BANK OF HAWAII CORP
Form 10-Q
July 27, 2009
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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 June 30, 2009

or

o 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

BANK OF HAWAII CORPORATION

(Exact name of registrant as specified in its charter)

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

1-888-643-3888

(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

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

As of July 22, 2009, there were 47,883,484 shares of common stock outstanding.

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Bank of Hawaii Corporation

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Bank of Hawaii Corporation and Subsidiaries

Consolidated Statements of Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands, except per share amounts)	**2009**	**2008**	**2009**	**2008**
Interest Income				
Interest and Fees on Loans and Leases	$ 83,342	$ 97,959	$ 169,934	$ 202,372
Income on Investment Securities				
Trading		1,209	594	2,369
Available-for-Sale	38,155	35,321	70,456	69,572
Held-to-Maturity	2,369	3,033	4,936	6,272
Deposits	5	204	15	399
Funds Sold	526	420	1,103	1,412
Other	276	489	552	915
Total Interest Income	124,673	138,635	247,590	283,311
Interest Expense				
Deposits	14,481	20,238	31,506	47,703
Securities Sold Under Agreements to Repurchase	6,477	7,488	13,129	18,105
Funds Purchased	5	270	10	903
Short-Term Borrowings		12		46
Long-Term Debt	859	3,459	3,032	7,206
Total Interest Expense	21,822	31,467	47,677	73,963
Net Interest Income	102,851	107,168	199,913	209,348
Provision for Credit Losses	28,690	7,172	53,577	21,599
Net Interest Income After Provision for Credit Losses	74,161	99,996	146,336	187,749
Noninterest Income				
Trust and Asset Management	11,881	15,460	23,513	30,546
Mortgage Banking	5,443	2,738	14,121	7,035
Service Charges on Deposit Accounts	12,910	12,411	26,296	24,494
Fees, Exchange, and Other Service Charges	15,410	16,103	30,386	31,494
Investment Securities Gains, Net	12	157	68	287
Insurance	4,744	5,590	10,385	12,720
Other	9,432	8,080	25,428	40,088
Total Noninterest Income	59,832	60,539	130,197	146,664
Noninterest Expense				
Salaries and Benefits	44,180	45,984	91,208	101,457
Net Occupancy	10,008	11,343	20,336	21,786
Net Equipment	4,502	4,474	8,818	8,795
Professional Fees	4,005	2,588	6,554	5,201
FDIC Insurance	8,987	247	10,801	496
Other	17,902	19,226	39,800	39,559
Total Noninterest Expense	89,584	83,862	177,517	177,294
Income Before Provision for Income Taxes	44,409	76,673	99,016	157,119
Provision for Income Taxes	13,403	28,391	31,970	51,622
Net Income	$ 31,006	$ 48,282	$ 67,046	$ 105,497
Basic Earnings Per Share	$ 0.65	$ 1.01	$ 1.41	$ 2.20
Diluted Earnings Per Share	$ 0.65	$ 1.00	$ 1.40	$ 2.18
Dividends Declared Per Share	$ 0.45	$ 0.44	$ 0.90	$ 0.88
Basic Weighted Average Shares	47,682,604	47,733,278	47,624,521	47,849,945
Diluted Weighted Average Shares	47,948,531	48,300,049	47,876,509	48,423,619

The accompanying notes are an integral part of the Consolidated Financial Statements (Unaudited).

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Bank of Hawaii Corporation and Subsidiaries

Consolidated Statements of Condition (Unaudited)

(dollars in thousands)	**June 30, 2009**	**December 31, 2008**	**June 30, 2008**
Assets			
Interest-Bearing Deposits	$ 4,537	$ 5,094	$ 6,056
Funds Sold	656,000	405,789	
Investment Securities			
Trading		91,500	94,347
Available-for-Sale	4,292,911	2,519,239	2,646,506
Held-to-Maturity (Fair Value of $214,484; $242,175; and $255,905)	209,807	239,635	260,592
Loans Held for Sale	40,994	21,540	11,183
Loans and Leases	6,149,911	6,530,233	6,518,128
Allowance for Loan and Lease Losses	(137,416)	(123,498)	(102,498)
Net Loans and Leases	6,012,495	6,406,735	6,415,630
Total Earning Assets	11,216,744	9,689,532	9,434,314
Cash and Noninterest-Bearing Deposits	294,022	385,599	280,635
Premises and Equipment	112,681	116,120	117,323
Customers Acceptances	2,084	1,308	1,856
Accrued Interest Receivable	43,042	39,905	42,295
Foreclosed Real Estate	438	428	229
Mortgage Servicing Rights	24,731	21,057	30,272
Goodwill	34,959	34,959	34,959
Other Assets	465,994	474,567	429,266
Total Assets	$ 12,194,695	$ 10,763,475	$ 10,371,149
Liabilities			
Deposits			
Noninterest-Bearing Demand	$ 2,109,270	$ 1,754,724	$ 1,876,782
Interest-Bearing Demand	1,589,300	1,854,611	1,631,586
Savings	4,054,039	3,104,863	2,816,222
Time	1,267,052	1,577,900	1,579,400
Total Deposits	9,019,661	8,292,098	7,903,990
Funds Purchased	8,670	15,734	69,400
Short-Term Borrowings	10,000	4,900	10,180
Securities Sold Under Agreements to Repurchase	1,799,794	1,028,835	1,028,518
Long-Term Debt (includes $119,275 and $121,326 carried at fair value as of December 31, 2008 and June 30, 2008, respectively)	91,432	203,285	205,351
Banker s Acceptances	2,084	1,308	1,856
Retirement Benefits Payable	54,286	54,776	29,478
Accrued Interest Payable	7,765	13,837	13,588
Taxes Payable and Deferred Taxes	226,936	229,699	250,125
Other Liabilities	128,182	128,299	91,105
Total Liabilities	11,348,810	9,972,771	9,603,591
Shareholders Equity			
Common Stock ($.01 par value; authorized 500,000,000 shares; issued / outstanding: June 30, 2009 - 57,028,940 / 47,881,083; December 31, 2008 - 57,019,887 / 47,753,371; and June 30, 2008 - 57,016,182 / 47,941,409)	569	568	568
Capital Surplus	491,784	492,515	489,335
Accumulated Other Comprehensive Loss	(1,870)	(28,888)	(15,813)
Retained Earnings	811,121	787,924	745,244
Treasury Stock, at Cost (Shares: June 30, 2009 - 9,147,857; December 31, 2008 - 9,266,516; and June 30, 2008 - 9,074,773)	(455,719)	(461,415)	(451,776)
Total Shareholders Equity	845,885	790,704	767,558
Total Liabilities and Shareholders Equity	$ 12,194,695	$ 10,763,475	$ 10,371,149

The accompanying notes are an integral part of the Consolidated Financial Statements (Unaudited).

