ZIONS BANCORPORATION /UT/
Form 10-Q
August 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

COMMISSION FILE NUMBER 001-12307

ZIONS BANCORPORATION
(Exact name of registrant as specified in its charter)

UTAH	87-0227400
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One South Main, 15th Floor Salt Lake City, Utah	84133
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (801) 524-4787

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

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

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

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

Common Stock, without par value, outstanding at July 31, 2014	202,782,493 shares

ZIONS BANCORPORATION AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (Unaudited)
ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except shares)	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Cash and due from banks	$1,384,131	$1,175,083
Money market investments:		
Interest-bearing deposits	6,386,353	8,175,048
Federal funds sold and security resell agreements	478,535	282,248
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value $643,926 and $609,547)	615,104	588,981
Available-for-sale, at fair value	3,462,809	3,701,886
Trading account, at fair value	56,572	34,559
	4,134,485	4,325,426
Loans held for sale	164,374	171,328
Loans and leases, net of unearned income and fees	39,630,363	39,043,365
Less allowance for loan losses	675,907	746,291
Loans, net of allowance	38,954,456	38,297,074
Other noninterest-bearing investments	854,978	855,642
Premises and equipment, net	803,214	726,372
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	30,826	36,444
Other real estate owned	27,725	46,105
Other assets	878,069	926,228
	$55,111,275	$56,031,127
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$19,609,990	$18,758,753
Interest-bearing:		
Savings and money market	23,308,114	23,029,928
Time	2,500,303	2,593,038
Foreign	252,207	1,980,161
	45,670,614	46,361,880
Federal funds and other short-term borrowings	258,401	340,348
Long-term debt	1,933,136	2,273,575
Reserve for unfunded lending commitments	95,472	89,705
Other liabilities	453,562	501,056
Total liabilities	48,411,185	49,566,564
Shareholders' equity:		

Preferred stock, without par value, authorized 4,400,000 shares	1,004,006	1,003,970
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 185,112,965 and 184,677,696 shares	4,192,136	4,179,024
Retained earnings	1,640,785	1,473,670
Accumulated other comprehensive income (loss)	(136,837)	(192,101)
Total shareholders' equity	6,700,090	6,464,563
	$55,111,275	$56,031,127

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Interest income:				
Interest and fees on loans	$433,801	$460,308	$868,145	$913,741
Interest on money market investments	4,888	5,764	10,018	11,203
Interest on securities	24,502	27,161	52,596	53,037
Total interest income	463,191	493,233	930,759	977,981
Interest expense:				
Interest on deposits	12,096	15,143	24,875	30,785
Interest on short- and long-term borrowings	34,812	47,433	73,136	98,424
Total interest expense	46,908	62,576	98,011	129,209
Net interest income	416,283	430,657	832,748	848,772
Provision for loan losses	(54,416)	(21,990)	(55,026)	(51,025)
Net interest income after provision for loan losses	470,699	452,647	887,774	899,797
Noninterest income:				
Service charges and fees on deposit accounts	42,873	44,329	85,467	87,909
Other service charges, commissions and fees	47,513	45,888	91,032	88,619
Wealth management income	7,980	7,732	15,057	14,726
Capital markets and foreign exchange	5,842	6,740	10,842	14,226
Dividends and other investment income	7,995	11,339	15,859	24,063
Loan sales and servicing income	6,335	10,723	12,809	21,674
Fair value and nonhedge derivative loss	(1,934)	(2,957)	(10,473)	(8,402)
Equity securities gains, net	2,513	2,209	3,425	5,041
Fixed income securities gains (losses), net	5,026	(1,153)	35,940	2,146
Impairment losses on investment securities:				
Impairment losses on investment securities	—	(4,910)	(27)	(36,403)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	—	693	—	22,069
Net impairment losses on investment securities	—	(4,217)	(27)	(14,334)
Other	707	4,515	3,238	10,699
Total noninterest income	124,850	125,148	263,169	246,367
Noninterest expense:				
Salaries and employee benefits	238,764	227,328	472,170	457,117
Occupancy, net	28,939	27,951	57,244	55,340
Furniture, equipment and software	27,986	26,545	55,930	52,619
Other real estate expense	(266)	1,590	1,341	3,567
Credit-related expense	7,139	9,397	14,045	19,879
Provision for unfunded lending commitments	6,779	3,627	5,767	(2,727)
Professional and legal services	12,171	17,149	23,166	27,620
Advertising	6,803	5,807	13,201	11,700
FDIC premiums	8,017	10,124	15,939	19,835
Amortization of core deposit and other intangibles	2,736	3,762	5,618	7,581

Debt extinguishment cost	—	40,282	—	40,282
Other	66,959	78,116	139,669	156,213
Total noninterest expense	406,027	451,678	804,090	849,026
Income before income taxes	189,522	126,117	346,853	297,138
Income taxes	69,972	43,091	126,093	103,725
Net income	119,550	83,026	220,760	193,413
Net loss applicable to noncontrolling interests	—	—	—	(336)
Net income applicable to controlling interest	119,550	83,026	220,760	193,749
Preferred stock dividends	(15,060)	(27,641)	(40,080)	(50,040)
Net earnings applicable to common shareholders	$104,490	$55,385	$180,680	$143,709
Weighted average common shares outstanding during the period:				
Basic shares	184,668	183,647	184,555	183,522
Diluted shares	185,286	184,062	185,202	183,863
Net earnings per common share:				
Basic	$0.56	$0.30	$0.97	$0.78
Diluted	0.56	0.30	0.97	0.77

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014	2013
Net income	$119,550	$83,026	$220,760	$193,413
Other comprehensive income (loss), net of tax:				
Net unrealized holding gains on investment securities	10,605	29,300	81,671	78,096
Noncredit-related impairment losses on securities not expected to be sold	—	(130)	—	(12,884)
Reclassification to earnings for realized net fixed income securities gains	(3,104)	712	(27,944)	(1,325)
Reclassification to earnings for net credit-related impairment losses on investment securities	—	2,549	17	8,548
Accretion of securities with noncredit-related impairment losses not expected to be sold	273	386	559	595
Net unrealized holding gains (losses) on derivative instruments	1,199	(1)	1,519	(3)
Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments	(348)	(469)	(558)	(1,426)
Other comprehensive income	8,625	32,347	55,264	71,601
Comprehensive income	128,175	115,373	276,024	265,014
Comprehensive loss applicable to noncontrolling interests	—	—	—	(336)
Comprehensive income applicable to controlling interest	$128,175	$115,373	$276,024	$265,350

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(In thousands, except shares and per share amounts)	Preferred stock	Common stock Shares	Common stock Amount	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total shareholders' equity
Balance at December 31, 2013	$1,003,970	184,677,696	$4,179,024	$1,473,670	$(192,101)	$—	$6,464,563
Net income for the period				220,760		—	220,760
Other comprehensive income, net of tax					55,264		55,264
Subordinated debt converted to preferred stock	36		(5)				31
Net activity under employee plans and related tax benefits		435,269	13,117				13,117
Dividends on preferred stock				(40,080)			(40,080)
Dividends on common stock, $0.08 per share				(14,873)			(14,873)
Change in deferred compensation				1,308			1,308
Balance at June 30, 2014	$1,004,006	185,112,965	$4,192,136	$1,640,785	$(136,837)	$—	$6,700,090
Balance at December 31, 2012	$1,128,302	184,199,198	$4,166,109	$1,203,815	$(446,157)	$(3,428)	$6,048,641
Net income (loss) for the period				193,749		(336)	193,413
Other comprehensive income, net of tax					71,601		71,601
Issuance of preferred stock	598,941		(11,016)				587,925
Subordinated debt converted to preferred stock	1,416		(206)				1,210
Net activity under employee plans and related tax benefits		237,458	17,107				17,107
Dividends on preferred stock				(50,040)			(50,040)

Dividends on common stock, $0.05 per share				(9,239)			(9,239)
Change in deferred compensation				116			116
Other changes in noncontrolling interests			(4,166)			3,764	(402)
Balance at June 30, 2013	$1,728,659	184,436,656	$4,167,828	$1,338,401	$(374,556)	$—	$6,860,332

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	$119,550	$83,026	$220,760	$193,413
Adjustments to reconcile net income to net cash provided by operating activities:				
Debt extinguishment cost	—	40,282	—	40,282
Net impairment losses on investment securities	—	4,217	27	14,334
Provision for credit losses	(47,637)	(18,363)	(49,259)	(53,752)
Depreciation and amortization	31,150	21,935	63,554	60,193
Fixed income securities losses (gains), net	(5,026)	1,153	(35,940)	(2,146)
Deferred income tax expense (benefit)	(58,870)	(7,726)	19,408	(6,444)
Net decrease (increase) in trading securities	(247)	1,882	(22,109)	1,871
Net decrease (increase) in loans held for sale	(39,322)	33,450	1,873	123,446
Change in other liabilities	19,586	2,967	(57,994)	(45,510)
Change in other assets	(16,668)	121,095	(13,582)	172,675
Other, net	9,910	3,585	12,246	(8,568)
Net cash provided by operating activities	12,426	287,503	138,984	489,794
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in money market investments	1,672,896	(276,364)	1,592,408	352,523
Proceeds from maturities and paydowns of investment securities held-to-maturity	19,190	27,825	38,125	81,437
Purchases of investment securities held-to-maturity	(27,514)	(74,168)	(63,264)	(119,968)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	194,973	259,273	1,042,261	618,496
Purchases of investment securities available-for-sale	(221,701)	(124,146)	(673,824)	(611,121)
Net loan and lease originations	(444,844)	(468,473)	(607,330)	(589,324)
Net purchases of premises and equipment	(35,815)	(26,733)	(112,731)	(42,533)
Proceeds from sales of other real estate owned	17,087	24,685	28,912	52,659
Other, net	1,380	12,646	6,997	20,034
Net cash provided by (used in) investing activities	1,175,652	(645,455)	1,251,554	(237,797)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in deposits	(861,472)	525,860	(691,266)	(1,117,018)
Net change in short-term funds borrowed	(21,436)	(70,154)	(81,947)	(96,007)
Proceeds from issuance of long-term debt	—	348,585	—	367,947
Repayments of long-term debt	(236,404)	(551,616)	(361,159)	(570,014)
Debt extinguishment cost paid	—	(23,305)	—	(23,305)
Proceeds from issuances of common and preferred stock	1,641	423,118	4,521	592,517
Dividends paid on common and preferred stock	(24,207)	(35,047)	(47,948)	(59,279)
Other, net	(3,388)	(5,209)	(3,691)	(5,648)
Net cash provided by (used in) financing activities	(1,145,266)	612,232	(1,181,490)	(910,807)

Net increase (decrease) in cash and due from banks	42,812	254,280	209,048	(658,810)
Cash and due from banks at beginning of period	1,341,319	928,817	1,175,083	1,841,907
Cash and due from banks at end of period	$1,384,131	$1,183,097	$1,384,131	$1,183,097
Cash paid for interest	$40,820	$41,782	$81,669	$103,913
Net cash paid for income taxes	122,737	120,438	122,656	124,003

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2014

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Zions Bancorporation ("the Parent") and its majority-owned subsidiaries (collectively "the Company," "Zions," "we," "our," "us") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. References to GAAP, including standards promulgated by the Financial Accounting Standards Board ("FASB") are made according to sections of the Accounting Standards Codification ("ASC") and to Accounting Standards Updates ("ASU"), which include consensus issues of the Emerging Issues Task Force ("EITF"). In certain cases, ASUs are issued jointly with International Financial Reporting Standards ("IFRS"). Certain prior period amounts have been reclassified to conform with the current period presentation.

Operating results for the three and six months ended June 30, 2014 and 2013 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2013 is from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's 2013 Annual Report on Form 10-K.

The Company provides a full range of banking and related services through subsidiary banks in 11 Western and Southwestern states as follows: Zions First National Bank ("Zions Bank"), in Utah, Idaho and Wyoming; California Bank & Trust ("CB&T"); Amegy Corporation ("Amegy") and its subsidiary, Amegy Bank, in Texas; National Bank of Arizona ("NBAZ"); Nevada State Bank ("NSB"); Vectra Bank Colorado ("Vectra"), in Colorado and New Mexico; The Commerce Bank of Washington ("TCBW"); and The Commerce Bank of Oregon ("TCBO"). The Parent and its subsidiary banks also own and operate certain nonbank subsidiaries that engage in financial services.

2. CERTAIN RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The new standard was issued jointly with IFRS and creates a single source of revenue recognition guidance across all companies in all industries. The core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The banking industry does not expect significant changes because major sources of revenue are from financial instruments that have been excluded from the scope of the new guidance, (including loans, derivatives, debt and equity securities, etc.). However, the new guidance may affect other fees charged by banks, such as asset management fees, credit card interchange fees, deposit account fees, etc., although the materiality of the impact on the Company is still being evaluated. For public companies, adoption is required for interim or annual periods beginning after December 15, 2016, with no early adoption permitted. Management is currently evaluating the impact this new guidance may have on its financial statements.
In January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. This new guidance under ASC 310-40, Receivables – Troubled Debt Restructurings by Creditors, clarifies that a creditor should be considered to have physical possession of a residential real estate property collateralizing a residential mortgage loan and thus would reclassify the loan to other real estate owned when certain conditions are satisfied. The new amendments will require additional financial statement disclosures and may

be applied on either a prospective or a modified retrospective basis, with early

adoption permitted. For public companies, adoption is required for interim or annual periods beginning after December 15, 2014. Management does not currently believe this new guidance will have a significant effect on the Company's financial statement disclosures.

In January 2014, the FASB issued ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. This new accounting guidance under ASC 323, Investments – Equity Method and Joint Ventures, revised the conditions that an entity must meet to elect to use the effective yield method when accounting for qualified affordable housing project investments. The final consensus of the EITF changed the method of amortizing a Low-Income Housing Tax Credit ("LIHTC") investment from the effective yield method to a proportional amortization method. The amortization would be proportional to the tax credits and tax benefits received but, under a practical expedient that would be available in certain circumstances, amortization could be proportional to only the tax credits. Reporting entities that invest in LIHTC investments through a limited liability entity could elect the proportional amortization method if certain conditions are met. The guidance would not extend to other types of tax credit investments. The final consensus would be applied retrospectively with early adoption and other adjustments permitted. For public companies, adoption is required for interim or annual periods beginning after December 15, 2014. Management does not currently believe this new guidance will have a significant effect on the Company's financial statements.

3. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Loans and leases transferred to other real estate owned	$4,905	$17,376	$11,243	$40,818
Loans and leases transferred to (from) loans held for sale	(1,292)	36,510	(5,081)	36,414
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	5	37	5	206
Subordinated debt converted to preferred stock	31	219	31	1,210

4. CASH AND MONEY MARKET INVESTMENTS

Gross and net information for selected financial instruments in the balance sheet is as follows:

(In thousands)	June 30, 2014			Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Assets:						
Federal funds sold and security resell agreements	$478,535	$—	$478,535	$—	$ —	$478,535
Derivatives (included in other assets)	57,143	—	57,143	(6,247)	—	50,896
	$535,678	$—	$535,678	$(6,247)	$ —	$529,431
Liabilities:						

Federal funds and other short-term borrowings	$258,401	$—	$258,401	$—	$ —	$258,401
Derivatives (included in other liabilities)	56,574	—	56,574	(6,247)	(32,743)	17,584
	$314,975	$—	$314,975	$(6,247)	$ (32,743)	$275,985

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2013			Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Assets:						
Federal funds sold and security resell agreements	$282,248	$—	$282,248	$—	$ —	$282,248
Derivatives (included in other assets)	65,683	—	65,683	(11,650)	2,210	56,243
	$347,931	$—	$347,931	$(11,650)	$ 2,210	$338,491
Liabilities:						
Federal funds and other short-term borrowings	$340,348	$—	$340,348	$—	$ —	$340,348
Derivatives (included in other liabilities)	68,397	—	68,397	(11,650)	(26,997)	29,750
	$408,745	$—	$408,745	$(11,650)	$ (26,997)	$370,098

Security resell and repurchase agreements are offset, when applicable, in the balance sheet according to master netting agreements. Security repurchase agreements are included with "Federal funds and other short-term borrowings." Derivative instruments may be offset under their master netting agreements; however, for accounting purposes, we present these items on a gross basis in the Company's balance sheet. See Note 7 for further information regarding derivative instruments.

