2010 Annual Report
Financial Statements

Bank of the West and Subsidiaries

BANK OF THE WEST | BNP PARIBAS GROUP

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
of Bank of the West and its subsidiaries:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, consolidated statements of changes in equity and comprehensive income and consolidated statements of cash flows present fairly, in all material respects, the financial position of Bank of the West and its subsidiaries ("the Bank") at December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
San Francisco, CA
March 21, 2011

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands)	Year Ended December 31, 2010	2009
Interest income		
Loans	**$1,997,836**	$2,145,955
Lease financing	**144,464**	161,972
Securities available for sale	**181,829**	277,328
Other	**4,301**	8,386
Total interest income	**2,328,430**	2,593,641
Interest expense		
Deposits	**255,502**	465,414
Short-term borrowings	**863**	10,793
Long-term debt	**289,020**	412,789
Total interest expense	**545,385**	888,996
Net interest income	**1,783,045**	1,704,645
Provision for loan and lease losses	**512,782**	1,324,723
Net interest income after provision for loan and lease losses	**1,270,263**	379,922
Noninterest income		
Service charges on deposit accounts	**173,556**	200,752
Trust and investment services income	**17,647**	15,635
Brokerage service fees	**46,336**	43,162
Credit and debit card fees	**102,789**	86,085
Other service charges and fees	**89,323**	86,591
Net losses on debt securities available for sale[1]	**(35,951)**	(311,863)
Income from bank-owned life insurance	**21,624**	26,425
Net gains on customer accommodation derivatives	**10,012**	19,888
Loss on credit guarantee derivative	**(73,201)**	-
Write-downs of other real estate owned assets, net	**(36,770)**	(17,609)
Other	**43,317**	9,342
Total noninterest income	**358,682**	158,408
Noninterest expense		
Salaries and employee benefits	**697,617**	674,318
Occupancy	**134,434**	134,756
Outside services	**125,089**	126,155
FDIC assessments	**85,060**	83,348
Intangible amortization	**35,353**	37,499
Equipment	**56,558**	58,079
Advertising and marketing	**41,817**	33,833
Collection and repossession	**33,710**	26,329
Restructuring cost	-	9,396
Other	**144,367**	146,000
Total noninterest expense	**1,354,005**	1,329,713
Income (loss) before income taxes and noncontrolling interest	**274,940**	(791,383)
Income tax expense (benefit)	**89,600**	(388,252)
Net income (loss) before noncontrolling interest	**185,340**	(403,131)
Net income attributable to noncontrolling interest	**740**	225
Net income (loss) attributable to Bank of the West	**$ 184,600**	$ (403,356)

[1] Includes other-than-temporary impairment (OTTI) losses of $8.2 and $240.8 million recognized in earnings ($12.3 million and $309.8 million of total OTTI losses, net of $4.1 million and $69.0 million recognized in other comprehensive income) for the years ended December 31, 2010 and 2009, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share amounts)	December 31, 2010	2009
Assets		
Cash and due from banks	**$ 683,530**	$ 878,072
Interest-bearing deposits in other banks	**118,738**	447,019
Federal funds sold and securities purchased under agreements to resell	**-**	320,000
Trading assets	**5,500**	5,107
Securities available for sale	**6,128,762**	6,449,316
Loans held for sale	**107,440**	51,804
Loans and leases:		
Loans and leases	**43,007,720**	44,424,547
Less allowance for loan and lease losses	**1,059,017**	1,220,661
Net loans and leases	**41,948,703**	43,203,886
Premises and equipment, net	**462,547**	464,130
Customers' acceptance liability	**7,469**	3,362
Goodwill	**4,201,143**	4,198,945
Other intangibles, net	**132,303**	159,349
Other real estate owned and repossessed personal property	**195,017**	178,804
Interest receivable	**158,899**	181,266
Bank-owned life insurance	**1,289,392**	1,274,249
Other assets	**2,213,383**	2,185,281
Total assets	**$57,652,826**	$60,000,590
Liabilities and Equity		
Deposits:		
Interest-bearing	**$28,257,259**	$30,797,431
Noninterest-bearing	**11,289,985**	9,407,715
Total deposits	**39,547,244**	40,205,146
Federal funds purchased and securities sold under agreements to repurchase	**733,172**	520,516
Short-term borrowings	**6,465**	2,070
Acceptances outstanding	**7,469**	3,362
Long-term debt	**5,812,535**	9,561,677
Liability for pension benefits	**162,769**	141,273
Other liabilities	**761,593**	619,686
Total liabilities	**47,031,247**	51,053,730
Equity:		
Common stock, par value $0.001 per share in 2010 and 2009		
Authorized — 20,000,000 shares		
Issued and outstanding — 5,548,359 and 5,039,194 shares at		
December 31, 2010 and 2009, respectively	**6**	5
Additional paid-in capital	**9,728,178**	8,332,394
Retained earnings	**1,027,871**	843,271
Accumulated other comprehensive loss	**(158,325)**	(234,584)
Total Bank of the West stockholder's equity	**10,597,730**	8,941,086
Noncontrolling interest	**23,849**	5,774
Total equity	**10,621,579**	8,946,860
Total liabilities and equity	**$57,652,826**	$60,000,590

The accompanying notes are an integral part of these consolidated financial statements.

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME

(dollars in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Bank of the West Stockholder's Equity	Non-controlling Interest	Total Equity
Balance, January 1, 2009	4,773,943	$5	$7,729,444	$1,257,439	$(267,392)	$ 8,719,496	$ 3,834	$ 8,723,330
Comprehensive income:								
Net income (loss)	-	-	-	(403,356)	-	(403,356)	225	(403,131)
Cumulative effect from change in accounting for other-than-temporary impairment on debt securities, net of tax	-	-	-	14,490	(14,490)	-	-	-
Other comprehensive income (loss), net of tax:								
Pension	-	-	-	-	19,960	19,960	-	19,960
Unrealized net gains (losses) on securities available for sale arising during the year	-	-	-	-	(145,369)	(145,369)	-	(145,369)
Unrealized losses related to factors other than credit, net of amounts reclassified in the income statement	-	-	-	-	(24,740)	(24,740)	-	(24,740)
Reclassification of net realized losses on securities available for sale included in net income	-	-	-	-	185,247	185,247	-	185,247
Unrealized net losses on cash flow derivative hedges arising during the year	-	-	-	-	(4,514)	(4,514)	-	(4,514)
Reclassification of net realized losses on cash flow derivative hedges included in net income	-	-	-	-	16,714	16,714	-	16,714
Comprehensive income (loss)	-	-	-	(388,866)	32,808	(356,058)	225	(355,833)
Stock options	-	-	2,949	-	-	2,949	-	2,949
Dividends	-	-	-	(25,302)	-	(25,302)	-	(25,302)
Stock issuance	265,251	-	600,001	-	-	600,001	-	600,001
Noncontrolling interest	-	-	-	-	-	-	1,715	1,715
Balance, December 31, 2009	5,039,194	$5	$8,332,394	$ 843,271	$(234,584)	$ 8,941,086	$ 5,774	$ 8,946,860
Comprehensive income:								
Net income	-	-	-	**184,600**	-	**184,600**	**740**	**185,340**
Other comprehensive income (loss), net of tax:								
Pension	-	-	-	-	**(7,394)**	**(7,394)**	-	**(7,394)**
Unrealized net gains (losses) on securities available for sale arising during the year	-	-	-	-	**16,608**	**16,608**	-	**16,608**
Reclassification of losses on previously credit-impaired securities included in net income	-	-	-	-	**38,688**	**38,688**	-	**38,688**
Reclassification of net realized losses on securities available for sale included in net income	-	-	-	-	**21,355**	**21,355**	-	**21,355**
Unrealized net losses on cash flow derivative hedges arising during the year	-	-	-	-	**(2,934)**	**(2,934)**	-	**(2,934)**
Reclassification of net realized losses on cash flow derivative hedges included in net income	-	-	-	-	**9,936**	**9,936**	-	**9,936**
Comprehensive income	-	-	-	**184,600**	**76,259**	**260,859**	**740**	**261,599**
Stock options	-	-	**2,333**	-	-	**2,333**	-	**2,333**
Stock issuance	**509,165**	**1**	**1,000,000**	-	-	**1,000,001**	-	**1,000,001**
Capital infusion	-	-	**393,451**	-	-	**393,451**	-	**393,451**
Noncontrolling interest	-	-	-	-	-	-	**17,335**	**17,335**
Balance, December 31, 2010	**5,548,359**	**$6**	**$9,728,178**	**$1,027,871**	**$(158,325)**	**$10,597,730**	**$23,849**	**$10,621,579**

The accompanying notes are an integral part of these consolidated financial statements.

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)	Year Ended December 31, 2010	2009
Cash flows from operating activities		
Net income (loss)	**$ 184,600**	$ (403,356)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	**512,782**	1,324,723
Net losses on securities available for sale	**35,951**	311,863
Net gains on sale of loans	**(21,620)**	(7,180)
Net (increase) decrease in trading assets	**(393)**	38
Depreciation and amortization	**168,777**	169,224
Deferred income taxes	**(18,899)**	(218,740)
Decrease (increase) in interest receivable and other assets	**39,858**	(16,787)
Increase (decrease) in interest payable and other liabilities	**141,907**	(371,505)
Change in fair value of credit guarantee derivative	**73,201**	-
Originations of loans held for sale	**(1,052,128)**	(410,607)
Proceeds from sales of loans held for sale	**1,046,169**	361,045
Other, net	**49,217**	32,270
Net cash provided by operating activities	**1,159,422**	770,988
Cash flows from investing activities		
Securities available for sale:		
Proceeds from maturities and prepayments	**3,100,984**	3,806,727
Proceeds from sales	**2,524,515**	622,817
Purchases	**(5,241,818)**	(2,820,604)
Net decrease in loans resulting from originations and collections	**521,729**	1,367,583
Purchases of loans and leases	**(68,514)**	(49,625)
Proceeds from sales of loans	**37,891**	389,892
Purchase of premises and equipment	**(55,738)**	(26,997)
Decrease in bank-owned life insurance investments	**6,481**	4,175
Decrease in long-term securities purchased under agreements to resell	**-**	100,000
Other, net	**182,292**	83,289
Net cash used for investing activities	**1,007,822**	3,477,257
Cash flows from financing activities		
Net (decrease) increase in deposits	**(488,381)**	2,943,975
Net increase (decrease) in short-term borrowings under three months	**211,680**	(7,061,428)
Proceeds from issuance of short-term borrowings	**5,371**	-
Repayment of short-term borrowings	**-**	(707,000)
Proceeds from issuance of long-term debt	**-**	1,152,509
Repayment of long-term debt	**(3,741,704)**	(3,064,606)
Cash dividends paid	**-**	(25,302)
Proceeds from issuance of common stock	**1,000,001**	600,001
Noncontrolling interest	**2,966**	1,940
Net cash provided by financing activities	**(3,010,067)**	(6,159,911)
Net increase (decrease) in cash and cash equivalents	**(842,823)**	(1,911,666)
Cash and cash equivalents at beginning of year	**1,645,091**	3,556,757
Cash and cash equivalents at end of year	**$ 802,268**	$ 1,645,091
Supplemental disclosures		
Interest paid	**$ 577,167**	$ 676,206
Income taxes paid	**48,016**	60,054
Noncash investing and financing activities:		
Capital infusion	**393,451**	-
Transfer from deposits for the settlement of credit guarantee derivative	**169,521**	-
Transfers into (out of) loans held for sale	**42,136**	(88,427)
Transfers from loans to foreclosed properties	**171,432**	160,713
Increase in loans and leases due to consolidation of variable interest entities	**15,109**	-

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Bank of the West ("BOW") is a State of California chartered bank. BOW has 662 retail branch banking locations (646 full service retail branches and 16 limited service retail offices) and other commercial banking offices located in Arizona, California, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin and Wyoming providing a wide range of financial services to both consumers and businesses. BOW also has branches serving Pacific Rim customers, specializing in domestic and international products and services in predominantly Asian American communities. In addition, the Bank has a commercial banking office in New York and an offshore office in the Cayman Islands. Lending and other services focus on corporate, consumer and smaller middle market businesses. Bank of the West's principal subsidiaries include Essex Credit Corporation ("Essex"), BW Insurance ("BWI") and BancWest Investment Services, Inc. ("BWIS"). The terms "the Bank," "we," "our," "us" and similar terms as used in this report refer to Bank of the West and its subsidiaries.

BancWest Corporation ("BancWest"), a financial holding company, as of December 31, 2010 and 2009, owned 83.22% and 81.53% of the outstanding common stock of the Bank, respectively. The balance of the Bank's common stock is held by BNP Paribas ("BNPP"). The Bank received additional capital of approximately $1 billion in 2010 and $600 million in 2009 by issuing 509,165 shares and 265,251 shares of common stock, respectively to BancWest, which in turn, received the related funding from BNPP. Subsequent to year-end, BancWest repaid debt owed to BNPP, which was collateralized by common shares of the Bank's stock that were transferred to BNPP as part of the debt arrangement. Upon repayment of the debt, the collateral of 485,413 shares was transferred to BancWest whose ownership percentage increased to 91.97%. The Bank also had authorized 1,000,000 shares of preferred stock, none of which were issued or outstanding at December 31, 2010 and 2009.

BancWest is a wholly owned subsidiary of BNPP. BancWest's other bank subsidiary (wholly owned) is First Hawaiian Bank.

Regulation

The Bank's primary regulators are the Federal Deposit Insurance Corporation ("FDIC") and the California Department of Financial Institutions. The Bank is a member of the Federal Home Loan Bank System and is required to maintain an investment in the capital stock of the Federal Home Loan Bank. The Bank maintains insurance on its customer deposit accounts with the FDIC, which requires quarterly assessments of deposit insurance premiums.

Basis of Presentation

The accounting and reporting policies of the Bank and its subsidiaries conform to accounting principles generally accepted in the United States ("GAAP"). The accompanying consolidated financial statements include the accounts of the Bank and all of its wholly-owned, majority-owned or controlled subsidiaries and variable interest entities ("VIEs") if the Bank determines it is the primary beneficiary. All material intercompany transactions among the Bank and its consolidated entities have been eliminated.

For consolidated entities where it holds less than a 100% interest, the Bank reports income or loss attributable to noncontrolling shareholders in the consolidated statements of income, and the equity interest attributable to noncontrolling shareholders in the equity section of the consolidated balance sheets.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with GAAP requires management to make judgments using estimates and assumptions. Actual results could differ from these estimates and assumptions.

Reclassifications

Certain amounts in the financial statements for the prior year have been reclassified to conform to the current financial statement presentation.

Cash and Due from Banks

Cash and due from banks include amounts due from other financial institutions as well as in-transit clearings. Under the terms of the Depository Institutions Deregulation and Monetary Control Act, the Bank is required to maintain noninterest-earning reserve balances against certain deposit liabilities with the Federal Reserve Bank. The average amount of these reserve balances, including coin and currency, was $292 million and $403 million in 2010 and 2009, respectively.

For purposes of the consolidated statement of cash flows, the Bank includes as cash and cash equivalents, cash and due from banks, interest-bearing deposits in other banks and Federal funds sold and securities purchased under agreements to resell.

Securities

Securities are classified as trading, available-for-sale or held-to-maturity.

Securities used for trading purposes are classified as trading and are carried at fair value with unrealized gains and losses included in the consolidated statements of income.

Investments in debt securities and marketable equity securities having readily determinable fair values and not used for trading purposes are classified as available for sale and are carried at estimated fair value with net unrealized gains and losses included in accumulated other comprehensive income (loss), net of applicable income taxes. Refer to Note 16 for information on fair value measurement of the securities. Amortization of premiums and accretion of discounts for the investment securities classified as available for sale are included in interest income. Realized gains and losses on the sales of investment securities available for sale are determined using the specific identification method.

Nonmarketable equity securities include stock of the Federal Home Loan Banks of San Francisco and Topeka, and are carried at cost. The Bank is a member of the Federal Home Loan Bank system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. These securities are included in other assets.

The Bank evaluates its investment securities portfolio on a quarterly basis for indications of other-than-temporary impairment. The cost basis of a security is written down through a charge to earnings when a decline in value below amortized cost is considered to be other-than-temporary. For a debt security that the Bank intends to sell or will more likely than not be required to sell before recovery of its amortized cost basis, an other-than-temporary impairment is recognized in earnings equal to the difference between the security's amortized cost and its fair value at the balance sheet date. If the Bank does not expect to recover the entire amortized cost basis of the security, but does not plan to sell the security or it is not likely to be required to sell the security before the recovery of its entire amortized cost basis, then the other-than-temporary impairment is separated into (1) the amount representing a credit loss and (2) the amount related to all other factors. The amount of the other-than-temporary impairment related to credit loss is recognized in earnings while the amount related to other factors is recognized in other comprehensive income ("OCI"), net of applicable taxes. Subsequently, the Bank accounts for the other-than-temporarily impaired security as if the security had been purchased on the measurement date of the other-than-temporary impairment at an amortized cost basis equal to the previous amortized cost basis less the other-than-temporary impairment recognized in earnings. For equity securities, the Bank evaluates the securities for other-than-temporary impairment based on the length of time fair value is below cost and the severity of the differences, the Bank's intent and ability to hold the security until forecasted recovery of the fair value of the security, and the investee's financial condition and capital strength. If the Bank determines that the impairment on an equity security is other than temporary, an impairment loss equal to the difference between the carrying value of the security and its fair value is recognized within noninterest income.

Loans Held for Sale

The Bank originates certain loans for individual sale. Such loans are classified as held for sale and are carried at the lower of cost or fair value. Fair value is determined on an aggregate basis for each type of loan, based on collateral value, estimated cash flows or prevailing market prices for loans with similar characteristics. The excess of cost over fair value is recorded as a valuation allowance against the loans. Subsequent declines in fair value or recoveries of such declines are recognized as increases or decreases in the valuation allowance and reported in noninterest income. For the years-ended December 31, 2010 and 2009 the Bank did not have any adjustments to record loans held for sale at the lower of cost or fair value.

Loan origination fees and direct costs are deferred at origination of the loan and recognized in noninterest income upon sale of the loan.

The Bank enters into short-term loan commitments to fund the loans that it originates at specified rates and also enters into forward commitments to sell those loans at specified prices. Such interest rate lock commitments to fund the loans and the commitments to sell those loans are accounted for as derivatives at fair value with subsequent changes in fair value recorded through noninterest income.

Loans and Leases

Loans and leases for which the Bank has the intent and the ability to hold for the foreseeable future or until maturity or payoff are classified as loans and leases. The Bank's loans and lease portfolio is divided into two portfolio segments, which are the same segments used by the Bank to determine the allowance for credit losses, commercial and consumer. The portfolio segments are well diversified by borrower, collateral, and industry. The Bank further disaggregates its portfolio segments into various classes of loans for purposes of monitoring and assessing credit risk as described below.

Commercial Loans

The Bank disaggregates the commercial loan portfolio into the following classes:

- Loans to businesses for commercial, industrial and professional purposes except loans that are secured by real estate ("Commercial & industrial");
- Loans that are secured by multifamily properties and nonfarm or nonresidential real estate properties ("Commercial real estate");
- Loans secured by real estate to finance land development and construction of industrial, commercial, residential or farm building ("Construction");
- Indirect and direct leases to finance commercial equipment purchases ("Equipment leases");
- Loans to finance agricultural production and other loans to farmers ("Agriculture").

Consumer Loans

The Bank disaggregates the consumer loan portfolio into the following classes:

- Consumer loans and leases such as autos, marine, recreational vehicles, personal lines of credit and credit cards ("Consumer loans and leases");
- Closed-end loans secured by first and junior liens on 1-4 family residential properties ("Residential secured – closed-end");
- Revolving, open-end loans secured by 1-4 family residential properties ("Residential secured – revolving, open-end").

Loans that the Bank originates are recorded at the principal amount outstanding, net of unamortized deferred loan origination fees and costs. Deferred fees or deferred costs are accreted or amortized over the contractual term of the loan, adjusted for actual prepayments, using the interest method or on a straight line basis for revolving loans.

