

BANK OF HAWAII CORP
Form 10-Q
April 19, 2010
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2010

or

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

Commission File Number: 1-6887

BANK OF HAWAII CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

99-0148992
(I.R.S. Employer Identification No.)

130 Merchant Street, Honolulu, Hawaii
(Address of principal executive offices)

96813
(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 No

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 No

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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

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Yes No

As of April 13, 2010, there were 48,041,730 shares of common stock outstanding.

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(dollars in thousands, except per share amounts)	Three Months Ended	
	2010	2009
Interest Income		
Interest and Fees on Loans and Leases	\$ 77,271	\$ 86,592
Income on Investment Securities		
Trading		594
Available-for-Sale	43,841	32,301
Held-to-Maturity	1,863	2,567
Deposits	13	10
Funds Sold	309	577
Other	277	276
Total Interest Income	123,574	122,917
Interest Expense		
Deposits	8,307	17,025
Securities Sold Under Agreements to Repurchase	6,429	6,652
Funds Purchased	7	5
Long-Term Debt	1,178	2,173
Total Interest Expense	15,921	25,855
Net Interest Income	107,653	97,062
Provision for Credit Losses	20,711	24,887
Net Interest Income After Provision for Credit Losses	86,942	72,175
Noninterest Income		
Trust and Asset Management	11,708	11,632
Mortgage Banking	3,464	8,678
Service Charges on Deposit Accounts	13,814	13,386
Fees, Exchange, and Other Service Charges	14,504	14,976
Investment Securities Gains, Net	20,021	56
Insurance	2,715	5,641
Other	5,556	15,996
Total Noninterest Income	71,782	70,365
Noninterest Expense		
Salaries and Benefits	44,564	47,028
Net Occupancy	10,144	10,328
Net Equipment	4,558	4,316
Professional Fees	1,992	2,549
FDIC Insurance	3,100	1,814
Other	17,348	21,898
Total Noninterest Expense	81,706	87,933
Income Before Provision for Income Taxes	77,018	54,607
Provision for Income Taxes	24,282	18,567
Net Income	\$ 52,736	\$ 36,040
Basic Earnings Per Share	\$ 1.10	\$ 0.76
Diluted Earnings Per Share	\$ 1.09	\$ 0.75
Dividends Declared Per Share	\$ 0.45	\$ 0.45
Basic Weighted Average Shares	47,914,412	47,566,005
Diluted Weighted Average Shares	48,289,427	47,802,249

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)	March 31, 2010	December 31, 2009	March 31, 2009
Assets			
Interest-Bearing Deposits	\$ 4,910	\$ 8,755	\$ 5,031
Funds Sold	269,410	291,546	895,595
Investment Securities			
Available-for-Sale	5,447,239	5,330,834	3,106,608
Held-to-Maturity (Fair Value of \$173,646; \$186,668; and \$233,633)	167,099	181,018	228,177
Loans Held for Sale	11,143	16,544	24,121
Loans and Leases	5,610,081	5,759,785	6,338,726
Allowance for Loan and Lease Losses	(146,358)	(143,658)	(134,416)
Net Loans and Leases	5,463,723	5,616,127	6,204,310
Total Earning Assets	11,363,524	11,444,824	10,463,842
Cash and Noninterest-Bearing Deposits	355,398	254,766	299,393
Premises and Equipment	110,310	110,976	114,536
Customers' Acceptances	677	1,386	822
Accrued Interest Receivable	42,180	45,334	36,928
Foreclosed Real Estate	3,192	3,132	346
Mortgage Servicing Rights	26,082	25,970	23,528
Goodwill	31,517	31,517	34,959
Other Assets	502,790	496,922	473,774
Total Assets	\$ 12,435,670	\$ 12,414,827	\$ 11,448,128
Liabilities			
Deposits			
Noninterest-Bearing Demand	\$ 2,194,280	\$ 2,252,083	\$ 1,970,041
Interest-Bearing Demand	1,669,586	1,609,413	1,926,576
Savings	4,515,597	4,405,969	3,905,709
Time	1,114,621	1,142,211	1,410,465
Total Deposits	9,494,084	9,409,676	9,212,791
Funds Purchased	8,888	8,888	9,665
Short-Term Borrowings	7,317	6,900	10,000
Securities Sold Under Agreements to Repurchase	1,529,047	1,618,717	844,283
Long-Term Debt	90,309	90,317	59,003
Bankers' Acceptances	677	1,386	822
Retirement Benefits Payable	36,895	37,435	54,450
Accrued Interest Payable	7,766	7,026	10,010
Taxes Payable and Deferred Taxes	224,112	229,140	258,505
Other Liabilities	97,203	109,369	154,664
Total Liabilities	11,496,298	11,518,854	10,614,193
Shareholders' Equity			
Common Stock (\$.01 par value; authorized 500,000,000 shares; issued / outstanding: March 31, 2010 - 57,027,543 / 48,040,830; December 31, 2009 - 57,028,239 / 48,018,943; and March 31, 2009 - 57,019,595 / 47,803,544)	570	569	569
Capital Surplus	494,653	494,318	491,352
Accumulated Other Comprehensive Income (Loss)	18,063	6,925	(1,319)
Retained Earnings	874,305	843,521	802,195
Treasury Stock, at Cost (Shares: March 31, 2010 - 8,986,713; December 31, 2009 - 9,009,296; and March 31, 2009 - 9,216,051)	(448,219)	(449,360)	(458,862)
Total Shareholders' Equity	939,372	895,973	833,935
Total Liabilities and Shareholders' Equity	\$ 12,435,670	\$ 12,414,827	\$ 11,448,128