5. INVESTMENT SECURITIES

Investment securities are summarized below. Note 10 discusses the process to estimate fair value for investment securities.

	June 30, 2014						
		Recognized in OCI [1]			Not recognized in OCI		
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$576,318	$—	$—	$576,318	$13,987	$936	$589,369
Asset-backed securities:							
Trust preferred securities – banks and insurance	79,328	—	40,642 [2]	38,686	16,936	1,165	54,457
Other debt securities	100	—	—	100	—	—	100
	655,746	—	40,642	615,104	30,923	2,101	643,926
Available-for-sale							
U.S. Treasury securities	1,499	46	—	1,545			1,545
U.S. Government agencies and corporations:							

Agency securities	604,263	2,509	6,452	600,320		600,320
Agency guaranteed mortgage-backed securities	302,408	11,356	464	313,300		313,300
Small Business Administration loan-backed securities	1,404,788	17,045	6,813	1,415,020		1,415,020
Municipal securities	187,760	1,256	607	188,409		188,409
Asset-backed securities:						
Trust preferred securities – banks and insurance	915,058	11,383	176,289	750,152		750,152
Auction rate securities	6,508	99	29	6,578		6,578
Other	1,114	229	—	1,343		1,343
	3,423,398	43,923	190,654	3,276,667		3,276,667
Mutual funds and other	188,573	60	2,491	186,142		186,142
	3,611,971	43,983	193,145	3,462,809		3,462,809
Total	$4,267,717	$43,983	$233,787	$4,077,913		$4,106,735

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2013						
		Recognized in OCI [1]			Not recognized in OCI		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$551,055	$—	$—	$551,055	$11,295	$4,616	$557,734
Asset-backed securities:							
Trust preferred securities – banks and insurance	79,419	—	41,593 [2]	37,826	15,195	1,308	51,713
Other debt securities	100	—	—	100	—	—	100
	630,574	—	41,593	588,981	26,490	5,924	609,547
Available-for-sale							
U.S. Treasury securities	1,442	104	—	1,546			1,546
U.S. Government agencies and corporations:							
Agency securities	517,905	1,920	901	518,924			518,924
Agency guaranteed mortgage-backed securities	308,687	9,926	1,237	317,376			317,376
Small Business Administration loan-backed securities	1,202,901	21,129	2,771	1,221,259			1,221,259
Municipal securities	65,425	1,329	490	66,264			66,264
Asset-backed securities:							
Trust preferred securities – banks and insurance	1,508,224	13,439	282,843	1,238,820			1,238,820
Trust preferred securities – real estate investment trusts	22,996	—	—	22,996			22,996
Auction rate securities	6,507	118	26	6,599			6,599
Other	27,540	359	—	27,899			27,899
	3,661,627	48,324	288,268	3,421,683			3,421,683
Mutual funds and other	287,603	21	7,421	280,203			280,203
	3,949,230	48,345	295,689	3,701,886			3,701,886
Total	$4,579,804	$48,345	$337,282	$4,290,867			$4,311,433

[1] Other comprehensive income

[2] The gross unrealized losses recognized in OCI on HTM securities resulted from a previous transfer of AFS securities to HTM, and from OTTI.

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of June 30, 2014 by expected maturity distribution for collateralized debt obligations (“CDOs”) and by contractual maturity for other debt securities. Actual maturities may differ from expected or contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	Held-to-maturity		Available-for-sale	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value

Due in one year or less	$68,208	$69,985	$518,808	$503,309
Due after one year through five years	212,364	213,045	1,254,976	1,240,766
Due after five years through ten years	142,532	147,470	729,062	715,698
Due after ten years	232,642	213,426	920,552	816,894
	$655,746	$643,926	$3,423,398	$3,276,667

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The following is a summary of the amount of gross unrealized losses for investment securities and the estimated fair value by length of time the securities have been in an unrealized loss position:

	June 30, 2014					
	Less than 12 months		12 months or more		Total	
(In thousands)	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$88	$7,620	$848	$19,235	$936	$26,855
Asset-backed securities:						
Trust preferred securities – banks and insurance	55	79	41,752	54,378	41,807	54,457
	143	7,699	42,600	73,613	42,743	81,312
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	6,394	366,792	58	5,740	6,452	372,532
Agency guaranteed mortgage-backed securities	145	15,807	319	16,641	464	32,448
Small Business Administration loan-backed securities	5,610	443,875	1,203	37,237	6,813	481,112
Municipal securities	77	15,561	530	2,697	607	18,258
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	176,289	647,348	176,289	647,348
Auction rate securities	8	1,606	21	891	29	2,497
	12,234	843,641	178,420	710,554	190,654	1,554,195
Mutual funds and other	915	42,852	1,576	48,516	2,491	91,368
	13,149	886,493	179,996	759,070	193,145	1,645,563
Total	$13,292	$894,192	$222,596	$832,683	$235,888	$1,726,875

	December 31, 2013					
	Less than 12 months		12 months or more		Total	
(In thousands)	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$4,025	$70,400	$591	$9,103	$4,616	$79,503
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	42,901	51,319	42,901	51,319
	4,025	70,400	43,492	60,422	47,517	130,822
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	828	47,862	73	5,874	901	53,736
	1,231	64,533	6	935	1,237	65,468

Agency guaranteed mortgage-backed securities						
Small Business Administration loan-backed securities	1,709	187,680	1,062	39,256	2,771	226,936
Municipal securities	73	8,834	417	3,179	490	12,013
Asset-backed securities:						
Trust preferred securities – banks and insurance	2,539	51,911	280,304	847,990	282,843	899,901
Auction rate securities	5	1,609	21	892	26	2,501
	6,385	362,429	281,883	898,126	288,268	1,260,555
Mutual funds and other	943	24,057	6,478	103,614	7,421	127,671
	7,328	386,486	288,361	1,001,740	295,689	1,388,226
Total	$11,353	$456,886	$331,853	$1,062,162	$343,206	$1,519,048

At June 30, 2014 and December 31, 2013, respectively, 72 and 157 held-to-maturity (“HTM”) and 338 and 317 available-for-sale (“AFS”) investment securities were in an unrealized loss position.

Other-Than-Temporary Impairment
Ongoing Policy
We conduct a formal review of investment securities on a quarterly basis for the presence of other-than-temporary impairment ("OTTI"). We assess whether OTTI is present when the fair value of a debt security is less than its amortized cost basis at the balance sheet date (the vast majority of the investment portfolio are debt securities). Under these circumstances, OTTI is considered to have occurred if (1) we intend to sell the security; (2) it is "more likely than not" we will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis.

Noncredit-related OTTI in securities we intend to sell is recognized in earnings as is any credit-related OTTI in securities, regardless of our intent. Noncredit-related OTTI on AFS securities not expected to be sold is recognized in OCI. The amount of noncredit-related OTTI in a security is quantified as the difference in a security's amortized cost after adjustment for credit impairment, and its lower fair value. Presentation of OTTI is made in the statement of income on a gross basis with an offset for the amount of OTTI recognized in OCI. For securities classified as HTM, the amount of noncredit-related OTTI recognized in OCI is accreted using the effective interest rate method to the credit-adjusted expected cash flow amounts of the securities over future periods.

Effect of Volcker Rule and Interim Final Rule
On December 10, 2013, the final Volcker Rule ("VR") was published pursuant to the Dodd-Frank Act. The VR significantly restricted certain activities by covered bank holding companies, including restrictions on certain types of securities, proprietary trading, and private equity investing. On January 14, 2014, the VR's application to certain CDO securities was revised by an Interim Final Rule ("IFR") related primarily to bank trust preferred CDO securities.

Certain of the Company's CDO securities backed primarily by insurance trust preferred securities, real estate investment trust ("REIT") securities, and asset-backed securities ("ABS") became disallowed to be held effective July 21, 2015 under the VR and the IFR. This regulatory change resulted in the Company no longer being able to hold these securities to maturity. Further, to reduce the risk profile of the portfolio, we determined as of December 31, 2013, an intent to sell certain disallowed as well as other allowed CDO securities.

During the first quarter of 2014, we recorded a total of $993 million par amount of sales and paydowns of CDO securities. Included in this amount were $631 million par amount that had been identified for sale as of December 31, 2013 and their amortized cost was adjusted to fair value as of that date. Another $301 million par amount of primarily insurance CDOs were not adjusted to fair value at December 31, 2013 because the Company did not, at that date, intend to sell these securities. Net gains for the first quarter were approximately $31 million.

During the second quarter of 2014, we recorded $25 million par amount of paydowns of CDO securities, which resulted in gains of approximately $5 million. No CDO securities were sold during the second quarter.

OTTI Conclusions
Our 2013 Annual Report on Form 10-K describes in more detail our OTTI evaluation process. The following summarizes the conclusions from our OTTI evaluation according to the security type that has significant gross unrealized losses at June 30, 2014:

OTTI – Asset-Backed Securities
Trust preferred securities – banks and insurance: These CDO securities are interests in variable rate pools of trust preferred securities issued by trusts related to bank holding companies and insurance companies ("collateral issuers"). They are rated by one or more Nationally Recognized Statistical Rating Organizations ("NRSROs"), which are rating

agencies registered with the Securities and Exchange Commission (“SEC”). The more junior securities were purchased generally at par, while the senior securities were purchased from Lockhart Funding LLC

(“Lockhart”), a previously consolidated qualifying special-purpose entity securities conduit, at their carrying values (generally par) and then adjusted to their lower fair values. The primary drivers that have given rise to the unrealized losses on CDOs with bank and insurance collateral are listed below:

1) Market yield requirements for bank CDO securities remain elevated. The financial crisis and economic downturn resulted in significant utilization of both the unique five-year deferral option, which each collateral issuer maintains during the life of the CDO, and the payment in kind (“PIK”) feature described subsequently. The resulting increase in the rate of return demanded by the market for trust preferred CDOs remains substantially higher than the contractual interest rates. CDO tranches backed by bank trust preferred securities continue to be characterized by uncertainty surrounding collateral behavior, specifically including, but not limited to, prepayments; the future number, size and timing of bank failures; holding company bankruptcies; and allowed deferrals and subsequent resumption of payment or default due to nonpayment of contractual interest.

2) Structural features of the collateral make these CDO tranches difficult for market participants to model. The first feature unique to bank CDOs is the interest deferral feature previously noted. Throughout the crisis starting in 2008, certain banks within our CDO pools have exercised this prerogative. The extent to which these deferrals are likely to either transition to default or, alternatively, come current prior to the five-year deadline is extremely difficult for market participants to assess.

A second structural feature that is difficult to model is the PIK feature, which provides that upon reaching certain levels of collateral default or deferral, certain junior CDO tranches will not receive current interest but will instead have the interest amount that is unpaid capitalized or deferred. The delay in payment caused by PIKing results in lower security fair values even if PIKing is projected to be fully cured.

3) The ratings from one NRSRO remain below-investment-grade for even some of the most senior tranches that originally were rated AAA or the equivalent. Ratings on a number of CDO tranches vary significantly among rating agencies. The presence of a below-investment-grade rating by even a single rating agency generally reduces the pool of buyers, which causes greater illiquidity and therefore most likely a higher implicit discount rate/lower price with regard to that CDO tranche.

Our ongoing review of these securities determined that no OTTI should be recorded in the second quarter of 2014. An immaterial amount was recorded in the first quarter of 2014.

The following is a tabular rollforward of the total amount of credit-related OTTI:

(In thousands)	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(9,079)	$(163,914)	$(172,993)	$(9,052)	$(176,833)	$(185,885)
Additions recognized in earnings during the period:						
Credit-related OTTI on securities not previously impaired	—	—	—	—	—	—
Additional credit-related OTTI on securities previously impaired	—	—	—	(27)	—	(27)
Subtotal of amounts recognized in earnings	—	—	—	(27)	—	(27)
Reductions for securities sold or paid off during the period	—	—	—	—	12,919	12,919
	$(9,079)	$(163,914)	$(172,993)	$(9,079)	$(163,914)	$(172,993)

Balance of credit-related OTTI at end of period

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(In thousands)	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(13,952)	$(404,208)	$(418,160)	$(13,549)	$(394,494)	$(408,043)
Additions recognized in earnings during the period:						
Credit-related OTTI on securities not previously impaired	—	—	—	(403)	—	(403)
Additional credit-related OTTI on securities previously impaired	—	(4,217)	(4,217)	—	(13,931)	(13,931)
Subtotal of amounts recognized in earnings	—	(4,217)	(4,217)	(403)	(13,931)	(14,334)
Reductions for securities sold or paid off during the period	—	1,848	1,848	—	1,848	1,848
Balance of credit-related OTTI at end of period	$(13,952)	$(406,577)	$(420,529)	$(13,952)	$(406,577)	$(420,529)

To determine the credit component of OTTI for all security types, we utilize projected cash flows. These cash flows are credit adjusted using, among other things, assumptions for default probability and loss severity. Certain other unobservable inputs such as prepayment rate assumptions are also utilized. In addition, certain internal and external models may be utilized. See Note 10 for further discussion. To determine the credit-related portion of OTTI in accordance with applicable accounting guidance, we use the security specific effective interest rate when estimating the present value of cash flows.

For those securities with credit-related OTTI recognized in the statement of income, the amounts of pretax noncredit-related OTTI recognized in OCI were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
HTM	$—	$—	$—	$16,114
AFS	—	693	—	5,955
	$—	$693	$—	$22,069

The following summarizes gains and losses, including OTTI, that were recognized in the statement of income:

(In thousands)	Three Months Ended				Six Months Ended			
	June 30, 2014		June 30, 2013		June 30, 2014		June 30, 2013	
	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:								
Held-to-maturity	$—	$—	$7	$—	$—	$27	$31	$403
Available-for-sale	5,032	6	3,162	8,539	77,593	41,653	6,438	18,254
Other noninterest-bearing investments:								

Nonmarketable equity securities	3,745	1,232	2,209	—	4,657	1,232	5,066	25
	8,777	1,238	5,378	8,539	82,250	42,912	11,535	18,682
Net gains (losses)		$7,539		$(3,161)		$39,338		$(7,147)
Statement of income information:								
Net impairment losses on investment securities		$—		$(4,217)		$(27)		$(14,334)
Equity securities gains, net		2,513		2,209		3,425		5,041
Fixed income securities gains (losses), net		5,026		(1,153)		35,940		2,146
Net gains (losses)		$7,539		$(3,161)		$39,338		$(7,147)

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Interest income by security type is as follows:

(In thousands)	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
	Taxable	Nontaxable	Total	Taxable	Nontaxable	Total
Investment securities:						
Held-to-maturity	$3,721	$2,807	$6,528	$7,549	$5,643	$13,192
Available-for-sale	16,780	628	17,408	37,204	1,152	38,356
Trading	566	—	566	1,048	—	1,048
	$21,067	$3,435	$24,502	$45,801	$6,795	$52,596

(In thousands)	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
	Taxable	Nontaxable	Total	Taxable	Nontaxable	Total
Investment securities:						
Held-to-maturity	$5,012	$2,834	$7,846	$10,085	$5,735	$15,820
Available-for-sale	18,517	511	19,028	35,690	1,050	36,740
Trading	287	—	287	477	—	477
	$23,816	$3,345	$27,161	$46,252	$6,785	$53,037

Securities with a carrying value of $1.4 billion at June 30, 2014 and $1.5 billion at December 31, 2013 were pledged to secure public and trust deposits, advances, and for other purposes as required by law. Securities are also pledged as collateral for security repurchase agreements.

6. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and Loans Held for Sale

Loans are summarized as follows according to major portfolio segment and specific loan class:

(In thousands)	June 30, 2014	December 31, 2013
Loans held for sale	$164,374	$171,328
Commercial:		
Commercial and industrial	$12,805,303	$12,481,083
Leasing	415,205	387,929
Owner occupied	7,386,414	7,437,195
Municipal	522,327	449,418
Total commercial	21,129,249	20,755,625
Commercial real estate:		
Construction and land development	2,340,249	2,182,821
Term	7,968,625	8,005,837
Total commercial real estate	10,308,874	10,188,658
Consumer:		
Home equity credit line	2,204,174	2,133,120
1-4 family residential	4,827,067	4,736,665
Construction and other consumer real estate	338,170	324,922
Bankcard and other revolving plans	376,366	356,240

Other	195,895	197,864
Total consumer	7,941,672	7,748,811
FDIC-supported/PCI loans	250,568	350,271
Total loans	$39,630,363	$39,043,365

Loan balances are presented net of unearned income and fees, which amounted to $149.6 million at June 30, 2014 and $141.7 million at December 31, 2013.

Owner occupied and commercial real estate ("CRE") loans include unamortized premiums of approximately $41.6 million at June 30, 2014 and $47.2 million at December 31, 2013.
Municipal loans generally include loans to municipalities with the debt service being repaid from general funds or pledged revenues of the municipal entity, or to private commercial entities or 501(c)(3) not-for-profit entities utilizing a pass-through municipal entity to achieve favorable tax treatment.
Land development loans included in the construction and land development loan class were $540.1 million at June 30, 2014 and $561.3 million at December 31, 2013.

FDIC-supported loans were acquired during 2009 and are indemnified by the Federal Deposit Insurance Corporation ("FDIC") under loss sharing agreements. The FDIC-supported loan balances presented in the accompanying schedules include purchased credit-impaired ("PCI") loans accounted for at their carrying values rather than their outstanding balances. See subsequent discussion under Purchased Loans.
Loans with a carrying value of approximately $23.4 billion at June 30, 2014 and $23.0 billion at December 31, 2013 have been pledged at the Federal Reserve and various Federal Home Loan Banks ("FHLB") as collateral for current and potential borrowings.
We sold loans with a carrying value of $260.1 million and $597.7 million for the three and six months ended June 30, 2014, and $446.7 million and $894.3 million for the three and six months ended June 30, 2013, respectively, that were classified as loans held for sale. The sold loans were derecognized from the balance sheet. Loans classified as loans held for sale primarily consist of conforming residential mortgages. The principal balance of sold loans for which we retain servicing was approximately $1.2 billion at both June 30, 2014 and December 31, 2013.

Amounts added to loans held for sale during these periods were $301.6 million and $597.1 million for the three and six months ended June 30, 2014, and $418.9 million and $777.8 million for the three and six months ended June 30, 2013, respectively. Income from loans sold, excluding servicing, was $3.6 million and $7.1 million for the three and six months ended June 30, 2014, and $8.0 million and $16.5 million for the three and six months ended June 30, 2013, respectively.

Allowance for Credit Losses
The allowance for credit losses ("ACL") consists of the allowance for loan and lease losses ("ALLL") (also referred to as the allowance for loan losses) and the reserve for unfunded lending commitments ("RULC").

Allowance for Loan and Lease Losses
The ALLL represents our estimate of probable and estimable losses inherent in the loan and lease portfolio as of the balance sheet date. Losses are charged to the ALLL when recognized. Generally, commercial loans are charged off or charged down at the point at which they are determined to be uncollectible in whole or in part, or when 180 days past due unless the loan is well secured and in the process of collection. Consumer loans are either charged off or charged down to net realizable value no later than the month in which they become 180 days past due. Closed-end consumer loans that are not secured by residential real estate are either charged off or charged down to net realizable value no later than the month in which they become 120 days past due. We establish the amount of the ALLL by analyzing the portfolio at least quarterly, and we adjust the provision for loan losses so the ALLL is at an appropriate level at the balance sheet date.

We determine our ALLL as the best estimate within a range of estimated losses. The methodologies we use to estimate the ALLL depend upon the impairment status and portfolio segment of the loan. The methodology for

impaired loans is discussed subsequently. For the commercial and CRE segments, we use a comprehensive loan grading system to assign probability of default ("PD") and loss given default ("LGD") grades to each loan. The credit quality indicators discussed subsequently are based on this grading system. PD and LGD grades are based on both financial and statistical models and loan officers' judgment. We create groupings of these grades for each subsidiary bank and loan class and calculate historic loss rates using a loss migration analysis that attributes historic realized losses to these loan grade groupings over the period of January 2008 through the most recent full quarter.
For the consumer loan segment, we use roll rate models to forecast probable inherent losses. Roll rate models measure the rate at which consumer loans migrate from one delinquency category to the next worse delinquency category, and eventually to loss. We estimate roll rates for consumer loans using recent delinquency and loss experience by segmenting our consumer loan portfolio into separate pools based on common risk characteristics and separately calculating historical delinquency and loss experience for each pool. These roll rates are then applied to current delinquency levels to estimate probable inherent losses. Roll rates incorporate housing market trends inasmuch as these trends manifest themselves in charge-offs and delinquencies. In addition, our qualitative and environmental factors discussed subsequently incorporate the most recent housing market trends.
For FDIC-supported/PCI loans purchased with evidence of credit deterioration, we determine the ALLL according to separate accounting guidance. The accounting for these loans, including the allowance calculation, is described in the Purchased Loans section following.

The current status and historical changes in qualitative and environmental factors may not be reflected in our quantitative models. Thus, after applying historical loss experience, as described above, we review the quantitatively derived level of ALLL for each segment using qualitative criteria and use those criteria to determine our estimate within the range. We track various risk factors that influence our judgment regarding the level of the ALLL across the portfolio segments. These factors primarily include:

- Asset quality trends
- Risk management and loan administration practices
- Risk identification practices
- Effect of changes in the nature and volume of the portfolio
- Existence and effect of any portfolio concentrations
- National economic and business conditions
- Regional and local economic and business conditions
- Data availability and applicability
- Effects of other external factors

The magnitude of the impact of these factors on our qualitative assessment of the ALLL changes from quarter to quarter according to the extent these factors are already reflected in historic loss rates and according to the extent these factors diverge from one to another. We also consider the uncertainty inherent in the estimation process when evaluating the ALLL.

Reserve for Unfunded Lending Commitments
We also estimate a reserve for potential losses associated with off-balance sheet commitments, including standby letters of credit. We determine the RULC using the same procedures and methodologies that we use for the ALLL. The loss factors used in the RULC are the same as the loss factors used in the ALLL, and the qualitative adjustments used in the RULC are the same as the qualitative adjustments used in the ALLL. We adjust the Company's unfunded lending commitments that are not unconditionally cancelable to an outstanding amount equivalent using credit conversion factors, and we apply the loss factors to the outstanding equivalents.

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Changes in the allowance for credit losses are summarized as follows:

	Three Months Ended June 30, 2014				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported/PCI [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$474,548	$206,546	$51,080	$ 4,779	$736,953
Additions:					
Provision for loan losses	(29,878)	(19,348)	(5,232)	42	(54,416)
Adjustment for FDIC-supported/PCI loans				(444)	(444)
Deductions:					
Gross loan and lease charge-offs	(15,003)	(2,961)	(4,258)	(1,178)	(23,400)
Recoveries	10,567	3,024	2,945	678	17,214
Net loan and lease charge-offs	(4,436)	63	(1,313)	(500)	(6,186)
Balance at end of period	$440,234	$187,261	$44,535	$ 3,877	$675,907
Reserve for unfunded lending commitments:					
Balance at beginning of period	$49,870	$35,273	$3,550	$ —	$88,693
Provision charged (credited) to earnings	2,931	3,416	432	—	6,779
Balance at end of period	$52,801	$38,689	$3,982	$ —	$95,472
Total allowance for credit losses at end of period:					
Allowance for loan losses	$440,234	$187,261	$44,535	$ 3,877	$675,907
Reserve for unfunded lending commitments	52,801	38,689	3,982	—	95,472
Total allowance for credit losses	$493,035	$225,950	$48,517	$ 3,877	$771,379

	Six Months Ended June 30, 2014				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported/PCI [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$465,145	$213,363	$60,865	$ 6,918	$746,291
Additions:					
Provision for loan losses	(18,196)	(20,915)	(14,100)	(1,815)	(55,026)
Adjustment for FDIC-supported/PCI loans				(1,261)	(1,261)
Deductions:					
Gross loan and lease charge-offs	(24,127)	(10,815)	(7,372)	(1,881)	(44,195)
Recoveries	17,412	5,628	5,142	1,916	30,098
Net loan and lease charge-offs	(6,715)	(5,187)	(2,230)	35	(14,097)
Balance at end of period	$440,234	$187,261	$44,535	$ 3,877	$675,907
Reserve for unfunded lending commitments:					
Balance at beginning of period	$48,345	$37,485	$3,875	$ —	$89,705
Provision charged (credited) to earnings	4,456	1,204	107	—	5,767
Balance at end of period	$52,801	$38,689	$3,982	$ —	$95,472
Total allowance for credit losses at end of period:					
Allowance for loan losses	$440,234	$187,261	$44,535	$ 3,877	$675,907

Reserve for unfunded lending commitments	52,801	38,689	3,982	—	95,472
Total allowance for credit losses	$493,035	$225,950	$48,517	$ 3,877	$771,379

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(In thousands)	Three Months Ended June 30, 2013 Commercial	Commercial real estate	Consumer	FDIC-supported/PCI [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$496,930	$256,421	$84,622	$ 3,808	$841,781
Additions:					
Provision for loan losses	(5,182)	(11,222)	(8,274)	2,688	(21,990)
Adjustment for FDIC-supported/PCI loans	—	—	—	(209)	(209)
Deductions:					
Gross loan and lease charge-offs	(18,508)	(6,107)	(9,102)	(1,382)	(35,099)
Recoveries	13,113	12,186	3,120	1,010	29,429
Net loan and lease charge-offs	(5,395)	6,079	(5,982)	(372)	(5,670)
Balance at end of period	$486,353	$251,278	$70,366	$ 5,915	$813,912
Reserve for unfunded lending commitments:					
Balance at beginning of period	$65,632	$33,240	$1,583	$ —	$100,455
Provision charged (credited) to earnings	(2,360)	6,214	(227)	—	3,627
Balance at end of period	$63,272	$39,454	$1,356	$ —	$104,082
Total allowance for credit losses at end of period:					
Allowance for loan losses	$486,353	$251,278	$70,366	$ 5,915	$813,912
Reserve for unfunded lending commitments	63,272	39,454	1,356	—	104,082
Total allowance for credit losses	$549,625	$290,732	$71,722	$ 5,915	$917,994

(In thousands)	Six Months Ended June 30, 2013 Commercial	Commercial real estate	Consumer	FDIC-supported/PCI [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$510,908	$276,976	$95,656	$ 12,547	$896,087
Additions:					
Provision for loan losses	(8,411)	(29,850)	(13,294)	530	(51,025)
Adjustment for FDIC-supported/PCI loans	—	—	—	(7,638)	(7,638)
Deductions:					
Gross loan and lease charge-offs	(36,608)	(13,331)	(19,039)	(1,588)	(70,566)
Recoveries	20,464	17,483	7,043	2,064	47,054
Net loan and lease charge-offs	(16,144)	4,152	(11,996)	476	(23,512)
Balance at end of period	$486,353	$251,278	$70,366	$ 5,915	$813,912
Reserve for unfunded lending commitments:					
Balance at beginning of period	$67,374	$37,852	$1,583	$ —	$106,809
Provision charged (credited) to earnings	(4,102)	1,602	(227)	—	(2,727)
Balance at end of period	$63,272	$39,454	$1,356	$ —	$104,082
Total allowance for credit losses at end of period:					
Allowance for loan losses	$486,353	$251,278	$70,366	$ 5,915	$813,912
Reserve for unfunded lending commitments	63,272	39,454	1,356	—	104,082
Total allowance for credit losses	$549,625	$290,732	$71,722	$ 5,915	$917,994

[1] The Purchased Loans section following contains further discussion related to FDIC-supported/PCI loans.

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The ALLL and outstanding loan balances according to the Company's impairment method are summarized as follows:

	June 30, 2014				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported/PCI	Total
Allowance for loan losses:					
Individually evaluated for impairment	$35,940	$5,788	$9,260	$ —	$50,988
Collectively evaluated for impairment	404,294	181,473	35,275	37	621,079
Purchased loans with evidence of credit deterioration	—	—	—	3,840	3,840
Total	$440,234	$187,261	$44,535	$ 3,877	$675,907
Outstanding loan balances:					
Individually evaluated for impairment	$304,303	$219,238	$97,668	$ 1,229	$622,438
Collectively evaluated for impairment	20,824,946	10,089,636	7,844,004	35,657	38,794,243
Purchased loans with evidence of credit deterioration	—	—	—	213,682	213,682
Total	$21,129,249	$10,308,874	$7,941,672	$ 250,568	$39,630,363

	December 31, 2013				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported/PCI	Total
Allowance for loan losses:					
Individually evaluated for impairment	$39,288	$12,510	$10,701	$ —	$62,499
Collectively evaluated for impairment	425,857	200,853	50,164	392	677,266
Purchased loans with evidence of credit deterioration	—	—	—	6,526	6,526
Total	$465,145	$213,363	$60,865	$ 6,918	$746,291
Outstanding loan balances:					
Individually evaluated for impairment	$315,604	$262,907	$101,545	$ 1,224	$681,280
Collectively evaluated for impairment	20,440,021	9,925,751	7,647,266	37,963	38,051,001
Purchased loans with evidence of credit deterioration	—	—	—	311,084	311,084
Total	$20,755,625	$10,188,658	$7,748,811	$ 350,271	$39,043,365

Nonaccrual and Past Due Loans

Loans are generally placed on nonaccrual status when payment in full of principal and interest is not expected, or the loan is 90 days or more past due as to principal or interest, unless the loan is both well secured and in the process of collection. Factors we consider in determining whether a loan is placed on nonaccrual include delinquency status, collateral value, borrower or guarantor financial statement information, bankruptcy status, and other information which would indicate that the full and timely collection of interest and principal is uncertain.

A nonaccrual loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement; the loan, if secured, is well secured; the borrower has paid according to the contractual terms for a minimum of six months; and analysis of the borrower indicates a reasonable assurance of the ability and willingness to maintain payments. Payments received on nonaccrual loans are applied as a reduction to the principal outstanding.

Closed-end loans with payments scheduled monthly are reported as past due when the borrower is in arrears for two or more monthly payments. Similarly, open-end credit such as charge-card plans and other revolving credit plans are

reported as past due when the minimum payment has not been made for two or more billing cycles. Other multi-payment obligations (i.e., quarterly, semiannual, etc.), single payment, and demand notes are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more.