Unimpaired loans purchased by the Bank are initially measured at fair value at the date of acquisition. The difference between the principal amount of loans and their fair value is considered to be a premium or a discount and is recognized as an adjustment of yield over the contractual life of the loan using the interest method, adjusted for actual prepayments. At the time of acquisition, the seller's estimate for expected credit losses is not carried over or recorded by the Bank as a credit loss allowance against the loans (see Allowance for Credit Losses below).

Interest income is accrued unless the loan is determined to be impaired and placed on nonaccrual status (see Nonaccrual Loans and Leases below). The Bank recognizes unaccreted or unamortized fees, costs, premiums and discounts on loans and leases paid in full as a component of interest income.

Direct financing leases are carried at the aggregate of lease payments receivable plus estimated residual value less unearned income. Unearned income on financing leases is accreted over the lives of the leases to provide a constant periodic rate of return on the net investment in the lease. The Bank reviews commercial lease residual values at least annually and recognizes residual value impairments that are deemed to be other-than-temporary through the income statement.

The Bank also charges other loan and lease fees consisting of delinquent payment charges and servicing fees, including fees for servicing loans sold to third parties and recognizes such fees as income when earned.

Nonaccrual Loans and Leases

The Bank generally places a loan or lease on nonaccrual status when management believes that full and timely collection of principal or interest has become doubtful; or it is 90 days past due as to principal or interest payments based on its contractual terms, unless it is well secured and in the process of collection.

When the Bank places a loan or lease on nonaccrual status, previously accrued and uncollected interest is reversed against interest income of the current period. When there are doubts about the ultimate collection of the recorded balance on a nonaccrual loan or lease, cash payments by the borrower are applied as a reduction of the principal balance, under the cost recovery method. Otherwise, the Bank records such payments as income.

Nonaccrual loans and leases are generally returned to accrual status when either (1) they become current as to principal and interest, there is a sustained period of repayment performance by the borrower and the bank expects payment of remaining contractual principal and interest; or (2) they are both well secured and in the process of collection.

Not all impaired loans or leases are placed on nonaccrual status; for example, restructured loans performing under restructured terms beyond a specific period may be classified as accruing, but may still be deemed impaired (see Allowance for Credit Losses below).

Allowance for Credit Losses

The Bank maintains an allowance for loan and lease losses (the "Allowance") against the carrying value of the loans and leases to absorb estimated probable credit losses within the portfolio. The Allowance is maintained at a level which, in management's judgment, is adequate to absorb probable losses that have been incurred and can be reasonably estimated as of the balance sheet date. The Allowance is increased through provisions for loan and lease losses charged to earnings and reduced by principal charge-offs, net of recoveries.

The Allowance consists of two components, allocated and unallocated. The Bank determines the allocated component of the Allowance by measuring credit impairment on (i) an individual basis for larger balance loans in the commercial portfolio that are on nonaccrual status and commercial loans in a troubled debt restructuring, and (ii) on a collective basis for groups of loans with similar risk characteristics and large groups or pools of homogeneous loans with smaller balances that are not evaluated on a case-by-case basis such as credit card, residential mortgages and consumer installment loans.

The Bank considers a loan to be impaired on an individual basis when, based on current information and events, it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan. The Bank measures impairment by comparing the present value of the expected future cash flows discounted at the loan's effective interest rate with the recorded investment in the loan, except for collateral-dependent loans. For collateral dependent loans, the Bank measures impairment by comparing the fair value of the collateral on an "as-is" basis less disposition costs with the recorded investment in the loan. On a case-by-case basis, the Bank may measure impairment based upon a loan's observable market price.

For loans assessed on a collective basis, the calculation of the allocated reserve considers historical loss experience for each type of loan, management's ongoing review of internal risk ratings and associated trends and factors including:

- Trends in the volume and severity of delinquent loans, non-accrual loans, troubled debt restructuring and other loan modifications;
- Trends in the quality of risk management and loan administration practices including findings of internal and external reviews of loans and effectiveness of collection practices;
- Changes in the quality of the Bank's risk identification process and loan review system;
- Changes in lending policies and procedures including underwriting standards and collection, charge-off and recovery practices;
- Changes in the nature and volume of the loan portfolio;
- Changes in the concentration of credit and the levels of credit;
- Changes in the national and local economic business conditions, including the condition of various market segments.

The unallocated component of the Allowance is maintained to cover uncertainties in our estimate of credit losses. While the Bank's allocated reserve methodology strives to reflect all risk factors, there may still be certain unidentified risk elements. The purpose of the unallocated reserve is to capture these factors. The relationship of the unallocated component to the total Allowance may fluctuate from period to period. Management evaluates the adequacy of the Allowance based on the combined total of allocated and unallocated components.

While the Bank has a formal methodology to determine the adequate and appropriate level of the Allowance, estimates of inherent loan and lease losses involve judgment and assumptions as to various factors, including current economic conditions. Management's determination of adequacy of the total Allowance is based on quarterly evaluations of the above factors. Accordingly, the provision for loan and lease losses will vary from period to period based on management's ongoing assessment of the adequacy of the Allowance. See Note 5 for discussion on how the Bank's experience and current economic conditions have influenced management's determination of the Allowance.

Charge off and Recovery Policies for Loans and Leases

The Bank's policy is to charge off a loan or lease when there is evidence that the loan or lease balance is uncollectible. A commercial loan or lease that is individually assessed for impairment is charged-off when potential recovery of the recorded loan balance is uncertain as a result of shortfall in collateral value or borrowers' financial difficulty. Consumer loans and leases are generally charged off, partially or fully, upon reaching a predetermined delinquency status that ranges from 120 to 180 days depending on the type of consumer loans and leases.

Recoveries of amounts that have previously been charged off are credited to the Allowance and are generally recorded only to the extent that cash is received.

Troubled Debt Restructurings

In situations where for economic or legal reasons related to the borrower's financial difficulties, the Bank grants a concession to the borrower that it would not otherwise consider, the related loan is classified as a troubled debt restructuring. Concessions generally include modifications to the loan's terms, including but not limited to, rate reductions, principal forgiveness, extension of terms or any other actions that may minimize the potential economic loss to the Bank.

A nonaccrual loan involved in a troubled debt restructuring continues to be recorded as nonaccrual until some period of performance on the restructured terms, generally six months, can be evidenced. Loans whose contractual terms have been modified in a troubled debt restructuring and are current at the time of restructuring remain on accrual status if payment in full under the restructured terms is expected.

Regardless of its accrual status, the Bank continues to measure and recognize impairment on an individual basis for its restructured commercial loans.

Premises and Equipment

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives as follows:

Premises	10-39 years
Furniture and equipment	3-20 years
Leasehold improvements	Shorter of the lease term or estimated remaining life

We periodically evaluate our long-lived assets for impairment. We perform these evaluations whenever events or changes in circumstances suggest that the carrying amount of an asset or group of assets is not recoverable. If impairment recognition criteria are met, an impairment charge would be reported in noninterest income. For the years ended December 31, 2010 and 2009, the Bank's evaluation did not result in any impairment.

Internal-use Software Development Costs

The Bank incurs costs to purchase and develop computer software. The treatment of costs to purchase or develop the software depends on the nature of the costs and the stage of construction. Costs incurred in the initial design and evaluation phase, such as the cost of performing feasibility studies and evaluating alternatives are charged to expense. Costs incurred in the committed project planning and design phase, and in the construction and installation phase, are capitalized as part of the cost of the software. The Bank stops capitalizing costs when the software is substantially completed and ready for its intended use at which point it begins to amortize.

Internal-use software development costs are reviewed for impairment annually or whenever changes in circumstances indicate that the carrying amount of the assets may not be recoverable from their expected use and eventual disposition. If such an asset is considered impaired, the impairment to be recognized is measured as the amount by which the carrying basis of the asset exceeds its fair value. For the years ended December 31, 2010 and 2009, the Bank's review did not result in an impairment of its internal-use software development costs.

Goodwill

Under the acquisition method of accounting, the net assets of entities acquired by the Bank are recorded at their estimated fair value at the acquisition date. The excess of the cost of an acquired entity over the fair value of the identifiable net assets acquired represents goodwill.

Goodwill is not amortized, but is tested for impairment annually or whenever events or changes in circumstances suggest that the carrying value may not be recoverable. Under applicable accounting guidance, the goodwill impairment test has two steps. First, the Bank compares the fair value of an identified reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying value, the goodwill of the reporting unit is not impaired. If the fair value of the reporting unit is less than the carrying value, then the second step must be performed to determine the implied fair value of the reporting unit's goodwill and the amount of goodwill impairment.

Other Identifiable Intangible Assets

Core deposit and other intangible assets determined to have finite lives are amortized over their estimated useful lives. They are generally amortized using accelerated methods over estimated useful lives of five to ten years. The Bank reviews core deposit intangibles for impairment annually or whenever events or changes in circumstance indicate that we may not recover our investment in the underlying deposits, which gave rise to such intangibles. Other finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstance suggest the carrying value may not be recoverable. For the years ended December 31, 2010 and 2009, the Bank's review did not result in an impairment of its finite-lived intangible assets.

Other Real Estate Owned and Repossessed Personal Property

Other real estate owned ("OREO") and repossessed personal property are primarily comprised of properties that we acquired through foreclosure proceedings. Upon acquisition of assets taken in satisfaction of a defaulted loan, the excess of the remaining loan balance over the asset's estimated fair value less costs to sell is charged off against the Allowance. Subsequent changes in fair value of the assets are recognized in a valuation allowance through noninterest income. Recoveries in fair value of an impaired OREO asset are limited to the amount of previous write-downs. Gains and losses upon sale of the foreclosed asset are reported as part of noninterest income.

Transfers and Servicing of Financial Assets

The Bank enters into loan participations and loan sales, including originations to sell residential mortgage loans to the Federal National Mortgage Association ("FNMA"). The Bank records these transactions as sales and derecognizes the financial assets in accordance with GAAP.

Any interests in the loans retained by the Bank in a participation are recognized by allocating the carrying amount of the loans between the participating interests sold and interests retained based on their relative fair values at the date of transfer. Gain or loss on the sale of the participating interests is based on the proceeds received and the allocated carrying amount of assets transferred.

The Bank retains the servicing on mortgage loans sold and it records a mortgage servicing right ("MSR"). MSRs are recognized as separate assets representing the right to service third-party loans and are recorded on our balance sheet in other intangible assets, net. Our servicing activities include collecting principal, interest, tax and insurance payments from borrowers while accounting for and remitting payments to investors on behalf of the borrowers. MSRs are initially recognized at fair value at the date of transfer as a component of the sales proceeds and subsequently carried at the lower of cost or fair value. Fair value of MSRs is determined based on the present value of estimated future net servicing income. The MSRs are amortized over the estimated period that net servicing income is expected to be received. Projections of the amount and timing of estimated future net cash flows are calculated using management's best estimates including, prepayment speeds, forward yield curves and default rates. These estimates are updated based on actual results, industry trends and other economic considerations.

The Bank periodically evaluates its MSR assets for impairment by evaluating the fair value of those assets based on a disaggregated, discounted cash flow method. For purposes of measuring impairment, MSRs are stratified based on predominant risk characteristics, such as loan category or maturity. We assess impairment using a present value of expected cash flows model for each strata based upon assumptions for estimated servicing income and expense as discussed in Note 3, Mortgage Sale and Servicing Activity. The impairment, if any, is measured as the amount by which the carrying value of the servicing right strata exceeds its estimated fair value. Impairment is recognized through a valuation allowance and a charge to earnings if it is considered to be temporary or through a direct write-down of the asset and a charge to earnings if it is considered other than temporary.

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. The fair value of collateral either received from or provided to a third party is continually monitored and additional collateral is obtained or is requested to be returned to the Bank as in accordance with the agreement. The Bank or a custodian holds all collateral.

Fair Value

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants on the measurement date. Trading assets, securities available for sale, certain other assets and certain liabilities are recorded at fair value on a recurring basis in accordance with applicable accounting guidance. Also, the Bank may be required to record other assets at fair value on a nonrecurring basis, such as loans held for sale and impaired loans held for investment. These nonrecurring fair value adjustments typically involve application of lower of cost or fair value accounting or write-downs of individual assets.

The Bank values its assets and liabilities based on observable market prices or parameters or derived from such prices or parameters, if available. If observable prices or inputs are not available, fair values are measured using valuation models. In the case of securities, fair values are adjusted for credit rating, prepayment assumptions, credit loss assumptions and market liquidity.

Fair value measurements are classified within one of three levels in a valuation hierarchy based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets to which the Bank has access on the measurement date.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. See Note 16 for more information regarding fair value measurements.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to the U.S. dollar equivalent at the rate of exchange at the balance sheet date. Transactions in foreign currencies are translated to the U.S. dollar equivalent at the rate of exchange in effect at the time of the transaction. Foreign currency gains and losses are included in the consolidated statement of income within other noninterest income in the period in which they occur.

Lease Commitments

Lease commitments are transactions entered into by the Bank where the Bank is the lessee. Leases are classified as capital or operating depending on the terms and conditions of the contracts; the accounting for these leases depends on the nature of the lease transactions. For assets accounted for as capital leases, depreciation is recorded on a straight-line basis over the period of the lesser of the lease term or asset life. Lease obligations recorded under capital leases are reduced by lease payments net of imputed interest. Operating leases are contracts that do not transfer substantially all of the benefits and risk of ownership and do not meet the accounting requirements for capital lease classification. Operating lease payments are charged as rental expense on a straight-line basis over the lease term. Lease incentives received as part of the lease agreement are recognized as a reduction of rental expense on a straight-line basis over the term of the lease.

Income Taxes

The Bank is included in the consolidated Federal income tax return filed by BancWest. We also file various combined and separate company state returns according to the laws of the particular state. Federal and state income taxes are generally allocated to individual subsidiaries as if each had filed a separate return. Amounts equal to income tax benefits of those subsidiaries having taxable losses or credits are reimbursed by other subsidiaries which would have incurred current income tax liabilities.

The Bank recognizes current income tax expense in an amount which approximates the amount of tax to be paid or refunded for the current period. The Bank recognizes deferred income tax liabilities and assets for the expected future tax consequences of events that the Bank includes in our financial statements or tax returns. Under this method, the Bank determines deferred income tax liabilities and assets based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. Deferred tax assets are recognized if it is more likely than not that all of the deferred tax assets will be realized. Realization is dependent on generating sufficient taxable income prior to expiration of any loss carry forward balance. The Bank's net tax asset is presented as a component of other assets.

The Bank evaluates tax positions for recognition by determining if the available evidence indicates the position will likely be sustained upon examination and the amount would be expected to be paid upon ultimate settlement. A tax position that meets the "more likely than not" recognition threshold is measured to determine the amount of benefit to be recognized. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The tax position would be derecognized when it is no longer more likely than not of being sustained. Foreign taxes paid are generally applied as credits to reduce Federal income taxes payable. Interest is recognized as a component of income tax expense. Penalties are recognized as a component of other noninterest expense.

Derivative Instruments and Hedging Activities

Derivatives are recognized on the consolidated balance sheet at fair value. On the date the Bank enters into a derivative contract, the Bank designates the derivative instrument as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge) or (3) held for trading, customer accommodation or not qualifying for or designated as intended for hedge accounting ("free standing derivative instrument"). For a fair value hedge, changes in the fair value of the derivative instrument and changes in the fair value of the hedged asset or liability or of an unrecognized firm commitment attributable to the hedged risk are recorded in current period income. For a cash flow hedge, to the extent that the hedge is considered effective, changes in the fair value of the derivative instrument are recorded in other comprehensive income within stockholder's equity. The fair value is subsequently reclassified into the income statement in the same period and classification of the hedged transaction. For free standing derivative instruments, changes in the fair values are reported in current period income.

The Bank formally documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivative instruments that are designated as hedges to identified assets and liabilities on the consolidated balance sheet, an unrecognized firm commitment or a forecasted transaction. The Bank also formally assesses both at the inception of the hedge and on a quarterly basis, whether the derivative instruments are considered effective in offsetting changes in fair values of or cash flows related to hedged items. Any portion of the changes in fair value of derivatives designated as a hedge that is deemed ineffective is recorded in current period earnings.

Valuations of derivative assets and liabilities reflect the value of the instrument including the values associated with counterparty risk and the Bank's own credit standing; refer to Note 15, Derivative Financial Instruments for additional information.

The Bank occasionally purchases or originates financial instruments that contain an embedded derivative instrument. At the inception of the financial instrument, the Bank assesses whether the economic characteristics of the embedded derivative instrument are clearly and closely related to the economic characteristics of the host contract, whether the financial instrument that embodies both the embedded derivative instrument and the host contract is currently measured at fair value with changes in fair value reported in earnings and whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. If the embedded derivative instrument is determined not to be clearly and closely related to the host contract, the combined instrument is not currently measured at fair value with changes in fair value reported in earnings, and the embedded derivative instrument would qualify as a derivative instrument, the embedded derivative instrument is separated from the host contract and carried at fair value with changes recorded in current period earnings.

Recent Accounting Standards

The following Accounting Standard Updates ("ASU") recently issued by the Financial Accounting Standards Board ("FASB") impacted the Bank's financial statements.

ASU 2009-17: *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (FAS 167, Amendments to FASB Interpretation No. 46R):*

On January 1, 2010, the Bank adopted amended accounting guidance for consolidation of Variable Interest Entities ("VIEs"). The amended accounting guidance replaces the quantitative-based risks and rewards approach to consolidation of variable interest entities with a qualitative approach that identifies the primary beneficiary of a variable interest entity as the enterprise that has both the power to direct the activities that most significantly impact the entity's economic performance, and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the variable interest entity. Upon adoption of this amended guidance on January 1, 2010, the Bank recognized total assets of previously unconsolidated entities of approximately $30 million.

ASU 2010-06: *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements:*

In January 2010, the FASB issued guidance which provides new disclosure requirements and clarifies existing disclosure requirements over fair value measurements. New disclosures required include the amount of significant transfers in and out of levels 1 and 2 fair value measurements and the reasons for the transfers. In addition, the reconciliation for level 3 activity will be required on a gross rather than net basis. Finally, it provided additional guidance related to the level of disaggregation in determining classes of assets and liabilities and disclosures about inputs and valuation techniques. The Bank adopted it in the first quarter of 2010 with prospective application, except for the new requirement related to the reconciliation for level 3 activities on a gross basis (which will be effective for the Bank in first quarter of 2011 reporting periods). The adoption of this guidance impacts the disclosures for the fair value measurement as included in Note 16, Fair Value.

ASU 2010-20: *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses:*

In July 2010, the FASB issued new guidance that requires the Bank to provide more robust and disaggregated disclosures about the credit quality of financing receivables and allowances for credit losses. The new disclosure guidance is effective for the Bank's 2010 financial statements and is discussed in Note 4, Loans and Leases, and Note 5, Allowance for Credit Losses. The disclosures about activity that occurs during a reporting period are effective for its 2011 reporting periods.

2. Securities Available for Sale

Amortized cost and fair value of securities available for sale at December 31, 2010 and 2009 were as follows:

(dollars in thousands)	2010 Amortized Cost	2010 Unrealized Gains	2010 Unrealized Losses	2010 Fair Value	2009 Amortized Cost	2009 Unrealized Gains	2009 Unrealized Losses	2009 Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	**$ 174,181**	**$ 126**	**$ (76)**	**$ 174,231**	$ 165,252	$ 295	$ (8)	$ 165,539
Government sponsored agencies	**483,192**	**958**	**(1,039)**	**483,111**	734,969	3,846	(186)	738,629
Mortgage and asset-backed securities:								
Government agencies[1]	**239,209**	**1,429**	**(1,116)**	**239,522**	43,063	1,383	(41)	44,405
Government sponsored agencies[1]	**1,178,263**	**33,605**	**(329)**	**1,211,539**	2,093,656	82,511	(617)	2,175,550
Non-government mortgage-backed securities[1]	**-**	**-**	**-**	**-**	841,977	818	(149,889)	692,906
Collateralized debt obligations	**127,674**	**-**	**(60,682)**	**66,992**	194,742	-	(114,989)	79,753
Collateralized loan obligations	**223,390**	**-**	**(93,484)**	**129,906**	230,517	8,112	(101,654)	136,975
Other asset-backed securities	**8,546**	**50**	**(924)**	**7,672**	29,234	49	(11,010)	18,273
Collateralized mortgage obligations:								
Government agencies	**1,084,543**	**15,813**	**(828)**	**1,099,528**	231,487	212	-	231,699
Government sponsored agencies	**1,451,179**	**5,943**	**(19,699)**	**1,437,423**	417,576	5,489	-	423,065
Other	**-**	**-**	**-**	**-**	75,983	21	(6,765)	69,239
States and political subdivisions	**1,299,297**	**18,885**	**(45,589)**	**1,272,593**	1,658,242	29,219	(20,509)	1,666,952
Equity securities	**6,244**	**271**	**(270)**	**6,245**	6,484	129	(282)	6,331
Total securities available for sale	**$6,275,718**	**$77,080**	**$(224,036)**	**$6,128,762**	$6,723,182	$132,084	$(405,950)	$6,449,316

[1] Backed by residential real estate.