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

Table of Contents**Bank of Hawaii Corporation and Subsidiaries****Consolidated Statements of Shareholders Equity (Unaudited)**

(dollars in thousands)	Total	Common Stock	Capital Surplus	Accum. Other Compre- hensive Income (Loss)	Retained Earnings	Treasury Stock	Compre- hensive Income
Balance as of December 31, 2009	\$ 895,973	\$ 569	\$ 494,318	\$ 6,925	\$ 843,521	\$ (449,360)	
Comprehensive Income:							
Net Income	52,736				52,736		\$ 52,736
Other Comprehensive Income, Net of Tax:							
Change in Unrealized Gains and Losses on Investment Securities Available-for-Sale	10,757			10,757			10,757
Amortization of Net Losses Related to Defined Benefit Plans	381			381			381
Total Comprehensive Income							\$ 63,874
Share-Based Compensation	714		714				
Common Stock Issued under Purchase and Equity Compensation Plans and Related Tax Benefits (52,481 shares)	1,785	1	(379)		(320)	2,483	
Common Stock Repurchased (30,594 shares)	(1,342)					(1,342)	
Cash Dividends Paid	(21,632)				(21,632)		
Balance as of March 31, 2010	\$ 939,372	\$ 570	\$ 494,653	\$ 18,063	\$ 874,305	\$ (448,219)	
Balance as of December 31, 2008	\$ 790,704	\$ 568	\$ 492,515	\$ (28,888)	\$ 787,924	\$ (461,415)	
Comprehensive Income:							
Net Income	36,040				36,040		\$ 36,040
Other Comprehensive Income, Net of Tax:							
Change in Unrealized Gains and Losses on Investment Securities Available-for-Sale	27,243			27,243			27,243
Amortization of Net Losses Related to Defined Benefit Plans	326			326			326
Total Comprehensive Income							\$ 63,609
Share-Based Compensation	235		235				
Common Stock Issued under Purchase and Equity Compensation Plans and Related Tax Benefits (71,244 shares)	1,627	1	(1,398)		(258)	3,282	
Common Stock Repurchased (21,071 shares)	(729)					(729)	
Cash Dividends Paid	(21,511)				(21,511)		
Balance as of March 31, 2009	\$ 833,935	\$ 569	\$ 491,352	\$ (1,319)	\$ 802,195	\$ (458,862)	

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

Table of Contents**Bank of Hawaii Corporation and Subsidiaries****Consolidated Statements of Cash Flows (Unaudited)**

