

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1995

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

BANCORP HAWAII, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

HAWAII
(STATE OF INCORPORATION)

99-0148992
(IRS EMPLOYER IDENTIFICATION NO.)

130 MERCHANT STREET, HONOLULU, HAWAII
(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES)

96813
(ZIP CODE)

(808) 847-8888
(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 -----
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Common Stock, \$2 Par Value

New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) 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.

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 December 31, 1995 (\$35.88 per share): \$1,461,789,089

As of February 20, 1996, 41,216,183 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 26, 1996, are incorporated by reference into Part III of this Report.

PART I

ITEM 1. BUSINESS

Bancorp Hawaii, Inc., (Bancorp) was organized on August 12, 1971, as the first bank holding company in the State of Hawaii.

Bancorp provides varied financial services to customers in Hawaii, other areas of the Pacific Basin, and selected markets with economies similar to those in the Pacific Basin. It is the largest of the bank holding companies headquartered in the State of Hawaii. The principal subsidiaries of Bancorp are Bank of Hawaii and Bancorp Pacific, Inc. (formerly known as FirstFed America, Inc.)

In 1995, Bank of Hawaii International, Inc. (BOHI), a wholly-owned subsidiary of Bank of Hawaii, finalized its acquisition for \$1.8 million of the remaining 20% equity interest it did not already own in Banque d'Hawaii (Vanuatu) Limited. Additionally, in furtherance of the establishment of a new Hong Kong branch of Bank of Hawaii, BOHI liquidated its wholly-owned subsidiary, Hawaii Financial Corporation (Hong Kong) Limited, whose assets and liabilities were transferred to the new branch.

During 1995, Bank of Hawaii also activated its wholly-owned subsidiary, Pacific Capital Asset Management, Inc. (PCAM), a registered investment adviser organized in 1994 to provide investment advisory services primarily to institutional investors. These activities are expected to increase in 1996.

Bancorp's organization chart at December 31, 1995 is included as Exhibit 21.1. The percentages indicate the proportion of total assets that each group of entities contributed to Bancorp's consolidated financial position at December 31, 1995. All of the subsidiaries are wholly owned except as otherwise noted for the Pacific affiliate banks and except for those entities whose directors own qualifying shares. All the entities are consolidated with the immediate parent company except as otherwise noted for the Pacific affiliate banks. BOHI's investments in Pacific affiliate banks are accounted for under the equity method, except Banque d'Hawaii (Vanuatu) Limited and National Bank of Solomon Islands which are included in the consolidated financial statements of Bancorp.

At December 31, 1995, Bancorp and its subsidiaries employed 4,391 persons on a full-time or part-time basis.

The following is a description of each of Bancorp'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). It is not a member of the Federal Reserve System.

Bancorp and 18 directors of Bank of Hawaii (each of whom holds 125 qualifying shares) own 100% of the outstanding shares. There are three (3) 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 American Samoa, Bahamas (Nassau), Commonwealth of the Northern Mariana Islands (Saipan), Federated States of Micronesia (Pohnpei, Kosrae, and Yap), Guam, Hong Kong, Korea (Seoul), Philippines (Manila, Davao, and Cebu), Republic of Fiji (Suva, Nadi and Lautoka opening in 1996), Republic of the Marshall Islands (Majuro), Republic of Palau (Koror), Japan (Tokyo), Singapore, and Taiwan (Taipei). Bank of Hawaii also has affiliates in New Caledonia, Solomon Islands, Tahiti, Tonga, Vanuatu and Western Samoa.

Bank of Hawaii owns all of the outstanding stock of Hawaiian Trust Company, Limited; Pacific Capital Asset Management, Inc.; Bancorp Leasing of Hawaii, Inc.; BOHI; Bank of Hawaii International Corporation,

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New York; Bancorp Investment Group, Limited; Pan Ocean Insurance Agency, Inc.; Bankoh Investment Advisory Services Limited; Realty and Mortgage Investors of the Pacific, Limited; and Bankoh Corporation (formerly known as Hawaiian Hong Kong Holdings, Ltd.). The operations of the original Bankoh Corporation were merged into the Bank and the original Bankoh Corporation was dissolved in December 1993. In 1994, Hawaiian Hong Kong Holdings, Ltd. (an inactive corporation) was renamed Bankoh Corporation. A brief discussion of other Bank subsidiaries not described above follows:

Hawaiian Trust Company, Limited (HTCo) was acquired by Bancorp in 1985. HTCo was incorporated in Hawaii on August 10, 1898. It offers trust services primarily in Hawaii and Guam. In 1987, Bancorp contributed the stock of HTCo to Bank of Hawaii. As a result, HTCo became a wholly owned subsidiary of Bank of Hawaii. In 1994, American Financial Services of Hawaii, Inc. (AFS), which the Bank had acquired during the previous year, along with its subsidiaries Bishop Trust and American Trust Company of Hawaii, were all merged into HTCo. At year-end 1995, trust assets under administration were \$12.2 billion for HTCo.

Bancorp Leasing of Hawaii, Inc. (BLH), formed in 1973, provides leasing and leasing services, mainly to the commercial sector in Hawaii. BLH has several subsidiaries that are "specific purpose leasing vehicles." These subsidiaries include Bankoh Equipment Leasing Corporation; S.I.L., Inc.; Arbella Leasing Corporation; Bancorp Leasing of America, Inc.; and Bancorp Leasing International, Inc. Bancorp Leasing of America, Inc. remains inactive. On a consolidated basis, BLH's assets represented 1.0% of Bancorp's total assets at year-end 1995.

Bank of Hawaii International, Inc. (BOHI) was formed in 1968. BOHI holds equity interests in the following foreign financial institutions (in the percentages indicated): Bank of Tonga-30%; Banque de Nouvelle Caledonie, New Caledonia-21%; Banque de Tahiti-38%; Pacific Commercial Bank, Limited, Western Samoa-43%; Banque d'Hawaii (Vanuatu), Limited-100%; and National Bank of Solomon Islands-51%. BOHI's total assets represented 1.3% of Bancorp's total assets at year-end 1995.

Bank of Hawaii International Corporation, New York (BOHICNY), was organized in 1982 as an Edge Act corporation. Bank of Hawaii International Corporation, New York, provides payment, clearing, and settlement services with the New York Clearing House and Clearing House Interbank Payment Service (CHIPS) for both affiliated and unaffiliated banks. BOHICNY had total assets representing 1.5% of Bancorp's total assets at year-end 1995.

Bancorp Investment Group, Limited was formed in 1991 to provide full service brokerage and other investment services. The company has been operational since February of 1992. In 1994, Bancorp contributed the stock of Bancorp Investment Group, Limited to Bank of Hawaii. As a result, Bancorp Investment

Group, Limited became a wholly owned subsidiary of Bank of Hawaii.

Bankoh Investment Advisory Services, Limited (formerly known as Bankoh Advisory Corporation) was reactivated in 1991 to provide advisory services for businesses seeking to operate in Hawaii. The activity of this company has been very limited during 1995.

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 very limited activity in 1994 and 1995.

Realty and Mortgage Investors of the Pacific, Limited (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 1995 were \$50.6 million.

In 1994, Bank of Hawaii organized Pan-Ocean Insurance Agency, Inc. (Pan-Ocean) as a wholly owned subsidiary. Pan-Ocean engages in a 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 results. Activity is anticipated to increase in 1996.

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Bancorp 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 (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 in 1978 merged with Island Federal Savings and Loan Association of Honolulu, Hawaii, and during the 1980s acquired several smaller savings and loan associations. First Federal operates 24 full service offices throughout Hawaii. Its deposits are also insured by the FDIC. Total assets for First Federal represented 7.9% of Bancorp's total assets at year-end 1995.

First Savings operates in a market area that includes the entire island 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 offices in Guam and one in Saipan. Its deposits are insured by the FDIC. The stock of Bancorp Finance of Hawaii--(Guam), Inc. (BFH-Guam) was contributed to First Savings in 1991. BFH-Guam, which changed its name from Bankoh Finance, Inc., in 1984, was formed in 1979 through the purchase of the assets of an industrial loan company based in Guam. BFH-Guam has deposit-taking authority under Guam law, but in 1984, BFH-Guam discontinued accepting new deposits and has had no deposit liabilities since 1987. On a consolidated basis, First Savings' assets represented 1.3% of Bancorp's total assets at year-end 1995.

First National Bank of Arizona (FNBA) was acquired by Bancorp in October 1987. Bancorp and the directors of FNBA (each of whom holds 1,000 qualifying shares) own 100% of the outstanding shares of FNBA. FNBA is organized under the laws of the United States. Its deposits are insured by the FDIC, and it is a member of the Federal Reserve System. FNBA provides customary commercial banking services through five branch offices located in the State of Arizona.

FNBA had total assets representing 1.0% of Bancorp's total assets at year-end 1995.

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. 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 Bancorp Life Insurance Company of Hawaii, Inc.

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

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. The company also realized a gain (\$1.4 million) on the liquidation of one of its early investments.

Investors Pacific Limited, an inactive Bancorp subsidiary, was dissolved in 1995.

REGULATIONS AND COMPETITION

Effect of Governmental Policies

The earnings of Bancorp 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. Bancorp, Bank of Hawaii, and First Federal compete with local financial institutions as well as 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, merchandise retailers, 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.

The State of Hawaii is served by six commercial banks, six savings associations, approximately nine deposit-taking financial services loan companies, approximately 124 credit unions, and scores of mortgage companies and other financial services firms. 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 third largest savings association in Hawaii.

Additional financial institution holding companies or their subsidiaries may enter markets served by Bancorp and thereby provide additional competition. Likewise, if Bancorp, Bank of Hawaii, First Federal, and their 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

Bancorp 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"). Bancorp 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 Bancorp 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 Bancorp by a bank holding company whose operations are principally conducted in a state other than Hawaii, and the acquisition by Bancorp 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 will allow 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, Bancorp 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 Bancorp. An interstate

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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, and earlier if expressly permitted by a nondiscriminatory state law, 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 enact 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.

The BHC Act also prohibits, with certain exceptions, Bancorp 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 more broad as they evolve over time.

Under the policies of the Board of Governors, Bancorp 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, Bancorp and its subsidiaries are "affiliates" of Bank of Hawaii and FNBA 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 or FNBA to, and investments in, Bancorp or certain of its subsidiaries and the amount of advances to third parties collateralized by the securities and obligations of Bancorp or certain of its subsidiaries.

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Sections 23A and 18(j) are designed to assure that the capital of depository institutions such as Bank of Hawaii and FNBA 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 Bancorp to essentially the same limitations in their transactions with their "affiliates," including Bancorp. Also, Bancorp 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. FNBA is subject to supervision and examination by the Comptroller of the Currency and in certain respects the FDIC.

Banks, including Bank of Hawaii and FNBA, are subject to extensive federal

and (in the case of Bank of Hawaii) 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, 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, 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, Bancorp 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. The United States Congress may consider further measures to strengthen the Savings Association Insurance Fund administered by the FDIC which generally insures the deposits of savings associations, or to merge the Savings Association Insurance Fund with the Bank Insurance Fund which generally insures the deposits of banks, or to defray the costs of FDIC operations, or for other purposes. Implementation of such measures may change assessment rates, give rise to one-time assessments against savings associations (including First Federal), or modify the extent or nature of insurance coverage.

The Federal Deposit Insurance Corporation Improvements Act of 1991 ("FDICIA") requires the federal banking regulators to take "prompt corrective action" in respect of 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 nonmember banks (including Bank of Hawaii) 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, and other financial institutions. Some of these bills would reduce the extent of federal deposit insurance, broaden the powers of bank holding companies, promote more open financial markets for U.S. banks and financial companies in foreign nations, regulate banks' derivatives activities and sales of investment products such as mutual fund shares, 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, 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 Bancorp might be affected thereby cannot be predicted.

ITEM 2. PROPERTIES

Note D to the Audited Financial Statements on pages 52 to 54.

ITEM 3. LEGAL PROCEEDINGS

Note J to the Audited Financial Statements on page 57.

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

No matter was submitted during the fourth quarter of 1995 to a vote of security holders through the solicitation of proxies or otherwise.

PART II

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

COMMON STOCK LISTING

The common stock of Bancorp Hawaii, Inc., 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 10.

ITEM 6. SELECTED FINANCIAL DATA

Year-End Summary--Table 23 on page 38.

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

PERFORMANCE HIGHLIGHTS

Bancorp Hawaii, Inc. (Bancorp) reported earnings of \$121.8 million for 1995, up 3.5% from \$117.7 million reported for 1994. The improvement, in spite of a very sluggish Hawaii economy, was attributable to good asset quality, control over costs and a reduction in FDIC insurance premiums.

Bancorp has adopted a long term goal to increase the annual targets to 1.20% return on average assets (ROAA) and 17.5% return on average equity (ROAE) by the year 2000. In 1995, ROAA was 0.98% and ROAE was 11.87%. Bancorp's average equity to average assets minimum target of 6.00% was exceeded for 1995 at 8.27% and it easily maintained its regulatory designation as a "well capitalized" financial institution.

Asset quality remained strong in 1995. Total Non-Performing Assets, including loans 90+ days past due, were \$77.6 million, 0.95% of total loans at year-end 1995, compared to \$64.8 million or 0.82% of total loans reported at year-end 1994. As a percentage of outstanding loans, Non-Performing Assets (NPA) (excluding loans 90+ days past due) increased slightly to 0.70% as of year-end, up from 0.67% at year-end 1994, but lower than 0.95% at year-end 1993. Bancorp has generally maintained a level of NPA to outstanding loans under 1%, reflecting sound lending practices, aggressive management of NPA, and an aggressive charge-off strategy. The effects of that strategy, while conservative, have a positive affect on recovery levels. Recoveries totaled \$14.4 million for the year, compared to \$25.3 million in 1994. Net charge-offs in 1995 were \$13.5 million or 0.18% of average loans, compared with net charge-offs of \$0.1 million in 1994. Finally, the reserve for loan losses totaled \$152.0 million at the end of 1995, representing 1.90% of loans outstanding, compared with \$148.5 million and 1.92%, respectively at year-end 1994.

Bancorp recognized non-interest income, excluding securities gains and losses, of \$143.9 million, representing a decrease from \$146.2 million reported for 1994. The decrease was caused by a reduction in service charges on deposit accounts and other income. Trust income grew a disappointing 1.8% over 1994. However, at Hawaiian Trust Company, Limited (HTCo) net income increased by 19.9% over 1994. The increase was driven by effective management of expenses and an improvement in investment income.

Bancorp's emphasis on controlling non-interest expense is reflected in the minimal growth for 1995. Total non-interest expense grew 1.0% between 1994 and 1995. The restructuring of the retirement plans and the early retirement program offered to certain staff members helped keep salaries and benefits

growth to less than 3%. The savings from the reduction of FDIC insurance premiums helped other operating expenses end 1995 at 5.8% below 1994 reported levels.

Bancorp has recognized that in situations where opportunities to employ incremental capital at attractive returns are not plentiful, its best alternative use for the capital may be the purchase of Bancorp common stock. In 1995, Bancorp continued its two programs to repurchase its common shares. The first program is ongoing and is designed to repurchase common shares to meet the annual needs of various Bancorp plans. The second program was approved by the Board of Directors in 1994 and authorized the repurchase of up to 2 million common shares. Under the terms of the second program, approximately 700,000 shares have been repurchased as of year-end.

PERFORMANCE HIGHLIGHTS

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

EARNINGS MEASURES	1995		1994	FIVE- YEAR
	AMOUNT	PERCENT CHANGE	AMOUNT	COMPOUND GROWTH
Net Income.....	\$ 121.80	+3.5%	\$ 117.74	4.9%
Earnings Per Common Share.....	2.90	+5.5	2.75	3.7
Average Assets.....	12,405.9	-1.5	12,596.6	6.2
Average Loans.....	7,654.9	+3.5	7,393.7	6.7
Average Deposits.....	7,036.5	-3.5	7,295.2	(2.2)
Average Shareholders' Equity.....	1,026.0	+5.7	970.9	12.8

PERFORMANCE RATIOS	1995	1994	FIVE-YEAR AVERAGE
Return on Average Assets.....	0.98%	0.93%	1.02%
Return on Average Equity.....	11.87	12.13	14.32
Average Equity to Average Assets Ratio.....	8.27	7.71	7.22
Loss Reserve to Loans Outstanding.....	1.90	1.92	1.84
Tier I Capital Ratio.....	10.25	10.39	
Total Capital Ratio.....	12.74	12.99	
Leverage Ratio Requirement.....	7.82	7.28	

MARKET PRICES, BOOK VALUES AND COMMON STOCK DIVIDENDS

TABLE 2

YEAR	MARKET PRICE (MP) RANGE		BOOK VALUE (BV)	HIGH MP AS	DIVIDEND
	HIGH	LOW		A PERCENT OF BV	
1991.....	\$31.83	\$18.89	\$17.45	182%	\$.78

	=====	=====	=====	=====	=====
1992.....	\$34.67	\$26.83	\$19.68	176%	\$.85
1993.....	\$35.92	\$26.67	\$22.00	163%	\$.90
1994.....	\$34.75	\$24.13	\$23.10	150%	\$1.04
First Quarter.....	31.88	26.92			.26
Second Quarter.....	34.75	29.38			.26
Third Quarter.....	34.00	29.25			.26
Fourth Quarter.....	30.38	24.13			.26
1995	\$37.13	\$24.88	\$25.51	146%	\$1.08
First Quarter.....	28.50	24.88			.26
Second Quarter.....	30.88	27.63			.27
Third Quarter.....	36.75	29.38			.27
Fourth Quarter.....	37.13	32.50			.28

Bancorp's Markets

Bank of Hawaii, Bancorp's primary subsidiary, has continued to expand its operations beyond Hawaii since it opened its first branch in the Republic of the Marshall Islands in 1959. Bancorp's presence across the Asia-Pacific Rim has expanded steadily and developed into distinct markets, each of which contributes to the company's overall performance. Foremost among these markets is Hawaii. Other markets include the Intra-Pacific Region, Asian Rim and the U.S. Mainland.

Hawaii is Bancorp's oldest and largest market. Since 1897, Bank of Hawaii has provided financial services to the people of Hawaii and earned its position as Hawaii's largest financial institution. Throughout the years, Bancorp has continued to offer financial products and services to meet the needs of Hawaii's growing economy. Products introduced in 1995 included Bank of Hawaii's Cash Advantage Account--a sweep account, Bank of Hawaii's Mastercard and its first co-branded VISA card with Continental Airlines. Trust and Investment Services were expanded with the introduction of several new funds from the Pacific Capital Fund Family and the commencement of Pacific Capital Asset Management, Inc., an institutional investment advisor.

In contrast to the latter half of the 1980s, when Hawaii registered economic growth above the national average, Hawaii's economy in the early 1990s was one of slower growth. The estimated growth in real Gross State Product (GSP) for 1995 of 0.8% and the projected 1996 real GSP growth between 1 and 2%, indicates a gradual recovery. Of the state's three largest economic sectors, tourism, construction and federal expenditures, tourism's performance was the strongest in 1995. For 1995, the Hawaii Visitors Bureau (HVB) reported an increase in arrivals of 3.2%. The positive outlook extends to 1996 with the HVB expecting 2 to 3% growth in visitor arrivals which would bring approximately 6.8 million tourists to Hawaii. The HVB reports 1995 to be a record year for Eastbound tourists to Hawaii, with more than 2.6 million visitors. Westbound (mainly U.S. Mainland) tourists declined about 0.5% or about 24,000 visitors. With the gradual recovery of tourism, hotel occupancy levels were 76.3% in 1995 and are forecast to rise to 78% in 1996. These positive trends also point to an estimated increase in visitor expenditures from approximately \$10.8 billion in 1995 to roughly \$11.1 billion in 1996.

Construction in Hawaii is expected to stabilize in 1996. Within this sector, residential housing demand remains strong despite the changing interest rate environment. A few large projects, like the \$175 million convention center in Honolulu, will support the stabilization. In 1995, federal government expenditures in Hawaii are expected to remain at or near current levels, estimated to be \$7.6 billion. Of this amount, approximately \$4.4 billion are federal civilian expenditures while federal military expenditures totaled approximately \$3.2 billion in 1995. The total federal workforce is about 31,000 in Hawaii. Although national reductions in military spending continue,

Hawaii has had minimal cuts to date. As long as Hawaii remains a significant and strategic location for military presence in the Pacific, this spending level will likely continue.

Bancorp has been a player in the Intra-Pacific region for nearly four decades. This market spans island nations across the South and West Pacific that have become participants in the economic growth occurring within the Asia-Pacific Rim. Bancorp is the only Hawaii-based financial organization to have such a broad presence in this region. With 13 office locations and six Pacific Island affiliates, Bancorp continues to see opportunities for growth and expansion. The largest and most established of our operations are Bancorp's branches on Guam, which have greatly benefited from the economic growth in Asia. In 1995, Bancorp acquired the remaining 20% of Banque d'Hawaii (Vanuatu) it had not previously owned and now owns 100% of the Bank. In January 1996, Bancorp announced it had entered into an agreement to increase its ownership in Banque de Tahiti and Banque de Nouvelle Calédonie to majority interests in both these banks. This expansion, as well as a new branch opened in Lautoka, Fiji in January 1996, is an important addition to Bancorp's Intra-Pacific strategy.

The Asian Rim is another market that Bancorp has developed over the last three decades. Beginning with Japan in the 1970s, Bancorp's Asian foothold now includes Hong Kong, Korea, Philippines, Singapore and Taiwan. Activities in this market focus primarily on trade financing which involves flows of funds, such as letters

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of credit. Bancorp has been successful in meeting the trade financing needs of its customers interested in participating in Asia's growth. In 1995, Bancorp obtained regulatory approvals to upgrade the Taiwan office to branch status with the opening expected by mid-year 1996. Bancorp also provides correspondent banking, lending, and investment advisory services to this market through the International Banking Division's specific units such as the Japan, China, Korea and Philippine Marketing Groups. These groups are located in Hawaii and provide new customers with bankers who speak their language and understand their culture, thus making business transactions flow more smoothly.

The U.S. Mainland is a market that provides opportunities for continued loan growth. Bancorp's focus in this market continues to be companies that have interests in the Pacific, Fortune 1000 companies, and those in the media and communications industry. For companies that have a Pacific orientation, Bancorp's presence throughout the Pacific is invaluable. In working with these borrowers, Bancorp continues to adhere to its strict lending policies. In the media and communications industry, Bancorp has developed a niche market and established itself as a knowledgeable and responsive lender. Additionally, through its subsidiary, First National Bank of Arizona (FNBA), Bancorp provides financial services to small to middle market customers in the greater metropolitan Phoenix market.

Subsidiary Activity

Bank of Hawaii is the largest of Bancorp's subsidiaries. Bank of Hawaii reported total assets of \$11.8 billion at year-end 1995, 89.0% of Bancorp's total assets. Since Bank of Hawaii represents such a large component of Bancorp, much of the discussion in the following sections reflects its operations. The following paragraphs are discussions of the other major subsidiaries.

Hawaiian Trust Company, Limited (HTCo), a subsidiary of Bank of Hawaii, reported trust income for 1995 of \$49.5 million, an increase of 1.8% from 1994. Trust assets under administration have increased to \$12.2 billion at year-end 1995 from \$11.9 billion at year-end 1994. Activity in Pacific Capital Funds (PCF) has continued to grow; at year-end 1995, PCF and the Hawaiian Tax Free Trust (also advised by HTCo) advised funds with investments totaling \$2.0 billion. During 1995, Hawaiian Trust also organized an offshore trust company

in the Bahamas through Banque d'Hawaii (Vanuatu)'s trust subsidiary. Activity is expected to increase in 1996.

Bancorp Pacific, Inc. (formerly known as FirstFed America, Inc.), a thrift, has two subsidiaries, First Federal Savings and Loan Association of America (First Federal) located in the State of Hawaii and First Savings and Loan Association of America (First Savings) located in Guam and Saipan. Bancorp Pacific reported earnings of \$14.7 million for 1995, a decrease of 20.2% from 1994's total earnings of \$18.4 million. These lower earnings were due to a decrease in net interest margin as deposits shifted to higher cost time deposits. In spite of the lower earnings, performance ratios remained strong with ROAA of 1.26% and ROAE of 12.46%. Loans grew 9.2% to \$1.1 billion at year-end 1995, while deposits grew 9.8% over the same period. NPA of 0.76% of total loans outstanding (primarily secured by residential real estate) and a reserve ratio of 0.86% of outstanding loans at year-end 1995 remained consistent over the year. At year-end 1995, First Federal reported risk-based total capital ratio of 17.66% exceeding statutory minimums and ratios at peer savings and loan companies.

