses	130,535	118,915	375,197	344,520
Total Non-Interest Income	46,147	42,027	134,108	119,947
Total Non-Interest Expense	122,117	112,611	344,136	313,976
Income Before Income Taxes	54,565	48,331	165,169	150,491
Provision for Income Taxes	19,312	17,003	58,829	51,840
Net Income	$ 35,253	$ 31,328	$ 106,340	$ 98,651
Earnings Per Common Share and Common Share Equivalents	$ 0.86	$ 0.76	$ 2.63	$ 2.39
Average Common Shares and Common Share Equivalents Outstanding	41,094,194	41,182,809	40,386,565	41,334,572

Consolidated Statements of Condition (Unaudited)

	September 30 1997	December 31 1996	September 30 1996
Assets			
Interest-Bearing Deposits	$ 495,653	$ 635,519	$ 623,592
Investment Securities (Market Value of $3,702,269; $3,634,043; and $3,607,561, respectively)	3,696,145	3,631,653	3,613,656
Funds Sold	111,890	141,920	88,224
Loans	9,529,535	8,699,286	8,683,244
Unearned Income	(206,823)	(183,586)	(181,719)
Reserve for Possible Loan Losses	(177,689)	(167,795)	(167,770)
Net Loans	9,145,023	8,347,905	8,333,755
Total Earning Assets	13,448,711	12,756,997	12,659,227
Cash and Non-Interest Bearing Deposits	579,087	581,221	457,116
Premises and Equipment	286,090	273,122	273,075
Other Assets	557,353	397,827	391,055
Total Assets	$14,871,241	$14,009,167	$13,780,473
Liabilities			
Deposits	$ 9,455,346	$ 8,684,079	$ 8,418,490
Securities Sold Under Agreements to Repurchase	2,268,250	2,075,571	1,996,536
Funds Purchased	364,528	599,994	479,538
Short-Term Borrowings	482,378	293,257	489,061
Other Liabilities	393,094	358,001	374,668
Long-Term Debt	766,485	932,143	957,431
Total Liabilities	13,730,081	12,943,045	12,715,724
Shareholders' Equity			
Common Stock ($2 par value), authorized 100,000,000 shares; outstanding, September 1997 - 40,221,783; December 1996 - 39,959,234; September 1996 - 40,661,103;	80,444	79,918	81,322
Surplus	194,131	186,391	215,014
Unrealized Valuation Adjustments	(6,509)	(3,722)	(12,759)
Retained Earnings	873,094	803,535	781,172
Total Shareholders' Equity	1,141,160	1,066,122	1,064,749

Total Liabilities and Shareholders' Equity	$14,871,241	$14,009,167	$13,780,473

Exhibit 21.1

PACIFIC CENTURY FINANCIAL CORPORATION
SUBSIDIARIES OF THE REGISTRANT

Pacific Century Financial Corporation's organizational structure at December 31, 1997 follows. All of the subsidiaries are wholly owned except for those entities for which directors own qualifying shares. All the entities are consolidated with the immediate parent company.

PACIFIC CENTURY FINANCIAL CORPORATION (Parent)
Bank Holding Company

Subsidiaries:

PACIFIC CENTURY INSURANCE SERVICES, INC.
Hawaii

PACIFIC CENTURY SMALL BUSINESS INVESTMENT COMPANY, INC.
Hawaii

PACIFIC CENTURY AGENCY, INC.
Hawaii

PACIFIC CENTURY LIFE INSURANCE CORPORATION
Arizona

PACIFIC CENTURY BANK, N.A.
Arizona

CALIFORNIA UNITED BANK
California

BANCORP PACIFIC, INC.
Delaware

Subsidiaries:

First Federal Savings & Loan Association of America
Hawaii
First Savings & Loan Association of America (Guam)
Guam

Subsidiary:

Pacific Century Capital Corporation
Guam

BANK OF HAWAII

Subsidiaries:

Bank of Hawaii International Corp., New York - (Edge Act Office)
New York

Bank of Hawaii International, Inc. - (Foreign Holding Company)
Hawaii

Subsidiaries/Affiliates:

Bank of Hawaii-Nouvelle Caledonie (91.5%)
New Caledonia

Bank of Hawaii (PNG) Ltd. (100%)
Papua New Guinea

Banque de Tahiti (92.4%)
French Polynesia

Bank of Tonga (30%)
Tonga

Banque d'Hawaii (Vanuatu), Ltd. (100%)
Vanuatu

National Bank of Solomon Islands (51%)
Solomon Islands

Pacific Commercial Bank, Ltd. (43%)
Samoa

Pacific Century Investment Services, Inc.
Hawaii

Pacific Century Leasing, Inc. (Parent) - (Leasing)
Hawaii

Subsidiaries:

Arbella Leasing Corp.
Delaware
Pacific Century Leasing International, Inc.
Delaware
BNE Airfleets Corporation
Barbados
S.I.L., Inc.
Delaware

Bankoh Corporation (fka Hawaiian Hong Kong Holdings, Ltd.)
Hawaii

Pacific Century Advisory Services, Inc. - (Advisory Services)
Hawaii

Pacific Century Insurance Agency, Inc. - (Insurance)
Hawaii

Realty and Mortgage Investors of the Pacific, Ltd. - (Real Estate Lending)
Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements (Form S-8 Nos. 2-96329, 33-29872, 2-63615, 2-84164, 33-23495, 33-49836, 33-54777, 33-57267, 333-02835 and 333-14929), (Form S-3 Nos. 33-25036, 33-44395 and 33-54775) and (Form S-4 Nos. 333-22497 and 333-24379) of Pacific Century Financial Corporation and subsidiaries of our report dated January 23, 1998, with respect to the consolidated financial statements of Pacific Century Financial Corporation and subsidiaries included in this Annual Report on Form 10-K for the year ended December 31, 1997.

/s/ ERNST & YOUNG LLP

Honolulu, Hawaii
March 12, 1998

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<EXPENSE-OTHER>		475,749
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<EPS-PRIMARY>		1.75
<EPS-DILUTED>		1.72
<YIELD-ACTUAL>		4.08
<LOANS-NON>		89,300
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<LOANS-TROUBLED>		1,600
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<ALLOWANCE-FOREIGN>		31,000
<ALLOWANCE-UNALLOCATED>		8,600