(dollars in thousands)	Three Months Ended	
	2010	2009
		March 31,
Operating Activities		
Net Income	\$ 52,736	\$ 36,040
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Credit Losses	20,711	24,887
Depreciation and Amortization	3,332	3,399
Amortization of Deferred Loan and Lease Fees	(623)	(625)
Amortization and Accretion of Premiums/Discounts on Investment Securities, Net	10,799	1,211
Share-Based Compensation	714	235
Benefit Plan Contributions	(687)	(421)
Deferred Income Taxes	(5,780)	(3,811)
Net Gains on Investment Securities	(20,021)	(56)
Net Change in Trading Securities		91,500
Proceeds from Sales of Loans Held for Sale	117,261	398,376
Originations of Loans Held for Sale	(111,860)	(400,957)
Tax Benefits from Share-Based Compensation	(10)	(17)
Net Change in Other Assets and Other Liabilities	(22,495)	41,129
Net Cash Provided by Operating Activities	44,077	190,890
Investing Activities		
Investment Securities Available-for-Sale:		
Proceeds from Prepayments and Maturities	351,199	243,329
Proceeds from Sales	483,588	21,791
Purchases	(921,953)	(810,966)
Investment Securities Held-to-Maturity:		
Proceeds from Prepayments and Maturities	13,865	11,347
Net Change in Loans and Leases	132,316	177,913
Premises and Equipment, Net	(2,666)	(1,814)
Net Cash Provided by (Used in) Investing Activities	56,349	(358,400)
Financing Activities		
Net Change in Deposits	84,408	920,693
Net Change in Short-Term Borrowings	(89,253)	(185,521)
Repayments of Long-Term Debt		(143,971)
Tax Benefits from Share-Based Compensation	10	17
Proceeds from Issuance of Common Stock	2,034	2,069
Repurchase of Common Stock	(1,342)	(729)
Cash Dividends Paid	(21,632)	(21,511)
Net Cash Provided by (Used In) Financing Activities	(25,775)	571,047
Net Change in Cash and Cash Equivalents	74,651	403,537
Cash and Cash Equivalents at Beginning of Period	555,067	796,482
Cash and Cash Equivalents at End of Period	\$ 629,718	\$ 1,200,019
Supplemental Information		
Cash Paid for Interest	\$ 15,182	\$ 29,682
Cash Paid for Income Taxes	37,016	1,390
Non-Cash Investing Activity:		
Transfer from Loans to Foreclosed Real Estate	60	

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*) provide a broad range of financial products and services to customers in Hawaii, Guam, and other Pacific Islands. 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.

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, 2009. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

Use of Estimates in the Preparation of Financial Statements

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.

Fair Value Measurements and Disclosures

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures About Fair Value Measurements*, which added disclosure requirements about transfers in and out of Levels 1 and 2, clarified existing fair value disclosure requirements about the appropriate level of disaggregation, and clarified that a description of valuation techniques and inputs used to measure fair value was required for recurring and nonrecurring Level 2 and 3 fair value measurements. The Company adopted these provisions of the ASU in preparing the Consolidated Financial Statements for the period ended March 31, 2010. The adoption of these provisions of this ASU, which was subsequently codified into Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, only affected the disclosure requirements for fair value measurements and as a result had no impact on the Company's statements of income and condition. See Note 10 to the Consolidated Financial Statements for the disclosures required by this ASU.

This ASU also requires that Level 3 activity about purchases, sales, issuances, and settlements be presented on a gross basis rather than as a net number as currently permitted. This provision of the ASU is effective for the Company's reporting period ending March 31, 2011. As this provision amends only the disclosure requirements for fair value measurements, the adoption will have no impact on the Company's statements of income and condition.

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The amortized cost, gross unrealized gains and losses, and estimated fair value of the Company's investment securities as of March 31, 2010, December 31, 2009, and March 31, 2009 were as follows:

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2010				
Available-for-Sale:				
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$ 746,761	\$ 7,050	\$ (958)	\$ 752,853
Debt Securities Issued by States and Political Subdivisions	51,940	1,402	(16)	53,326
Debt Securities Issued by U.S. Government-Sponsored Enterprises	751	33		784
Mortgage-Backed Securities Issued by				
Government Agencies	4,265,067	44,846	(6,274)	4,303,639
U.S. Government-Sponsored Enterprises	321,681	14,956		336,637
Total Mortgage-Backed Securities	4,586,748	59,802	(6,274)	4,640,276
Total	\$ 5,386,200	\$ 68,287	\$ (7,248)	\$ 5,447,239
Held-to-Maturity:				
Mortgage-Backed Securities Issued by				
Government Agencies	\$ 55,834	\$ 2,379	\$	\$ 58,213
U.S. Government-Sponsored Enterprises	111,265	4,168		115,433
Total	\$ 167,099	\$ 6,547	\$	\$ 173,646
December 31, 2009				
Available-for-Sale:				
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$ 711,223	\$ 11,248	\$ (1,679)	\$ 720,792
Debt Securities Issued by States and Political Subdivisions	52,742	1,391	(17)	54,116
Debt Securities Issued by U.S. Government-Sponsored Enterprises	751	41		792
Mortgage-Backed Securities Issued by				
Government Agencies	4,015,816	26,900	(20,029)	4,022,687
U.S. Government-Sponsored Enterprises	509,225	23,276	(54)	532,447
Total Mortgage-Backed Securities	4,525,041	50,176	(20,083)	4,555,134
Total	\$ 5,289,757	\$ 62,856	\$ (21,779)	\$ 5,330,834
Held-to-Maturity:				
Mortgage-Backed Securities Issued by				
Government Agencies	\$ 59,542	\$ 1,879	\$	\$ 61,421
U.S. Government-Sponsored Enterprises	121,476	3,771		125,247
Total	\$ 181,018	\$ 5,650	\$	\$ 186,668
March 31, 2009				
Available-for-Sale:				
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$ 566,606	\$ 1,898	\$ (501)	\$ 568,003
Debt Securities Issued by States and Political Subdivisions	50,482	1,196	(68)	51,610
Debt Securities Issued by U.S. Government-Sponsored Enterprises	145,530	312		145,842
Mortgage-Backed Securities Issued by				
Government Agencies	590,072	13,448	(1)	603,519
U.S. Government-Sponsored Enterprises	1,413,795	46,662	(4)	1,460,453
Private-Label Mortgage-Backed Securities	279,093	54	(27,068)	252,079
Total Mortgage-Backed Securities	2,282,960	60,164	(27,073)	2,316,051
Other Debt Securities	25,088	15	(1)	25,102
Total	\$ 3,070,666	\$ 63,585	\$ (27,643)	\$ 3,106,608
Held-to-Maturity:				
Mortgage-Backed Securities Issued by				
Government Agencies	\$ 69,731	\$ 2,276	\$	\$ 72,007
U.S. Government-Sponsored Enterprises	158,446	3,213	(33)	161,626
Total	\$ 228,177	\$ 5,489	\$ (33)	\$ 233,633