FNBA reported net income for 1995 of \$2.1 million, an increase of 22.2% from 1994. The improvement in results was driven by a resurgent Arizona economy. Deposits at FNBA have grown by more than 55% to \$132.2 million at year-end 1995 from \$84.6 million a year ago, creating a valuable source of funding for Bancorp. Lending activity at FNBA has increased with gross loans growing to \$113.0 million at year-end 1995, an increase of 20% for the year. Loan quality continues to improve at FNBA. NPA, as a percent of total loans outstanding, were 1.04% at year-end 1995, compared to 1.48% at the end of 1994. NPA totaled \$1.2 million at year-end 1995 and included no foreclosed real estate. The ratio of reserves to loans outstanding was 7.46% at year-end 1995, compared to 8.89% at year-end 1994. FNBA's risk-based capital ratios at year-end 1995 exceeded regulatory minimums at 10.69% and 12.02% for Tier 1 and Total Capital, respectively.

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The following sections will cover in more detail Bancorp's performance and activities during 1995. The areas that will be covered include:

- . Risk Elements Involved in Lending Activities
- . Asset-Liability Management
 - . Capital Adequacy
 - . Interest Rate Risk and Derivatives
 - . Liquidity Management
 - . Control of Net Overhead
- . Income Taxes
- . Fourth Quarter Results

RISK ELEMENTS INVOLVED IN LENDING ACTIVITIES

Risk Profile of Lending Activity

Loans outstanding at year-end 1995 grew to \$8.2 billion, a 3.3% increase from \$7.9 billion at year-end 1994. This growth factor was affected by the securitization of \$412 million of residential mortgage loans in the first quarter. Without the securitization, loans outstanding would have increased by more than 8%.

The lending environment in Hawaii for the last several years has been challenging. The interest rate environment and the Hawaii economy have negatively affected a large part of Bancorp's lending activities and is

reflected in the rate of increase of the loan portfolio and yields on loans.

In 1995, certain sections of the loan portfolio, however, saw increased activity and positive growth. Mortgage lending, mainly residential, began 1995 reduced by the securitization, but quickly began to re-build the portfolio as rates declined; by year-end 65% of the securitized balances had been replaced.

Table 3 presents the year-end loan portfolio broken down into the various categories. The securitization mentioned earlier has changed the mix of loans at Bancorp. Real estate loans continue to comprise the largest portion of the loan portfolio. Real estate loans made up 52.1% of total loans at year-end 1995 compared with 53.8% at year-end 1994. Within the real estate category, residential mortgage loans represented 33.6% of total loans, while commercial mortgage loans represented 18.5% of total loans at year-end 1995. Table 4 presents the geographic distribution of the loan portfolio based on the major markets in which Bancorp operates. The distribution remained similar between 1995 and 1994.

LOAN PORTFOLIO BALANCES

TABLE 3

	1995	1994	1993	1992	1991
(IN MILLIONS OF DOLLARS)					
Domestic Loans					
Commercial and Industrial.....	\$1,902.2	\$1,830.8	\$1,709.2	\$1,864.1	\$1,746.9
Real Estate					
Construction--Commercial.....	198.5	113.1	136.2	220.2	229.4
Residential.....	9.8	17.9	35.1	40.4	42.0
Mortgage--Commercial.....	1,308.8	1,241.0	1,230.6	991.9	1,021.9
Residential.....	2,727.4	2,872.8	2,476.0	2,189.1	2,003.5
Installment.....	817.3	741.6	676.2	655.9	651.3
Lease Financing.....	392.9	378.1	401.6	393.4	357.1
Total Domestic.....	7,356.9	7,195.3	6,664.9	6,355.0	6,052.1
Foreign Loans					
Banks and Other Financial					
Institutions.....	268.7	299.0	295.8	285.6	384.3
Commercial and Industrial.....	513.6	364.2	259.4	288.5	284.6
All Others.....	13.2	33.5	38.3	34.5	38.1
Total Foreign.....	795.5	696.7	593.5	608.6	707.0
Total Loans.....	\$8,152.4	\$7,892.0	\$7,258.4	\$6,963.6	\$6,759.1

The following sections discuss the loan categories.

Commercial and Industrial Loans

As shown on Table 3, the commercial and industrial loan (C&I) portfolio, which includes commercial, financial and agricultural loans, was \$1.9 billion, up 3.9% from year-end 1994. This portfolio, which makes up 23.3% of the total loans, consists of lending to companies and individuals on both a secured and unsecured basis for business purposes. Customers and collateral vary based on the type of business involved.

Bancorp's focus in lending to companies on the U.S. Mainland is Fortune 1000 companies, companies with a Pacific orientation and selected niches where

lending expertise has developed over the years. Lending activity to Fortune 1000 companies includes loans and lines of credit. Balances outstanding to these companies as of year-ends 1995 and 1994 were \$918.5 million and \$893.6 million, respectively. As previously reported, Bancorp's communication/media portfolio is considered a selected niche. Total loans and leases of this type stood at \$588.0 million at year-end 1995, an increase of 11.7% from year-end 1994. This category can be segmented further into cable television, publishing and telecommunications, which represented 11.3%, 6.0% and 6.2%, respectively, of the total C&I loan portfolio at year-end 1995. At year-end 1995, there were no loans in the communication/media portfolio which were classified as NPA.

C&I loans that were classified as non-performing totaled \$16.9 million or 29.7% of total NPA at year-end 1995. For comparative purposes, \$20.3 million and \$16.7 million were classified as NPA at year-ends 1994 and 1993, respectively.

Real Estate Loans

At year-end 1995, Bancorp's total real estate loan portfolio stood at \$4.2 billion, level with year-end 1994. Real estate loans represented 52.1% of the total loan portfolio at year-end 1995. As mentioned earlier, in the first quarter of 1995, \$412 million in mortgage loans were securitized distorting the comparison between 1994 and 1995. Considering the securitization, real estate loan growth would have been more than 9% over 1994. The real estate loan portfolio is divided into construction loans and amortizing mortgages as shown in Table 3.

The largest individual component of the real estate loan portfolio is loans secured by 1-to-4 family residential property. At \$2.7 billion, this group represented 64.3% of total real estate loans at year-end 1995 and 33.5% of total loans outstanding. More than 90% of these loans are secured by real estate in Hawaii (see Table 4). Approximately 63.1% of the 1-to-4 family residential mortgage loans are underwritten on a floating rate basis. The average 1-to-4 family mortgage loan has been outstanding about 6.0 years with an outstanding balance of \$135,000. Residential mortgage loan originations for Bancorp in 1995 totaled \$527.1 million, representing 2,800 individual loans, or about 15% of the total originations in Hawaii. Comparatively, \$672.4 million in loans were originated in 1994, representing approximately 10% of the total loans originated in Hawaii. For 1995, Bancorp's average principal mortgage loan amount originated was \$191,000, up from the \$186,000 average for 1994 and the \$166,000 average for 1993. The 1995 average loan origination at First Federal was \$162,000 compared with \$214,000 for Bank of Hawaii. The median single family home price on Oahu was \$349,000, \$360,000 and \$358,000 in 1995, 1994 and 1993, respectively.

Also included in the real estate portfolio are home equity creditlines. Available credit under these lines was \$490.0 million at year-end 1995, similar to the \$490.4 million at year-end 1994. Outstandings have declined to \$312.0 million at year-end 1995 from \$323.4 million at year-end 1994. These creditlines are underwritten based on repayment ability rather than the value of the underlying property. However, home equity creditlines are generally limited to 75% of the value of the collateral including prior liens. At year-end, home equity creditline balances past due 90 days or more totaled \$0.7 million, compared with \$0.8 million at year-end 1994, and \$0.4 million at year-end 1993.

At year-end 1995, NPAs in the mortgage-residential category (excluding construction loans) totaled \$14.7 million, or 25.8% of total NPA. Comparatively, mortgage-residential NPA totaled \$15.1 million and \$16.4

million at year-ends 1994 and 1993, respectively. Foreclosed real estate at year-end 1995 was \$9.3 million, which consisted of properties most of which are in Hawaii. A large parcel was added to foreclosed real estate in the fourth quarter of 1995. The fee simple property has been listed for sale and is being actively marketed. It had previously been reported as a non-accrual

loan.

The commercial real estate portfolio (excluding construction loans) totaled \$1.3 billion at year-end 1995, an increase of 5.5% from year-end 1994. Table 3 presents the balances outstanding in this portfolio over the last five years. Of the properties collateralizing Bancorp's commercial real estate loans, about 77.1% were located in Hawaii.

The commercial real estate portfolio is diversified in the types of property securing the obligations. Of the \$1.3 billion in total commercial real estate loans at year-end 1995, 22.9% of these loans were secured by shopping centers; 14.6% were secured by commercial/industrial/warehouse facilities; and 15.0% were secured by office buildings. Generally, loans secured by commercial/industrial/warehouse facilities and office buildings are either solely or partially owner-occupied.

Non-performing commercial real estate loans at year-end 1995 remained near 1994 levels ending 1995 at \$14.9 million or 26.2% of total NPA. Comparatively, commercial real estate NPA at year-ends 1994 and 1993 totaled \$14.1 million and \$13.1 million, respectively. Foreclosed real estate at year-ends 1994 and 1995 included no commercial properties.

Total commercial construction loans were \$198.5 million at year-end 1995, an increase from year-end 1994 when \$113.1 million was outstanding. The increase reflects a growth in lending to tract and land development for residential housing projects in Hawaii. Bancorp maintains a conservative underwriting policy, as these loans by their nature have greater risk. For the majority of these loans, Bancorp looks to the cash flow of the completed projects and committed permanent financing for repayment, rather than the value of the property. A dissection of the commercial construction lending portfolio at year-end 1995 shows commercial land development, \$3.0 million; tract and land development for residential housing, \$106.3 million; retail facilities, \$16.2 million; industrial projects, \$26.8 million and commercial offices, \$9.5 million. These loans were concentrated in property located in Hawaii (\$178.0 million).

At the end of 1995, construction non-performing loans totaled \$0.3 million or 0.5% of total NPA, compared to year-end 1994 when \$1.5 million was reported and year end 1993 when \$17.7 million was reported as NPA.

Consumer Loans

Total consumer loans (excluding residential mortgage and home equity loans) increased to \$817.3 million, up 10.2% from year-end 1994. Beginning in 1994, Bancorp opportunistically sought to increase this category of loans implementing programs directly targeted to increase credit card balances and consumer installment loans. Looking to Table 3 and the five year trend, the growth reflects Bancorp's effort in this category, particularly in the last two years.

At year-end 1995, Bancorp's base of credit cardholders increased almost 10% to 160,000 cardholders from year-end 1994. In January 1995, Bank of Hawaii announced the co-branding of its VISA card with Continental Airlines. The card, which includes frequent flyer credits, is available in Hawaii, Guam and the Federated States of Micronesia. It has been well received in those markets with more than 6,000 new accounts opened in 1995. In August 1995, Bancorp began issuing Mastercards. The program was launched with no annual fee for the first two years and the response exceeded expectations. As of year-end 1995, more than 15,000 accounts have been opened. Outstanding balances for Mastercard and VISA cards totaled \$261.6 million at year-end 1995, an increase of 9.3% from year-end 1994. The average credit limit on all card accounts was \$5,850 for 1995 with an average outstanding balance of \$1,650, compared with an average outstanding balance of \$1,600 for 1994 and \$1,400 for 1993. At year-end 1995, 1.4% of the accounts (based on balances) were delinquent more than 90 days, compared with 0.9% and 0.6%, at year-ends 1994 and 1993, respectively.

Leasing Activities

Equipment leases have been an important component of the overall loan portfolio by providing customers with an alternative to traditional lending products. Activity in the leasing portfolio has been limited by the interest rate environment and strong competition. Despite this, leases outstanding increased to \$392.9 million, up 3.9% from year-end 1994. The lease portfolio remains diversified, with various types of equipment under lease. Leased equipment includes aircraft, ships, automobiles and trucks, office equipment, computers and others. There were no NPA in the leasing category at year-end 1995, compared with \$0.8 million, and \$0.3 million at year-ends 1994 and 1993, respectively.

International Lending

Foreign loans at the end of 1995 totaled \$795.5 million, up 14.2% from year-end 1994. Bancorp maintains a cautious approach to the international marketplace with a lending strategy that focuses primarily on short term trade finance and working capital loans for companies doing business in the Pacific and the Asian Rim. The lending activities in Japan, Korea and Singapore remain the most significant with U.S. dollar equivalent loans outstanding at year-end 1995 at branches in these countries of \$344.4 million, \$103.3 million, and \$160.2 million, respectively. Foreign loan totals include the U.S. dollar equivalent loans of Fiji branches of Bank of Hawaii, National Bank of Solomon Islands (NBSI) and Banque d'Hawaii (Vanuatu) Limited which totaled \$60.8 million at year-end 1995.

Table 10 presents the outstanding cross-border exposures that exceed 0.75% of Bancorp's total assets at year-end 1995.

NPA in international lending have remained at low levels. At year-ends 1995 and 1993, there were no loans reported as NPA. At year-end 1994, \$0.3 million were reported as NPA. As indicated in Table 7, losses in the international portfolio have increased in 1995 to \$0.9 million, 0.1% of outstanding international loans. For 1995, recoveries of foreign loans totaled \$2.5 million.

Geographic Distribution of the Loan Portfolio

The distribution of the loan portfolio by geographic areas is presented in Table 4. The majority of Bancorp's loans (64.7%) were located in Hawaii at year-end 1995. The balances reflected in the West and South Pacific include Guam and other Pacific Islands where both Bank of Hawaii and First Federal's subsidiary, First Savings and Loan Association of America, have branches. U.S. dollar equivalent loans of NBSI and Banque d'Hawaii (Vanuatu) Limited are also included in these totals. The modest real estate loan portfolio in the mainland U.S. represents mortgage lending in Arizona.

GEOGRAPHIC DISTRIBUTION OF LOAN PORTFOLIO (1)

TABLE 4

TOTAL YEAR-END 1995	HAWAII	WEST & SOUTH PACIFIC	MAINLAND U.S.	JAPAN	OTHER
-----	-----	-----	-----	-----	-----
(IN MILLIONS OF DOLLARS)					

Commercial, Financial and Agricultural.....	\$1,902.2	\$ 838.8	\$144.0	\$ 918.5	\$ --	\$ 0.9
Real Estate Construction--						

Commercial.....	198.5	178.0	0.1	20.4	--	--
Residential.....	9.8	5.9	3.9	--	--	--
Mortgage--Commercial...	1,308.8	1,008.5	198.7	101.6	--	--
Residential.....	2,727.4	2,499.7	207.9	19.8	--	--
Installment.....	817.3	651.9	161.9	3.5	--	--
Foreign.....	795.5	--	60.8	--	344.5	390.2
Lease Financing.....	392.9	87.4	8.3	275.0	--	22.2
	-----	-----	-----	-----	-----	-----
Total.....	\$8,152.4	\$5,270.2	\$785.6	\$1,338.8	\$344.5	\$413.3
	-----	-----	-----	-----	-----	-----
Percentage of Total.....	100.0%	64.7%	9.6%	16.4%	4.2%	5.1%
	=====	=====	=====	=====	=====	=====

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

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Non-Performing Assets and Past Due Loans

Non-performing assets (which include non-accrual loans, restructured loans and foreclosed real estate) totaled \$56.9 million at year-end 1995, compared to \$53.2 million at the end of 1994, and \$68.8 million at the end of 1993. The level of NPA reflects the aggressive posture on handling NPA further described below. The ratio of NPA to loans outstanding was 0.70% at year-end 1995, 0.67% at year-end 1994 and 0.95% at year-end 1993. Table 6 presents this ratio for the last five years with the accompanying graph depicting the ratio of the Montgomery Securities Regional Bank Proxy for the same period.

Bancorp strives to identify and handle potential problem loans at an early stage. This allows time to work with borrowers to resolve problems in order to avoid or minimize losses. Bancorp's policy is to place loans on non-accrual as soon as a loan is delinquent over 90 days, unless unusual treatment is indicated by the type of borrowing agreement and/or collateral. At the time a loan is placed on non-accrual, all accrued but unpaid interest is reversed against current earnings.

At year-end 1995, NPA secured by real estate totaled \$29.9 million or 52.5% of total NPAs; with the majority secured by real estate in Hawaii. NPA in Asia and the West and South Pacific were minimal. A focus on quality credits and cautious asset growth remains the objective in Arizona. NPA in Arizona has continued to decline totaling \$1.2 million at year-end 1995, compared to \$1.4 million, and \$2.0 million at year-ends 1994 and 1993, respectively. FNBA's loan quality has improved considerably over the last several years. At the end of 1995, NPA, including loans 90 days past due, represented 1.07% of total loans outstanding, compared with 1.48% and 1.83% at year-ends 1994 and 1993, respectively.

First Federal's NPA was \$8.7 million at year-end 1995, compared with \$4.8 million and \$13.4 million reported at year-ends 1994 and 1993, respectively. Total NPA at First Federal represented 0.77%, 0.46% and 1.47% of total loans outstanding at year-ends 1995, 1994 and 1993, respectively. The levels of NPA for First Federal remain good. Moreover, each loan is secured by real estate generally with a 70-80% loan to value at origination.

Foreclosed real estate has increased to \$9.3 million at year-end 1995. The increase from minimal levels in 1994 was driven by the addition of one large residential property. The remaining foreclosed real estate is comprised of 19 properties with an average book value of \$144,500. In 1995, losses on the sale of foreclosed real estate were minimal at \$276,000, compared with \$700,000 for 1994.

Loans past due 90 days totaled \$20.7 million at year-end 1995, an increase from year-end 1994 when \$11.6 million was reported. The increase is mainly in the consumer installment loan portfolio, reflecting the slowdown in the Hawaii economy and the affect on consumers. As a percentage of outstanding loans, the 90 days past due installment loans represent 1.28% of total installment loans.

The remaining increase in loans is distributed throughout the remaining categories. Residential mortgage loans reported \$5.8 million in past due loans, 0.21% of outstanding residential mortgages at year-end 1995. Table 6 presents a five year history of loans past due 90 days.

In 1995, Bancorp recorded \$1.3 million in cash basis interest on previously non-accrual and charged-off loans, compared to \$4.0 million in 1994. In 1995, \$156,000 in interest reversals were recorded on non-accrual loans, an increase from the \$79,000 reversed in 1994.

FOREGONE INTEREST ON NON-ACCRUALS

YEARS ENDED DECEMBER 31

TABLE 5

	1995	1994	1993	1992	1991
	----	----	----	----	----
	(IN MILLIONS OF DOLLARS)				
Interest Income Which Would Have Been Recorded Under Original Terms:					
Domestic.....	\$7.6	\$5.4	\$5.3	\$7.0	\$4.2
Foreign.....	--	0.1	--	0.3	--
Interest Income Recorded During the Current Year on Non-Accruals:					
Domestic.....	0.6	1.0	0.9	3.4	1.0
Foreign.....	--	0.1	--	0.2	--

NON-PERFORMING ASSETS AND ACCRUING LOANS

PAST DUE 90 DAYS OR MORE

TABLE 6

	1995	1994	1993	1992	1991
	----	----	----	----	----
	(IN MILLIONS OF DOLLARS)				
Non-Accrual Loans					
Commercial and Industrial.....	\$16.9	\$20.3	\$15.7	\$ 47.2	\$ 6.5
Real Estate					
Construction.....	0.3	1.5	17.7	--	2.9
Commercial.....	14.9	14.1	7.8	8.2	15.0
Residential.....	14.7	15.1	16.4	17.7	11.2
Installment.....	0.8	0.5	0.5	--	--
Foreign.....	--	0.3	--	5.0	--
Leases.....	--	0.8	0.3	--	--
Subtotal.....	47.6	52.6	58.4	78.1	35.6
Restructured Loans					
Commercial and Industrial.....	--	--	1.0	5.4	1.1
Real Estate					
Commercial.....	--	--	5.3	3.2	3.1
Leases.....	--	--	--	--	0.2
Subtotal.....	--	--	6.3	8.6	4.4

Foreclosed Real Estate					
Domestic.....	9.3	0.6	4.1	6.3	2.0
Foreign.....	--	--	--	--	--
Subtotal.....	9.3	0.6	4.1	6.3	2.0
Total Non-Performing Assets.....	\$56.9	\$53.2	\$68.8	\$ 93.0	\$42.0
Loans Past Due 90 Days					
Commercial and Industrial.....	1.8	1.1	0.4	0.5	2.9
Real Estate					
Construction.....	--	--	--	--	0.2
Commercial.....	2.4	0.7	1.9	5.8	0.3
Residential.....	5.8	3.9	4.1	13.0	2.0
Installment.....	10.5	5.9	3.5	4.6	2.9
Foreign.....	--	--	--	0.3	--
Leases.....	0.2	--	0.1	--	0.1
Subtotal.....	20.7	11.6	10.0	24.2	8.4
Total.....	\$77.6	\$64.8	\$78.8	\$117.2	\$50.4
Ratio of Non-Performing Assets to Total					
Loans.....	0.70%	0.67%	0.95%	1.34%	0.62%
Ratio of Non-Performing Assets and Accruing					
Loans Past Due 90 Days or More to Total					
Loans.....	0.95%	0.82%	1.09%	1.68%	0.75%

Summary of Loan Loss Experience

At the end of 1995, the reserve for loan losses stood at \$152.0 million, compared with \$148.5 million at year-end 1994 and \$125.3 million at year-end 1993. The ratio of reserves to outstanding loans at year-end 1995 was 1.90%, comparable with the 1.92% reported at year-end 1994. At year-end 1993, the ratio of reserves to outstanding loans was 1.76%. Loan loss provisions for 1995 were \$17.0 million, compared with \$21.9 million

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and \$54.2 million for 1994 and 1993, respectively. The reduction in the provisions for loan loss in 1995 reflects the stabilization of loan quality measured by the level of NPA and the general level of net charge-offs. Table 7 shows the activity through the reserve.

The levels of the loan loss reserve are primarily derived from an extensive review of the loan portfolio with a strong emphasis on the line driven loan grading system for the larger commercial loans in Bank of Hawaii and FNBA. This loan grading system was implemented in 1985 and is continuously monitored for accuracy by the Credit Review department. In addition, actual charge-offs, delinquency data, recoveries and historical trends are considered in the analysis.

The ratio of reserves to loans outstanding is one indicator of the adequacy of the reserve; however, the absolute dollar amount of the reserve and its relationship to non-performing loans and historical charge-offs also need to be considered. Gross charge-offs for 1995 represented 0.36% of average outstanding loans, compared to 0.34% and 0.94%, respectively at year-ends 1994 and 1993. Gross charge-offs as a percentage of the reserve were 18.4%, 17.1% and 52.4% for 1995, 1994 and 1993, respectively. Charge-offs for 1995 totaled \$27.9 million, compared with \$25.4 million in 1994 and \$65.7 million in 1993.

Recoveries of previously charged-off loans remained at higher levels in 1995 and 1994 (see Table 7). Recoveries were \$14.4 million in 1995, compared with \$25.3 million for 1994 and \$8.2 million in 1993. Recoveries in 1995 have remained at higher levels as approximately \$2.5 million was additionally

recovered of the \$45.7 million real estate loan charged-off in 1992 and 1993. Recoveries on this credit have accumulated to \$14.8 million as of year-end 1995. Although difficult to determine the amount of any future recovery, aggressive efforts continue to collect on loans charged-off. Net charge-offs for 1995 were \$13.5 million, compared with \$0.1 million for 1994 and \$57.5 million for 1993. In the last ten years the reserve to charge-off ratio has never been less than 1.9 times in any year and has averaged 4.3 times over the same period. At the end of 1995, the reserve was 2.7 times non-performing loans and 5.4 times charge-offs.