The following tables present the unrealized gross losses and fair values of securities in the available for sale portfolio by length of time that individual securities in each category have been in a continuous loss position.

	December 31, 2010					
	Less Than 12 Months		12 Months or More		Total	
(dollars in thousands)	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ (75)	$ 90,839	$ (1)	$ 330	$ (76)	$ 91,169
Government sponsored agencies	(1,039)	330,445	-	-	(1,039)	330,445
Mortgage and asset-backed securities:						
Government agencies[1]	(1,069)	189,008	(47)	890	(1,116)	189,898
Government sponsored agencies[1]	(329)	97,620	-	-	(329)	97,620
Collateralized debt obligations	-	-	(60,682)	66,992	(60,682)	66,992
Collateralized loan obligations	-	-	(93,484)	129,906	(93,484)	129,906
Other asset-backed securities	-	-	(924)	3,492	(924)	3,492
Collateralized mortgage obligations:						
Government agencies	(828)	141,128	-	-	(828)	141,128
Government sponsored agencies	(19,699)	695,627	-	-	(19,699)	695,627
State and political subdivisions	(27,740)	550,576	(17,849)	165,041	(45,589)	715,617
Equity securities	-	-	(270)	5,957	(270)	5,957
Total securities available for sale	$(50,779)	$2,095,243	$(173,257)	$372,608	$(224,036)	$2,467,851

[1] Backed by residential real estate.

	December 31, 2009					
	Less Than 12 Months		12 Months or More		Total	
(dollars in thousands)	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ (2)	$ 104	$ (6)	$ 917	$ (8)	$ 1,021
Government sponsored agencies	(186)	97,342	-	-	(186)	97,342
Mortgage and asset-backed securities:						
Government agencies[1]	-	-	(41)	918	(41)	918
Government sponsored agencies[1]	(608)	82,872	(9)	579	(617)	83,451
Non-government mortgage-backed securities[1]	(10,732)	70,259	(139,157)	570,845	(149,889)	641,104
Collateralized debt obligations	-	-	(114,989)	79,753	(114,989)	79,753
Collateralized loan obligations	(5,863)	13,260	(95,791)	109,217	(101,654)	122,477
Other asset-backed securities	(9,344)	4,884	(1,666)	4,719	(11,010)	9,603
Collateralized mortgage obligations:						
Government agencies	-	-	-	-	-	-
Government sponsored agencies	-	-	-	-	-	-
Other	-	-	(6,765)	67,525	(6,765)	67,525
State and political subdivisions	(9,688)	409,709	(10,821)	247,330	(20,509)	657,039
Equity securities	(36)	47	(246)	5,897	(282)	5,944
Total securities available for sale	$(36,459)	$678,477	$(369,491)	$1,087,700	$(405,950)	$1,766,177

[1] Backed by residential real estate.

For the securities in the above tables, at year-end we did not have the intent to sell and determined it was more likely than not that we would not be required to sell the securities prior to recovery of the amortized cost basis. We have also assessed each of the securities in the above tables for credit impairment. We frequently monitor the credit ratings of individual investments within our portfolio and believe that the majority of our unrealized loss positions are due to changes in interest rates and illiquidity within the markets. The Bank may occasionally sell securities at a loss when it decides to restructure portions of the portfolio due to changing market conditions. For equity securities, we consider numerous factors in determining whether impairment exists, including our intent and ability to hold the securities for a period of time sufficient to recover the securities' cost basis.

The following is a description of our security categories, including a description of the nature of the unrealized losses and other-than-temporary impairment ("OTTI") losses within our portfolio (see Note 23 for subsequent purchases and sales of securities):

U.S. Treasury and other U.S. Government agencies and corporations

The unrealized losses associated with United States ("U.S.") Treasury and Federal agency securities are driven primarily by changes in interest rates. We do not estimate any credit losses due to explicit guarantees provided by the U.S. Government.

Government sponsored agencies

The unrealized losses associated with U.S. Government sponsored agencies are driven primarily by changes in interest rates. We do not estimate any credit losses due to implicit backing provided by the United States Government.

Mortgage and asset-backed securities:

Government agencies and government sponsored agencies

The unrealized losses associated with Federal agency mortgage-backed securities are primarily driven by changes in interest rates. These securities are issued by U.S. Government or government sponsored entities and do not have any expected credit losses given explicit or implicit government guarantees.

Non-government mortgage-backed securities

The unrealized losses associated with non-government mortgage-backed securities were driven by changes in interest rates and illiquidity in their primary market. We estimated credit impairment using a cash flow model that incorporated default rates, loss severities, prepayment rates and projected collateral losses for the underlying mortgage loans. The forecasted loan performance was used to project cash flows to the various tranches in the structure. These positions were sold in 2010.

Collateralized debt obligations

The unrealized losses associated with collateralized debt obligations for securities backed by trust preferred hybrid capital issued by other financial institutions were driven primarily by changes in interest rates and market illiquidity. We estimate credit impairment using a cash flow model that incorporates collateral loss severities, the financial strength of the underlying financial institutions and likelihood of default over time. The losses are primarily driven by higher projected collateral losses and wider credit spreads. The key assumptions include default rates, loss severities and prepayment rates.

Collateralized loan obligations

The unrealized losses associated with collateralized loan obligations, related to securities backed by commercial loans and individual corporate debt obligations, stem from changes in interest rates and market illiquidity. We estimate credit impairment using a cash flow model that incorporates default rates, loss severities and prepayment rates.

Other asset-backed securities

The unrealized losses associated with other asset-backed securities are driven by changes in interest rates and market illiquidity. We estimate credit impairment using an internally developed cash flow model as well as tools provided by third party vendors.

Collateralized mortgage obligations:

Government agencies and government sponsored agencies

The unrealized losses associated with Federal agency mortgage-backed securities are primarily driven by changes in interest rates. These securities are issued by U.S. Government or government sponsored entities and do not have any expected credit losses given explicit or implicit government guarantees.

Other

The unrealized losses associated with non-agency mortgage-backed securities are primarily driven by changes in interest rates and market illiquidity. We estimate credit impairment using a cash flow model that incorporates default rates, loss severities, prepayment rates, and projected collateral losses for the underlying mortgages. These positions were sold in 2010.

State and political subdivisions

The unrealized losses associated with securities of U.S. states and political subdivisions are primarily driven by changes in interest rates and illiquidity within the markets. These securities will continue to be monitored as part of our ongoing portfolio review process.

Equity securities

The unrealized losses on equity securities are associated with changes in market prices for Community Reinvestment Act-sponsored corporations. The unrealized losses are due to temporary declines in the equity markets.

Assessment of Other-Than-Temporary Impairment

The Bank tests for other-than-temporary impairment of investment securities on a quarterly basis. For 2010 and 2009, we recognized OTTI for certain of our debt securities classified as available for sale. Prior to recording OTTI, we assessed whether we intended to sell or if it was more likely than not that we would have been required to sell a security before recovery of its amortized cost basis, less any current period credit losses. For a debt security that is considered other-than-temporarily impaired that we did not intend to sell and will not be required to sell before recovery of its amortized cost basis less any current period credit losses, we separate the amount of the impairment into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between the security's amortized cost basis and the present value of its expected future cash flows discounted at the security's original purchase yield (except for those securities that are beneficial interests in securitized financial assets). The remaining difference between the security's fair value and the present value of expected future cash flows is due to factors that are not credit related and, therefore, is not required to be recognized as a loss in the income statement, but instead is recognized in OCI. We believe that we will fully collect the carrying value of securities on which we have recorded a non-credit-related impairment in OCI.

For a certain type of debt security, which has a below AA debt rating at acquisition and is a beneficial interest in securitized financial assets, OTTI occurs when the Bank determines that there has been an adverse change in cash flows and the present value of its expected future cash flows discounted at the security's then-current effective interest rate is less than the present value of the remaining cash flows estimated at the security's acquisition date or last estimated cash flow revision date.

Categories of impaired securities at December 31, 2010 include collateralized loan obligations and one municipal security. All previously impaired private label mortgage-backed and collateralized debt obligations backed by residential and trust preferred capital were, with impairment recognized earnings, sold in 2010. The continued economic downturn has negatively affected the creditworthiness of state and local governments, particularly within California, and various monoline insurers who provide guarantees for these municipal securities, which could result in impairment as the Bank holds bonds from various state and local governments. Several other factors including elevated unemployment, illiquidity, credit rating downgrades and the lack of credit could continue to negatively affect the real estate market and the value of our portfolio.

Gross realized gains and losses on securities available for sale for the periods indicated were as follows:

	Year Ended December 31,	
(dollars in thousands)	**2010**	**2009**
Realized gains	**$ 77,468**	$ 20,336
Realized losses[(1)]	**(113,419)**	(332,199)
Realized net losses	**$ (35,951)**	$(311,863)

[(1)] Includes other-than-temporary impairment recognized in the income statement of $8.2 million and $240.8 million for 2010 and 2009, respectively. The 2010 amount is net of a $25 million recovery of OTTI.

The table below presents activity related to the credit component recognized in earnings on debt securities held by the Bank for which a portion of the OTTI loss remains in other comprehensive income for the years ending December 31, 2010 and 2009. The credit loss component represents the difference between the present value of expected future cash flows and the amortized cost basis of the security prior to considering credit losses. OTTI recognized in earnings in 2010 for credit-impaired debt securities is presented as additions in two components based upon whether the current period is the first time the debt security was credit-impaired (initial credit impairment) or is not the first time the debt security was credit-impaired (subsequent credit impairments). The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired debt securities. Additionally, the credit loss component is reduced if we receive or expect to receive cash flows in excess of what we previously expected to receive over the remaining life of the credit-impaired debt security, the security matures or is fully written down.

(dollars in thousands)	2010	2009
Balance, beginning of period	**$ 147,515**	$ 105,498
Additions related to the credit component of securities on which OTTI impairment losses were		
Previously recognized	**1,979**	135,773
Not previously recognized	**21,286**	81,362
Reductions for securities sold	**(164,302)**	(175,118)
Balance, end of period	**$ 6,478**	$ 147,515

The fair value, yield and amortized cost of securities available for sale at December 31, 2010, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because debt issuers may have the right to call or prepay obligations.

			Remaining Contractual Principal Maturity							
			Within One Year		After One But Within Five Years		After Five Years But Within Ten Years		After Ten Years	
(dollars in thousands)	Total Amount	Weighted Average Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. Treasury and other U.S. Government agencies and corporations	$ 174,231	0.40%	$171,394	0.36%	$ 2,151	3.03%	$ 548	4.09%	$ 138	2.52%
Government sponsored agencies	483,111	0.99	93,255	1.35	389,856	0.90	-	-	-	-
Mortgage and asset-backed securities:										
Government agencies	239,522	2.79	16	1.12	1,054	3.94	3,817	5.18	234,635	2.75
Government sponsored agencies	1,211,539	3.74	25,094	3.43	5,369	5.45	148,047	3.33	1,033,029	3.80
Collateralized debt obligations	66,992	1.86	-	-	-	-	-	-	66,992	1.86
Collateralized loan obligations	129,906	0.99	-	-	-	-	53,557	0.83	76,349	1.10
Other asset-backed securities	7,672	4.01	-	-	320	2.00	65	5.59	7,287	4.07
Collateralized mortgage obligations:										
Government agencies	1,099,528	2.25	-	-	-	-	-	-	1,099,528	2.25
Government sponsored agencies	1,437,423	1.65	-	-	12,058	4.59	307,805	1.97	1,117,560	1.53
State and political subdivisions(1)	1,272,593	6.22	16,196	6.00	115,345	5.98	240,087	6.01	900,965	6.31
Estimated fair value of debt securities(2)	$6,122,517	3.04%	$305,955	1.20%	$526,153	2.12%	$753,926	3.31%	$4,536,483	3.22%
Total amortized cost of debt securities	$6,269,474		$304,811		$521,210		$785,976		$4,657,477	

(1) The weighted average yields were calculated on a taxable equivalent basis.

(2) The weighted average yields, except for yields of state and political subdivisions, were calculated on the basis of the cost and effective yields weighted for the scheduled maturity of each security.

Securities with an aggregate carrying value of $4.6 billion and $5.4 billion were pledged to secure public deposits, repurchase agreements and derivative liability positions at December 31, 2010 and 2009, respectively. Of these amounts, the secured party had the right to repledge or resell $1.5 billion at December 31, 2010 and 2009.

We held no securities of any single issuer (other than the U.S. Government and government sponsored agencies) which were in excess of 10% of consolidated stockholder's equity at December 31, 2010 and 2009.

3. Mortgage Sale and Servicing Activity

At December 31, 2010, the Bank's portfolio of loans held for sale conformed to FNMA guidelines.

We originated $1,052.1 million and $410.6 million of loans for sale and sold $1,046.2 million and $704.6 million in 2010 and 2009, respectively. Each mortgage loan was sold on a non-recourse basis and the unpaid principal balance of mortgage loans serviced for others was $1,610.4 million and $682.5 million at December 31, 2010 and 2009, respectively. The Bank realized net gains on sale of loans of $20.1 million and $6.2 million in 2010 and 2009, respectively, which is reported within other noninterest income. While we recognize and measure loans for sale at lower of cost or fair value, the fair value was not less than the cost of the loans during 2010 and 2009.

Our servicing activities include collecting principal, interest, tax and insurance payments from borrowers while accounting for and remitting payments to investors on behalf of the borrowers. We also monitor delinquencies and execute foreclosure proceedings. Due to similar risks underlying the residential mortgages and nature of assumptions for estimating the fair value of servicing assets, management has determined that there is a single class of servicing asset.

Servicing income is recorded in noninterest income as a part of other service charges and fees and is reported net of the amortization of the servicing assets. Gross servicing fees include contractually specified fees, late charges and ancillary fees, and were $2.6 million and $0.4 million for the years ended December 31, 2010 and 2009, respectively.

The changes in MSRs using the amortization method including valuation allowance were:

(dollars in thousands)	2010	2009
Carrying amount, balance at beginning of year	**$ 6,929**	$ -
Additions[1]:		
Assumption of servicing obligations resulting from asset transfers	**10,015**	7,177
Subtractions[1]:		
Amortization	**(2,547)**	(237)
Application of valuation allowance to adjust carrying values of servicing assets	**(13)**	(11)
Carrying amount, balance at end of year	**$14,384**	$6,929

Valuation allowance for servicing assets:	**2010**	**2009**
Beginning balance	**$11**	$ -
Provisions	**13**	11
Balance at end of year	**$24**	$11

[1] The Bank did not purchase or sell any servicing obligations during the years ended December 31, 2010 and 2009. Additionally, there was no other than temporary impairment recorded and no other changes that affected the balance during the years ended December 31, 2010 and 2009.

The MSR asset is stratified into risk strata whose underlying loans possess similar risk characteristics, such as loan category or maturity. The Bank evaluates the fair value of each risk strata using a present value of expected cash flows model, which is based upon assumptions for future net servicing income. The model incorporates significant unobservable inputs classified as Level 3, which reflects assumptions that market participants use in estimating future net servicing income such as estimates of prepayment speeds, discount rate, cost to service the assets including expected delinquencies and foreclosure costs, escrow account earnings, contractual servicing fee income, ancillary income and late fees. Impairment of an MSR risk strata is recognized through a valuation allowance if the estimated fair value of the strata falls below its amortized cost basis.

The fair value of the amortized MSRs were:

(dollars in thousands)	2010	2009
Balance at beginning of year	**$ 7,475**	$ -
Balance at end of year	**$15,886**	$7,475

Key assumptions used in determining the lower of cost or fair value of the Bank's MSRs were as follows:

	2010	2009
Weighted average constant prepayment rate	**12.19%**	10.96%
Weighted average life in years (of the MSR)	**6.28**	7.12
Weighted average note rate	**4.81%**	5.09%
Weighted average discount rate	**10.00%**	10.00%

4. Loans and Leases

At December 31, 2010 and 2009, loans and leases were comprised of the following:

	2010		2009	
(dollars in thousands)	Outstanding	Commitments[1]	Outstanding	Commitments[1]
Commercial:				
Commercial and industrial	**$ 6,169,590**	**$ 5,414,832**	$ 5,949,460	$4,787,062
Commercial real estate	**9,159,808**	**343,432**	9,374,105	260,518
Construction	**1,657,053**	**282,014**	2,172,228	408,042
Equipment leases	**2,366,233**	**-**	2,430,830	-
Agriculture	**1,899,023**	**1,011,507**	1,978,060	1,048,676
Consumer:				
Consumer loans and leases	**10,563,430**	**1,131,820**	10,211,070	940,955
Residential secured – closed-end	**8,903,798**	**-**	10,095,493	-
Residential secured – revolving, open-end	**2,288,785**	**2,173,200**	2,213,301	2,205,169
Total loans and leases	**$43,007,720**	**$10,356,805**	$44,424,547	$9,650,422

(1) Commitments to extend credit represent unfunded amounts and are reported net of participations sold to other lenders.

Outstanding loan balances at December 31, 2010 and 2009 are net of unearned income, including net deferred loan fees, of $227.4 million and $270.8 million, respectively.

Loans totaling $25.4 billion were pledged to collateralize the Bank's borrowing capacity at the Federal Reserve Bank and Federal Home Loan Bank at December 31, 2010.

Our leasing activities consist primarily of leasing automobiles and commercial equipment. Generally, lessees are responsible for all maintenance, taxes and insurance on the leased property.

The following lists the components of the net investment in financing leases, which includes equipment and consumer leases at December 31:

(dollars in millions)	2010	2009
Total minimum lease payment to be received	**$2,538**	$2,709
Estimated residual values of leased property	**276**	330
Less: Unearned income	**265**	324
Net investment in financing leases	**$2,549**	$2,715

(1) Includes auto leases of $183 million and $284 million at December 31, 2010 and 2009, respectively.

At December 31, 2010, minimum lease receivables for the five succeeding years and thereafter were as follows:

(dollars in millions)	Lease Receivable
2011	$ 879
2012	746
2013	538
2014	307
2015	184
2016 and thereafter	160
Gross minimum payments	2,814
Less: Unearned income	265
Net minimum receivable	$2,549

In the normal course of business, the Bank makes loans to executive officers and directors of the Bank and to entities and individuals affiliated with those executive officers and directors. Such loans are made on terms no less favorable to the Bank than those prevailing at the time for comparable transactions with other persons or, in the case of certain residential real estate loans, on terms that were widely available to employees of the Bank who were not directors or executive officers.

In the course of evaluating the credit risk presented by a customer and the pricing that will adequately compensate the Bank for assuming that risk, management may require a certain amount of collateral support. The type of collateral held varies, but may include accounts receivable, inventory, land, buildings, equipment, income-producing commercial properties and residential real estate. The Bank has the same collateral policy for loans whether they are funded immediately or on a delayed basis (loan commitments).

During 2010 and 2009, the Bank sold participations in certain commercial loans in transactions negotiated with other financial institutions at the time of originating the loans. As the Bank sold the participating interests concurrently with the loan origination, there was no difference between the fair value and carrying amount of the loans transferred and therefore no gain or loss on sale was recognized in 2010 and 2009. At the end of 2010 and 2009, the Bank recognized $335 million and $453 million (net of charge offs), respectively, as its retained interest in the loans. The unpaid principal balance of loans sold as participating interests at the end of 2010 and 2009 was $265 million and $385 million, respectively.

