ZIONS BANCORPORATION /UT/
Form 10-Q
May 08, 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 March 31, 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 (State or other jurisdiction of incorporation or organization)	87-0227400 (I.R.S. Employer Identification No.)
One South Main, 15th Floor Salt Lake City, Utah (Address of principal executive offices)	84133 (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 April 30, 2014	184,895,233 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)	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Cash and due from banks	$1,341,319	$1,175,083
Money market investments:		
Interest-bearing deposits	8,157,837	8,175,048
Federal funds sold and security resell agreements	379,947	282,248
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value $635,379 and $609,547)	606,279	588,981
Available-for-sale, at fair value	3,423,205	3,701,886
Trading account, at fair value	56,172	34,559
	4,085,656	4,325,426
Loans held for sale	126,344	171,328
Loans and leases, net of unearned income and fees	39,198,136	39,043,365
Less allowance for loan losses	736,953	746,291
Loans, net of allowance	38,461,183	38,297,074
Other noninterest-bearing investments	848,775	855,642
Premises and equipment, net	785,519	726,372
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	33,562	36,444
Other real estate owned	39,248	46,105
Other assets	807,325	926,228
	$56,080,844	$56,031,127
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$19,257,889	$18,758,753
Interest-bearing:		
Savings and money market	23,097,351	23,029,928
Time	2,528,735	2,593,038
Foreign	1,648,111	1,980,161
	46,532,086	46,361,880
Federal funds and other short-term borrowings	279,837	340,348
Long-term debt	2,158,701	2,273,575
Reserve for unfunded lending commitments	88,693	89,705
Other liabilities	435,311	501,056
Total liabilities	49,494,628	49,566,564
Shareholders' equity:		

Preferred stock, without par value, authorized 4,400,000 shares	1,003,970	1,003,970
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 184,895,182 and 184,677,696 shares	4,185,513	4,179,024
Retained earnings	1,542,195	1,473,670
Accumulated other comprehensive income (loss)	(145,462)	(192,101)
Total shareholders’ equity	6,586,216	6,464,563
	$56,080,844	$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 shares and per share amounts)	Three Months Ended March 31, 2014	2013
Interest income:		
Interest and fees on loans	$434,344	$453,433
Interest on money market investments	5,130	5,439
Interest on securities	28,094	25,876
Total interest income	467,568	484,748
Interest expense:		
Interest on deposits	12,779	15,642
Interest on short- and long-term borrowings	38,324	50,991
Total interest expense	51,103	66,633
Net interest income	416,465	418,115
Provision for loan losses	(610)	(29,035)
Net interest income after provision for loan losses	417,075	447,150
Noninterest income:		
Service charges and fees on deposit accounts	42,594	43,580
Other service charges, commissions and fees	43,519	42,731
Wealth management income	7,077	6,994
Capital markets and foreign exchange	5,000	7,486
Dividends and other investment income	7,864	12,724
Loan sales and servicing income	6,474	10,951
Fair value and nonhedge derivative loss	(8,539)	(5,445)
Equity securities gains, net	912	2,832
Fixed income securities gains, net	30,914	3,299
Impairment losses on investment securities:		
Impairment losses on investment securities	(27)	(31,493)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	—	21,376
Net impairment losses on investment securities	(27)	(10,117)
Other	2,531	6,184
Total noninterest income	138,319	121,219
Noninterest expense:		
Salaries and employee benefits	233,406	229,789
Occupancy, net	28,305	27,389
Furniture, equipment and software	27,944	26,074
Other real estate expense	1,607	1,977
Credit-related expense	6,906	10,482
Provision for unfunded lending commitments	(1,012)	(6,354)
Professional and legal services	10,995	10,471
Advertising	6,398	5,893
FDIC premiums	7,922	9,711
Amortization of core deposit and other intangibles	2,882	3,819

Other	72,710	78,097
Total noninterest expense	398,063	397,348
Income before income taxes	157,331	171,021
Income taxes	56,121	60,634
Net income	101,210	110,387
Net loss applicable to noncontrolling interests	—	(336)
Net income applicable to controlling interest	101,210	110,723
Preferred stock dividends	(25,020)	(22,399)
Net earnings applicable to common shareholders	$76,190	$88,324
Weighted average common shares outstanding during the period:		
Basic shares	184,440	183,396
Diluted shares	185,123	183,655
Net earnings per common share:		
Basic	$0.41	$0.48
Diluted	0.41	0.48

