UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2001

or

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

Commission File Number 1-6887

PACIFIC CENTURY FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	99-0148992
(State of incorporation)	(IRS Employer Identification No.)
130 Merchant Street, Honolulu, Hawaii	96813
(Address of principal executive offices)	(Zip Code)

(808) 537-8430

(Registrant's telephone number, including area code)

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

Yes [X] No [_]

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

Common Stock, $.01 Par Value; outstanding at April 30, 2001 - 79,936,486 shares

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Pacific Century Financial Corporation and Subsidiaries

Part I. - Financial Information

Item 1. Financial Statements (Unaudited)

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

(in thousands of dollars)	March 31 2001	December 31 2000	March 31 2000
Assets			
Interest-Bearing Deposits	$411,070	$188,649	$225,314
Investment Securities - Held to Maturity			
(Market Value of $665,722; $676,621 and $721,620 respectively)	656,174	670,038	732,344
Investment Securities - Available for Sale	2,390,518	2,507,076	2,537,617
Securities Purchased Under Agreements to Resell	377	3,969	902
Funds Sold	84,732	134,644	42,208
Loans Held for Sale	308,605	179,229	115,160
Loans	8,683,416	9,489,061	9,664,473
Unearned Income	(258,445)	(253,903)	(237,764)
Allowance for Loan Losses	(199,800)	(246,247)	(195,409)
Net Loans	8,533,776	9,168,140	9,346,460
Total Earning Assets	12,076,647	12,672,516	12,884,845
Cash and Non-Interest Bearing Deposits	559,227	523,969	491,218
Premises and Equipment	251,746	254,621	267,497
Customers' Acceptance Liability	7,225	14,690	8,262
Accrued Interest Receivable	67,875	68,585	74,597
Other Real Estate	11,336	4,526	4,633
Intangibles, including Goodwill	186,313	192,264	202,832
Other Assets	550,306	282,645	316,502
Total Assets	$13,710,675	$14,013,816	$14,250,386
Liabilities			
Domestic Deposits			
Demand - Non-Interest Bearing	$1,685,149	$1,707,724	$1,708,635
- Interest Bearing	2,042,129	2,008,730	2,110,998
Savings	665,643	665,239	693,077
Time	2,948,232	2,836,083	2,759,319
Foreign Deposits			
Demand - Non-Interest Bearing	337,854	385,366	380,179
Time Due to Banks	390,395	535,126	398,176
Other Savings and Time	746,121	942,313	1,092,679
Total Deposits	8,815,523	9,080,581	9,143,063
Securities Sold Under Agreements to Repurchase	1,703,982	1,655,173	1,806,197
Funds Purchased	297,613	413,241	511,440
Short-Term Borrowings	278,786	211,481	424,720
Bank's Acceptances Outstanding	7,225	14,690	8,262
Accrued Retirement Expense	34,820	37,868	40,851
Accrued Interest Payable	64,113	72,460	66,456
Accrued Taxes Payable	164,893	130,766	103,826
Minority Interest	4,295	4,536	4,269
Other Liabilities	84,750	94,512	109,669
Long-Term Debt	882,733	997,152	805,726
Total Liabilities	12,338,733	12,712,460	13,024,479
Shareholders' Equity			
Common Stock ($.01 par value), authorized 500,000,000 shares; issued / outstanding; March 2001 - 80,558,704 / 79,863,450; December 2000 - 80,558,811 / 79,612,178; March 2000 - 80,551,253 / 79,661,479;	806	806	806
Capital Surplus	346,411	346,045	345,863
Accumulated Other Comprehensive Income	21,835	(25,079)	(72,307)
Retained Earnings	1,015,867	996,791	967,308
Treasury Stock, at Cost - (March 2001 - 695,254; December 2000 - 946,633; and March 2000 - 889,774)	(12,977)	(17,207)	(15,763)

Total Shareholders' Equity	1,371,942	1,301,356	1,225,907
Total Liabilities and Shareholders' Equity	$13,710,675	$14,013,816	$14,250,386

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

(in thousands of dollars except per share amounts)	3 Months Ended Mar 31 2001	3 Months Ended Mar 31 2000
Interest Income		
Interest on Loans	$180,173	$180,402
Loan Fees	10,903	8,246
Income on Lease Financing	6,857	7,979
Interest and Dividends on Investment Securities		
Taxable	11,636	14,236
Non-taxable	140	279
Income on Investment Securities Available for Sale	39,301	41,033
Interest on Deposits	5,214	3,764
Interest on Security Resale Agreements	38	10
Interest on Funds Sold	1,059	473
Total Interest Income	255,321	256,422
Interest Expense		
Interest on Deposits	72,019	68,214
Interest on Security Repurchase Agreements	24,630	22,953
Interest on Funds Purchased	6,123	8,527
Interest on Short-Term Borrowings	3,230	4,532
Interest on Long-Term Debt	15,314	12,688
Total Interest Expense	121,316	116,914
Net Interest Income	134,005	139,508
Provision for Loan Losses	52,466	13,522
Net Interest Income After Provision for Loan Losses	81,539	125,986
Non-Interest Income		
Trust and Asset Management Income	15,795	16,887
Service Charges on Deposit Accounts	9,940	9,557
Fees, Exchange, and Other Service Charges	20,782	21,626
Other Operating Income	13,410	15,575
Gain on Sale of Credit Card Portfolio	75,414	--
Investment Securities Gains	20,203	282
Total Non-Interest Income	155,544	63,927
Non-Interest Expense		
Salaries	47,883	47,547
Pensions and Other Employee Benefits	14,353	14,630
Net Occupancy Expense	12,124	11,816
Net Equipment Expense	13,379	12,067
Other Operating Expense	39,131	35,211
Goodwill Amortization	4,836	4,742
Restructuring and Other Related Costs	44,438	--
Minority Interest	79	69
Total Non-Interest Expense	176,223	126,082
Income Before Income Taxes	60,860	63,831
Provision for Income Taxes	27,183	24,066
Net Income	$33,677	$39,765
Basic Earnings Per Share	$0.42	$0.50
Diluted Earnings Per Share	$0.42	$0.50
Dividends Declared Per Share	$0.18	$0.17
Basic Weighted Average Shares	79,720,284	79,821,365
Diluted Weighted Average Shares	81,124,713	80,017,761

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

(in thousands of dollars)	Total	Common Stock	Capital Surplus	Accumulated Other Comprehensive Income
Balance at December 31, 2000	$1,301,356	$806	$346,045	($25,079)
Comprehensive Income				
Net Income	33,677	--	--	--
Other Comprehensive Income, Net of Tax				
Investment Securities, Net of Reclassification Adjustment	19,510	--	--	19,510
Foreign Currency Translation Adjustment	26,710	--	--	26,710
Pension Liability Adjustments	(159)	--	--	(159)
Stock Compensation	853	--	--	853

Total Comprehensive Income	$79,738			
Common Stock Issued				
18,317 Profit Sharing Plan	370	--	92	--
184,092 Stock Option Plan	3,000	--	114	--
34,904 Dividend Reinvestment Plan	700	--	163	--
893 Directors' Restricted Shares and Deferred Compensation Plan	288	--	(3)	--
Treasury Stock Purchased	--	--	--	--
Cash Dividends Paid	(14,363)	--	--	--
Balance at March 31, 2001	$1,371,942	$806	$346,411	$21,835
Balance at December 31, 1999	$1,212,330	$806	$345,851	($66,106)
Comprehensive Income				
Net Income	39,765	--	--	--
Other Comprehensive Income, Net of Tax				
Investment Securities, Net of Reclassification Adjustment	(7,630)	--	--	(7,630)
Foreign Currency Translation Adjustment	1,429	--	--	1,429
Pension Liability Adjustments	--	--	--	--
Total Comprehensive Income	$33,564			
Common Stock Issued				
22,377 Profit Sharing Plan	361	--	--	--
33,932 Stock Option Plan	398	--	3	--
78,723 Dividend Reinvestment Plan	1,123	--	--	--
525 Directors' Restricted Shares and Deferred Compensation Plan	9	--	9	--
Treasury Stock Purchased	(8,337)	--	--	--
Cash Dividends Paid	(13,541)	--	--	--
Balance at March 31, 2000	$1,225,907	$806	$345,863	($72,307)

