

# NewsRelease

NYSE: BOH



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## Pacific Century Financial Corporation Second Quarter 2001 Financials

- **Net Income \$26.7 Million or \$0.32 Per Share**
- **Core Net Income Increases to \$30.9 Million or \$0.37 Per Share**
- **Board of Directors Approves \$70 Million Share Repurchase Program**
- **Board of Directors Declares Dividend of \$0.18 Per Share**

FOR IMMEDIATE RELEASE

**HONOLULU, HI** (July 23, 2001) -- Pacific Century Financial Corporation (NYSE:BOH) today reported second quarter 2001 diluted earnings per share of \$0.32, compared to \$0.42 for the first quarter of 2001 and \$0.08 for the second quarter of 2000. Net income for the period was \$26.7 million, down \$7.0 million from the \$33.7 million reported in the first quarter of 2001 and up \$20.0 million from the \$6.7 million reported in the second quarter of 2000. Pacific Century Financial Corporation also announced its intention to repurchase \$70 million of its common stock.

"The results of our second quarter clearly demonstrate that we are delivering on our commitment to position the company for improved future performance," said Michael E. O'Neill, Chairman and Chief Executive Officer. "We continued to improve our asset quality during the quarter and we made significant progress in implementing our strategic plan agenda. I am especially pleased that we are able to accelerate the timing of our share repurchases."

For the first six months of 2001, net income was \$60.4 million or \$0.74 per share, up 30 percent from net income of \$46.5 million, or \$0.58 per share for the same period last year. Year-to-date return on average assets was 0.91 percent compared to 0.66 percent for the first six months of 2000. Year-to-date return on average equity was 9.0 percent versus 7.65 percent for the first half of 2000.

Earnings for the quarter included a number of significant items related to the company's implementation of its previously announced strategic plan. These items reduced net income by \$4.2 million, or \$0.05 per share and included gains of \$24.8 million from the sale of Pacific Century Bank's Arizona branches, \$7.4 million related to the sale of its ownership interest in Star Systems, Inc. and \$3.7 million from the sale of the company's holdings in the Bank of Queensland. Restructuring and related expenses of \$39.0 million offset these gains. Adjusted for these items and their related tax impact, core earnings per share for the quarter were \$0.37 and core net income was \$30.9 million, up slightly from the previous quarter.

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## **Financial Highlights**

Pacific Century Financial Corporation's net interest income for the quarter on a fully taxable equivalent basis was \$116.9 million, down \$8.4 million from the previous quarter primarily due to the March 31, 2001 sale of the company's credit card portfolio. Net interest income was down \$17.2 million from the same quarter last year. The additional decline was largely due to the company's managed effort to reduce risk, which resulted in a reduction in the level of commercial loans.

Adjusted to reflect the reclassification of interchange fees and mortgage banking income, the company's net interest margin for the second quarter of 2001 was 3.92 percent compared to 3.97 percent in the first quarter of 2001. The 5 basis point decline was primarily due to the credit card portfolio sale. The net interest margin was 4.11 percent in the second quarter last year.

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

Non-interest income of \$98.4 million for the quarter includes \$35.9 million in previously mentioned gains on sales. Non-interest income of \$79.2 million for the second quarter of 2000 included a gain on settlement of pension obligations of \$11.9 million. Adjusted for these special items, non-interest income decreased \$4.8 million from the prior year quarter and \$5.2 million from the previous quarter. This decrease in non-interest income was largely due to implementation of the company's strategic plan that called for an intentional scaleback in certain businesses. The most significant components of the reduction were in fees, exchange and other service charges. Interchange fees were down as a result of the sale of the company's credit card portfolio and foreign exchange, trading and letter of credit fees declined due to the wind down in Asia. Trust and asset management income was down from the prior periods due to lower securities values.

Non-interest expense for the quarter was \$161.8 million compared with \$121.2 million for the same quarter last year. Special items during second quarter 2001 included \$39.0 million of restructuring and related costs. The largest element of these expenses was \$20.0 million in severance and other exit costs recognized due to the decision to exit certain businesses. Also included was a \$15.5 million writedown of goodwill in anticipation of the company's pending sale of Pacific Century Bank, the company's subsidiary in California. Excluding these special items, core non-interest expense increased \$1.7 million from the prior year quarter and decreased \$5.4 million from core non-interest expense of \$128.2 million in the first quarter 2001. The largest component of the decline from the previous quarter was due to an adjustment to the insurance claims reserve of the captive insurance company. In addition, other operating expense declined due to lower processing expenses as a result of the sale of the credit card portfolio.

The higher efficiency ratio for the quarter reflects the divesting businesses as revenues declined faster than the corresponding expense levels. The company anticipates that the efficiency ratio will return to a more normal level by the end of the year.

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The effective tax rate of 43 percent for the second quarter of 2001 reflects a higher level of non-tax-deductible costs associated with the divestitures.