A commitment to extend credit is a legally binding agreement to lend funds to a customer usually at a stated interest rate and for a specified purpose. Such commitments have fixed expiration dates and generally require a fee. The extension of a commitment gives rise to credit risk. The actual liquidity requirements or credit risk that the Bank will experience will be lower than the contractual amount of commitments to extend credit because a significant portion of those commitments are expected to expire without being drawn upon. Additionally, certain commitments are subject to loan agreements containing covenants regarding the financial performance of the customer that must be met before the Bank is required to fund the commitment. For our consumer loan commitments, the Bank may reduce or cancel such commitments by providing prior notice to the borrower or, in some cases, without notice as legally permitted.

The Bank further manages the potential credit risk in commitments to extend credit by limiting the total amount of arrangements, both by individual customer and in the aggregate, by monitoring the size and maturity structure of these portfolios and by applying the same credit standards maintained for all of its related credit activities. The loan and lease portfolio is principally located in California and, to a lesser extent, the remaining states within our footprint. The risk inherent in the portfolio depends upon both the economic stability of those states, which affects property values, and the financial well-being and creditworthiness of the borrowers.

Standby letters of credit totaled $868.5 million and $910.7 million at December 31, 2010 and 2009, respectively. Standby letters of credit are issued on behalf of customers in connection with contracts between the customers and third parties. Under standby letters of credit, the Bank assures that the third parties will receive specified funds if customers fail to meet their contractual obligations. The liquidity risk to the Bank arises from its obligation to make payment in the event of a customer's contractual default. The Bank also had commitments for commercial and similar letters of credit of $65.7 million and $41.9 million at December 31, 2010 and 2009, respectively. The commitments outstanding as of December 31, 2010 have maturities ranging from January 1, 2011 to July 25, 2018. Substantially all fees received from the issuance of such commitments are deferred and amortized on a straight-line basis over the term of the commitment.

Credit Quality of Loans and Leases

A significant portion of the Bank's loan and lease portfolio consists of high credit quality loans.

The Bank assesses the credit quality of its commercial loans and leases with an internal credit risk grading system using a ten-point credit risk scale and categorizes the loans and leases consistent with FDIC and industry guidelines in the following grades: pass, special mention and classified.

Risk grades one through six (or Pass grades) represent loans with strong to acceptable credit quality where the loan is protected by adequate collateral and the borrower is not facing financial difficulties. Risk grade seven (or Special Mention grade) represents loans with borrowers that have potential credit weaknesses which, if not checked or corrected, will weaken the Bank's repayment prospects. Risk grades eight through ten (or Classified grade) represent loans characterized by the distinct possibility that the bank will sustain partial or entire loss. In particular, risk grade eight represents borrowers who have a well-defined weakness but no loss in principal balance is currently anticipated. Risk grade nine represents loans with substandard borrowers but partial loss is probable based on facts existing at the time of assessment. Risk grade ten represents loans with borrowers who are incapable of repayment or loans that are considered uncollectable and are therefore, charged off. All loans in risk grades nine and ten and certain loans in risk grade eight that are on nonaccrual status are considered impaired loans. Risk grades of commercial loans are reviewed on an ongoing basis and upon a credit event.

The following represents the credit quality of each class of commercial loans and leases based on our internal risk grading system as of December 31, 2010, and 2009:

	December 31, 2010			
(dollars in thousands)	Pass	Special Mention	Classified	Total
Commercial and industrial	$ 5,499,516	$ 266,064	$ 404,010	$ 6,169,590
Commercial real estate	7,617,102	578,609	964,097	9,159,808
Construction	717,043	367,023	572,987	1,657,053
Equipment leases	2,192,831	99,960	73,442	2,366,233
Agriculture	1,510,216	226,092	162,715	1,899,023
Total Commercial	$17,536,708	$1,537,748	$2,177,251	$21,251,707

	December 31, 2009			
(dollars in thousands)	Pass	Special Mention	Classified	Total
Commercial and industrial	$ 5,073,293	$ 388,986	$ 487,181	$ 5,949,460
Commercial real estate	8,084,729	606,188	683,188	9,374,105
Construction	846,178	607,487	718,563	2,172,228
Equipment leases	2,211,868	137,799	81,163	2,430,830
Agriculture	1,547,908	254,887	175,265	1,978,060
Total Commercial	$17,763,976	$1,995,347	$2,145,360	$21,904,683

Consumer loans are assessed for credit quality by delinquency status and are placed into one of two categories. The first category is for borrowers who are current in their payments in accordance with their contractual terms and the second category is for borrowers who have missed one or more payments and are past due 30 days or more. The following represents the credit quality of each class of consumer loans and leases based on the delinquency status as of December 31, 2010 and 2009:

(dollars in thousands)	**Residential secured – closed-end**	**Residential secured – revolving, open-end**	**Consumer loans and leases**	**Total**
December 31, 2010:				
Current(1)	$ 8,560,816	$2,258,386	$10,411,703	$21,230,905
Past Due	342,982	30,399	151,727	525,108
Total	$ 8,903,798	$2,288,785	$10,563,430	$21,756,013
December 31, 2009:				
Current(1)	$ 9,710,259	$2,186,744	$10,012,530	$21,909,533
Past Due	385,234	26,557	198,540	610,331
Total	$10,095,493	$2,213,301	$10,211,070	$22,519,864

(1) Includes loans that are contractually current but on nonaccrual status.

5. Allowance for Credit Losses

The allowance for credit losses reflects management's estimate of credit losses inherent in the loan and lease portfolio. We consider the Allowance of $1,059 million at the end of 2010 to be adequate to cover such credit losses. Changes in the allowance for credit losses were:

(in thousands)	December 31, 2010	December 31, 2009
Balance at beginning of year	**$1,220,661**	$ 742,845
Provision for loan and lease losses	**512,782**	1,324,723
Charge offs:		
Commercial:		
Commercial and industrial	**(130,434)**	(142,686)
Commercial real estate	**(98,788)**	(45,937)
Construction	**(88,050)**	(242,389)
Equipment leases	**(52,818)**	(75,700)
Agriculture	**(69,769)**	(22,772)
Total commercial	**(439,859)**	(529,484)
Consumer:		
Consumer loans and leases	**(211,568)**	(263,418)
Residential secured – closed-end	**(93,950)**	(93,873)
Residential secured – revolving, open-end	**(27,277)**	(27,067)
Total consumer	**(332,795)**	(384,358)
Total charge offs	**(772,654)**	(913,842)
Recoveries:		
Commercial:		
Commercial and industrial	**21,538**	10,521
Commercial real estate	**6,867**	2,806
Construction	**14,113**	13,188
Equipment leases	**14,123**	12,257
Agriculture	**2,281**	349
Total commercial	**58,922**	39,121
Consumer:		
Consumer loans and leases	**32,006**	25,009
Residential secured – closed-end	**6,023**	1,828
Residential secured – revolving, open-end	**1,277**	977
Total consumer	**39,306**	27,814
Total recoveries	**98,228**	66,935
Net charge offs	**(674,426)**	(846,907)
Balance at end of year	**$1,059,017**	$1,220,661
Components:		
Allocated	**$ 966,400**	$1,167,660
Unallocated	**92,617**	53,001
Allowance for credit losses	**$1,059,017**	$1,220,661

The following table summarizes the activity in the allowance for credit losses by commercial and consumer portfolio segments for the year ended December 31, 2010.

(dollars in thousands)	December 31, 2010 Commercial	Consumer	Unallocated	Total
Balance at beginning of year	$ 565,146	$ 602,514	$53,001	$1,220,661
Provision for loan and lease losses	270,600	202,566	39,616	512,782
Charge offs	(439,859)	(332,795)	-	(772,654)
Recoveries	58,922	39,306	-	98,228
Net charge offs	(380,937)	(293,489)	-	(674,426)
Balance at end of year	$ 454,809	$ 511,591	$92,617	$1,059,017

The following table disaggregates our allocated component of the allowance for credit losses and recorded investment in loans by impairment methodology.

	December 31, 2010					
	Allocated allowance for credit losses			Recorded investment in loans		
(dollars in thousands)	Commercial	Consumer	Total	Commercial	Consumer	Total
Collectively evaluated	$374,779	$511,591	$886,370	$20,202,970	$21,756,013	$41,958,983
Individually evaluated	80,030	-	80,030	1,048,737	-	1,048,737
Total	$454,809	$511,591	$966,400	$21,251,707	$21,756,013	$43,007,720

The following table summarizes the activity in the allowance for credit losses by commercial and consumer portfolio segments for the year ended December 31, 2009.

	December 31, 2009			
(dollars in thousands)	Commercial	Consumer	Unallocated	Total
Balance, beginning of year	$ 429,663	$ 302,054	$11,128	$ 742,845
Provision for loan and lease losses	625,846	657,004	41,873	1,324,723
Charge offs	(529,484)	(384,358)	-	(913,842)
Recoveries	39,121	27,814	-	66,935
Net charge offs	(490,363)	(356,544)	-	(846,907)
Balance at end of year	$ 565,146	$ 602,514	$53,001	$1,220,661

The following table disaggregates our allocated component of the allowance for credit losses and recorded investment in loans by impairment methodology.

	December 31, 2009					
	Allocated allowance for credit losses			Recorded investment in loans		
(dollars in thousands)	Commercial	Consumer	Total	Commercial	Consumer	Total
Collectively evaluated	$354,434	$602,514	$ 956,948	$20,802,687	$22,519,864	$43,322,551
Individually evaluated	210,712	-	210,712	1,101,996	-	1,101,996
Total	$565,146	$602,514	$1,167,660	$21,904,683	$22,519,864	$44,424,547

Our total allowance for credit losses decreased compared to the prior year as a result of slight improvements in the current economic conditions for most sectors. The improvement is reflected through our estimate for a lower provision for credit losses for 2010 relative to 2009. Recoveries were higher in 2010, and there was a reduction in the overall charge-off rate (although this varied by sector). While there are some signs of improvement in economic conditions, the total allowance remains higher than the level prior to the economic downturn. High unemployment, a fragile recovery in the housing sector, commodity volatility and a stressed commercial real estate sector are all factors that may continue to negatively influence the majority of our loan and lease portfolios.

Impaired Loans

The Bank considers a loan to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan. The Bank individually assesses certain larger balance loans and restructured commercial loans for loan-specific impairment. Interest income recognized on impaired loans was not material for 2010 and 2009.

The following tables present information related to impaired loans that are individually assessed as of December 31, 2010 and 2009:

	December 31, 2010					
	Commercial Product					
(dollars in thousands)	Commercial & industrial	Commercial real estate	Construction	Equipment leases	Agriculture	Total
Recorded investment in impaired loans						
Impaired loans and leases with related allowance	$ 89,812	$113,523	$ 99,206	$13,711	$ 19,102	$ 335,354
Impaired loans and leases with no related allowance	53,718	324,075	251,767	4,542	79,281	713,383
Total impaired loans	$143,530	$437,598	$350,973	$18,253	$ 98,383	$1,048,737
Allowance for loan and lease losses on impaired loans	$ 31,514	$ 25,737	$ 12,986	$ 6,074	$ 3,719	$ 80,030
Total unpaid principal balance	$215,282	$514,537	$496,939	$18,253	$154,605	$1,399,616
Average recorded investment in impaired loans and leases	$157,869	$391,248	$402,338	$23,146	$116,165	$1,090,766

	December 31, 2009					
	Commercial Product					
(dollars in thousands)	Commercial & industrial	Commercial real estate	Construction	Equipment leases	Agriculture	Total
Recorded investment in impaired loans						
Impaired loans and leases with related allowance	$111,672	$166,039	$250,248	$27,717	$ 73,084	$ 628,760
Impaired loans and leases with no related allowance	45,744	169,649	203,238	3,963	50,642	473,236
Total impaired loans	$157,416	$335,688	$453,486	$31,680	$123,726	$1,101,996
Allowance for loan and lease losses on impaired loans	$ 61,233	$ 42,298	$ 56,277	$14,741	$ 36,163	$ 210,712
Total unpaid principal balance	$208,069	$380,017	$653,608	$31,680	$124,241	$1,397,615
Average recorded investment in impaired loans and leases	$143,527	$254,435	$477,719	$24,195	$ 55,450	$ 955,326

Impaired loans without a related allowance for loan and lease losses are generally collateralized by assets with fair values (on an "as-is" basis) in excess of the recorded investment in the loans. Payments on impaired loans are generally applied to reduce the outstanding principal balance of such loans.

Troubled debt Restructuring

At December 31, 2010 and 2009, troubled debt restructurings amounted to $354.1 million and $22.3 million for commercial loans and $190.8 million and $61.0 million for consumer loans, respectively. The Bank had $3.7 million and nil of commitments to lend additional funds to customers whose troubled debt has been restructured as of December 31, 2010 and 2009, respectively.

Nonaccrual and Past due Loans and Leases

Total nonaccrual loans and leases were $1,484.4 million and $1,545.4 million as of December 31, 2010 and 2009, respectively. The following table presents information relating to the age and nonaccrual status of the loans and leases by class:

	December 31, 2010					
(dollars in thousands)	Current	30 - 89 days past due	More than 90 days	Total loans and leases	Loans and leases on nonaccrual status	Past due 90 days or more but still accruing
Commercial:						
Commercial and industrial	$ 6,032,154	$ 26,489	$110,947	$ 6,169,590	$ 218,034	$ 8,910
Commercial real estate	8,722,477	86,723	350,608	9,159,808	522,004	19,162
Construction	1,396,378	35,977	224,698	1,657,053	363,468	18,187
Equipment leases	2,315,558	20,624	30,051	2,366,233	57,650	-
Agriculture	1,813,710	19,676	65,637	1,899,023	101,159	994
Consumer:						
Consumer loans and leases	10,411,703	137,219	14,508	10,563,430	13,536	972
Residential secured – closed-end	8,560,816	160,044	182,938	8,903,798	200,433	723
Residential secured – revolving, open-end	2,258,386	22,271	8,128	2,288,785	8,128	-
Total	**$41,511,182**	**$509,023**	**$987,515**	**$43,007,720**	**$1,484,412**	**$48,948**

	December 31, 2009					
(dollars in thousands)	Current	30 - 89 days past due	More than 90 days	Total loans and leases	Loans and leases on nonaccrual status	Past due 90 days or more but still accruing
Commercial:						
Commercial and industrial	$ 5,732,506	$ 44,906	$ 172,048	$ 5,949,460	$ 284,593	$ 14,548
Commercial real estate	9,004,036	85,097	284,972	9,374,105	380,732	17,766
Construction	1,701,170	73,798	397,260	2,172,228	440,697	70,554
Equipment leases	2,340,378	37,586	52,866	2,430,830	75,379	-
Agriculture	1,882,308	39,476	56,276	1,978,060	137,461	-
Consumer:						
Consumer loans and leases	10,012,530	177,749	20,791	10,211,070	19,171	1,620
Residential secured – closed-end	9,710,259	187,244	197,990	10,095,493	199,652	587
Residential secured – revolving, open-end	2,186,744	18,859	7,698	2,213,301	7,698	-
Total	**$42,569,931**	**$664,715**	**$1,189,901**	**$44,424,547**	**$1,545,383**	**$105,075**

6. Premises and Equipment

At December 31, 2010 and 2009, premises and equipment were comprised of the following:

(dollars in thousands)	2010	2009
Premises	**$692,687**	$681,871
Equipment(1)	**278,254**	255,225
Total premises and equipment	**970,941**	937,096
Less accumulated depreciation and amortization	**508,394**	472,966
Net book value	**$462,547**	$464,130

(1) Includes in process internal-use software development costs and equipment not subject to amortization of $25.0 million and $16.5 million at December 31, 2010 and 2009, respectively.

Occupancy and equipment expenses include depreciation and amortization expenses of $56.0 million for both December 31, 2010 and 2009.

The Bank is obligated under a number of capital and noncancelable operating leases for premises and equipment with terms, including renewal options, up to 50 years, many of which provide for periodic adjustment of rentals based on changes in various economic indicators. Under the premises leases, we are also required to pay real property taxes, insurance and maintenance. The following table shows future minimum payments under leases with terms in excess of one year as of December 31, 2010:

(dollars in thousands)	Capital Leases	Operating Leases	Less Sublease Income	Net Lease Payments
2011	$ 1,501	$ 59,677	$ 3,871	$ 57,307
2012	1,479	56,829	2,460	55,848
2013	1,501	51,211	1,847	50,865
2014	1,546	40,545	1,345	40,746
2015	1,514	34,047	529	35,032
2016 and thereafter	16,173	180,376	485	196,064
Total minimum payments	$23,714	$422,685	$10,537	$435,862
Less interest on capital leases	12,619			
Total principal payable on capital leases(1)	$11,095			

(1) Excludes purchase accounting adjustments of $5.4 million.

The table above includes operating leases for approximately 260,000 square feet of administrative office space in San Ramon, CA with a monthly expense of $0.5 million. The lease agreements extend through December 31, 2025 and were entered into to consolidate multiple back offices from other nearby locations.

Rental expense, net of rental income, for all operating leases was $61.4 million and $58.9 million for 2010 and 2009, respectively.

The Bank did not enter into any sale-leaseback transactions in 2010 or 2009. The Bank amortized $5.8 million of deferred gains relating to its prior sale-leaseback transactions into earnings for both 2010 and 2009. The Bank has no obligations or circumstances which require our continuing involvement with any of these properties.

7. Credit Guarantee Derivative

On March 31, 2010 (the “transaction date”), the Bank entered into a Collateralized Credit Guarantee Derivative Agreement (the “Guarantee”) with its parent. Under the Guarantee, BancWest agreed to reimburse the Bank for principal charge-offs, write-downs on foreclosed assets and foregone interest for a specific portfolio of nonperforming commercial loans and foreclosed properties (the “covered assets”) for a period of seven years. BancWest makes payments to the Bank under the Guarantee on a quarterly basis, but is not entitled to claim any recoveries on or gains on sale of the covered assets by the Bank.

At the transaction date, the fair value of the Guarantee was estimated at $393.5 million and was based upon the expected future claims to be made under the Guarantee. The transaction was accounted for as a capital contribution to the Bank, and the fair value is reported in other assets within the Consolidated Balance Sheet. To secure payments under the Guarantee, BancWest sent to the Bank collateral in the form of a non-interest bearing cash deposit of $1.1 billion.

The Guarantee is recognized as a derivative, measured at fair value with changes in fair value recorded through earnings. At December 31, 2010, the estimated fair value of the Guarantee asset was $150.7 million while the notional amount of the derivative agreement was $796.6 million and the value of the cash collateral was $1.0 billion. The decline in the fair value of the Guarantee asset since inception was primarily driven by the decrease in the covered assets due to charge offs, paydowns and changes in credit forecasts. The net impact of the Guarantee on earnings as of December 31, 2010, was a loss of $73.2 million (reported within noninterest income) due to a $242.7 million decrease in the fair value of the Guarantee significantly offset by payments for claims made under the Guarantee for $169.5 million.

8. Goodwill and Intangible Assets

We performed impairment testing of goodwill in the fourth quarter of 2010 and in the second and fourth quarters of 2009 and no impairment of goodwill was found. Our estimates of fair value were based upon factors such as projected future cash flows, discount rates, and other uncertain elements that require significant judgments. While we use available information to prepare our estimates and perform impairment evaluations, actual results in the future could differ significantly. Impairment tests in future periods may result in impairment charges which could materially impact our future reported results. The table below provides the breakdown of goodwill by reportable segment.

(dollars in millions)	Regional Banking	Commercial Banking	National Finance	Wealth Management	Total
Balance as of January 1, 2009:	$2,921	$840	$421	$16	$4,198
Purchase accounting adjustments:					
Insurance agency acquisitions	-	-	-	1	1
Balance as of December 31, 2009:	$2,921	$840	$421	$17	$4,199
Purchase accounting adjustments:					
Wachovia branch purchase[1]	1	-	-	-	1
Insurance agency acquisitions	-	-	-	1	1
Balance as of December 31, 2010:	**$2,922**	**$840**	**$421**	**$18**	**$4,201**

[1] In January 2010, the Bank acquired deposits of approximately $265 million of two former Wachovia branches from Wells Fargo located in Northern California.

The details of our finite-lived intangible assets are presented below:

(dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Balance as of December 31, 2010:			
Core Deposits	**$398,878**	**$293,706**	**$105,172**
Other Intangible Assets[1]	**42,942**	**15,811**	**27,131**
Total	**$441,820**	**$309,517**	**$132,303**
Balance as of December 31, 2009:			
Core Deposits	$397,630	$259,787	$137,843
Other Intangible Assets[1]	32,733	11,227	21,506
Total	$430,363	$271,014	$159,349

[1] Includes mortgage servicing rights. Refer to Note 3 for additional information.

