DEXCOM INC
Form 4
June 03, 2014

# FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

OMB APPROVAL

| | |
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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
AUGUSTINOS NICHOLAS

(Last) (First) (Middle)

6340 SEQUENCE DRIVE

(Street)

SAN DIEGO, CA 92121

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
DEXCOM INC [DXCM]

3. Date of Earliest Transaction (Month/Day/Year)
05/30/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director    _____ 10% Owner
_____ Officer (give title below)    _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 05/30/2014 | | A | | 6,462 (1) | A | $ 0.001 | 17,592 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| AUGUSTINOS NICHOLAS<br>6340 SEQUENCE DRIVE<br>SAN DIEGO, CA 92121 | X | | | |

# Signatures

| By: Jess Roper For: Nicholas Augustinos | 06/03/2014 |
|---|---|
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Share units are restricted and subject to vesting in one annual installment from the date of grant. Share units represent a contingent right to receive one share of DexCom, Inc. common stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Other operating income

58 10,958 2,979 284 14,279

Other operating expense

(5,274) (17,499) (609) (8,078) (31,460)

Administrative and overhead expense allocation

2,683 (9,528) (91) 6,936 -

Income taxes

8,138 (5,174) 9 (719) 2,254

Net income (loss)

$(15,113) $13,294 $1,115 $2,362 $1,658

At March 31, 2009:

Investment securities

$- $- $940,738 $- $940,738
Loans and leases (including loans held for sale)
2,018,152 1,863,804 - - 3,881,956
Other
2,828 217,229 290,849 97,959 608,865
Total assets
$2,020,980 $2,081,033 $1,231,587 $97,959 $5,431,559
At December 31, 2008:

Investment securities
$- $- $751,297 $- $751,297
Loans and leases (including loans held for sale)
2,083,543 1,986,831 - - 4,070,374
Other
(7,136) 217,146 300,810 99,870 610,690
Total assets
$2,076,407 $2,203,977 $1,052,107 $99,870 $5,432,361

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

Overview

Central Pacific Financial Corp. ("CPF") is a Hawaii corporation and a bank holding company. Our principal business is to serve as a holding company for our bank subsidiary, Central Pacific Bank. We refer to Central Pacific Bank herein as "our bank" or "the bank," and when we say "the Company," "we," "us" or "our," we mean the holding company on a consolidated basis with the Bank and our other consolidated subsidiaries.

Central Pacific Bank is a full-service community bank with 39 branches and more than 100 ATMs located throughout the State of Hawaii. The Bank offers a broad range of products and services including accepting time and demand deposits and originating loans, including commercial loans, construction loans, commercial and residential mortgage loans, and consumer loans. The Bank also has offices in California serving customers there.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make certain judgments and use certain estimates and assumptions that affect amounts reported and disclosures made. Accounting estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimate are reasonably likely to occur from period to period and would materially impact our consolidated financial statements as of or for the periods presented. Management has discussed the development and selection of the critical accounting estimates noted below with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed the accompanying disclosures.

Allowance for Loan and Lease Losses

We maintain an allowance for loan and lease losses (the "Allowance") at an amount we expect to be sufficient to absorb probable losses inherent in our loan and lease portfolio based on a projection of probable net loan charge-offs. For loans classified as impaired, an estimated impairment loss is calculated. To estimate loan charge-offs on other loans, we evaluate the level and trend of nonperforming and potential problem loans and historical loss experience. We also consider other relevant economic conditions and borrower-specific risk characteristics, including current repayment patterns of our borrowers, the fair value of collateral securing specific loans, changes in our lending and underwriting standards and general economic factors, nationally and in the markets we serve, including the real estate market generally and the residential construction market. Estimated loss rates are determined by loan category and risk profile, and an overall required Allowance is calculated. Based on our estimate of the level of Allowance required, a provision for loan and lease losses (the "Provision") is recorded to maintain the Allowance at an appropriate level.

Our process for determining the reserve for unfunded commitments is consistent with our process for determining the Allowance and is adjusted for estimated loan funding probabilities. Reserves for unfunded commitments are recorded separately through a valuation allowance included in other liabilities. Credit losses for off-balance sheet credit exposures are deducted from the allowance for credit losses on off-balance sheet credit exposures in the period in which the liability is settled. The allowance for credit losses on off-balance sheet credit losses is established by a charge to other operating expense.