Net income for the continuing businesses increased to \$30 million, or \$0.36 per share, up \$6 million from the previous quarter as decreases in net interest income were offset by higher non-interest income, lower expense levels and improved credit performance. Excluding the effects of restructuring, net income for the divested businesses was \$1 million, or \$0.01 per share largely due to declining revenues as the businesses were scaled back and higher credit losses that more than offset reductions in non-interest expense.

### **Asset Quality Improvement**

Asset quality improved for the third consecutive quarter. Non-performing assets, exclusive of loans past due 90+ days, decreased to \$118.9 million, down slightly from the previous quarter and down \$91.7 million, or 43.5 percent from the same period last year. At June 30, 2001, the ratio of non-performing assets to loans was 1.55 percent compared to 1.41 percent at March 31, 2001 and 2.19 percent at June 30, 2000. The higher ratio in the second quarter of 2001 compared to the first quarter is due to an \$0.8 billion decrease in loans, including approximately \$220 million for the sale of the Arizona branches. Other reductions include \$239 million in other commercial loans and \$193 million in foreign loans.

Total exposure, including undrawn commitments, decreased \$269 million to \$439 million in Asia while syndicated loans declined \$504 million to \$2.2 billion. At June 30, 2001, outstanding Asia and syndicated loans were \$346 million and \$682 million, respectively. The company continued to reduce the level of internally criticized and classified assets during the quarter.

Non-accrual loans of \$67.3 million at the end of the second quarter declined \$28.2 million or 29.5 percent from the previous quarter and \$138.4 million or 67.3 percent from the same period last year. Non-accrual loans as a percentage of total loans were 0.88 percent, a decrease from 1.13 percent in the previous quarter, and 2.14 percent in the same period last year. The decline from the previous quarter includes the transfer of two Hawaii loans to foreclosed real estate (OREO). This exposure will be reduced through the sale of the real estate assets.

Net charge-offs for the second quarter of 2001 were \$6.9 million or 0.34 percent of total loans (annualized). Charge-offs of \$20.3 were partially offset by recoveries of \$13.4 million. The most significant credit loss in the quarter was a \$5.0 million charge-off in Pacific Century Bank. The allowance for loan and lease losses at June 30, 2001 was \$199.8 million, unchanged from the prior quarter and down significantly from \$246.6 million at June 30, 2000.

The ratio of the allowance for loan and lease losses to non-accrual loans was 297 percent at June 30, 2001, up from 209 percent at March 31, 2001 and up from 120 percent at June 30, 2000. The ratio of the allowance for loan and lease losses to total loans was 2.62 percent at the end of second quarter 2001 versus 2.37 percent at the end of first quarter 2001 and 2.56 percent at the end of the same quarter last year. The company expects to reevaluate the level of its allowance for loan and lease losses as it completes its divestitures and other risk reduction strategies.

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**Other Financial Highlights**

Pacific Century Financial Corporation achieved significant progress during the second quarter 2001 in the execution of its strategic plan to return the focus of the company back to its core markets and maximize shareholder value over time. On June 5, 2001 the company announced the sale of Pacific Century Bank to U. S. Bancorp. The sale, which is subject to regulatory approvals, is expected to be completed in early September 2001, slightly ahead of the original schedule. The divestiture of the South Pacific locations is proceeding according to plan and information about those businesses has been distributed to interested potential buyers. The company continues to wind down its businesses in Asia. A representative office in Tokyo will be maintained.

Total assets were \$12.8 billion at the end of June 30, 2001, which is currently on track with targeted reductions outlined in the company's strategic plan. The most significant reductions were in commercial loans, installment loans and commercial real estate loans. Asset reductions are on schedule with the sole exception of mortgage loan sales, now anticipated to commence in the third quarter of 2001.

Deposits at the end of the second quarter were \$8.1 billion, down 8 percent from \$8.8 billion at the end of the first quarter 2001 and down 11 percent from the second quarter of 2000. Compared with the first quarter 2001, domestic deposits declined primarily due to the sale of the Arizona branches in April, which reduced total deposits \$0.4 million and a continued decline in foreign deposits resulting from the decision to exit certain foreign countries.

In addition to approval of the new stock repurchase program, the company's Board of Directors declared a quarterly cash dividend of \$0.18 per share on the company's outstanding shares. The dividend will be payable on September 17, 2001 to shareholders of record at the close of business on August 24, 2001.

**2001 Financial Outlook**

Within a range of 2 percent, the company is maintaining its earnings guidance of \$119 million or \$1.51 per share for the full year. Net income for the continuing businesses is expected to be \$102 million or \$1.29 per share. It is apparent that the performance of the divesting businesses will be lower than originally projected. The aggregate cost of restructuring cannot be further refined until the sales price of the South Pacific banks is determined. Earnings per share projections were derived using certain assumptions of share price and repurchase timing. The current share price is higher than the price assumed in our projections. The company will provide guidance on the expected final outcome of restructuring when more information is available.

Hawaii's economists continue to forecast moderate economic expansion in 2001 with Hawaii real GSP growth estimates between 2.2 and 3.0 percent. The key drivers, according to the state's Council on Revenues are expected to be construction growth and rising real estate activity supported by low interest rates. Similar to the U. S. economy, Hawaii's year-to-date economic performance is slightly weaker than expected.