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Nonaccrual loans are summarized as follows:

(In thousands)	June 30, 2014	December 31, 2013
Loans held for sale	$29,453	$—
Commercial:		
Commercial and industrial	$82,646	$97,960
Leasing	668	757
Owner occupied	100,617	136,281
Municipal	8,951	9,986
Total commercial	192,882	244,984
Commercial real estate:		
Construction and land development	23,616	29,205
Term	44,042	60,380
Total commercial real estate	67,658	89,585
Consumer:		
Home equity credit line	11,367	8,969
1-4 family residential	44,668	53,002
Construction and other consumer real estate	2,462	3,510
Bankcard and other revolving plans	600	1,365
Other	325	804
Total consumer loans	59,422	67,650
FDIC-supported/PCI loans	2,032	4,394
Total	$321,994	$406,613

Past due loans (accruing and nonaccruing) are summarized as follows:

	June 30, 2014						
(In thousands)	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current [1]
Loans held for sale	$157,062	$4,479	$2,833	$7,312	$164,374	$—	$22,141
Commercial:							
Commercial and industrial	$12,694,068	$67,955	$43,280	$111,235	$12,805,303	$1,537	$27,058
Leasing	414,954	—	251	251	415,205	—	417
Owner occupied	7,321,609	22,324	42,481	64,805	7,386,414	2,145	58,200
Municipal	517,581	4,746	—	4,746	522,327	—	4,205
Total commercial	20,948,212	95,025	86,012	181,037	21,129,249	3,682	89,880
Commercial real estate:							
Construction and land development	2,328,070	296	11,883	12,179	2,340,249	2,239	13,972
Term	7,922,149	17,603	28,873	46,476	7,968,625	5,648	18,509
Total commercial real estate	10,250,219	17,899	40,756	58,655	10,308,874	7,887	32,481
Consumer:							
Home equity credit line	2,191,199	4,113	8,862	12,975	2,204,174	—	1,827
1-4 family residential	4,798,122	10,523	18,422	28,945	4,827,067	1,126	21,729
	336,016	1,049	1,105	2,154	338,170	164	1,323

Construction and other consumer real estate							
Bankcard and other revolving plans	374,012	1,273	1,081	2,354	376,366	869	337
Other	195,164	520	211	731	195,895	—	113
Total consumer loans	7,894,513	17,478	29,681	47,159	7,941,672	2,159	25,329
FDIC-supported/PCI loans	203,683	8,144	38,741	46,885	250,568	38,018	1,131
Total	$39,296,627	$138,546	$195,190	$333,736	$39,630,363	$51,746	$148,821

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	December 31, 2013						
(In thousands)	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current [1]
Loans held for sale	$171,328	$—	$—	$—	$171,328	$—	$—
Commercial:							
Commercial and industrial	$12,387,546	$48,811	$44,726	$93,537	$12,481,083	$1,855	$52,412
Leasing	387,526	173	230	403	387,929	36	563
Owner occupied	7,357,618	36,718	42,859	79,577	7,437,195	744	82,072
Municipal	440,608	3,307	5,503	8,810	449,418	—	1,176
Total commercial	20,573,298	89,009	93,318	182,327	20,755,625	2,635	136,223
Commercial real estate:							
Construction and land development	2,162,018	8,967	11,836	20,803	2,182,821	23	17,311
Term	7,971,327	15,362	19,148	34,510	8,005,837	5,580	42,624
Total commercial real estate	10,133,345	24,329	30,984	55,313	10,188,658	5,603	59,935
Consumer:							
Home equity credit line	2,122,549	8,001	2,570	10,571	2,133,120	98	2,868
1-4 family residential	4,704,852	8,526	23,287	31,813	4,736,665	667	27,592
Construction and other consumer real estate	322,807	1,038	1,077	2,115	324,922	—	2,232
Bankcard and other revolving plans	353,060	2,093	1,087	3,180	356,240	900	1,105
Other	196,327	827	710	1,537	197,864	54	125
Total consumer loans	7,699,595	20,485	28,731	49,216	7,748,811	1,719	33,922
FDIC-supported/PCI loans	305,709	12,026	32,536	44,562	350,271	30,391	1,975
Total	$38,711,947	$145,849	$185,569	$331,418	$39,043,365	$40,348	$232,055

[1] Represents nonaccrual loans that are not past due more than 30 days; however, full payment of principal and interest is still not expected.

Credit Quality Indicators
In addition to the past due and nonaccrual criteria, we also analyze loans using loan risk grading systems, which vary based on the size and type of credit risk exposure. The internal risk grades assigned to loans follow our definitions of Pass, Special Mention, Substandard, and Doubtful, which are consistent with published definitions of regulatory risk classifications.

Definitions of Pass, Special Mention, Substandard, and Doubtful are summarized as follows:
Pass – A Pass asset is higher quality and does not fit any of the other categories described below. The likelihood of loss is considered remote.
Special Mention – A Special Mention asset has potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the bank’s credit position at some future date.
Substandard – A Substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified have well defined weaknesses and are characterized by

the distinct possibility that the bank may sustain some loss if deficiencies are not corrected.
Doubtful – A Doubtful asset has all the weaknesses inherent in a Substandard asset with the added characteristics that the weaknesses make collection or liquidation in full highly questionable and improbable.

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We generally assign internal risk grades to commercial and CRE loans with commitments equal to or greater than $750,000 based on financial and statistical models, individual credit analysis, and loan officer judgment. For these larger loans, we assign one of multiple grades within the Pass classification or one of the following four grades: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding balance has been charged off. We confirm our internal risk grades quarterly, or as soon as we identify information that affects the credit risk of the loan.

For consumer loans or certain small commercial loans with commitments equal to or less than $750,000, we generally assign internal risk grades similar to those described previously based on automated rules that depend on refreshed credit scores, payment performance, and other risk indicators. These are generally assigned either a Pass or Substandard grade and are reviewed as we identify information that might warrant a grade change.

Outstanding loan balances (accruing and nonaccruing) categorized by these credit quality indicators are summarized as follows:

	June 30, 2014					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Loans held for sale	$148,381	$15,993	$—	$—	$164,374	$—
Commercial:						
Commercial and industrial	$12,105,752	$237,639	$459,167	$2,745	$12,805,303	
Leasing	408,963	3,801	2,441	—	415,205	
Owner occupied	6,801,947	201,329	383,138	—	7,386,414	
Municipal	513,376	—	8,951	—	522,327	
Total commercial	19,830,038	442,769	853,697	2,745	21,129,249	$440,234
Commercial real estate:						
Construction and land development	2,279,946	9,334	50,969	—	2,340,249	
Term	7,634,361	107,039	227,225	—	7,968,625	
Total commercial real estate	9,914,307	116,373	278,194	—	10,308,874	187,261
Consumer:						
Home equity credit line	2,182,585	—	21,589	—	2,204,174	
1-4 family residential	4,767,970	—	59,097	—	4,827,067	
Construction and other consumer real estate	332,101	—	6,069	—	338,170	
Bankcard and other revolving plans	374,281	—	2,085	—	376,366	
Other	195,323	—	572	—	195,895	
Total consumer loans	7,852,260	—	89,412	—	7,941,672	44,535
FDIC-supported/PCI loans	153,253	17,286	80,029	—	250,568	3,877
Total	$37,749,858	$576,428	$1,301,332	$2,745	$39,630,363	$675,907

(In thousands)	December 31, 2013 Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Loans held for sale	$171,328	$—	$—	$—	$171,328	$—
Commercial:						
Commercial and industrial	$11,807,825	$303,598	$360,391	$9,269	$12,481,083	
Leasing	380,268	2,050	5,611	—	387,929	
Owner occupied	6,827,464	184,328	425,403	—	7,437,195	
Municipal	439,432	—	9,986	—	449,418	
Total commercial	19,454,989	489,976	801,391	9,269	20,755,625	$465,145
Commercial real estate:						
Construction and land development	2,107,828	15,010	59,983	—	2,182,821	
Term	7,569,472	172,856	263,509	—	8,005,837	
Total commercial real estate	9,677,300	187,866	323,492	—	10,188,658	213,363
Consumer:						
Home equity credit line	2,111,475	—	21,645	—	2,133,120	
1-4 family residential	4,668,841	—	67,824	—	4,736,665	
Construction and other consumer real estate	313,881	—	11,041	—	324,922	
Bankcard and other revolving plans	353,618	—	2,622	—	356,240	
Other	196,770	—	1,094	—	197,864	
Total consumer loans	7,644,585	—	104,226	—	7,748,811	60,865
FDIC-supported/PCI loans	232,893	22,532	94,846	—	350,271	6,918
Total	$37,009,767	$700,374	$1,323,955	$9,269	$39,043,365	$746,291

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. For our non-purchased credit-impaired loans, if a nonaccrual loan has a balance greater than $1 million or if a loan is a troubled debt restructuring (“TDR”), including TDRs that subsequently default, we individually evaluate the loan for impairment and estimate a specific reserve for the loan for all portfolio segments under applicable accounting guidance. Smaller nonaccrual loans are pooled for ALLL estimation purposes. PCI loans in our FDIC-supported/PCI portfolio segment are included in impaired loans and are accounted for under separate accounting guidance. See subsequent discussion under Purchased Loans.

When a loan is impaired, we estimate a specific reserve for the loan based on the projected present value of the loan’s future cash flows discounted at the loan’s effective interest rate, the observable market price of the loan, or the fair value of the loan’s underlying collateral. The process of estimating future cash flows also incorporates the same determining factors discussed previously under nonaccrual loans. When we base the impairment amount on the fair value of the loan’s underlying collateral, we generally charge off the portion of the balance that is impaired, such that these loans do not have a specific reserve in the ALLL. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding. The amount of interest income recognized on a cash basis during the time the loans were impaired within the three and six months ended June 30, 2014 and 2013 was not significant.

Information on impaired loans individually evaluated is summarized as follows, including the average recorded investment and interest income recognized for the six months ended June 30, 2014 and 2013:

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(In thousands)	June 30, 2014 Unpaid principal balance	Recorded investment with no allowance	 with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$212,998	$19,380	$139,936	$159,316	$24,970
Owner occupied	132,060	49,728	62,514	112,242	5,604
Municipal	9,429	1,106	7,844	8,950	1,798
Total commercial	354,487	70,214	210,294	280,508	32,372
Commercial real estate:					
Construction and land development	62,346	22,454	30,339	52,793	2,433
Term	150,332	72,672	33,659	106,331	1,894
Total commercial real estate	212,678	95,126	63,998	159,124	4,327
Consumer:					
Home equity credit line	19,981	11,463	5,164	16,627	155
1-4 family residential	88,987	39,138	35,961	75,099	8,584
Construction and other consumer real estate	3,903	1,608	1,094	2,702	242
Bankcard and other revolving plans	—	—	—	—	—
Total consumer loans	112,871	52,209	42,219	94,428	8,981
FDIC-supported/PCI loans	282,088	94,740	120,171	214,911	3,840
Total	$962,124	$312,289	$436,682	$748,971	$49,520

(In thousands)	December 31, 2013 Unpaid principal balance	Recorded investment with no allowance	 with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$167,816	$28,917	$117,881	$146,798	$22,462
Owner occupied	151,499	50,361	88,584	138,945	13,900
Municipal	10,465	1,175	8,811	9,986	1,225
Total commercial	329,780	80,453	215,276	295,729	37,587
Commercial real estate:					
Construction and land development	85,440	19,206	50,744	69,950	3,483
Term	171,826	34,258	112,330	146,588	7,981
Total commercial real estate	257,266	53,464	163,074	216,538	11,464
Consumer:					
Home equity credit line	17,547	12,568	2,200	14,768	178
1-4 family residential	95,613	38,775	42,132	80,907	10,276
Construction and other consumer real estate	4,713	2,643	933	3,576	175
Bankcard and other revolving plans	726	726	—	726	—
Total consumer loans	118,599	54,712	45,265	99,977	10,629
FDIC-supported/PCI loans	404,308	83,917	228,392	312,309	6,526
Total	$1,109,953	$272,546	$652,007	$924,553	$66,206

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(In thousands)	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial:				
Commercial and industrial	$182,556	$875	$175,150	$1,898
Owner occupied	139,901	752	139,623	1,500
Municipal	9,270	—	9,615	—
Total commercial	331,727	1,627	324,388	3,398
Commercial real estate:				
Construction and land development	59,488	386	60,939	938
Term	136,152	1,058	134,024	2,120
Total commercial real estate	195,640	1,444	194,963	3,058
Consumer:				
Home equity credit line	16,512	136	15,686	270
1-4 family residential	79,764	439	79,077	886
Construction and other consumer real estate	3,005	33	3,008	68
Other	—	—	—	—
Total consumer loans	99,281	608	97,771	1,224
FDIC-supported/PCI loans	236,436	14,419 [1]	260,297	36,739 [1]
Total	$863,084	$18,098	$877,419	$44,419

(In thousands)	Three Months Ended June 30, 2013		Six Months Ended June 30, 2013	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial:				
Commercial and industrial	$161,960	$861	$153,230	$1,519
Owner occupied	213,757	959	209,928	1,878
Municipal	8,999	—	9,100	—
Total commercial	384,716	1,820	372,258	3,397
Commercial real estate:				
Construction and land development	142,428	1,558	145,234	2,215
Term	284,518	1,984	287,464	3,824
Total commercial real estate	426,946	3,542	432,698	6,039
Consumer:				
Home equity credit line	13,462	85	12,459	143
1-4 family residential	100,395	354	98,914	725
Construction and other consumer real estate	5,626	47	5,874	93
Other	1,782	—	1,799	—
Total consumer loans	121,265	486	119,046	961
FDIC-supported/PCI loans	404,652	33,996 [1]	425,972	59,149 [1]
Total	$1,337,579	$39,844	$1,349,974	$69,546

[1] The balance of interest income recognized results primarily from accretion of interest income on impaired FDIC-supported/PCI loans.

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Modified and Restructured Loans
Loans may be modified in the normal course of business for competitive reasons or to strengthen the Company's position. Loan modifications and restructurings may also occur when the borrower experiences financial difficulty and needs temporary or permanent relief from the original contractual terms of the loan. These modifications are structured on a loan-by-loan basis and, depending on the circumstances, may include extended payment terms, a modified interest rate, forgiveness of principal, or other concessions. Loans that have been modified to accommodate a borrower who is experiencing financial difficulties, and for which the Company has granted a concession that it would not otherwise consider, are considered TDRs.

We consider many factors in determining whether to agree to a loan modification involving concessions, and seek a solution that will both minimize potential loss to the Company and attempt to help the borrower. We evaluate borrowers' current and forecasted future cash flows, their ability and willingness to make current contractual or proposed modified payments, the value of the underlying collateral (if applicable), the possibility of obtaining additional security or guarantees, and the potential costs related to a repossession or foreclosure and the subsequent sale of the collateral.

TDRs are classified as either accrual or nonaccrual loans. A loan on nonaccrual and restructured as a TDR will remain on nonaccrual status until the borrower has proven the ability to perform under the modified structure for a minimum of six months, and there is evidence that such payments can and are likely to continue as agreed. Performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan. A TDR loan that specifies an interest rate that at the time of the restructuring is greater than or equal to the rate the bank is willing to accept for a new loan with comparable risk may not be reported as a TDR or an impaired loan in the calendar years subsequent to the restructuring if it is in compliance with its modified terms.