SUMMARY OF LOAN LOSS EXPERIENCE

TABLE 7

	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
	(MILLIONS OF DOLLARS)				
Average Amount of Loans					
Outstanding.....	\$7,654.9	\$7,393.7	\$6,991.0	\$6,601.9	\$6,484.1
	=====	=====	=====	=====	=====
Balance of Reserve for					
Possible Loan Losses at					
Beginning of Period.....	\$ 148.5	\$ 125.3	\$ 128.6	\$ 115.6	\$ 101.9
Loans Charged-Off					
Commercial and Industrial..	7.8	11.3	43.9	29.5	11.0
Real Estate--					
Construction.....	2.1	0.1	0.5	--	--
Mortgage--Commercial.....	2.3	3.5	2.7	4.2	1.8
--Residential.....	1.1	0.7	0.4	0.5	0.9
Installment.....	13.3	8.7	8.6	8.7	8.3
Foreign.....	0.9	0.7	7.5	1.0	--
Leases.....	0.4	0.4	2.1	0.1	0.2
	-----	-----	-----	-----	-----
Total Charged-Off.....	27.9	25.4	65.7	44.0	22.2
Recoveries on Loans					
Previously Charged-Off					
Commercial and Industrial..	6.1	19.5	3.9	3.0	2.6
Real Estate--					
Construction.....	--	0.2	--	--	0.2
Mortgage--Commercial.....	1.4	0.9	0.7	0.2	0.1
--Residential.....	0.1	0.2	0.3	0.3	0.5
Installment.....	3.3	3.2	3.2	3.0	3.0
Foreign.....	2.5	0.5	--	0.4	0.4
Leases.....	1.0	0.8	0.1	0.1	0.1
	-----	-----	-----	-----	-----
Total Recoveries.....	14.4	25.3	8.2	7.0	6.9
	-----	-----	-----	-----	-----
Net Loans Charged-Off.....	(13.5)	(0.1)	(57.5)	(37.0)	(15.3)
Provisions Charged to					
Operating Expenses.....	17.0	21.9	54.2	50.0	29.6
Reserves Acquired (Sold).....	--	1.4	--	--	(0.6)
	-----	-----	-----	-----	-----
Balance at End of Period.....	\$ 152.0	\$ 148.5	\$ 125.3	\$ 128.6	\$ 115.6
	=====	=====	=====	=====	=====
Ratio of Net Charge-Offs to					
Average Loans Outstanding...	0.18%	--	0.82%	0.56%	0.24%
Ratio of Reserve to Loans					
Outstanding.....	1.90%	1.92%	1.76%	1.89%	1.74%

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

Beginning Balance.....	\$ 12.9	\$ 10.5	\$ 14.2	\$ 14.0	\$ 13.1
Charge-Offs.....	0.9	0.7	7.5	1.0	--
Recoveries.....	2.5	0.5	--	0.4	0.4
	-----	-----	-----	-----	-----
Net Charge-Offs.....	1.6	(0.2)	(7.5)	(0.6)	0.4
Provisions.....	0.6	1.2	3.8	0.8	0.5
Reserves Acquired.....	--	1.4	--	--	--
	-----	-----	-----	-----	-----
Ending Balance.....	\$ 15.1	\$ 12.9	\$ 10.5	\$ 14.2	\$ 14.0
	=====	=====	=====	=====	=====

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ALLOCATION OF LOAN LOSS RESERVE

TABLE 8

	1995		1994		1993		1992		1991	
	PERCENT OF RESERVE AMOUNT	OUTSTANDING LOAN AMOUNT								
(IN MILLIONS OF DOLLARS)										
Commercial and Industrial.....	\$ 61.9	3.25%	\$ 59.5	3.25%	\$ 51.2	3.00%	\$ 54.0	2.90%	\$ 30.5	1.75%
Real Estate--										
Construction.....	4.2	2.00	2.6	2.00	4.3	2.51	2.6	1.00	5.4	2.20
Commercial.....	19.6	1.50	18.6	1.50	15.4	1.25	19.8	2.00	25.5	2.50
Residential.....	20.5	0.75	21.6	0.75	18.5	0.75	16.4	0.75	16.0	0.75
Installment.....	20.4	2.50	18.5	2.50	13.5	2.00	10.0	1.55	10.0	1.55
Foreign.....	15.1	1.90	12.9	1.85	10.5	1.77	14.2	2.33	14.0	2.00
Leases.....	2.0	0.50	1.9	0.50	2.0	0.50	3.9	1.00	5.0	1.40
Not allocated.....	8.3	--	12.9	--	9.9	--	7.7	--	9.2	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	\$152.0	1.90%	\$148.5	1.92%	\$125.3	1.76%	\$128.6	1.89%	\$115.6	1.74%
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

International Operations

Bancorp's international presence is extensive and provides opportunities to take part in lending, correspondent banking and deposit-taking activities mainly in the Pacific. These endeavors have proven important in the strategy of bridging customers across the Pacific to the U.S. Mainland, Europe and within Asia itself. Bancorp pursues this strategy on three fronts: the International Group; the South Pacific Division; and the Western Pacific Division.

Through the International Group of Bank of Hawaii, Bancorp offers international banking services to its corporate, financial institution and individual customers in most of the major Asian financial centers supported by its Honolulu operations. As of year-end 1995, the International Group of Bank of Hawaii had offices in Hong Kong, the Philippines (Manila, Cebu, and Davao), Korea, Singapore, Japan, Taiwan and New York.

The International Group of Bank of Hawaii continues to focus on trade-related financing activities and lending to customers with which it has a direct relationship. Bancorp'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 and involve the same types of risk as domestic lending. Cross-border lending, on the other hand, involves loans that will be repaid in currencies 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 the availability of foreign exchange and the stability of the host country's currency.

Bancorp 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 that the international portfolio is diversified and that exposure is limited in countries that may experience future problems. These credit limits are reviewed on a regular basis so that exposures are understood and properly assessed. Bancorp's strategy for foreign lending is to deal, on a direct basis, primarily with countries and companies that have a strong interest in Hawaii, the South and West Pacific, or the Asian Rim.

The South Pacific Region is made up of the investments in affiliated banks in the South Pacific and Bancorp's operations in Fiji and American Samoa. Investments in affiliate banks in the South Pacific include banks in Tahiti, Tonga, New Caledonia, Vanuatu, Solomon Islands and Western Samoa (see organization chart). Total assets at year-end 1995 of all such affiliates were \$1.1 billion. All of these investments in affiliate banks, except those in Vanuatu and the Solomon Islands, are accounted for using the equity method. Both NBSI's and Banque d'Hawaii (Vanuatu) Limited's financial statements are consolidated with Bancorp's financial statements.

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In 1995, Bancorp expanded its investments in this area of the world by acquiring the remaining 20% of the Banque d'Hawaii (Vanuatu) Limited, creating Banque d'Hawaii (Vanuatu), a wholly-owned subsidiary of the Bancorp family. Bank of Hawaii's investments in these affiliate banks are all considered international.

In January 1996, Bancorp entered into an acquisition agreement, subject to regulatory approvals, under which its ownership interest in Banque de Tahiti and Banque de Nouvelle Caledonie would increase to approximately 86% and 75%, respectively from 38% and 21%, respectively. The acquisition would require these affiliates to be consolidated in Bancorp's financial statements once the transaction is finalized. The combined assets of these entities at year-end 1995, converted to U.S. dollars, were approximately \$1.0 billion.

Bank of Hawaii operates branches in the South Pacific region in Fiji and American Samoa. Since Fiji uses its own currency, it is included with the other foreign operations and is considered international, even though its operations are reflective of consumer/small business activities much like domestic branches. The level of activity in Fiji exceeded expectations. By year-end 1994, branches were opened in Suva and Nadi with a third branch in Lautoka, Fiji opened in January 1996. The operations in American Samoa are similar to Fiji, but since the U.S. dollar is used, it is not considered foreign for reporting purposes.

The operations of the South Pacific Region, since they are largely investments, are monitored on a regular basis. The countries in which the affiliates are located are also evaluated on a periodic basis. Exposure, in terms of foreign currency fluctuations, is limited as each affiliate primarily deals in its own currency. The carrying value of the investments in affiliates, accounted for using the equity method, was \$30.4 million at year-end 1995. For NBSI and Banque d'Hawaii (Vanuatu) Limited, combined assets of \$130.7 million are included in the consolidated totals.

Bank of Hawaii also operates branches and offices in several Pacific Island locations, offering traditional banking services. West Pacific Division provides customary commercial banking services through branches in Commonwealth of the Northern Mariana Islands (Saipan), Federated States of Micronesia (Pohnpei, Kosrae, and Yap), Guam, Republic of the Marshall Islands (Majuro), and the Republic of Palau (Koror). Since the U.S. dollar is used in these locations, they are not considered foreign for reporting purposes and are included in domestic operations.

Table 9 summarizes key totals for International Operations of Bancorp for 1995. Net income for 1995 decreased to \$4.8 million, compared to the \$7.1 million in 1994. This translates into a return on assets for these operations of 0.28%, down from the 0.42% for 1994. The reduction in income for international operations was due to declines in net interest margin and a

decline in total earning assets.

At year-end 1995, international assets represented 13.9% of Bancorp's total average assets, an increase from 13.5% at year-end 1994. Cross-border interbank placements accounted for \$1.2 billion or 67.3% of total average international assets at year-end 1995. Table 10 presents individual countries for which Bancorp has cross-border exposures exceeding 0.75% of total assets for the last three years. As Table 10 indicates, \$1.2 billion was with such countries as Japan, Taiwan, Thailand and Korea.

Long-term cross-border outstandings to lesser developed countries (LDC) at year-end 1995 were \$1.0 million. Such exposure was entirely in the Philippines. The foreign reserve for losses is considered by management to be adequate to absorb any credit or country risk of the remaining LDC exposure (both term and trade credits).

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

TABLE 9

	1995		1994		1993	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
(IN MILLIONS OF DOLLARS)						
Average Assets.....	\$1,724.3	13.9%	\$1,699.2	13.5%	\$1,908.9	15.2%
Average Liabilities.....	1,585.2	13.9	1,647.9	14.2	1,863.3	15.9
Operating Revenue.....	107.9	10.3	97.1	10.1	94.1	10.0
Net Income.....	4.8	3.9	7.1	6.1	8.5	6.4

GEOGRAPHIC DISTRIBUTION OF CROSS-BORDER INTERNATIONAL ASSETS

TABLE 10

	GOVERNMENT AND OTHER OFFICIAL INSTITUTIONS			BANKS AND OTHER FINANCIAL INSTITUTIONS (1)		COMMERCIAL AND INDUSTRIAL COMPANIES	TOTAL
(IN MILLIONS OF DOLLARS)							
at December 31, 1995							
Japan.....	\$ --		\$ 296.4		\$198.1		\$ 494.5
Taiwan.....	--		260.0		11.0		271.0
Korea.....	--		181.8		125.8		307.6
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
	=====		=====		=====		=====
at December 31, 1994							
Japan.....	\$ --		\$ 118.2		\$185.1		\$ 303.3
Taiwan.....	--		259.5		4.4		263.9
Korea.....	--		98.3		104.5		202.8
Thailand.....	--		113.4		--		113.4
All Others.....	1.0		396.0		90.7		487.7
	-----		-----		-----		-----

	\$ 1.0	\$ 985.4	\$384.7	\$1,371.1
	=====	=====	=====	=====
at December 31, 1993				
Japan.....	\$ --	\$ 166.8	\$178.3	\$ 345.1
Taiwan.....	--	271.3	--	271.3
Korea.....	--	61.6	79.8	141.4
Thailand.....	--	110.5	--	110.5
Italy.....	--	110.0	--	110.0
All Others.....	1.0	465.2	114.1	580.3
	-----	-----	-----	-----
	\$ 1.0	\$1,185.4	\$372.2	\$1,558.6
	=====	=====	=====	=====

(1) Includes U.S. dollar advances to foreign branches and affiliate banks which were used to fund local currency transactions. Totals for 1995, 1994, and 1993 were \$293.2 million, \$203.8 million, and \$218.6 million, respectively.

Potential Problem Assets

Bancorp's management emphasizes the importance of early recognition and monitoring of loans as a means to control delinquency. Demonstrating this commitment, management continuously reviews loans to various borrowers and industry segments that may be experiencing financial difficulties even if these loans have been generally current as to their terms. As mentioned earlier, a loan grading system provides the process for this early warning system. Loans are graded by lending officers and validated by an independent Credit Review department to ensure accuracy in the grades and timely re-grading. This process is also utilized to determine the adequacy of the reserve for loan losses.

ASSET AND LIABILITY MANAGEMENT

Assets and liabilities are managed to maximize long term risk adjusted returns to our shareholders. The asset and liability management process is one of financial risk management. Risk in the form of capital adequacy, interest rate sensitivity, liquidity and operating efficiency is balanced with expected returns to yield high relative earnings performance and market value of equity, while limiting the volatility of each. This process is carried out through regular meetings of divisional management.

Capital Adequacy

At year-end 1995, Bancorp's equity has grown to \$1.1 billion, a 9.1% increase from \$966.8 million at year-end 1994. Bancorp's capital ratios at year-end 1995 were: Tier 1 Capital ratio of 10.25%, Total Capital ratio of 12.74%, and leverage ratio of 7.82%. All three exceeded the minimum threshold levels to qualify as well capitalized. Under those minimum threshold levels implemented in 1993 by bank regulators, capital must exceed the following standards--Tier 1 Capital 6%; Total Capital 10%; and the leverage ratio 5%. Table 11 presents a five year history of activity and balances in capital accounts as well as capital ratios for Bancorp. Bancorp's strategy is to maintain its capital at a level to qualify as well capitalized. The financial and regulatory impact of maintaining this status is important to Bancorp. The financial impact is reflected in lower deposit insurance premiums, while the regulatory impact allows for fewer restrictions on activities.

Bancorp's strategy is to be well capitalized, but not significantly overcapitalized. The lesser loan demand and asset growth diminished the need for building capital levels. Rather than disrupting long established programs, including the dividend reinvestment plan, profit sharing plan, and stock option plan, which provide a consistent source of new capital, Bancorp embarked on a stock repurchase program several years ago. This program to repurchase stock has had the benefit of enhancing shareholder value while

still maintaining capital ratios that exceed well capitalized guidelines. More than 1.4 million shares were repurchased in 1994, with another 1.3 million shares repurchased in 1995. In 1995, repurchases of 0.5 million shares were made under the program approved in 1994 by Bancorp's Board to repurchase up to 2.0 million shares of Bancorp stock. The remaining 0.8 million shares were repurchased under an existing strategy to repurchase Bancorp shares in the market to offset the needs of the plans previously mentioned.

EQUITY CAPITAL

TABLE 11

	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
	(IN MILLIONS OF DOLLARS)				
Source of Common Equity					
Net Income.....	\$ 121.8	\$ 117.7	\$ 132.6	\$ 127.5	\$ 112.7
Dividends Paid.....	(45.2)	(44.0)	(38.4)	(35.4)	(32.4)
Dividend Reinvestment					
Program.....	7.1	7.4	7.7	8.1	6.3
Stock Repurchases.....	(40.0)	(44.3)	(2.0)	(0.6)	--
Other(1).....	43.9	(8.1)	9.9	4.7	7.2
Annual Increase in Equity....	\$ 87.6	\$ 28.7	\$ 109.8	\$ 104.3	\$ 93.8
Year-End Common Equity.....	1,054.4	966.8	\$ 938.1	\$ 828.3	\$ 724.0
Less: Intangibles.....	60.2	64.6	72.0	18.8	20.6
Unrealized Valuation					
Adjustments.....	11.3	(17.3)	3.9	--	--
Tier I Capital.....	982.9	919.5	862.2	809.5	703.4
Allowable Loan Loss					
Reserve.....	120.2	111.1	100.2	99.3	95.1
Subordinated Debt.....	118.7	118.6	124.6	--	--
Total Capital.....	\$1,221.8	\$1,149.2	\$1,087.0	\$ 908.8	\$ 798.5
Risk Weighted Assets.....	\$9,587.0	\$8,848.6	\$7,990.4	\$7,911.8	\$7,585.1
Key Ratios					
Growth in Common Equity.....	9.1%	3.1%	13.3%	14.4%	14.9%
Average Equity/Average Assets					
Ratio.....	8.27%	7.71%	7.09%	6.74%	6.31%
Tier I Capital Ratio.....	10.25%	10.39%	10.79%	10.23%	9.27%
Total Capital Ratio.....	12.74%	12.99%	13.60%	11.49%	10.53%
Leverage Ratio.....	7.82%	7.28%	6.89%	6.37%	6.17%

(1) Includes profit-sharing, stock options and valuation adjustments for investment securities and foreign exchange translation.

INTEREST RATE RISK AND DERIVATIVES

For financial institutions, interest rate movements can have an impact on earnings depending on the position of the balance sheet. At Bancorp, interest sensitivity analysis is coupled with computer simulation techniques to measure the exposure of our earnings to interest rate movements. The major factors used to manage interest rate risk include the mix of fixed and floating interest rates, pricing, and maturity patterns for all asset and liability accounts, as well as off-balance sheet interest rate swaps. The objective of this process is to position the balance sheet to optimize earnings without

unduly increasing risk.

Table 12 presents the possible exposure to interest rate movements for various time frames at year-end 1995. The distribution in the interest rate sensitivity table consists of a combination of maturities, call provisions, repricing frequency and prepayment patterns. Bancorp constantly analyzes and estimates, based on historic data, the interest rate sensitivity characteristics of all balance sheet items. For example, a portion of Bancorp's interest bearing demand and savings balances are relatively insensitive to changes in interest rates. Consequently, Bancorp has allocated portions of those balances to longer term interest rate sensitivity periods.

At December 31, 1995, Bancorp's one year cumulative liability sensitive gap totaled \$0.1 billion, representing 1.0% of total assets. This position was very similar to year-end 1994, when Bancorp's cumulative liability sensitive gap totaled \$0.2 billion or 1.8% of total assets. The one year gap is a commonly used benchmark of interest rate risk. Throughout 1995, Bancorp's liability sensitive gap position remained relatively stable. Unlike 1994, when net interest margin declined from a first quarter average of 3.99% to a fourth quarter average of 3.61%, 1995 net interest margin averaged 3.72% throughout the year.

Bancorp uses interest rate swaps as a cost effective risk management tool for dealing with movements in interest rates. Notional amounts of interest rate swaps at year-end 1995 totaled \$1.1 billion compared with \$1.6 billion at year-end 1994 and \$1.4 billion at year-end 1993. No new swaps were entered into in 1995. Credit exposure on interest rate swaps is determined and monitored according to the same strict standards and policies applied to Bancorp's commercial lending activity.

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Bancorp's policy is to utilize interest rate swaps for purposes other than trading. Bancorp utilizes interest rate swaps to alter the interest rate characteristics of identified groups of assets or liabilities. Limits on the total notional amounts of contracts outstanding at any time have been established. Limits have also been established for each counter party. Activity is monitored on a monthly basis in conjunction with normal asset/liability management committee meetings. Further disclosure of Bancorp's interest rate swap activity is included in the footnotes to its financial statements following.

INTEREST RATE SENSITIVITY

TABLE 12

DECEMBER 31, 1995	0-90 DAYS	91-365 DAYS	1-5 YEARS	OVER 5 YEARS	NON-INT. BEARING
(IN MILLIONS OF DOLLARS)					
Assets (1)					
Investment Securities	\$ 1,265.0	\$ 791.9	\$ 916.0	\$ 387.3	\$ --
Short-Term					
Investments	116.2	--	--	--	--
International Assets	1,200.6	214.3	41.8	83.4	29.7
Domestic Loans (2)	2,666.5	2,178.0	1,695.1	623.2	56.9
Other Assets	84.4	84.4	300.2	471.9	--
Total Assets	\$ 5,332.7	\$3,268.6	\$2,953.1	\$1,565.8	\$ 86.6
Liabilities and Capital (1)					
Non-Interest Bearing					

--Demand.....	\$ 1,752.4	50.9	2.91	\$ 1,895.4	41.1	2.17	\$ 2,032.3	45.1	2.22
--Savings.....	1,058.5	30.6	2.89	1,232.3	29.1	2.36	1,239.4	32.6	2.63
--Time.....	1,839.9	98.5	5.36	1,544.8	65.9	4.27	1,711.9	77.7	4.54
Total Domestic.....	4,650.8	180.0	3.87	4,672.5	136.1	2.91	4,983.6	155.4	3.12
Total Foreign.....	982.2	59.5	6.06	1,236.7	53.4	4.32	1,223.9	43.2	3.52
Total Deposits.....	5,633.0	239.5	4.25	5,909.2	189.5	3.21	6,207.5	198.6	3.20
Short-Term Borrowings...	3,155.1	174.0	5.52	3,600.6	143.9	4.00	3,725.5	122.9	3.30
Long-Term Debt.....	983.8	54.6	5.55	526.8	30.3	5.76	250.4	13.8	5.50
Total Interest-Bearing Liabilities.....	9,771.9	468.1	4.79	10,036.6	363.7	3.62	10,183.4	335.3	3.29
Net Interest Income.....		430.2	2.98		451.1	3.28		469.5	3.48
Spread on Earning Assets.....			3.72%			3.82%			3.95%
Demand Deposits--									
Domestic.....	1,403.4			1,386.0			1,324.9		
Other Liabilities.....	204.6			203.1			184.6		
Shareholders' Equity....	1,026.0			970.9			892.9		
Total Liabilities & Equity.....	\$12,405.9			\$12,596.6			\$12,585.8		
Provision for Loan Losses.....		17.0			21.9			54.2	
Net Overhead.....		217.7			232.0			200.6	
Income Before Income Taxes.....		195.5			197.2			214.7	
Provision for Income Taxes.....		72.0			77.7			79.8	
Tax Equivalency Adjustment (2).....		1.7			1.8			2.3	
Net Income.....		\$121.8			\$117.7			\$132.6	

(1) Includes non-accrual loans.

(2) Based upon a statutory tax rate of 35%.

Liquidity Management

Liquidity is managed to ensure that Bancorp has continuous access to sufficient, reasonably priced funding to conduct its normal course of business.

At year-end 1995, deposits increased to \$7.6 billion from \$7.1 billion at the end of 1994. Although reflecting a modest year-to-year increase, average deposits for 1995 were below the average for 1994. Table 21 presents the average deposits by category. The decline in average deposits reflects the competitive nature of the market as bank and nonbank banks continue to actively pursue deposit bases for alternative investment products such as mutual funds.

Securities Sold Under Agreements to Repurchase (Repos) are supported by the same type of collateral that supports governmental deposits, but are not insured by the FDIC. At year-end 1995 repos totaled \$1.9 billion compared to \$2.1 billion at year-end 1994 and \$2.5 billion at year-end 1993. With the lowering of the FDIC premiums in 1995, some governmental investments in repos migrated back to deposits.

Bancorp's balance sheet is unique given the high level of state and local government funds. Historically, these governmental customers have been a stable source of funds.

Bancorp presently issues commercial paper only in the Hawaii market-place. However, as an alternative, Bancorp can access the mainland market through its pre-selected agent for issuing commercial paper. At year-end 1995 commercial paper outstanding totaled \$73.5 million compared to \$69.1 million at year-end 1994. The short term notes are rated A-2 by Standard and Poor's and P-1 by

Moody's.

Bancorp also maintains a line of credit for working capital purposes. The line is for \$50 million and is subject to annual renewals. Fees are paid on the unused balance of the line. At year-end, there was no outstanding balance.

Both Bank of Hawaii and First Federal are members of the Federal Home Loan Bank (FHLB), providing both entities with an additional source of short to intermediate term funding. At year-end 1995, Bank of Hawaii had outstanding debt to the FHLB of \$60 million, as compared to \$25 million at year-end 1994. Bancorp Pacific also increased its borrowings from the FHLB, which at year-end 1995 totaled \$271.5 million, compared to \$227.1 million at year-end 1994. Borrowings from the FHLB are collateralized by mortgage loans and FHLB stock.