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Bank of Hawaii Corporation and Subsidiaries

Consolidated Statements of Shareholders Equity (Unaudited)

(dollars in thousands)	Total	Common Stock	Capital Surplus	Accum. Other Compre-hensive Loss	Retained Earnings	Treasury Stock	Compre-hensive Income
Balance as of December 31, 2008	$ 790,704	$ 568	$ 492,515	$ (28,888)	$ 787,924	$ (461,415)	
Comprehensive Income:							
Net Income	67,046				67,046		$ 67,046
Other Comprehensive Income, Net of Tax:							
Change in Unrealized Gains and Losses on Investment Securities Available-for-Sale	26,302			26,302			26,302
Amortization of Net Loss Related to Pension and Postretirement Benefit Plans	716			716			716
Total Comprehensive Income							$ 94,064
Share-Based Compensation	944		944				
Net Tax Benefits related to Share-Based Compensation	(430)		(430)				
Common Stock Issued under Purchase and Equity Compensation Plans (152,582 shares)	4,517	1	(1,245)		(791)	6,552	
Common Stock Repurchased (24,870 shares)	(856)					(856)	
Cash Dividends Paid	(43,058)				(43,058)		
Balance as of June 30, 2009	$ 845,885	$ 569	$ 491,784	$ (1,870)	$ 811,121	$ (455,719)	
Balance as of December 31, 2007	$ 750,255	$ 567	$ 484,790	$ (5,091)	$ 688,638	$ (418,649)	
Cumulative-Effect Adjustment of a Change in Accounting Principle, Net of Tax:							
SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115*	(2,736)				(2,736)		
Comprehensive Income:							
Net Income	105,497				105,497		$ 105,497
Other Comprehensive Income, Net of Tax:							
Change in Unrealized Gains and Losses on Investment Securities Available-for-Sale	(10,820)			(10,820)			(10,820)
Amortization of Net Loss Related to Pension and Postretirement Benefit Plans	98			98			98
Total Comprehensive Income							$ 94,775
Share-Based Compensation	3,072		3,072				
Net Tax Benefits related to Share-Based Compensation	1,304		1,304				
Common Stock Issued under Purchase and Equity Compensation Plans (276,946 shares)	8,478	1	169		(3,812)	12,120	
Common Stock Repurchased (923,330 shares)	(45,247)					(45,247)	
Cash Dividends Paid	(42,343)				(42,343)		
Balance as of June 30, 2008	$ 767,558	$ 568	$ 489,335	$ (15,813)	$ 745,244	$ (451,776)	

The accompanying notes are an integral part of the Consolidated Financial Statements (Unaudited).

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Bank of Hawaii Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)

(dollars in thousands)	Six Months Ended June 30, 2009	2008
Operating Activities		
Net Income	$ 67,046	$ 105,497
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Credit Losses	53,577	21,599
Depreciation and Amortization	6,794	7,047
Amortization of Deferred Loan and Lease Fees	(1,216)	(1,058)
Amortization and Accretion of Premiums/Discounts on Investment Securities, Net	1,723	741
Share-Based Compensation	944	3,072
Benefit Plan Contributions	(1,453)	(1,078)
Deferred Income Taxes	(15,978)	(15,738)
Gain on Sale of Insurance Business	(852)	
Net Gains on Investment Securities	(68)	(287)
Net Change in Trading Securities	91,500	(27,061)
Proceeds from Sales of Loans Held for Sale	670,158	261,820
Originations of Loans Held for Sale	(672,979)	(260,662)
Tax Benefits from Share-Based Compensation	(61)	(1,389)
Net Change in Other Assets and Other Liabilities	(5,862)	(16,383)
Net Cash Provided by Operating Activities	193,273	76,120
Investing Activities		
Investment Securities Available-for-Sale:		
Proceeds from Prepayments and Maturities	752,929	494,209
Proceeds from Sales	24,258	195,000
Purchases	(2,511,199)	(789,666)
Investment Securities Held-to-Maturity:		
Proceeds from Prepayments and Maturities	29,609	31,765
Proceeds from Sale of Insurance Business	1,879	
Net Change in Loans and Leases	357,432	53,692
Premises and Equipment, Net	(3,355)	(7,193)
Net Cash Used in Investing Activities	(1,348,447)	(22,193)
Financing Activities		
Net Change in Deposits	727,563	(38,382)
Net Change in Short-Term Borrowings	768,995	(7,069)
Repayments of Long-Term Debt	(143,971)	(32,425)
Tax Benefits from Share-Based Compensation	61	1,389
Proceeds from Issuance of Common Stock	4,517	8,569
Repurchase of Common Stock	(856)	(45,247)
Cash Dividends Paid	(43,058)	(42,343)
Net Cash Provided by (Used In) Financing Activities	1,313,251	(155,508)
Net Change in Cash and Cash Equivalents	158,077	(101,581)
Cash and Cash Equivalents at Beginning of Period	796,482	388,272
Cash and Cash Equivalents at End of Period	$ 954,559	$ 286,691
Supplemental Information		
Cash Paid for:		
Interest	$ 53,749	$ 80,852
Income Taxes	45,565	63,604

Non-Cash Investing and Financing Activities:		
Transfers from Loans and Leases to Foreclosed Real Estate	92	110
Transfers from Loans and Leases to Loans Held for Sale	16,634	

The accompanying notes are an integral part of the Consolidated Financial Statements (Unaudited).

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Bank of Hawaii Corporation and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

Bank of Hawaii Corporation (the Parent) is a bank holding company headquartered in Honolulu, Hawaii. Bank of Hawaii Corporation and its Subsidiaries (the Company) provides a broad range of financial products and services to customers in Hawaii and the Pacific Islands (Guam, nearby islands, and American Samoa). The Parent s principal subsidiary is Bank of Hawaii (the Bank). All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) 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 accompanying notes required by GAAP for complete financial statements. In the opinion of management, the consolidated financial statements reflect normal recurring adjustments necessary for a fair presentation of the results for the interim periods.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates and such differences could be material to the financial statements.

Certain prior period information has been reclassified to conform to the current period presentation.

These statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

Investment Securities

Realized gains and losses on investment securities are recorded in noninterest income using the specific identification method.