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The table below presents an analysis of the contractual maturities of the Company's investment securities as of March 31, 2010. Mortgage-backed securities are disclosed separately in the table below as these investment securities may prepay prior to their scheduled contractual maturity dates.

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
Due in One Year or Less	\$ 22,304	\$ 87	\$	\$ 22,391
Due After One Year Through Five Years	328,177	930	(283)	328,824
Due After Five Years Through Ten Years	93,930	992	(14)	94,908
Due After Ten Years	355,041	6,476	(677)	360,840
	799,452	8,485	(974)	806,963
Mortgage-Backed Securities Issued by				
Government Agencies	4,265,067	44,846	(6,274)	4,303,639
U.S. Government-Sponsored Enterprises	321,681	14,956		336,637
Total Mortgage-Backed Securities	4,586,748	59,802	(6,274)	4,640,276
Total	\$ 5,386,200	\$ 68,287	\$ (7,248)	\$ 5,447,239
Held-to-Maturity:				
Mortgage-Backed Securities Issued by				
Government Agencies	\$ 55,834	\$ 2,379	\$	\$ 58,213
U.S. Government-Sponsored Enterprises	111,265	4,168		115,433
Total	\$ 167,099	\$ 6,547	\$	\$ 173,646

Investment securities pledged where the secured parties have the right to sell or repledge the investment securities had carrying values of \$2.7 billion as of March 31, 2010 and December 31, 2009, and \$2.3 billion as of March 31, 2009. These investment securities were pledged to secure deposits of governmental entities and securities sold under agreements to repurchase.

Gross gains on the sales of investment securities were \$20.0 million and \$0.1 million for the three months ended March 31, 2010 and 2009, respectively. Gross losses on the sales of investment securities were not material for the three months ended March 31, 2010 and 2009. Realized gains and losses on investment securities were recorded in noninterest income using the specific identification method.

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The Company's temporarily impaired investment securities as of March 31, 2010, December 31, 2009, and March 31, 2009 were as follows:

(dollars in thousands)	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
March 31, 2010						
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$ 205,860	\$ (937)	\$ 1,627	\$ (21)	\$ 207,487	\$ (958)
Debt Securities Issued by States and Political Subdivisions	875	(4)	322	(12)	1,197	(16)
Mortgage-Backed Securities Issued by Government Agencies	1,079,640	(6,274)			1,079,640	(6,274)
Total Temporarily Impaired Investment Securities	\$ 1,286,375	\$ (7,215)	\$ 1,949	\$ (33)	\$ 1,288,324	\$ (7,248)
December 31, 2009						
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$ 347,324	\$ (1,656)	\$ 1,703	\$ (23)	\$ 349,027	\$ (1,679)
Debt Securities Issued by States and Political Subdivisions	878	(5)	322	(12)	1,200	(17)
Mortgage-Backed Securities Issued by Government Agencies	2,171,588	(20,029)			2,171,588	(20,029)
U.S. Government-Sponsored Enterprises	8,982	(54)			8,982	(54)
Total Mortgage-Backed Securities	2,180,570	(20,083)			2,180,570	(20,083)
Total Temporarily Impaired Investment Securities	\$ 2,528,772	\$ (21,744)	\$ 2,025	\$ (35)	\$ 2,530,797	\$ (21,779)
March 31, 2009						
Debt Securities Issued by the U.S. Treasury and Government Agencies	\$ 226,503	\$ (454)	\$ 1,847	\$ (47)	\$ 228,350	\$ (501)
Debt Securities Issued by States and Political Subdivisions	3,603	(48)	314	(20)	3,917	(68)
Mortgage-Backed Securities Issued by Government Agencies	7,948	(1)			7,948	(1)
U.S. Government-Sponsored Enterprises	22,306	(37)			22,306	(37)
Private-Label Mortgage-Backed Securities	5,360	(1,873)	235,859	(25,195)	241,219	(27,068)
Total Mortgage-Backed Securities	35,614	(1,911)	235,859	(25,195)	271,473	(27,106)
Other Debt Securities			34	(1)	34	(1)
Total Temporarily Impaired Investment Securities	\$ 265,720	\$ (2,413)	\$ 238,054	\$ (25,263)	\$ 503,774	\$ (27,676)