Intangible amortization expense included in noninterest expense was $35.4 million and $37.5 million for 2010 and 2009, respectively.

The estimated annual amortization expense for finite-lived intangible assets, primarily core deposit intangibles, is:

(dollars in thousands) **Estimate for the year ended December 31,**	
2011	$34,506
2012	16,938
2013	13,844
2014	13,780
2015	13,731

9. Variable Interest Entities

A VIE is an entity that has either a total equity investment that is insufficient to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities. Under existing accounting guidance, a VIE is consolidated by its primary beneficiary, the party that has both the power to direct the activities that most significantly impact the VIE and a variable interest that could potentially be significant to the VIE.

The Bank evaluates whether an entity is a VIE upon its creation and upon the occurrence of significant events such as a change in an entity's assets or activities. The determination of whether the Bank is the primary beneficiary involves performing a qualitative analysis of the VIE that includes its capital structure, contractual terms including the rights of each variable interest holder, the activities of the VIE that most significantly impact its economic performance, whether the Bank has the power to direct those activities and our obligation to absorb losses or the right to receive benefits significant to the VIE.

Limited liability companies

The Bank has investments in numerous limited liability companies ("LLCs") for the purpose of managing foreclosed properties seized to mitigate losses to the Bank and its partners by selling the collateral. These LLCs have similar risks and characteristics and therefore have been aggregated for disclosure purpose. For some of these entities, the Bank is responsible for managing the daily operations. The Bank is the primary beneficiary when it has the power to direct the activities that significantly impact the performance of the LLCs and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Profits and losses of the entities are allocated to the Bank and its third-party partners in accordance with their respective ownership percentages. If deemed necessary, the Bank may be required to provide additional financial support to fund the operations of these entities. However, there are no circumstances in which the Bank's maximum exposure to losses associated with the foreclosed properties would exceed its investments in these properties and creditors, if any, of the consolidated VIE do not have recourse on the general credit of the Bank.

In addition to the investments in LLCs for managing foreclosed properties, the Bank has formed CLAAS Financial Services, LLC with the purpose of providing lease and loan financing to commercial entities acquiring agricultural equipment. The Bank owns a 51% interest in the LLC and provides for all of its funding. As a result, the Bank carries the greatest variability in the LLC and has the obligation to absorb a majority of the expected losses. The Bank also has the power to direct key activities of the LLC that significantly drive its performance through control of the Board of Directors. Since the Bank is the primary beneficiary of this entity, it is consolidated in our financial statements.

Tax credit investments

The Bank owns several limited partnership interests in low-income housing developments in conjunction with the Community Reinvestment Act. The Bank is not the primary beneficiary of these entities and in most instances, the Bank is one of many limited partners and our interest in the partnerships may decrease as new limited partners are added. Limited partners do not participate in the control of the partnerships' businesses. The general partners, which are either developers or nonprofit organizations, exercise the day-to-day control and management of the projects. The general partners have exclusive control over the partnerships' businesses and have all of the rights, powers, and authority generally conferred by law or necessary, advisable or consistent with accomplishing the partnerships' businesses. As a limited partner, the Bank does not have an active role in any of the partnerships and our involvement is limited to providing financial support, as stated within the contractual agreements and therefore we are not the primary beneficiary.

The business purpose of these entities is to provide affordable housing within the Bank's service area in return for tax credits and tax loss deductions. The Bank has not received additional income or incurred additional expenses as a result of our involvement with these entities. Because we are the limited partners, our maximum exposure would never exceed our investment, including our subscription amount. In the unlikely event that the general partners do not adhere to their contractual obligations to provide financial support to low-income housing, the Bank may be subject to tax credit recapture rules and would record income or expense related to the project, including recognition of a gain or loss on the disposition or termination of its partnership interest. Bargain purchase options are available for the general partners to purchase the Bank's portion of interests in the limited partnerships.

Consolidated VIEs

The following table presents information on assets and liabilities of the consolidated VIEs as they are included in these line items in our consolidated balance sheets at December 31:

(dollars in thousands)	**2010**	**2009**
Assets		
Cash and due from banks	**$ 9,646**	$ 5,889
Loans and leases:		
Loans and leases	**153,878**	90,589
Less allowance for loan and lease losses	**871**	498
Net loans and leases	**153,007**	90,091
Other real estate owned assets	**7,026**	2,770
Interest receivable	**148**	-
Other assets	**21**	10
Total Assets	**$169,848**	$98,760
Liabilities		
Other liabilities	**$ 570**	$ 507
Total liabilities	**$ 570**	$ 507

Unconsolidated VIEs

The following tables present the carrying amount of assets, liabilities and our maximum exposure to loss related to our unconsolidated VIEs in our consolidated balance sheets at December 31:

	December 31, 2010		
(dollars in thousands)	**Total Assets(1)**	**Total Liabilities(1)**	**Maximum Exposure to Loss**
Tax credit investments	$109,464	$23,407	$219,435

(1) Reported in other assets and other liabilities.

	December 31, 2009		
(dollars in thousands)	**Total Assets(1)**	**Total Liabilities(1)**	**Maximum Exposure to Loss**
Tax credit investments	$117,159	$31,221	$209,435
Limited liability companies	$ 14,945	$ -	$ 14,945

(1) Reported in other assets and other liabilities.

Trust preferred securities

In addition to our involvement with the VIEs disclosed above, we had outstanding debt financing through the issuance of trust preferred securities through a statutory business trust in which the Bank owned all the voting equity shares at December 31, 2009. On May 23, 2010, the Bank completed the redemption of the 20,000 outstanding shares of Commercial Federal Capital Trust III ("CFC Trust III"), an unconsolidated VIE, at a price of $1,000 per share plus accrued and unpaid interest. The trust was formed in 2005 and issued $20 million of floating-rate capital securities. The proceeds of the offering were invested by CFC Trust III in junior subordinated debentures of Commercial Federal Bank, which were later assumed by the Bank following the merger of Commercial Federal Bank with and into the

Bank. All of the common securities of CFC Trust III were owned by the Bank. The trust preferred securities did not qualify as Tier 1 capital as the rule that allows them to be included only applies to bank holding companies. The debt is included in Note 13.

10. Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by Federal banking agencies. If the Bank fails to meet minimum capital requirements, these agencies can initiate certain discretionary and mandatory actions. Such regulatory actions could have a material effect on the Bank's financial statements. The Bank constantly monitors its regulatory capital levels and, if necessary, may obtain capital from its Parent company through BNP Paribas or by other means. The Bank received $1,000 million and $600 million in capital through the issuance of common stock to help ensure compliance with the regulatory capital requirements in 2010 and 2009, respectively.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets and certain off-balance sheet items as calculated under regulatory accounting practices. These capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain adequate levels of Tier 1 and Total capital to risk-weighted assets and Tier 1 capital to average assets. The table below sets forth those ratios at December 31, 2010 and 2009.

	Actual		**For Capital Adequacy Purposes**		**To be Well-Capitalized Under Prompt Corrective Action Provisions**	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2010						
Tier I capital to risk-weighted assets	**$5,979,172**	**13.32%**	**$1,795,229**	**4.00%**	**$2,692,843**	**6.00%**
Total capital to risk-weighted assets	**$6,546,329**	**14.59%**	**$3,590,457**	**8.00%**	**$4,488,072**	**10.00%**
Tier I capital to average assets (leverage ratio)[(1)]	**$5,979,172**	**11.22%**	**$2,132,475**	**4.00%**	**$2,665,594**	**5.00%**
As of December 31, 2009						
Tier I capital to risk-weighted assets	$4,796,444	9.80%	$1,958,466	4.00%	$2,937,698	6.00%
Total capital to risk-weighted assets	$5,425,979	11.08%	$3,916,931	8.00%	$4,896,164	10.00%
Tier I capital to average assets (leverage ratio)[(1)]	$4,796,444	8.41%	$2,282,665	4.00%	$2,853,331	5.00%

(1) The leverage ratio consists of a ratio of Tier 1 capital to average assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate or are not experiencing significant growth, and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, are considered strong banking organizations and rated a composite 1 under the Uniform Financial Institution Rating System established by the Federal Financial Institution Examination Council. For all others, the minimum ratio is 4%.

Pursuant to applicable laws and regulations, the Bank is deemed to be well-capitalized. To be well-capitalized, a bank must have a total risk-based capital ratio of 10.00% or greater, a Tier 1 risk-based capital ratio of 6.00% or greater, a leverage ratio of 5.00% or greater and not be subject to any agreement, order or directive to meet a specific capital level for any capital measure. These capital ratios represent the relative risk inherent within our balance sheet.

11. Deposits

The following table represents the maturity distribution of time certificates of deposits at December 31, 2010:

(dollars in thousands)	>=$100K	<$100K	Total
Domestic:			
Through March 31, 2011	$1,657,612	$ 757,672	$2,415,284
April 1 - June 30, 2011	855,266	711,497	1,566,763
July 1 - December 31, 2011	864,018	870,070	1,734,088
2012	212,434	256,468	468,902
2013	109,113	140,145	249,258
2014	150,534	146,090	296,624
2015	307,757	276,120	583,877
2016 and thereafter	41,776	3,324	45,100
Total domestic	$4,198,510	$3,161,386	$7,359,896
Foreign:			
Through March 31, 2011	$ 636,397	$ 428	$ 636,825
April 1 - June 30, 2011	29,828	28	29,856
July 1 - December 31, 2011	116,875	85	116,960
Total foreign	$ 783,100	$ 541	$ 783,641
Total	$4,981,610	$3,161,927	$8,143,537

Total brokered time certificate of deposits totaled $95.2 million and $309.7 million at December 31, 2010 and 2009 respectively. For the 2010 amount, $79.8 million were in denominations of less than $100,000 and $15.4 million were in denominations of $100,000 and greater. For the 2009 amount, $72.1 million were in denominations of less than $100,000 and $237.6 million were in denominations of $100,000 and greater.

Total deposits reclassified to loans due to overdrafts at December 31, 2010 and 2009 were $7.1 million and $11.6 million, respectively.

In March 2010, the Bank received $1,117.1 million of noninterest-bearing foreign deposits to collateralize the Guarantee. At December 31, 2010, $1,010.0 million of collateralized deposits related to this agreement remained on hand. Refer to Note 7 for additional information.

12. Short-Term Borrowings

At December 31, 2010 and 2009, short-term borrowings were comprised of the following:

(dollars in thousands)	2010	2009
Federal Funds purchased and securities sold under agreements to repurchase	**$733,172**	$520,516
Advances from Federal Home Loan Banks and other short-term borrowings	**6,465**	2,070
Total short-term borrowings	**$739,637**	$522,586

The table below shows selected information for short-term borrowings:

(dollars in thousands)	2010	2009
Federal Funds purchased and securities sold under agreements to repurchase:		
Weighted average interest rate at December 31	**0.09%**	0.10%
Highest month-end balance	**$4,433,701**	$3,286,334
Average daily outstanding balance	**$ 720,107**	$1,667,897
Weighted average daily interest rate paid	**0.12%**	0.12%
Advances from Federal Home Loan Banks and other short-term borrowings:		
Weighted average interest rate at December 31	**-**	-
Highest month-end balance	**$ 89,665**	$4,508,993
Average daily outstanding balance	**$ 13,724**	$2,969,721
Weighted average daily interest rate paid	**0.01%**	0.30%

The Bank treats securities sold under agreements to repurchase as collateralized financings. The Bank reflects the obligations to repurchase the identical securities sold as liabilities, with the dollar amount of securities underlying the agreements remaining in the asset accounts. At December 31, 2010, the weighted average maturity of these agreements was 3 days. Maturities of these agreements at December 31 were as follows:

(dollars in thousands)	2010
Overnight	$422,187
Less than 30 days	700
30 days through 90 days	-
Over 90 days	-
Total	**$422,887**

At December 31, 2010, the Bank had $13.5 billion of credit lines available from other U.S. financial institutions. Of this amount, $0.9 billion is available from First Hawaiian Bank and $0.6 billion is available from BNP Paribas of New York. At December 31, 2010, the Bank had drawn down on the available credit lines of credit by $0.3 billion, from non-affiliated U.S. financial institutions.

13. Long-Term Debt

At December 31, 2010 and 2009, long-term debt was comprised of the following:

(dollars in thousands)	Rate(s)	2010	2009
Fixed-rate advances from the Federal Home Loan Bank due through 2035(1)(2)(8)	2.87% to 7.96%	**$2,908,042**	$4,460,936
Fixed-rate advances from the Federal Home Loan Bank due through 2018(1)(3)(7)(9)	3.54% to 4.99%	**680,000**	1,395,000
Floating-rate advances from the Federal Home Loan Bank due through 2013(1)(2)	1 mo. LIBOR +0.02% to 0.19%	**1,050,000**	1,050,000
Fixed-rate TLGP unsecured senior debt(4)	2.15%	**1,000,997**	1,001,762
Fixed – rate unsecured lines of credit with BNP Paribas due through 2015(2)	2.89% to 4.71%	**75,900**	83,700
Floating-rate subordinated note due 2011(4)	6 mo. LIBOR +3.75%	**31,026**	32,032
Fixed-rate subordinated note due 2011(4)	8.30%	**50,036**	50,875
Floating-rate junior subordinated note due 2035(3)(5)	3 mo. LIBOR +1.97%	**-**	20,000
Fixed-rate structured term repurchase agreements due 2010(1)(3)(6)	5.02% and 5.03%	**-**	1,000,000
Floating-rate structured term repurchase agreements due 2010(1)(3)	8.12%	**-**	100,000
Floating-rate BNP structured term repurchase agreement due 2010(2)	8.03% and 8.18%	**-**	350,000
Capital leases due through 2030(2)		**16,534**	17,372
Total long-term debt		**$5,812,535**	$9,561,677

(1) This debt is secured by real estate loans or securities. See Notes 2 and 4 to the financial statements for additional information.
(2) Interest is payable monthly.
(3) Interest is payable quarterly.
(4) Interest is payable semi-annually.
(5) These notes related to the CFC Trusts were redeemed on May 23, 2010. See Note 9 for additional information.
(6) These agreements contained put options that were exercisable by the counterparties.
(7) Fixed rate with partial repayment quarterly
(8) In 2009, the Bank terminated $339 million of these advances and recognized a $4.9 million loss on the termination.
(9) In 2009, the Bank terminated $500 million of these advances and recognized a $6.4 million loss on the termination.

As part of long-term and short-term borrowing arrangements, we were subject to various covenants. At December 31, 2010 and 2009, we were in compliance with all the covenants.

As of December 31, 2010, the principal payments due on long-term debt were as follows:

(dollars in thousands)	
2011	$1,769,312
2012	2,141,355
2013	1,573,844
2014	36,739
2015	15,652
2016 and thereafter	270,027
Total(1)	**$5,806,929**

(1) Excludes fair valuation for debt that was hedged and purchase accounting adjustments totaling $5.6 million.

14. Litigation

In the course of normal business, the Bank is subject to numerous pending and threatened lawsuits, some of which seek substantial relief or damages. While the Bank is not able to predict whether the outcome of such actions will materially affect our results of operations for a particular period, based upon consultation with counsel, management does not expect that the aggregate liability, if any, resulting from these proceedings would have a material effect on the Bank's consolidated financial position, results of operations or liquidity.

The Bank is named as a defendant in a putative class action complaint challenging the alleged order in which the Bank posts debit card transactions to consumer deposit accounts, allegedly to maximize overdraft fees. A series of similar putative class action complaints have been filed against a number of other banks, and these cases, along with the case against the Bank, have been consolidated in multi-district litigation proceedings in the U.S. District Court for the Southern District of Florida. Plaintiffs seek unspecified damages and equitable relief, including disgorgement of profits, plus punitive damages, pre-judgment interest, costs and attorneys' fees. The lawsuit is in its preliminary stage and the outcome is not determinable.

15. Derivative Financial Instruments

The Bank enters into derivative contracts to manage its interest rate risk, as well as for customer accommodation purposes. Derivative transactions are measured in terms of the notional amount but this amount is not recorded in the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. Derivatives are also subject to credit risk associated with counterparties to the derivative contracts. The Bank measures that credit risk based on its assessment of the probability of counterparty default and includes that within the fair value of the derivative. In 2010 the Bank began managing counterparty credit risk by requiring collateral agreements which allow the Bank to call for immediate, full collateral coverage when credit-rating thresholds are triggered by counterparties. The Bank's collateral agreements are bilateral, and therefore contain provisions that require collateralization of the Bank's net liability derivative positions. Required collateral coverage is based on certain net liability thresholds and contingent upon the Bank's credit rating from two of the nationally recognized statistical rating organizations. If the Bank's credit rating were to fall below credit ratings thresholds established in the collateral agreements, the counterparties could request immediate full collateral coverage for derivatives in net liability positions. At December 31, 2010 the aggregate fair value of all derivatives under collateral agreements were in a net liability position of $291 million to which the Bank posted $266 million of investment securities as collateral.

At December 31, 2010 and 2009, the Bank had $2 million and $2.2 million of derivatives designated as fair value hedges, $400.0 million of cash flow hedges and $11.6 billion and $10.6 billion as free standing derivatives, respectively.

Fair Value Hedges

The Bank's fair value hedges are primarily interest rate swaps that hedge the change in fair value related to interest rate changes of underlying fixed-rate debt. Changes in the fair value of derivatives designated as fair value hedges, and changes in the fair value of the hedged items, are recorded in noninterest income.

In February 2000, the Bank entered into an agreement to hedge the fair value of a commercial loan which is scheduled to mature in April 2011. The Bank receives one-month LIBOR plus 75 basis points and pays a fixed rate of 8.32%. This interest rate swap had a notional amount of $2 million and $2.2 million and a fair value loss of $0.1 million and $0.2 million at December 31, 2010 and 2009, respectively.

On January 3, 2010, the Bank executed a $300.0 million interest rate swap to hedge an underlying fixed rate FHLB advance that had a maturity of January 3, 2011. On June 30, 2010, the hedge was deemed ineffective and unwound; the swap was re-designated as a free standing derivative with subsequent gains and losses recorded to earnings.

The total impact of amortization related to the carrying value adjustments of hedged items due to terminated fair value hedges at December 31, 2010 and 2009 was $11.5 million and $4.0 million, respectively.

Cash Flow Hedges

The Bank's cash flow hedges are interest rate swaps that hedge the forecasted cash flows of underlying variable-rate debt. Changes in the fair values of derivatives designated as cash flow hedges, to the extent effective, are recorded in other comprehensive income until income from the cash flows of the hedged items is realized. Any ineffectiveness which may arise during the hedging relationship is recognized in earnings in the period in which it arises. If a derivative designated as a cash flow hedge is terminated or deemed overall ineffective, the gain or loss in other comprehensive income is amortized to earnings over the period the forecasted hedged transactions impact earnings. If a hedged forecasted transaction is probable of not occurring, hedge accounting is ceased and any gain or loss included in other comprehensive income (loss) is reported in earnings immediately.

At December 31, 2010 and 2009 the Bank had $400.0 million of interest rate swaps outstanding with $9.5 million and $18.9 million of unrealized losses in other comprehensive income, respectively. The estimated amount to be reclassified from other comprehensive income into earnings during the next 12 months is a loss of $7.2 million. This includes net gains and losses related to hedges that were terminated early for which the transactions or cash flows are probable. The total impact of amortization related to those terminated hedges at December 31, 2010 and 2009 was expense of $1.2 million and $13.0 million, respectively. All cash flow hedges were deemed effective at December 31, 2010 and 2009.

Free Standing Derivatives

Free standing derivative instruments include derivative transactions entered into for purposes for which hedge accounting does not apply. These derivatives include interest rate swaps, interest rate collars, market linked equity swaps and options and forward commitments to fund and sell residential mortgage loans. The Bank acts as a seller and buyer of interest rate derivatives and foreign exchange contracts to accommodate customers. To mitigate the market and liquidity risk associated with these derivatives, the Bank enters into similar offsetting positions.