Non-Marketable Equity Securities

The Company is required to hold non-marketable equity securities, comprised of Federal Home Loan Bank of Seattle (FHLB) and Federal Reserve Bank stock, as a condition of membership. These securities are accounted for at cost which equals par or redemption value. Ownership is restricted and there is no market for these securities. These securities are redeemable at par by the issuing government supported institutions. These securities, recorded as a component of other assets, are periodically evaluated for impairment, considering the ultimate recoverability of the par value. The primary factor supporting the carrying value is the ability of the issuer to redeem the securities at par value.

Fair Value Measurements

On January 1, 2008, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements,* for the Company s financial assets and financial liabilities. In accordance with the provisions of Financial Accounting Standards Board (FASB) Staff Position (FSP) FAS 157-2, *Effective Date of FASB Statement No. 157,* the Company deferred the effective date of SFAS No. 157 for the Company s nonfinancial assets and nonfinancial liabilities, except

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for those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until January 1, 2009. The adoption of the fair value measurement provisions of SFAS No. 157 for the Company s nonfinancial assets and nonfinancial liabilities had no impact on retained earnings and is not expected to have a material impact on the Company s statements of income and condition.

On April 1, 2009, the Company adopted the provisions of FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly.* This FSP provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have decreased significantly and in identifying circumstances that indicate a transaction is not orderly. In such instances, management may determine that further analysis of the transactions or quoted prices is required, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value in accordance with SFAS No. 157. The provisions of FSP FAS 157-4 were applied prospectively and did not result in significant changes to the Company s valuation techniques. Furthermore, the adoption of FSP FAS 157-4 is not expected to have a material impact on the Company s statements of income and condition.

On April 1, 2009, the Company adopted the provisions of FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments.* This FSP requires disclosures about fair value of financial instruments in interim reporting periods of publicly traded companies that were previously only required to be disclosed in annual financial statements. As FSP FAS 107-1 and APB 28-1 amended only the disclosure requirements about fair value of financial instruments in interim periods, the adoption had no impact on the Company s statements of income and condition. See Note 8 for the disclosures required under the provisions of FSP FAS 107-1 and APB 28-1.

Derivative Financial Instruments

On January 1, 2009, the Company adopted the provisions of SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133.* SFAS No. 161 amended the disclosure requirements for derivative financial instruments and hedging activities. Expanded qualitative disclosures required under SFAS No. 161 include: (1) how and why an entity uses derivative financial instruments; (2) how derivative financial instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* and related interpretations; and (3) how derivative financial instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS No. 161 also requires several added quantitative disclosures in financial statements. As SFAS No. 161 amended only the disclosure requirements for derivative financial instruments and hedged items, the adoption had no impact on the Company s statements of income and condition. See Note 7 for the disclosures required under the provisions of SFAS No. 161.

Other-Than-Temporary-Impairments for Debt Securities

On April 1, 2009, the Company adopted the provisions of FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments.* This FSP amends current other-than-temporary impairment (OTTI) guidance in GAAP for debt securities by requiring a write-down when fair value is below amortized cost in circumstances where: (1) an entity has the intent to sell a security; (2) it is more likely than not that an entity will be required to sell the security before recovery of its amortized cost basis; or (3) an entity does not expect to recover the entire amortized cost basis of the security. If an entity intends to sell a security or if it is more likely than not the entity will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the security s amortized cost basis and its fair value. If an entity does not intend to sell the security or it is not more likely than not that it will be required to sell the security before recovery, the OTTI write-down is separated

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into an amount representing credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income. This FSP does not amend existing recognition and measurement guidance related to OTTI write-downs of equity securities. This FSP also extends disclosure requirements about debt and equity securities to interim reporting periods. See Note 2 for the disclosures required under the provisions of FSP FAS 115-2 and FAS 124-2. The adoption of FSP FAS 115-2 and FAS 124-2 had no impact on retained earnings and is not expected to have a material impact on the Company s statements of income and condition.

Future Application of Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140.* SFAS No. 166 makes several significant amendments to SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* including the removal of the concept of a qualifying special-purpose entity from SFAS No. 140. SFAS No. 166 also clarifies that a transferor must evaluate whether it has maintained effective control of a financial asset by considering its continuing direct or indirect involvement with the transferred financial asset. The provisions of SFAS No. 166 are effective for financial asset transfers occurring after December 31, 2009. The adoption of the provisions of SFAS No. 166 will have no impact on the Company s statements of income and condition.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R).* SFAS No. 167 requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a variable interest entity (VIE) for consolidation purposes. The primary beneficiary of a VIE is the enterprise that has: (1) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance, and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE. The provisions of SFAS No. 167 are effective for the Company on January 1, 2010. The adoption of the provisions of SFAS No. 167 will have no impact on the Company s statements of income and condition.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162.* SFAS No. 168 established the FASB Accounting Standards Codification (the Codification) to become the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities, with the exception of guidance issued by the U.S. Securities and Exchange Commission (the SEC) and its staff. All guidance contained in the Codification carries an equal level of authority. The provisions of SFAS No. 168 are effective for interim and annual periods ending after September 15, 2009. As the Codification is not intended to change GAAP, the adoption of the provisions of SFAS No. 168 will have no impact on the Company s statements of income and condition.

Subsequent Events

Management has considered subsequent events through July 27, 2009 in preparing the June 30, 2009 Consolidated Financial Statements (Unaudited).

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Note 2. Investment Securities

The amortized cost, gross unrealized gains and losses, and estimated fair value of the Company s investment securities as of June 30, 2009, December 31, 2008, and June 30, 2008 were as follows:

Investment Securities (Unaudited)