Selected information on TDRs that includes the recorded investment on an accruing and nonaccruing basis by loan class and modification type is summarized in the following schedules:

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(In thousands)	June 30, 2014						
	Recorded investment resulting from the following modification types:						
	Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other[1]	Multiple modification types[2]	Total
Accruing							
Commercial:							
Commercial and industrial	$338	$8,285	$ 20	$2,909	$4,060	$ 82,439	$98,051
Owner occupied	20,853	1,200	974	1,272	11,642	21,790	57,731
Total commercial	21,191	9,485	994	4,181	15,702	104,229	155,782
Commercial real estate:							
Construction and land development	—	6,546	—	745	545	22,757	30,593
Term	8,541	8,916	186	3,639	5,287	45,081	71,650
Total commercial real estate	8,541	15,462	186	4,384	5,832	67,838	102,243
Consumer:							
Home equity credit line	742	—	10,566	—	164	611	12,083
1-4 family residential	2,588	53	6,949	634	1,424	36,250	47,898
Construction and other consumer real estate	118	633	46	—	—	1,403	2,200
Total consumer loans	3,448	686	17,561	634	1,588	38,264	62,181
Total accruing	33,180	25,633	18,741	9,199	23,122	210,331	320,206
Nonaccruing							
Commercial:							
Commercial and industrial	661	1,473	—	1,051	210	16,267	19,662
Owner occupied	3,351	896	560	959	7,720	12,346	25,832
Municipal	—	1,106	—	—	—	—	1,106
Total commercial	4,012	3,475	560	2,010	7,930	28,613	46,600
Commercial real estate:							
Construction and land development	11,396	558	—	—	3,373	7,032	22,359
Term	3,031	—	—	1,420	329	6,570	11,350
Total commercial real estate	14,427	558	—	1,420	3,702	13,602	33,709
Consumer:							
Home equity credit line	—	—	687	—	216	—	903
1-4 family residential	3,421	47	1,712	164	4,179	11,620	21,143
Construction and other consumer real estate	4	678	—	—	—	120	802
Bankcard and other revolving plans	—	—	—	—	—	—	—
Total consumer loans	3,425	725	2,399	164	4,395	11,740	22,848
Total nonaccruing	21,864	4,758	2,959	3,594	16,027	53,955	103,157
Total	$55,044	$30,391	$ 21,700	$12,793	$39,149	$ 264,286	$423,363

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(In thousands)	December 31, 2013 Recorded investment resulting from the following modification types: Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other[1]	Multiple modification types[2]	Total
Accruing							
Commercial:							
Commercial and industrial	$1,143	$9,848	$ 11,491	$3,217	$4,308	$ 53,117	$83,124
Owner occupied	22,841	1,482	987	1,291	9,659	23,576	59,836
Total commercial	23,984	11,330	12,478	4,508	13,967	76,693	142,960
Commercial real estate:							
Construction and land development	1,067	8,231	—	1,063	4,119	28,295	42,775
Term	7,542	9,241	190	3,783	14,932	61,024	96,712
Total commercial real estate	8,609	17,472	190	4,846	19,051	89,319	139,487
Consumer:							
Home equity credit line	743	—	9,438	—	323	332	10,836
1-4 family residential	2,628	997	6,814	643	3,083	35,869	50,034
Construction and other consumer real estate	128	329	11	—	—	1,514	1,982
Total consumer loans	3,499	1,326	16,263	643	3,406	37,715	62,852
Total accruing	36,092	30,128	28,931	9,997	36,424	203,727	345,299
Nonaccruing							
Commercial:							
Commercial and industrial	2,028	5,814	—	473	8,948	10,395	27,658
Owner occupied	3,020	1,489	1,043	1,593	10,482	14,927	32,554
Municipal	—	1,175	—	—	—	—	1,175
Total commercial	5,048	8,478	1,043	2,066	19,430	25,322	61,387
Commercial real estate:							
Construction and land development	11,699	1,555	—	—	5,303	8,617	27,174
Term	2,126	—	—	1,943	315	14,861	19,245
Total commercial real estate	13,825	1,555	—	1,943	5,618	23,478	46,419
Consumer:							
Home equity credit line	—	—	1,036	—	221	—	1,257
1-4 family residential	4,315	1,396	1,606	—	3,901	14,109	25,327
Construction and other consumer real estate	4	1,260	—	—	—	229	1,493
Bankcard and other revolving plans	—	252	—	—	—	—	252
Total consumer loans	4,319	2,908	2,642	—	4,122	14,338	28,329
Total nonaccruing	23,192	12,941	3,685	4,009	29,170	63,138	136,135
Total	$59,284	$43,069	$ 32,616	$14,006	$65,594	$ 266,865	$481,434

[1] Includes TDRs that resulted from other modification types including, but not limited to, a legal judgment awarded on different terms, a bankruptcy plan confirmed on different terms, a settlement that includes the delivery of collateral in exchange for debt reduction, etc.

[2] Includes TDRs that resulted from a combination of any of the previous modification types.

Unused commitments to extend credit on TDRs amounted to approximately $6.6 million at June 30, 2014 and $5.6 million at December 31, 2013.

The total recorded investment of all TDRs in which interest rates were modified below market was $182.6 million at June 30, 2014 and $172.6 million at December 31, 2013. These loans are included in the previous schedule in the columns for interest rate below market and multiple modification types.

The net financial impact on interest income due to interest rate modifications below market for accruing TDRs is summarized in the following schedule:

(In thousands)	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014	2013
Commercial:				
Commercial and industrial	$(81)	$(17)	$244	$(201)
Owner occupied	(1,602)	(1,046)	(3,310)	(2,097)
Total commercial	(1,683)	(1,063)	(3,066)	(2,298)
Commercial real estate:				
Construction and land development	(606)	(111)	(1,272)	(519)
Term	(1,647)	(2,585)	(3,425)	(5,150)
Total commercial real estate	(2,253)	(2,696)	(4,697)	(5,669)
Consumer:				
Home equity credit line	(18)	(34)	(42)	(73)
1-4 family residential	(3,441)	(3,758)	(7,042)	(7,613)
Construction and other consumer real estate	(102)	(108)	(207)	(217)
Total consumer loans	(3,561)	(3,900)	(7,291)	(7,903)
Total decrease to interest income[1]	$(7,497)	$(7,659)	$(15,054)	$(15,870)

[1]Calculated based on the difference between the modified rate and the premodified rate applied to the recorded investment.

On an ongoing basis, we monitor the performance of all TDRs according to their restructured terms. Subsequent payment default is defined in terms of delinquency, when principal or interest payments are past due 90 days or more for commercial loans, or 60 days or more for consumer loans.

The recorded investment of accruing and nonaccruing TDRs that had a payment default during the period listed below (and are still in default at period end) and are within 12 months or less of being modified as TDRs is as follows:

	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
(In thousands)	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:						
Commercial and industrial	$—	$284	$284	$—	$ 284	$284
Owner occupied	—	421	421	—	421	421
Total commercial	—	705	705	—	705	705
Commercial real estate:						
Construction and land development	—	—	—	—	—	—
Term	—	—	—	—	—	—
Total commercial real estate	—	—	—	—	—	—
Consumer:						
Home equity credit line	—	—	—	—	217	217
1-4 family residential	10	39	49	10	39	49
Construction and other consumer real estate	—	83	83	—	83	83
Total consumer loans	10	122	132	10	339	349
Total	$10	$827	$837	$10	$ 1,044	$1,054

(In thousands)	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:						
Commercial and industrial	$—	$—	$—	$—	$3	$3
Owner occupied	—	3,153	3,153	—	3,153	3,153
Total commercial	—	3,153	3,153	—	3,156	3,156
Commercial real estate:						
Construction and land development	—	—	—	—	—	—
Term	—	—	—	—	1,019	1,019
Total commercial real estate	—	—	—	—	1,019	1,019
Consumer:						
Home equity credit line	—	—	—	—	85	85
1-4 family residential	—	2,399	2,399	—	2,399	2,399
Construction and other consumer real estate	—	—	—	—	—	—
Total consumer loans	—	2,399	2,399	—	2,484	2,484
Total	$—	$5,552	$5,552	$—	$6,659	$6,659

Note: Total loans modified as TDRs during the 12 months previous to June 30, 2014 and 2013 were $141.3 million and $183.8 million, respectively.

Concentrations of Credit Risk

We perform an ongoing analysis of our loan portfolio to evaluate whether there is any significant exposure to any concentrations of credit risk. These potential concentrations include, but are not limited to, individual borrowers, groups of borrowers, industries, geographies, collateral types, sponsors, etc. Such credit risks (whether on- or off-balance sheet) may occur when groups of borrowers or counterparties have similar economic characteristics and are similarly affected by changes in economic or other conditions. Credit risk also includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. See Note 7 for a discussion of counterparty risk associated with the Company's derivative transactions.

Purchased Loans

Background and Accounting

We purchase loans in the ordinary course of business and account for them and the related interest income based on their performing status at the time of acquisition. Purchased credit-impaired ("PCI") loans have evidence of credit deterioration at the time of acquisition and it is probable that not all contractual payments will be collected. Interest income for PCI loans is accounted for on an expected cash flow basis. Certain other loans acquired by the Company that are not credit-impaired include loans with revolving privileges and are excluded from the PCI tabular disclosures following. Interest income for these loans is accounted for on a contractual cash flow basis. Upon acquisition, in accordance with applicable accounting guidance, the acquired loans were recorded at their fair value without a corresponding ALLL. Certain acquired loans with similar characteristics such as risk exposure, type, size, etc., are grouped and accounted for in loan pools.

During 2009, CB&T and NSB acquired failed banks from the FDIC as receiver and entered into loss sharing agreements with the FDIC for the acquired loans and foreclosed assets. In general, the FDIC assumed 80% of credit losses up to a specified threshold and 95% above that threshold. The five-year agreements for commercial loans, which comprised the major portion of the covered portfolio, expire in 2014 through September 30. The ten-year agreements for single family residential loans, which are a small portion of the covered portfolio, will expire in 2019.

Due to their declining balances, the “FDIC-supported/PCI loans” are included with “Loans and leases” in the

Company's balance sheet. However, they continue to be shown separately in this footnote and in other disclosures, and include both PCI and certain other acquired loans.

Outstanding Balances and Accretable Yield

The outstanding balances of all required payments and the related carrying amounts for PCI loans are as follows:

(In thousands)	June 30, 2014	December 31, 2013
Commercial	$124,943	$150,191
Commercial real estate	142,432	233,720
Consumer	20,890	28,608
Outstanding balance	$288,265	$412,519
Carrying amount	$213,682	$311,797
ALLL	3,840	6,478
Carrying amount, net	$209,842	$305,319

At the time of acquisition of PCI loans, we determine the loan's contractually required payments in excess of all cash flows expected to be collected as an amount that should not be accreted (nonaccretable difference). With respect to the cash flows expected to be collected, the portion representing the excess of the loan's expected cash flows over our initial investment (accretable yield) is accreted into interest income on a level yield basis over the remaining expected life of the loan or pool of loans. The effects of estimated prepayments are considered in estimating the expected cash flows.

Certain PCI loans are not accounted for as previously described because the estimation of cash flows to be collected involves a high degree of uncertainty. Under these circumstances, the accounting guidance provides that interest income is recognized on a cash basis similar to the cost recovery methodology for nonaccrual loans. The net carrying amounts in the preceding schedule also include the amounts for these loans, which were not significant at June 30, 2014 and December 31, 2013.

Changes in the accretable yield for PCI loans were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Balance at beginning of period	$65,765	$126,359	$77,528	$134,461
Accretion	(14,181)	(33,787)	(36,488)	(59,053)
Reclassification from nonaccretable difference	5,531	8,312	14,451	23,184
Disposals and other	3,719	3,599	5,343	5,891
Balance at end of period	$60,834	$104,483	$60,834	$104,483

Note: Amounts have been adjusted based on refinements to the original estimates of the accretable yield. Because of the estimation process required, we expect that additional adjustments to these amounts may be necessary in future periods.

The primary drivers of reclassification to accretable yield from nonaccretable difference and increases in disposals and other resulted primarily from (1) changes in estimated cash flows, (2) unexpected payments on nonaccrual loans, and (3) recoveries on zero balance loans pools. See subsequent discussion under changes in cash flow estimates.

ALLL Determination

For all acquired loans, the ALLL is only established for credit deterioration subsequent to the date of acquisition and represents our estimate of the inherent losses in excess of the book value of acquired loans. The ALLL for acquired loans is determined without giving consideration to the amounts recoverable from the FDIC through loss sharing

agreements. These amounts recoverable were separately accounted for in the FDIC indemnification asset ("IA") and are thus presented "gross" in the balance sheet. The FDIC IA is included in other assets in the balance sheet and is discussed subsequently. The ALLL for acquired loans is included in the overall ALLL in the balance sheet. The provision for loan losses is reported net of changes in the amounts recoverable under the loss sharing agreements.

During the three and six months ended June 30, we adjusted the ALLL for acquired loans by recording a provision for loan losses of $0.2 million and $(2.5) million in 2014 and $2.5 million and $(7.1) million in 2013, respectively. The provision is net of the ALLL reversals discussed subsequently. As separately discussed and in accordance with the loss sharing agreements, portions of the provision reductions result in a corresponding decrease of the FDIC IA. For the three and six months ended June 30, these adjustments resulted in net recoveries of $0.5 million and $1.7 million in 2014, and net charge-offs of $0.3 million and net recoveries of $0.6 million in 2013, respectively.

Changes in the provision for loan losses and related ALLL are driven in large part by the same factors that affect the changes in reclassification from nonaccretable difference to accretable yield, as discussed under changes in cash flow estimates.

Changes in Cash Flow Estimates

Over the life of the loan or loan pool, we continue to estimate cash flows expected to be collected. We evaluate quarterly at the balance sheet date whether the estimated present values of these loans using the effective interest rates have decreased below their carrying values. If so, we record a provision for loan losses.

For increases in carrying values that resulted from better-than-expected cash flows, we use such increases first to reverse any existing ALLL. During the three and six months ended June 30, total reversals to the ALLL were $0.7 million and $3.6 million in 2014 and $1.1 million and $10.9 million in 2013, respectively. When there is no current ALLL, we increase the amount of accretable yield on a prospective basis over the remaining life of the loan and recognize this increase in interest income. Any related decrease to the FDIC IA is recorded through a charge to other noninterest expense. Changes that increase cash flows have been due primarily to (1) the enhanced economic status of borrowers compared to original evaluations, (2) improvements in the Southern California market where the majority of these loans were originated, and (3) efforts by our credit officers and loan workout professionals to resolve problem loans.

For the three and six months ended June 30, the impact of increased cash flow estimates recognized in the statement of income for acquired loans with no ALLL was approximately $11.7 million and $30.2 million in 2014 and $28.4 million and $47.4 million in 2013, respectively, of additional interest income; and $9.3 million and $25.3 million in 2014 and $21.8 million and $42.1 million in 2013, respectively, of additional other noninterest expense due to the reduction of the FDIC IA.

FDIC Indemnification Asset

The balance of the FDIC IA was $5.8 million at June 30, 2014 and $26.4 million at December 31, 2013. In accordance with applicable accounting guidance, the balance will reduce to a de minimus level by September 30, 2014 when the final commercial loan loss sharing agreement expires.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We record all derivatives on the balance sheet at fair value. Note 10 discusses the process to estimate fair value for derivatives. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges.

Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, the effective portion of changes in the fair value of the derivative are recognized in earnings together with changes in the fair value of the related hedged item. The net amount, if any, representing hedge ineffectiveness, is reflected in earnings. In previous periods, we used fair value hedges to manage interest rate exposure to certain long-term debt. These hedges have been terminated and their remaining balances are being amortized to earnings, as discussed subsequently.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded in OCI and recognized in earnings when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized directly in earnings.

No derivatives have been designated for hedges of investments in foreign operations.

We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows on the derivative hedging instrument with the changes in fair value or cash flows on the designated hedged item or transaction. For derivatives not designated as accounting hedges, changes in fair value are recognized in earnings.

Our objectives in using derivatives are to add stability to interest income or expense, to modify the duration of specific assets or liabilities as we consider advisable, to manage exposure to interest rate movements or other identified risks, and/or to directly offset derivatives sold to our customers. To accomplish these objectives, we use interest rate swaps as part of our cash flow hedging strategy. These derivatives are used to hedge the variable cash flows associated with designated loans.

Exposure to credit risk arises from the possibility of nonperformance by counterparties. These counterparties primarily consist of financial institutions that are well established and well capitalized. We control this credit risk through credit approvals, limits, pledges of collateral, and monitoring procedures. No losses on derivative instruments have occurred as a result of counterparty nonperformance. Nevertheless, the related credit risk is considered and measured when and where appropriate.

Our derivative contracts require us to pledge collateral for derivatives that are in a net liability position at a given balance sheet date. Certain of these derivative contracts contain credit-risk-related contingent features that include the requirement to maintain a minimum debt credit rating. We may be required to pledge additional collateral if a credit-risk-related feature were triggered, such as a downgrade of our credit rating. However, in past situations, not all counterparties have demanded that additional collateral be pledged when provided for under their contracts. At June 30, 2014, the fair value of our derivative liabilities was $56.6 million, for which we were required to pledge cash collateral of approximately $44.3 million in the normal course of business. If our credit rating were downgraded one notch by either Standard & Poor’s or Moody’s at June 30, 2014, the additional amount of collateral we could be required to pledge is approximately $1.6 million. Since July 2013, as required by the Dodd-Frank Act, all newly eligible derivatives entered into are cleared through a central clearinghouse. Derivatives that are centrally cleared do not have credit-risk-related features that require additional collateral if our credit rating were downgraded.

Interest rate swap agreements designated as cash flow hedges involve the receipt of fixed-rate amounts in exchange for variable rate payments over the life of the agreements without exchange of the underlying principal amount. Derivatives not designated as accounting hedges, including basis swap agreements, are not speculative and are used to economically manage our exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements.