	Retained Earnings	Treasury Stock	Comprehensive Income
Balance at December 31, 2000	$996,791	($17,207)	
Comprehensive Income			
Net Income	33,677	--	$33,677
Other Comprehensive Income, Net of Tax			
Investment Securities, Net of Reclassification Adjustment	--	--	19,510
Foreign Currency Translation Adjustment	--	--	26,710
Pension Liability Adjustments	--	--	(159)
Stock Compensation	--	--	853
Total Comprehensive Income			$79,738
Common Stock Issued			
18,317 Profit Sharing Plan	--	278	
184,092 Stock Option Plan	(238)	3,124	
34,904 Dividend Reinvestment Plan	--	537	
893 Directors' Restricted Shares and Deferred Compensation Plan	--	291	
Treasury Stock Purchased	--	--	
Cash Dividends Paid	(14,363)	--	
Balance at March 31, 2001	$1,015,867	($12,977)	
Balance at December 31, 1999	$942,177	($10,398)	
Comprehensive Income			
Net Income	39,765	--	$39,765
Other Comprehensive Income, Net of Tax			
Investment Securities, Net of Reclassification Adjustment	--	--	(7,630)
Foreign Currency Translation Adjustment	--	--	1,429
Pension Liability Adjustments	--	--	--
Total Comprehensive Income			$33,564
Common Stock Issued			
22,377 Profit Sharing Plan	(128)	489	
33,932 Stock Option Plan	(362)	757	
78,723 Dividend Reinvestment Plan	(603)	1,726	
525 Directors' Restricted Shares and Deferred Compensation Plan	--	--	
Treasury Stock Purchased	--	(8,337)	
Cash Dividends Paid	(13,541)	--	
Balance at March 31, 2000	$967,308	($15,763)	

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

Three Months ended March 31 (in thousands of dollars)	2001	2000
Operating Activities		
Net Income	$ 33,677	$ 39,765
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses, depreciation, and amortization	59,150	13,826
Deferred income taxes	(375)	(13,079)

Realized and unrealized investment security gains	(21,357)	(58)
Net adjustments to pension liability and stock compensation	694	-
Gain on sale of credit card portfolio	(75,414)	-
Other assets and liabilities, net	12,555	1,477
Net cash provided by operating activities	8,930	41,931
Investing Activities		
Proceeds from redemptions of investment securities held to maturity	33,650	66,605
Purchases of investment securities held to maturity	(19,786)	(2,627)
Proceeds from sales and maturities of investment securities available for sale	249,114	33,854
Purchases of investment securities available for sale	(78,682)	(41,898)
Net decrease (increase) in interest-bearing deposits	(222,421)	53,159
Net decrease in funds sold	53,504	9,630
Net decrease (increase) in loans and lease financing	380,140	(65,080)
Premises and equipment, net	(6,905)	(5,385)
Net cash provided by investing activities	388,614	48,258
Financing Activities		
Net decrease in demand, savings, and time deposits	(265,058)	(251,155)
Proceeds from lines of credit and long-term debt	2,024	100,024
Principal payments on lines of credit and long-term debt	(116,443)	(21,955)
Net increase (decrease) in short-term borrowings	486	(47,222)
Net Common Stock issued (repurchased)	4,358	(6,446)
Cash dividends	(14,363)	(13,541)
Net cash used by financing activities	(388,996)	(240,295)
Effect of exchange rate changes on cash	26,710	1,429
Increase (Decrease) in cash and non-interest bearing deposits	35,258	(148,677)
Cash and non-interest bearing deposits at beginning of year	523,969	639,895
Cash and non-interest bearing deposits at end of period	$ 559,227	$ 491,218

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

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Pacific Century Financial Corporation (Pacific Century) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the consolidated financial statements reflect all adjustments, which are necessary for a fair presentation of the results for the interim periods. These statements should be read in conjunction with the audited consolidated financial statements and related notes included in Pacific Century's 2000 Annual Report on Form 10-K. Operating results for the three months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

The balance sheet at December 31, 2000 has been derived from the audited financial statements of Pacific Century at that date but does not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements.

International operations include certain activities located domestically in Hawaii, as well as branches and subsidiaries domiciled outside the United States. The operations of Bank of Hawaii and First Savings and Loan Association of America located in the West and South Pacific that are denominated in U.S. dollars are classified as domestic. Pacific Century's international operations are primarily concentrated in Hong Kong, Japan, Singapore, South Korea, Taiwan, French Polynesia, Fiji, New Caledonia, Papua New Guinea and Vanuatu.

Regulatory Matters

Pacific Century continues to comply with the terms of the previously disclosed Memorandum of Understanding. Pacific Century has obtained regulatory approval for dividend payments for the first and second quarters of 2001.

Note 2. Recent Accounting Pronouncements

On January 1, 2001 Pacific Century adopted Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities as amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 requires that all derivatives be recorded on the balance sheet at fair value. Changes in a derivative's fair value that do not qualify for hedge treatment, as well as the ineffective portion of a hedge, must be recognized currently in earnings. The transition adjustment at the time of adoption was a charge to income of $412 thousand.

Note 3. Earnings Per Share

For the three months ended March 31, 2001 and 2000, the weighted average shares for computing basic and diluted EPS are presented on the Consolidated Statement of Income. The dilutive effect of stock options was 1,404,429 and 196,396 shares for the three months ended March 31, 2001 and 2000, respectively.

Note 4. Income Taxes

The provision for income taxes is computed by applying statutory federal, foreign, and state income tax rates to income before income taxes as reported in the Consolidated Statements of Income after adjusting for non-taxable items, principally from certain state tax adjustments, tax exempt interest income and bank owned life insurance income. The tax provision is also reduced by low income housing, foreign and investment tax credits.

Note 5. Business Segments

Pacific Century is a financial services organization that has maintained a broad presence throughout the Pacific region. However, its presence will be changing over the remainder of the year. On April 23, 2001, management announced its intention to divest non-core holdings. Operations in Hawaii, the West Pacific, American Samoa and Japan will be retained as well as an office in Arizona for its leasing operations and technology support. Consequently, during the first quarter of 2001, Pacific Century realigned its business from geographic segments into the following segments: Retail Banking, Commercial Banking, Financial Services Group, Divestiture Businesses and Treasury and Other Corporate.

Business segment results are determined based on Pacific Century's internal financial management organizational structure. Pacific Century uses a variety of techniques to assign and transfer balance sheet and income statement amounts between business segments including allocations of common costs and capital. These techniques and accounting practices are not covered by accounting principles generally accepted in the United States. The Company is continuing to develop its business segment accounting practices and implemented changes in the first quarter 2001. Accordingly, the previously presented operating results for the quarter ended March 31, 2000 have been reclassified to be consistent with the quarter ended March 31, 2001. It is possible that accounting practices may be changed again in future periods. If this occurs, prior segment information may be restated.

The financial results for three months ended March 31, 2001 and 2000 are presented below for each of Pacific Century's principal market segments.