(dollars in thousands)		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value
As of June 30, 2009								
Available-for-Sale:								
Debt Securities Issued by the U.S. Treasury and Government Agencies	$	789,777	$	8,528	$	(2,284)	$	796,021
Debt Securities Issued by States and Political Subdivisions		88,083		951		(184)		88,850
Debt Securities Issued by U.S. Government-Sponsored Enterprises		3,540		78		(45)		3,573
Mortgage-Backed Securities Issued by								
U.S. Government-Sponsored Enterprises		3,116,241		60,210		(11,848)		3,164,603
Non-Agencies		235,771		79		(21,300)		214,550
Total Mortgage-Backed Securities		3,352,012		60,289		(33,148)		3,379,153
Other Debt Securities		25,084		231		(1)		25,314
Total	$	4,258,496	$	70,077	$	(35,662)	$	4,292,911
Held-to-Maturity:								
Mortgage-Backed Securities Issued by U.S. Government-Sponsored Enterprises	$	209,807	$	4,710	$	(33)	$	214,484
Total	$	209,807	$	4,710	$	(33)	$	214,484
As of December 31, 2008								
Available-for-Sale:								
Debt Securities Issued by the U.S. Treasury and Government Agencies	$	551	$	26	$		$	577
Debt Securities Issued by States and Political Subdivisions		47,033		1,028		(61)		48,000
Debt Securities Issued by U.S. Government-Sponsored Enterprises		235,280		997		(266)		236,011
Mortgage-Backed Securities Issued by								
U.S. Government-Sponsored Enterprises		1,941,569		37,924		(1,187)		1,978,306
Non-Agencies		301,453		59		(45,199)		256,313
Total Mortgage-Backed Securities		2,243,022		37,983		(46,386)		2,234,619
Other Debt Securities		34				(2)		32
Total	$	2,525,920	$	40,034	$	(46,715)	$	2,519,239
Held-to-Maturity:								
Mortgage-Backed Securities Issued by U.S. Government-Sponsored Enterprises	$	239,635	$	3,198	$	(658)	$	242,175
Total	$	239,635	$	3,198	$	(658)	$	242,175
As of June 30, 2008								
Available-for-Sale:								
Debt Securities Issued by the U.S. Treasury and Government Agencies	$	1,648	$	28	$		$	1,676
Debt Securities Issued by States and Political Subdivisions		47,885		154		(228)		47,811
Debt Securities Issued by U.S. Government-Sponsored Enterprises		250,776		159		(1,072)		249,863
Mortgage-Backed Securities Issued by								
U.S. Government-Sponsored Enterprises		2,007,001		10,930		(14,499)		2,003,432
Non-Agencies		323,935		354		(15,067)		309,222
Total Mortgage-Backed Securities		2,330,936		11,284		(29,566)		2,312,654
Other Debt Securities		34,337		166		(1)		34,502
Total	$	2,665,582	$	11,791	$	(30,867)	$	2,646,506
Held-to-Maturity:								
Debt Securities Issued by States and Political Subdivisions	$	6	$		$		$	6

Mortgage-Backed Securities Issued by U.S. Government-Sponsored Enterprises		260,586		664		(5,351)		255,899
Total	$	260,592	$	664	$	(5,351)	$	255,905

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The table below presents an analysis of the contractual maturities of the Company s investment securities as of June 30, 2009. Mortgage-backed securities are disclosed separately in the table below as these investment securities may prepay prior to their scheduled contractual maturity dates.

Contractual Maturities (Unaudited)

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
Due in One Year or Less	$ 375,441	$ 167	$ (1)	$ 375,607
Due After One Year Through Five Years	61,904	772	(111)	62,565
Due After Five Years Through Ten Years	158,894	1,637	(2,018)	158,513
Due After Ten Years	310,245	7,212	(384)	317,073
	906,484	9,788	(2,514)	913,758
Mortgage-Backed Securities Issued by				
U.S. Government-Sponsored Enterprises	3,116,241	60,210	(11,848)	3,164,603
Non-Agencies	235,771	79	(21,300)	214,550
Total Mortgage-Backed Securities	3,352,012	60,289	(33,148)	3,379,153
Total	$ 4,258,496	$ 70,077	$ (35,662)	$ 4,292,911
Held-to-Maturity:				
Mortgage-Backed Securities Issued by				
U.S. Government-Sponsored Enterprises	$ 209,807	$ 4,710	$ (33)	$ 214,484
Total	$ 209,807	$ 4,710	$ (33)	$ 214,484

Gross gains and losses from the sales of investment securities for the three and six months ended June 30, 2009 and 2008 were as follows:

Gross Gains and Losses (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2009	2008	2009	2008
Gross Gains on Sales of Investment Securities	$ 37	$ 173	$ 93	$ 303
Gross Losses on Sales of Investment Securities	(25)	(16)	(25)	(16)
Net Gains on Sales of Investment Securities	$ 12	$ 157	$ 68	$ 287

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The Company s temporarily impaired investment securities as of June 30, 2009, December 31, 2008, and June 30, 2008 were as follows:

Temporarily Impaired Investment Securities (Unaudited)

	Less Than 12 Months		12 Months or Longer		Total	
(dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
As of June 30, 2009						
Debt Securities Issued by the U.S. Treasury and Government Agencies	$ 100,654	$ (2,284)	$	$	$ 100,654	$ (2,284)
Debt Securities Issued by States and Political Subdivisions	32,453	(170)	320	(14)	32,773	(184)
Debt Securities Issued by U.S. Government-Sponsored Enterprises	261	(3)	1,780	(42)	2,041	(45)
Mortgage-Backed Securities Issued by U.S. Government-Sponsored Enterprises	915,317	(11,881)			915,317	(11,881)
Non-Agencies	2,724	(506)	187,340	(20,794)	190,064	(21,300)
Total Mortgage-Backed Securities	918,041	(12,387)	187,340	(20,794)	1,105,381	(33,181)
Other Debt Securities			34	(1)	34	(1)
Total Temporarily Impaired Investment Securities	$ 1,051,409	$ (14,844)	$ 189,474	$ (20,851)	$ 1,240,883	$ (35,695)
As of December 31, 2008						
Debt Securities Issued by States and Political Subdivisions	$ 745	$ (11)	$ 284	$ (50)	$ 1,029	$ (61)
Debt Securities Issued by U.S. Government-Sponsored Enterprises	19,375	(228)	1,591	(38)	20,966	(266)
Mortgage-Backed Securities Issued by U.S. Government-Sponsored Enterprises	222,468	(1,388)	59,385	(457)	281,853	(1,845)
Non-Agencies	123,549	(16,641)	121,482	(28,558)	245,031	(45,199)
Total Mortgage-Backed Securities	346,017	(18,029)	180,867	(29,015)	526,884	(47,044)
Other Debt Securities			32	(2)	32	(2)
Total Temporarily Impaired Investment Securities	$ 366,137	$ (18,268)	$ 182,774	$ (29,105)	$ 548,911	$ (47,373)
As of June 30, 2008						
Debt Securities Issued by States and Political Subdivisions	$ 30,207	$ (214)	$ 573	$ (14)	$ 30,780	$ (228)
Debt Securities Issued by U.S. Government-Sponsored Enterprises	164,315	(1,062)	887	(10)	165,202	(1,072)
Mortgage-Backed Securities Issued by U.S. Government-Sponsored Enterprises	1,079,508	(16,204)	121,512	(3,646)	1,201,020	(19,850)
Non-Agencies	140,517	(4,267)	147,233	(10,800)	287,750	(15,067)
Total Mortgage-Backed Securities	1,220,025	(20,471)	268,745	(14,446)	1,488,770	(34,917)
Other Debt Securities			33	(1)	33	(1)
Total Temporarily Impaired Investment Securities	$ 1,414,547	$ (21,747)	$ 270,238	$ (14,471)	$ 1,684,785	$ (36,218)

The gross unrealized losses reported for mortgage-backed securities relate to investment securities issued by U.S. government-sponsored enterprises, such as the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, and non-agencies. The Company does not believe that the investment securities that were in an unrealized loss position as of June 30, 2009, which was comprised of 76 securities, represent an other-than-temporary impairment. Total gross unrealized losses were primarily attributable to changes in interest rates and levels of market liquidity, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities. In assessing non-agency mortgage-backed securities for impairment, management considers, among other factors, the severity and duration of the impairment, independent credit ratings, vintage, credit enhancements, as well as performance indicators of the underlying assets in the security (e.g., default rates, delinquency rates).