Selected information with respect to notional amounts and recorded gross fair values at June 30, 2014 and December 31, 2013, and the related gain (loss) of derivative instruments for the three and six months ended June 30, 2014 and 2013 is summarized as follows:

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(In thousands)	June 30, 2014 Notional amount	Fair value Other assets	Other liabilities	December 31, 2013 Notional amount	Fair value Other assets	Other liabilities
Derivatives designated as hedging instruments						
Asset derivatives						
Cash flow hedges:						
Interest rate swaps	$200,000	$1,280	$63	$100,000	$202	$583
Total derivatives designated as hedging instruments	200,000	1,280	63	100,000	202	583
Derivatives not designated as hedging instruments						
Interest rate swaps	15,890	—	153	65,850	420	421
Interest rate swaps for customers [2]	2,820,479	48,911	50,379	2,902,776	55,447	54,688
Foreign exchange	358,462	6,952	5,979	751,066	9,614	8,643
Total return swap	—	—	—	1,159,686	—	4,062
Total derivatives not designated as hedging instruments	3,194,831	55,863	56,511	4,879,378	65,481	67,814
Total derivatives	$3,394,831	$57,143	$56,574	$4,979,378	$65,683	$68,397

(In thousands)	Three Months Ended June 30, 2014 Amount of derivative gain (loss) recognized/reclassified OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense	Six Months Ended June 30, 2014 OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$1,988	$ 577	$—		$2,526	$ 928	$—	
	1,988	577	—		2,526	928	—	
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$608				$1,326
Total derivatives designated as hedging instruments	1,988	577	—	608	2,526	928	—	1,326
Derivatives not designated as hedging instruments								
Interest rate swaps			348				354	
Interest rate swaps for customers [2]			(377)				(926)	
Foreign exchange			1,998				3,709	
Total return swap			(467)				(7,894)	

Total derivatives not designated as hedging instruments			1,502				(4,757)	
Total derivatives	$1,988	$ 577	$ 1,502	$ 608	$ 2,526	$ 928	$ (4,757)	$ 1,326

ZIONS BANCORPORATION AND SUBSIDIARIES

	Three Months Ended June 30, 2013				Six Months Ended June 30, 2013			
	Amount of derivative gain (loss) recognized/reclassified							
(In thousands)	OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense	OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$(2)	$ 777	$ —		$(6)	$ 2,382	$ —	
	(2)	777	—		(6)	2,382	—	
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$ 780				$ 1,546
Total derivatives designated as hedging instruments	(2)	777	—	780	(6)	2,382	—	1,546
Derivatives not designated as hedging instruments								
Interest rate swaps			(20)				(87)	
Interest rate swaps for customers [2]			4,290				5,748	
Futures contracts			(1)				—	
Foreign exchange			2,100				4,854	
Total return swap			(5,450)				(11,008)	
Total derivatives not designated as hedging instruments			919				(493)	
Total derivatives	$(2)	$ 777	$ 919	$ 780	$(6)	$ 2,382	$ (493)	$ 1,546

Note: These schedules are not intended to present at any given time the Company's long/short position with respect to its derivative contracts.

[1] Amounts recognized in OCI and reclassified from accumulated OCI ("AOCI") represent the effective portion of the derivative gain (loss).

[2] Amounts include both the customer swaps and the offsetting derivative contracts.

[3] Amounts for the three and six months ended June 30, of $0.6 million and $0.9 million in 2014, and $0.8 million and $2.4 million in 2013, respectively, are the amounts of reclassification to earnings from AOCI presented in Note 8.

At June 30, the fair values of derivative assets and liabilities were reduced by net credit valuation adjustments of $1.9 million and $0.5 million in 2014, and $2.8 million and $2.2 million in 2013, respectively. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk.

We offer interest rate swaps to our customers to assist them in managing their exposure to changing interest rates. Upon issuance, all of these customer swaps are immediately "hedged" by offsetting derivative contracts, such that the Company minimizes its net risk exposure resulting from such transactions. Fee income from customer swaps is

included in other service charges, commissions and fees. As with other derivative instruments, we have credit risk for any nonperformance by counterparties.

The remaining balances of any derivative instruments terminated prior to maturity, including amounts in AOCI for swap hedges, are accreted or amortized to interest income or expense over the period corresponding to their previously stated maturity dates.

Amounts in AOCI are reclassified to interest income as interest is earned on variable rate loans and as amounts for terminated hedges are accreted or amortized to earnings. For the 12 months following June 30, 2014, we estimate that an additional $2.7 million will be reclassified.

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Total Return Swap
Effective April 28, 2014, we canceled the total return swap and related interest rate swaps ("TRS") relating to a portfolio of $1.16 billion notional amount of our bank and insurance trust preferred CDOs. Prior to cancellation of the TRS, the actual portfolio par balance had been reduced to $545 million due to sales, paydowns and payoffs. As a result of the cancellation, the TRS derivative liability was extinguished at June 30, 2014, and the Company's regulatory risk weighted assets increased by approximately $0.9 billion at June 30, 2014.

8. DEBT AND SHAREHOLDERS' EQUITY
Debt Redemptions
During the three and six months ended June 30, 2014, we redeemed $130 million and $255 million of long-term senior notes. For balances at June 30, 2014, during the remainder of 2014, long-term senior notes of $240.6 million mature in September 2014 and long-term senior notes of $44.3 million have optional early redemptions of $17.4 million in August 2014 and $26.9 million in November 2014. We have provided a notice of call for the notes in August 2014.

On May 15, 2014, we redeemed at maturity the entire 5.65% subordinated notes ($30.2 million par amount) and 5.65% convertible subordinated notes ($75.7 million par amount). For the remainder of 2014, subordinated debt of $75 million at June 30, 2014 matures in September 2014.

Accumulated Other Comprehensive Income
Changes in AOCI by component are as follows:

(In thousands)	Net unrealized gains (losses) on investment securities	Net unrealized gains (losses) on derivative instruments	Pension and post-retirement	Total
Six Months Ended June 30, 2014				
Balance at December 31, 2013	$(167,032)	$(217)	$ (24,852)	$(192,101)
Other comprehensive income before reclassifications, net of tax	81,671	1,519	—	83,190
Amounts reclassified from AOCI, net of tax	(27,368)	(558)	—	(27,926)
Other comprehensive income	54,303	961	—	55,264
Balance at June 30, 2014	$(112,729)	$744	$ (24,852)	$(136,837)
Income tax expense included in other comprehensive income	$43,595	$638	$ —	$44,233
Six Months Ended June 30, 2013				
Balance at December 31, 2012	$(397,616)	$1,794	$ (50,335)	$(446,157)
Other comprehensive income (loss) before reclassifications, net of tax	65,212	(3)	—	65,209
Amounts reclassified from AOCI, net of tax	7,818	(1,426)	—	6,392
Other comprehensive income (loss)	73,030	(1,429)	—	71,601
Balance at June 30, 2013	$(324,586)	$365	$ (50,335)	$(374,556)

Income tax expense (benefit) included in other comprehensive income (loss)	$43,986	$(959)	$ —	$43,027

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(In thousands)	Amounts reclassified from AOCI [1] Three Months Ended June 30,		Six Months Ended June 30,		Statement of income (SI) Balance sheet (BS)	
Details about AOCI components	2014	2013	2014	2013		Affected line item
Net realized gains (losses) on investment securities	$5,026	$(1,153)	$35,940	$2,146	SI	Fixed income securities gains (losses), net
Income tax expense	1,922	(441)	7,996	821		
	3,104	(712)	27,944	1,325		
Net unrealized losses on investment securities	—	(4,217)	(27)	(13,932)	SI	Net impairment losses on investment securities
Income tax benefit	—	(1,668)	(10)	(5,384)		
	—	(2,549)	(17)	(8,548)		
Accretion of securities with noncredit-related impairment losses not expected to be sold	(462)	(637)	(944)	(981)	BS	Investment securities, held-to-maturity
Deferred income taxes	189	251	385	386	BS	Other assets
	$2,831	$(3,647)	$27,368	$(7,818)		
Net unrealized gains on derivative instruments	$577	$777	$928	$2,382	SI	Interest and fees on loans
Income tax expense	229	308	370	956		
	$348	$469	$558	$1,426		

[1] Negative reclassification amounts indicate decreases to earnings in the statement of income and increases to balance sheet assets. The opposite applies to positive reclassification amounts.

Basel III Capital Framework

The Federal Reserve has published final rules establishing a new capital framework for U.S. banking organizations. These new rules implement the Basel Committee’s December 2010 framework, commonly referred to as Basel III, which will become effective for the Company on January 1, 2015, with the fully phased-in requirements becoming effective in 2018.

Among other things, the new rules revise capital adequacy guidelines and the regulatory framework for prompt corrective action, and they modify specified quantitative measures of our assets, liabilities, and capital. The impact of these new rules will require the Company to maintain capital in excess of current “well-capitalized” regulatory standards, and in excess of historical levels.

Subsequent Event

On July 25, 2014, the Federal Reserve announced that it has not objected to the Company’s 2014 resubmitted Capital Plan. The post-stress Tier 1 common ratio was computed under the resubmitted plan at 5.1%, which exceeded the minimum 5.0% requirement. Our original 2014 Capital Plan did not meet this minimum requirement. The Company’s resubmitted Capital Plan included the issuance of $400 million of new common equity in the third quarter of 2014. However, we determined to increase this amount, and on July 28, 2014, we issued $525 million of common stock, which consisted of approximately 17.6 million shares at a price of $29.80 per share. Net of commissions and fees, this

issuance added approximately $516 million to common stock in the third quarter of 2014. In addition, we granted the underwriters a 30-day option to purchase up to an additional 15% of the amount of common stock offered, or approximately $78.7 million of common stock. As of the date of this filing, the underwriters had not exercised this option.

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9. INCOME TAXES

The income tax expense rate for the three and six months ended June 30, 2014 and 2013 was lower than the blended statutory rate of 38.25% primarily because of the non-taxability of certain income items. However, the effective tax rate for the three and six months ended June 30, 2014 was higher than the comparable periods in 2013 primarily because of a slight decrease in the amount of nontaxable items relative to pretax income, and an accrual of $2.3 million of interest expense included in income tax expense to settle certain income tax examinations.

Net deferred tax assets were approximately $239 million at June 30, 2014 and $304 million at December 31, 2013. We evaluate net deferred tax assets on a regular basis to determine whether an additional valuation allowance is required. Based on this evaluation, and considering the weight of the positive evidence compared to the negative evidence, we have concluded that an additional valuation allowance is not required as of June 30, 2014.

10. FAIR VALUE

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, a hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities in active markets that the Company has the ability to access;

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in less active markets, observable inputs other than quoted prices that are used in the valuation of an asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined by pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety. Market activity is presumed to be orderly in the absence of evidence of forced or disorderly sales, although such sales may still be indicative of fair value. Applicable accounting guidance precludes the use of blockage factors or liquidity adjustments due to the quantity of securities held by an entity.

We use fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure for accounting. Fair value is used on a nonrecurring basis to measure certain assets when adjusting carrying values, such as the application of lower of cost or fair value accounting, including recognition of impairment on assets. Fair value is also used when providing required disclosures for certain financial instruments.

Fair Value Policies and Procedures

We have various policies, processes and controls in place to ensure that fair values are reasonably developed, reviewed and approved for use. These include a Securities Valuation and Securitization Oversight Committee ("SOC") comprised of executive management appointed by the Board of Directors. The SOC reviews and approves on a quarterly basis the key components of fair value estimation, including critical valuation assumptions for Level 3 modeling. Attribution analyses are completed when significant changes occur between quarters. The SOC also requires quarterly back testing of certain significant assumptions. A Model Risk Management Group conducts model validations, including the internal model, and sets policies and procedures for revalidation, including the timing of revalidation.

Third Party Service Providers

We use a third party pricing service to provide pricing for approximately 88% of our AFS Level 2 securities, and an internal model to estimate fair value for approximately 98% of our AFS Level 3 securities. Fair values for the remaining AFS Level 2 and Level 3 securities generally use standard form discounted cash flow modeling with certain inputs corroborated by market data.

For Level 2 securities, the third party pricing service provides documentation on an ongoing basis that presents market corroborative data, including detail pricing information and market reference data. The documentation includes benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data, including information from the vendor trading platform. We review, test and validate this information as appropriate.

For Level 3 securities, we review and evaluate on a quarterly basis the relevant third party modeling assumptions. These include PDs, loss given default rates, over-collateralization levels, and rating transition probability matrices from ratings agencies. In addition, we also compare the results and valuation with our information about market trends and trading data. This includes information regarding trading prices, implied discounts, outlier information, valuation assumptions, etc.

Absent observable trade data, we do not adjust prices from our third party sources. The procedures described help ensure that resulting fair value estimates were determined in accordance with applicable accounting guidance.

The following describes the hierarchy designations, valuation methodologies, and key inputs to measure fair value on a recurring basis for designated financial instruments:

Available-for-Sale and Trading

U.S. Treasury, Agencies and Corporations

U.S. Treasury securities are measured under Level 1 using quoted market prices. U.S. agencies and corporations are measured under Level 2 generally using the previously-discussed third party pricing service.

Municipal Securities

Municipal securities are measured under Level 2 using the third party pricing service, or under Level 3 using a discounted cash flow approach. Valuation inputs include BBB and Baa municipal curves, as well as FHLB and London Interbank Offered Rate (“LIBOR”) swap curves. Additional valuation inputs include internal credit scoring, and security- and client-type groupings.

Asset-Backed Securities: Trust Preferred Collateralized Debt Obligations

The majority of the CDO portfolio is measured under Level 3 primarily with the internal model using an income-based cash flow modeling approach incorporating several methodologies. The Company inputs its own key valuation assumptions:

Trust preferred – banks and insurance – We primarily use an internal model for our bank and insurance CDO securities. Our “ratio-based approach” utilizes a statistical regression of regulatory ratios we have identified as predictive of future bank failures and bank holding company defaults to create a credit-specific PD for each bank issuer. The approach generally references trailing quarter regulatory data, financial ratios and macroeconomic factors.

The PDs used depend on whether the collateral is performing or deferring. Deferring PDs increase, all else being equal, as the deferral ages and approaches the end of its allowable five-year deferral period. The internal model includes the expectation that deferrals that do not default will pay their contractually required back interest and return to a current status at the end of five years. Estimates of loss for the individual pieces of underlying collateral are aggregated to arrive at a pool-level loss rate for each CDO. These loss assumptions are applied to the CDO’s structure to generate cash flow projections for each tranche of the CDO.

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We utilize a present value technique to identify both the OTTI present in the CDO tranches and to estimate fair value. To estimate fair value, we discount the credit-adjusted cash flows of each CDO tranche at a tranche-specific discount rate derived from trading data and a measure of the credit risk in the CDO tranche. Because these securities are not traded on exchanges and trading prices are not posted on the TRACE® system (Trade Reporting and Compliance Engine®), we seek information from market participants to obtain trade price information.

Trading data is generally limited and may include trades of tranches within our same CDO. We use this limited trade data along with our modeled expected credit adjusted cash flows to determine a relationship between the market required yield and the downside variability of the returns of each CDO security. The loss/downside variability for this purpose is a measure of the downside variability of cash flows from the mean estimate of cash flow.

During the three months ended March 31, 2014, two insurance CDO securities and two single-name bank trust preferred securities, were transferred from Level 3 to Level 2 primarily due to the increasing ability to utilize fair value inputs corroborated by observed market data. The securities remain at Level 2 at June 30, 2014 as shown in the Level 3 reconciliation schedules following. The securities constitute the Company's entire holding of each asset class.

Trust preferred – REITS, Other – During the three months ended March 31, 2014, substantially all of these securities were sold, as discussed in Note 5.

Auction Rate Securities

Auction rate securities are measured under Level 3 primarily using valuation inputs that include AAA corporate bond yield curves, municipal yield curves, credit ratings and leverage of each closed-end fund, market yields for commercial paper, and any observable trade commentaries.

Bank-Owned Life Insurance

Bank-owned life insurance is measured under Level 2 according to cash surrender values ("CSVs") of the insurance contracts that are provided by a third party service. Nearly all CSVs are computed based on valuations and earnings of the underlying assets in the insurance companies' general accounts. The underlying investments include predominantly fixed income securities consisting of investment grade corporate bonds and various types of mortgage instruments. Average duration ranges from five to eight years. Management regularly reviews investment performance, including concentrations of investments and regulatory restrictions.