Long term debt on December 31, 1995, was \$1.1 billion, compared to \$861.6 million at year-end 1994. In 1995, the Bank finalized a \$1.0 billion revolving medium term note program. This program replaces the original \$750 million medium term note facility. Notes outstanding under this facility, represented in both long term and short term debt, increased from \$649.4 million in 1994, to \$849.7 million in 1995. The bank notes have been rated A by Standard and Poor's and Aa-3 by Moody's. During 1995, Bancorp also negotiated the private placement of long term debt with three separate counterparties to replace maturing debt. These negotiated placements totaled \$60 million and were all issued for a term of three years. Bancorp's access to such private placement counterparties further enhances its balance sheet liquidity.

Control of Net Overhead

Bancorp's emphasis on control of net overhead has several measurement indicators. These indicators are its net overhead ratio, its net income per employee and its efficiency ratio. Each of these is discussed in the following paragraphs.

Bancorp defines its net overhead ratio as the ratio of non-interest expense to non-interest income (without securities transactions). Bancorp's long term goal is to have a ratio of 2 to 1, where fee income offsets at least half of the cost of operations. With the slowdown in the economy of Hawaii, and increased competition for deposits, the efficient managing of the net overhead ratio grows in importance. Trust operations, electronic

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financial services, insurance and annuity sales, and brokerage services are expected to make significant contributions to this process. For 1995, Bancorp's net overhead ratio was 2.53, compared with 2.47 and 2.68 in 1994 and 1993, respectively.

In January 1995, Bancorp announced a restructuring of its retirement program which called for the curtailment of the defined benefit plan and freezing benefits as of December 31, 1995. The plan has been replaced by a new money purchase plan and an enhancement to an existing 401(k) plan. This plan became effective January 1, 1996 and Bancorp contributes for staff members meeting certain eligibility requirements, 4% of their eligible compensation each quarter. Membership in the plan calls for a one year waiting period from the date of hire and vesting after five years of service. Staff members already meeting those eligibility requirements became plan participants as of January 1, 1996.

A significant enhancement to the 401(k) plan is being referred to as a "super match." Bancorp will match \$1.25 for every dollar contributed by the staff member to their 401(k) account up to 2% of their compensation limited to normal statutory maximums. For both plans, compensation has been revised to include certain commissions, overtime pay and incentives in the definition of compensation.

As part of the restructuring of the benefit plans, Bancorp also provided staff members meeting certain qualifications (age 50 and nine years of

service) an early retirement option. The early retirements began in April and ended in August with 75% of the qualifying staff taking the retirement option. At the end of the third quarter the curtailment adjustment was recorded for the qualified and non-qualified retirement plans, netting to income of \$160,000. The curtailment of the post retirement benefits for the medical benefits was recorded in the fourth quarter, resulting in the recognition of a \$772,000 expense.

Non-Interest Income

For 1995, total non-interest income was \$146.4 million, compared with \$128.4 million in 1994 and \$135.4 million in 1993. The low level of non-interest income for 1994 was the result of a securities loss incurred as the available for sale investment portfolio was restructured. Excluding securities transactions, non-interest income for 1995 decreased 1.6% from 1994. Table 14 presents the details of non-interest income for the last five years.

Trust fee income for the past few years has grown as the synergies gained through the American Financial Services acquisition were realized. In 1995, the growth in trust fees slowed to a 1.8% increase over 1994. While fee income showed a modest increase, total assets being administered by Hawaiian Trust Company, Limited increased to \$12.2 billion at year-end 1995, from \$11.9 billion at year-end 1994 and \$11.1 billion at year-end 1993.

Service charges on deposit accounts declined to \$25.9 million, an 8.5% decrease from 1994. The decline in service charges on deposits is directly related to the higher interest rates experienced in 1995. As rates rise, many commercial deposit customers pay for deposit services with deposit balances, rather than fee payments. The decline totaled \$1.9 million between 1995 and 1994. Bancorp 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 \$47.3 million in 1995, from \$42.5 million in 1994 and \$37.7 million in 1993. Bancorp's involvement in trade finance in the Asian Rim countries has steadily increased fees over the years as its network of offices and branches in the area has grown. Reflecting the continuing increase in international activity, fees for letters of credit, export bill collection, and acceptances have increased to \$8.8 million in 1995, compared with \$7.8 million and \$7.3 million in 1994 and 1993, respectively. Also, related to international activity, profits on foreign currency increased 51.2% in 1995 to \$6.5 million. Comparatively, \$4.3 million and \$4.6 million were reported in foreign currency profits for 1994 and 1993, respectively.

Mortgage servicing fees increased 48.3% from 1994 to \$4.3 million in 1995. The increase in this category was positively impacted by the securitization of mortgage loans in January 1995. As of year-end 1995, Bancorp serviced \$1.1 billion in mortgage loans.

Also included in fees, exchange and other service charges are fees earned through Bancorp's ATM network. During 1995, 62 new ATMs were added to Bancorp's network, bringing the total in service to 344 at year-end 1995. The fees generated by this network totaled \$7.7 million in 1995, an increase of 16.7% over the \$6.6 million reported in 1994. The majority of Bancorp's ATMs are located in Hawaii (315) with 28 in the Western Pacific and one in Arizona. The ATMs in Hawaii have high usage by visitors through the American Express, Armed Forces Financial Network, Cirrus, Discover Card, Plus Network, STAR and VISA networks, all of which Bancorp is a member. The volumes of transactions handled by these ATMs have increased steadily over the years and for 1995 averaged more than 1.5 million transactions per month.

Bancorp has been actively providing new products to migrate our customer base toward electronic transactions. In this effort, Bancorp has two specific products currently in use. Access Card, reintroduced in 1991, and Isle Pay cards, introduced in 1992, are point of sale cards and are reporting increased

acceptance as transaction volumes have grown. At year-end 1995, the base of cards in these programs has increased to more than 300,000. The volume of transactions has also increased dramatically, averaging more than 275,000 transactions per month in 1995, an increase of 17% over 1994. This card base has generated fees in 1995 exceeding \$600,000, an increase of about 20% over 1994.

Cash management products are also utilized to allow the processing of electronic transactions. Products like lock box services, payroll processing services and touch tone phone transfers are among the cash management products.

Cash basis interest recognized in 1995 totaled \$1.3 million, declining from \$3.4 million in 1994. 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.

Investment securities activity for 1995 resulted in a net (pre-tax) securities gain of \$2.5 million for the year. The net securities gain reported for 1995 is a return to historic levels. The loss recorded in 1994 reflected the restructuring of the available for sale portfolio to reduce the liability sensitivity of Bancorp.

NON-INTEREST INCOME

TABLE 14

	YEARS ENDED DECEMBER 31,									
	1995		1994		1993	1992	1991			
	AMOUNT	PERCENT CHANGE	AMOUNT	PERCENT CHANGE	AMOUNT	AMOUNT	AMOUNT			
(IN MILLIONS OF DOLLARS)										
Trust Income.....	\$ 49.5	+ 1.8%	\$ 48.6	+ 18.8%	\$ 40.9	\$ 30.5	\$ 26.5			
Service Charges on Deposit Accounts.....	25.9	- 8.5	28.3	+ 6.8	26.5	24.9	22.4			
Fees, Exchange and Other Service Charges										
Letters of Credit and Acceptance Fees.....	8.8	+ 12.8	7.8	+ 6.8	7.3	7.1	5.9			
Profit on Foreign Currency.....	6.5	+ 51.2	4.3	- 6.5	4.6	5.9	6.8			
Exchange Fees.....	3.9	- 2.5	4.0	+ 37.9	2.9	2.9	2.8			
Escrow Fees.....	0.4	- 50.0	0.8	- 20.0	1.0	1.0	0.8			
Mortgage Servicing Fees..	4.3	+ 48.3	2.9	+ 20.8	2.4	2.3	2.0			
Card Fees.....	7.3	- 12.0	8.3	+ 12.2	7.4	6.1	8.6			
Payroll Services.....	2.1	--	2.1	+ 16.7	1.8	1.7	1.7			
ATM.....	7.7	+ 16.7	6.6	+ 24.5	5.3	3.9	2.7			
Cash Management.....	1.0	- 9.1	1.1	--	1.1	0.8	0.5			
Other Fees.....	5.3	+ 15.2	4.6	+ 17.9	3.9	4.2	3.3			
Other Operating Income.....	19.9	- 15.0	23.4	+ 30.7	17.9	19.8	12.6			
Cash Basis Interest.....	1.3	- 61.8	3.4	+ 41.7	2.4	2.9	1.0			
Investment Securities Gains (Losses).....	2.5	+114.0	(17.8)	-278.0	10.0	3.4	2.8			
Total.....	\$146.4	+ 14.0%	\$128.4	- 5.2%	\$135.4	\$117.4	\$100.4			

Non-Interest Expense

The control of expense is a key part of Bancorp's financial strategy. A lower percentage of non-interest expense to net operating revenue (net interest income plus non-interest income before securities transactions) is a productivity indicator, commonly called an efficiency ratio. For 1995, Bancorp's percentage was 63.6% compared to 60.5% and 56.7% for 1994 and 1993, respectively. The Salomon Brothers Inc 1995 50-bank composite percentage was 60.5%.

Total non-interest expense for 1995, 1994 and 1993 was \$364.1 million, \$360.4 million and \$336.1 million, respectively. The largest component of non-interest expense is salary expense, which was \$142.1 million, \$138.0 million and \$134.6 million in 1995, 1994 and 1993, respectively. Bancorp's average annual salary per full time equivalent staff was \$33,300 in 1995. For 1994 and 1993, the average was \$31,900 and \$31,400, respectively.

As mentioned earlier, Bancorp restructured its retirement benefit plans in 1995. In conjunction with this change, Bancorp offered staff members meeting certain eligibility requirements an option to elect early retirement. Almost 75% of the eligible staff members elected the early retirement option. Offsetting this staff reduction was an increase in staffing attributable to the expansion of certain business segments like Bank of Hawaii's In Store Banking locations, the expansion of the brokerage services through Bancorp Investment Group, and the acquisition of Pacific Capital Asset Management, Inc.'s first investment management team.

For 1995, total average FTE staff count was 4,271 compared with the year-end 1994 total FTE of 4,324, reflecting the impact of staff members electing the early retirement option in 1995.

Occupancy expense for 1995 increased to \$41.1 million from \$37.4 million in 1994. The change reflects the costs of expansion for the In Store Branches and the placement in service of the new Kapolei facility. The Kapolei facility, named "Hale O Kapolei," is a 248,000 square foot facility that will house many operational functions. A migration strategy began several years ago as the available office space in downtown Honolulu decreased and rental costs rose. Departments located in downtown Honolulu began to move to Kapolei in 1995 and the moves will continue into 1996.

Net equipment expense increased 3.9% over 1994 to \$31.7 million. The increase was the lowest in net equipment expense for the last five years. Bancorp continues its investment in technological enhancements to maintain the appropriate level of efficiency. The modest increase reflects an effort to manage maintenance expense for Bancorp's equipment. Software, hardware and office equipment maintenance costs were challenged in 1995 and reduced through prudent cancellation of maintenance contracts for equipment and renegotiation with vendors upon service contract renewals. Bancorp's ongoing commitment to upgrade its information systems continued in 1995 with much of it still in progress at year-end 1995. Providing staff members with access to much more information to service customers more accurately and efficiently remains Bancorp's focus.

The other expense category decreased from \$112.1 million in 1994 to \$105.6 million in 1995. For 1993, other expenses totaled \$94.8 million. The decrease in this expense category of 5.8% for 1995 is mainly due to the reduction in FDIC insurance premiums of \$6 million between 1994 and 1995. Legal and professional fees declined to \$15.6 million in 1995 from \$18.2 million in 1994 and \$11.9 million in 1993. Reflecting the acquisitions made in recent years, the amortization of intangibles was \$8.4 million for 1995, \$9.3 million for 1994 and \$7.2 million for 1993.

YEARS ENDED DECEMBER 31,

	1995		1994		1993	1992	1991
	PERCENT		PERCENT				
	AMOUNT	CHANGE	AMOUNT	CHANGE	AMOUNT	AMOUNT	AMOUNT
(IN MILLIONS OF DOLLARS)							
Salaries.....	\$142.1	+ 3.0%	\$138.0	+ 2.5%	\$134.6	\$126.0	\$115.8
Pension and Other Employee Benefits.....	43.6	+ 2.8	42.4	--	42.4	39.2	35.6
Net Occupancy Expense.....	41.1	+ 9.9	37.4	+ 1.1	37.0	33.7	28.2
Net Equipment Expense.....	31.7	+ 3.9	30.5	+11.7	27.3	24.8	22.6
Other Operating Expense							
FDIC Insurance.....	7.6	-44.1	13.6	- 9.9	15.1	17.2	16.1
Legal and Professional....	15.6	-14.3	18.2	+52.9	11.9	11.8	10.8
Advertising.....	11.2	+ 8.7	10.3	+ 6.2	9.7	8.4	8.4
Stationery and Supplies...	9.3	+ 5.7	8.8	+17.3	7.5	7.2	7.0
Other.....	61.9	+ 1.1	61.2	+20.9	50.6	46.3	43.6
Total.....	\$364.1	+ 1.0%	\$360.4	+ 7.2%	\$336.1	\$314.6	\$288.1

INCOME TAXES

The 1995 tax provision reflects a reduction in the effective tax rate to 37.2% from 39.7% and 37.6% in 1994 and 1993, respectively. The change in the effective tax rate is partly due to the change in tax laws for the State of Hawaii which lowered the tax rate, allowed the filing of consolidated returns for Hawaii corporations and subjected certain income to excise taxes.

The average tax-exempt securities portfolio continued to decline and was \$15.9 million for 1995, minimally impacting Bancorp's effective tax rate. Currently, low income housing credits are one avenue for reducing the effective tax rate. In 1995, Bancorp's low income housing credit investments increased by \$15.8 million to \$22.6 million at year-end 1995. Since the amount of credits available in Hawaii remain limited, Bancorp has made its first low income housing investments outside Hawaii to manage its tax liability. However, Hawaii remains Bancorp's focus for low income housing credits.

Bancorp also continues to provide lease financing as a method by which to defer taxes. However, with the current interest rate environment and competitive market, many opportunities require the lessor to take on much more tax risk and, therefore, Bancorp has not been as active in this market as in the past. Bancorp's tax planning also tries to avoid the impact of the alternative minimum tax (AMT). At the end of 1995, Bancorp was not subject to the AMT. Bancorp continuously seeks opportunities for managing its tax liability.

FOURTH QUARTER RESULTS

Earnings for the fourth quarter of 1995 totaled \$32.1 million, a significant increase from the \$17.2 million reported in the same quarter of 1994. This increase is mainly due to the large loss in investment securities recorded in the fourth quarter of 1994 and the modest improvement of spread during the fourth quarter of 1995. Earnings per share were \$0.77 and \$0.41 for the fourth quarter of 1995 and 1994, respectively.

Spread for the fourth quarter of 1995 was 3.72%, compared to 3.61% for the fourth quarter of 1994. The improvement in spread was gradual over the year with the change in interest rates and the migration of Bancorp's balance sheet to a less liability sensitive position in 1995. The earning asset yield

increased to 7.87% from 7.17% comparing the fourth quarters of 1995 and 1994. The cost of funds rate increased to 4.87% from 4.19% between the same periods.

The provision for loan losses totaled \$4.0 million for the quarter, lower than the \$4.6 million in the fourth quarter of 1994. The fourth quarter 1995 provision, consistent with the focus for 1995, roughly matched net charge-offs.

CONSOLIDATED QUARTERLY RESULTS OF OPERATIONS

TABLE 16

	THREE MONTHS ENDED							
	1995				1994			
	MAR.	JUN.	SEPT.	DEC.	MAR.	JUN.	SEPT.	DEC.
	(IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS)							
Total Interest Income...	\$214.6	\$221.8	\$226.3	\$234.0	\$193.7	\$201.5	\$204.3	\$213.4
Total Interest Expense..	112.3	114.7	117.8	123.4	77.8	85.3	94.5	106.1
Net Interest Income.....	102.3	107.1	108.5	110.6	115.9	116.2	109.8	107.3
Provision for Possible Loan Losses.....	4.5	4.1	4.4	4.0	8.3	6.0	3.0	4.6
Investment Securities Gains (Losses).....	1.8	0.3	0.2	0.2	(1.0)	(0.6)	(0.7)	(15.5)
Other Non-Interest Income.....	38.0	35.7	35.7	34.5	37.0	35.1	36.5	37.6
Total Non-Interest Expense.....	91.0	93.7	87.9	91.5	88.3	89.7	88.9	93.4
Income Before Income Taxes.....	46.6	45.3	52.1	49.8	55.3	55.0	53.7	31.4
Provision for Income Taxes.....	18.3	16.8	19.2	17.7	20.9	20.8	21.7	14.2
Net Income.....	\$ 28.3	\$ 28.5	\$ 32.9	\$ 32.1	\$ 34.4	\$ 34.2	\$ 32.0	\$ 17.2
Earnings Per Common Share.....	\$ 0.67	\$ 0.68	\$ 0.78	\$ 0.77	\$ 0.80	\$ 0.79	\$ 0.75	\$ 0.41

SUPPLEMENTARY DATA

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

TABLE 17

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 Book Value U.S. Treasury Securities.....	\$ 182.4	\$ 75.9	\$ --	\$ --	\$ 258.3	\$ 258.7

Obligations of Other U.S. Government Agencies and Corporations.....	10.0	239.0	--	--	249.0	248.9
Obligations of States and Political Subdivisions.....	24.6	5.1	3.9	0.2	33.8	35.6
Corporate Securities..	--	--	--	16.1	16.1	16.1
Mortgage Backed Securities.....	14.7	305.3	30.8	189.7	540.5	544.2
Other.....	17.6	14.0	--	--	31.6	31.9
Securities Available for Sale (1).....	133.6	555.8	40.9	1,500.6	2,230.9	2,230.9
Total--1995.....	\$ 382.9	\$1,195.1	\$ 75.6	\$1,706.6	\$3,360.2	\$3,366.3
--1994	\$1,168.4	\$ 828.6	\$169.1	\$ 998.6	\$3,164.6	\$3,115.3
--1993	\$1,385.2	\$1,219.0	\$222.6	\$ 894.6	\$3,721.4	\$3,759.1
Weighted-Average Yield (2) to Maturity						
U.S. Treasury Securities.....	5.2%	5.2%	-- %	-- %	5.2%	
Obligations of Other U.S. Government Agencies and Corporations.....	6.2	6.4	--	--	6.4	
Obligations of States and Political Subdivisions.....	6.8	11.6	11.7	8.0	8.1	
Corporate Securities..	--	--	--	7.3	7.3	
Mortgage Backed Securities.....	8.0	5.8	8.3	7.5	6.6	
Other.....	9.3	6.8	--	--	8.2	
Securities Available for Sale.....	7.6	6.6	6.9	6.5	6.6	
Total--1995.....	6.5%	6.3%	7.7%	6.6%	6.5%	
Tax Equivalent Adjustment Amount.....	\$ 0.1	\$ 0.2	\$ 0.2	\$ --	\$ 0.5	

- (1) Reports current balance at contractual maturity and does not anticipate reductions for periodic paydowns.
(2) Tax equivalent at 35% tax rate.

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AVERAGE ASSETS

TABLE 18

	1995		1994		1993	1992	1991
	AMOUNT	MIX	AMOUNT	MIX	AMOUNT	AMOUNT	AMOUNT
(IN MILLIONS OF DOLLARS)							
Interest-Bearing Deposits.....	\$ 661.4	5.3%	\$ 812.6	6.5%	\$ 1,140.1	\$ 1,200.6	\$ 923.8
Investment Securities							
--Held to Maturity....	1,532.4	12.4	2,482.1	19.7	3,542.3	2,679.1	2,332.2
--Available for Sale..	1,639.0	13.2	1,063.9	8.4	69.1	15.9	--
Funds Sold.....	68.5	0.6	52.5	0.4	146.0	463.1	434.3
Loans.....	7,654.9	61.7	7,393.7	58.7	6,991.0	6,601.9	6,484.1
Total Earning Assets.....	11,556.2	93.2	11,804.8	93.7	11,888.5	10,960.6	10,174.4
Non-Earning Assets.....	849.7	6.8	791.8	6.3	697.3	684.4	651.8
Total.....	\$12,405.9	100.0%	\$12,596.6	100.0%	\$12,585.8	\$11,645.0	\$10,826.2

AVERAGE LOANS

TABLE 19

	1995		1994		1993	1992	1991
	AMOUNT	MIX	AMOUNT	MIX	AMOUNT	AMOUNT	AMOUNT
(IN MILLIONS OF DOLLARS)							
Commercial and Industrial.....	\$1,850.3	24.2%	\$1,681.1	22.7%	\$1,695.5	\$1,738.2	\$1,617.6
Real Estate							
Construction.....	164.2	2.1	145.2	2.0	181.1	266.3	272.7
Mortgage.....	3,765.8	49.2	3,840.1	52.0	3,419.2	3,019.0	2,953.8
Installment.....	754.4	9.9	686.7	9.3	639.5	629.8	641.3
Foreign (1).....	745.9	9.7	667.8	9.0	666.1	590.0	659.7
Lease Financing.....	374.2	4.9	372.8	5.0	389.6	358.6	339.0
Total.....	\$7,654.8	100.0%	\$7,393.7	100.0%	\$6,991.0	\$6,601.9	\$6,484.1

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

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

TABLE 20

DECEMBER 31, 1995	DUE IN ONE YEAR OR LESS	DUE IN ONE TO FIVE YEARS (2)	DUE AFTER FIVE YEARS (2)	TOTAL
(IN MILLIONS OF DOLLARS)				
Commercial, Financial and Agricultural.....	\$1,111.1	\$ 670.7	\$ 120.4	\$1,902.2
Real Estate--				
Construction.....	88.9	91.2	28.2	208.3
Other Loans.....	1,639.6	1,793.6	1,813.2	5,246.4
Foreign Loans.....	667.5	43.3	84.7	795.5
Total.....	\$3,507.1	\$2,598.8	\$2,046.5	\$8,152.4

(1) Based on contractual maturities.

(2) As of December 31, 1995, of the loans maturing after one year, \$3,514.8 million have floating rates and \$1,130.5 million have fixed rates.

AVERAGE DEPOSITS

TABLE 21

1995		1994		1993	1992	1991
AMOUNT	MIX	AMOUNT	MIX	AMOUNT	AMOUNT	AMOUNT
(IN MILLIONS OF DOLLARS)						

Domestic							
Non-Interest Bearing							
Demand Accounts.....	\$1,403.4	19.9%	\$1,386.0	19.0%	\$1,324.9	\$1,231.9	\$1,134.6
Interest-Bearing							
Demand Accounts.....	1,752.4	24.9	1,895.4	26.0	2,032.3	2,039.6	1,927.4
Regular Savings							
Accounts.....	1,058.5	15.0	1,232.3	16.9	1,239.4	1,035.3	734.5
Private Time							
Certificates of							
Deposit (\$100,000 or							
More).....	581.5	8.3	476.8	6.5	489.4	547.6	652.6
Public Time							
Certificates of							
Deposit (\$100,000 or							
More).....	89.3	1.3	64.6	0.9	143.4	1,573.2	2,066.2
Bearer Certificates of							
Deposit.....	5.0	0.1	5.0	0.1	5.0	5.0	5.0
All Other Time and							
Savings Certificates.	1,164.1	16.5	998.4	13.6	1,074.1	1,168.2	1,288.2

Total Domestic.....	6,054.2	86.0	6,058.5	83.0	6,308.5	7,600.8	7,808.5
Foreign(1).....	982.3	14.0	1,236.7	17.0	1,223.9	816.9	822.2

Total.....	\$7,036.5	100.0%	\$7,295.2	100.0%	\$7,532.4	\$8,417.7	\$8,630.7
=====							

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

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INTEREST DIFFERENTIAL

TABLE 22

	1995 COMPARED TO 1994			1994 COMPARED TO 1993		
	VOLUME (1)	RATE (1)	TOTAL	VOLUME (1)	RATE (1)	TOTAL
(IN MILLIONS OF DOLLARS)						
Change in Interest Income:						
Interest Bearing						
Deposits:						
Foreign.....	\$ (7.6)	\$ 10.6	\$ 3.0	\$ (13.7)	\$ 7.2	\$ (6.5)
Investment Securities--						
Held to Maturity	(56.4)	13.7	(42.7)	(58.0)	(10.0)	(68.0)
Taxable.....						
Tax-Exempt.....	(0.4)	(0.2)	(0.6)	(1.4)	0.4	(1.0)
Investment Securities--						
Available for Sale.....	34.7	19.2	53.9	51.4	(3.4)	48.0
Funds Sold.....	0.8	0.8	1.6	(3.8)	0.9	(2.9)
Loans, Net of Unearned						
Income:						
Domestic.....	15.4	36.7	52.1	32.5	2.5	35.0
Foreign.....	4.5	11.8	16.3	0.1	5.2	5.3

Total Interest						
Income.....	\$ (9.0)	\$ 92.6	\$ 83.6	\$ 7.1	\$ 2.8	\$ 9.9
=====						
Change in Interest Expense:						
Interest Bearing						
Deposits:						

Demand Deposits.....	\$ (3.3)	\$ 13.1	\$ 9.8	\$ (3.0)	\$ (1.0)	\$ (4.0)
Savings Deposits.....	(4.5)	5.9	1.4	(0.2)	(3.4)	(3.6)
Time Deposits.....	14.0	18.7	32.7	(7.3)	(4.5)	(11.8)
Deposits in Foreign Offices.....	(12.4)	18.6	6.2	0.4	9.8	10.2
Short-Term Borrowings....	(19.4)	49.6	30.2	(4.3)	25.2	20.9
Long-Term Debt.....	25.3	(1.1)	24.2	15.9	0.7	16.6
	-----	-----	-----	-----	-----	-----
Total Interest Expense.....	\$ (0.3)	\$104.8	\$104.5	\$ 1.5	\$ 26.8	\$ 28.3
	=====	=====	=====	=====	=====	=====
Net Interest Differential:						
Domestic.....	\$ (18.0)	\$ (16.0)	\$ (34.0)	\$ 19.6	\$ (26.6)	\$ (7.0)
Foreign.....	9.3	3.8	13.1	(14.0)	2.6	(11.4)
	-----	-----	-----	-----	-----	-----
Total Interest Differential.....	\$ (8.7)	\$ (12.2)	\$ (20.9)	\$ 5.6	\$ (24.0)	\$ (18.4)
	=====	=====	=====	=====	=====	=====

(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.