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As of June 30, 2009, all of the Company s non-agency mortgage-backed securities were prime jumbo, with an average amortized loan-to-value ratio of 58%, and an average credit enhancement of 5.1% of the par value outstanding. As of June 30, 2009, 85% of the fair value of the Company s mortgage-backed securities issued by non-agencies were AAA-rated by at least one major rating agency and were originated prior to 2006. Loans past due 90 days or more, underlying the mortgage-backed securities issued by non-agencies, represented approximately 1.9% of the par value outstanding, or approximately $4.5 million as of June 30, 2009. As of June 30, 2009, there were no sub-prime or Alt-A securities in our mortgage-backed securities portfolio. The Company does not intend to sell the investment securities that are in an unrealized loss position and it is unlikely that the Company will be required to sell the investment securities before recovery of their amortized cost bases, which may be maturity.

Note 3. Leasing Transactions

In May 2009, the Company replaced an existing leveraged lease with a direct financing lease with a sub-lessee to the leveraged lease transaction. In recording this transaction, the Company removed $17.9 million in the net investment from the balance sheet and recorded a $4.4 million charge-off to the allowance for loan and lease losses. The Company also recorded a $1.6 million benefit for income taxes which resulted from the over accrual of income taxes from the inception of the lease through the termination of the leveraged lease transaction. The Company recorded a direct financing lease of $45.9 million and also recognized $32.4 million in non-recourse debt on the balance sheet, which was previously not recognized as an obligation of the Bank under leveraged lease accounting treatment.

In April 2009, the Company sold its equity interest in a cargo aircraft resulting in a $2.8 million pre-tax gain for the Company. After-tax gains from this transaction were $1.5 million. In March 2009, the Company sold its equity interest in two watercraft leveraged leases resulting in a $10.0 million pre-tax gain for the Company. After-tax gains from this transaction were $6.2 million. The pre-tax gains from these sales transactions were recorded as a component of other noninterest income in the statement of income.

Note 4. Securities Sold Under Agreements to Repurchase

The Company enters into agreements under which it sells securities subject to an obligation to repurchase the same or similar securities. Under these arrangements, the Company may transfer legal control over the assets but still retain effective control through an agreement that both entitles and obligates the Company to repurchase the assets. As a result, securities sold under agreements to repurchase are accounted for as collateralized financing arrangements and not as a sale and subsequent repurchase of securities. The obligation to repurchase the securities is reflected as a liability in the Company s Consolidated Statements of Condition (Unaudited), while the securities underlying the securities sold under agreements to repurchase remain in the respective asset accounts and are delivered to and held in collateral by third party trustees.

As of June 30, 2009, the carrying value of the Company s investment securities available-for-sale pledged where the secured party has the right to sell or repledge the investment securities was $817.1 million. As of June 30, 2009, the contractual maturities of the Company s securities sold under agreements to repurchase were as follows:

Contractual Maturities (Unaudited) (dollars in thousands)	**Amount**

Overnight	$	233,500
2 to 30 Days		799,505
31 to 90 Days		58,107
Over 90 Days		708,682
Total	$	1,799,794

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Note 5. Business Segments

The Company s business segments are defined as Retail Banking, Commercial Banking, Investment Services, and Treasury. The Company s internal management accounting process measures the performance of the business segments based on the management structure of the Company. This process, which is not necessarily comparable with similar information for any other financial institution, uses various techniques to assign balance sheet and income statement amounts to the business segments, including allocations of income, expense, the provision for credit losses, and capital. This process is dynamic and requires certain allocations based on judgment and other subjective factors. Unlike financial accounting, there is no comprehensive, authoritative guidance for management accounting that is equivalent to GAAP.

Selected financial information for each business segment is presented below as of and for the three and six months ended June 30, 2009 and 2008.

Business Segments Selected Financial Information (Unaudited)

(dollars in thousands)	Retail Banking	Commercial Banking	Investment Services	Treasury and Other	Consolidated Total
Three Months Ended June 30, 2009					
Net Interest Income	$ 53,631	$ 43,376	$ 4,326	$ 1,518	$ 102,851
Provision for Credit Losses	11,465	16,480	746	(1)	28,690
Net Interest Income After Provision for Credit Losses	42,166	26,896	3,580	1,519	74,161
Noninterest Income	25,169	16,774	14,615	3,274	59,832
Noninterest Expense	(42,587)	(29,119)	(15,797)	(2,081)	(89,584)
Income Before Provision for Income Taxes	24,748	14,551	2,398	2,712	44,409
Provision for Income Taxes	(9,170)	(5,205)	(887)	1,859	(13,403)
Net Income	$ 15,578	$ 9,346	$ 1,511	$ 4,571	$ 31,006
Total Assets as of June 30, 2009	$ 3,299,113	$ 2,939,637	$ 267,546	$ 5,688,399	$ 12,194,695
Three Months Ended June 30, 2008					
Net Interest Income	$ 59,529	$ 43,285	$ 3,938	$ 416	$ 107,168
Provision for Credit Losses	2,571	4,652	(1)	(50)	7,172
Net Interest Income After Provision for Credit Losses	56,958	38,633	3,939	466	99,996
Noninterest Income	23,644	13,623	19,019	4,253	60,539
Noninterest Expense	(40,380)	(26,195)	(16,363)	(924)	(83,862)
Income Before Provision for Income Taxes	40,222	26,061	6,595	3,795	76,673
Provision for Income Taxes	(14,882)	(9,655)	(2,440)	(1,414)	(28,391)
Net Income	$ 25,340	$ 16,406	$ 4,155	$ 2,381	$ 48,282
Total Assets as of June 30, 2008	$ 3,638,301	$ 3,008,887	$ 242,443	$ 3,481,518	$ 10,371,149