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The company will review second quarter 2001 earnings today at 2:00 p.m. ET. The presentation will be accessible via teleconference and the investor relations link of Pacific Century Financial Corporation's web site, [www.boh.com](http://www.boh.com). The conference call number is (800) 553-0327 in the U.S. or (612) 332-0932 for international callers. A replay will be available for one week beginning at 6:00 p.m. ET on Monday, July 23, 2001 by calling (800) 475-6701 (U.S.) or (320) 365-3844 (International) and entering the number 593861 when prompted. A replay of the presentation will be available on the company's web site.

This news release contains forward-looking statements. All statements in this news release that address events or developments that we anticipate may occur in the future are forward-looking statements. We believe the assumptions underlying our forward-looking statements are reasonable. However, any of the assumptions could prove to be inaccurate and actual results may differ materially from those projected for a variety of reasons including, but not limited to: we may not complete implementation of the strategic plan within expected financial and time estimates; our credit markets may deteriorate; our credit quality initiatives may fall short of our goals; we may not achieve the expense reductions we expect; we may not be able to maintain our net interest margin; we may not be able to implement our proposed equity repurchases in the amount or at the times planned; implementing the strategic plan may cause unanticipated organizational disruptions; customer acceptance of our business as restructured may be less than expected; there may be economic or political volatility in the markets we serve; and there may be changes in business and economic conditions, competition, fiscal and monetary policies or legislation. Except where specified, we do not undertake any obligation to update any forward-looking statements to reflect later events or circumstances.

Pacific Century Financial Corporation is a regional financial services holding company with locations throughout the Pacific region. Pacific Century and its subsidiaries provide varied financial services to businesses, governments and consumers in four principal markets: Hawaii and the West Pacific, South Pacific, Asia and selected markets on the U.S. Mainland. Pacific Century's principal subsidiary, Bank of Hawaii, is the largest commercial bank in the state of Hawaii.

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# Pacific Century Financial Corporation and subsidiaries

## Highlights (Unaudited)

Table 1

(dollars in thousands except per share amounts)

<b>Earnings Highlights and Performance Ratios</b>	<b>2001</b>	<b>2000</b>
Three Months Ended June 30		
Net Income	\$26,739	\$6,707
Basic Earnings Per Share	0.33	0.08
Diluted Earnings Per Share	0.32	0.08
Cash Dividends	14,426	14,305
Return on Average Assets	0.83%	0.19%
Return on Average Equity	7.69%	2.19%
Net Interest Margin	3.92% *	4.11%
Core Efficiency Ratio (a)	68.74%	60.57%
Six Months Ended June 30		
Net Income	\$60,416	\$46,472
Basic Earnings Per Share	0.75	0.58
Diluted Earnings Per Share	0.74	0.58
Cash Dividends	28,790	27,845
Return on Average Assets	0.91%	0.66%
Return on Average Equity	9.00%	7.65%
Net Interest Margin	3.94%	4.12%
Core Efficiency Ratio (a)	66.98%	61.26%

### Summary of Results Excluding the Effect of Intangibles (b)

Three Months Ended June 30		
Net Income	\$28,676	\$10,526
Basic Earnings per Share	\$0.36	\$0.13
Diluted Earnings per Share	\$0.35	\$0.13
Return on Average Assets	0.90%	0.30%
Return on Average Equity	9.41%	4.10%
Core Efficiency Ratio (a)	66.71%	58.43%
Six Months Ended June 30		
Net Income	\$67,383	\$53,973
Basic Earnings per Share	\$0.84	\$0.68
Diluted Earnings per Share	\$0.82	\$0.67
Return on Average Assets	1.03%	0.77%
Return on Average Equity	11.59%	10.66%
Core Efficiency Ratio (a)	64.96%	59.18%

(a) Core earnings excludes restructuring and non-recurring transactions.

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

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

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\* Revision made 7/27/01.