Since we cannot predict with certainty the amount of loan and lease charge-offs that will be incurred and because the eventual level of loan and lease charge-offs are impacted by numerous conditions beyond our control, a range of loss estimates could reasonably have been used to determine the Allowance and Provision. In addition, various regulatory agencies, as an integral part of their examination processes, periodically review our Allowance. Such agencies may require that we recognize additions to the Allowance based on their judgments about information available to them at the time of their examination. Accordingly, actual results could differ from those estimates.

Further deterioration in the California or Hawaii real estate markets could result in an increase in loan delinquencies, additional increases in our Allowance and Provision, as well as an increase in loan charge-offs.

Loans Held for Sale

Loans held for sale consists of Hawaii residential mortgage loans, as well as mainland residential and commercial construction loans. Hawaii residential mortgage loans classified as held for sale are carried at the lower of cost or fair value on an aggregate basis while mainland residential and commercial construction loans are recorded at the lower of cost or fair value on an individual basis.
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Loans originated with the intent to be held in our portfolio are subsequently transferred to held for sale when a decision is made to sell these loans. At the time of a loan's transfer to the held for sale account, the loan is recorded at the lower of cost or fair value. Any reduction in the loan's value is reflected as a write-down of the recorded investment resulting in a new cost basis, with a corresponding reduction in the Allowance.

In subsequent periods, if the fair value of a loan classified as held for sale is less than its cost basis, a valuation adjustment is recognized in our consolidated statement of operations in other operating expense and the carrying value of the loan is adjusted accordingly. The valuation adjustment may be recovered in the event that the fair value increases, which is also recognized in our consolidated statement of operations in other operating expense.

The fair value of loans classified as held for sale are generally based upon quoted prices for similar assets in active markets, acceptance of firm offer letters with agreed upon purchase prices, discounted cash flow models that take into account market observable assumptions, or independent appraisals of the underlying collateral securing the loans.

Goodwill and Other Intangible Assets

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), we review the carrying amount of goodwill for impairment on an annual basis. Additionally, we perform an impairment assessment of goodwill and other intangible assets whenever events or changes in circumstances indicate that the carrying value of goodwill and other intangible assets may not be recoverable. Significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may result in impairments to goodwill. Absent any impairment indicators, we perform our goodwill impairment test annually.

Our impairment assessment of goodwill and other intangible assets involves the estimation of future cash flows and the fair value of reporting units to which goodwill is allocated. We reconcile the estimated fair values of our reporting units to our total market capitalization plus a control premium. Estimating future cash flows and determining fair values of the reporting units is judgmental and often involves the use of significant estimates and assumptions. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of the impairment charge.

In the first quarter of 2009, we experienced a decline in our market capitalization which we determined was an indicator that an impairment test was required under SFAS 142. As a result of our impairment test, we determined that goodwill was not impaired. All remaining goodwill at March 31, 2009 is attributable to our Hawaii Market reporting unit. Future declines in our market capitalization, which may arise from the deterioration in the fair value of our Hawaii Market reporting unit, may result in the impairment of goodwill.

The reconciliation of fair value estimates of our reporting units to our total market capitalization in the first quarter of 2009 included an implied control premium of 26.7%. We considered recent trends in our market capitalization and compared the implied control premium to observable transaction premiums for other financial institutions from publicly available data sources and concluded that the implied control premium at March 31, 2009 was reasonable.

Deferred Tax Assets and Tax Contingencies

We account for income taxes in accordance with SFAS 109, "Accounting for Income Taxes" and FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). Deferred tax assets and liabilities are recognized for the estimated future tax effects attributable to temporary differences and carryforwards. A valuation allowance may be required if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. In determining whether a valuation allowance is necessary, we consider the level of taxable income in prior years, to the extent that carrybacks are permitted under current tax laws, as well as estimates of future taxable income and tax planning strategies that could be implemented to accelerate taxable income if necessary. If our estimates of future taxable income were materially overstated or if our assumptions regarding the tax consequences of tax planning strategies were inaccurate, some or all of our deferred tax assets may not be realized, which would result in a charge to earnings.

We have established income tax contingency reserves for potential tax liabilities related to uncertain tax positions. Tax benefits are recognized when we determine that it is more likely than not that such benefits will be realized. Where uncertainty exists due to the complexity of income tax statutes and where the potential tax amounts are significant, we generally seek independent tax opinions to support our positions. If our evaluation of the likelihood of the realization of benefits is inaccurate, we could incur additional income tax and interest expense that would adversely impact earnings, or we could receive tax benefits greater than anticipated which would positively impact earnings.