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Business Segments Selected Financial Information (Unaudited) - Continued

(dollars in thousands)	Retail Banking	Commercial Banking	Investment Services	Treasury and Other	Consolidated Total
Six Months Ended June 30, 2009					
Net Interest Income (Loss)	$ 107,021	$ 84,966	$ 8,318	$ (392)	$ 199,913
Provision for Credit Losses	25,981	26,291	1,550	(245)	53,577
Net Interest Income (Loss) After Provision for Credit Losses	81,040	58,675	6,768	(147)	146,336
Noninterest Income	53,444	40,891	29,060	6,802	130,197
Noninterest Expense	(84,895)	(56,656)	(32,357)	(3,609)	(177,517)
Income Before Provision for Income Taxes	49,589	42,910	3,471	3,046	99,016
Provision for Income Taxes	(18,360)	(15,676)	(1,284)	3,350	(31,970)
Net Income	$ 31,229	$ 27,234	$ 2,187	$ 6,396	$ 67,046
Total Assets as of June 30, 2009	$ 3,299,113	$ 2,939,637	$ 267,546	$ 5,688,399	$ 12,194,695
Six Months Ended June 30, 2008					
Net Interest Income (Loss)	$ 117,922	$ 86,144	$ 7,808	$ (2,526)	$ 209,348
Provision for Credit Losses	10,523	11,878	(1)	(801)	21,599
Net Interest Income (Loss) After Provision for Credit Losses	107,399	74,266	7,809	(1,725)	187,749
Noninterest Income	48,491	39,570	37,280	21,323	146,664
Noninterest Expense	(80,997)	(53,721)	(33,226)	(9,350)	(177,294)
Income Before Provision for Income Taxes	74,893	60,115	11,863	10,248	157,119
Provision for Income Taxes	(27,710)	(22,295)	(4,389)	2,772	(51,622)
Net Income	$ 47,183	$ 37,820	$ 7,474	$ 13,020	$ 105,497
Total Assets as of June 30, 2008	$ 3,638,301	$ 3,008,887	$ 242,443	$ 3,481,518	$ 10,371,149

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Note 6. Pension Plans and Postretirement Benefit Plan

The components of net periodic benefit cost for the Company s pension plans and the postretirement benefit plan for the three and six months ended June 30, 2009 and 2008 are presented in the following table:

Pension Plans and Postretirement Benefit Plan (Unaudited)

	Pension Benefits		Postretirement Benefits	
(dollars in thousands)	2009	2008	2009	2008
Three Months Ended June 30,				
Service Cost	$	$	$ 109	$ 89
Interest Cost	1,285	1,298	419	420
Expected Return on Plan Assets	(1,332)	(1,522)		
Amortization of Prior Service Credit			(53)	(53)
Recognized Net Actuarial Losses (Gains)	732	270	(119)	(140)
Net Periodic Benefit Cost	$ 685	$ 46	$ 356	$ 316
Six Months Ended June 30,				
Service Cost	$	$	$ 219	$ 179
Interest Cost	2,569	2,596	839	840
Expected Return on Plan Assets	(2,664)	(3,044)		
Amortization of Prior Service Credit			(107)	(107)
Recognized Net Actuarial Losses (Gains)	1,464	540	(238)	(280)
Net Periodic Benefit Cost	$ 1,369	$ 92	$ 713	$ 632

The net periodic benefit cost for the Company s pension plans and postretirement benefit plan are recorded as a component of salaries and benefits in the statements of income. The Company expects to contribute $12.0 million to its pension plans and $1.2 million to the postretirement benefit plan for the year ending December 31, 2009. The Company contributed $7.7 million to its pension plans and $1.3 million to the postretirement benefit plan for the year ended December 31, 2008. For the three and six months ended June 30, 2009, the Company contributed $0.7 million and $0.8 million, respectively, to its pension plans. For the three and six months ended June 30, 2009, the Company contributed $0.3 million and $0.6 million, respectively, to its postretirement benefit plan.

Note 7. Derivative Financial Instruments

The following table presents the Company s derivative financial instruments, their estimated fair values, and balance sheet location as of June 30, 2009:

Fair Values of Derivative Financial Instruments (Unaudited)

	As of June 30, 2009			
(dollars in thousands)	Asset Derivatives		Liability Derivatives	
Derivative Financial Instruments Not Designated as Hedging Instruments under SFAS No. 133	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Forward Commitments	Other Assets	$ 1,007	Other Liabilities	$ 374
Interest Rate Lock Commitments	Other Assets	1,261	Other Liabilities	340
Interest Rate Swap Agreements	Other Assets	19,911	Other Liabilities	20,091
Foreign Exchange Contracts	Other Assets	247	Other Liabilities	381

Total Derivative Financial Instruments Not Designated as Hedging Instruments under SFAS No. 133	$	22,426	$	21,186

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The following table presents the Company s derivative financial instruments and the amount and location of the net gain recognized in the statements of income for the three and six months ended June 30, 2009:

The Effect of Derivative Financial Instruments on the Consolidated Statements of Income (Unaudited)

(dollars in thousands)	Three Months Ended June 30, 2009		Six Months Ended June 30, 2009	
Derivative Financial Instruments Not Designated as Hedging Instruments under SFAS No. 133	**Location of Net Gain Recognized in the Statement of Income**	**Amount of Net Gain Recognized in the Statement of Income**	**Location of Net Gain Recognized in the Statement of Income**	**Amount of Net Gain Recognized in the Statement of Income**
Forward Commitments	Mortgage Banking	$ 1,306	Mortgage Banking	$ 1,893
Interest Rate Lock Commitments	Mortgage Banking	97	Mortgage Banking	7,022
Interest Rate Swap Agreements	Other Noninterest Income	635	Other Noninterest Income	777
Foreign Exchange Contracts	Other Noninterest Income	713	Other Noninterest Income	1,311
Total Derivative Financial Instruments Not Designated as Hedging Instruments under SFAS No. 133		$ 2,751		$ 11,003

Management has received authorization from the Parent s Board of Directors to use derivative financial instruments as an end-user in connection with its risk management activities and to accommodate the needs of its customers. The Company has elected not to qualify for hedge accounting methods addressed under current provisions of GAAP. All risk management derivative instruments are stated at fair value in the Consolidated Statements of Condition with changes in fair value reported in earnings.