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

**Table 2**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30</b>	<b>June 30</b>	<b>June 30</b>	<b>June 30</b>
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<i>(dollars in thousands except per share amounts)</i>				
<i>Interest Income</i>				
Interest on Loans	\$ 154,641	\$ 188,233	\$ 336,943	\$ 371,656
Income on Lease Financing	9,174	9,747	16,031	17,726
Interest and Dividends on Investment Securities				
Taxable	10,902	13,321	22,538	27,557
Non-taxable	144	243	284	522
Income on Investment Securities Available for Sale	36,146	41,161	75,447	82,194
Deposits	4,903	3,834	10,117	7,598
Security Resale Agreements	101	6	139	16
Funds Sold	1,252	485	2,311	958
<i>Total Interest Income</i>	217,263	257,030	463,810	508,227
<i>Interest Expense</i>				
Deposits	60,061	71,064	132,080	139,278
Security Repurchase Agreements	20,843	26,021	45,473	48,974
Funds Purchased	2,333	7,834	8,456	16,361
Short-Term Borrowings	2,764	6,514	5,994	11,046
Long-Term Debt	14,459	13,319	29,773	26,007
<i>Total Interest Expense</i>	100,460	124,752	221,776	241,666
<i>Net Interest Income</i>	116,803	132,278	242,034	266,561
Provision for Loan Losses	6,413	83,407	58,879	96,929
<i>Net Interest Income After Provision for Loan Losses</i>	110,390	48,871	183,155	169,632
<i>Non-Interest Income</i>				
Trust and Asset Management	15,247	16,317	31,042	33,204
Mortgage Banking	4,606	2,799	9,683	4,878
Service Charges on Deposit Accounts	9,878	10,180	19,818	19,737
Fees, Exchange, and Other Service Charges	20,000	25,393	43,593	49,485
Gain on Sale of Card Portfolio and Branches	24,794	-	100,208	-
Gain on Settlement of Pension Obligation	-	11,900	-	11,900
Investment Securities Gains (Losses)	11,681	(515)	31,884	(233)
Other Operating Income	12,170	13,097	22,883	28,672
<i>Total Non-Interest Income</i>	98,376	79,171	259,111	147,643
<i>Non-Interest Expense</i>				
Salaries	47,722	44,460	95,605	92,007
Pensions and Other Employee Benefits	12,543	10,788	26,896	25,418
Net Occupancy Expense	12,488	12,480	24,612	24,296
Net Equipment Expense	13,729	12,066	27,108	24,133
Goodwill Amortization	3,633	4,278	7,583	8,340
Restructuring and Other Related Costs	37,751	-	82,189	-
Minority Interest	84	107	163	176
Other Operating Expense	33,885	36,998	70,319	72,209
<i>Total Non-Interest Expense</i>	161,835	121,177	334,475	246,579
<i>Income Before Income Taxes</i>	46,931	6,865	107,791	70,696
Provision for Income Taxes	20,192	158	47,375	24,224
<i>Net Income</i>	\$ 26,739	\$ 6,707	\$ 60,416	\$ 46,472
Basic Earnings Per Share	\$0.33	\$0.08	\$0.75	\$0.58
Diluted Earnings Per Share	\$0.32	\$0.08	\$0.74	\$0.58
Dividends Declared Per Share	\$0.36	\$0.36	\$0.36	\$0.35
Basic Weighted Average Shares	80,516,216	79,425,245	80,120,449	79,623,305
Diluted Weighted Average Shares	82,975,267	80,002,989	82,030,085	79,975,904

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

**Table 3**

	June 30 2001	December 31 2000	June 30 2000
<i>(dollars in thousands)</i>			
<b>Assets</b>			
Interest-Bearing Deposits	\$458,696	\$188,649	\$199,020
Investment Securities - Held to Maturity (Market Value of \$628,393, \$676,621 and \$721,617, respectively)	616,412	670,038	730,445
Investment Securities - Available for Sale	2,202,718	2,507,076	2,493,066
Securities Purchased Under Agreements to Resell	7,688	3,969	-
Funds Sold	318,182	134,644	50,646
Loans Held for Sale	571,395	179,229	128,720
Loans	7,874,205	9,489,061	9,942,797
Unearned Income	(255,798)	(253,903)	(327,520)
Allowance for Loan Losses	(199,800)	(246,247)	(246,559)
<b>Net Loans</b>	<b>7,418,607</b>	<b>8,988,911</b>	<b>9,368,718</b>
<b>Total Earning Assets</b>	<b>11,593,698</b>	<b>12,672,516</b>	<b>12,970,615</b>
Cash and Non-Interest Bearing Deposits	391,552	523,969	473,950
Premises and Equipment	242,040	254,621	259,037
Customers' Acceptance Liability	4,184	14,690	9,406
Accrued Interest Receivable	61,702	68,585	75,883
Other Real Estate	40,077	4,526	4,915
Intangibles, including Goodwill	157,515	192,264	198,363
Other Assets	264,743	282,645	302,456
<b>Total Assets</b>	<b>\$12,755,511</b>	<b>\$14,013,816</b>	<b>\$14,294,625</b>
<b>Liabilities</b>			
Domestic Deposits			
Demand - Non-Interest Bearing	\$1,591,824	\$1,707,724	\$1,696,106
- Interest Bearing	1,914,474	2,008,730	2,091,074
Savings	758,262	665,239	684,572
Time	2,602,035	2,836,083	2,781,868
Foreign Deposits			
Demand - Non-Interest Bearing	319,165	385,366	378,497
Time Due to Banks	265,768	535,126	442,678
Other Savings and Time	656,940	942,313	1,034,351
<b>Total Deposits</b>	<b>8,108,468</b>	<b>9,080,581</b>	<b>9,109,146</b>
Securities Sold Under Agreements to Repurchase	1,632,774	1,655,173	1,573,980
Funds Purchased	176,768	413,241	663,234
Short-Term Borrowings	242,781	211,481	530,231
Bank's Acceptances Outstanding	4,184	14,690	9,406
Accrued Retirement Expense	35,946	37,868	37,214
Accrued Interest Payable	59,559	72,460	64,579
Accrued Taxes Payable	170,815	130,766	83,343
Minority Interest	4,014	4,536	4,350
Other Liabilities	93,619	94,512	107,569
Long-Term Debt	830,852	997,152	902,174
<b>Total Liabilities</b>	<b>11,359,780</b>	<b>12,712,460</b>	<b>13,085,226</b>
<b>Shareholders' Equity</b>			
Common Stock (\$.01 par value), authorized 500,000,000 shares; issued / outstanding: June 2001 - 80,368,629 / 80,948,825; December 2000 - 80,558,811 / 79,612,178; June 2000 - 80,555,424 / 79,399,919	806	806	806
Capital Surplus	367,390	346,045	346,018
Accumulated Other Comprehensive Income	25,886	(25,079)	(75,462)
Retained Earnings	1,028,036	996,791	959,041
Deferred Stock Grants	(17,891)	-	-
Treasury Stock, at Cost - (Shares: June 2001 - 419,804; December 2000 - 946,633; and June 2000 - 1,155,505)	(8,496)	(17,207)	(21,004)
<b>Total Shareholders' Equity</b>	<b>1,395,731</b>	<b>1,301,356</b>	<b>1,209,399</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$12,755,511</b>	<b>\$ 14,013,816</b>	<b>\$ 14,294,625</b>