Business Segment Selected Financial Information
Table 1
(in thousands of dollars)

	RETAIL	COMMERCIAL	FINANCIAL SERVICES GROUP	DIVESTITURE BUSINESSES	TREASURY AND OTHER CORPORATE	CONSOLIDATED TOTAL
Three Months Ended March 31, 2001						
Net Interest Income	47,598	44,030	2,532	37,966	1,879	134,005

Loan Loss Provision	(2,746)	(40,885)	-	(8,835)	-	(52,466)
Net Interest Income after Provision	44,852	3,145	2,532	29,131	1,879	81,539
Gains from Divestitures	-	-	-	-	96,353	96,353
Other Non-Interest Income	17,352	3,585	20,637	13,074	4,543	59,191
Total Revenue	62,204	6,730	23,169	42,205	102,775	237,083
Restructuring & Other related costs	-	-	-	-	44,438	44,438
Non-Interest Expense	42,144	24,408	19,169	38,345	7,719	131,785
Net Income (Loss) Before Income Taxes	20,060	(17,678)	4,000	3,860	50,618	60,860
Income Taxes	(8,426)	7,221	(1,681)	(1,622)	(22,675)	(27,183)
Net Income (Loss)	11,634	(10,457)	2,319	2,238	27,943	33,677

	RETAIL	COMMERCIAL	FINANCIAL SERVICES GROUP	DIVESTITURE BUSINESSES	TREASURY AND OTHER CORPORATE	CONSOLIDATED TOTAL
Three Months Ended March 31, 2000						
Net Interest Income	46,015	46,545	2,731	42,220	1,997	139,508
Loan Loss Provision	(2,451)	(6,801)	-	(4,270)	-	(13,522)
Net Interest Income after Provision	43,564	39,744	2,731	37,950	1,997	125,986
Non-Interest Income	15,163	10,337	22,427	11,424	4,576	63,927
Total Revenue	58,727	50,081	25,158	49,374	6,573	189,913
Non-Interest Expense	44,116	23,885	17,580	37,125	3,376	126,082
Net Income (Loss) Before Income Taxes	14,611	26,196	7,578	12,249	3,197	63,831
Income Taxes	(5,372)	(9,657)	(2,804)	(4,519)	(1,714)	(24,066)
Net Income (Loss)	9,239	16,539	4,774	7,730	1,483	39,765

Note 6. Restructuring

During the first quarter 2001, Pacific Century incurred restructuring and related costs as follows.

(in millions)	
Foreign Currency Translation Losses	$28.0
Unrecoverable Investments	6.1
Termination Costs	1.6
Unrealizable Deferred Tax Asset	5.0
Consulting Costs	0.6
Other	3.1
Total	$44.4

Pacific Century expects to sell its operations in California and the South Pacific and to sell or close its Asian branches by the end of 2001. As a result of these divestitures, assets with no future benefit were written off at March 31, 2001.

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

PERFORMANCE HIGHLIGHTS

Pacific Century Financial Corporation (Pacific Century) reported earnings for the three months ended March 31, 2001 of $33.7 million down 15.3% from $39.8 million reported in the same period of 2000. Both basic and diluted earnings per share were $0.42 for the first quarter 2001 compared to $0.50 in the first quarter 2000.

Earnings for the first quarter of 2001 included gains of $75.4 million from the sale of the Pacific Century's credit card portfolio and $20.9 million related to the sale of ownership interest in Star Systems, Inc.

Pacific Century's continuing emphasis on improving asset quality resulted in significant reduction of credit risk during the quarter. Non-performing assets (NPAs), exclusive of accruing loans past due 90 days or more, were $119.5 million, down 34.7% from $183.0 million reported at December 31, 2000 and $136.4

reported at March 31, 2000. At March 31, 2001 the allowance for loan losses stood at $199.8 million compared with $246.2 million and $195.4 million at year end and March 31, 2000, respectively. The ratio of the allowance to loans was 2.29%, 2.62% and 2.05% at the end of each of the respective periods.

In the first quarter of 2001, return on average assets (ROAA) and return on average equity (ROAE) were 0.99% and 10.42%, respectively, compared to 1.13% and 13.19% in the same 2000 quarter.

Total assets at March 31, 2001 stood at $13.7 billion relative to $14.0 billion at December 31, 2000 and $14.3 billion at March 31, 2000. Year-over-year, loans declined by $981.1 million and investment securities available for sale declined by $147.1 million, offset by a $185.8 million increase in interest-bearing deposits.

On April 23, 2001 Pacific Century announced its new strategic plan designed to maximize shareholder value by strengthening its Hawaii and West Pacific operations and divesting most other holdings. Pacific Century plans to divest or wind down its operations in California, the South Pacific and Asia. It will maintain its operations in Hawaii, the West Pacific, American Samoa, Japan and a leasing office in Arizona. As a consequence of the plan, Pacific Century recognized restructuring and related costs of $44.4 million.

Forward-Looking Statements

This report contains forward-looking statements regarding Pacific Century's beliefs, estimates, projections and assumptions, which are provided to assist in the understanding of certain aspects of Pacific Century's anticipated future financial performance. Pacific Century cautions readers not to place undue reliance on any forward-looking statement. Forward-looking statements are subject to significant risks and uncertainties, many of which are beyond Pacific Century's control. Although Pacific Century believes that the assumptions underlying its forward-looking statements are reasonable, any assumption could prove to be inaccurate and actual results may differ from those contained in or implied by such forward-looking statements for a variety of reasons. Factors that might cause differences to occur include, but are not limited to, economic conditions in the markets Pacific Century serves including those in Hawaii, the U.S. Mainland, Asia and the South Pacific; shifts in interest rates; fluctuations in currencies of Asian Rim and South Pacific countries relative to the U.S. dollar; changes in credit quality; implementation of the restructuring plan may not be completed within the expected financial and time estimates; changes in applicable federal, state, and foreign income tax laws and regulatory and monetary policies; and increases in competitive pressures in the banking and financial services industry, particularly in connection with product delivery and pricing. Pacific Century does not undertake and specifically disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Highlights — Pacific Century Financial Corporation and subsidiaries

Table 2
(in thousands of dollars except per share amounts)

Earnings Highlights and Performance Ratios	2001	2000	Percentage Change
Three Months Ended March 31			
Net Income	$33,677	$39,765	-15.3%
Basic Earnings Per Share	0.42	0.50	-16.0%
Diluted Earnings Per Share	0.42	0.50	-16.0%
Cash Dividends	14,363	13,541	
Return on Average Assets	0.99%	1.13%	
Return on Average Equity	10.42%	13.19%	
Net Interest Margin	4.24%	4.31%	
Efficiency Ratio	65.43%	62.06%	
Summary of Results Excluding the Effect of Intangibles (a)			
Three Months Ended March 31			
Net Income	$39,283	$43,889	-10.5%

Basic Earnings per Share	$0.49	$0.55	-10.9%
Diluted Earnings per Share	$0.48	$0.55	-12.7%
Return on Average Assets	1.17%	1.26%	
Return on Average Equity	14.21%	17.54%	
Efficiency Ratio	63.10%	59.73%	

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

Statement of Condition Highlights and Performance Ratios	March 31 2001	March 31 2000	Percentage Change
Total Assets	$13,710,675	$14,250,386	-3.8%
Net Loans	8,533,776	9,346,460	-8.7%
Total Deposits	8,815,523	9,143,063	-3.6%
Total Shareholders' Equity	1,371,942	1,225,907	11.9%
Book Value Per Common Share	$17.18	$15.39	
Loss Reserve / Loans Outstanding	2.29%	2.05%	
Average Equity / Average Assets	9.47%	8.54%	
Common Stock Price Range	High	Low	
2000	$23.19	$11.06	
2001 First Quarter	$20.99	$16.88	

STATEMENT OF INCOME ANALYSIS

Net Interest Income

Taxable-equivalent net interest income for the first quarter of 2001 was $134.1 million, down $5.7 million, or 4.1% from the comparable period in 2000. Adjusted for a lease residual revaluation recorded during the quarter, taxable-equivalent net interest income was $136.5 million for the first quarter of 2001, down $3.3 million, or 2.4% from the same period last year.