The Company is a party to derivative financial instruments in the normal course of its business to meet the financing needs of its customers and to manage its own exposure to fluctuations in interest and foreign exchange rates. Where derivative financial instruments have been entered into to facilitate the risk management activities of our customers, the Company generally enters into transactions with dealers to offset its risk exposure. These financial instruments have been limited to forward commitments, interest rate lock commitments, interest rate swap agreements, and foreign exchange contracts.

The Company enters into forward commitments for the future delivery of residential mortgage loans to reduce interest rate risk associated with loans held for sale and interest rate lock commitments to fund loans at a specified interest rate. Changes in the estimated fair value of forward commitments and interest rate lock commitments subsequent to inception are based on changes in the fair value of the underlying loan resulting from the fulfillment of the commitment and changes in the probability that the loan will fund within the terms of the commitment, which is affected primarily by changes in interest rates and the passage of time. At inception and during the life of the interest rate lock commitment, the Company includes the expected net future cash flows related to the associated servicing of the loan as part of the fair value measurement of the interest rate lock commitments.

The Company s interest rate swap agreements are to facilitate the risk management strategies of a small number of commercial banking customers. The Company mitigates this risk by entering into equal and offsetting interest rate swap agreements. The Company utilizes foreign exchange contracts to offset risks related to transactions executed on behalf of customers.

As with any financial instrument, derivative financial instruments have inherent risks. Adverse changes in interest rates, foreign exchange rates, and equity prices affect the Company s market risks. The market risks are balanced with the expected returns to enhance earnings performance and shareholder value, while limiting the volatility of each. The Company uses various processes to monitor its overall market risk exposure, including sensitivity analysis, value-at-risk calculations, and other methodologies.

The Company s exposure to derivative credit risk is defined as the possibility of sustaining a loss due to the failure of the counterparty to perform in accordance with the terms of the contract. Credit risk associated with derivative financial instruments is similar to those relating to traditional on-balance sheet financial instruments. The Company manages derivative credit risk with the same standards and procedures applied to its commercial lending activities.

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Note 8. Fair Value of Financial Assets and Liabilities

Fair Value Hierarchy

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial asset or liability s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Management reviews and updates the fair value hierarchy classifications of the Company s financial assets and liabilities on a quarterly basis.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2009, December 31, 2008, and June 30, 2008:

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Unaudited)

(dollars in thousands)		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total
As of June 30, 2009								
Investment Securities Available-for-Sale								
Debt Securities Issued by the U.S. Treasury and Government Agencies	$	796,021	$		$		$	796,021
Debt Securities Issued by States and Political Subdivisions				88,850				88,850
Debt Securities Issued by U.S. Government-Sponsored Enterprises				3,573				3,573
Mortgage-Backed Securities Issued by U.S. Government-Sponsored Enterprises				3,164,603				3,164,603
Non-Agencies				214,550				214,550
Total Mortgage-Backed Securities				3,379,153				3,379,153
Other Debt Securities				25,314				25,314
Total Investment Securities Available-for-Sale		796,021		3,496,890				4,292,911
Mortgage Servicing Rights						16,833		16,833
Other Assets		7,767						7,767
Net Derivative Assets and Liabilities				499		741		1,240
Total Assets Measured at Fair Value on a Recurring Basis as of June 30, 2009	$	803,788	$	3,497,389	$	17,574	$	4,318,751
As of December 31, 2008								
Investment Securities Trading								
Mortgage-Backed Securities Issued by U.S. Government-Sponsored Enterprises	$		$	91,500	$		$	91,500
Investment Securities Available-for-Sale								
Debt Securities Issued by the U.S. Treasury and Government Agencies		577						577
Debt Securities Issued by States and Political Subdivisions				48,000				48,000
Debt Securities Issued by U.S. Government-Sponsored Enterprises				236,011				236,011
Mortgage-Backed Securities Issued by U.S. Government-Sponsored Enterprises				1,922,591		55,715		1,978,306
Non-Agencies				256,313				256,313
Total Mortgage-Backed Securities				2,178,904		55,715		2,234,619
Other Debt Securities				32				32
Total Investment Securities Available-for-Sale		577		2,462,947		55,715		2,519,239
Mortgage Servicing Rights						19,553		19,553
Other Assets		6,674						6,674
Net Derivative Assets and Liabilities				(951)		3,051		2,100
Total Assets Measured at Fair Value on a Recurring Basis as of December 31,	$	7,251	$	2,553,496	$	78,319	$	2,639,066

2008								
Long-Term Debt	$		$		$	119,275	$	119,275
Total Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2008	$		$		$	119,275	$	119,275

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Assets and Liabilities Measured at Fair Value on a Recurring Basis (Unaudited) Continued

(dollars in thousands)	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of June 30, 2008				
Investment Securities Trading				
Mortgage-Backed Securities Issued by U.S. Government-Sponsored Enterprises	$	$ 94,347	$	$ 94,347
Investment Securities Available-for-Sale				
Debt Securities Issued by the U.S. Treasury and Government Agencies	1,676			1,676
Debt Securities Issued by States and Political Subdivisions		47,811		47,811
Debt Securities Issued by U.S. Government-Sponsored Enterprises		249,863		249,863
Mortgage-Backed Securities Issued by				
U.S. Government-Sponsored Enterprises		2,003,432		2,003,432
Non-Agencies		309,222		309,222
Total Mortgage-Backed Securities		2,312,654		2,312,654
Other Debt Securities		9,486	25,016	34,502
Total Investment Securities Available-for-Sale	1,676	2,619,814	25,016	2,646,506
Mortgage Servicing Rights			30,272	30,272
Other Assets	8,836			8,836
Net Derivative Assets and Liabilities		291	326	617
Total Assets Measured at Fair Value on a Recurring Basis as of June 30, 2008	$ 10,512	$ 2,714,452	$ 55,614	$ 2,780,578
Long-Term Debt	$	$	$ 121,326	$ 121,326
Total Liabilities Measured at Fair Value on a Recurring Basis as of June 30, 2008	$	$	$ 121,326	$ 121,326

The Company sold its investment securities trading portfolio during the three months ended March 31, 2009. The change in fair value of the trading portfolio had been expected by the Company to offset changes in valuation assumptions related to the Company s mortgage servicing rights accounted for under the fair value measurement method.

As of June 30, 2009, the Company had no liabilities measured at fair value on a recurring basis.