Defined Benefit Retirement Plan

Defined benefit plan obligations and related assets of our defined benefit retirement plan are presented in Note 12 to the Consolidated Financial Statements. In 2002, the defined benefit retirement plan was curtailed and all plan benefits were fixed as of that date. Plan assets, which consist primarily of marketable equity and debt securities, are typically valued using market quotations. Plan obligations and the annual pension expense are determined by independent actuaries through the use of a number of assumptions. Key assumptions in measuring the plan obligations include the discount rate and the expected long-term rate of return on plan assets. In determining the discount rate, we utilize a yield that reflects the top 50% of the universe of bonds, ranked in the order of the highest yield. Asset returns are based upon the anticipated average rate of earnings expected on the invested funds of the plans.

At December 31, 2008, we used a weighted-average discount rate of 6.6% and an expected long-term rate of return on plan assets of 8.0%, which affected the amount of pension liability recorded as of year-end 2008 and the amount of pension expense to be recorded in 2009. For both the discount rate and the asset return rate, a range of estimates could reasonably have been used which would affect the amount of pension expense and pension liability recorded. A 0.25% change in the discount rate assumption would impact 2009 pension expense by $0.1 million and year-end 2008 pension liability by $0.7 million, while a 0.25% change in the asset return rate would impact 2009 pension expense by less than $0.1 million.

Financial Summary

Net income for the first quarter of 2009 was $2.6 million, up $1.0 million or 58.6% from the first quarter of 2008. Quarterly results for the three months ended March 31, 2009 included an improvement in credit costs, which decreased to $29.6 million from $32.9 million in the comparable prior year period; a $3.6 million gain related to the sale of a parcel of land, a $2.2 million increase in net gain on sales of residential loans over the comparable prior year period, and a $2.2 million tax benefit for the settlement of a state tax contingency item; partially offset by a decrease in net interest income of $4.4 million and an increase in total other operating expense of $6.2 million when compared to the first quarter of 2008.

In January 2009, we issued $135.0 million in senior preferred stock in connection with our participation in the Capital Purchase Program (“CPP”) of the U.S. Treasury’s Troubled Asset Relief Program (“TARP”). The preferred stock carries an annual dividend of 5.0% during the first five years, increasing to 9.0% thereafter. We also issued warrants to purchase approximately 1.6 million shares of our common stock at an exercise price of $12.77 per share in connection with our participation in the CPP. The current quarter’s earnings per common share of $0.03 were reflective of $1.9 million of dividends declared on and accretion of the preferred stock.

The following table presents annualized returns on average assets, average shareholders' equity, average tangible equity and basic and diluted earnings per share for the periods indicated. Average tangible equity is calculated as average shareholders’ equity less average intangible assets, which includes goodwill, core deposit premium, customer relationships and non-compete agreements. Average intangible assets were $180.1 million and $273.2 million for the three months ended March 31, 2009 and 2008, respectively.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2009 | 2008 |
| Return on average assets | 0.19% | 0.12% |
| Return on average shareholders' equity | 1.67% | 0.94% |
| | 2.35% | 1.54% |

| | | | | |
|---|---|---|---|---|
| Return on average tangible equity | | | | |
| Basic earnings per common share | $ | 0.03 | $ | 0.06 |
| Diluted earnings per common share | $ | 0.03 | $ | 0.06 |

Material Trends

The global and U.S. economies continue to experience a protracted slowdown in business activity as a result of disruptions in the financial system, including a lack of confidence in the worldwide credit markets. Currently, the U.S. economy remains in the midst of one of its longest economic recessions since the Great Depression of the 1930s.

It is not clear at this time what impact U.S. Government programs such as the TARP CPP, the Term Asset-Backed Securities Loan Facility and Public-Private Investment Program, as well as other liquidity and funding initiatives of the Federal Reserve System, will have on the financial markets, the U.S. banking and financial industries, the broader U.S. and global economies, and more importantly, the local economies in the markets that we serve.
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The majority of our operations are concentrated in the states of Hawaii and California. Accordingly, our business performance is directly affected by conditions in the banking industry, macro economic conditions and the real estate market in those states. A favorable business environment is generally characterized by expanding gross state product, low unemployment and rising personal income while an unfavorable business environment is characterized by declining gross state product, high unemployment and declining personal income.