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

**Table 4**

(in thousands of dollars)	Total	Common Stock	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Deferred Stock Grants	Treasury Stock	Comprehensive Income
<b>Balance at December 31, 2000</b>	<b>\$ 1,301,356</b>	<b>\$ 806</b>	<b>\$ 346,045</b>	<b>\$ (25,079)</b>	<b>\$ 996,791</b>	<b>\$ -</b>	<b>\$ (17,207)</b>	
Comprehensive Income								
Net Income	60,416	-	-	-	60,416	-	-	\$60,416
Other Comprehensive Income, Net of Tax								
Investment Securities, Net of Reclassification Adjustment	22,775	-	-	22,775	-	-	-	22,775
Foreign Currency Translation Adjustmer	27,496	-	-	27,496	-	-	-	27,496
Pension Liability Adjustments	(159)	-	-	(159)	-	-	-	(159)
Total Comprehensive Income								<u>\$110,528</u>
Common Stock Issued								
32,942 Profit Sharing Plan	725	-	180	-	-	-	545	
416,413 Stock Option Plan	7,073	-	643	-	(381)	-	6,811	
64,791 Dividend Reinvestment Plan	1,419	-	326	-	-	-	1,093	
3,672 Directors' Restricted Shares and Deferred Compensation Plan	343	-	81	-	-	-	262	
741,000 Employees' Restricted Shares	925	-	18,816	-	-	(17,891)	-	
65,146 Hawaii Insurance Network	1,299	-	1,299	-	-	-	-	
Stock Compensation	853	-	-	853	-	-	-	
Cash Dividends Paid	(28,790)	-	-	-	(28,790)	-	-	
<b>Balance at June 30, 2001</b>	<b>\$ 1,395,731</b>	<b>\$ 806</b>	<b>\$ 367,390</b>	<b>\$ 25,886</b>	<b>\$ 1,028,036</b>	<b>\$ (17,891)</b>	<b>\$ (8,496)</b>	
<b>Balance at December 31, 1999</b>	<b>\$ 1,212,330</b>	<b>\$ 806</b>	<b>\$ 345,851</b>	<b>\$ (66,106)</b>	<b>\$ 942,177</b>	<b>\$ -</b>	<b>\$ (10,398)</b>	
Comprehensive Income								
Net Income	46,472	-	-	-	46,472	-	-	\$46,472
Other Comprehensive Income, Net of Tax								
Investment Securities, Net of Reclassification Adjustment	(10,696)	-	-	(10,696)	-	-	-	(10,696)
Foreign Currency Translation Adjustmer	1,340	-	-	1,340	-	-	-	1,340
Pension Liability Adjustments	-	-	-	-	-	-	-	-
Total Comprehensive Income								<u>\$37,116</u>
Common Stock Issued								
39,382 Profit Sharing Plan	723	-	18	-	(128)	-	833	
140,260 Stock Option Plan	2,018	-	3	-	(1,019)	-	3,034	
115,574 Dividend Reinvestment Plan	1,899	-	52	-	(616)	-	2,463	
4,696 Directors' Restricted Shares and Deferred Compensation Plan	94	-	94	-	-	-	-	
Treasury Stock Purchased	(16,936)	-	-	-	-	-	(16,936)	
Cash Dividends Paid	(27,845)	-	-	-	(27,845)	-	-	
<b>Balance at June 30, 2000</b>	<b>\$ 1,209,399</b>	<b>\$ 806</b>	<b>\$ 346,018</b>	<b>\$ (75,462)</b>	<b>\$ 959,041</b>	<b>\$ -</b>	<b>\$ (21,004)</b>	