The following table is a summary of notional amounts and fair values of derivative instruments at:

(dollars in thousands)	December 31, 2010 Notional Amount	December 31, 2010 Fair Value Asset derivatives[(1)]	December 31, 2010 Fair Value Liability derivatives[(2)]	December 31, 2009 Notional Amount	December 31, 2009 Fair Value Asset derivatives[(1)]	December 31, 2009 Fair Value Liability derivatives[(2)]
Derivatives designated as hedging instruments:						
Fair value hedges:						
Interest rate swaps	**$ 2,045**	**$ -**	**$ 51**	$ 2,167	$ -	$ 200
Cash flow hedges:						
Interest rate swaps	**400,000**	**-**	**9,529**	400,000	-	18,939
Subtotal	**402,045**	**-**	**9,580**	402,167	-	19,139
Free standing derivatives:						
Interest rate swaps	**8,917,090**	**345,261**	**298,507**	8,957,872	309,157	247,183
Interest rate collars	**400,000**	**600**	**20**	-	-	-
Credit guarantee derivative[(3)]	**796,601**	**150,729**	**-**	-	-	-
Market linked swaps	**10,632**	**-**	**305**	-	-	-
Purchased market linked options	**31,631**	**3,083**	**-**	-	-	-
Written market linked options[(4)]	**42,263**	**-**	**4,055**	-	-	-
Purchased interest rate options	**134,706**	**550**	**-**	419,182	3,344	-
Written interest rate options	**134,706**	**-**	**550**	419,182	-	3,344
Commitments to purchase and sell foreign currencies	**558,986**	**11,033**	**6,778**	526,785	8,099	6,730
Purchased foreign exchange options	**9,629**	**253**	**-**	12,650	332	-
Written foreign exchange options	**9,629**	**-**	**253**	12,650	-	332
Subtotal	**11,045,873**	**511,509**	**310,468**	10,348,321	320,932	257,589
Free standing derivatives from mortgage sale activity:						
Forward contracts	**301,981**	**3,100**	**381**	126,775	1,882	249
Written interest rate options	**286,990**	**975**	**1,411**	103,603	229	-
Subtotal	**588,971**	**4,075**	**1,792**	230,378	2,111	249
Total free standing derivatives	**11,634,844**	**515,584**	**312,260**	10,578,699	323,043	257,838
Total derivatives	**$12,036,889**	**$515,584**	**$321,840**	$10,980,866	$323,043	$276,977

(1) The positive fair values of derivative assets are included in other assets.
(2) The negative fair values of derivative liabilities are included in other liabilities.
(3) This relates to the Guarantee as described in Note 7.
(4) Includes bifurcated derivatives embedded in market linked instruments.

The following table shows the effect of fair value hedging on the Consolidated Statements of Income due to interest rate contracts for the years ended December 31, 2010 and 2009:

(dollars in thousands)	December 31, 2010 Interest rate contracts hedging Deposits	December 31, 2010 Interest rate contracts hedging Long-term debt	December 31, 2009 Interest rate contracts hedging Deposits	December 31, 2009 Interest rate contracts hedging Long-term debt
Gains recorded in net interest income	**$5,038**	**$6,659**	$ 3,158	$15,310
Gains (losses) recorded in noninterest income:				
Recognized on derivatives	**-**	**(38)[(1)]**	5,203	(1,114)[(2)]
Recognized on hedged items	**-**	**(96)[(1)]**	(6,648)	(7,423)[(2)]
Recognized as ineffective portion	**-**	**(134)**	(1,445)	(8,537)
Total	**$5,038**	**$6,525**	$ 1,713	$ 6,773

(1) A $300 million swap hedging a fixed rate FHLB advance did not provide perfect offsetting fair valuation in certain periods due to the late term nature of the hedge; the cumulative effects of this led to hedge ineffectiveness at June 30, 2010. The hedge was unwound and the swap was re-designated as a free standing derivative.

(2) A steeper yield-curve at termination of the TLGP hedge caused a larger fair valuation on TLGP debt versus a smaller offset on the related swap. In addition, due to late-term hedging, some swaps hedging FHLB advances did not provide an offsetting fair valuation in certain periods. This caused the fair value changes on the swaps to move in the same direction as the related advances.

The following table summarizes the effect of cash flow hedging for the years ended December 31, 2010 and 2009:

(dollars in thousands)	2010	2009
Pretax loss recognized in OCI on derivatives (effective portion)	**$ (4,939)**	$ (7,600)
Pretax loss reclassified from cumulative OCI into net interest income (effective portion)[1]	**$16,727**	$28,137

(1) Includes net settlement of $15.5 million and $15.1 million, and amortization of fair value captured in OCI on terminated swaps of $1.2 million and $13.0 million for the years ending December 31, 2010 and 2009, respectively.

The following table shows the net gains (losses) recognized as noninterest income relating to free standing derivatives not recognized as hedging instruments, held by the Bank as of December 31, 2010 and 2009:

(dollars in thousands)	2010	2009
Interest rate swaps	**$ (1,669)**	$ 9,357
Interest rate collars	**580**	-
Credit guarantee derivative	**(73,201)**	-
Market linked equity swaps	**23**	-
Purchased market linked options	**347**	-
Written market linked options	**(631)**	-
Purchased interest rate options	**(2,794)**	(4,343)
Written interest rate options	**2,374**	4,328
Commitments to purchase and sell foreign currencies	**11,021**	10,168
Purchased foreign exchange options	**340**	629
Written foreign exchange options	**(479)**	(804)
Forward contracts	**836**	1,882
Total net gains (losses)	**$(63,253)**	$21,217

16. Fair Value

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value:

Short-term financial assets

We do not measure short-term financial assets at fair value. As such, valuation techniques discussed herein for short-term financial assets are for estimations used in the fair value of financial instruments disclosure requirements. Short-term financial assets include cash and due from banks and due from customers on acceptances. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

Federal funds sold and securities purchased under agreements to resell

We do not record these assets at fair value. As such, valuation techniques discussed herein for these assets are primarily for estimations used in the fair value of financial instruments disclosure requirements. The carrying amount of these items is generally a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

Trading assets

Trading assets are measured at fair value on a recurring basis. Fair values of trading assets are based on quoted market prices of comparable instruments and are classified as Level 2. Trading assets include U.S. Treasury Notes.

Securities

Securities available for sale are measured at fair value on a recurring basis. Fair value measurement is based upon quoted prices if available. If quoted prices are not available for the specific security, the Bank may estimate the fair value of such instruments using a combination of observed transaction prices of comparables, independent pricing services, or other adjustments deemed necessary to properly reflect an exit price. Level 1 securities include certain equity securities that have quoted prices available in active markets. Level 2 securities primarily include U.S. Treasury securities that are not traded by dealers or brokers in active over-the-counter markets, U.S. Government agency securities, municipal bonds, and other equity securities, the pricing of which are derived using observable data such as prices on similar assets in active or inactive markets. Level 3 securities include mortgage-backed securities, collateralized debt obligations, collateralized loan obligations and other asset-backed securities where pricing was based on a qualified third-party source.

Loans held for sale

Loans held for sale are measured at fair value on a nonrecurring basis. For loans originated for investment and transferred to held for sale with declines in fair value that are attributable to credit quality, any reduction in the loan's value at the time of the transfer must be reflected as a write down of the recorded investment resulting in a new cost basis, with a corresponding reduction in the allowance for loan and lease losses. For mortgage loans held for sale, we use inputs from quoted prices or rates for assets in the active bond loans market and accordingly, classify them as Level 2.

Loans

Loans may be measured at fair value on a nonrecurring basis. As such, valuation techniques discussed herein for loans are primarily for estimations used in the fair value of financial instruments disclosure requirements. We use discounted cash flow analyses, which include a liquidity premium, that is based upon actual funding experience and utilize interest rates currently being offered for loans with similar terms and prepayment rates to borrowers of similar credit quality. For certain loans, we may estimate fair value based upon a loan's observable market price. The carrying amount of accrued interest approximates its fair value. For real estate secured loans and leases that are impaired, the Bank uses the fair value of collateral to determine the amount of impairment. The fair values of collateral for impaired loans are primarily based on real estate appraisal reports prepared by third party appraisers. The Bank reviews the third party's appraisal based on observable market data for reasonableness. As such, impaired loans are classified as Level 2.

Foreclosed assets

Foreclosed assets are measured at fair value on a nonrecurring basis using lower of cost or fair value. Foreclosed assets include foreclosed properties securing residential and auto loans. Foreclosed assets are adjusted to fair value less costs to sell upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value less costs to sell. Fair value is generally determined using appraised values based on observable market data and, accordingly, we classify foreclosed assets as Level 2.

Assets for deferred compensation plans

Assets for deferred compensation plans are Level 1 securities consisting of money market funds held within a nonqualified deferred compensation trust. Fair value measurement of these assets is based upon quoted prices.

Deposits

We do not measure deposits at fair value. As such, valuation techniques discussed herein for deposits are primarily for estimations used in the fair value of financial instruments disclosure requirements. The fair values of deposits with no maturity date (e.g., interest and noninterest-bearing checking, regular savings, and certain types of money market savings accounts) are equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values of fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Short-term borrowings and long-term debt

We do not measure short-term borrowings or long-term debt at fair value. As such, valuation techniques discussed herein are primarily for estimations used in the fair value of financial instruments disclosure requirements. The fair values are estimated using quoted market prices or discounted cash flow analyses based on our current incremental borrowing rates for similar types of borrowing arrangements.

Derivatives

Most of our derivatives are traded in over-the-counter markets where quoted market prices are not readily available. For those derivatives, we measure fair value primarily using market observable inputs, such as yield curves. In addition, the fair valuations for derivatives include an adjustment for estimated credit risk. As such, we classify derivatives as Level 2. Examples of Level 2 derivatives are interest rate swaps and forward contracts. The fair value of the Guarantee is classified as a Level 3 fair value measurement since the Bank estimates its fair value using an internally developed discounted cash flow valuation model. The key assumptions in the model and the drivers of changes in fair value are credit loss forecasts to project the future potential payoffs from the Guarantee, the average remaining life of the covered assets, and the rate to discount the estimated claims under the Guarantee. The credit loss forecast is an internally developed estimate that incorporates the timing and amount of potential credit losses. The credit loss forecast also uses migration matrices to predict potential future credit ratings for the covered assets. The expected life of the Guarantee is based on management's best estimate at each balance sheet date.

Off-balance sheet financial instruments

The fair value of letters of credit and commitments to fund loans represents estimated fees that would be charged to enter into similar agreements with similar remaining maturities and is not presented herein. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The fair value of these financial instruments is not material to our consolidated financial statements.

The table below presents the balances of assets, liabilities and derivatives measured at fair value on a recurring basis at December 31, 2010:

(dollars in thousands)	Level 1	Level 2	Level 3	Total
Trading assets	$ -	$ 5,500	$ -	$ 5,500
Securities available for sale:				
U.S. Treasury and other U.S. Government agencies and corporations	-	174,231	-	174,231
Government sponsored agencies	-	483,111	-	483,111
Mortgage and asset-backed securities:			-	
Government agencies[1]	-	239,522	-	239,522
Government sponsored agencies[1]	-	1,211,539	-	1,211,539
Non-government mortgage-backed securities[1]	-	-	-	-
Collateralized debt obligations	-	-	66,992	66,992
Collateralized loan obligations	-	-	129,906	129,906
Other asset-backed securities	-	6,809	863	7,672
Collateralized mortgage obligations:				
Government agencies	-	1,099,528	-	1,099,528
Government sponsored agencies	-	1,437,423	-	1,437,423
Other	-	-	-	-
State and political subdivisions and others	-	1,272,593	-	1,272,593
Equity securities	441	5,804	-	6,245
Total securities available for sale	441	5,930,560	197,761	6,128,762
Derivative assets	-	364,855	150,729	515,584
Other assets[2]	25,414	907	92	26,413
Total assets measured at fair value on a recurring basis	$25,855	$6,301,822	$348,582	$6,676,259
Derivative liabilities	$ -	$ 321,840	$ -	$ 321,840
Other liabilities	-	72	-	72
Total liabilities measured at fair value on a recurring basis	$ -	$ 321,912	$ -	$ 321,912

(1) Backed by residential real estate.
(2) Largely represents assets for deferred compensation plans.

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

(dollars in thousands)	Level 1	Level 2	Level 3	Total
Trading assets	$ -	$ 5,107	$ -	$ 5,107
Securities available for sale:				
U.S. Treasury and other U.S. Government agencies and corporations	-	165,539	-	165,539
Government sponsored agencies	-	738,629	-	738,629
Mortgage and asset-backed securities:				
Government agencies(1)	-	44,405	-	44,405
Government sponsored agencies(1)	-	2,175,550	-	2,175,550
Non-government mortgage-backed securities(1)	-	-	692,906	692,906
Collateralized debt obligations	-	-	79,753	79,753
Collateralized loan obligations	-	-	136,975	136,975
Other asset-backed securities	-	12,289	5,984	18,273
Collateralized mortgage obligations:				
Government agencies	-	231,699	-	231,699
Government sponsored agencies	-	423,065	-	423,065
Other	-	69,239	-	69,239
State and political subdivisions and others	-	1,666,952	-	1,666,952
Equity securities	240	6,091	-	6,331
Total securities available for sale	240	5,533,458	915,618	6,449,316
Derivative assets	-	323,043	-	323,043
Other assets(2)	13,536	238	3,673	17,447
Total assets measured at fair value on a recurring basis	$13,776	$5,861,846	$919,291	$6,794,913
Derivative liabilities	$ -	$ 276,977	$ -	$ 276,977
Other liabilities	-	76	-	76
Total liabilities measured at fair value on a recurring basis	$ -	$ 277,053	$ -	$ 277,053

(1) Backed by residential real estate.
(2) Largely represents assets for deferred compensation plans.

For the year ended December 31, 2010, there were no transfers in or out of Levels 1 or 2. The changes for 2010 in Level 3 assets measured at fair value on a recurring basis are summarized below. There were no Level 3 liabilities measured at fair value on a recurring basis for the year ended December 31, 2010:

(dollars in thousands)	Beginning balance	Total net gains (losses) included in net income(1)	Total net gains (losses) included in other comprehensive income	Purchases, sales, issuances and settlements, net	Transfers out of Level 3	Ending balance	Net unrealized gains (losses) included in net income for the year relating to assets held at year end
Securities available for sale:							
Non-government mortgage-backed securities(2)	$692,906	$(23,246)	$149,072	$(818,732)	$ -	$ -	$ -
Collateralized debt obligations	79,753	(7,483)	54,308	(59,586)	-	66,992	-
Collateralized loan obligations	136,975	(459)	58	(6,668)	-	129,906	(459)
Other asset-backed securities	5,984	(130)	9,407	(14,398)	-	863	-
Total securities available for sale	$915,618	$(31,318)	$212,845	$(899,384)	$ -	$197,761	$(459)
Derivative assets	$ -	$(73,200)	$ -	$ 223,929	$ -	$150,729	$ -
Other assets	$ 3,673	$ -	$ -	$ (55)	$(3,526)(3)	$ 92	$ -

(1) Included in noninterest income in the income statement.
(2) Backed by residential real estate.
(3) Related to the adoption of new accounting guidance for the consolidation of VIEs and transfers of financial assets.

The changes for 2009 in Level 3 assets measured at fair value on a recurring basis are summarized below. There were no Level 3 liabilities measured at fair value on a recurring basis for the year ended December 31, 2009:

(dollars in thousands)	Beginning balance	Total net gains (losses) included in net income[1]	Total net gains (losses) included in other comprehensive income	Purchases, sales, issuances and settlements, net	Transfers out of Level 3	Ending balance	Net unrealized gains (losses) included in net income for the year relating to assets held at year end
Securities available for sale:							
Mortgage and asset-backed securities:							
Government sponsored agencies[2]	$ 26	$ -	$ 2	$ (2)	$(26)	$ -	$ -
Non-government mortgage-backed securities[2]	1,056,078	(57,919)	(102,456)	(202,797)	-	692,906	(102,527)
Collateralized debt obligations	274,916	(134,975)	(33,229)	(26,959)	-	79,753	-
Collateralized loan obligations	184,341	(18,026)	(28,892)	(448)	-	136,975	(25,134)
Other asset-backed securities	13,544	2,940	(10,032)	(468)	-	5,984	(6,404)
Total securities available for sale	$1,528,905	$(207,980)	$(174,607)	$(230,674)	$(26)	$915,618	$(134,065)
Other assets	$ 5,022	$ -	$ (1,265)	$ (84)	$ -	$ 3,673	$ -

(1) Included in noninterest income in the income statement.
(2) Backed by residential real estate.

The following table presents gains or losses in level 3 assets from the above tables that were reported in noninterest income for the years ended December 31, 2010 and 2009:

(dollars in thousands)	2010	2009
Total losses included in earnings	**$(104,518)**	$(207,980)
Change in unrealized gains or losses relating to assets still held at reporting date	**$ (459)**	$(134,065)

We may be required, from time to time, to measure certain other assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower of cost or fair value accounting or write downs of individual financial assets. The following table provides the level of valuation inputs used to determine each adjustment, the carrying value of the related individual assets or portfolios for assets measured at fair value on a nonrecurring basis, and total losses for the year ended:

(dollars in thousands)	Carrying Value Level 1	Carrying Value Level 2	Carrying Value Level 3	Total Losses For Year Ended
December 31, 2010:				
Impaired loans	$-	$968,707[1]	$-	$ -
Foreclosed assets	$-	$195,017	$-	$36,770
December 31, 2009:				
Impaired loans	$-	$891,284[1]	$-	$ -
Foreclosed assets	$-	$178,804	$-	$17,609

(1) The fair value adjustment is not related to actual losses but is related to the allocation of the allowance in order to adjust the carrying amount of the loan to the fair value of the collateral.

Fair Value of Financial Instruments

In compliance with GAAP, we disclose estimated fair values for certain financial instruments. Financial instruments include such items as loans, deposits, securities, interest rate and foreign exchange contracts, swaps and other instruments as defined by the standard.

Disclosure of fair values is not required for certain items such as lease financing, investments accounted for under the equity method of accounting, obligations for pension and other postretirement benefits, premises and equipment, other real estate owned, prepaid expenses, core deposit intangibles and other customer relationships, other intangible assets and income tax assets and liabilities. Accordingly, the aggregate fair value amounts presented do not purport to represent, and should not be considered representative of, the underlying "market" or franchise value of the Bank.

Reasonable comparisons of our fair value information to other financial institutions cannot necessarily be made as the fair value disclosure standard permits many alternative calculation techniques which require numerous assumptions used to estimate fair values.

This table is a summary of financial instruments, requiring fair value of financial instruments disclosure under GAAP, excluding certain short-term financial assets and liabilities, for which carrying amounts approximate fair value, trading assets, which are carried at fair value, securities available for sale (Note 2) and derivative financial instruments (Note 15).

	2010		**2009**	
(dollars in thousands)	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Financial Assets				
Federal funds sold and securities purchased under agreements to resell	**$ -**	**$ -**	$ 320,000	$ 320,000
Loans held for sale	**$ 107,440**	**$ 107,440**	$ 51,804	$ 51,804
Loans, net[1]	**$39,458,611**	**$40,516,706**	$40,567,434	$41,239,307
Financial Liabilities				
Deposits	**$39,547,244**	**$39,578,059**	$40,205,146	$40,397,753
Short-term borrowings[2]	**$ 739,637**	**$ 739,637**	$ 522,586	$ 522,586
Long-term debt[3]	**$ 5,796,001**	**$ 5,965,192**	$ 9,544,305	$ 9,853,629

(1) Excludes net leases of $2,490 million and $2,636 million at December 31, 2010 and 2009, respectively.
(2) Includes Federal funds purchased and securities sold under agreements to repurchase and short-term borrowings.
(3) Excludes capital leases of $16.5 million and $17.4 million at December 31, 2010 and 2009, respectively.

17. Limitations on Payment of Dividends

Regulations limit the amount of dividends the Bank may declare or pay. Due to our net loss in 2009, the Bank could not declare or pay cash dividends in 2010 as dividends cannot exceed the past three years of net income.