General economic conditions in Hawaii are expected to contract in 2009, albeit at a slower rate than the rest of the nation, according to the latest University of Hawaii Economic Research Organization forecast. Personal incomes, as well as total wage and salary jobs are forecasted to decrease 2.5% and 2.4% in 2009, respectively. According to the Hawaii Department of Business Economic Development & Tourism ("DBEDT"), real gross state product is expected to contract by 0.2% in 2009. DBEDT also projects that 6.4 million visitors will visit the state, a 5.9% decrease from the number of visitors in 2008, with visitor days and expenditures projected to decrease 4.4% and 1.9% in 2009, respectively. The state's unemployment rate increased to 7.1% in March 2009 compared to 5.5% at December 31, 2008, however, it remained below the national unemployment rate of 8.5%. In March 2009, the number of single-family home resales on Oahu decreased by 34.8% while the median sales price decreased by 8.1% from a year ago. Despite the anticipated slowdown in home resales, the Hawaii housing market is expected to experience lower levels of price declines compared to the national housing market. Expectations from local economists and industry experts are for the Hawaii real estate market to continue its contraction in 2009 with declines in both unit sales volume and median prices.

California's economy is also expected to contract as the effects of falling home prices, limited credit availability, shrinking equity values and growing unemployment continue to linger. The outlook for the California economy calls for negative growth in 2009, followed by weak growth in 2010 and improving slightly in 2011. According to the State of California Employment Development Department ("EDD"), nonfarm jobs in March 2009 stood at 14,474,700 jobs, a decrease of 637,400 jobs (4.2 percent) from March 2008. The construction industry posted the largest decline on a percentage basis, down by 18.4 percent (a decrease of 152,300 jobs). The California Association of Realtors ("CAR") reported that March 2009 unit home sales increased by 63.8%, while the median price plunged 39.0% from year ago levels primarily driven by a significant rise in distressed sales, including foreclosures. CAR forecasts Calfornia median sales price will decline 6.0% to $358,000 in 2009, while the number of sales are projected to increase by 12.5% during the same period as distressed sales will continue to impact the market. According to the California Department of Finance ("CDOF"), average personal income is projected to increase 2.1% in 2009 from the prior year and California's unemployment rate increased to 11.2% in March 2009 from 9.3% in December 2008. The unemployment rate in California continues to be well above the national unemployment rate.

Our results of operations in future periods will be significantly impacted by the economies in Hawaii, California or other markets we serve. Loan demand, deposit growth, provision for loan and lease losses, asset quality, noninterest income and noninterest expense may be affected by changes in economic conditions. If the California and Hawaii real estate markets do not improve or continue to deteriorate, or the economic environments in Hawaii, California or other markets we serve deteriorate or suffer a material external shock, our results of operations may be negatively impacted.

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Results of Operations

Net Interest Income

Net interest income, when expressed as a percentage of average interest earning assets, is referred to as “net interest margin.” Interest income, which includes loan fees and resultant yield information, is expressed on a taxable equivalent basis using an assumed income tax rate of 35%. A comparison of net interest income on a taxable equivalent basis (“net interest income”) for the three months ended March 31, 2009 and 2008 is set forth below.

| | Three Months Ended March 31, 2009 | | | Three Months Ended March 31, 2008 | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | Average Balance | Average Yield/Rate | Amount of Interest | Average Balance | Average Yield/Rate | Amount of Interest |
| Assets | | | | | | |
| Interest earning assets: | | | | | | |
| Interest-bearing deposits in other banks | $ 4,097 | 0.01% | $ - | $ 495 | 3.17% | $ 4 |
| Federal funds sold & securities purchased under agreements to resell | 379 | 0.27 | - | 2,641 | 3.20 | 21 |
| Taxable investment securities (1) | 771,287 | 4.53 | 8,732 | 739,033 | 5.03 | 9,295 |
| Tax-exempt investment securities (1) | 123,213 | 5.85 | 1,801 | 152,316 | 5.61 | 2,137 |
| Loans and leases, net of unearned income (2) | 4,015,766 | 5.69 | 56,505 | 4,247,369 | 6.65 | 70,294 |
| Federal Home Loan Bank stock | 48,797 | - | - | 48,797 | 1.00 | 122 |
| Total interest earning assets | 4,963,539 | 5.45 | 67,038 | 5,190,651 | 6.33 | 81,873 |
| Nonearning assets | 514,892 | | | 557,802 | | |
| Total assets | $ 5,478,431 | | | $ 5,748,453 | | |
| | | | | | | |
| Liabilities and Shareholders' Equity | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing demand deposits | $ 498,548 | 0.26% | $ 321 | $ 451,058 | 0.12% | $ 137 |
| Savings and money market deposits | 1,186,909 | 0.98 | 2,863 | 1,141,285 | 1.33 | 3,785 |
| Time deposits under $100,000 | 710,933 | 2.84 | 4,980 | 532,517 | 3.38 | 4,481 |
| Time deposits $100,000 and over | 937,563 | 2.13 | 4,914 | 1,105,154 | 3.73 | 10,248 |
| Short-term borrowings | 198,558 | 0.49 | 238 | 229,455 | 3.37 | 1,923 |
| Long-term debt | 632,933 | 4.24 | 6,619 | 920,006 | 4.24 | 9,694 |
| Total interest-bearing liabilities | 4,165,444 | 1.94 | 19,935 | 4,379,475 | 2.78 | 30,268 |
| Noninterest-bearing deposits | 585,731 | | | 599,047 | | |
| Other liabilities | 99,222 | | | 66,656 | | |