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YEAR-END SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

TABLE 23

	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
	(IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS)				
BALANCE SHEET TOTALS					
Net Loans.....	\$ 7,853.0	\$ 7,599.5	\$ 6,983.1	\$ 6,691.7	\$ 6,517.2
Assets.....	13,206.8	12,586.4	12,462.1	12,713.1	11,409.3
Deposits.....	7,576.8	7,115.1	7,005.0	7,890.5	8,666.2
Long-Term Debt.....	1,063.4	861.6	378.2	119.4	119.4
Shareholders' Equity..	1,054.4	966.8	938.1	828.3	724.0
OPERATING RESULTS					
Total Interest Income..	\$ 896.7	\$ 813.0	\$ 802.6	\$ 822.6	\$ 922.4
Net Interest Income...	428.5	449.3	467.2	436.1	401.3
Provision for Possible Loan Losses.....	17.0	21.9	54.2	50.1	29.6
Net Income.....	121.8	117.7	132.6	127.5	112.7
Earnings Per Share....	\$ 2.90	\$ 2.75	\$ 3.09	\$ 3.00	\$ 2.69
Cash Dividends Paid-- Common Stock.....	\$ 1.08	\$ 1.04	\$ 0.90	\$ 0.85	\$ 0.78
NON-FINANCIAL DATA					
Common Shareholders of Record at Year-End...	7,439	6,947	8,315	5,814	5,553
Average Common Shares Outstanding.....	42,027,456	42,824,531	42,967,790	42,527,466	41,847,234

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Quarterly Results of Operations--Table 16 on page 33 and narrative on page 32.

Shareholders and Board of Directors
 Bancorp Hawaii, Inc.

We have audited the accompanying consolidated statements of condition of Bancorp Hawaii, Inc. and subsidiaries as of December 31, 1995, 1994 and 1993, 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 Bancorp Hawaii, Inc. and subsidiaries at December 31, 1995, 1994 and 1993, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, in 1993 and 1995 the Company changed its methods of accounting for certain investments in debt and equity securities and for impaired loans.

/s/ Ernst & Young, LLP

Honolulu, Hawaii
 January 22, 1996

BANCORP HAWAII, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
	1995	1994	1993
	(IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)		
Interest Income			
Interest on Loans.....	\$ 610,959	\$ 538,725	\$ 488,530
Loan Fees.....	28,560	31,666	37,900
Income on Lease Financing.....	12,384	13,218	16,632
Interest and Dividends on Investment Securities			
Taxable.....	92,295	135,040	203,068
Non-Taxable.....	1,371	1,710	2,331
Income on Investment Securities Available for Sale.....	107,870	53,960	5,947
Interest on Deposits.....	39,454	36,408	42,974
Interest on Security Resale Agreements.....	448	--	2,934
Interest on Funds Sold.....	3,365	2,270	2,265
	-----	-----	-----
Total Interest Income.....	896,706	812,997	802,581

Interest Expense			
Interest on Deposits.....	239,537	189,513	198,657
Interest on Security Repurchase Agreements.....	122,030	98,625	87,229
Interest on Funds Purchased.....	32,176	25,303	24,136
Interest on Short-Term Borrowings.....	19,854	19,954	11,565
Interest on Long-Term Debt.....	54,560	30,330	13,781
	-----	-----	-----
Total Interest Expense.....	468,157	363,725	335,368
	-----	-----	-----
Net Interest Income.....	428,549	449,272	467,213
Provision for Possible Loan Losses.....	16,967	21,921	54,188
	-----	-----	-----
Net Interest Income After Provision for Possible Losses.....	411,582	427,351	413,025
Non-Interest Income			
Trust Income.....	49,468	48,591	40,855
Service Charges on Deposit Accounts.....	25,886	28,303	26,518
Fees, Exchange and Other Service Charges...	47,311	42,492	37,788
Other Operating Income.....	21,234	26,769	20,338
Investment Securities Gains (Losses).....	2,457	(17,761)	9,985
	-----	-----	-----
Total Non-Interest Income.....	146,356	128,394	135,484
Non-Interest Expense			
Salaries.....	142,143	137,968	134,568
Pensions and Other Employee Benefits.....	43,550	42,421	42,399
Net Occupancy Expense of Premises.....	41,108	37,436	37,026
Net Equipment Expense.....	31,729	30,502	27,347
Other Operating Expense.....	105,560	112,039	94,762
	-----	-----	-----
Total Non-Interest Expense.....	364,090	360,366	336,102
	-----	-----	-----
Income Before Taxes.....	193,848	195,379	212,407
Provision for Taxes.....	72,048	77,641	79,840
	-----	-----	-----
Net Income.....	\$ 121,800	\$ 117,738	\$ 132,567
	=====	=====	=====
Earnings Per Common Share and Common Share			
Equivalents.....	\$ 2.90	\$ 2.75	\$ 3.09
	=====	=====	=====
Average Common Shares and Average Common			
Share Equivalents.....	42,027,456	42,824,531	42,967,790
	=====	=====	=====

See Notes to Consolidated Financial Statements.

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BANCORP HAWAII, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION

DECEMBER 31,

	-----	-----	-----
	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		

ASSETS

Interest-Bearing Deposits.....	\$ 789,050	\$ 727,016	\$ 837,704
Investment Securities			
--Held to Maturity (Market Value of \$1,135,364, \$1,736,659 and \$2,791,328, respectively).....	1,129,251	1,785,960	2,753,590
--Available for Sale.....	2,230,902	1,364,925	893,453

Funds Sold.....	116,173	54,167	57,699
Loans.....	8,152,406	7,891,993	7,258,368
Unearned Income.....	(147,404)	(144,034)	(149,949)
Reserve for Possible Loan Losses.....	(151,979)	(148,508)	(125,284)
	-----	-----	-----
Net Loans.....	7,853,023	7,599,451	6,983,135
	-----	-----	-----
Total Earning Assets.....	12,118,399	11,531,519	11,525,581
Cash and Non-Interest Bearing Deposits..	469,031	508,762	395,315
Premises and Equipment.....	246,515	221,806	167,260
Customers' Acceptance Liability.....	16,825	17,776	8,475
Accrued Interest Receivable.....	84,669	77,340	82,023
Other Real Estate.....	9,306	594	4,123
Intangibles, Including Goodwill.....	87,673	94,515	102,929
Trading Securities.....	29	13,696	74,351
Other Assets.....	174,337	120,342	102,070
	-----	-----	-----
Total Assets.....	\$13,206,784	\$12,586,350	\$12,462,127
	=====	=====	=====
LIABILITIES			
Domestic Deposits			
Demand--Non-Interest Bearing.....	\$ 1,549,302	\$ 1,436,794	\$ 1,405,540
--Interest Bearing.....	1,592,533	1,747,514	1,931,807
Savings.....	1,004,550	1,140,402	1,251,876
Time.....	2,204,242	1,639,497	1,581,534
Foreign Deposits.....	1,226,143	1,150,847	834,218
	-----	-----	-----
Total Deposits.....	7,576,770	7,115,054	7,004,975
Securities Sold Under Agreements to			
Repurchase.....	1,926,540	2,136,204	2,509,550
Funds Purchased.....	787,437	609,574	743,915
Short-Term Borrowings.....	476,867	594,475	579,966
Bank's Acceptances Outstanding.....	16,825	17,776	8,475
Accrued Pension Costs.....	21,145	23,510	24,367
Accrued Interest Payable.....	49,473	49,253	34,347
Accrued Taxes Payable.....	160,306	133,720	154,291
Other Liabilities.....	73,549	78,424	85,967
Long-Term Debt.....	1,063,436	861,572	378,170
	-----	-----	-----
Total Liabilities.....	12,152,348	11,619,562	11,524,023
	-----	-----	-----
Shareholders' Equity			
Common Stock (\$2 par value), authorized			
100,000,000 shares; issued and			
outstanding, 41,340,817; 41,851,466;			
and 28,425,038, respectively.....	82,682	83,703	56,850
Surplus.....	240,080	260,040	284,886
Unrealized Valuation Adjustments.....	13,902	(18,122)	537
Retained Earnings.....	717,772	641,167	595,831
	-----	-----	-----
Total Shareholders' Equity.....	1,054,436	966,788	938,104
	-----	-----	-----
Total Liabilities and Shareholders'			
Equity.....	\$13,206,784	\$12,586,350	\$12,462,127
	=====	=====	=====

See Notes to Consolidated Financial Statements.

	TOTAL	COMMON STOCK	SURPLUS	UNREALIZED VALUATION ADJUSTMENT	RETAINED EARNINGS
	-----	-----	-----	-----	-----
(IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)					
Balance at December 31, 1992.....	\$ 828,328	\$56,112	\$272,810	\$ (2,271)	\$501,677
Changes During 1993					
Net Income.....	132,567	--	--	--	132,567
Sale of Common Stock					
85,515 Profit Sharing Plan.....	3,849	171	3,678	--	--
151,543 Stock Option Plan.....	3,288	303	2,985	--	--
180,390 Dividend Reinvestment Plan.....	7,729	361	7,368	--	--
Stock Repurchased.....	(2,052)	(97)	(1,955)	--	--
Unrealized Valuation Adjustments					
Investment Securities..	2,878	--	--	2,878	--
Foreign Exchange Translation Adjustment.....	(70)	--	--	(70)	--
Cash Dividends Paid of \$0.90 Per Share.....	(38,413)	--	--	--	(38,413)
	-----	-----	-----	-----	-----
Balance at December 31, 1993.....	\$ 938,104	\$56,850	\$284,886	\$ 537	\$595,831
Changes During 1994					
Net Income.....	117,738	--	--	--	117,738
Sale of Common Stock					
250,286 Profit Sharing Plan.....	7,708	501	7,207	--	--
204,909 Stock Option Plan.....	2,907	410	2,497	--	--
239,211 Dividend Reinvestment Plan.....	7,401	478	6,923	--	--
Stock Repurchased.....	(44,297)	(2,824)	(41,473)	--	--
Unrealized Valuation Adjustments					
Investment Securities..	(21,119)	--	--	(21,119)	--
Foreign Exchange Translation Adjustment.....	2,460	--	--	2,460	--
50 Percent Stock Dividend..	(59)	28,288	--	--	(28,347)
Cash Dividends Paid of \$1.04 Per Share.....	(44,055)	--	--	--	(44,055)
	-----	-----	-----	-----	-----
Balance at December 31, 1994.....	\$ 966,788	\$83,703	\$260,040	\$ (18,122)	\$641,167
Changes During 1995					
Net Income.....	121,800	--	--	--	121,800
Sale of Common Stock					
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 Exchange Translation					

Adjustment.....	3,394	--	--	3,394	--
Cash Dividends Paid of \$1.08 Per Share.....	(45,195)	--	--	--	(45,195)
Balance at December 31, 1995.....	\$1,054,436	\$82,682	\$240,080	\$ 13,902	\$717,772
	=====	=====	=====	=====	=====

See Notes to Consolidated Financial Statements.

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BANCORP HAWAII, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1995	1994	1993

	1995	1994	1993

	(IN THOUSANDS OF DOLLARS)		
Operating Activities			
Net Income.....	\$ 121,800	\$ 117,738	\$ 132,567
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Provision for Loan Losses.....	16,967	21,921	54,188
Depreciation and Amortization.....	33,165	30,321	25,681
Deferred Income Taxes.....	25,431	(16,034)	21,865
Realized and Unrealized Investment Security Gains.....	--	--	(97)
Realized (Gains) Losses on Investment Securities Available for Sale.....	(1,707)	14,980	(9,025)
Net Decrease (Increase) in Trading Securities.....	13,667	655	(2,482)
Amortization of Deferred Lease Income... Income.....	(25,482)	(26,425)	(30,196)
Decrease (Increase) in Interest Receivable.....	(12,174)	(13,813)	(15,945)
Increase in Interest Payable.....	(7,329)	4,683	12,386
Decrease (Increase) in Other Assets.....	220	14,906	2,573
Decrease in Other Liabilities.....	(70,707)	765	10,921
	(26,284)	(6,067)	(7,797)
	-----	-----	-----
Net Cash Provided by Operating Activities.....	67,567	143,630	194,639
	-----	-----	-----
Investing Activities			
Proceeds from Redemptions of Investment Securities Held to Maturity.....	956,491	1,514,596	957,408
Purchases of Investment Securities Held to Maturity.....	(535,499)	(546,966)	(1,565,051)
Proceeds from Sales of Investment Securities Available for Sale.....	655,269	573,057	849,853
Proceeds from Redemptions of Investment Securities Available for Sale.....	150,507	96,019	--
Purchases of Investment Securities Available for Sale.....	(1,379,626)	(1,102,871)	(697,892)
Net Increase (Decrease) in Interest- Bearing Deposits Placed in Other Banks...	(62,034)	110,688	594,794
Decrease (Increase) in Funds Sold.....	(62,006)	3,532	443,882
Increase in Loans, Net.....	(229,536)	(569,901)	(299,491)

Purchases of Premises and Equipment.....	(49,893)	(72,798)	(28,426)
Proceeds from Sale of Premises and Equipment.....	2,061	1,178	170
Purchase of American Financial Services of Hawaii, Inc., Net of Cash and Non- Interest Bearing Deposits Acquired.....	--	--	(48,990)
Purchase of Banque d'Hawaii (Vanuatu), Ltd., Net of Cash and Non-Interest Bearing Deposits Acquired.....	6,808	39,963	--
Purchase of National Bank of Solomon Islands, Net of Cash and Non-Interest Bearing Deposits Acquired.....	--	(315)	--
	-----	-----	-----
Net Cash Provided (Used) by Investing Activities.....	(547,458)	46,182	206,257
	-----	-----	-----
Financing Activities			
Net Increase (Decrease) in Demand, Savings, and Time Deposits.....	450,487	1,346	(885,516)
Proceeds from Lines of Credit and Long- Term Debt.....	854,779	510,049	294,846
Principal Payments on Lines of Credit and Long-Term Debt.....	(652,915)	(26,647)	(21,076)
Net Increase (Decrease) in Short-Term Borrowings.....	(149,409)	(493,178)	238,279
Proceeds from Sale of Common Stock.....	19,023	18,016	14,866
Stock Repurchased.....	(40,004)	(44,297)	(2,052)
Cash Dividends.....	(45,195)	(44,114)	(38,413)
	-----	-----	-----
Net Cash Provided (Used) by Financing Activities.....	436,766	(78,825)	(399,066)
	-----	-----	-----
Effect of Exchange Rate Changes on Cash...	3,394	2,460	(70)
	-----	-----	-----
Increase (Decrease) in Cash and Non- Interest Bearing Deposits.....	(39,731)	113,447	1,760
	-----	-----	-----
Cash and Non-Interest Bearing Deposits at Beginning of Year.....	508,762	395,315	393,555
	-----	-----	-----
Cash and Non-Interest Bearing Deposits at End of Year.....	\$ 469,031	\$ 508,762	\$ 395,315
	=====	=====	=====

See Notes to Consolidated Financial Statements.

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles followed by Bancorp Hawaii, Inc., and its subsidiaries (Bancorp), and the methods of applying those principles conform with generally accepted accounting principles and with general practice 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 could differ from those estimates. Certain accounts have been reclassified to conform with the 1995 presentation. The significant policies are summarized below.

Organization/Consolidation

Bancorp is a bank holding company providing varied financial services to customers in Hawaii, other areas of the Pacific Basin, and other selected markets. It is the largest of the bank holding companies headquartered in the State of Hawaii. The majority of Bancorp'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 Bancorp are Bank of Hawaii and Bancorp Pacific, Inc. The consolidated financial statements include the accounts of Bancorp and its principal subsidiaries including any majority owned entities. Significant intercompany accounts have been eliminated and minority interests recognized in consolidation.

Accounting Changes

In May 1993, the Financial Accounting Standards Board (FASB) issued Statement No. 114, "Accounting by Creditors for Impairment of a Loan." The statement addresses the accounting by creditors for impairment of certain loans and requires these loans be measured based on the present value of expected future cash flows or if the loan is collateral dependent, the fair value of the collateral. This is a significant change from the currently applied rules for both Generally Accepted Accounting Principles and regulatory reporting. In October 1994, the FASB issued Statement No. 118, "Accounting by Creditors for Impairment of a Loan--Income Recognition and Disclosures," that amended Statement No. 114 by eliminating provisions for reporting income on impaired loans by creditors and clarifying disclosure requirements. Bancorp elected to implement the provisions of Statement No. 114, as amended, effective January 1, 1995.

In May 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 122, "Accounting for Mortgage Servicing Rights an amendment of FASB Statement No. 65." The statement requires mortgage companies and banks to recognize as separate assets the mortgage servicing rights on loans that are expected to be sold with servicing retained, regardless of whether the rights are purchased or originated. As permitted under the statement, Bancorp has elected to adopt the provision of the new standard effective January 1, 1996. The impact of adopting the new statement on Bancorp's financial position or results of operation is not expected to be material.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." The statement provides an alternative to the current rules under APB No. 25 in accounting for stock based compensation plans. Bancorp currently makes its disclosures for its stock based compensation plans in footnote L and will continue to account for stock based compensation accounts under APB No. 25. Proforma disclosures required by Statement No. 123 will be included in the financial statements for 1996.

See Investment Securities for discussion of implementation of Financial Accounting Standards Board Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Acquisition

In January 1996, Bancorp announced the execution of an agreement, subject to regulatory approvals, to purchase most of Credit Lyonnais' interest in Banque de Tahiti, Banque de Nouvelle Calédonie, and two smaller finance companies. The acquisition will give Bancorp a majority interest in these entities which are currently accounted for using the equity method. Applications for regulatory approval are in process. Once all approvals have been received and the transaction is closed, these companies will be included in Bancorp's

consolidated financial statements. As of September 30, 1995, total assets converted to U.S. dollars was approximately \$1 billion for the four entities. The purchase price converted to U.S. dollars is approximately \$53 million.

In March 1995, Bancorp 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 \$1.1 million and is being amortized over 15 years. The combined purchase price totaled \$13.8 million with unamortized goodwill totaling \$10.1 million at year-end 1995. For year-end 1993, Banque d'Hawaii (Vanuatu), Limited was accounted for under the equity method. Since then, Banque d'Hawaii (Vanuatu), Limited has been included in the consolidated financial statements.

In December 1994, Bancorp acquired a 51% interest in the National Bank of Solomon Islands (NBSI) for \$4.8 million. The acquisition has been accounted for using the purchase method. At year-end, NBSI financial results have been included in the consolidated totals. Total assets of NBSI were \$56.5 million and \$50.3 million at year-ends 1995 and 1994, respectively. Goodwill recorded in this transaction was \$2.4 million and is being amortized over 15 years.

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

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

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Assets Acquired.....	\$14,127	\$132,855	\$ 65,002
Cash Paid for Capital Stock.....	(1,786)	(16,913)	(51,500)
	-----	-----	-----
Liabilities Assumed.....	\$12,341	\$115,942	\$ 13,502
	=====	=====	=====

Advertising Costs

The nature of Bancorp's marketing programs generally do not include direct-response advertising. Bancorp, therefore, recognizes its advertising costs as incurred. Advertising expenses were \$11,144,000, \$10,288,000 and \$9,675,000 for 1995, 1994 and 1993, respectively.

Cash and Non-Interest Bearing Deposits

Cash and non-interest bearing deposits include the amounts due from other financial institutions as well as in-transit clearings. Under the terms of the Depository Institutions Deregulation and Monetary Control Act,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Bancorp is required to place reserves with the Federal Reserve Bank based on the amount of deposits held. For 1995, 1994 and 1993, the average amount of these reserve balances was \$149,104,000; \$157,486,000 and \$165,616,000,

respectively.

Earnings Per Share

The earnings per common share of Bancorp are based on the average common shares outstanding and the average common share equivalents. The earnings per common share of Bancorp are based on shares of 42,027,456, 42,824,531 and 42,967,790 in 1995, 1994 and 1993, respectively.

Income Taxes

Bancorp 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 bases of assets and liabilities.

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

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

Intangible Assets and Amortization

The excess of the cost over the fair market value of tangible assets and liabilities purchased in various transactions by Bancorp is being amortized using the straight-line method over various periods not exceeding 15 years. Intangibles are reviewed periodically for other than temporary impairment. The amortization expense of these intangibles was \$8,405,000; \$9,315,000 and \$7,161,000 for 1995, 1994 and 1993, respectively. As of December 31, 1995, the accumulated amortization totaled \$32,932,000.

Interest Rate/Foreign Currency Risk Management

Bancorp has entered into various off-balance-sheet transactions, primarily interest rate swap agreements, for interest rate risk exposure management purposes. A primary objective of Bancorp in managing interest-rate exposure is to maintain a targeted mix of assets and liabilities that mature or reprice over a one year time horizon. However, the extent of rate sensitivity can vary within the intervening time periods. Interest rate swaps are primarily used to modify the interest rate sensitivity of short term assets or long term liabilities (both deposits and debt).

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

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

International Operations

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

Investment Securities

The method followed in determining the cost of investments sold was based on identified certificates for each of the three years ending December 31, 1995, 1994 and 1993. Bancorp adopted the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," affecting the Statement of Condition as of December 31, 1993.

Pursuant to the transition provisions of the FASB's Special Report on Statement 115, in December 1995, Bancorp transferred \$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 Bancorp's flexibility in managing its investment portfolio.

Investment Securities Held to Maturity are securities intended to be held for the full term of the security. These securities are stated at cost adjusted for amortization of premium and accretion of discount. Restricted equity securities represent Federal Home Loan Bank and Federal Reserve Bank shares, recorded at par, which is fair value. In 1995, there were no transfers from Investment Securities Held to Maturity other than the final transition adjustment previously mentioned.

Investment Securities Available for Sale are recorded at market value with the unrealized gains and losses recorded as an unrealized valuation adjustment in equity, net of taxes. The market value of mortgage-backed securities are based on quoted market prices.