Pacific Century's net interest margin was 4.24%, a decrease of 6 basis points from the comparable period a year ago. Adjusted for the lease residual revaluation, the net interest margin increased 2 basis points to 4.32% from the first quarter of 2000. The yield on average earnings assets was 8.08% for the first quarter of 2001. Excluding the lease residual adjustment, the yield on average earnings assets was 8.16%, an increase of 26 basis points from the same period a year ago largely the result of higher prevailing market rates. The average cost of funds was 4.85% for the quarter, up from 4.44% reported in the first quarter 2000 - mainly due to changes in funding sources and changing interest rates. Presented in Table 3 are average balances, yields, and rates paid for the three months ended March 31, 2001, March 31, 2000 and December 31, 2000. The results for the full year 2000 are also presented.

Consolidated Average Balances and Interest Rates Taxable Equivalent (Unaudited)

Table 3	Three Months Ended March 31, 2001			Three Months Ended March 31, 2000		
(in millions of dollars)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Earning Assets						
Interest Bearing Deposits	$332.3	$5.2	6.36%	$232.1	$3.8	6.52%
Investment Securities Held to Maturity						
-Taxable	652.6	11.7	7.23	775.5	14.2	7.38
-Tax-Exempt	3.7	0.2	23.28	10.0	0.4	17.32
Investment Securities Available for Sale	2,479.9	39.3	6.43	2,527.0	41.0	6.53
Funds Sold	80.5	1.1	5.53	35.0	0.5	5.56
Net Loans						
-Domestic	7,985.7	165.6	8.41	7,897.9	163.6	8.33
-Foreign	1,277.8	21.4	6.80	1,586.1	24.9	6.30
Loan Fees		10.9			8.3	
Total Earning Assets	12,812.5	255.4	8.08	13,063.6	256.7	7.90
Cash and Due From Banks	438.2			506.5		
Other Assets	595.1			631.4		
Total Assets	$13,845.8			$14,201.5		
Interest Bearing Liabilities						
Domestic Deposits - Demand	$2,008.2	11.7	2.36	$2,115.6	12.3	2.33
- Savings	665.7	3.4	2.04	700.1	3.5	2.03
- Time	2,902.7	43.1	6.03	2,764.9	35.1	5.10
Total Domestic	5,576.6	58.2	4.23	5,580.6	50.9	3.67
Foreign Deposits						
- Time Due to Banks	489.4	6.6	5.51	487.8	7.0	5.79
- Other Time and Savings	801.0	7.2	3.65	1,121.6	10.3	3.70
Total Foreign	1,290.4	13.8	4.35	1,609.4	17.3	4.33
Total Interest Bearing Deposits	6,867.0	72.0	4.25	7,190.0	68.2	3.82

Short-Term Borrowings	2,364.8	34.0	5.83	2,626.6	36.0	5.51
Long-Term Debt	916.0	15.3	6.78	773.0	12.7	6.60
Total Interest Bearing Liabilities	10,147.8	121.3	4.85	10,589.6	116.9	4.44
Net Interest Income		134.1			139.8	
Interest Rate Spread			3.23%			3.46%
Net Interest Margin			4.24%			4.30%
Demand Deposits - Domestic	1,636.8			1,663.6		
- Foreign	377.5			419.5		
Total Demand Deposits	2,014.3			2,083.1		
Other Liabilities	372.4			316.7		
Shareholders' Equity	1,311.3			1,212.1		
Total Liabilities and Shareholders' Equity	$13,845.8			$14,201.5		
Provision for Loan Losses		52.5			13.5	
Net Overhead		20.6			62.2	
Income Before Income Taxes		61.0			64.1	
Provision for Income Taxes		27.2			24.1	
Tax-Equivalent Adjustment		0.1			0.2	
Net Income		$33.7			$39.8	

	Three Months Ended December 31, 2000			Twelve Months Ended December 31, 2000		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Earning Assets						
Interest Bearing Deposits	$215.7	$3.7	6.91%	$216.2	$14.7	6.78%
Investment Securities Held to Maturity						
-Taxable	687.0	12.5	7.24	724.3	53.0	7.32
-Tax-Exempt	3.8	0.2	22.24	7.6	1.4	18.24
Investment Securities Available for Sale	2,478.4	41.2	6.60	2,502.5	165.1	6.60
Funds Sold	66.8	1.1	6.46	43.2	2.7	6.22
Net Loans						
-Domestic	8,108.3	178.7	8.76	8,076.4	690.1	8.55
-Foreign	1,319.9	22.5	6.78	1,467.9	97.7	6.65
Loan Fees		8.7			33.6	
Total Earning Assets	12,879.9	268.6	8.30	13,038.1	1,058.3	8.12
Cash and Due From Banks	404.6			443.2		
Other Assets	503.3			574.0		
Total Assets	$13,787.8			$14,055.3		
Interest Bearing Liabilities						
Domestic Deposits - Demand	$1,991.6	12.1	2.41	$2,061.9	48.7	2.36
- Savings	667.5	3.4	2.03	684.8	13.9	2.03
- Time	2,815.6	42.3	5.98	2,781.1	154.1	5.54
Total Domestic	5,474.7	57.8	4.20	5,527.8	216.7	3.92
Foreign Deposits						
- Time Due to Banks	557.9	8.7	6.23	505.4	30.4	6.03
- Other Time and Savings	768.9	7.1	3.65	960.5	38.9	4.05
Total Foreign	1,326.8	15.8	4.73	1,465.9	69.3	4.73
Total Interest Bearing Deposits	6,801.5	73.6	4.30	6,993.7	286.0	4.09
Short-Term Borrowings	2,437.1	39.1	6.38	2,597.4	156.1	6.01
Long-Term Debt	1,001.6	17.0	6.72	886.9	59.1	6.66
Total Interest Bearing Liabilities	10,240.2	129.7	5.04	10,478.0	501.2	4.78
Net Interest Income		138.9			557.1	
Interest Rate Spread			3.26%			3.34%
Net Interest Margin			4.29%			4.27%
Demand Deposits - Domestic	1,610.8			1,640.0		
- Foreign	354.7			371.4		
Total Demand Deposits	1,965.5			2,011.4		
Other Liabilities	315.6			331.3		
Shareholders' Equity	1,266.5			1,234.6		
Total Liabilities and Shareholders' Equity	$13,787.8			$14,055.3		
Provision for Loan Losses		25.8			142.9	
Net Overhead		59.2			233.4	
Income Before Income Taxes		53.9			180.8	
Provision for Income Taxes		21.2			66.3	
Tax-Equivalent Adjustment		0.1			0.8	
Net Income		$32.6			$113.7	

Provision for Loan Losses

The provision for loan losses was $52.5 million in the first quarter 2001, up from $13.5 million for the same quarter last year. For further information on credit quality, refer to the section on "Corporate Risk Profile - Credit Risk - Allowance for Loan Losses" in this report.

Non-Interest Income

Non-interest income after excluding the unusual gains was $59.2 million in the first quarter of 2001, compared to $61.9 million in the first quarter 2000 after adjusting for unusual gains in that quarter. Exclusive of investment securities gains and nonrecurring gains reported in both quarters, non-interest income was down $1.7 million in the March 2001 quarter over the same year ago period.

Asset management income for the first quarter of 2001 decreased to $15.8 million, down 6.5% from the same quarter last year. The year-over-year decrease is primarily attributable to the declining market value of managed assets.

Service charges on deposit accounts for the March 2001 quarter totaled $9.9 million, This 4.0% increase over the same quarter last year reflects higher fee structures implemented at the end of the first quarter of 2000.