| | | | | |
|---|---|---|---|---|
| Shareholders' equity | 628,034 | | 703,275 | |
| Total liabilities and shareholders' equity | $ 5,478,431 | | $ 5,748,453 | |
| | | | | |
| Net interest income | | $ 47,103 | | $ 51,605 |
| | | | | |
| Net interest margin | | 3.82% | | 3.99% |

(1) At amortized cost.
(2) Includes nonaccrual loans.

Net interest income of $47.1 million for the first quarter of 2009, decreased by $4.5 million, or 8.7%, from the first quarter of 2008. The decrease in net interest income for the first quarter of 2009 was reflective of the declining interest rate environment following the activities of the Federal Reserve as the 88 basis point ("bp") decrease in average yields earned on our interest earning assets outpaced the 84 bp decline in average rates paid on our interest-bearing liabilities. The decrease was also attributable, albeit to a lesser extent, to the overall reduction in loan balances from the previous year.

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Interest Income

Taxable-equivalent interest income of $67.0 million for the first quarter of 2009, decreased by $14.8 million, or 18.1%, from the first quarter of 2008. The current quarter decrease in taxable-equivalent interest income was attributable to the aforementioned decrease in average loan yields, which declined to 5.45% for the first quarter of 2009 from 6.33% in the comparable prior year period. The decrease in average loan yields, including the effects of interest reversals of $0.9 million on certain nonaccrual loans, contributed to approximately $10.2 million of the current quarter decrease in taxable-equivalent interest income while the decrease in average loans and leases (net of write-downs and charge offs) contributed to $3.9 million of the current quarter decrease.

Interest Expense

Interest expense of $19.9 million for the first quarter of 2009, decreased by $10.3 million, or 34.1%, from the comparable quarter one year ago. The decrease in interest expense for the first quarter of 2009 was primarily attributable to the decrease in average rates paid on time deposits greater than $100,000 and on short-term borrowings, as well as the volume decreases in time deposits greater than $100,000 and long-term debt.

The weighted average rates paid on time deposits greater than $100,000 decreased by 160 bp, contributing to a reduction of interest expense of $4.4 million during the current quarter while the 288 bp decrease on average rates paid on short-term borrowings contributed $1.7 million of the current quarter reduction. The $167.6 million decrease in time deposits greater than $100,000 from the first quarter of 2008 resulted in a decrease in interest expense of $1.6 million in the current quarter while the $287.1 million decrease in long-term debt resulted in a decrease in interest expense of $3.0 million. Offsetting these decreases was the volume increase in time deposits less than $100,000, which resulted in an increase in interest expense of $1.5 million during the current quarter.

Net Interest Margin

Our net interest margin was 3.82% for the first quarter of 2009, compared to 3.99% for the first quarter of 2008. The compression in our net interest margin for the three months ended March 31, 2009 was primarily attributable to the previously mentioned declining interest rate environment resulting from the activities of the Federal Reserve. Additionally, average yields earned on interest earning assets have declined faster during the three months ended March 31, 2009 than the average rates paid on interest-bearing liabilities as the rate of downward repricing of interest-bearing liabilities has been tempered by the strong competition for deposits in the Hawaii market.

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Nonperforming Assets, Accruing Loans Delinquent for 90 Days or More, Restructured Loans Still Accruing Interest

The following table sets forth nonperforming assets, accruing loans delinquent for 90 days or more and restructured loans still accruing interest at the dates indicated.