**Pacific Century Financial Corporation and subsidiaries**  
**Consolidated Average Balances and Interest Rates Taxable Equivalent (Unaudited)**

**Table 5**

	Three Months Ended June 30, 2001			Three Months Ended March 31, 2001			Three Months Ended June 30, 2000		
(dollars in millions)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
<b>Earning Assets</b>									
Interest Bearing Deposits	\$ 414.3	\$ 4.9	4.75%	\$ 332.3	\$ 5.2	6.36%	\$ 220.0	\$ 3.6	6.49%
Funds Sold	120.3	1.4	4.51	80.5	1.1	5.53	32.2	0.5	6.13
Investment Portfolio									
- Held-To-Maturity	642.1	11.1	6.93	656.3	11.9	7.35	731.6	13.7	7.53
- Available for Sale	2,318.3	36.2	6.25	2,479.9	39.3	6.43	2,514.8	41.2	6.58
Loans Held For Sale	430.9	7.4	6.88	201.7	3.6	7.24	123.7	2.3	7.48
Net Loans									
- Domestic	6,910.9	137.1	7.96	7,784.0	163.7	8.53	7,980.7	172.3	8.68
- Foreign	1,136.9	19.3	6.80	1,277.8	21.8	6.93	1,532.5	25.1	6.58
Total Loans	8,047.8	156.4	7.79	9,061.8	185.5	8.21	9,513.1	197.4	8.34
Total Earning Assets	11,973.7	217.4	7.28	12,812.5	246.6	7.81	13,135.5	258.6	7.92
Cash and Due From Banks	367.6			438.2			444.0		
Other Assets	655.1			595.1			638.8		
Total Assets	<u>\$ 12,996.4</u>			<u>\$ 13,845.8</u>			<u>\$14,218.3</u>		
<b>Interest Bearing Liabilities</b>									
Domestic Deposits									
- Demand	\$ 1,905.0	9.3	1.95	\$ 2,008.2	11.7	2.36	\$ 2,097.8	12.3	2.36
- Savings	698.8	3.7	2.14	665.7	3.4	2.04	691.5	3.5	2.03
- Time	2,654.1	37.3	5.64	2,902.7	43.1	6.03	2,744.0	36.4	5.33
Total Domestic Deposits	5,257.9	50.3	3.83	5,576.6	58.2	4.23	5,533.3	52.1	3.79
Foreign Deposits									
- Time Due to Banks	317.4	3.5	4.45	489.4	6.6	5.51	422.0	6.2	5.91
- Other Time and Savings	709.3	6.3	3.55	801.0	7.2	3.65	1,133.8	12.4	4.40
Total Foreign Deposits	1,026.7	9.8	3.83	1,290.4	13.8	4.35	1,555.8	18.6	4.81
Total Interest Bearing Deposits	6,284.6	60.1	3.83	6,867.0	72.0	4.25	7,089.1	70.7	4.01
Short-Term Borrowings	2,108.2	25.9	4.94	2,364.8	34.0	5.83	2,728.1	40.4	5.95
Long-Term Debt	864.5	14.5	6.71	916.0	15.3	6.78	807.2	13.3	6.64
Total Interest Bearing Liabilities	9,257.3	100.5	4.35	10,147.8	121.3	4.85	10,624.3	124.4	4.71
Net Interest Income		116.9			125.3			134.1	
Interest Rate Spread			2.93%			2.96%			3.21%
Net Interest Margin			3.92%			3.97%			4.11%
Demand Deposit: - Domestic	1,567.8			1,636.8			1,666.5		
- Foreign	348.4			377.5			366.0		
Total Demand Deposits	1,916.2			2,014.3			2,032.5		
Other Liabilities	428.5			372.4			331.5		
Shareholders' Equity	1,394.4			1,311.3			1,230.0		
Total Liabilities and Shareholders' Equity	<u>\$ 12,996.4</u>			<u>\$ 13,845.8</u>			<u>\$14,218.3</u>		
Provision for Loan Losses		6.4			52.4			83.3	
Net Overhead		63.5			11.9			43.0	
Income Before Income Taxes		47.0			61.0			7.8	
Provision for Income Taxes		20.2			27.2			0.1	
Tax-Equivalent Adjustment		0.1			0.1			1.0	
Net Income		<u>\$26.7</u>			<u>\$33.7</u>			<u>\$ 6.7</u>	