Private Equity Investments

Private equity investments are measured under Level 2 or Level 3. The Other Equity Investments Committee, consisting of executives familiar with the investments, reviews periodic financial information, including audited financial statements when available. The amount of unfunded commitments is disclosed in Note 11. Certain restrictions apply for the redemption of these investments. Approximately $56 million of private equity investments at June 30, 2014 are prohibited by the Volcker Rule.

Private equity investments under Level 2 include partnerships that invest in certain financial services and real estate companies, some of which are publicly traded. Fair values are determined from net asset values, or their equivalents, provided by the partnerships. These fair values are determined on the last business day of the month using values from the primary exchange. In the case of illiquid or nontraded assets, the partnerships obtain fair values from independent sources.

Private equity investments are measured under Level 3 primarily using current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors.

Agriculture Loan Servicing

This asset results from our servicing of agriculture loans approved by the Federal Agricultural Mortgage Corporation (“FAMC,” or “Farmer Mac”) and funded by them. We provide this servicing under an agreement with Farmer Mac for loans they own. The asset’s fair value represents our projection of the present value of future cash flows measured under Level 3 using discounted cash flow methodologies.

Interest-Only Strips

Interest-only strips are created as a by-product of the securitization process. When the guaranteed portions of Small Business Administration (“SBA”) 7(a) loans are pooled, interest-only strips may be created in the pooling process. The asset’s fair value represents our projection of the present value of future cash flows measured under Level 3 using discounted cash flow methodologies.

Deferred Compensation Plan Assets and Obligations

Invested assets in the deferred compensation plan consists of shares of registered investment companies. These mutual funds are valued under Level 1 at quoted market prices, which represents the net asset value of shares held by the plan at the end of the period.

Derivatives

Derivatives are measured according to their classification as either exchange-traded or over-the-counter (“OTC”). Exchange-traded derivatives consist of forward currency exchange contracts measured under Level 1 because they are traded in active markets. OTC derivatives, including those for customers, consist of interest rate swaps and options. These derivatives are measured under Level 2 using third party services. Observable market inputs include yield curves (the LIBOR swap curve and relevant overnight index swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect nonperformance risk for both the Company and the respective counterparty. These adjustments are determined generally by applying a credit spread to the total expected exposure of the derivative.

Securities Sold, Not Yet Purchased

Securities sold, not yet purchased, are measured under Level 1 using quoted market prices. If not available, quoted prices under Level 2 for similar securities are used.

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Quantitative Disclosure of Fair Value Measurements
Assets and liabilities measured at fair value by class on a recurring basis are summarized as follows:

(In thousands)	June 30, 2014			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$—	$2,330,185		$2,330,185
Municipal securities		178,371	$10,038	188,409
Asset-backed securities:				
Trust preferred – banks and insurance		64,347	685,805	750,152
Trust preferred – real estate investment trusts			—	—
Auction rate			6,578	6,578
Other		1,315	28	1,343
Mutual funds and stock	175,617	10,525		186,142
	175,617	2,584,743	702,449	3,462,809
Trading account		56,572		56,572
Other noninterest-bearing investments:				
Bank-owned life insurance		472,740		472,740
Private equity		5,036	82,256	87,292
Other assets:				
Agriculture loan servicing and interest-only strips			11,461	11,461
Deferred compensation plan assets	90,490			90,490
Derivatives:				
Interest rate related and other		1,280		1,280
Interest rate swaps for customers		48,911		48,911
Foreign currency exchange contracts	6,952			6,952
	6,952	50,191		57,143
	$273,059	$3,169,282	$796,166	$4,238,507
LIABILITIES				
Securities sold, not yet purchased	$10,590			$10,590
Other liabilities:				
Deferred compensation plan obligations	90,490			90,490
Derivatives:				
Interest rate related and other		$216		216
Interest rate swaps for customers		50,379		50,379
Foreign currency exchange contracts	5,979			5,979
Total return swap			$—	—
	5,979	50,595	—	56,574
Other			132	132
	$107,059	$50,595	$132	$157,786

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(In thousands)	December 31, 2013			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$—	$2,059,105		$2,059,105
Municipal securities		55,602	$10,662	66,264
Asset-backed securities:				
Trust preferred – banks and insurance		—	1,238,820	1,238,820
Trust preferred – real estate investment trusts			22,996	22,996
Auction rate			6,599	6,599
Other		2,099	25,800	27,899
Mutual funds and stock	259,750	20,453		280,203
	259,750	2,137,259	1,304,877	3,701,886
Trading account		34,559		34,559
Other noninterest-bearing investments:				
Bank-owned life insurance		466,428		466,428
Private equity		4,822	82,410	87,232
Other assets:				
Agriculture loan servicing and interest-only strips			8,852	8,852
Deferred compensation plan assets	86,184			86,184
Derivatives:				
Interest rate related and other		1,100		1,100
Interest rate swaps for customers		55,447		55,447
Foreign currency exchange contracts	9,614			9,614
	9,614	56,547		66,161
	$355,548	$2,699,615	$1,396,139	$4,451,302
LIABILITIES				
Securities sold, not yet purchased	$73,606			$73,606
Other liabilities:				
Deferred compensation plan obligations	86,184			86,184
Derivatives:				
Interest rate related and other		$1,004		1,004
Interest rate swaps for customers		54,688		54,688
Foreign currency exchange contracts	8,643			8,643
Total return swap			$4,062	4,062
	8,643	55,692	4,062	68,397
Other			241	241
	$168,433	$55,692	$4,303	$228,428

The fair value of the Level 3 bank and insurance CDO portfolio would generally be adversely affected by significant increases in the constant default rate (“CDR”) for performing collateral, the loss percentage expected from deferring collateral, and the discount rate used. The fair value of the portfolio would generally be positively affected by increases in interest rates and prepayment rates. For a specific tranche within a CDO, the directionality of the fair value change for a given assumption change may differ depending on the seniority level of the tranche. For example, faster prepayment may increase the fair value of a senior most tranche of a CDO while decreasing the fair value of a more junior tranche.

Reconciliation of Level 3 Fair Value Measurements

The following reconciles the beginning and ending balances of assets and liabilities that are measured at fair value by class on a recurring basis using Level 3 inputs:

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Level 3 Instruments
Three Months Ended June 30, 2014

(In thousands)	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Ag loan svcg and int-only strips	Derivatives and other liabilities
Balance at March 31, 2014	$10,184	$690,217	$—	$6,560	$ 30	$ 81,052	$11,207	$(5,632)
Net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	8	633		1				
Dividends and other investment income (loss)						(1,052)		
Fair value and nonhedge derivative loss								(467)
Equity securities gains, net						584		
Fixed income securities gains, net	—	4,383	—		—			
Other noninterest income							45	
Other noninterest expense								101
Other comprehensive income	92	6,878		17	—			
Purchases						7,104	379	
Sales		—	—		—	(15)		
Redemptions and paydowns	(246)	(16,306)			(2)	(5,417)	(170)	5,866
Transfers to Level 2		—						
Balance at June 30, 2014	$10,038	$685,805	$—	$6,578	$ 28	$ 82,256	$11,461	$(132)

Level 3 Instruments
Six Months Ended June 30, 2014

(In thousands)	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Ag loan svcg and int-only strips	Derivatives and other liabilities
Balance at December 31, 2013	$10,662	$1,238,820	$22,996	$6,599	$ 25,800	$ 82,410	$8,852	$(4,303)
Net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	18	1,353		2				

Dividends and other investment income (loss)						(2,747)		
Fair value and nonhedge derivative loss								(7,894)
Equity securities gains, net						584		
Fixed income securities gains, net	16	22,965	1,399		10,917			
Other noninterest income							526	
Other noninterest expense								109
Other comprehensive income (loss)	(182)	101,340	—	(23)	(15)			
Purchases						8,460	2,456	
Sales		(546,388)			(36,669)	(839)		
Redemptions and paydowns	(476)	(63,092)	(24,395)		(5)	(5,612)	(373)	11,956
Transfers to Level 2		(69,193)						
Balance at June 30, 2014	$10,038	$685,805	$—	$6,578	$ 28	$ 82,256	$11,461	$(132)

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	Level 3 Instruments Three Months Ended June 30, 2013							
(In thousands)	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Ag loan svcg and int-only strips	Derivatives and other liabilities
Balance at March 31, 2013	$17,043	$1,003,102	$17,306	$6,524	$ 15,393	$ 69,706	$8,252	$ (5,070)
Net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	—	797	63	—	9			
Dividends and other investment income						2,160		
Fair value and nonhedge derivative loss								(5,450)
Equity securities gains, net						1,340		
Fixed income securities gains (losses), net	15	(1,190)			14			
Net impairment losses on investment securities		(4,047)	(170)					
Other noninterest income							384	
Other noninterest expense								(94)
Other comprehensive income	197	52,312	1,300	30	1,972			
Purchases						2,882		
Sales		(7,015)				(387)		
Redemptions and paydowns	(3,711)	(13,666)			(64)	(184)	(298)	5,496
Balance at June 30, 2013	$13,544	$1,030,293	$18,499	$6,554	$ 17,324	$ 75,517	$8,338	$ (5,118)

	Level 3 Instruments Six Months Ended June 30, 2013							
(In thousands)	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Ag loan svcg and int-only strips	Derivatives and other liabilities
Balance at December 31, 2012	$16,551	$949,271	$16,403	$6,515	$ 15,160	$ 64,223	$8,334	$ (5,251)
Net gains (losses) included in:								
Statement of income:								

Accretion of purchase discount on securities available-for-sale	21	1,612	126	1	14			
Dividends and other investment income						5,149		
Fair value and nonhedge derivative loss								(11,008)
Equity securities gains, net						3,739		
Fixed income securities gains, net	36	2,036		—	44			
Net impairment losses on investment securities		(13,761)	(170)					
Other noninterest income							503	
Other noninterest expense								(165)
Other comprehensive income	922	130,962	2,140	38	4,623			
Purchases						3,841		
Sales		(7,015)				(1,120)		
Redemptions and paydowns	(3,986)	(32,812)		—	(2,517)	(315)	(499)	11,306
Balance at June 30, 2013	$13,544	$1,030,293	$18,499	$6,554	$ 17,324	$ 75,517	$8,338	$(5,118)

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The preceding reconciling amounts using Level 3 inputs include the following realized amounts:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Dividends and other investment income (loss)	$—	$(60)	$34	$(45)
Fixed income securities gains (losses), net	4,383	(1,161)	35,297	2,116

Except as previously discussed, no other transfers of assets or liabilities occurred among Levels 1, 2 or 3 for the three and six months ended June 30, 2014 and 2013. Transfers are considered to have occurred as of the end of the reporting period.

Following is a summary of quantitative information relating to the principal valuation techniques and significant unobservable inputs for Level 3 instruments measured on a recurring and nonrecurring basis:

(Dollar amounts in thousands)	Level 3 Instruments Quantitative information at June 30, 2014 Fair value	Principal valuation techniques	Significant unobservable inputs	Range of inputs (% annually)
Asset-backed securities:				
Trust preferred – predominantly banks	$740,261	Discounted cash flow Market comparables	Constant prepayment rate	until 2016 – 5.5% to 26.19% 2016 to maturity – 3.0%
			Constant default rate	yr 1 – 0.3% to 2.75% yrs 2-5 – 0.48% to 0.87% yrs 6 to maturity – 0.59% to 0.65%
			Loss given default	100%
			Loss given deferral	8.17% to 100%
			Discount rate (spread over forward LIBOR)	5.1% to 5.7%

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(Dollar amounts in thousands)	Level 3 Instruments Quantitative information at December 31, 2013 Fair value	Principal valuation techniques	Significant unobservable inputs	Range of inputs (% annually)
Asset-backed securities:				
Trust preferred – predominantly banks	$921,819	Discounted cash flow Market comparables	Constant prepayment rate	until 2016 – 5.50% to 20.73% 2016 to maturity – 3.0%
			Constant default rate	yr 1 – 0.30% to 1.94% yrs 2-5 – 0.49% to 1.14% yrs 6 to maturity – 0.58% to 0.65%
			Loss given default	100%
			Loss given deferral	14.39% to 100%
			Discount rate (spread over forward LIBOR)	5.6% to 7.7%
Trust preferred – predominantly insurance	346,390	Discounted cash flow Market comparables	Constant prepayment rate	until maturity – 5.0%
			Constant default rate	yr 1 – 0.38% to 1.03% yrs 2-5 – 0.53% to 0.89% yrs 6 to maturity – 0.50% to 0.55%
			Loss given default	100%
			Loss given deferral	2.18% to 30.13%
			Discount rate (spread over forward LIBOR)	3.72% to 6.49%
Trust preferred – individual banks	22,324	Market comparables	Yield	6.6% to 7.8%
			Price	81.25% to 109.6%
Trust preferred – real estate investment trust	22,996	Discounted cash flow Market comparables	Constant prepayment rate	until maturity – 0.0%
			Constant default rate	yr 1 – 4.1% to 10.6% yrs 2-3 – 4.6% to 5.5% yrs 4-6 – 1.0% yrs 7 to maturity – 0.50%
			Loss given default	60% to 100%

			Discount rate (spread over forward LIBOR)	5.5% to 15%
Other (predominantly ABS CDOs)	25,800	Discounted cash flow	Constant default rate	0.01% to 100%
			Loss given default	70% to 92%
			Discount rate (spread over forward LIBOR)	9% to 22%

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Nonrecurring Fair Value Measurements
Included in the balance sheet amounts are the following amounts of assets that had fair value changes measured on a nonrecurring basis.

(In thousands)	Fair value at June 30, 2014				Fair value at December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
HTM securities adjusted for OTTI	$—	$—	$—	$—	$—	$—	$8,483	$8,483
Private equity investments, carried at cost	—	—	547	547	—	—	13,270	13,270
Impaired loans	—	15,610	—	15,610	—	11,765	—	11,765
Other real estate owned	—	10,597	—	10,597	—	24,684	—	24,684
	$—	$26,207	$547	$26,754	$—	$36,449	$21,753	$58,202

The previous fair values may not be current as of the dates indicated, but rather as of the date the fair value change occurred, such as a charge for impairment. Accordingly, carrying values may not equal current fair value.

(In thousands)	Gains (losses) from fair value changes			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
ASSETS				
HTM securities adjusted for OTTI	$—	$—	$(27)	$(403)
Private equity investments, carried at cost	(133)	(609)	(133)	(1,429)
Impaired loans	(104)	(832)	(2,282)	(1,566)
Other real estate owned	(937)	(2,156)	(3,171)	(6,468)
	$(1,174)	$(3,597)	$(5,613)	$(9,866)

During the three and six months ended June 30, we recognized net gains of $1.5 million and $2.5 million in 2014, and $2.1 million and $6.3 million in 2013 from the sale of other real estate owned (“OREO”) properties that had a carrying value at the time of sale of approximately $24.6 million and $38.7 million during the six months ended June 30, 2014 and 2013, respectively. Previous to their sale in these periods, we recognized impairment on these properties of $0.3 million and $0.5 million in 2014, and $0.3 million and $0.4 million in 2013.

HTM securities adjusted for OTTI were measured at fair value using the same methodology for trust preferred CDO securities.

Private equity investments carried at cost were measured at fair value for impairment purposes according to the methodology previously discussed for these investments. Amounts of private equity investments carried at cost were $48.5 million at June 30, 2014 and $53.6 million at December 31, 2013. Amounts of other noninterest-bearing investments carried at cost were $246.5 million at June 30, 2014 and $248.4 million at December 31, 2013, which were comprised of Federal Reserve, Federal Home Loan Bank, and Farmer Mac stock.

Impaired (or nonperforming) loans that are collateral-dependent were measured at fair value based on the fair value of the collateral. OREO was measured at fair value at the lower of cost or fair value based on property appraisals at the time the property is recorded in OREO and as appropriate thereafter.

Measurement of fair value for collateral-dependent loans and OREO was based on third party appraisals that utilize one or more valuation techniques (income, market and/or cost approaches). Any adjustments to calculated fair value were made based on recently completed and validated third party appraisals, third party appraisal services, automated valuation services, or our informed judgment. Evaluations were made to determine that the appraisal process met the relevant concepts and requirements of applicable accounting guidance.