18. Accumulated Other Comprehensive Income

Comprehensive income is defined as the change in equity from all transactions other than those with stockholders, and is comprised of net income and other comprehensive income. Accumulated other comprehensive income for the periods ended December 31, 2010 and December 31, 2009 is presented below:

(dollars in thousands)	**Pretax Amount**	**Income Tax (Expense) Benefit**	**After-tax Amount[(1)]**
Accumulated other comprehensive income (loss), January 1, 2009	$(451,009)	$ 183,617	$(267,392)
Cumulative effect from change in accounting for other-than-temporary impairment on debt securities	(24,394)	9,904	(14,490)
Pension	33,602	(13,642)	19,960
Unrealized net gains (losses) on securities available for sale arising during the year	(244,729)	99,360	(145,369)
Unrealized losses related to factors other than credit, net of amounts reclassified in the income statement	(41,649)	16,909	(24,740)
Reclassification of net realized losses on securities available for sale included in net income	311,863	(126,616)	185,247
Unrealized net losses on cash flow derivative hedges arising during the year	(7,600)	3,086	(4,514)
Reclassification of net realized losses on cash flow derivative hedges included in net income	28,137	(11,423)	16,714
Other comprehensive income (loss)	55,230	(22,422)	32,808
Accumulated other comprehensive income (loss), December 31, 2009	$(395,779)	$ 161,195	$(234,584)
Pension	**(11,739)**	**4,345**	**(7,394)**
Unrealized net gains (losses) on securities available for sale arising during the year	**27,959**	**(11,351)**	**16,608**
Reclassification of losses on previously credit-impaired securities included in net income	**65,131**	**(26,443)**	**38,688**
Reclassification of net realized losses on securities available for sale included in net income	**35,951**	**(14,596)**	**21,355**
Unrealized net losses on cash flow derivative hedges arising during the year	**(4,939)**	**2,005**	**(2,934)**
Reclassification of net realized losses on cash flow derivative hedges included in net income	**16,727**	**(6,791)**	**9,936**
Other comprehensive income (loss)	**129,090**	**(52,831)**	**76,259**
Accumulated other comprehensive income (loss), December 31, 2010	**$(266,689)**	**$ 108,364**	**$(158,325)**

(1) Accumulated other comprehensive income, net of tax, consisted of the cumulative effect from a change in other-than-temporary impairment of debt securities of nil and $(14,490) at December 31, 2010 and 2009, respectively; net unrealized losses on securities available for sale related to factors other than credit of $(542) and $(24,740) at December 31, 2010 and 2009, respectively; net unrealized losses on securities available for sale of $(86,754) and $(124,717) at December 31, 2010 and 2009, respectively; net unrealized losses on cash flow derivative hedges of $(4,842) and $(11,844) at December 31, 2010 and 2009, respectively; and pension adjustments of $(66,187) and $(58,793) at December 31, 2010 and 2009, respectively.

19. Benefit Plans

The Bank has the following pension and other postretirement benefit plans:

Pension Benefits:

Funded Pension Plans

The Bank had previously offered the Employees' Retirement Plan ("ERP") of BancWest Corporation to its employees, which is a noncontributory defined benefit pension plan. The ERP was created from the merger of two separate plans: the First Hawaiian Bank Employee Plan and the Bank of the West Employee Plan. The Bank of the West Employee Plan was a cash balance pension plan that was frozen on January 1, 2010. At the freeze date, the plan stopped accruing benefits and was closed to new participants. However, existing participants of the plan continue to earn interest until distributions are made in accordance with the plan requirements. The Bank did not incur an immediate gain or loss associated with the closing of the plan; however, as the plan's participant base shrinks as a result of terminations, retirement and mortality without replacement by new participants, the overall cost of the plan is expected to decline.

Additionally, in connection with the acquisition of United California Bank ("UCB") in 2002, the Bank assumed the pension obligations of UCB. UCB employees participated in a funded noncontributory final average pay defined benefit pension plan ("UCBP") that was frozen on June 30, 2003 to new participants and benefit accruals. On July 1, 2003, the Bank integrated employees under the UCBP into the Bank's existing ERP plan.

Unfunded Pension Plans

The Bank also sponsored an unfunded excess benefit pension plan covering employees whose pay or benefits exceed certain regulatory limits and, for certain key executives, an unfunded supplemental executive retirement plan ("SERP"). The unfunded excess plan was frozen at January 1, 2010 to new participants and benefit accruals. The SERP was frozen in 2002 to new participants; however benefits continue to accrue for existing plan participants. The Bank did not incur an immediate gain or loss associated with the closing of the plan; however, as the plan's participant base shrinks as a result of terminations, retirement and mortality without replacement by new participants, the overall cost of the plan is expected to decline.

Additionally, in connection with the acquisition of UCB in 2002, the Bank assumed the pension obligations of UCB's unfunded supplemental pension benefit plan ("UCB SEP") which was available to eligible key executives if certain requirements were met. The UCB SEP was frozen on June 30, 2003 to new participants and benefit accruals. On July 1, 2003, the Bank integrated employees under the UCB SEP into the Bank of the West Excess Benefit Plan.

Other Postretirement Benefits:

Postretirement Medical and Life Insurance Plan

The Bank offers an unfunded postretirement medical and life insurance plan. The benefits include access to medical benefits and the payment of premiums for medical and life insurance benefits.

Executive Life Insurance Plan

The Bank also offered pre-and postretirement life insurance benefits for certain executives under the unfunded Executive Life Insurance Plan (the "ELIP"). Under the ELIP, death benefits are paid to an employee's beneficiary while the plan participants are actively employed. On the policy distribution date as defined by the plan, the Bank will transfer, to the participants, ownership of a company-owned life insurance policy with sufficient cash value to provide a fully-paid postretirement benefit based on actuarial assumptions. The accumulated benefit obligation and expense amounts for the ELIP Plan are included in Other Benefits in the tables that follow.

Pension Accounting

Accounting for defined benefit pension plans involves four key variables that are utilized in the calculation of the Bank's annual pension costs. These factors include: (1) size of the employee population and their estimated compensation increases, for active plans (2) actuarial assumptions and estimates, (3) expected long-term rate of return on plan assets and (4) the discount rate.

Pension expense is directly affected by the number of employees eligible for pension benefits, their estimated compensation increases for active plans and economic conditions, which include the actual return on plan assets. As of January 1, 2010, only the SERP continues to accrue benefits for current participants, and as a result, future pension expense for the Bank will decrease significantly. With the help of an actuary, management is able to estimate future expenses and plan obligations based on factors such as compensation increases, discount rates, mortality, turnover, retirement and disability rates.

The Bank uses the building block method to calculate the expected return on plan assets each year based on the balance of the pension asset portfolio at the beginning of the year and the expected long-term rate of return on that portfolio. The method requires (1) the percentage of total plan assets be multiplied by the expected asset return for each component of the plan asset mix, (2) the resulting weighted expected rates of return for each component be added together to determine the total rate of return and (3) the total be adjusted by considering the active management of the portfolio. Under this approach, forward-looking expected returns for each invested asset class are determined. Forward-looking capital market assumptions are typically developed by using historical returns as a starting point and applying a combination of macroeconomics, econometrics, statistical, and other technical analysis, such as spread differentials, to forecast the expected return going forward.

The following table shows the amount of pension and other postretirement benefits recognized in other comprehensive income:

	Pension Benefits		**Other Benefits**	
(dollars in thousands)	**2010**	**2009**	**2010**	**2009**
Amounts arising during the period:				
Net gain (loss) on pension assets	**$ 16,588**	$ 26,841	**$ -**	$ -
Net gain (loss) on obligations	**(39,791)**	(18,536)	**(2,111)**	1,646
Reclassification adjustments recognized as components of net periodic benefit cost during the period:				
Net loss (gain)	**14,665**	24,745	**-**	(4)
Net prior service cost (credit)	**34**	34	**(1,124)**	(1,124)
Amounts recognized in other comprehensive income	**$ (8,504)**	$ 33,084	**$(3,235)**	$ 518

The following table shows the amounts within accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit costs:

	Pension Benefits		**Other Benefits**	
(dollars in thousands)	**2010**	**2009**	**2010**	**2009**
Net loss	**$(108,249)**	$ (99,711)	**$(4,354)**	$(2,243)
Net prior service (cost) credit	**(306)**	(340)	**2,193**	3,317
Ending balance within accumulated other comprehensive income	**$(108,555)**	$(100,051)	**$(2,161)**	$ 1,074

The following table shows the amounts within accumulated other comprehensive income expected to be recognized as components of net periodic benefit costs during 2011:

(dollars in thousands)	Pension Benefits	Other Benefits
Amortization of net loss	**$16,828**	$ 82
Amortization of net prior service cost (credit)	**34**	(1,124)
Total	**$16,862**	$(1,042)

There are no plan assets expected to be returned to the Bank during the next twelve month period.

The following table summarizes changes to the benefit obligation for all Bank of the West plans for the years indicated:

	Pension Benefits		Other Benefits	
(dollars in thousands)	2010	2009	2010	2009
Benefit obligation at beginning of year	**$441,877**	$412,610	**$40,367**	$39,943
Service cost	**1,849**	11,901	**2,763**	2,642
Interest cost	**24,056**	24,252	**1,959**	2,308
Actuarial (gain) loss	**39,791**	18,535	**2,111**	(1,646)
Benefit payments	**(25,244)**	(25,421)	**(2,553)**	(2,880)
Benefit obligation at end of year	**$482,329**	$441,877	**$44,647**	$40,367

The following table summarizes changes to the fair value of assets for the qualified Bank of the West pension plans for the years indicated:

	Pension Benefits	
(dollars in thousands)	2010	2009
Fair value of plan assets at beginning of year	**$340,971**	$290,696
Actual return on plan assets	**36,723**	44,530
Employer contributions	**7,500**	26,000
Benefit payments	**(20,987)**	(20,255)
Fair value of plan assets at end of year	**$364,207**	$340,971

The following table summarizes the funded status of the Bank of the West portion of the plans and amounts recognized in the Bank of the West consolidated balance sheets:

	Pension Benefits		Other Benefits	
(dollars in thousands)	2010	2009	2010	2009
Funded status	**$(118,122)**	$(100,906)	**$(44,647)**	$(40,367)
Unrecognized net loss	**108,249**	99,711	**4,354**	2,243
Unrecognized prior service cost (credit)	**306**	340	**(2,193)**	(3,317)
Net amount recognized	**$ (9,567)**	$ (855)	**$(42,486)**	$(41,441)

Amounts recognized in the Bank of the West's statement of financial position consist of:

	Pension Benefits		Other Benefits	
(dollars in thousands)	**2010**	**2009**	**2010**	**2009**
Accrued benefit liability	**$(118,122)**	$(100,906)	**$(44,647)**	$(40,367)
Accumulated other comprehensive loss (income)	**108,555**	100,051	**2,161**	(1,074)
Net amount recognized	**$ (9,567)**	$ (855)	**$(42,486)**	$(41,441)

Amortization of the unrecognized net gain or loss is included as a component of net pension cost. If amortization results in an amount less than the minimum amortization required under GAAP, the minimum required amount is recorded. The minimum amount recorded under GAAP represents unrecognized net gains or losses that exceed 5% of the greater of the projected benefit obligation or the market-related value of plan assets as of the beginning of the year. The unrecognized amounts are amortized on a straight-line basis over the lesser of five years or the average remaining service period of active employees expected to receive benefits under the plan.

The accumulated benefit obligation for the Bank's defined benefit pension plans was $478.9 million and $440.3 million at December 31, 2010 and 2009, respectively.

The following table summarizes key provisions for the Bank's funded pension plans as of December 31:

(dollars in thousands)	2010	2009
Projected benefit obligation	**$404,626**	$375,477
Accumulated benefit obligation	**$404,626**	$375,477

Each of our pension plans had an accrued benefit liability at December 31, 2010 and 2009. The projected benefit obligations for the unfunded plans were $77.7 million and $66.8 million at December 31, 2010 and 2009, respectively. The accumulated benefit obligation for the unfunded plans was $74.3 million and $64.8 million at December 31, 2010 and 2009, respectively.

The following table sets forth the components of the net periodic benefit cost (credit) for Bank of the West at December 31:

	Pension Benefits		Other Benefits	
(dollars in thousands)	**2010**	**2009**	**2010**	**2009**
Service cost	**$ 1,849**	$ 11,901	**$ 2,763**	$ 2,642
Interest cost	**24,056**	24,252	**1,959**	2,308
Expected return on plan assets	**(21,605)**	(17,689)	**-**	-
Amortization of prior service cost	**34**	34	**(1,124)**	(1,124)
Recognized net actuarial loss (gain)	**14,665**	24,745	**-**	(4)
Total benefit cost	**$ 18,999**	$ 43,243	**$ 3,598**	$ 3,822

The following table sets forth the components of the net periodic benefit cost (credit) for Bank of the West's portion of the funded plans at December 31:

(dollars in thousands)	Funded Pension Benefits 2010	Funded Pension Benefits 2009
Service cost	**$ -**	$ 11,599
Interest cost	**20,743**	20,501
Expected return on plan assets	**(21,605)**	(17,689)
Recognized net actuarial loss	**10,931**	20,739
Net periodic benefit cost	**$ 10,069**	$ 35,150

Assumptions

Weighted-average assumptions used to determine benefit obligations were as follows at December 31:

	ERP Pension Benefits		SERP Pension Benefits		Other Benefits[1]	
	2010	2009	2010	2009	2010	2009
Discount rate	**5.25%**	5.75%	**5.25%**	5.75%	**6.00%**	6.00%
Rate of compensation increase	**NA**	4.00%	**4.00%**	4.00%	**5.00%**	5.00%

(1) Includes the postretirement medical and life insurance plan, which used a discount rate of 5.25% and 5.75% in 2010 and 2009, respectively. The rate of compensation increase is not applicable to the postretirement medical and life insurance plan.

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	ERP Pension Benefits		SERP Pension Benefits		Other Benefits[1]	
	2010	2009	2010	2009	2010	2009
Discount rate	**5.75%**	6.00%	**5.75%**	6.00%	**6.00%**	6.00%
Expected long-term return on plan assets	**6.00%**	6.00%	**NA**	NA	**NA**	NA
Rate of compensation increase	**NA**	4.00%	**4.00%**	4.00%	**5.00%**	5.00%

(1) Includes the postretirement medical and life insurance plan, which used a discount rate of 5.75% and 6.00% in 2010 and 2009, respectively. The rate of compensation increase is not applicable to the postretirement medical and life insurance plan.

The assumed discount rate reflects management's estimate of the rate at which the benefits could be effectively settled. In selecting the discount rate, the Bank reviews the yield on high quality corporate bonds, such as the Citigroup Pension Discount Curve. This rate is adjusted for converting the yield to an annual discount rate basis and may be adjusted for the population of plan participants to reflect the expected duration of the benefit payments of the plan. The resulting selected rate is rounded to the nearest 25 basis points.

Assumed health care cost trend rates at December 31, were as follows:

	2010	2009
Health care cost trend rate assumed for next year	**8.0%**	8.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.0%**	5.0%
Year that the rate reaches the ultimate trend rate	**2017**	2017

Assumed health care cost trend rates have an impact on the amounts reported for the health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following pretax effect:

(dollars in thousands)	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on 2010 total of service and interest cost components	$ 49	$ (44)
Effect on postretirement benefit obligation at December 31, 2010	$1,210	$(865)

Plan Assets

The assets within the Bank of the West Employees' Retirement Plan and the UCB Retirement Plan ("the Plans") are managed in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plans' assets consist mainly of fixed income and equity securities of U.S. and foreign issuers and may include alternative investments such as real estate, private equity and other absolute return strategies.

Investment Strategy and Risk Management for the Plans Assets

The long-term investment objective of the ERP and UCB plans is to earn an investment return which meets or exceeds the following benchmarks over the long term:

- The target rate of return should meet or exceed the current actuarial investment return assumption as reflected in the funding valuation rate.
- The target rate of return should meet or exceed a compounded annual long-term rate of return equal to or greater than the Plans' custom benchmark return.

The Plans' assets are managed in accordance with the Retirement Committee's guidelines. The assets are managed in accordance with ERISA's requirements and are invested in a manner that is consistent with generally accepted standards of fiduciary responsibility as we follow all laws and regulations specific to the investment of assets, including the Uniform Prudent Investors Act. All transactions that utilize assets of the Trust will be undertaken for the sole benefit of the participants of the Plans.

The assets selected for the Plans may consist of individual security issues managed by the investment manager(s) or securities held in a well-diversified portfolio of a registered investment company or an exchange-traded fund. In addition, for the UCB plan, the assets selected for the plan must have readily ascertainable market value and must be marketable. The assets under this plan may also consist of a publicly traded mutual fund.

Investment managers may be permitted to use derivative instruments to control portfolio risk. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices or instruments including, but not limited to futures, forwards, options, options on futures and private swaps. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, maintaining exposure to a desired asset class while effecting asset allocation changes and adjusting portfolio durations for fixed income. Derivatives are not to be utilized for leverage or speculative purposes.

The equity portion and debt portion of the Plans' assets may employ commingled assets or be individually invested expressly including the use of money market funds managed by a corporate trustee or by others.

Sufficient liquidity shall be maintained in amounts to be determined by the Bank to meet the needs of the Plans, including periodic distributions.

The Committee recognizes that capital markets can be unpredictable and that any investment could result in periods where the market value of the Plans' assets will decline in value. In its desire to protect Plans' assets, the Committee imposes general guidelines on asset allocation. Asset allocations are based on the Committee's appraisal of current and long-term needs for liquidity and income of the Plans and its estimate of the investment returns from the various classes and types of investments. The asset allocations are likely to be the primary determinant of the Plans' returns and the associated volatility of returns for the Plans.

The target asset allocations for the two plans for December 31, 2010 are as follows:

	Bank of the West Plan		UCB Plan	
	2010	**2009**	**2010**	**2009**
Equity	**45%**	45%	**45%**	45%
Fixed Income	**50**	50	**50**	50
Other	**5**	5	**5**	5
Total	**100%**	100%	**100%**	100%

Concentration of Risk

The Bank describes "risk" as the possibility of not achieving the Plans' actuarial rates of return. Risks associated with the Plans' investments include systematic and nonsystematic risk, interest rate, yield curve, reinvestment and credit risk and the combination of these risks. The Bank mitigates the credit risk of investments by establishing guidelines with the investment managers. Both the Bank and external managers monitor the diversity of the plans to ensure that they meet ERISA requirements. Equity securities in the Plans did not include BancWest or BNP Paribas stock at December 31, 2010 and 2009.

The tables below summarize the Bank's ERP pension plan assets and valuation methodologies using the fair value hierarchy, by investment category at December 31, 2010 and 2009:

	2010			
(dollars in thousands)	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Asset Category				
Cash and equivalents[(1)]	$ 575	$ 575	$-	$ -
Fixed income:				
U.S. corporate securities[(2)]	2,872	2,872	-	-
Mutual funds core bond fund[(3)]	27,292	27,292	-	-
Exchange traded funds[(4)]	3,663	3,663	-	-
Insurance products contracts and annuities[(5)]	10,005	-	-	10,005
Equity mutual funds[(6)]:				
Large cap growth fund	14,883	14,883	-	-
Large cap value fund	18,241	18,241	-	-
International equity fund	7,909	7,909	-	-
Equity exchange traded funds[(7)]:				
Mid cap ETF	6,365	6,365	-	-
Small cap ETF	4,374	4,374	-	-
Total ERP plan assets	**$96,179**	**$86,174**	**$-**	**$10,005**

(dollars in thousands)	2009 Fair Value	Level 1	Level 2	Level 3
Asset Category				
Cash and equivalents[(1)]	$ 2,356	$ 2,356	$-	$ -
Fixed income:				
U.S. corporate securities[(2)]	350	350	-	-
Mutual funds core bond fund[(3)]	28,926	28,926	-	-
Exchange traded funds[(4)]	3,840	3,840	-	-
Insurance products contracts and annuities[(5)]	9,609	-	-	9,609
Equity mutual funds[(6)]:				
Large cap growth fund	13,333	13,333	-	-
Large cap core fund	11,547	11,547	-	-
International equity fund	7,944	7,944	-	-
Equity exchange traded funds[(7)]:				
Mid cap ETF	5,527	5,527	-	-
Small cap ETF	3,503	3,503	-	-
Total ERP plan assets	**$86,935**	**$77,326**	**$-**	**$9,609**

(1) This category includes cash and money market fund holdings. The money market fund invests at least 80% of its assets in short-term U.S. Treasury obligations. The fair values are based on a compilation of primarily observable market information.
(2) These fixed income categories include investment-grade debt securities issued by U.S. corporations. Fair values are based on the value at the closing price reported on the active market where they are traded.
(3) This category includes an open-end fixed-income fund benchmarked to Barclay's Capital U.S. Government/Credit Bond Index. At least 80% of its assets are high-grade corporate bonds and US Government debt obligations. Fair values are based on the value at the closing price reported on the active market where they are traded.
(4) This category includes an exchange-traded fund which invests in U.S. Treasury Inflation Protected Securities. The fund tracks the Barclays Capital U.S. Treasury Inflation Notes Index. The fair value is based on the value at the closing price reported on the active market where they are traded.
(5) This category includes an annuity contract (with interest guarantees) which participates in the general account of a major life insurance company. The underlying fixed income investments are structured to align with the duration of contract liabilities. The fair value is based on a contractually agreed-upon value.
(6) These categories include open-end equity mutual funds holding a diversified portfolio of domestic and international equity securities. The fair values reflect the closing price reported on the major market where the securities are traded.
(7) These categories include well-diversified equity exchange-traded funds tracking domestic or international equity indices. Equity securities are valued based on quoted exchange prices.