**Pacific Century Financial Corporation and subsidiaries**  
**Loan Portfolio Balances (Unaudited)**

**Table 6**

(in millions of dollars)	<b>June 30 2001</b>	<b>March 31 2001</b>	<b>December 31 2000</b>	<b>June 30 2000</b>
Domestic Loans				
Commercial and Industrial	\$1,786.8	\$2,094.7	\$2,443.3	\$2,683.8
Real Estate				
Construction -- Commercial	213.6	284.0	282.4	294.3
-- Residential	32.4	28.9	25.0	21.9
Mortgage -- Commercial	866.3	1,023.8	1,125.5	1,241.2
-- Residential	2,785.6	2,866.7	2,855.9	2,678.7
Installment	486.4	496.4	729.9	750.0
Lease Financing	738.0	731.2	725.5	782.7
<b>Total Domestic</b>	<b>6,909.1</b>	<b>7,525.7</b>	<b>8,187.5</b>	<b>8,452.6</b>
Foreign Loans	965.1	1,157.7	1,301.6	1,490.2
Unearned Income	(255.8)	(258.4)	(253.9)	(327.5)
<b>Total Loans</b>	<b>\$7,618.4</b>	<b>\$8,425.0</b>	<b>\$9,235.2</b>	<b>\$9,615.3</b>

# Pacific Century Financial Corporation and subsidiaries

Table 7

## Consolidated Non-Performing Assets and Accruing Loans Past Due 90 Days or More (Unaudited)

	June 30 2001	March 31 2001	Dec 31 2000	Sept 30 2000	June 30 2000
(dollars in millions)					
Non-Accrual Loans					
Commercial and Industrial	\$11.8	\$23.8	\$55.4	\$49.0	\$52.7
Real Estate					
Construction	5.8	6.3	6.4	8.1	8.0
Commercial	14.4	29.7	60.1	86.8	62.2
Residential	16.2	18.5	22.7	22.0	23.2
Installment	0.2	0.1	-	0.1	0.1
Leases	0.4	0.2	0.4	0.2	0.3
Total Domestic	48.8	78.6	145.0	166.2	146.5
Foreign	18.5	16.9	33.5	48.3	59.2
Subtotal	67.3	95.5	178.5	214.5	205.7
Loans Held for Sale	11.5	12.8	-	-	-
Foreclosed Real Estate					
Domestic	39.8	10.9	4.2	4.9	4.6
Foreign	0.3	0.3	0.3	0.2	0.3
Subtotal	40.1	11.2	4.5	5.1	4.9
Total Non-Performing Assets	118.9	119.5	183.0	219.6	210.6
Accruing Loans Past Due 90 Days or More					
Commercial and Industrial	0.2	3.9	5.0	2.2	4.7
Real Estate					
Construction	-	-	-	0.1	-
Commercial	-	0.9	1.3	4.9	2.0
Residential	3.7	3.3	3.3	7.2	3.5
Installment	1.8	2.7	5.6	4.6	4.0
Leases	0.1	0.1	0.4	0.1	1.5
Total Domestic	5.8	10.9	15.6	19.1	15.7
Foreign	0.4	0.2	3.2	1.5	1.3
Subtotal	6.2	11.1	18.8	20.6	17.0
Total	\$125.1	\$130.6	\$201.8	\$240.2	\$227.6
Total Loans	\$7,618	\$8,425	\$9,235	\$9,339	\$9,614
Ratio of Non-Accrual Loans to Total Loans	0.88%	1.13%	1.93%	2.30%	2.14%
Ratio of Non-Performing Assets to Total Loans, Foreclosed Real Estate and Non-Performing Loans Held for S	1.55%	1.41%	1.98%	2.35%	2.19%
Ratio of Non-Performing Assets and Accruing Loans Past Due 90 Days or More to Total Loans	1.64%	1.55%	2.19%	2.57%	2.37%

**Pacific Century Financial Corporation and subsidiaries**  
**Consolidated Allowance for Loan Losses (Unaudited)**

**Table 8**

	<b>Second Quarter 2001</b>	<b>First Quarter 2001</b>	<b>Second Quarter 2000</b>	<b>First Six Months 2001</b>	<b>First Six Months 2000</b>
(dollars in millions)					
Average Loans Outstanding	\$8,047.8	\$9,061.8	\$9,513.1	\$8,552.0	\$9,439.6
Balance of Allowance for Loan Losses					
at Beginning of Period	\$199.8	\$246.2	\$195.4	\$246.2	\$194.2
Loans Charged-Off					
Commercial and Industrial	8.9	75.5	12.4	84.4	9.7
Real Estate					
Construction	-	-	0.5	-	0.5
Commercial	1.6	11.9	7.7	13.5	11.5
Residential	1.7	2.5	1.4	4.2	3.7
Installment	4.2	5.4	5.2	9.6	9.9
Leases	-	0.1	0.2	0.1	0.2
Total Domestic	16.4	95.4	27.4	111.8	35.5
Foreign	3.9	10.0	9.1	13.9	17.1
Total Charged-Off	20.3	105.4	36.5	125.7	52.6
Recoveries on Loans Previously Charged-Off					
Commercial and Industrial	4.3	2.7	1.2	7.0	2.9
Real Estate					
Construction	-	-	-	-	-
Commercial	0.8	0.3	0.1	1.1	0.2
Residential	0.3	0.2	0.2	0.5	0.7
Installment	1.6	1.8	1.9	3.4	3.6
Leases	0.1	0.1	-	0.2	-
Total Domestic	7.1	5.1	3.4	12.2	7.4
Foreign	6.3	2.6	0.2	8.9	1.0
Total Recoveries	13.4	7.7	3.6	21.1	8.4
Net Charge-Offs	(6.9)	(97.7)	(32.9)	(104.6)	(44.2)
Provision for Loan Losses	6.4	52.5	83.4	58.9	96.9
Other Net Additions (Reductions)*	0.5	(1.2)	0.7	(0.7)	(0.3)
Balance at End of Period	\$199.8	\$199.8	\$246.6	\$199.8	\$246.6
Ratio of Net Charge-Offs to					
Average Loans Outstanding (annualized)	0.34%	4.31%	1.38%	2.45%	0.94%
Ratio of Allowance to Loans Outstanding	2.62%	2.37%	2.56%	2.62%	2.56%