Automated valuation services may be used primarily for residential properties when values from any of the previous methods were not available within 90 days of the balance sheet date. These services use models based on market, economic, and demographic values. The use of these models has only occurred in a very few instances and the related property valuations have not been significant to consider disclosure under Level 3 rather than Level 2.

Impaired loans not collateral-dependent were measured at fair valued based on the present value of future cash flows discounted at the expected coupon rates over the lives of the loans. Because the loans were not discounted at market interest rates, the valuations do not represent fair value and have been excluded from the nonrecurring fair value balance in the preceding schedules.

Fair Value of Certain Financial Instruments

Following is a summary of the carrying values and estimated fair values of certain financial instruments:

	June 30, 2014			December 31, 2013		
(In thousands)	Carrying value	Estimated fair value	Level	Carrying value	Estimated fair value	Level
Financial assets:						
HTM investment securities	$615,104	$643,926	3	$588,981	$609,547	3
Loans and leases (including loans held for sale), net of allowance	39,118,830	38,777,966	3	38,468,402	38,088,242	3
Financial liabilities:						
Time deposits	2,500,303	2,507,425	2	2,593,038	2,602,955	2
Foreign deposits	252,207	252,323	2	1,980,161	1,979,805	2
Long-term debt (less fair value hedges)	1,930,649	2,072,925	2	2,269,762	2,423,643	2

This summary excludes financial assets and liabilities for which carrying value approximates fair value. For financial assets, these include cash and due from banks and money market investments. For financial liabilities, these include demand, savings and money market deposits, and federal funds purchased and security repurchase agreements. The estimated fair value of demand, savings and money market deposits is the amount payable on demand at the reporting date. Carrying value is used because the accounts have no stated maturity and the customer has the ability to withdraw funds immediately. Also excluded from the summary are financial instruments recorded at fair value on a recurring basis, as previously described.

HTM investment securities primarily consist of municipal securities and bank and insurance trust preferred CDOs. They were measured at fair value according to the methodologies previously discussed for these investment types.

Loans are measured at fair value according to their status as nonimpaired or impaired. For nonimpaired loans, fair value is estimated by discounting future cash flows using the LIBOR yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. These future cash flows are then reduced by the estimated “life-of-the-loan” aggregate credit losses in the loan portfolio. These adjustments for lifetime future credit losses are derived from the methods used to estimate the ALLL for our loan portfolio and are adjusted quarterly as necessary to reflect the most recent loss experience. Impaired loans are already considered to be held at fair value, except those whose fair value is determined by discounting cash flows, as discussed previously. See Impaired Loans in Note 6 for details on the impairment measurement method for impaired loans. Loans, other than those held for sale, are not normally purchased and sold by the Company, and there are no active trading markets for most of this portfolio.

Time and foreign deposits, and any other short-term borrowings, are measured at fair value by discounting future cash flows using the LIBOR yield curve to the given maturity dates.

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Long-term debt is measured at fair value based on actual market trades (i.e., an asset value) when available, or discounting cash flows to maturity using the LIBOR yield curve adjusted for credit spreads.

These fair value disclosures represent our best estimates based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding current economic conditions, future expected loss experience, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of significant judgment, and cannot be determined with precision. Changes in these methodologies and assumptions could significantly affect the estimates.

11. COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Commitments and Guarantees

Contractual amounts of off-balance sheet financial instruments used to meet the financing needs of our customers are as follows:

(In thousands)	June 30, 2014	December 31, 2013
Unfunded commitments to extend credit	$16,566,311	$16,174,326
Standby letters of credit:		
Financial	762,836	779,811
Performance	168,238	159,485
Commercial letters of credit	28,294	80,218
Total unfunded lending commitments	$17,525,679	$17,193,840

The Company’s 2013 Annual Report on Form 10-K contains further information about these commitments and guarantees including their terms and collateral requirements. At June 30, 2014, the Company had recorded approximately $11.7 million as a liability for the guarantees associated with the standby letters of credit, which consisted of $9.2 million attributable to the RULC and $2.5 million of deferred commitment fees.

At June 30, 2014, the Parent has guaranteed $15.0 million of debt of affiliated trusts issuing trust preferred securities.

At June 30, 2014, we had unfunded commitments for private equity and other noninterest-bearing investments of $24.4 million. These obligations have no stated maturity. However, at June 30, 2014, substantially all of the private equity investments related to these commitments were prohibited by the Volcker Rule. We are currently taking steps to sell these prohibited investments by the required deadline of July 21, 2015, and do not expect that such sales will have a material effect on the Company’s financial statements. See further discussions in Notes 5 and 10.

Legal Matters

We are subject to litigation in court and arbitral proceedings, as well as proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies. At any given time, litigation may relate to lending, deposit and other customer relationships, vendor and contractual issues, employee matters, intellectual property matters, personal injuries and torts, regulatory and legal compliance, and other matters. While most matters relate to individual claims, we are also subject to putative class action claims and similar broader claims. Current putative class actions and similar claims include the following:

- a complaint relating to our banking relationships with customers that allegedly engaged in wrongful telemarketing practices in which the plaintiff seeks a trebled monetary award under the federal RICO Act, Reyes v. Zions First National Bank, et. al., brought in the United States District Court for the Eastern District of Pennsylvania; and

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- a complaint arising from our banking relationships with Frederick Berg and a number of investment funds controlled by him using the "Meridian" brand name, in which the liquidating trustee for the funds seeks an award from us, on the basis of aiding and abetting and other claims, for monetary damages suffered by victims of a fraud allegedly perpetrated by Berg, In re Consolidated Meridian Funds a/k/a Meridian Investors Trust, Mark Calvert as Liquidating Trustee, et. al. vs. Zions Bancorporation and The Commerce Bank of Washington, N.A., pending in the United States Bankruptcy Court for the Western District of Washington.

In the third quarter of 2013, the District Court denied the plaintiff's motion for class certification in the Reyes case. In the first quarter of 2014, the Third Circuit Court of Appeals approved the plaintiff's motion to appeal the District Court decision.

Discovery has been completed in the Reyes case and is in process in the Meridian Funds case.

At any given time, proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies may relate to our banking, investment advisory, trust, securities, and other products and services; our customers' involvement in money-laundering, fraud, securities violations and other illicit activities or our policies and practices relating to such customer activities; and our compliance with the broad range of banking, securities and other laws and regulations applicable to us. At any given time, we may be in the process of responding to subpoenas, requests for documents, data and testimony relating to such matters and engaging in discussions to resolve the matters. Significant investigations and similar inquiries to which we are currently subject relate to:

- possible money laundering activities of a customer of one of our subsidiary banks and the anti-money laundering practices of that bank (conducted by the United States Attorney's Office for the Southern District of New York); and
- the practices of our subsidiary, Zions Bank; our former subsidiary, NetDeposit, LLC; and possibly other of our affiliates relating primarily to payment processing for allegedly fraudulent telemarketers and other customer types (conducted by the Department of Justice).

These two matters appear to be ongoing.

At least quarterly, we review outstanding and new legal matters, utilizing then available information. In accordance with applicable accounting guidance, if we determine that a loss from a matter is probable and the amount of the loss can be reasonably estimated, we establish an accrual for the loss. In the absence of such a determination, no accrual is made. Once established, accruals are adjusted to reflect developments relating to the matters.

In our review, we also assess whether we can determine the range of reasonably possible losses for significant matters in which we are unable to determine that the likelihood of a loss is remote. Because of the difficulty of predicting the outcome of legal matters, discussed subsequently, we are able to meaningfully estimate such a range only for a limited number of matters. We currently estimate the aggregate range of reasonably possible losses for those matters to be from $0 million to roughly $50 million in excess of amounts accrued. This estimated range of reasonably possible losses is based on information currently available as of June 30, 2014. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate. Those matters for which an estimate is not possible are not included within this estimated range and, therefore, this estimated range does not represent our maximum loss exposure.

Based on our current knowledge, we believe that our current estimated liability for litigation and other legal actions and claims, reflected in our accruals and determined in accordance with applicable accounting guidance, is adequate and that liabilities in excess of the amounts currently accrued, if any, arising from litigation and other legal actions and claims for which an estimate as previously described is possible, will not have a material impact on our financial condition, results of operations, or cash flows. However, in light of the significant uncertainties involved in

these matters, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to our financial condition, results of operations, or cash flows for any given reporting period.

Any estimate or determination relating to the future resolution of litigation, arbitration, governmental or self-regulatory examinations, investigations or actions or similar matters is inherently uncertain and involves significant judgment. This is particularly true in the early stages of a legal matter, when legal issues and facts have not been well articulated, reviewed, analyzed, and vetted through discovery, preparation for trial or hearings, substantive and productive mediation or settlement discussions, or other actions. It is also particularly true with respect to class action and similar claims involving multiple defendants, matters with complex procedural requirements or substantive issues or novel legal theories, and examinations, investigations and other actions conducted or brought by governmental and self-regulatory agencies, in which the normal adjudicative process is not applicable. Accordingly, we usually are unable to determine whether a favorable or unfavorable outcome is remote, reasonably likely, or probable, or to estimate the amount or range of a probable or reasonably likely loss, until relatively late in the course of a legal matter, sometimes not until a number of years have elapsed. Accordingly, our judgments and estimates relating to claims will change from time to time in light of developments and actual outcomes will differ from our estimates. These differences may be material.

12. RETIREMENT PLANS

The following discloses the net periodic benefit cost (credit) and its components for the Company's pension and postretirement plans:

(In thousands)	Pension benefits		Supplemental retirement benefits		Postretirement benefits		Pension benefits		Supplemental retirement benefits		Postretirement benefits	
	Three Months Ended June 30,						Six Months Ended June 30,					
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Service cost	$—	$—	$—	$—	$8	$8	$—	$—	$—	$—	$16	$16
Interest cost	1,880	1,739	113	101	12	10	3,760	3,478	227	202	23	20
Expected return on plan assets	(3,326)	(3,027)					(6,652)	(6,055)				
Amortization of prior service cost (credit)			13	31	—	(37)			25	62	—	(75)
Amortization of net actuarial (gain) loss	797	2,157	5	17	(18)	(19)	1,593	4,315	10	35	(35)	(38)
Net periodic benefit cost (credit)	$(649)	$869	$131	$149	$2	$(38)	$(1,299)	$1,738	$262	$299	$4	$(77)

As disclosed in the Company's 2013 Annual Report on Form 10-K, the Company has frozen its participation and benefit accruals for the pension plan and its contributions for individual benefit payments in the postretirement benefit plan.

13. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of June 30, 2014, we operate eight community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. Zions Bank operates 98 branches in Utah and 26 branches in Idaho. CB&T operates 95 branches in California. Amegy operates 84 branches in Texas. NBAZ operates 71 branches in Arizona. NSB operates 48 branches in Nevada. Vectra operates 36 branches in Colorado and one branch in New Mexico. TCBW operates one branch in the state of Washington. TCBO operates one branch in Oregon.

The operating segment identified as “Other” includes the Parent, Zions Management Services Company (“ZMSC”), certain nonbank financial service subsidiaries, TCBO, and eliminations of transactions between segments. The Parent’s operations are significant to the Other segment. Net interest income is substantially affected by the Parent’s interest on long-term debt. Net impairment losses on investment securities relate to the Parent. ZMSC provides internal technology and operational services to affiliated operating businesses of the Company. ZMSC charges most of its costs to the affiliates on an approximate break-even basis.

The accounting policies of the individual operating segments are the same as those of the Company. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. Operating segments pay for centrally provided services based upon estimated or actual usage of those services.

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The following schedule presents selected operating segment information for the three months ended June 30, 2014 and 2013:

(In millions)	Zions Bank		CB&T		Amegy		NBAZ		NSB	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
CONDENSED INCOME STATEMENT										
Net interest income	$145.6	$150.8	$103.7	$122.6	$95.4	$94.0	$40.3	$41.4	$28.3	$28.6
Provision for loan losses	(15.4)	(10.7)	(12.9)	(3.0)	(7.5)	5.7	(8.0)	(4.7)	(5.7)	(8.7)
Net interest income after provision for loan losses	161.0	161.5	116.6	125.6	102.9	88.3	48.3	46.1	34.0	37.3
Net impairment losses on investment securities	—	—	—	—	—	—	—	—	—	—
Other noninterest income	50.2	54.2	13.8	19.7	36.3	35.5	8.3	8.8	8.9	9.7
Noninterest expense	121.1	128.0	82.4	94.5	92.5	91.9	38.9	35.4	34.0	34.2
Income (loss) before income taxes	90.1	87.7	48.0	50.8	46.7	31.9	17.7	19.5	8.9	12.8
Income tax expense (benefit)	33.2	32.1	19.0	19.9	15.9	10.6	6.6	7.4	3.0	4.4
Net income (loss)	$56.9	$55.6	$29.0	$30.9	$30.8	$21.3	$11.1	$12.1	$5.9	$8.4
AVERAGE BALANCE SHEET DATA										
Total assets	$17,593	$17,522	$11,044	$10,823	$13,618	$13,215	$4,696	$4,620	$4,073	$4,064
Cash and due from banks	336	352	156	165	213	273	73	71	83	82
Money market investments	2,678	2,949	1,252	1,237	2,435	2,676	413	433	765	956
Total securities	1,747	1,311	237	334	260	313	371	300	787	780
Total loans	12,317	12,363	8,655	8,287	9,563	8,790	3,648	3,612	2,318	2,124
Total deposits	15,320	15,234	9,395	9,231	11,165	10,798	4,014	3,918	3,676	3,625
Shareholder’s equity:										
Preferred equity	280	280	162	162	227	251	98	180	50	113
Common equity	1,552	1,533	1,368	1,319	1,873	1,776	454	407	324	304

Noncontrolling interests	—	—	—	—	—	—	—	—	—	—
Total shareholder's equity	1,832	1,813	1,530	1,481	2,100	2,027	552	587	374	417

	Vectra		TCBW		Other		Consolidated Company	
	2014	2013	2014	2013	2014	2013	2014	2013
CONDENSED INCOME STATEMENT								
Net interest income	$25.4	$25.1	$7.3	$6.8	$(29.7)	$(38.6)	$416.3	$430.7
Provision for loan losses	(4.5)	(0.8)	(0.4)	0.1	—	0.1	(54.4)	(22.0)
Net interest income after provision for loan losses	29.9	25.9	7.7	6.7	(29.7)	(38.7)	470.7	452.7
Net impairment losses on investment securities	—	—	—	—	—	(4.2)	—	(4.2)
Other noninterest income	5.9	6.1	1.0	1.0	0.5	(5.7)	124.9	129.3
Noninterest expense	23.7	25.5	5.0	3.9	8.4	38.3	406.0	451.7
Income (loss) before income taxes	12.1	6.5	3.7	3.8	(37.6)	(86.9)	189.6	126.1
Income tax expense (benefit)	4.3	2.1	1.3	1.3	(13.3)	(34.7)	70.0	43.1
Net income (loss)	$7.8	$4.4	$2.4	$2.5	$(24.3)	$(52.2)	$119.6	$83.0
AVERAGE BALANCE SHEET DATA								
Total assets	$2,595	$2,529	$869	$836	$548	$1,055	$55,036	$54,664
Cash and due from banks	47	50	21	19	(7)	(12)	922	1,000
Money market investments	18	78	94	103	(154)	220	7,501	8,652
Total securities	158	184	74	107	389	539	4,023	3,868
Total loans	2,316	2,138	665	595	62	62	39,544	37,971
Total deposits	2,184	2,165	734	703	(1,030)	(689)	45,458	44,985
Shareholder's equity:								
Preferred equity	42	70	3	3	142	460	1,004	1,519

Common equity	283	237	92	84	(201)	(558)	5,745	5,102
Noncontrolling interests	—	—	—	—	—	(3)	—	(3)
Total shareholder’s equity	325	307	95	87	(59)	(101)	6,749	6,618

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The following schedule presents selected operating segment information for the six months ended June 30, 2014 and 2013:

(In millions)	Zions Bank		CB&T		Amegy	NBAZ	NSB
	2014	2013	2014	2013			