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 March 31, 2014	2013
Net income	$101,210	$110,387
Other comprehensive income (loss), net of tax:		
Net unrealized holding gains on investment securities	71,066	48,796
Noncredit-related impairment losses on securities not expected to be sold	—	(12,754)
Reclassification to earnings for realized net fixed income securities gains	(24,840)	(2,037)
Reclassification to earnings for net credit-related impairment losses on investment securities	17	5,999
Accretion of securities with noncredit-related impairment losses not expected to be sold	286	209
Net unrealized holding gains (losses) on derivative instruments	320	(2)
Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments	(210)	(957)
Other comprehensive income	46,639	39,254
Comprehensive income	147,849	149,641
Comprehensive loss applicable to noncontrolling interests	—	(336)
Comprehensive income applicable to controlling interest	$147,849	$149,977

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				101,210		—	101,210
Other comprehensive income, net of tax					46,639		46,639
Net activity under employee plans and related tax benefits		217,486	6,489				6,489
Dividends on preferred stock				(25,020)			(25,020)
Dividends on common stock, $0.04 per share				(7,436)			(7,436)
Change in deferred compensation				(229)			(229)
Balance at March 31, 2014	$1,003,970	184,895,182	$4,185,513	$1,542,195	$(145,462)	$—	$6,586,216
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				110,723		(336)	110,387
Other comprehensive income, net of tax					39,254		39,254
Issuance of preferred stock	171,827		(3,076)				168,751
Subordinated debt converted to preferred stock	1,160		(169)				991
Net activity under employee plans and related tax benefits		47,273	7,438				7,438
Dividends on preferred stock				(22,399)			(22,399)
Dividends on common stock, $0.01 per share				(1,833)			(1,833)
Change in deferred compensation				(175)			(175)
Other changes in noncontrolling interests			586			(988)	(402)
Balance at March 31, 2013	$1,301,289	184,246,471	$4,170,888	$1,290,131	$(406,903)	$(4,752)	$6,350,653

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 March 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	$101,210	$110,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Net impairment losses on investment securities	27	10,117
Provision for credit losses	(1,622)	(35,389)
Depreciation and amortization	32,404	38,258
Fixed income securities gains, net	(30,914)	(3,299)
Deferred income tax expense	78,278	1,282
Net increase in trading securities	(21,862)	(11)
Net decrease in loans held for sale	41,195	89,996
Change in other liabilities	(77,580)	(48,477)
Change in other assets	3,086	51,580
Other, net	2,336	(12,153)
Net cash provided by operating activities	126,558	202,291
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease (increase) in money market investments	(80,488)	628,887
Proceeds from maturities and paydowns of investment securities held-to-maturity	18,935	53,612
Purchases of investment securities held-to-maturity	(35,750)	(45,800)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	847,288	359,223
Purchases of investment securities available-for-sale	(452,123)	(486,975)
Proceeds from sales of loans and leases	6,142	6,011
Net loan and lease originations	(168,628)	(126,862)
Net purchases of premises and equipment	(76,916)	(15,800)
Proceeds from sales of other real estate owned	11,825	27,974
Other, net	5,617	7,388
Net cash provided by investing activities	75,902	407,658
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	170,206	(1,642,878)
Net change in short-term funds borrowed	(60,511)	(25,853)
Proceeds from issuance of long-term debt	—	19,362
Repayments of long-term debt	(124,755)	(18,398)
Proceeds from issuances of common and preferred stock	2,880	169,399
Dividends paid on common and preferred stock	(23,741)	(24,232)
Other, net	(303)	(439)
Net cash used in financing activities	(36,224)	(1,523,039)
Net increase (decrease) in cash and due from banks	166,236	(913,090)
Cash and due from banks at beginning of period	1,175,083	1,841,907

Cash and due from banks at end of period	$1,341,319	$928,817
Cash paid for interest	$40,849	$62,131
Net cash paid (refunds received) for income taxes	(81)	3,565

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 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"). Certain prior period amounts have been reclassified to conform with the current period presentation.

Operating results for the three months ended March 31, 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 10 Western and Southwestern states as follows: Zions First National Bank ("Zions Bank"), in Utah and Idaho; 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 January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. This new guidance under ASU 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 is currently evaluating the impact this new guidance may have on its 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

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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 is currently evaluating the impact this new guidance may have on its financial statements.

3. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)	Three Months Ended March 31, 2014	2013
Loans transferred to other real estate owned	$6,338	$23,442
Loans held for sale transferred to loans and leases	3,789	96
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	—	169
Subordinated debt converted to preferred stock	—	991

4. CASH AND MONEY MARKET INVESTMENTS

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

(In thousands)	March 31, 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	$379,947	$—	$379,947	$—	$ —	$379,947
Derivatives (included in other assets)	57,683	—	57,683	(8,646)	760	49,797
	$437,630	$—	$437,630	$(8,646)	$ 760	$429,744
Liabilities:						
Federal funds and other short-term borrowings	$279,837	$—	$279,837	$—	$ —	$279,837
Derivatives (included in other liabilities)	62,589	—	62,589	(8,646)	(29,260)	24,683
	$342,426	$—	$342,426	$(8,646)	$ (29,260)	$304,520

(In thousands)	December 31, 2013			Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount

		sheet				
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

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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.

	March 31, 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	$567,935	$—	$—	$567,935	$14,429	$1,707	$580,657
Asset-backed securities:							
Trust preferred securities – banks and insurance	79,351	—	41,107	38,244	17,603	1,225	54,622
Other debt securities	100	—	—	100	—	—	100
	647,386	—	41,107	606,279	32,032	2,932	635,379
Available-for-sale							
U.S. Treasury securities	1,471	75	—	1,546			1,546
U.S. Government agencies and corporations:							
Agency securities	561,153	2,595	5,997	557,751			557,751
Agency guaranteed mortgage-backed securities	301,020	10,662	844	310,838			310,838
Small Business Administration loan-backed securities	1,366,783	19,964	4,868	1,381,879			1,381,879
Municipal securities	150,897	1,213	704	151,406			151,406
Asset-backed securities:							
Trust preferred securities – banks and insurance	934,353	13,578	188,520	759,411			759,411
Auction rate securities	6,508	87	35	6,560			6,560
Other	1,462	290	—	1,752			1,752
	3,323,647	48,464	200,968	3,171,143			3,171,143
Mutual funds and other	257,643	180	5,761	252,062			252,062
	3,581,290	48,644	206,729	3,423,205			3,423,205
Total	$4,228,676	$48,644	$247,836	$4,029,484			$4,058,584

[1] Other comprehensive income

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2013 Amortized cost	Recognized in OCI Gross unrealized gains	Gross unrealized losses	Carrying value	Not recognized in OCI 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	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

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of March 31, 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 Amortized cost	Estimated fair value	Available-for-sale Amortized cost	Estimated fair value
Due in one year or less	$77,395	$56,283	$510,870	$497,041
Due after one year through five years	195,088	161,077	1,212,400	1,205,205

Due after five years through ten years	135,308	138,806	709,151	697,454
Due after ten years	239,595	279,213	891,226	771,443
	$647,386	$635,379	$3,323,647	$3,171,143

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ZIONS BANCORPORATION AND SUBSIDIARIES

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:

	March 31, 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	$1,414	$43,060	$293	$5,721	$1,707	$48,781
Asset-backed securities:						
Trust preferred securities – banks and insurance	56	71	42,276	54,551	42,332	54,622
	1,470	43,131	42,569	60,272	44,039	103,403
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	5,936	326,547	61	5,803	5,997	332,350
Agency guaranteed mortgage-backed securities	792	48,560	52	3,054	844	51,614
Small Business Administration loan-backed securities	3,537	347,883	1,331	37,832	4,868	385,715
Municipal securities	57	7,127	647	2,824	704	9,951
Asset-backed securities:						
Trust preferred securities – banks and insurance	1,280	52,845	187,240	624,501	188,520	677,346
Auction rate securities	11	1,603	24	889	35	2,492
	11,613	784,565	189,355	674,903	200,968	1,459,468
Mutual funds and other	—	—	5,761	124,331	5,761	124,331
	11,613	784,565	195,116	799,234	206,729	1,583,799
Total	$13,083	$827,696	$237,685	$859,506	$250,768	$1,687,202

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2013 Less than 12 months Gross unrealized losses	Estimated fair value	12 months or more Gross unrealized losses	Estimated fair value	Total 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
Agency guaranteed mortgage-backed securities	1,231	64,533	6	935	1,237	65,468
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 March 31, 2014 and December 31, 2013, respectively, 126 and 157 held-to-maturity ("HTM") and 334 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.

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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. Total sales proceeds were $607 million and, together with approximately $5 million of gains on paydowns, resulted in net gains of $31 million. Sales made reflected price improvement during the first quarter of 2014.