Fees, exchange and other service charges were $20.8 million in the first quarter of 2001, compared to $21.6 million in the same 2000 quarter. This reduction reflects the scaleback in the letter of credit and exchange volumes.

Other operating income in first quarter 2001, was $13.4 million compared to $15.6 million in the first quarter 2000. The current quarter, included a $3.3 million impairment loss on a partnership interest and the year ago quarter included a $2 million gain on equity investments. After adjusting for the impairment loss in 2001 and the gain in 2000, other operating income increased by $3.1 million in 2001.

Sales of investment securities during the three months ended March 31, 2000 resulted in net investment security gains of $20.2 million, including a gain of $20.9 million from the sale of a stock investment in ATM processor Star Systems, Inc. Adjusting for the Star Systems gain, Pacific Century reported a securities loss of $0.7 million for the three months ended March 31, 2001 compared to gains of $0.3 million in the prior year quarter.

Non-Interest Expense

Total non-interest expense for the March 2001 quarter, excluding restructuring and related costs of $44.4 million, was $131.8 million, up 4.5% from $126.1 million in the comparable quarter of 2000.

Salaries and pension and other employee benefits expense totaled $62.2 million in the first quarter of 2001, unchanged from $62.2 million in the same quarter last year.

Net occupancy and equipment expense in the March 2001 quarter was $25.5 million, an increase of 6.7% from $23.9 million for the same period in 2000. The increase was largely due to higher software and equipment maintenance costs incurred in 2001.

Other operating expense increased to $39.1 million in the first quarter of 2001 from $35.2 million for the same quarter in 2000. This increase was due to higher professional fees, fraud losses, losses on derivatives with the implementation of SFAS No. 133, increased recruiting costs, costs of a new mileage awards program, as well as increases in other categories offset by lower insurance costs, reduced ORE expense, and lower audit and examination costs.

Income Tax Provision

Pacific Century's effective tax rate was 44.7% for the first quarter compared to 37.7% in the first quarter of 2000. The increase is attributable to higher state and foreign taxes and the write-off of $5 million of foreign tax assets, with no tax benefit. Given the reduction in foreign operations, the tax provision increased due to Pacific Century's inability to fully utilize foreign taxes to reduce the U.S. tax.

BALANCE SHEET ANALYSIS

Loans

At March 31, 2001, loans outstanding, including loans held for sale, had declined to $9.0 billion, from $9.7 billion at year-end 2000 and $9.8 billion at March 31, 2000. During the quarter, Pacific Century sold $166.8 million of commercial loans, its $209.3 million credit card portfolio, and $105.4 million of loans were charged off. Additional decline is attributable to other planned risk reductions in the portfolio offset by a $294.4 million increase in residential mortgages.

Table 4 presents the composition of the loan portfolio by major loan categories as of March 31, 2001, December 31, 2000 and March 31, 2000.

Pacific Century Financial Corporation and subsidiaries

Loan Portfolio Balances
Table 4

(in millions of dollars)	March 31 2001	December 31 2000	March 31 2000
Domestic Loans			
Commercial and Industrial	$2,094.7	$2,443.3	$2,558.6
Real Estate			
Construction -- Commercial	284.0	282.4	317.5
-- Residential	28.9	25.0	16.8
Mortgage -- Commercial	1,023.8	1,125.5	1,246.8
-- Residential	2,866.7	2,855.9	2,572.3
Installment	496.4	729.9	745.0
Loans Held for Sale	308.6	179.2	115.2
Lease Financing	731.2	725.5	626.3
Total Domestic	7,834.3	8,366.7	8,198.5
Foreign Loans	1,157.7	1,301.6	1,581.1
Total Loans	$8,992.0	$9,668.3	$9,779.6

Investment Securities

Pacific Century's investment portfolio is managed to provide collateral for cash management needs, to meet strategic asset/liability positioning, and to provide both interest income and balance sheet liquidity. Available-for-sale securities at March 31, 2001 were $2.4 billion down 4.7% from $2.5 billion at year end and the same date last year. Securities held to maturity were $656 million at March 31, 2001, declining from $670 million at year-end 2000 and $732 million a year ago. These decreases were largely due to maturities. Other short-term interest earning assets totaled $496 million at the end of the first quarter, compared to $323 million and $268 million at December 31, 2000 and March 31, 2000, respectively. The increase occurred as Pacific Century increased its liquidity.

INVESTMENT SECURITIES
Table 5
The book value and estimated market values of investment securities are as follows:

(in thousands of dollars)	Amortized Cost	Aggregate Fair Value
At MARCH 31, 2001		
Securities Held to Maturity:		
Restricted Equity Securities	$89,198	$89,198
Debt Securities Issued by the U. S. Treasury and Agencies	19,935	19,863

Debt Securities Issued by State and Municipalities of the United States	3,948	4,254
Debt Securities Issued by Foreign Governments	22,307	22,310
Mortgage Backed-Securities	515,633	524,944
Other Debt Securities	5,153	5,153
Totals	$656,174	$665,722
Securities Available for Sale:		
Equity Securities	$22,734	$20,676
Debt Securities Issued by the U. S. Treasury and Agencies	181,681	184,099
Debt Securities Issued by State and Municipalities of the United States	11,886	12,168
Debt Securities Issued by Foreign Governments	16,999	18,267
Mortgage Backed-Securities	2,084,229	2,118,133
Other Debt Securities	37,036	37,175
Totals	$2,354,565	$2,390,518
At December 31, 2000		
Securities Held to Maturity:		
Restricted Equity Securities	$87,991	$87,991
Debt Securities Issued by the U. S. Treasury and Agencies	6,812	6,773
Debt Securities Issued by State and Municipalities		--
of the United States	3,984	4,287
Debt Securities Issued by Foreign Governments	18,631	18,631
Mortgage Backed-Securities	547,463	553,782
Other Debt Securities	5,157	5,157
Totals	$670,038	$676,621
Securities Available for Sale:		
Equity Securities	$26,266	$25,817
Debt Securities Issued by the U. S. Treasury and Agencies	195,920	197,035
Debt Securities Issued by State and Municipalities of the United States	11,634	11,742
Debt Securities Issued by Foreign Governments	490	490
Mortgage Backed-Securities	2,235,987	2,237,160
Other Debt Securities	33,502	34,832
Totals	$2,503,799	$2,507,076
At MARCH 31, 2000 Securities Held to Maturity:		
Restricted Equity Securities	$76,895	$76,901
Debt Securities Issued by the U. S. Treasury and Agencies	153	154
Debt Securities Issued by State and Municipalities of the United States	8,547	9,022
Debt Securities Issued by Foreign Governments	38,372	38,371
Mortgage Backed-Securities	605,832	594,627
Other Debt Securities	2,545	2,545
Totals	$732,344	$721,620
Securities Available for Sale:		
Equity Securities	$1,654	$592
Debt Securities Issued by the U. S. Treasury and Agencies	220,736	219,887
Debt Securities Issued by State and Municipalities of the United States	15,819	15,710
Debt Securities Issued by Foreign Governments	21,877	22,423
Mortgage Backed-Securities	2,333,703	2,252,847
Other Debt Securities	28,870	26,158
Totals	$2,622,659	$2,537,617

Deposits

As of March 31, 2001, deposits totaled $8.8 billion, down from $9.1 billion at both year-end and March 31, 2000. Year-over-year, domestic deposits reflected an increase of $42 million, while foreign deposits declined by $397 million. The decline in foreign deposits is largely in the other savings and time, which decreased $347 million year-over-year and is attributed to foreign currency exchange rate fluctuations in the South Pacific and a decline in funding needed for foreign loans.

Table 6 presents average deposits by type for the first quarters of 2001 and 2000 and the full year 2000.