The tables below summarize the Bank's UCB pension plan assets and valuation methodologies using the fair value hierarchy, by investment category at December 31, 2010 and 2009:

(dollars in thousands)	2010 Fair Value	Level 1	Level 2	Level 3
Asset Category				
Cash and equivalents[(1)]	$ 2,185	$ 2,185	$ -	$-
Fixed income:				
U.S. Government agency securities[(2)]	91,196	91,196	-	-
Municipal securities[(3)]	3,824	3,824	-	-
U.S. corporate securities[(4)]	28,618	28,618	-	-
Mutual funds high yield bond funds[(5)]	558	558	-	-
Equity separate assets[(6)]	29,197	29,197	-	-
Equity mutual funds[(7)]:				
Domestic large cap	18,069	18,069	-	-
Domestic mid and small cap	21,841	21,841	-	-
Developed international	19,077	19,077	-	-
Emerging markets	15,888	15,888	-	-
Frontier markets	4,043	4,043	-	-
Domestic large cap equity exchange traded fund[(8)]:	15,537	15,537	-	-
Multi strategy mutual funds[(9)]	17,995	12,184	5,811	-
Total UCB plan assets	**$268,028**	**$262,217**	**$5,811**	**$-**

(dollars in thousands)	2009 Fair Value	Level 1	Level 2	Level 3
Asset Category				
Cash and equivalents[1]	$ 3,006	$ 3,006	$ -	$-
Fixed income:				
U.S. Government agency securities[2]	77,134	77,134	-	-
Municipal individual securities[3]	2,880	2,880	-	-
U.S. corporate securities[4]	42,013	42,013	-	-
Corporate mortgage-backed securities[4]	2,515	2,515	-	-
Mutual funds high yield bond funds[5]	49	49	-	-
Equity separate assets[6]	26,451	26,451	-	-
Equity mutual funds[7]:				
Domestic large cap	16,095	16,095	-	-
Domestic mid and small cap	21,464	21,464	-	-
Developed international	19,850	19,850	-	-
Emerging markets	6,524	6,524	-	-
Frontier markets	2,432	2,432	-	-
Domestic large cap equity exchange traded fund[8]	15,934	15,934	-	-
Multi strategy mutual funds[9]	17,689	12,401	5,288	-
Total UCB plan assets	**$254,036**	**$248,748**	**$5,288**	**$-**

(1) This category includes cash and money market fund holdings. The money market fund invests at least 80% of its assets in short-term U.S. Treasury obligations. The fair values are based on a compilation of primarily observable market information.

(2) These fixed income categories include obligations issued and guaranteed by the U.S. Treasury. Duration is intermediate and usually benchmarked to the Barclays Capital U.S. Aggregate Index. The fair values are based on a compilation of primarily observable market information.

(3) These are individual debt securities issued by a state, municipality or county to primarily finance capital expenditures. Duration is intermediate to long-term and benchmarked to the Lipper General Municipal Index. The fair values are primarily based on observable market information.

(4) This category includes debt securities or bonds issued by corporations and backed by the earnings or assets of the corporation. Duration is generally intermediate and usually benchmarked to the Barclays Capital U.S. Aggregate Index. The fair values are based on a compilation of primarily observable market information.

(5) This category includes SEC registered mutual funds exclusively investing in high-yield debt securities. Duration is short to intermediate and usually benchmarked to CSFB Credit Suisse High Yield Index. Mutual funds are valued at the closing price reported on the active market.

(6) Individual equities held in the form of common stock of companies in the Standard and Poor's 500 Index. This asset class is usually benchmarked to the Standard and Poor's 500 Index. Equity securities are valued based on the exchange prices in their primary market.

(7) These categories include SEC compliant registered mutual funds investing mostly in common stock securities. Underlying funds are focused on their respective asset classes including Domestic Large Cap, Domestic Mid/Small Cap, Developed International, Emerging Markets, and Frontier Markets asset classes. Equity mutual funds are valued at the closing price reported on the active market.

(8) These funds invest in individual equity securities with the goal of replicating an underlying asset class index, in this case, large cap equity securities. Equity securities are valued based on quoted exchange prices in their primary market.

(9) Includes SEC registered mutual funds investing in multiple asset strategies. Most of these equity mutual funds are valued at the closing price reported on the active market.

The changes in our Level 3 pension plan assets for the year ended December 31, 2010, were as follows:

(dollars in thousands)	Contracts/Annuities
Beginning balance at December 31, 2009	$ 9,609
Actual return on plan assets	504
Settlements	(1,786)
Purchases	1,747
Service fees	(69)
Ending balance at December 31, 2010	$10,005

Contributions

Bank of the West expects to contribute $5.1 million to its non-qualified defined benefit pension plans and $4.1 million to its other postretirement benefit plans in 2011. These contributions are the estimated benefit payments for the unfunded plans and may vary depending on retirements during 2011. Based on the funding requirements of the Pension Protection Act of 2006, Bank of the West anticipates making a contribution of approximately $20.0 million to the ERP during 2011.

Estimated Future Benefit Payments

The following table presents the expected benefit payments, for the periods indicated:

(dollars in thousands)	Pension Benefits	Other Benefits
2011	$ 24,323	$ 4,137
2012	$ 25,461	$ 4,714
2013	$ 26,162	$ 2,751
2014	$ 27,233	$ 6,056
2015	$ 27,997	$ 2,835
2016 - 2020	$161,562	$20,733

401(k) Match Plan

The Bank matched employee contributions up to 3% of pay to the BancWest Corporation 401(k) Savings Plan, a defined contribution plan, up until December 31, 2009. On January 1, 2010 the Bank began matching employee contributions up to 6% of pay. The plan covers all employees who satisfy eligibility requirements. Matching employer contributions to the 401(k) plan for 2010 and 2009 were $21.1 million and $10.7 million, respectively.

Incentive Plan for Key Executives and Officer's Incentive Plan

The Bank has an Incentive Plan for Key Executives (the "IPKE"), under which awards of cash are made to key executives. The IPKE limits the aggregate and individual value of the awards that could be issued in any one fiscal year. In 2007, the bank created a separate plan for those employees below the level of key executives, the Officer's Incentive Plan ("OIP"). The OIP has the same limits on individual awards as the IPKE plan. Salary and employee benefits expense includes IPKE and OIP expense of $29.7 million and $8.1 million for 2010 and 2009, respectively.

Long-Term Incentive Plans

In 2006, the Bank created an incentive plan, The Phantom Stock Plan ("PSP"), that is designed to reward certain employees for their performance and BancWest's performance over a multi-year performance cycle. For the years ended December 31, 2010 and 2009, related salary and employee benefits expense for the Bank was $1.0 million and nil, respectively. In 2008, the Bank created a Performance Share Plan to replace the BWE PSP on a go-forward basis with employee benefit expense for the Bank at $3.1 million and nil for 2010 and 2009, respectively. During 2010, the 2006 plan vested with a total payout value of $6.3 million.

In 2008, the Bank created a new Long Term Incentive Plan ("LTIP") to replace the BancWest LTIP on a go-forward basis. The plan rewards selected key executives for the Bank of the West performance assessed over a three year performance cycle on a relative and absolute basis. The first payments under this plan will not be until the end of the performance cycle. Salary and employee benefits expense for the Bank includes LTIP expense of $4.7 million and $1.2 million for 2010 and 2009, respectively.

20. Income Taxes

For the years indicated, the expense (benefit) provision for income taxes was comprised of the following:

(dollars in thousands)	2010	2009
Current:		
Federal	**$ 76,178**	$(131,295)
States and other	**32,321**	(38,217)
Total current	**108,499**	(169,512)
Deferred:		
Federal	**(23,501)**	(159,195)
States and other	**4,602**	(59,545)
Total deferred	**(18,899)**	(218,740)
Total expense (benefit) for income taxes	**$ 89,600**	$(388,252)

The components of the Bank's net deferred income tax asset at December 31, 2010 and 2009 were as follows:

(dollars in thousands)	2010	2009
Assets		
Allowance for loan and lease losses and nonperforming assets	**$619,997**	$575,545
Investment securities	**34,328**	180,397
Deferred compensation expenses	**112,507**	103,322
Depreciation expense	**8,357**	5,930
State income and franchise taxes	**10,398**	-
Other	**27,964**	21,457
Total deferred income tax assets	**813,551**	886,651
Liabilities		
Leases	**226,016**	269,249
Intangible assets	**19,587**	23,507
State income and franchise taxes	-	6,354
Total deferred income tax liabilities	**245,603**	299,110
Net deferred income tax assets	**$567,948**	$587,541

Net deferred income tax assets are included within other assets in the consolidated balance sheets.

A valuation allowance for certain state capital loss carryforwards has been established in the amount of $3.5 million as of December 31, 2010. Management believes it is unlikely that sufficient capital gains will be generated during the carryforward period to fully utilize the capital losses.

With respect to all other deferred tax assets, no valuation allowances are required. Realization is dependent on generating sufficient taxable income in the future and, although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

The following analysis reconciles the Federal statutory income tax rate to the effective income tax rate for the years indicated:

(dollars in thousands)	2010 Amount	2010 %	2009 Amount	2009 %
Federal statutory income tax expense (benefit) and rate	**$ 96,229**	**35.0%**	$(276,984)	(35.0)%
Foreign, state and local taxes expense (benefit), net of Federal effect	**26,021**	**9.5**	(61,135)	(7.7)
Bank-owned life insurance	**(8,571)**	**(3.1)**	(9,570)	(1.2)
Non-taxable income, net	**(21,188)**	**(7.7)**	(24,572)	(3.1)
Tax credits	**(5,599)**	**(2.1)**	(5,145)	(0.7)
Other	**2,708**	**1.0**	(10,846)	(1.4)
Effective income tax expense (benefit) and rate	**$ 89,600**	**32.6%**	$(388,252)	(49.1)%

The Bank and its subsidiaries file income tax returns with the Federal government and various state and local jurisdictions. The Internal Revenue Service ("IRS") is in the process of examining the Bank's income tax returns for 2003 through 2005. Subsequent to December 31, 2010, the IRS issued a Revenue Agent's Report and 30-Day Letter for tax years 2003-2005 and the IRS proposed no significant adjustments with respect to the Bank or its acquired entities. With few exceptions, the Bank and its acquired entities are no longer subject to state and local income tax examinations for years prior to 2003 and are no longer subject to Federal income tax examinations for years prior to 2003. As of December 31, 2010 the state tax jurisdictions have not proposed any significant adjustments. The Bank believes that there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to our results of operations, financial position or cash flows. The Bank further believes that it has made adequate provision for all income tax uncertainties.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

(dollars in thousands)	2010	2009
Balance at January 1,	**$21,518**	$30,467
Additions based on tax positions related to the current year	**2,475**	507
Additions for tax positions of prior years	-	457
Reductions for tax positions of prior years	**(1,574)**	-
Reductions relating to settlements with tax authorities	-	(5,096)
Reductions as a result of a lapse of the applicable statute of limitations	**(3,995)**	(4,817)
Balance at December 31,	**$18,424**	$21,518

Included in the balance of unrecognized tax benefits are $12.6 million and $15.6 million of tax benefits as of December 31, 2010 and 2009, respectively which, if recognized, will affect the effective tax rate.

During the year ended December 31, 2010, the Bank recognized approximately $1.4 million ($0.8 million, net of Federal and state tax benefit) in interest and no penalties. The unrecognized tax benefit balances do not include $3.7 million and $4.0 million of the net accruals for the payment of interest and penalties for the years ended December 31, 2010 and 2009, respectively.

It is reasonably possible that the total amounts of unrecognized tax benefits will decrease within twelve months of the reporting date with respect to certain state tax liabilities of acquired companies that the Bank expects to be finalized with the tax jurisdictions.

21. Transactions with Affiliates

The Bank participates in various transactions with its affiliates, including BancWest, First Hawaiian Bank, BNP Paribas and its affiliates.

These transactions are subject to review by the FDIC and other regulatory authorities. The transactions are required to be on terms at least as favorable to the Bank as those prevailing at the time for similar non-affiliate transactions. These transactions have included the sales and purchases of assets, foreign exchange activities, financial guarantees, international services, interest rate swaps and intercompany deposits and borrowing.

Amounts due to and from affiliates and off-balance sheet transactions at December 31, 2010 and 2009 were as follows:

(dollars in thousands)	2010	2009
Cash and due from banks	**$ 45,701**	$ 46,738
Loans	**6**	6,456
Noninterest-bearing demand deposits[(1)]	**1,040,583**	36,682
Money market deposits	**67,941**	87,017
Time certificates of deposit	**219,438**	3,452,115
Other assets	**225,298**	13,626
Other liabilities	**116,445**	105,269
Short-term borrowings	**1,092**	1,961
Fixed-rate unsecured lines of credit	**75,900**	83,700
Junior subordinated debt	-	20,000
Structured repurchase agreement	-	350,000
Noncontrolling interest	**23,849**	5,774
Derivatives and off-balance sheet transactions:		
Credit guarantee derivative[(2)]	**796,601**	-
Standby letters of credit	**19,242**	12,984
Guarantees received	**141,220**	130,970
Fair value hedge[(2)]	**2,045**	2,167
Commitments to purchase foreign currencies[(2)]	**108,389**	77,666
Commitments to sell foreign currencies[(2)]	**5,054**	18,645
Interest rate contracts[(2)]	**2,464,853**	1,971,304

(1) Predominately related to foreign deposits to collateralize the Guarantee with BancWest, refer to Note 7 for additional information.
(2) Represents the notional amount of derivative financial instruments.

Junior subordinated debt of $20 million that was owed to the Commercial Federal Capital III trusts was paid off on May 23, 2010 (see Notes 9 and 13).

Interest expense to affiliates for 2010 and 2009 was $107.7 million and $177.1 million, respectively. Noninterest income from affiliate transactions includes fair value adjustments related to derivatives and was a net decrease to noninterest income of $169.7 million for 2010 and a net increase of $41.1 million for 2009.

22. Stock-based Compensation

The Bank participates in a BNPP stock option plan where certain members of Bank of the West's senior management team receive stock option awards from BNPP for shares of BNPP Stock. The Bank accounts for these stock option awards at their fair values estimated on the grant dates using a trinomial tree pricing model as compensation expense over the vesting or requisite service periods. Upon exercise of the stock options, the Bank's senior management team receives shares of BNPP stock. The stock options were awarded in the years 2003 through 2010. The options do not vest until after the fourth year, at which time they are exercisable from the fourth anniversary through the tenth anniversary date (the expiration date) for the 2003 and 2004 grants and through the eighth anniversary date for the 2005 through 2010 grants. The range of exercise prices for the 2003-2010 options were $46.67 through $101.78. As of December 31, 2010, no stock options had expired.

Annual stock option awards are recognized over the vesting period and reflected as compensation expense, which was $2.3 million and $2.9 million for the years ending December 31, 2010 and 2009, respectively. The related income tax benefit was $0.9 million and $1.2 million for the years ended December 31, 2010 and 2009, respectively.

During 2009, BNPP performed a share-rights issuance which resulted in modifications to all unexercised stock options, whether vested or unvested. As a result of this modification, the exercise price of the options was adjusted downwards and the number of stock options was adjusted upwards, impacting all awarded years. The intent was to keep the plan participants whole. The modification in 2009 impacted a total of 93 employees with an additional 21,157 options granted. There was no additional impact due to this modification in 2010.

The following table is a summary of stock option activity:

	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Options outstanding as of January 1, 2009:	729,273	$91.96	4.08
Granted	139,897	$50.36	
Exercised	(25,744)	$76.42	
Forfeited	(38,215)	$84.59	
Options outstanding as of December 31, 2009	805,211	$88.46	4.79
2010:			
Granted	**102,484**	**$68.06**	
Exercised	**(8,217)**	**$64.00**	
Forfeited	**(46,843)**	**$78.24**	
Options outstanding as of December 31, 2010	**852,635**	**$81.05**	**4.00**

The total fair value of vested options and options exercised was $4.8 million and $0.3 million in 2010 and $5.9 million and $1.1 million in 2009, respectively.

The fair value of each stock option was estimated on the date of grant using a trinomial tree pricing model. The implied volatility used in measuring stock options is estimated on the basis of a range of ratings prepared by various dealing rooms. The level of volatility used by the Bank takes into account historical volatility trends for the Dow Jones Euro Stoxx Bank index and BNPP shares over a 10-year period. The weighted-average grant-date fair values of options granted during the years 2010 and 2009 were $40.32 and $46.98, respectively. Total unrecognized compensation costs related to nonvested shares was $5.0 million and $5.5 million and the weighted-average period in which these costs will be recognized was 3.01 and 3.97 years at December 31, 2010 and 2009, respectively. The following table presents the weighted-average assumptions used.

	2010	2009
Dividend yield	**2.0%**	2.0%
Expected volatility	**30.4%**	39.9%
Risk free interest rate	**3.1%**	3.2%
Expected life (in years)	**8**	8

A summary of the Bank's nonvested options and changes during the years ended December 31, 2010 and 2009 is presented below.

Nonvested Options Outstanding	Number	Weighted-Average Grant-Date Fair Value
Options outstanding at January 1, 2009	619,096	$17.47
Granted	104,320	46.98
Vested	(137,216)	34.15
Forfeited	(13,236)	34.76
Options outstanding at December 31, 2009	572,964	$35.92
2010:		
Granted	**87,735**	**$40.32**
Vested	**(166,531)**	**28.91**
Forfeited	**(30,059)**	**34.75**
Options outstanding at December 31, 2010	**464,109**	**$34.72**

A summary of the Bank's vested and exercisable options and changes during the years ended December 31, 2010 and 2009 is presented below.

Vested and Exercisable Options Outstanding	Number	Weighted-Average Grant-Date Fair Value	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (dollars in thousands)
Outstanding at January 1, 2009	110,177	$16.86	$59.16	4.63	$172.24
Vested	167,202	34.99			
Exercised	(25,744)	41.58			
Forfeited	(19,388)	40.79			
Vested and exercisable options outstanding at December 31, 2009	232,247	$36.55	$69.89	3.36	$ 99.16
2010:					
Vested	**166,531**	**$28.91**			
Exercised	**(8,217)**	**37.04**			
Forfeited	**(16,784)**	**30.23**			
Vested and exercisable options outstanding at December 31, 2010	**373,777**	**$31.52**	**$79.12**	**2.75**	**$472.78**

23. Subsequent Events

We have evaluated the effects of subsequent events that have occurred after December 31, 2010 and through March 21, 2011, the date of our financial statement issuance. During this period, we have identified the following events that require disclosure.

BancWest Corporation had a debt repurchase agreement with BNPP that was collateralized by 485,413 shares of the Bank's stock. In January 2011, BancWest paid off the debt and the stock was transferred from BNPP to BancWest.

As part of our ongoing efforts to minimize concentration risk in our investment portfolio, the Bank sold various securities for approximately $515 million for a net gain of approximately $1 million. The sales included municipal securities of approximately $400 million at a net loss of approximately $1 million. Subsequent to year-end the Bank also purchased approximately $1,405 million of securities, which were predominantly mortgage-backed securities from government agencies and government sponsored agencies.

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