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

**Pacific Century Financial Corporation and subsidiaries**  
**Analysis of Earnings (Unaudited)**  
**Three Months Ended June 30, 2001**

**Table 9**

(dollars in millions except per share amounts)	<b>Allocated</b>			<b>Reported Amounts</b>
	<b>Restructuring Impact</b>	<b>Divesting Businesses</b>	<b>Continuing Businesses</b>	
Net Revenue	\$ 36	\$ 37	\$ 142	\$ 215
Non-Interest Expense	39	31	92	162
	(3)	6	50	53
Provision for Loan Losses	-	4	2	6
Income Before Income Taxes	(3)	2	48	47
Provision for Income Taxes	1	1	18	20
Net Income	\$ (4)	\$ 1	\$ 30	\$ 27
Earnings Per Share-Diluted	\$ (0.05)	\$ 0.01	\$ 0.36	\$ 0.32

**Continuing Business Outlook**  
**Year Ending 2001**

(dollars in millions except per share amounts)	<b>Historical Amounts</b>		<b>Current Outlook</b>		<b>Previous Outlook</b>
	<b>Q1</b>	<b>Q2</b>	<b>Q3 &amp; Q4</b>	<b>Full Year</b>	
Net Revenue	\$ 147	\$ 142	\$ 289	\$ 578	\$ 581
Non-Interest Expense	96	92	185	373	373
	51	50	104	205	208
Provision for Loan Losses	12	2	21	35	45
Income Before Income Taxes	39	48	83	170	163
Provision for Income Taxes	15	18	35	68	61
Allocated Net Income	\$ 24	\$ 30	\$ 48	\$ 102	\$ 102
Allocated Earnings Per Share-Diluted	\$ 0.29	\$ 0.36			\$ 1.29

This information is based on estimates of current and future performance of identified business units within a range of 2%. Readers are reminded to refer to the guidance regarding forward looking information.

**Pacific Century Financial Corporation and subsidiaries** Table 10  
**Quarterly Summary of Selected Consolidated Financial Data** (Unaudited)

(dollars in millions except per share amounts)

	June 30 2001	Mar. 31 2001	Dec. 31 2000	Sept. 30 2000	June 30 2000
<b>Balance Sheet Totals</b>					
Total Assets	\$ 12,755.5	\$ 13,710.7	\$ 14,013.8	\$ 13,939.9	\$14,294.6
Net Loans	7,418.6	8,225.2	8,988.9	9,094.3	9,368.7
Deposits	8,108.5	8,815.5	9,080.6	8,820.7	9,109.1
Long-Term Debt	830.9	882.7	997.2	999.7	902.2
Shareholders' Equity	1,395.7	1,371.9	1,301.4	1,250.1	1,209.4
<b>Quarterly Operating Results</b>					
Net Interest Income	\$ 116.8	\$ 125.2	\$ 132.1	\$ 132.8	\$ 132.3
Provision for Loan Losses	6.4	52.5	25.8	20.1	83.4
Non-Interest Income	98.4	160.7	70.6	67.0	79.2
Non-Interest Expense	161.8	172.6	123.1	124.2	121.2
Net Income	26.7	33.7	32.6	34.6	6.7
Basic Earnings Per Share	\$0.33	\$0.42	\$0.41	\$0.44	\$0.08
Diluted Earnings Per Share	\$0.32	\$0.42	\$0.41	\$0.44	\$0.08
Return on Average Assets	0.83%	0.99%	0.94%	0.98%	0.19%
Return on Average Equity	7.69%	10.42%	10.24%	11.20%	2.19%
Core Efficiency Ratio	68.74%	54.21%	60.37%	62.12%	60.57%
<b>Excluding the Effects of Intangibles (1)</b>					
Net Income	\$28.7	\$38.7	\$36.2	\$38.3	\$10.5
Basic Earnings Per Share	\$0.36	\$0.49	\$0.46	\$0.48	\$0.13
Diluted Earnings Per Share	\$0.35	\$0.48	\$0.45	\$0.48	\$0.13
Return on Average Assets	0.90%	1.15%	1.06%	1.10%	0.30%
Return on Average Equity	9.41%	14.01%	13.42%	14.76%	4.10%
Core Efficiency Ratio	66.71%	52.54%	58.19%	59.83%	58.43%

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