Average Deposits
Table 6

	March 31, 2001		December 31, 2000		March 31, 2000	
(in millions of dollars)	Amount	Mix	Amount	Mix	Amount	Mix
Domestic						
Non-Interest Bearing Demand	$1,636.8	18.4%	$1,640.0	18.2%	$1,663.6	17.9%
Interest-Bearing Demand	2,008.2	22.6%	2,061.9	22.9%	2,115.6	22.8%
Regular Savings	665.7	7.5%	684.8	7.6%	700.1	7.6%
Time Certificates of Deposit ($100,000 or More)	1,318.9	14.9%	1,212.1	13.5%	1,177.3	12.7%

All Other Time and Savings Certificates	1,583.8	17.8%	1,569.0	17.4%	1,587.6	17.1%
Total Domestic	7,213.4	81.2%	7,167.8	79.6%	7,244.2	78.1%
Foreign						
Non-Interest Bearing Demand	377.5	4.3%	371.4	4.1%	419.5	4.5%
Time Due to Banks	489.4	5.5%	505.4	5.6%	487.8	5.3%
Other Time and Savings	801.0	9.0%	960.5	10.7%	1,121.6	12.1%
Total Foreign	1,667.9	18.8%	1,837.3	20.4%	2,028.9	21.9%
Total	$8,881.3	100.0%	$9,005.1	100.0%	$9,273.1	100.0%

Borrowings

Short-term borrowings, including funds purchased and securities sold under agreements to repurchase, totaled $2.3 billion at March 31, 2001, $2.3 billion at year-end 2000 and $2.7 billion at March 31, 2000. The decline reflects the lower funding needs resulting from a decrease in outstanding assets.

Long-term debt on March 31, 2001 decreased to $883 million from $997 million at year-end 2000, but had increased from $806 million at March 31, 2000 due to changing funding strategies.

LINE OF BUSINESS FINANCIAL REVIEW

Beginning in December of 2000 and extending to the end of the first quarter, Pacific Century performed an analytically rigorous self-assessment of all of its lines of business. The fundamental objective was to develop a plan to improve shareholder value. Management evaluated the attractiveness of each of the company's markets, as well as the ability to compete in those markets in the future. Each business's performance was assessed in relation to the risks assumed and whether returns were generated that exceeded the cost of the capital allocated to them. It was concluded that three businesses: Pacific Century Bank; the Asia Division, and the South Pacific Division, excluding American Samoa did not achieve sufficient returns to create shareholder value and therefore, would be divested or liquidated.

A new organizational structure was announced in April as a result of the assessment process. Businesses have been aligned into the following units: Retail Banking, Commercial Banking, Financial Services, Divestiture Businesses, and Treasury and Other Corporate. The Line of Business Financial Review in this report is presented in a format that is consistent with the new organization structure which is different from previous quarters. Note 5 to the Consolidated Financial Statements includes Pacific Century's business segment financial reports for the three months ended March 31, 2001 and 2000.

Pacific Century measures performance of its businesses from multiple perspectives. Key measures are:

- Risk Adjusted Return on Capital (RAROC) - This method allocates equity to business units based on various risk factors, including credit, country, market/interest rate, and business/operating risks that are inherent in the operation of each business.

- Net Income After Capital Charge (NIACC) - This method of measuring performance reflects net income available to common shareholders less a charge to the unit for the cost of capital allocated to it. The capital charge is based on the estimated rate of return expected by the financial markets for companies with risk levels similar to Pacific Century.

The determination of NIACC and RAROC uses an economic loan loss provision as a proxy for the actual results. The economic provision reflects the expected nomalized loss determined by a statistically applied approach that considers risk factors, including historical loss experience, within a given portfolio.

Retail Banking

Pacific Century's retail banking franchise and market share in Hawaii and American Samoa are key strengths of the company. Retail Banking provides checking and savings services, small business, merchant services, installment, home equity and mortgage lending as well as other services. First Quarter 2001 results in Retail Banking showed improvement in revenues largely from increased mortgage banking activities and an increase in ATM and service charge fees.

Commercial Banking

The Commercial Banking segment offers corporate banking, and commercial products, leasing and commercial real estate lending and auto finance. Pacific Century's West Pacific operations are included in this segment. The income decline in commercial banking is largely the result of losses recognized due to Pacific Century's effort to improve its credit quality.

Financial Services Group

The Financial Services Group offers private banking, trust services, asset management, investments such as mutual funds and stocks, financial planning, and insurance. A significant portion of this segment's income is derived from fees which are based on the market values of assets under management. Such revenues declined in the first quarter compared to the prior year quarter due to the general decline in the stock market during the first quarter.

Divestiture Businesses

This segment includes all of the businesses Pacific Century will divest or close. Pacific Century expects to complete the divestitures and closures by December 31, 2001.

Treasury and Other Corporate

The primary operations in this segment is Treasury, which consists of corporate asset and liability management activities including investment securities, federal funds purchased and sold, government deposits, short and long-term borrowings, and derivative activities for managing interest rate and foreign currency risks. Additionally, the net residual effect of transfer pricing assets and liabilities is included in Treasury, as is any corporate-wide interest rate risk and other reconciling differences.

In the first quarter of 2001, this segment was allocated gains from the sale of the credit card portfolio and Star Systems totaling $96.3 million and restructing and related costs of $44.4 million associated with the planned divestitures and closures.

Economic NIACC and RAROC for each segment for the first quarters of 2001 and 2000 are presented below.

Economic NIACC and RAROC
Table 7
(in thousands of dollars)

	RETAIL	COMMERCIAL	FINANCIAL SERVICES GROUP	DIVESTITURE BUSINESSES	TREASURY AND OTHER CORPORATE	CONSOLIDATED TOTAL
Three Months Ended March 31, 2001						
NIACC (Economic)	5,474	115	(301)	(14,429)	(6,242)	(15,383)
RAROC (Economic)	28%	15%	13%	2%	6%	10%
Total Average Allocated Equity	169,659	327,618	67,304	440,444	366,917	1,371,942
Three Months Ended March 31, 2000						
NIACC (Economic)	1,174	3,588	1,643	(12,492)	397	(5,690)
RAROC (Economic)	18%	19%	25%	4%	16%	13%

Total Average Allocated Equity	180,687	349,757	65,407	456,281	159,970	1,212,102

FOREIGN OPERATIONS

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

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

The South Pacific consists of investments in subsidiary banks in French Polynesia, New Caledonia, Papua New Guinea, Vanuatu, and Bank of Hawaii branch operations in Fiji and American Samoa. As American Samoa is U.S. dollar based, its operation is included as domestic for financial reporting purposes. Pacific Century also has investments in the National Bank of the Solomon Islands and the Bank of Queensland. As a result of the recent strategic assessment it has been decided to divest the entire South Pacific Division, excluding American Samoa, which will be integrated into and managed as part of the Hawaii Retail Business. This exit is anticipated to be complete by the end of 2001.

Through its Asia Division, Pacific Century provides banking services to corporate and financial institution customers in six Asian locations with support from its New York and Honolulu operations. As a result of the recent strategic assessment it has been decided to divest the entire Asia Division, although a representative office will be maintained in Japan, which has extensive ties to businesses in Hawaii and the West Pacific. This exit is also anticipated to largely be complete by the end of 2001.

The countries in which Pacific Century maintains its largest credit exposure on a cross-border basis include Japan, South Korea and France. Table 8 presents as of March 31, 2001, December 31, 2000, and March 31, 2000 a geographic distribution of Pacific Century's cross-border assets for each country in which such assets exceed 0.75% of total assets.