The Company does not believe that the investment securities that were in an unrealized loss position as of March 31, 2010, which were comprised of 69 securities, represent an other-than-temporary impairment. Total gross unrealized losses were primarily attributable to changes in interest rates, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities. The Company does not intend to sell the investment securities that were in an unrealized loss position and it is not more likely than not that the Company will be required to sell the investment securities before recovery of their amortized cost bases, which may be at maturity.

As of March 31, 2010, the gross unrealized losses reported for mortgage-backed securities relate to investment securities issued by the Government National Mortgage Association.

Table of Contents**Note 3. Mortgage Servicing Rights**

The Company's portfolio of residential mortgage loans serviced for third parties was \$3.1 billion as of March 31, 2010 and December 31, 2009, and \$2.9 billion as of March 31, 2009. All of the Company's residential mortgage loans sold to third parties is sold on a non-recourse basis. The Company's mortgage servicing activities include collecting principal, interest, and escrow payments from borrowers; making tax and insurance payments on behalf of the borrowers; monitoring delinquencies and executing foreclosure proceedings; and accounting for and remitting principal and interest payments to investors. Servicing income, including late and ancillary fees, was \$1.8 million and \$1.6 million for the three months ended March 31, 2010 and 2009, respectively. Servicing income is recorded as a component of mortgage banking income in the Company's Consolidated Statements of Income. The Company's residential mortgage loan servicing portfolio is comprised primarily of fixed rate loans concentrated in Hawaii.

For the three months ended March 31, 2010 and 2009, the change in the fair value of the Company's mortgage servicing rights accounted for under the fair value measurement method was as follows:

(dollars in thousands)	Three Months Ended	
	March 31,	
	2010	2009
Balance at Beginning of Period	\$ 15,332	\$ 19,553
Changes in Fair Value:		
Due to Change in Valuation Assumptions 1	(93)	(91)
Due to Paydowns and Other 2	(432)	(1,558)
Total Changes in Fair Value of Mortgage Servicing Rights	(525)	(1,649)
Balance at End of Period	\$ 14,807	\$ 17,904

1 Principally represents changes in discount rates and loan repayment rate assumptions, mostly due to changes in interest rates.

2 Principally represents changes due to loan payoffs.

The Company established a new class of mortgage servicing rights, to be accounted for under the amortization method, beginning with servicing rights recognized on or after July 1, 2008. For the three months ended March 31, 2010 and 2009, the change in the carrying value of the Company's mortgage servicing rights accounted for under the amortization method, net of a valuation allowance, was as follows:

(dollars in thousands)	Three Months Ended	
	March 31,	
	2010	2009
Balance at Beginning of Period	\$ 10,638	\$ 1,796
Servicing Rights that Resulted From Asset Transfers	945	3,923
Amortization	(308)	(95)
Balance at End of Period	\$ 11,275	\$ 5,624
Valuation Allowance:		
Balance at Beginning of Period	\$	\$ 292
Recoveries		(292)

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Balance at End of Period	\$		\$	
Mortgage Servicing Rights Accounted for Under the Amortization Method, Net of a Valuation Allowance	\$	11,275	\$	5,624
Fair Value of Mortgage Servicing Rights Accounted for Under the Amortization Method				
Beginning of Period	\$	14,853	\$	1,504
End of Period	\$	16,453	\$	6,158

The key assumptions used in estimating the fair value of the Company's mortgage servicing rights as of March 31, 2010 and 2009 were as follows:

	March 31,	
	2010	2009
Weighted-Average Constant Prepayment Rate 1	13.99%	16.85%
Weighted-Average Life (in years)	5.75	4.55
Weighted-Average Note Rate	5.23%	5.54%
Weighted-Average Discount Rate 2	7.24%	6.44%