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For the three and six months ended June 30, 2009 and June 30, 2008, the changes in Level 3 assets and liabilities measured at fair value on a recurring basis were as follows:

Assets (Unaudited) (dollars in thousands)	Mortgage Servicing Rights 1	Net Derivative Assets and Liabilities 2	Total
Three Months Ended June 30, 2009			
Balance as of April 1, 2009	$ 17,904	$ 2,745	$ 20,649
Realized and Unrealized Net Gains (Losses):			
Included in Net Income	(1,071)	732	(339)
Purchases, Sales, Issuances, and Settlements, Net		(2,736)	(2,736)
Balance as of June 30, 2009	$ 16,833	$ 741	$ 17,574
Total Unrealized Net Gains Included in Net Income Related to Assets Still Held as of June 30, 2009	$ 198	$ 741	$ 939

Assets (Unaudited) (dollars in thousands)	Investment Securities Available-for-Sale 3	Mortgage Servicing Rights 1	Net Derivative Assets and Liabilities 2	Total
Three Months Ended June 30, 2008				
Balance as of April 1, 2008	$ 95,219	$ 27,149	$ 810	$ 123,178
Realized and Unrealized Net Gains (Losses):				
Included in Net Income		1,459	1,121	2,580
Included in Other Comprehensive Income	(200)			(200)
Purchases, Sales, Issuances, and Settlements, Net	(70,003)	1,664	(1,605)	(69,944)
Balance as of June 30, 2008	$ 25,016	$ 30,272	$ 326	$ 55,614
Total Unrealized Net Gains Included in Net Income Related to Assets Still Held as of June 30, 2008	$	$ 2,201	$ 326	$ 2,527

Liabilities (Unaudited) (dollars in thousands)	Long-Term Debt 4	Total
Three Months Ended June 30, 2008		
Balance as of April 1, 2008	$ 128,932	$ 128,932
Unrealized Net Gains Included in Net Income	(1,606)	(1,606)
Purchases, Sales, Issuances, and Settlements, Net	(6,000)	(6,000)
Balance as of June 30, 2008	$ 121,326	$ 121,326
Total Unrealized Net Gains Included in Net Income Related to Liabilities Still Held as of June 30, 2008	$ (1,416)	$ (1,416)

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Assets (Unaudited) (dollars in thousands)		**Investment Securities Available-for-Sale 3**		**Mortgage Servicing Rights 1**		**Net Derivative Assets and Liabilities 2**		**Total**
Six Months Ended June 30, 2009								
Balance as of January 1, 2009	$	55,715	$	19,553	$	3,051	$	78,319
Realized and Unrealized Net Gains (Losses):								
Included in Net Income				(2,720)		7,799		5,079
Purchases, Sales, Issuances, and Settlements, Net		(55,715)				(10,109)		(65,824)
Balance as of June 30, 2009	$		$	16,833	$	741	$	17,574
Total Unrealized Net Gains Included in Net Income Related to Assets Still Held as of June 30, 2009	$		$	107	$	741	$	848

Liabilities (Unaudited) (dollars in thousands)		**Long-Term Debt 4**		**Total**
Six Months Ended June 30, 2009				
Balance as of January 1, 2009	$	119,275	$	119,275
Unrealized Net Gains Included in Net Income		(304)		(304)
Purchases, Sales, Issuances, and Settlements, Net		(118,971)		(118,971)
Balance as of June 30, 2009	$		$	

Assets (Unaudited) (dollars in thousands)		**Investment Securities Available-for-Sale 3**		**Mortgage Servicing Rights 1**		**Net Derivative Assets and Liabilities 2**		**Total**
Six Months Ended June 30, 2008								
Balance as of January 1, 2008	$	218,980	$	27,588	$	113	$	246,681
Realized and Unrealized Net Gains (Losses):								
Included in Net Income				(899)		2,893		1,994
Included in Other Comprehensive Income		1,028						1,028
Purchases, Sales, Issuances, and Settlements, Net		(194,992)		3,583		(2,680)		(194,089)
Balance as of June 30, 2008	$	25,016	$	30,272	$	326	$	55,614
Total Unrealized Net Gains Included in Net Income Related to Assets Still Held as of June 30, 2008	$		$	653	$	326	$	979

Liabilities (Unaudited) (dollars in thousands)		**Long-Term Debt 4**		**Total**
Six Months Ended June 30, 2008				
Balance as of January 1, 2008	$	129,032	$	129,032
Unrealized Net Gains Included in Net Income		(1,706)		(1,706)
Purchases, Sales, Issuances, and Settlements, Net		(6,000)		(6,000)
Balance as of June 30, 2008	$	121,326	$	121,326
Total Unrealized Net Gains Included in Net Income Related to Liabilities Still Held as of June 30, 2008	$	(1,512)	$	(1,512)

1 Realized and unrealized gains and losses related to mortgage servicing rights are reported as a component of mortgage banking income in the Company s consolidated statements of income (unaudited).

2 Realized and unrealized gains and losses related to forward commitments and interest rate lock commitments are reported as a component of mortgage banking income. Realized and unrealized gains and losses related to foreign exchange contracts and interest rate swap agreements are recorded as a component of other noninterest income in the Company s consolidated statements of income (unaudited).

3 Unrealized gains and losses related to investment securities available-for-sale are reported as a component of other comprehensive income in the Company s consolidated statements of condition (unaudited).

4 Realized and unrealized gains and losses related to long-term debt are reported as a component of other noninterest income.

Significant assumptions in the valuation of the Company s mortgage servicing rights included changes in interest rates, estimated loan repayment rates, and the timing of cash flows, among other factors. Net derivative assets and liabilities classified as Level 3 were comprised of interest rate lock commitments and interest rate swap agreements, as significant unobservable inputs and management judgment are required.

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Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The following presents the assets that the Company measures at fair value on a nonrecurring basis in accordance with GAAP as of June 30, 2009, December 31, 2008, and June 30, 2008.

Assets Measured at Fair Value on a Nonrecurring Basis (Unaudited)

(dollars in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of June 30, 2009				
Loans Held for Sale	$	$ 40,994	$	$ 40,994
Mortgage Servicing Rights - Amortization Method			7,898	7,898
Goodwill			34,959	34,959
Low-Income Housing and Other Equity Investments			28,185	28,185
Total Assets Measured at Fair Value on a Nonrecurring Basis as of June 30, 2009	$	$ 40,994	$ 71,042	$ 112,036
As of December 31, 2008				
Loans Held for Sale	$	$ 21,540	$	$ 21,540
Mortgage Servicing Rights - Amortization Method			1,504	1,504
Low-Income Housing and Other Equity Investments			30,920	30,920
Total Assets Measured at Fair Value on a Nonrecurring Basis as of December 31, 2008	$	$ 21,540	$ 32,424	$ 53,964
As of June 30, 2008				
Loans Held for Sale	$	$ 11,183	$	$ 11,183
Low-Income Housing and Other Equity Investments			33,176	33,176