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| | (Dollars in thousands) | |
| Nonperforming Assets: | | |
| Nonaccrual loans (including loans held for sale): | | |
| Commercial, financial and agricultural | $ 10,344 | $ 1,426 |
| Real estate: | | |
| Construction | 117,331 | 119,178 |
| Mortgage-residential | 9,965 | 6,162 |
| Mortgage-commercial | 5,447 | 5,462 |
| Leases | 265 | 335 |
| Total non accrual loans | 143,352 | 132,563 |
| Other real estate | 16,558 | 11,220 |
| Total nonperforming assets | 159,910 | 143,783 |
| | | |
| Accruing loans delinquent for 90 days or more: | | |
| Commercial, financial and agricultural | - | - |
| Real estate: | | |
| Construction | 6,916 | - |
| Mortgage-residential | 1,288 | 582 |
| Mortgage-commercial | 11,771 | - |
| Consumer | 330 | 488 |
| Total accruing loans delinquent for 90 days or more | 20,305 | 1,070 |
| | | |
| Restructured loans still accruing interest: | | |
| Total restructured loans still accruing interest | - | - |
| | | |
| Total nonperforming assets, accruing loans delinquent for 90 days or more and restructured loans still accruing interest | $ 180,215 | $ 144,853 |
| | | |
| Total nonperforming assets as a percentage of loans and leases, loans held for sale and other real estate | 4.10% | 3.52% |
| | | |
| Total nonperforming assets and accruing loans delinquent for 90 days or more as a percentage of loans and leases, loans held for sale and other real estate | 4.62% | 3.55% |
| | | |
| Total nonperforming assets, accruing loans delinquent for 90 days or more and restructured loans still accruing interest as a percentage of loans and leases, loans held for sale and other real estate | 4.62% | 3.55% |

Nonperforming assets, which includes nonaccrual loans and leases, nonperforming loans classified as held for sale and foreclosed real estate, totaled $159.9 million at March 31, 2009, compared to $143.8 million at fiscal 2008 year-end.

The increase from fiscal 2008 was primarily attributable to the addition of three Hawaii commercial loans totaling $10.0 million, five Hawaii residential mortgage loans totaling $4.0 million, a Hawaii commercial construction loan totaling $1.4 million, two California residential construction loans totaling $8.9 million, a Washington commercial construction loan totaling $14.5 million, and a Washington residential construction loan totaling $7.2 million. Partially offsetting these additions were partial charge-offs of two Hawaii residential construction loans to the same borrower totaling $2.8 million, partial charge-offs of four California residential construction loans totaling $9.5 million, partial charge-offs of three California commercial construction loans totaling $2.7 million, and a $10.4 million California commercial construction loan returning to accrual status. Net loan charge-offs in the first quarter of 2009 totaled $24.3 million compared to net loan charge-offs of $54.2 million in the year-ago quarter.

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Loans delinquent for 90 days or more still accruing interest totaled $20.3 million at March 31, 2009, compared to $1.1 million at December 31, 2008. The current quarter increase was primarily attributable to the addition of four California commercial real estate and construction loans to two borrowers totaling $18.7 million. Subsequent to March 31, 2009, $6.0 million of this balance was paid off and $5.8 million was refinanced and is currently performing. The remaining $6.9 million was subsequently placed on nonaccrual status in April 2009.

At March 31, 2009, non-performing assets included 10 restructured loans to five Hawaii borrowers with a combined principal balance of $32.8 million. Of these amounts, two loans totaling $10.0 million were commercial loans, two loans totaling $10.4 million were residential construction loans, one loan totaling $1.9 million was a commercial construction loan, three loans totaling $5.1 million were residential mortgage loans and two loans totaling $5.4 million were commercial real estate loans. Concessions made to the original contractual terms of these loans consisted primarily of deferral of interest and/or principal payments due to deterioration in the borrowers' financial condition. The principal balances on these restructured loans were matured and/or in default at the time of restructure and we have no commitments to lend additional funds to any of these borrowers.

Allowance and Provision for Loan and Lease Losses

A discussion of our accounting policy regarding the Allowance and Provision is contained in the Critical Accounting Policies section of this report. The following table sets forth certain information with respect to the Allowance as of the dates and for the periods indicated:

| | Three Months Ended March 31, | |
|---|---|---|
| (Dollars in thousands) | 2009 | 2008 |
| Allowance for loan and lease losses: | | |
| Balance at beginning of period | $ 119,878 | $ 92,049 |
| | | |
| Provision for loan and lease losses | 26,750 | 34,272 |
| | | |
| Charge-offs: | | |
| Commercial, financial and agricultural | | |