Geographic Distribution of Cross-Border International Assets (1)
Table 8
(in millions)

Country	March 31, 2001	December 31, 2000	March 31, 2000
Japan	$222.0	$298.8	$316.2
South Korea	246.7	282.0	305.6
France	97.8	85.8	147.8
All Others	596.4	423.8	549.4
	$1,162.9	$1,090.4	$1,319.0

(1) In this table, cross-border outstandings are defined as foreign monetary assets that are payable to Pacific Century in U.S. dollars or other non-local currencies, plus amounts payable in local currency but funded with U.S. dollars or other non-local currencies. Cross-border outstandings include loans, acceptances, interest-bearing deposits with other banks, other interest-bearing investments, and other monetary assets.

CORPORATE RISK PROFILE

Credit Risk

Non-Performing Assets and Past Due Loans

Non-performing assets (NPAs) consist of non-accrual loans, restructured loans and foreclosed real estate. Total non-performing assets decreased to $119.5 million, or 1.33% of total loans at March 31, 2001 down $63.5 million, or 35% from non-performing assets of $183.0 million, or 1.89% of total loans at December 31, 2000 and down from $136.4, or 1.39% of loans at March 31, 2000.

The decrease in domestic non-performing assets is largely due to loan sales and charge-off activity as management made significant progress on its commitment to improve asset quality. Charge-offs and exchange rate valuations primarily drove the decrease in foreign non-performing assets. Total non-performing assets are currently at the lowest level since 1998.

Foreclosed real estate totaled $11.2 million, up $6.7 million from year-end 2000 due to the acquisition of two large properties and several other smaller properties located in Hawaii totaling $9.7 million. This is offset by $3.0 million in sales during the quarter.

Impaired loans at March 31, 2001 were at $123.2 million compared to $221.0 million at year end 2000. There were no restructured loans as of March 31, 2001, December 31, 2000 and March 31, 2000.

Accruing loans past due 90 days or more were $11.1 million at March 31, 2001, down from $18.8 at year-end 2000 and $23.1 at March 31, 2000.

For further information concerning non-performing assets and past due loans, please refer to Table 9.

Non-Performing Assets

Table 9

(in millions of dollars)	March 31 2001	December 31 2000	March 31 2000
Non-Accrual Loans			
Commercial and Industrial	$23.8	$55.4	$20.1
Real Estate			
Construction	6.3	6.4	0.9
Commercial	42.5	60.1	18.2
Residential	18.5	22.7	23.2
Installment	0.1	--	0.5
Leases	0.2	0.4	3.7
Total Domestic	91.4	145.0	66.6
Foreign	16.9	33.5	65.2
Subtotal	108.3	178.5	131.8
Foreclosed Real Estate			
Domestic	10.9	4.2	4.3
Foreign	0.3	0.3	0.3
Subtotal	11.2	4.5	4.6
Total Non-Performing Assets	119.5	183.0	136.4
Ratio of Non-Performing Assets to Total Loans	1.33%	1.89%	1.39%

Changes in Non-Performing Assets

Beginning Balance at 12/31/2000	$183.0
Additions to NPA	
Loans	107.8
Foreclosed Real Estate	9.7
Total Additions	$117.5
Reductions	
Payments	(72.8)
Return to Accrual	(3.0)
Sales of Foreclosed Real Estate	(3.0)
Charge-off's	(102.2)
Total Reductions	($181.0)
Ending Non-Performing Assets	$119.5

Allowance for Loan Losses

The allowance for loan losses at March 31, 2001 was $199.8 million, or 2.29% of total loans outstanding, compared with $246.2 million, or 2.62% at December 31, 2000 and $195.4 million, or 2.05% at March 31, 2000. The ratio of the allowance to net loans was 2.43% at March 31, 2001. The ratio of allowance to total non-performing assets increased to 167% at March 31, 2001, up from 117% at December 31, 2000 and up from 143% at March 31, 2000. A summary of the activity in the allowance for loan losses is presented in table 10.

Loan loss provisions were $52.5 million for the first quarter 2001, increased $13.5 million for the same quarter last year. Charge-offs during the quarter of $105.4 million were partially offset by loan loss recoveries of $7.7 million. Two thirds of the losses were due to the syndicated loan portfolio, as non-performing loans were sold or charged off. Seven other higher risk, but performing, syndicated loans with outstanding balances of $134 million and two additional undrawn commitments totaling $43 million were sold during the quarter as part of the continuing effort to reduce credit risk.

Pacific Century Financial Corporation and subsidiaries
Allowance for Loan Losses
Table 10

(in millions of dollars)	First Quarter 2001	Year Ended 12/31/00	First Quarter 2000
Average Amount of Loans Outstanding	$9,263.5	$9,544.3	$9,484.1
Balance of Reserve for Loan Losses at Beginning of Period	$246.2	$194.2	$194.2
Loans Charged-Off			
Commercial and Industrial	75.5	22.1	1.4
Real Estate			
Construction	-	0.6	-
Commercial	11.9	15.2	3.9
Residential	2.5	6.5	2.4
Installment	5.4	20.1	4.7
Leases	0.1	0.5	-
Total Domestic	95.4	65.0	12.4
Foreign	10.0	45.8	3.7
Total Charged-Off	105.4	110.8	16.1

Recoveries on Loans Previously Charged-Off			
Commercial and Industrial	2.7	5.5	1.7
Real Estate			
Construction	-	-	-
Commercial	0.3	0.6	0.1
Residential	0.2	1.1	0.5
Installment	1.8	6.9	1.7
Leases	0.1	-	-
Total Domestic	5.1	14.1	4.0
Foreign	2.6	7.3	0.8
Total Recoveries	7.7	21.4	4.8
Net Charge-Offs	(97.7)	(89.4)	(11.3)
Provision Charged to Operating Expenses	52.5	142.9	13.5
Other Net Additions (Reductions)*	(1.2)	(1.5)	(1.0)
Balance at End of Period	$199.8	$246.2	$195.4
Ratio of Net Charge-Offs to Average Loans Outstanding (annualized)	4.22%	0.94%	0.48%
Ratio of Allowance to Total Loans Outstanding	2.29%	2.62%	2.05%

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

Market Risk

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

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

Other Than Trading Activities

A key element in Pacific Century's ongoing process to measure and monitor interest rate risk is the utilization of a net interest income (NII) simulation model. This model is used to estimate the amount that NII will change over a one-year time horizon under various interest rate scenarios using numerous assumptions, which management believes are reasonable. The NII simulation model captures the dynamic nature of the balance sheet and provides a sophisticated estimate rather than a precise prediction of NII's exposure to higher or lower interest rates.

Table 11 presents, as of March 31, 2001, December 31, 2000 and March 31, 2000, the estimate of the change in NII from a gradual 200 basis point increase or decrease in interest rates, moving in parallel fashion over the entire yield curve, over the next 12-month period relative to the measured base case scenario for NII. The resulting estimate in NII exposure is well within the approved Asset Liability Management Committee guidelines and presents a balance sheet exposure that is slightly liability sensitive. A liability sensitive exposure would imply a favorable short-term impact on NII in periods of decreasing interest rates.

Market Risk Exposure to Interest Rate Changes

Table 11

	March 31, 2001		December 31, 2000		March 31, 2000	
	Interest Rate Change (in basis points)		Interest Rate Change (in basis points)		Interest Rate Change (in basis points)	
	-200	+200	-200	+200	-200	+200
Estimated Exposure as a Percent of Net Interest Income	(1.3)%	(0.6)%	(2.3)%	0.5%	0.6%	(2.2)%

To enhance and complement the results from the NII simulation model, Pacific Century also reviews other measures of interest rate risk. These measures include the sensitivity of market value of equity and the exposure to basis risk and non-parallel yield curve shifts. There are some inherent limitations to these measures, but used along with the NII simulation model, Pacific Century gains a better overall insight for managing its exposure to changes in interest rates.

In managing interest rate risk, Pacific Century relies primarily on the balance sheet, to manage its risk position. Approaches that are used to shift balance sheet mix or alter the interest rate characteristics of assets and liabilities primarily include changing product pricing strategies and modifying investment portfolio strategies. The use of financial derivatives has been limited over the past several years.