Trading Securities are securities purchased and held principally for the purpose of selling them in the near term. The trading securities portfolio was comprised primarily of debt securities which have been recorded at market value. Changes in market value are recognized as a securities gain or loss through the income statement. During 1995, 1994 and 1993, the net gain (loss) from the trading securities portfolio was \$623,000, \$(740,000) and \$947,000, respectively, and is recognized as a component of investment securities gains/losses in the income statement. Income from trading securities was \$323,000, \$604,000 and \$660,000 for 1995, 1994 and 1993, respectively, and is included as part of other operating income.

Loans

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

Bancorp's policy is to place loans on non-accrual as soon as a loan is delinquent over 90 days, unless unusual treatment is indicated by the type of borrowing agreement and/or collateral. At the time a loan is placed on 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 is comprised of properties acquired through foreclosure proceedings, acceptance of a deed-in-lieu of foreclosure, abandoned bank premises and loans classified as in-substance foreclosure. A loan is

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

classified as in-substance foreclosure when Bancorp has taken possession of the collateral regardless of whether formal foreclosure proceedings take place. These properties are carried at the lower of cost or fair market value based on current appraisals less selling costs. Losses arising at the time of acquisition of such property acquired are charged against the reserve for possible loan losses. Subsequent re-evaluation of the properties, which indicate reduced value and carrying costs, are recognized through charges to operating expenses.

Premises and Equipment

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

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

Reserve for Possible Loan Losses

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

Beginning in 1995, Bancorp adopted Statement No. 114. Under the new standard, the 1995 reserve for loan losses related to loans that are identified for evaluation in accordance with Statement 114 is 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, the reserve for possible loan losses related to these loans was based on undiscounted cash flows, the fair value of the collateral for collateral dependent loans, or other factors specific to the credit situation.

The allowance for loan losses is maintained at a level believed adequate by management to absorb estimated probable credit losses. Management's periodic evaluation of the adequacy of the allowance is based on Bancorp's past loan loss experience, known and inherent risks in the portfolio, adverse situations 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 relevant 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 impaired loans that may be susceptible to significant change.

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE B--INVESTMENT SECURITIES

The following presents the details of the investment portfolio:

GROSS GROSS

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	AGGREGATE FAIR VALUE
--	-------------------	---------------------	----------------------	-------------------------

(IN THOUSANDS OF DOLLARS)

AT DECEMBER 31, 1995

Securities Held to Maturity:

Restricted Equity Securities.....	\$ 16,062	\$ --	\$ --	\$ 16,062
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
	-----	-----	-----	-----
Totals.....	\$1,129,251	\$ 8,364	\$ (2,251)	\$1,135,364
	=====	=====	=====	=====

Securities Available for Sale:

Equity Securities.....	\$ 70,358	\$ 1,827	\$ --	\$ 72,185
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 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
	-----	-----	-----	-----
Totals.....	\$2,211,985	\$23,770	\$ (4,853)	\$2,230,902
	=====	=====	=====	=====

AT DECEMBER 31, 1994

Securities Held to Maturity:

Restricted Equity Securities.....	\$ 49,200	\$ --	\$ --	\$ 49,200
Debt Securities Issued by the U.S. Treasury and Agencies.....	1,019,903	316	(21,124)	999,095
Debt Securities Issued by State and Municipalities of the United States.....	37,578	1,367	(805)	38,140
Debt Securities Issued by Foreign Governments.....	35,672	533	--	36,205
Mortgage Backed-Securities.....	623,565	1,718	(31,219)	594,064
Other Debt Securities.....	20,042	12	(99)	19,955
	-----	-----	-----	-----
Totals.....	\$1,785,960	\$ 3,946	\$ (53,247)	\$1,736,659
	=====	=====	=====	=====

Securities Available for Sale:

Equity Securities.....	\$ 1,113	\$ 390	\$ --	\$ 1,503
Debt Securities Issued by the U.S. Treasury and Agencies.....	615,001	201	(9,359)	605,843
Debt Securities Issued by State and Municipalities of the United States.....	3,560	8	(151)	3,417
Corporate Debt Securities.....	3,878	2	(141)	3,739
Mortgage Backed-Securities.....	716,581	50	(20,903)	695,728
Other Debt Securities.....	53,637	1,552	(494)	54,695
	-----	-----	-----	-----
Totals.....	\$1,393,770	\$ 2,203	\$ (31,048)	\$1,364,925
	=====	=====	=====	=====

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	AGGREGATE FAIR VALUE
(IN THOUSANDS OF DOLLARS)				
AT DECEMBER 31, 1993				
Securities Held to Maturity:				
Restricted Equity Securities.....	\$ 13,654	\$ --	\$ --	\$ 13,654
Debt Securities Issued by the U.S. Treasury and Agencies.....	2,144,180	24,266	--	2,168,446
Debt Securities Issued by State and Municipalities of the United States.....	40,566	3,260	(3)	43,823
Debt Securities Issued by Foreign Governments.....	9,175	--	--	9,175
Mortgage Backed-Securities.....	516,001	10,111	(989)	525,123
Other Debt Securities.....	30,014	1,093	--	31,107
Totals.....	<u>\$2,753,590</u>	<u>\$38,730</u>	<u>\$ (992)</u>	<u>\$2,791,328</u>
Securities Available for Sale:				
Equity Securities.....	\$ 1,008	\$ --	\$ --	\$ 1,008
Debt Securities Issued by the U.S. Treasury and Agencies.....	229,314	7,235	(52)	236,497
Debt Securities Issued by State and Municipalities of the United States.....	881	38	(1)	918
Corporate Debt Securities.....	6,201	57	(13)	6,245
Mortgage Backed-Securities.....	649,094	2,139	(4,062)	647,171
Other Debt Securities.....	1,614	--	--	1,614
Totals.....	<u>\$ 888,112</u>	<u>\$ 9,469</u>	<u>\$ (4,128)</u>	<u>\$ 893,453</u>

The following presents an analysis of the contractual maturities of the investment securities portfolio as of December 31, 1995:

	COST	ESTIMATED FAIR VALUE
(IN THOUSANDS OF DOLLARS)		
Securities Held to Maturity		
Due in One Year or Less.....	\$ 234,577	\$ 235,506
Due After One Year Through Five Years.....	334,014	334,557
Due After Five Years Through Ten Years.....	3,897	4,798
Due After Ten Years.....	240	252
	<u>572,728</u>	<u>575,113</u>
Mortgage-Backed Securities.....	540,461	544,189
Restricted Equity Securities.....	16,062	16,062
	<u>\$1,129,251</u>	<u>\$1,135,364</u>

Securities Available for Sale

Due in One Year or Less.....	\$ 133,471	\$ 133,590
Due After One Year Through Five Years.....	465,993	473,233
Due After Five Years Through Ten Years.....	37,015	37,449
Due After Ten Years.....	71,110	72,622
	-----	-----
	707,589	716,894
Mortgage-Backed Securities.....	1,434,038	1,441,823
Equity Securities.....	70,358	72,185
	-----	-----
	\$2,211,985	\$2,230,902
	=====	=====

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Proceeds from sales and maturities of investment securities available for sale during 1995 were \$548,403,000. Gross gains of \$339,000 and gross losses of \$454,000 were realized on those sales. The cumulative investment valuation reserve was \$11,366,000 (net of taxes) as of December 31, 1995.

Investment securities carried at \$3,170,854,000, \$3,056,198,000 and \$3,396,469,000 were pledged to secure deposits of certain public (governmental) entities, repurchase agreements and swap agreements at December 31, 1995, 1994 and 1993, respectively. The December 31, 1995 amount included investment securities with a carrying value of \$2,139,322,000 and a market value of \$2,142,848,000 which were pledged solely for repurchase agreements.

NOTE C--LOANS

Loans consisted of the following at year-end:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Domestic Loans			
Commercial and Industrial.....	\$1,902,189	\$1,830,803	\$1,709,194
Real Estate			
Construction--Commercial.....	198,480	113,089	136,225
Residential.....	9,834	17,882	35,078
Mortgage--Commercial.....	1,308,779	1,240,959	1,230,558
Residential.....	2,727,398	2,872,824	2,475,971
Installment.....	817,337	741,612	676,170
	-----	-----	-----
Total Domestic Loans.....	6,964,017	6,817,169	6,263,196
	-----	-----	-----
Foreign Loans.....	795,477	696,734	593,497
	-----	-----	-----
Subtotal.....	7,759,494	7,513,903	6,856,693
	-----	-----	-----
Lease Financing			
Direct.....	124,753	103,462	119,908
Leveraged.....	268,159	274,628	281,767
	-----	-----	-----
Lease Financing.....	392,912	378,090	401,675
	-----	-----	-----
Total Loans.....	\$8,152,406	\$7,891,993	\$7,258,368
	=====	=====	=====

Commercial and mortgage loans totaling \$1,055,704,000 were pledged to secure certain public deposits and Federal Home Loan Bank advances at December 31, 1995.

Certain directors and executive officers of Bancorp, its subsidiary companies, in which they are principal owners, and trusts in which they are involved, were loan customers of Bancorp subsidiaries during 1995, 1994 and 1993. These loans were made in the ordinary course of business at normal credit terms, including interest rate and collateral requirements, and do not represent more than a normal risk of collection. Such loans at December 31, 1995, 1994 and 1993 amounted to \$37,335,000, \$79,244,000 and \$83,877,000, respectively. During 1995, the activity in these loans included new borrowings of \$42,212,000, repayments of \$81,931,000, and other changes of \$2,190,000. Other changes relate to new and retiring directors or companies and trusts in which they are involved.

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Balance at Beginning of Year.....	\$148,508	\$125,284	\$128,626
Provision Charged to Operations.....	16,967	21,921	54,188
Reserves Acquired.....	--	1,437	--
Charge-Offs.....	(27,857)	(25,437)	(65,732)
Recoveries.....	14,361	25,303	8,202
	-----	-----	-----
Net Charge-Offs.....	(13,496)	(134)	(57,530)
	-----	-----	-----
Balance at End of Year.....	\$151,979	\$148,508	\$125,284
	=====	=====	=====

At December 31, 1995, the recorded investment in loans that are considered to be impaired under Statement 114 was \$7,500,000 (all of which were on a non-accrual basis). The \$7,500,000 of impaired loans have a related reserve for possible loan losses of \$700,000. The average recorded investment in impaired loans during the year ended December 31, 1995 was approximately \$21,902,000. For the year ended December 31, 1995, Bancorp recognized interest income on those impaired loans of \$2,038,000. There was no cash basis interest income recognized on impaired loans during the year.

NOTE D PREMISES AND EQUIPMENT

Bancorp 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 on the outskirts of downtown Honolulu which houses data processing and certain other operational functions; a five-story building in downtown Honolulu which houses administrative departments; and Bancorp Hale O'Kapolei, a 248,000 square foot 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 has been

capitalized while Hale O'Kapolei was under construction for 1995. Bancorp Pacific, Inc. owns the fifth property, its five-story administrative offices in downtown Honolulu.

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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

	COST	ACCUMULATED DEPRECIATION AND AMORTIZATION	NET BOOK VALUE
	(IN THOUSANDS OF DOLLARS)		
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
	=====	=====	=====
December 31, 1994			
Premises.....	\$236,619	\$ (67,792)	\$168,827
Capital Leases.....	4,464	(357)	4,107
Equipment.....	122,678	(73,806)	48,872
	-----	-----	-----
	\$363,761	\$ (141,955)	\$221,806
	=====	=====	=====
December 31, 1993			
Premises.....	\$187,614	\$ (60,588)	\$127,026
Equipment.....	107,167	(66,933)	40,234
	-----	-----	-----
	\$294,781	\$ (127,521)	\$167,260
	=====	=====	=====

The amounts of depreciation and amortization (including capital lease amortization) included in consolidated expense were \$24,760,000, \$21,006,000 and \$18,520,000 in 1995, 1994 and 1993, respectively.

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

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, 1995:

CAPITAL OPERATING LEASES LEASES

(IN THOUSANDS OF DOLLARS)

1996.....	\$	7	\$ 11,199
1997.....		7	9,936
1998.....		7	9,255
1999.....		7	8,121
2000.....		7	7,587
Thereafter.....		34,938	104,723
		-----	-----
Total Minimum Lease Payments.....	\$34,973		\$150,821
Amounts Representing Interest.....	29,486		--
		-----	-----
Present Value of Net Minimum Lease Payments.....	\$ 5,487	\$	--
	=====		=====

Minimum future rentals receivable under subleases for noncancelable operating leases at December 31, 1995, amounted to \$1,563,000.

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Rental expense for all operating leases consisted of:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Minimum Rentals.....	\$21,573	\$21,219	\$22,592
Sublease Rental Income.....	(606)	(634)	(583)
	-----	-----	-----
	\$20,967	\$20,585	\$22,009
	=====	=====	=====

NOTE E--DEPOSITS

Interest on deposit liabilities in 1995, 1994 and 1993 consisted of the following:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Domestic Interest-Bearing Demand Accounts.....	\$ 50,913	\$ 42,321	\$ 45,136
Domestic Savings Accounts.....	30,558	27,910	32,654
Domestic Time Accounts.....	98,528	65,908	77,736
Foreign Deposits.....	59,538	53,374	43,131
	-----	-----	-----
	\$239,537	\$189,513	\$198,657
	=====	=====	=====

Time deposits with balances of \$100,000 or more in domestic banking offices were \$927,947,000 in 1995. Of this amount, \$306,601,000 represents deposits of public (governmental) entities which require collateralization by acceptable securities. The majority of deposits in the foreign category are time deposits in denominations of \$100,000 or more.

Maturities of domestic time deposits of \$100,000 or more at December 31, 1995, are summarized as follows:

	DOMESTIC ----- (IN THOUSANDS OF DOLLARS)
Under 3 Months.....	\$420,197
4 to 6 Months.....	146,236
7 to 12 Months.....	249,269
Over 12 Months.....	112,245

	\$927,947
	=====

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE F--SHORT-TERM BORROWINGS

Details of short-term borrowings for 1995, 1994 and 1993 were as follows:

	FUNDS PURCHASED -----	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE -----	OTHER COMMERCIAL PAPER -----	SHORT-TERM BORROWINGS -----
	(IN THOUSANDS OF DOLLARS)			
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's End.....	787,437	2,263,425	85,600	601,990
Weighted-Average Interest Rate During Year*.....	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%
1994				
Amounts Outstanding December 31.....	\$609,574	\$2,136,204	\$ 69,113	\$525,362
Average Amount Outstanding During Year.....	593,019	2,404,401	107,537	495,673
Maximum Amount Outstanding at Any Month's End.....	655,026	2,730,270	176,072	557,293
Weighted-Average Interest Rate During Year*.....	4.27%	4.10%	3.44%	3.28%
Weighted-Average Interest Rate on Balance Outstanding at End of Year.....	5.79%	5.26%	4.24%	3.92%
1993				
Amounts Outstanding December 31.....	\$743,915	\$2,509,550	\$141,627	\$438,339
Average Amount Outstanding				

During Year.....	754,051	2,644,935	92,092	234,450
Maximum Amount Outstanding at Any Month's End.....	967,121	2,995,725	141,627	507,356
Weighted-Average Interest Rate During Year*.....	3.20%	3.30%	2.96%	4.49%
Weighted-Average Interest Rate on Balance Outstanding at End of Year.....	3.15%	3.35%	2.89%	2.79%

* 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 were treated as financings and the obligations to repurchase the identical securities sold were reflected as a liability with the dollar amount of securities underlying the agreements remaining in the asset accounts. At December 31, 1995, the weighted average contractual maturity of these agreements was 68 days and represent investments by public (governmental) entities, primarily the State of Hawaii (\$1.4 billion) and a local municipality (\$0.4 billion). A schedule of maturities of these agreements is as follows:

	(IN THOUSANDS OF DOLLARS)
Overnight.....	\$ --
Less than 30 days.....	603,474
30 to 90 days.....	866,303
Over 90 days.....	456,763

	\$1,926,540
	=====

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

A line of credit totaling \$50,000,000 is used to back up commercial paper issued in the name of Bancorp. At December 31, 1995, there was no balance outstanding. Fees on the unused amount of this line were \$40,000, in 1995.

Other short-term borrowings consist mainly of Foreign Call Deposits, Treasury Tax and Loan balances, Federal Home Loan Bank Advances, and Bank Notes. The foreign call deposits generally mature in 90 days and bear interest rates reflecting such maturities. The Treasury Tax and Loan balances represent tax payments collected on behalf of the U.S. government and are callable at any time, and bear market interest rates. The Federal Home Loan Bank advances (secured by certain mortgage loans and FHLB stock) mature within one year and bear interest rates between 5.60% and 5.98%. The Bank note, which totaled \$199.9 million at December 31, 1995, bears a fixed interest rate of 5.57% and matures in November 1996.

NOTE G LONG-TERM DEBT

Amounts outstanding as of year-end were as follows:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Medium-Term Notes.....	\$ 709,747	\$604,441	\$149,830
Federal Home Loan Bank Advances.....	229,545	133,400	103,500
Subordinated Notes.....	118,657	118,609	124,840
Capitalized Lease Obligations.....	5,487	5,122	--
	-----	-----	-----
	\$1,063,436	\$861,572	\$378,170
	=====	=====	=====

In 1995, Bank of Hawaii incorporated its existing medium term note program into a \$1.0 billion revolving note program. Under the terms of this program, upon repayment of outstanding notes, the Bank may issue additional notes provided that the aggregate amount outstanding does not exceed \$1.0 billion. At December 31, 1995, there was a total of \$849,682,000 outstanding under this program, of which \$649,747,000 was classified as long-term. The notes, which were issued in 1994 and 1995, are unsecured. The 1994 notes carry two year terms and have floating interest rates which are tied to the three month LIBOR rate. These rates are adjusted quarterly. The 1995 notes carry thirteen month terms and have a fixed interest rate of 5.5%.

Privately placed medium term notes issued by Bancorp totaled \$60.0 million at December 31, 1995. The notes, which were issued in 1995, carry three year terms and bear interest at rates from 6.08% to 6.48%.

The Federal Home Loan Bank (FHLB) advances bear interest at rates from 4.40% to 8.00%. The advances mature from 1996 through 2002. At December 31, 1995, loans totaling \$275,500,000 were pledged to secure these advances along with FHLB stock.

The subordinated notes, which were issued in 1993, have a fixed interest rate of 6.875% and mature in 2003.

The capitalized lease obligations are for certain condominium units in the Financial Plaza of the Pacific. The leases began in 1993 and have 60 year terms. The lease payments allocated to the capital leases are fixed at \$7,000 per year until 2002; \$605,000 per year from 2003 to 2007 and \$665,000 per year from 2008 to 2012. The rates are negotiable thereafter.

Long-term debt maturities for the five years succeeding December 31, 1995, are \$493,808,000 in 1996; \$248,952,000 in 1997; \$123,007,000 in 1998; \$54,007,000 in 1999 and \$18,882,000 in 2000.

Interest paid on long-term debt in 1995 totaled \$53,926,000.

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE H--SHAREHOLDERS' EQUITY

Certain of Bancorp's consolidated subsidiaries (including Bank of Hawaii and Bancorp Pacific, Inc.) are subject to regulatory restrictions that limit cash dividends and loans to Bancorp. As of December 31, 1995, approximately \$420,581,000 of undistributed earnings of Bancorp's consolidated subsidiaries were available for distribution to Bancorp without prior regulatory approval.

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

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Foreign Exchange Translation Adjustment.....	\$ 2,536	\$ (858)	\$ (3,318)
Investment Securities.....	11,366	(17,264)	3,855
	-----	-----	-----
Unrealized Valuation Adjustments.....	\$13,902	\$ (18,122)	\$ 537
	=====	=====	=====

NOTE I--INTERNATIONAL OPERATIONS

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

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
International			
Average Assets.....	\$1,724,347	\$1,699,168	\$1,908,883
Average Loans.....	745,948	667,828	666,091
Average Deposits.....	1,025,821	1,240,692	1,259,042
Operating Revenue.....	107,884	97,134	94,096
Income Before Taxes.....	9,353	12,000	13,425
Net Income.....	4,805	7,137	8,528

Average assets consist primarily of short-term interest-bearing deposits with foreign branches of U.S. banks and large international banks. On average, these deposits were \$648,473,000, \$802,833,000 and \$1,086,554,000 during 1995, 1994 and 1993, respectively.

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

NOTE J--CONTINGENT LIABILITIES

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

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

Bancorp has a non-contributory, defined benefit retirement plan (Retirement Plan) which covers salaried employees of Bancorp and participating subsidiaries who have met the Retirement Plan's eligibility requirements. Benefits are based on years of service and an average of the five highest years of annual

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

Bancorp has a non-qualified excess benefit plan (Excess Plan) which covers all employees of Bancorp and participating subsidiaries who have met eligibility requirements. The unfunded Excess Plan recognizes the liability to Excess Plan participants for amounts exceeding those allowed to be included in the Retirement Plan. The table following includes the status of this Excess Plan.

In 1995, Bancorp reevaluated its benefit programs and changed its defined benefit and defined contribution plans. The benefits provided by both the qualified and non-qualified defined benefit plans were "frozen" as of December 31, 1995 with a phase out provided to certain groups of staff members. In conjunction with this restructuring, qualifying staff were offered an early retirement option. The option for staff members who were at least 50 years of age with 9 years or more of eligible service provided an extra 5 years of service and 5 years of age for benefit calculation purposes. In addition, the staff member received \$250.00 per month until age 65 to defray medical benefit costs. The early retirement option was elected by 340 staff members, almost 75% of those eligible. The curtailment gain for the retirement plan was \$2,971,000 and the curtailment loss for the excess retirement plan was \$2,811,000.

The following table sets forth both the Retirement Plan and Excess Plan's funded status and amounts recognized in Bancorp's statement of condition at December 31.

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Actuarial Present Value of Benefit			
Obligations:			
Vested Benefit Obligation.....	\$ 71,159	\$ 59,208	\$ 56,553
	=====	=====	=====
Accumulated Benefit Obligation.....	\$ 75,725	\$ 63,445	\$ 61,038
	=====	=====	=====
Projected Benefit Obligation.....	\$ 82,443	\$ 98,443	\$ 99,831
Plan Assets (Primarily Marketable			
Securities) at Fair Value.....	63,519	78,689	73,064
	-----	-----	-----
Projected Benefit Obligation in Excess of			
Plan Assets.....	(18,924)	(19,754)	(26,767)
Unrecognized Net (Gain)/Loss.....	(836)	(3,766)	2,287
Unrecognized Net Obligation at January 1,			
1985 Being Recognized Over 15 Years.....	0	(1,841)	(2,220)
Unrecognized Net Asset at December 31,			
1995.....	(1,501)	0	0
Prior Service Cost Not Yet Recognized in			
Net Periodic Pension Cost.....	0	1,907	2,333
	-----	-----	-----
Accrued Pension Liability Recognized in the			
Statement of Condition.....	\$ (21,261)	\$ (23,454)	\$ (24,367)
	=====	=====	=====

Net pension costs included the following components:

1995	1994	1993
------	------	------

 (IN THOUSANDS OF
 DOLLARS)

Service Cost--Benefits Earned During the Period.....	\$ 6,881	\$ 7,561	\$ 6,803
Interest Cost on Projected Benefit Obligation.....	8,000	7,299	6,626
Actual Return on Assets.....	(6,122)	1,533	(5,992)
Net Amortization and Deferral.....	111	(8,080)	557
	-----	-----	-----
Net Periodic Pension Cost.....	\$ 8,870	\$ 8,313	\$ 7,994
	=====	=====	=====

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Assumptions used in the accounting were as follows:

	DECEMBER 31,		
	-----	-----	-----
	1995	1994	1993
	-----	-----	-----
Weighted-Average Discount Rates.....	7.50%	8.25%	7.50%
Rates of Increase in Compensation Levels.....	5.00%	5.00%	5.00%
Expected Long-Term Rate of Return on Assets.....	8.50%	8.50%	8.50%

There is a deferred-compensation profit-sharing plan (Profit Sharing Plan) for the benefit of all employees of Bancorp 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 Adjusted Returns on Equity. Members of the Profit Sharing Plan are permitted to receive up to 50% of their annual allocation in cash. The amounts deferred may be invested in several mutual funds, along with a fund invested in shares of common stock of Bancorp Hawaii, Inc. Bancorp contributions amounted to \$7,629,000 in 1995; \$7,344,000 in 1994 and \$9,602,000 in 1993.

The reevaluation of Bancorp's benefit plans extended to the Profit Sharing Plan. Effective January 1, 1996, the Profit Sharing Plan has been enhanced with a company matching of the 401(k) contribution of \$1.25 for each \$1.00 contributed by the staff member up to 2% of their compensation.

Bancorp has also established a new defined contribution money purchase plan for which it will contribute 4% of compensation to staff members meeting certain eligibility and vesting requirements. The money purchase plan has a one year eligibility requirement and a five year vesting period. Staff members meeting these requirements as of January 1, 1996 immediately became participants. Participants will be allowed to select from several investment options, including various mutual funds.

Bancorp adopted SFAS No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106) as of January 1, 1993. This postretirement benefits plan provides group life, dental and medical insurance coverage for retirees. The benefits provide for a "sharing of costs" where both the employer and employees pay a portion of the premium cost. Most of the employees of Bancorp and its subsidiaries who have met the eligibility requirements are covered. Bancorp elected to recognize the transition

obligation over 20 years as allowed upon adoption of SFAS 106. Bancorp has no segregated assets to provide postretirement benefits as of December 31, 1995, 1994 and 1993.

The curtailment of the defined benefit plans described earlier also affected the post retirement benefit plan. A curtailment loss of \$772,000 was recorded in 1995 to reflect the change.

The following schedule presents the funded status of the liability as of December 31, 1995, 1994 and 1993.

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Accumulated Postretirement Benefit Obligation			
Retirees.....	\$ (14,515)	\$ (8,785)	\$ (8,869)
Other Fully Eligible Plan Participants...	(3,054)	(6,243)	(6,038)
Other Active Plan Participants.....	(11,095)	(8,863)	(9,447)
	-----	-----	-----
Total.....	(28,664)	(23,891)	(24,354)
Plan Assets.....	0	0	0
	-----	-----	-----
Accumulated Postretirement Benefit Obligation in Excess of Plan Assets.....	(28,664)	(23,891)	(24,354)
Unrecognized Transition Obligation Being Amortized Over 20 Years.....	11,838	13,166	13,337
Unrecognized Net Gain/(Loss).....	(459)	(2,833)	699
	-----	-----	-----
Accrued Postretirement Benefit Liability...	\$ (17,285)	\$ (13,558)	\$ (10,318)
	=====	=====	=====

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Net Periodic Postretirement Benefit Cost was:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Service Cost.....	\$1,046	\$1,089	\$1,151
Interest Cost.....	1,912	1,820	1,678
Amortization of Transition Obligation.....	647	731	702
	-----	-----	-----
Net Periodic Postretirement Benefit Cost.....	\$3,605	\$3,640	\$3,531
	=====	=====	=====

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

	1995	1994	1993
	-----	-----	-----
Health Care Cost Trend Rate.....	15.00%	15.00%	15.00%
Dental Care Cost Trend Rate.....	7.50%	7.50%	7.50%
Weighted Average Discount Rate.....	7.50%	8.25%	7.50%
Rate of Increase in Compensation Level.....	5.00%	5.00%	5.00%

The health care cost trend rate is projected at 15.0% per year until the year 2000 leveling to the ultimate 7.0%. A one percent increase in that trend rate of assumption (with all other assumptions remaining constant) would increase the service and interest cost components of the net periodic postretirement cost from \$2,958,000 to \$3,360,000. The impact of this one percent increase in the trend rates on the accumulated postretirement benefit obligation would be an increase to \$24,835,000 at December 31, 1995.

NOTE L--STOCK OPTION PLANS

The Bancorp Stock Option Plans (the Plans) are administered by the Compensation Committee appointed by Bancorp's Board of Directors. The options allow participants to purchase shares of common stock for a specified exercise price anytime beginning one year after the option has been granted and expiring 10 years thereafter. The exercise price is equal to the fair market value of the stock on the date the option was granted. At year-end, the exercise price (per share) of options outstanding were between \$12.09 and \$36.75. The price (per share) range of options exercised during 1995 was between \$10.03 and \$29.50 on an actual price basis.

The Plans also provide certain participants with tandem stock appreciation rights (SAR). The SAR can be exercised in lieu of the exercise of the options. The Compensation Committee has limited the exercise of SARs to \$1 million per year, allocated among the participants.

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

	SHARES UNDER STOCK OPTION PLANS		
	1995	1994	1993
	-----	-----	-----
Outstanding at beginning of year....	1,842,039	1,340,967	1,254,880
Add (Deduct):			
Granted (Including Stock			
Dividends).....	566,000	812,685	269,000
Canceled or Surrendered.....	(141,710)	(71,117)	(31,370)
Exercised.....	(443,876)	(240,496)	(151,543)
	-----	-----	-----
Outstanding at End of Year.....	1,822,453	1,842,039	1,340,967
	-----	-----	-----
Options Exercisable.....	1,278,953	1,721,288	1,013,451
Shares Available for Future Grants..	1,396,056	1,820,346	23,173

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE M--OTHER OPERATING EXPENSE

Other operating expense at year-end was as follows:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
FDIC Insurance.....	\$ 7,632	\$ 13,592	\$15,119
Legal and Other Professional Fees.....	15,623	18,209	11,847
Advertising.....	11,144	10,288	9,675
Stationery and Supplies.....	9,247	8,769	7,485
Other.....	61,914	61,181	50,636
	-----	-----	-----
Total.....	\$105,560	\$112,039	\$94,762
	=====	=====	=====

NOTE N--INCOME TAXES

The income tax provision includes the following components:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Current.....	\$46,617	\$ 92,676	\$57,975
Deferred.....	25,431	(15,035)	21,865
	-----	-----	-----
Provision for Income Taxes.....	\$72,048	\$ 77,641	\$79,840
	=====	=====	=====

The 1995, 1994 and 1993 tax provision includes state tax expense of \$9,285,000, \$13,786,000 and \$14,719,000, respectively. The current provision also includes taxes on the gains and losses on the sale of securities of \$975,000; \$(7,051,000) and \$3,495,000 for 1995, 1994 and 1993, 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, 1995, 1994 and 1993 reclassified based on the tax returns as filed, are as follows:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Deferred tax liabilities:			
Lease transactions.....	\$181,122	\$175,801	\$166,511
Deferred investment tax credits.....	6,851	7,318	7,652
Accelerated depreciation.....	1,359	1,773	2,335
Core deposit intangible.....	10,206	11,270	12,335
	-----	-----	-----
Total deferred tax liabilities.....	199,538	196,162	188,833
	-----	-----	-----
Deferred tax assets:			
Reserve for loan losses.....	54,390	53,886	45,223
Accrued pension cost.....	5,821	6,502	7,227
Net operating loss carry forwards.....	1,299	2,245	3,988
Securities valuation reserve.....	(7,470)	11,871	(2,110)
Other--net.....	1,559	3,374	1,690
	-----	-----	-----
Total deferred tax assets.....	55,599	77,878	56,018

Valuation allowance for deferred tax assets.....	(1,299)	(1,523)	(2,026)
	-----	-----	-----
Net deferred tax assets.....	54,300	76,355	53,992
	-----	-----	-----
Net deferred tax liabilities.....	\$145,238	\$119,807	\$134,841
	=====	=====	=====

For financial statement purposes, Bancorp had deferred investment tax credits for property purchased for lease to customers of \$6,851,000, \$7,318,000 and \$7,652,000 at December 31, 1995, 1994 and 1993,

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BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

respectively. In 1995, 1994 and 1993, investment tax credits included in the computation of the provision for income taxes were \$467,000; \$334,000 and \$157,000, respectively.

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

	1995	1994	1993
	----	----	----
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.....	3.1	4.6	4.5
Tax-Exempt Interest Income.....	(0.5)	(0.5)	(0.6)
Effect of Tax Rate Change on Deferred Tax Assets and			
Liabilities.....	--	--	0.2
Low Income Housing and Investment Tax Credit.....	(0.7)	(0.4)	(0.5)
Other.....	0.3	1.0	(1.0)
	----	----	----
Effective Tax Rate.....	37.2%	39.7%	37.6%
	=====	=====	=====

Bancorp Pacific, Inc. has qualified under provisions of the Internal Revenue Code that permit federal income taxes to be computed after deduction of additions to bad debt reserves. These deductions are subject to the alternative minimum tax and are computed as a percentage of taxable income, subject to certain limitations based on aggregate loans and savings deposits. The percentage of taxable income bad debt deduction available to Bancorp Pacific, Inc. was 8.0% of taxable income for 1995, 1994 and 1993. For financial statement purposes, no deferred income tax liability has been recorded 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

Bancorp is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to manage its own exposure to fluctuations in interest and foreign exchange rates. These financial instruments include commitments to extend credit, foreign exchange contracts, standby letters of credit, and interest rate swaps. These instruments involve, to varying degrees, elements of credit and

interest rate risk in excess of the amount recognized in the statements of condition. The contract or notional amounts of those instruments reflect the extent of involvement Bancorp has in particular classes of financial instruments. The FASB has segregated certain of these off-balance sheet financial instruments which include foreign exchange and interest rate swap type of instruments, as derivative financial instruments. FASB has further categorized these derivative financial instruments into "held or issued for purposes other than trading" or "trading." Bancorp has not utilized these derivative financial instruments for trading purposes.

Bancorp's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. Bancorp uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

For derivative financial instruments, the contract or notional amounts do not represent exposure to credit loss. Bancorp controls the credit risk of these instruments through credit approvals, limits, and monitoring procedures.

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BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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

Traditional Off Balance Sheet Risk Instruments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any terms or conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments may expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements. Bancorp 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. Collateral held varies, but may include cash, accounts receivable, inventory, and property, plant, and equipment.

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

Derivative Financial Instruments Held or Issued for Other Than Trading

Foreign exchange contracts are contracts for delayed delivery of 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 exchange rates and interest rates. Collateral is generally not required for these transactions. Net revenue (loss) on foreign exchange contracts totaled \$0.3 million, \$0.2 million and \$1.2 million for 1995, 1994 and 1993, respectively.

Bancorp enters into various interest-rate swaps in managing its interest-rate risk. In these arrangements, Bancorp agrees to exchange, at specified intervals, the difference between fixed- and floating-interest amounts calculated on an agreed-upon notional principal amount. Bancorp used swap agreements to effectively convert portions of its floating rate loans to a fixed rate basis. These swap transactions allowed Bancorp to better match the

funding source which is a portion of Bancorp's core deposit base. The core deposit base, although subject to immediate withdrawal, displays a longer term fixed character. At December 31, 1995, \$1.1 billion of such "receive-fixed" swaps were in effect. In addition, Bancorp had entered into "pay fixed" swap agreements, prior to 1994, that effectively converted a portion of its floating rate liabilities to a fixed rate basis. These swap transactions were entered into to fix the funding costs for specific term loans. At December 31, 1995, \$18.8 million of such "pay fixed" swaps were in effect. The net amount payable or receivable from interest-rate swap agreements is accrued as an adjustment to interest income. The related amount payable or receivable from counterparties is included in accrued interest payable or receivable. The fair value of the swap agreements are not recognized in the financial statements.

Bancorp's current credit exposure on swaps is equal to the market value of the interest-rate swaps plus or minus the market value of any collateral exchanged with swap counterparties. The aggregate credit exposure on swaps at year-end 1995 was \$2.6 million. At December 31, 1995, the market value of pay fixed interest-rate swaps was \$(7.9) million and the market value of receive fixed interest-rate swaps was \$(0.4) million. The market value of all positions at year-end 1995 was \$(8.3) million compared with \$(91.4) million at year-end 1994. Net revenue (expense) on interest rate swap agreements totaled \$(11.7) million, \$7.7 million and \$14.1 million for 1995, 1994 and 1993, respectively.

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The table below summarizes by notional amounts the activity for each major category of swaps in 1995. Bancorp had no deferred gains or losses relating to terminated swap contracts in 1995.

	RECEIVE FIXED	PAY FIXED
	-----	-----
	(IN THOUSANDS OF DOLLARS)	
Balance, December 31, 1992.....	\$ 150,000	\$ 35,476
Additions.....	1,250,000	100,000
Maturities/amortizations.....	(121,231)	(15,655)
	-----	-----
Balance, December 31, 1993.....	\$1,278,769	\$119,821
Additions.....	350,000	--
Maturities/amortizations.....	(156,719)	(524)
	-----	-----
Balance, December 31, 1994.....	\$1,472,050	\$119,297
Additions.....	--	--
Maturities/amortizations.....	(376,814)	(100,524)
	-----	-----
Balance, December 31, 1995.....	\$1,095,236	\$ 18,773
	=====	=====

The approximate annual maturities of swap agreements outstanding as of December 31, 1995 were:

NOTIONAL PRINCIPAL EXPECTED TO MATURE IN					

1996	1997	1998	1999	2000	TOTAL

(IN THOUSANDS OF DOLLARS)

Pay-Fixed Interest Rate

Swaps:

Fixed Maturity.....	\$ 15,000	\$ --	\$ --	\$ --	\$--	\$ 15,000
Pay Rate.....	8.35%	--	--	--	--	
Receive Rate.....	5.51%	--	--	--	--	
Amortizing(1).....	3,773	--	--	--	--	3,773
Pay Rate.....	7.49%	--	--	--	--	
Receive Rate.....	5.63%	--	--	--	--	

Receive-Fixed Interest

Rate Swaps:

Fixed Maturity.....	\$260,000	\$140,000	\$100,000	\$ --	\$--	\$500,000
Pay Rate.....	5.61%	--	--	--	--	
Receive Rate.....	5.26%	5.15%	5.14%	--	--	
Amortizing(1).....	262,362	166,960	133,115	32,799	--	595,236
Pay Rate.....	5.68%	--	--	--	--	
Receive Rate.....	5.15%	5.17%	5.21%	5.28%	--	

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

NOTE P--FAIR VALUES OF FINANCIAL INSTRUMENTS

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

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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

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

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

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

inherent in the loan.

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

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

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

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

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BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The following table presents the fair values of Bancorp's financial instruments at December 31, 1995, 1994 and 1993.

	1995		1994		1993	
	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).....	\$7,565,800	\$7,741,700	\$7,327,700	\$7,364,800	\$6,704,100	\$6,901,000
Investment Securities						
(2).....	3,360,200	3,366,300	3,150,900	3,101,600	3,647,000	3,684,800
Other Financial Assets						
(3).....	905,300	905,300	794,900	794,900	969,800	969,800
FINANCIAL INSTRUMENTS--						
LIABILITIES						
Deposits.....	7,576,800	7,627,600	7,115,100	7,055,900	7,005,000	7,019,700
Short Term Borrowings						
(4).....	3,190,800	3,190,800	3,340,300	3,340,300	3,833,400	3,833,400
Long Term Debt (5)....	1,057,900	1,053,500	856,500	821,300	378,200	400,200
FINANCIAL INSTRUMENTS--						
OFF-BALANCE SHEET						
Financial Instruments						
Whose Contract						
Amounts Represent						
Credit Risk:						
Commitments to						
Extend Credit.....	3,615,188	9,582	3,187,455	9,548	2,692,081	8,113
Standby Letters of						
Credit.....	224,398	4,224	233,276	4,416	245,383	4,599
Commercial Letters						
of Credit.....	244,776	374	144,319	210	102,349	177
Financial Instruments						
Whose Notional or						
Contract Amounts						

Exceed the Amount of Credit Risk:						
Foreign Exchange and Swap Contracts.....	510,759	1,203	285,390	229	339,882	61
Interest Rate Swap Agreements.....	1,114,009	(8,310)	1,591,347	(91,420)	1,398,590	(277)

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

BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE Q--PARENT COMPANY FINANCIAL STATEMENTS

Condensed financial statements of Bancorp Hawaii, Inc. (Parent only) follow:

Condensed Statements of Income

	YEARS ENDED DECEMBER 31,		
	1995	1994	1993
	(IN THOUSANDS OF DOLLARS)		
Dividends From			
Bank Subsidiaries.....	\$ 44,426	\$ 69,416	\$ 36,599
Other Subsidiaries.....	7,000	34,000	39,500
Interest Income			
From Subsidiaries.....	6,059	4,873	3,219
From Others.....	939	1,029	824
Other Income.....	48	47	77
Securities Gains (Losses).....	136	10	(67)
Total Income.....	58,608	109,375	80,152
Interest Expense.....	7,110	6,505	5,914
Other Expense.....	6,015	7,323	6,532
Total Expense.....	13,125	13,828	12,446
Income Before Income Taxes and Equity in Undistributed Income of Subsidiaries.....	45,483	95,547	67,706
Income Tax Benefits.....	2,484	2,084	2,427
Income Before Equity in Undistributed Income.....	47,967	97,631	70,133
Equity in Undistributed Income of Subsidiaries			
Bank Subsidiaries.....	61,372	32,044	79,310
Other Subsidiaries.....	12,461	(11,937)	(16,876)
	73,833	20,107	62,434
Net Income.....	\$121,800	\$117,738	\$132,567

Condensed Statements of Condition

DECEMBER 31,

1995 1994 1993

(IN THOUSANDS OF DOLLARS)

Assets

Cash in Bank of Hawaii.....	\$ 245	\$ 160	\$ 188
Investment Securities Available for Sale....	12,740	1,503	1,008
Equity in Net Assets of Bank Subsidiaries...	881,160	788,864	774,493
Equity in Net Assets of Other Subsidiaries..	147,491	134,810	147,719
Interest Bearing Deposits from Bank.....	89,446	79,200	146,700
Net Loans.....	12,638	12,963	16,364
Trading Securities.....	--	472	876
Other Assets.....	54,006	84,367	55,160

Total Assets.....	\$1,197,726	\$1,102,339	\$1,142,508
	=====	=====	=====

Liabilities and Shareholders' Equity

Commercial Paper and Short-Term Borrowings..	\$ 74,559	\$ 69,114	\$ 141,627
Long-Term Debt.....	60,000	55,000	50,000
Other Liabilities.....	8,731	11,437	12,777
Shareholders' Equity.....	1,054,436	966,788	938,104

Total Liabilities and Shareholders' Equity.....	\$1,197,726	\$1,102,339	\$1,142,508
	=====	=====	=====

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BANCORP HAWAII, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONCLUDED)

Condensed Statements of Cash Flows

YEARS ENDED DECEMBER 31,

1995 1994 1993

(IN THOUSANDS OF DOLLARS)

Operating Activities

Net Income.....	\$121,800	\$ 117,738	\$ 132,567
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities.....			
Provision for Loan Losses and Amortization Expense.....	3,943	4,730	4,301
Undistributed Income from Subsidiaries.....	(73,833)	(20,107)	(62,434)
Net Decrease (Increase) in Trading Securities.....	472	403	(876)
Other Assets and Liabilities, Net.....	23,052	(35,349)	(4,432)

Net Cash Provided by Operating Activities.....	75,434	67,415	69,126
--	--------	--------	--------

Investing Activities

Investment Securities Transactions, Net.....	(9,800)	--	--
Securities Purchased Under Agreements to Resell, Net.....	--	--	63,900
Interest Bearing Deposits, Net.....	(10,246)	67,500	(146,700)
Loan Transactions, Net.....	411	3,214	3,852

Capital Contributions to Subsidiaries, Net...	17	(249)	(175)
Repayments from Subsidiaries, Net.....	--	--	18,000
	-----	-----	-----
Net Cash Provided (Used) by Investing Activities.....	(19,618)	70,465	(61,123)
Financing Activities			
Net Proceeds (Repayments) from Borrowings....	10,445	(67,513)	17,610
Proceeds from Sale of Stock.....	19,023	18,016	14,866
Stock Repurchased.....	(40,004)	(44,297)	(2,052)
Cash Dividends Paid.....	(45,195)	(44,114)	(38,413)
	-----	-----	-----
Net Cash Used by Financing Activities....	(55,731)	(137,908)	(7,989)
Increase (Decrease) in Cash.....	85	(28)	14
Cash at Beginning of Year.....	160	188	174
	-----	-----	-----
Cash at End of Year.....	\$ 245	\$ 160	\$ 188
	=====	=====	=====

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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 from various pages of Bancorp Hawaii, Inc. Proxy Statement for the annual meeting of shareholders to be held on April 26, 1996, as summarized below:

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Election of Directors on pages 2-6.

Disclosure of Compliance with section 16 (a) of the Securities Exchange Act on page 7.

ITEM 11. EXECUTIVE COMPENSATION

Executive Compensation on pages 9-14.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Voting Securities and Principal Holders Thereof and Election of Directors on pages 1-7.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Management and Others on pages 20-22.

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 Bancorp Hawaii, Inc. and subsidiaries are included in Item 8:

Consolidated balance sheets--December 31, 1995, 1994, and 1993

Consolidated statements of income--Years ended December 31, 1995, 1994, and 1993

Consolidated statements of shareholders' equity--Years ended
December 31, 1995, 1994, and 1993

Consolidated statements of cash flows--Years ended December 31,
1995, 1994, and 1993

Notes to consolidated financial statements--December 31, 1995

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.

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EXHIBIT INDEX

The following exhibits are submitted herewith:

EXHIBIT
NUMBER

- 3.1 Articles of Incorporation and By-laws (incorporated herein by reference to Exhibit #3 of Form 10-K for fiscal year ended December 31, 1990)
- 4.1 Instruments Defining the Rights of Holders of Long-Term Debt
- 10.1 Bancorp Hawaii, Inc., One-Year Incentive Plan Effective January 1, 1996
- 10.2 Bancorp Hawaii, Inc., One-Year Executive Incentive Plan Effective January 1, 1996
- 10.3 Bancorp Hawaii, Inc., Sustained Profit Growth Plan Effective January 1, 1996
- 10.4 Bancorp Hawaii, Inc. Key Executive Severance Plan dated April 27, 1983
- 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 Bancorp Hawaii, Inc. Stock Option Plan of 1994 (incorporated herein by reference to Exhibit 4(a) of Registration No. 33-54777)
- 10.8 Bancorp Hawaii, Inc. Sustained Profit Growth Plan Effective January 1, 1993 (incorporated herein by reference to Exhibit 10(b) of Bancorp Hawaii, Inc. Form 10K for the fiscal year ended December 31, 1993)
- 10.9 Bancorp Hawaii, Inc., One-Year Executive Incentive Plan Effective January 1, 1995 (incorporated herein by reference to Exhibit 10(b) of Form 10K for the fiscal year ended December 31, 1994)
- 10.10 Bancorp Hawaii, Inc., One-Year Incentive Plan Effective January 1, 1995 (incorporated herein by reference to Exhibit 10(a) of Form 10K for the fiscal year ended December 31, 1994)
- 10.11 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)
- 10.12 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)
- 10.13 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)
 - 10.14 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)
 - 10.15 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. Kuiuoka)
 - 10.16 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. Houle)

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- 11.1 Statement Regarding Computation of Per Share Earnings
- 21.1 Subsidiaries of the Registrant
- 23.1 Consent of Independent Auditors
- 27.1 Financial Data Schedule

(b) Registrant did not file a Form 8-K during the quarter ended December 31, 1995.

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

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

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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 22 on page 37.

Consolidated Average Balances, Income and Expense, and Yield and Rates--Taxable Equivalent--Table 13 on page 27.

Average Loans--Table 19 on page 35.

Average Deposits--Table 21 on page 36.

ITEM II. INVESTMENT PORTFOLIO

Note B to the Audited Financial Statements on page 49.

Maturity Distribution--Table 17 on page 34.

ITEM III. LOAN PORTFOLIO

Loan Portfolio Balances--Table 3 on page 13.

Interest Rate Sensitivity--Table 20 on page 35.

Non-Performing Assets and Accruing Loans Past Due 90 Days or More--
Table 6 on page 18.

Foregone Interest on Non-Accruals--Table 5 on page 17.

Potential Problem Loans--Narrative on page 23.

Geographic Distribution of International Assets--Table 10 on page 23.

ITEM IV. SUMMARY OF LOAN LOSS EXPERIENCE

Summary of Loan Loss Experience--Table 7 on page 20.

Allocation of Loan Loss Reserve--Table 8 on page 21.

Narrative on pages 18 to 19.

ITEM V. DEPOSITS

Consolidated Average Balances, Income and Expense, and Yield and
Rates--Taxable Equivalent--Table 13 on page 27.

Note E to the Audited Financial Statements on page 54.