Pacific Century's broad area of operations throughout the South Pacific and Asia has the potential to expose it to foreign currency risk. In general, however, most foreign currency denominated

assets are funded by like currency liabilities, with imbalances corrected through the use of various hedge instruments. By policy, the net exposure in those balance sheet activities described above is insignificant.

On the other hand, Pacific Century is exposed to foreign currency exchange rate changes from the capital invested in its foreign subsidiaries and branches located throughout the South Pacific and Asian Rim. These investments are designed to diversify Pacific Century's total balance sheet exposure. A portion of the capital investment in French Polynesia and New Caledonia is offset by a borrowing denominated in euro and a foreign exchange currency hedge transaction. In the first quarter of 2001, Pacific Century recognized in income losses of $28.0 million arising from foreign currency translation losses that could not be hedged. These losses were previously included in other comprehensive income. As of March 31, 2001 the remainder of these capital investments which aggregated $56.5 million, was not hedged. The comparative unhedged position at year-end 2000 was $71.2 million and $90.4 million at March 31, 2000. The increased provision and charge-off of loans in the South Pacific and Asia has created situations where liabilities exceeded assets as of March 31, 2001. This anomaly results in the negative equity reported in Table 12 for the other currency category.

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

Table 12 presents as of March 31, 2001, December 31, 2000 and March 31, 2000 Pacific Century's foreign currency exposure from its net investment in subsidiaries and branch operations that are denominated in a foreign currency as measured by the VAR.

Market Risk Exposure From Changes in Foreign Exchange Rates
Table 12

	March 31, 2001		December 31, 2000		March 31, 2000	
(in millions of dollars)	Book Value	Value-at-Risk	Book Value	Value-at-Risk	Book Value	Value-at-Risk
Net Investments in Foreign						

Subsidiaries & Branches						
Japanese Yen	$10.0	$2.1	$10.6	$1.4	$9.9	$2.2
Korean Won	27.0	5.7	29.6	5.1	32.2	3.9
Pacific Franc(1)	26.9	5.5	32.0	6.2	25.8	5.5
Other Currencies	(7.4)	12.9	(1.0)	14.4	22.5	18.0
Total	$56.5	$26.2	$71.2	$27.1	$90.4	$29.6

(1) Net of $34 million, $37 million and $37 million borrowing at March 31, 2001, December 31, 2000 and March 31, 2000, respectively, denominated in euro and foreign exchange hedge transactions of $24 million, $26 million and $22 million at March 31, 2001, December 31, 2000 and March 31, 2000.

Trading Activities

Trading activities include foreign currency and foreign exchange contracts that expose Pacific Century to a minor degree of foreign currency risk. Pacific Century manages its trading account such that it does not maintain significant foreign currency open positions. The exposure from foreign currency trading activities positions measured by VAR methodology as of March 31, 2001 continues to be immaterial.

Liquidity Management

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

Pacific Century maintained a $25 million annually renewable line of credit for working capital purposes. Fees are paid on the unused balance of the line. During the first quarter of 2001, the line was not drawn upon.

Bank of Hawaii and First Savings are both members of the Federal Home Loan Bank of Seattle. The FHLB provides these institutions with an additional source for short and long-term funding. Borrowings from the FHLB ended the first quarter of 2001 at $506 million, compared to $520 million at year-end 2000 and $487 million at March 31, 2000.

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

Capital Management

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

At March 31, 2001, Pacific Century's shareholders' equity grew to $1.37 billion, an increase of 11.9% over the same date in 2000. The growth in shareholders' equity during the first three months of 2001 included retention of earnings, net unrealized valuation adjustments , realized foreign currency translation losses, and issuance of common stock under various stock-based plans. Offsetting these increases were cash dividends paid. The positive unrealized valuation adjustment primarily is attributed to market value adjustments for available-for-sale investment securities due to the general decline in market interest rates.

Pacific Century's regulatory capital ratios exceeded the minimum threshold levels that were established by federal bank regulators to qualify an institution as well capitalized. The minimum regulatory standards to qualify as well capitalized are as follows: Tier 1 Capital 6%; Total Capital 10%; and the Leverage Ratio 5%. Table 13 presents the activities and balances in Pacific Century's capital accounts along with key capital ratios.

Equity Capital
Table 13

(in millions of dollars)	Quarter Ended March 31, 2001	Year Ended December 31, 2000	Quarter Ended March 31, 2000
Source of Common Equity			
Net Income	$33.7	$113.7	$39.8
Dividends Paid	(14.4)	(56.5)	(13.5)
Dividend Reinvestment Program	0.7	3.3	1.1
Stock Repurchases	-	(17.0)	(8.3)
Other (1)	50.5	45.6	(5.5)
Increase in Equity	$70.5	$89.1	$13.6
Common Equity	$1,371.9	$1,301.4	$1,225.9
Add: 8.25% Capital Securities of Bancorp Hawaii Capital Trust I	100.0	100.0	100.0
Minority Interest	4.3	4.5	4.3
Less: Intangibles	158.1	163.9	173.3
Unrealized Valuation and Other Adjustments	23.0	2.2	(48.3)
Tier I Capital	1,295.1	1,239.8	1,205.2
Allowable Loan Loss Reserve	127.0	132.8	141.8
Subordinated Debt	172.1	172.1	195.9
Investment in Unconsolidated Subsidiary	(3.5)	(3.4)	(3.4)
Total Capital	$1,590.7	$1,541.3	$1,539.5
Risk Weighted Assets	$10,087.5	$10,512.3	$11,286.3
Key Ratios			
Tier I Capital Ratio	12.84%	11.78%	10.68%
Total Capital Ratio	15.77%	14.64%	13.64%
Leverage Ratio	9.46%	9.10%	8.59%

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

Part II. - Other Information

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

Item 4 - Submission of Matters to a Vote of Shareholders

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

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

Mary G. Bitterman
Martin A. Stein
Stanley S. Takahashi
Clinton R. Churchill

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

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

d. Amendment to the Option Plan to Allow the Grant of Options to Independent

Contractors - The Amendment would allow the Company to grant awards to independent contractors providing services to the Company or a subsidiary.

Each of the matters before the Shareholders was approved by a substantial margin.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit Index

Exhibit Number

99 Statement of Ratios

(b) No Form 8-K was filed during the quarter.

SIGNATURES

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

PACIFIC CENTURY FINANCIAL CORPORATION

Date May 15, 2001

/s/ Allan R. Landon
(Signature)

Allan R.Landon
Vice Chair and Chief Financial Officer

/s/ Leslie F. Paskett
(Signature)

Leslie F. Paskett
Senior Vice President and Controller

EXHIBIT 99

Pacific Century Financial Corporation
Statement Regarding Computation of Ratios
Three Months Ended March 31, 2001 & 2000

(in millions of dollars)	2001	2000
Earnings:		
1. Income Before Income Taxes	$ 60.9	$ 63.8
2. Plus: Fixed Charges Including Interest on Deposits	120.9	117.2
3. Earnings Including Fixed Charges	181.8	181.0
4. Less: Interest on Deposits	72.0	68.2
5. Earnings Excluding Interest on Deposits	$109.8	$112.8
Fixed Charges:		
6. Fixed Charges Including Interest on Deposits	$120.9	$117.2
7. Less: Interest on Deposits	72.0	68.2
8. Fixed Charges Excluding Interest on Deposits	$ 48.9	$ 49.0
Ratio of Earnings to Fixed Charges		
Including Interest on Deposits (Line 3 divided by Line 6)	1.5 x	1.5 x
Excluding Interest on Deposits (Line 5 divided by Line 8)	2.2 x	2.3 x