ITEM VI. RETURN ON EQUITY AND ASSETS

	1995	1994	1993
	-----	-----	-----
Return on Assets.....	0.98%	0.93%	1.05%
Return on Equity.....	11.87%	12.13%	14.85%
Dividend Payout Ratio.....	37.24%	37.82%	29.37%
Equity to Assets Ratio.....	8.27%	7.71%	7.09%

ITEM VII. SHORT-TERM BORROWINGS

Note F to the Audited Financial Statements on pages 55 and 56.

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: February 27, 1996

Bancorp Hawaii, Inc.

/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: February 27, 1996

/s/ Lawrence M. Johnson

Lawrence M. Johnson
Director

/s/ Peter D. Baldwin

Peter D. Baldwin
Director

/s/ Mary G. F. Bitterman

Mary G. F. Bitterman
Director

/s/ Richard J. Dahl

Richard J. Dahl
Director

/s/ David A. Heenan

David A. Heenan
Director

/s/ Stuart T. K. Ho

Stuart T. K. Ho
Director

/s/ Herbert M. Richards, Jr.

Herbert M. Richards, Jr.
Director

/s/ H. Howard Stephenson

H. Howard Stephenson
Director

/s/ Fred E. Trotter

Fred E. Trotter
Director

/s/ Charles R. Wichman

Charles R. Wichman
Director

/s/ K. Tim Yee

K. Tim Yee
Director

/s/ David A. Houle

David A. Houle
Chief Financial Officer

/s/ Denis K. Isono

Denis K. Isono
Chief Accounting Officer

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.

BANCORP HAWAII, INC.

ONE-YEAR INCENTIVE PLAN

EFFECTIVE JANUARY 1, 1996

SECTION 1. ESTABLISHMENT AND PURPOSES.

1.01 Bancorp Hawaii, Inc. hereby establishes the 1996 One-Year Incentive Plan.

1.02 The purpose of this Plan is to advance the interests of Bancorp Hawaii, Inc. by (i) motivating special achievements by Eligible Employees upon whose judgment, initiative and efforts Bancorp Hawaii, Inc. 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 Bancorp Hawaii, Inc. in retaining and attracting such employees.

1.03 This Plan shall be effective as of January 1, 1996 with the term ending December 31, 1996.

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 "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 2.04. 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, if any, of the Holding Company.

The Committee will, in its sole discretion, determine any adjustments to be made pursuant to this Section 2.04. 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.

2.05 "Eligible Employees" shall mean Key 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.

2.06 "Ending Value" shall be the amount as defined in Section 6.01.

2.07 "Ending Value Multiplier", with respect to any Contingent Award, shall mean an amount determined by multiplying the Financial Performance Factor times the Individual Performance Factor.

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2.08 "Financial Performance Factor" shall mean an amount ranging from zero to 1.4, as determined by applying the Performance Matrix as described in Section 6 (or, in certain events, of Section 9.02 or Section 12) of the Plan.

2.09 "Holding Company" shall mean Bancorp Hawaii, Inc.

2.10 "Incentive Period", with respect to any Contingent Award, shall mean the Holding Company's fiscal year 1996.

2.11 "Incentive Salary Expense" shall mean the pre-tax amount accrued for this Plan during the Incentive Period.

2.12 "Individual Performance Factor" shall mean an amount as determined by following the procedures described in Section 7 of the Plan.

2.13 "Key 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 as identified under Section 5.02. However, Key Employees shall not include participants of the Executive Officer One-Year Incentive Plan.

2.14 "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 in the same manner as EPS.

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

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

2.17 "Plan" shall mean this 1996 One-Year Incentive Plan, as it may be amended from time to time.

2.18 "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.

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

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

2.21 "Subsidiary" or "Subsidiaries" shall mean any corporation(s) in which the Holding Company or any Subsidiary (as defined hereby) owns, at the time of making a Contingent Award hereunder, stock possessing 50 percent or more of the total combined voting power of all classes of stock in such corporation.

SECTION 3. ELIGIBILITY.

3.01 Contingent Awards may be made only to Eligible Employees.

3.02 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.

SECTION 4. ADMINISTRATION.

4.01 The Plan shall be administered by the Committee.

4.02 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.

4.03 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 5. CONTINGENT AWARDS.

5.01 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 as soon as practicable following the making of a Contingent Award.

5.02 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 table below.

	CONTINGENT AWARD AS A % OF SALARY -----
BANK OF HAWAII OFFICERS	
Group Head.....	40%
Division Manager.....	35%
Other.....	10%-30%
Other Subsidiary Officers.....	30%

5.03 The Contingent Award shall be determined by multiplying the Participant's Salary times the percentage specified for him or her by the Committee. 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 \$80,000 and the Contingent Award awarded to such Participant is 30%, the Contingent Award is \$24,000. In this example, the maximum payout under this Plan is two times the Contingent Award, or \$48,000.

SECTION 6. ENDING VALUE OF CONTINGENT AWARD.

6.01 The Ending Value of a Contingent Award shall be determined by multiplying the Contingent Award by the Ending Value Multiplier.

6.02 The Ending Value Multiplier is the product of the Financial Performance Factor (determined from the Performance Matrix in this Section 6) times the Individual Performance Factor (determined in accordance with Section 7 of the Plan).

6.03 The maximum Ending Value Multiplier under all circumstances is 2.000.

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6.04 Performance Matrix:

FINANCIAL PERFORMANCE FACTOR

R	1.10%	0.8	1.0	1.2	1.4	1.4
O	1.05%	0.7	0.9	1.1	1.3	1.4
A	1.00%	0.6	0.8	1.0	1.2	1.4
A	0.95%	0.5	0.7	0.9	1.1	1.3
	0.90%	0.4	0.6	0.8	1.0	1.2
		\$ 2.93	\$2.99	\$3.05	\$3.11	\$3.17

EARNINGS PER SHARE

6.05 Interpolation shall be made on a straight line basis as calculated by the Controllers Division. In certain unusual cases, either ROAA or Earnings Per Share may be below 0.90% and \$2.93 respectively. Proration will still be performed if at least one of these factors is within the range indicated on the Performance Matrix.

SECTION 7. INDIVIDUAL PERFORMANCE.

7.01 After the Financial Performance Factor is calculated under the provisions of Section 6, the Individual Performance Factor will be established based on individual performance. This step shall appraise each Participant's performance of 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:

- A. 1996 Individual Performance Objectives.
- 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. Participants whose individual performance is evaluated as "Below Expectations" will not be eligible for a payout under the conditions of the Plan.

7.02 The Chairman and the President shall recommend an Individual Performance Factor for each Participant to the Committee. Individual Performance Factors will normally range from zero to a maximum of 1.4. 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 as computed and adjusted in accordance with Sections 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 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 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.

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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 EMPLOYMENT.

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, the Committee shall determine the cash payment to be made with respect to such Participant under the following method:

Salary shall be the year to date actual salary annualized prior to the Participant's death, disability, or retirement. The Ending Value of the Contingent Award calculated under Sections 6, 7, and 8 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.

In the event of a dissolution or liquidation of the Holding Company, or a merger or consolidation in which the Holding Company is not the surviving corporation, 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 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.

Exhibit 10.2

BANCORP HAWAII, INC.
EXECUTIVE OFFICER ONE-YEAR INCENTIVE PLAN

(Operating Document Effective January 1, 1996)

SECTION 1. ESTABLISHMENT AND PURPOSES.

1.01 Bancorp Hawaii, Inc. hereby establishes the Executive Officer One-Year Incentive Plan.

1.02 The purpose of this Plan is to advance the interests of Bancorp Hawaii, Inc. by (i) motivating special achievements by Eligible Employees upon whose judgment, initiative and efforts Bancorp Hawaii, Inc. 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 Bancorp Hawaii, Inc. in retaining and attracting such employees.

1.03 This Plan shall be effective as of January 1, 1996 and shall operate on the basis of the current and succeeding Incentive Periods until such time the Plan is amended or terminated under Section 10. 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 expressed as a percentage of Salary for the Incentive Period.

2.04 "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 2.04. 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, if any, of the Holding Company.

The Committee will, in its sole discretion, determine any adjustments to be made pursuant to this Section 2.04. 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.

2.05 "Eligible Employees" shall mean Key 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.

2.06 "Ending Value" shall be the amount as defined in Section 6.01.

2.07 "Ending Value Multiplier", with respect to any Contingent Award, shall mean an amount determined by the Financial Performance Factor.

2.08 "Financial Performance Factor" shall mean an amount ranging from zero to 2.0, as determined by applying the Performance Matrix as described in Section 6 (or, in certain events, of Section 8.02 or Section 11) of the Plan.

2.09 "Holding Company" shall mean Bancorp Hawaii, Inc.

2.10 "Incentive Period", with respect to any Contingent Award, shall mean the Holding Company's fiscal year 1996, and each succeeding fiscal year.

2.11 "Incentive Salary Expense" shall mean the pre-tax amount accrued for this Plan during the Incentive Period.

2.12 "Key Employees" shall mean executive officers as identified under Section 5.02.

2.13 "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 in the same manner as EPS.

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

2.15 "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 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.

2.17 "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.

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2.18 "Return on Average Assets" (ROAA) shall mean Net Income of the Holding Company for the Incentive Period divided by Average Total Assets for the Incentive Period. Average Total Assets shall be as 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, at the time of making a Contingent Award hereunder, stock possessing 50 percent or more of the total combined voting power of all classes of stock in such corporation.

SECTION 3. ELIGIBILITY.

3.01 Contingent Awards may be made only to Eligible Employees.

3.02 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.

SECTION 4. ADMINISTRATION.

4.01 The Plan shall be administered by the Committee.

4.02 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.

4.03 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.

4.04 With respect to any Incentive Period, the Performance Matrix described in Section 6.04 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 5. CONTINGENT AWARDS.

5.01 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 as soon as practicable following the making of a Contingent Award.

5.02 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 table below.

BANK OF HAWAII OFFICERS	CONTINGENT AWARD
-----	AS A % OF SALARY
Chairman of the Board/CEO	-----
	50%

5.03 The Contingent Award shall be determined by multiplying the Participant's Salary times the percentage specified for him or her by the Committee. 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 \$80,000 and the Contingent Award awarded to such Participant is 30%, the Contingent Award is \$24,000. In this example, the maximum payout under this Plan is two times the Contingent Award, or \$48,000.

5.04 For the named executive officers, 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 the named executive officers. An adjustment under this Section 5.04 may be made prior to a final determination of the award under Section 7.

SECTION 6. ENDING VALUE OF CONTINGENT AWARD.

6.01 The Ending Value of a Contingent Award shall be determined by multiplying the Contingent Award by the Ending Value Multiplier.

6.02 The Ending Value Multiplier is the Financial Performance Factor (determined from the Performance Matrix in this Section 6).

6.03 The maximum Ending Value Multiplier under all circumstances is 2.000.

6.04 Performance Matrix:

	FINANCIAL PERFORMANCE FACTOR					
R	1.10%	0.9	1.1	1.4	2.0	2.0
O	1.05%	0.8	1.0	1.3	1.7	2.0
A	1.00%	0.6	0.9	1.2	1.6	2.0
A	0.95%	0.5	0.7	1.1	1.4	1.7
	0.90%	0.4	0.6	1.0	1.3	1.6
		\$2.93	\$2.99	\$3.05	\$3.11	\$3.17
		EARNINGS PER SHARE				

6.05 Interpolation shall be made on a straight line basis as calculated by the Controllers Division. In certain unusual cases, either ROAA or Earnings Per Share may be below 0.90% and \$2.93 respectively. Proration will still be performed if at least one of these factors is within the range indicated on the Performance Matrix.

SECTION 7. DETERMINATION AND PAYMENT OF AWARDS.

7.01 If the Ending Value as computed and adjusted in accordance with Sections 6 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 Section 6. 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, the Committee shall determine the cash payment to be made with respect to such Participant under the following method:

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Salary shall be the year to date actual salary annualized prior to the Participant's death, disability, or retirement. The Ending Value of the Contingent Award calculated under Sections 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 7.02.

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 merger or consolidation in which the Holding Company is not the surviving corporation, 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 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

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 12. 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.

Exhibit 10.3

BANCORP HAWAII, INC.
SUSTAINED PROFIT GROWTH PLAN

(Operating Document Effective January 1, 1996)

SECTION 1. ESTABLISHMENT AND PURPOSES.

1.01 Bancorp Hawaii, Inc. hereby establishes the Sustained Profit Growth Plan.

1.02 The purpose of this Plan is to advance the interests of Bancorp Hawaii, Inc. by (i) motivating special achievements by Eligible Employees upon whose judgment, initiative and efforts Bancorp Hawaii, Inc. 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 Bancorp Hawaii, Inc. in retaining and attracting such employees.

1.03 This Plan shall be effective as of January 1, 1996 and shall operate on the basis of the current and succeeding Incentive Periods until such time the Plan is amended or terminated under Section 11. 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 Key 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.

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, if any, of the Holding Company.

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 6.01.

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 6 (or in certain events, Section 9.02 or Section 12) of the Plan.

2.10 "Holding Company" shall mean Bancorp Hawaii, Inc.

2.11 "Incentive Period", with respect to any Contingent Award, shall mean the Holding Company's fiscal years 1996 through 1998 inclusive, and each annually succeeding three fiscal year period inclusive.

2.12 "Incentive Salary Expense" shall mean the pre-tax amount accrued for this Plan and any other sustained profit growth plans of the Holding Company during the Incentive Period.

2.13 "Key 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.

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

2.15 "Performance Matrix" shall mean the matrix shown in Section 6 by which is used in calculating Ending Value Multipliers under this Plan.

2.16 "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.

2.17 "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 Equity" (ROAE) shall mean Net Income of the

Holding Company for the Incentive Period divided by Average Total Equity for the Incentive Period. Average Total Equity shall be as reported in the Holding Company's annual report to shareholders (or as otherwise reported to shareholders) less the average amount of any preferred stock.

2.19 "Salary" shall mean base salary only.

2.20 "Subsidiary" or "Subsidiaries" shall mean any corporation(s) in which the Holding Company or any Subsidiary (as defined hereby) owns, at the time of making a Contingent Award hereunder, stock possessing 50 percent or more of the total combined voting power of all classes of stock in such corporation.

SECTION 3. ELIGIBILITY.

3.01 Contingent Awards may be made only to Eligible Employees.

3.02 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.

SECTION 4. ADMINISTRATION.

4.01 The Plan shall be administered by the Committee.

4.02 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.

4.03 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.

4.04 With respect to any Incentive Period, the Performance Matrix described in Section 6.02 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 5. CONTINGENT AWARDS.

5.01 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 as soon as practicable following the making of a Contingent Award.

5.02 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 table below.

HOLDING COMPANY/ BANK OF HAWAII OFFICERS -----	CONTINGENT AWARD AS A % OF SALARY -----
Chairman of the Board/CEO	40%
President or Vice Chairman	35%
Executive Vice President	30%
Senior Vice President	25%
 OTHER SUBSIDIARY OFFICERS -----	 25%

5.03 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 6. ENDING VALUE OF CONTINGENT AWARD.

6.01 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 6.02.

6.02 Ending Value Multiplier:

*ROAE	EARNINGS GROWTH RATE				
	10%	15%	20%	25%	30%
18%	1.00	1.25	1.50	1.75	2.00
17%	0.82	1.07	1.32	1.57	1.82
16%	0.65	0.90	1.15	1.40	1.65
15%	0.48	0.73	0.98	1.23	1.48
14%	0.32	0.57	0.82	1.07	1.32
13%	0.16	0.41	0.66	0.91	1.16
12%	0.00	0.25	0.50	0.75	1.00

* ROAE is the weighted average return on average equity for each of the three years comprising the incentive period.

6.03 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 7. 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 8. DETERMINATION AND PAYMENT OF AWARDS.

8.01 If the Ending Value as computed and adjusted in accordance with Sections 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 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 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

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a deferral and may determine the conditions of such deferral at the Committee's sole discretion.

SECTION 9. TERMINATION OF EMPLOYMENT.

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, the Committee shall determine the cash payment to be made with respect to such Participant under the following method:

The Contingent Award payable, if any, shall be based on the average annual salary of the Participant for the shortened incentive period ending on the date of the Participant's death, disability, or retirement. The Ending Value of the Contingent Award calculated under Sections 6, 7, and 8 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 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.

In the event of a dissolution or liquidation of the

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Holding Company, or a merger or consolidation in which the Holding Company is not the surviving corporation, 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 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 36. 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.

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Exhibit 10.4

BANCORP HAWAII, INC.
KEY EXECUTIVE SEVERANCE PLAN

1. Purpose. The purpose of this Plan, which takes effect as of April 27, 1983, is to assure Bancorp Hawaii, Inc. ("Bancorp") that it will have the continued dedication of, and the availability of objective advice and counsel from, key executives of Bancorp and its subsidiary, Bank of Hawaii, notwithstanding the possibility or occurrence of a bid to take over control of Bancorp. In the event that Bancorp receives any such bids, the Board of Directors believes it imperative that Bancorp and its shareholders be able to rely upon such key executives to continue in their positions so that business will be unaffected and such key executives will be available to advise, if asked, as to whether such bids would be in the best interests of Bancorp and its shareholders, and to take such actions as the Board might deem appropriate, without concern that those individuals might be distracted by the personal uncertainties and risks created by such a bid.

2. Plan Participants. Participants under this Plan shall consist of those executives of Bancorp and its subsidiary, Bank of Hawaii (the "Bank"), who are from time to time designated by the Board of Directors (acting on the advice of the Compensation Committee of the Board) as "key executives" to be included within this Plan. A Participant whom the Board determines has ceased to be a "key executive" for purposes of this Plan shall cease to be a Participant in the Plan when notified in writing by the Board of such determination; provided, however, a determination that a Participant has ceased to be such a key executive may not be made, and if made shall have no effect, (i) during any period of time when Bancorp has knowledge that any third party has taken steps reasonably calculated to effect a Change of Control (as defined herein) until, in the opinion of the Board, such third party has abandoned or terminated its efforts to effect a change of control or (ii) within two years after a Change of Control.

3. Severance Agreements. A Severance Agreement shall be executed by Bancorp and each Participant and shall provide for the following benefits in the event of termination of the Participant's employment with Bancorp or the Bank for any reason (whether voluntary or involuntary, other than as a consequence of death, disability, or retirement at or after the normal retirement date under the Employees' Retirement Plan of Bank of Hawaii (the "Retirement Plan"))

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within two years after a Change of Control: (i) a cash payment will be made in an amount equal to three times the Participant's highest compensation (consisting of salary, bonuses and incentive compensation) paid or payable for any 12 consecutive month period during the three years immediately preceding such termination; (ii) special, unfunded, nonqualified retirement benefits for those Participants who would have qualified for benefits under the Retirement Plan if they had remained in the employ of Bancorp or the Bank for an additional period of three years; (iii) other fringe benefits which the Executive received immediately prior to such termination will be continued, or equivalent benefits will be provided, for a period of three years following termination; and (iv) such other arrangements will be made as the Board of Directors deems appropriate.

4. Options and Rights. In the event of a Change of Control of Bancorp, outstanding stock options and stock appreciation rights, if any, will become immediately exercisable for a period of 30 days following the date of such Change of Control.

5. Additional Terms. The Severance Agreement to be entered into pursuant to this Plan may contain such other terms and conditions not

inconsistent with this Plan as shall be determined by the Board of Directors.

6. Non-Assignability. Each Participant's rights under this Plan shall be non-transferable except by will or the laws of descent and distribution.

7. Definition of Change of Control. A "Change of Control" shall be deemed to have taken place if: (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 stock of Bancorp having 25% or more of the total number of votes that may be cast for the election of directors of Bancorp; 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 Bancorp before the transaction shall cease to constitute a majority of the Board of Directors of Bancorp or any successor to Bancorp; or (iii) a majority of the Board of Directors determines in good faith that a "Change of Control" is imminent.

8. Plan Funding. The Plan shall not be funded. Neither Bancorp nor the Board of Directors shall be required to segregate any assets with respect to benefits under the

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Plan. Neither Bancorp nor the Directors shall be deemed to be a trustee of any amounts to be paid under the Plan. Any liability of Bancorp to any Participant with respect to any benefit shall be based solely upon any contractual obligations created by the Plan and the related Severance Agreement, and no obligation under the Plan shall be deemed to be secured by any pledge or any encumbrance on any property of Bancorp, the Bank, or any subsidiary of either.

9. Termination and Amendment of this Plan. The Board of Directors of Bancorp shall have power at any time, in its discretion, to amend or terminate this Plan, in whole or in part; provided, however, that no amendment or termination shall alter the obligations of Bancorp under any Severance Agreement previously entered into pursuant to this Plan.

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Exhibit 11.1

Bancorp Hawaii, Inc.
Statement Regarding Computation of Per Share Earnings
Years Ended December 31

	Primary -----	Fully Diluted -----
1995		
Net Income	\$121,800,000	\$121,800,000
	=====	=====
Daily Average Shares Outstanding	41,662,939	41,662,939
Shares Assumed Issued for Stock Options	364,517	399,005
	-----	-----
	42,027,456	42,061,944
	=====	=====
Earnings Per Common Share and Common Share Equivalents	\$2.90	\$2.90
	=====	=====
1994		
Net Income	\$117,738,000	\$117,738,000
	=====	=====
Daily Average Shares Outstanding	42,356,253	42,356,253
Shares Assumed Issued for Stock Options	468,278	468,278
	-----	-----
	42,824,531	42,824,531
	=====	=====
Earnings Per Common Share and Common Share Equivalents	\$2.75	\$2.75
	=====	=====
1993		
Net Income	\$132,567,000	\$132,567,000
	=====	=====
Daily Average Shares Outstanding	42,413,637	42,413,637
Shares Assumed Issued for Stock Options	554,153	554,153
	-----	-----
	42,967,790	42,967,790
	=====	=====
Earnings Per Common Share and Common Share Equivalents	\$3.09	\$3.09
	=====	=====

Exhibit 21.1

BANCORP HAWAII, INC.
SUBSIDIARIES OF THE REGISTRANT

Bancorp's organizational structure at December 31, 1995 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.

BANCORP HAWAII, INC. (Parent)
Bank Holding Company

Subsidiaries:

BANCORP HAWAII INSURANCE SERVICES, LTD.
BANCORP HAWAII SMALL BUSINESS INVESTMENT COMPANY, INC.
BANCORP INSURANCE AGENCY OF HAWAII, INC.
BANCORP LIFE INSURANCE COMPANY OF HAWAII, INC.
FIRST NATIONAL BANK OF ARIZONA
BANCORP PACIFIC, INC.

Subsidiaries:

First Federal Savings & Loan Association of America
First Savings & Loan Association of America (Guam)

Subsidiary:

Bancorp Finance of Hawaii-Guam, Inc.

BANK OF HAWAII

Subsidiaries:

Bank of Hawaii International Corp., New York - (Edge Act Office)
Bank of Hawaii International, Inc. - (Foreign Holding Company)
Bancorp Investment Group, Ltd.
Bancorp Leasing of Hawaii, Inc. (Parent) - (Leasing)

Subsidiaries:

Arbella Leasing Corp.
Bancorp Leasing International, Inc.

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Bancorp Leasing of America, Inc.
Bankoh Equipment Leasing Corp.
BNE Airfleets Corporation
S.I.L., Inc.

Bankoh Corporation (fka Hawaiian Hong Kong Holdings, Ltd.)

Bankoh Investment Advisory Services, Ltd. - (Advisory Services)

Hawaiian Trust Company, Limited - (Trust Services)

Pacific Capital Asset Management, Inc. - (Investment Advisory Services)

Pan-Ocean Insurance Agency, Inc. - (Insurance)

Realty and Mortgage Investors of the Pacific, Ltd. - (Real Estate Lending)

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 and 33-57267) and (Form S-3 Nos. 33-25036, 33-44395 and 33-54775) of Bancorp Hawaii, Inc. and subsidiaries of our report dated January 22, 1996, with respect to the consolidated financial statements of Bancorp Hawaii, Inc. and subsidiaries included in this Annual Report (Form 10-K) for the year ended December 31, 1995.

/s/ ERNST & YOUNG, LLP

Honolulu, Hawaii
February 27, 1996

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