The sales included those announced on February 12, 2014 of $631 million par amount of CDO securities resulting in pretax gains of $65 million. These securities had been identified for sale as of December 31, 2013 and their amortized cost was adjusted to fair value as of that date.

Late in the first quarter, we sold an additional $301 million par amount of primarily insurance CDOs. These sales resulted in net realized pretax losses of $39 million. Unrealized losses on these securities were approximately $65 million at December 31, 2013. Their amortized cost was not adjusted to fair value at December 31, 2013 because the Company did not, at that date, intend to sell these securities.

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 for the security type that has significant gross unrealized losses at March 31, 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 will severely limit 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 OTTI should be recorded for the three months ended March 31, 2014.

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

(In thousands)	Three Months Ended March 31, 2014			Three Months Ended March 31, 2013		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(9,052)	$(176,833)	$(185,885)	$(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	(27)	—	(27)	—	(9,714)	(9,714)
Subtotal of amounts recognized in earnings	(27)	—	(27)	(403)	(9,714)	(10,117)
Reductions for securities sold or paid off during the period	—	12,919	12,919	—	—	—
Balance of credit-related OTTI at end of period	$(9,079)	$(163,914)	$(172,993)	$(13,952)	$(404,208)	$(418,160)

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 March 31, 2014	2013
HTM	$—	$16,114
AFS	—	5,262
	$—	$21,376

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

	Three Months Ended March 31, 2014		March 31, 2013	
(In thousands)	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:				
Held-to-maturity	$—	$27	$24	$403
Available-for-sale	72,561	41,647	3,276	9,715
Other noninterest-bearing investments:				
Nonmarketable equity securities	912	—	2,857	25
	73,473	41,674	6,157	10,143
Net gains (losses)		$31,799		$(3,986)
Statement of income information:				
Net impairment losses on investment securities		$(27)		$(10,117)
Equity securities gains, net		912		2,832
Fixed income securities gains, net		30,914		3,299
Net gains (losses)		$31,799		$(3,986)

Interest income by security type was as follows:

	Three Months Ended March 31, 2014			March 31, 2013		
(In thousands)	Taxable	Nontaxable	Total	Taxable	Nontaxable	Total
Investment securities:						
Held-to-maturity	$3,828	$2,836	$6,664	$5,073	$2,901	$7,974
Available-for-sale	20,424	524	20,948	17,173	539	17,712
Trading	482	—	482	190	—	190
	$24,734	$3,360	$28,094	$22,436	$3,440	$25,876

Securities with a carrying value of $1.5 billion at March 31, 2014 and 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.

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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)	March 31, 2014	December 31, 2013
Loans held for sale	$126,344	$171,328
Commercial:		
Commercial and industrial	$12,511,630	$12,481,083
Leasing	389,576	387,929
Owner occupied	7,347,813	7,437,195
Municipal	482,074	449,418
Total commercial	20,731,093	20,755,625
Commercial real estate:		
Construction and land development	2,263,920	2,182,821
Term	8,080,348	8,005,837
Total commercial real estate	10,344,268	10,188,658
Consumer:		
Home equity credit line	2,165,285	2,133,120
1-4 family residential	4,795,484	4,736,665
Construction and other consumer real estate	330,215	324,922
Bankcard and other revolving plans	360,389	356,240
Other	186,089	197,864
Total consumer	7,837,462	7,748,811
FDIC-supported loans	285,313	350,271
Total loans	$39,198,136	$39,043,365

Loan balances are presented net of unearned income and fees, which amounted to $144.5 million at March 31, 2014 and $141.7 million at December 31, 2013.

Owner occupied and commercial real estate (“CRE”) loans include unamortized premiums of approximately $44.1 million at March 31, 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 $589.1 million at March 31, 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 $23.5 billion at March 31, 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 totaling $337.6 million and $447.6 million for the three months ended March 31, 2014, and 2013, respectively, that were classified as loans held for sale. Loans classified as loans held for sale primarily consist of

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conforming residential mortgages. Amounts added to loans held for sale during these periods were $295.5 million and $358.9 million, respectively. Income from loans sold, excluding servicing, for these same periods was $3.5 million and $8.5 million.

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 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

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- 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.

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

	Three Months Ended March 31, 2014				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported [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	11,682	(1,567)	(8,868)	(1,857)	(610)
Adjustment for FDIC-supported loans	—	—	—	(817)	(817)
Deductions:					
Gross loan and lease charge-offs	(9,124)	(7,854)	(3,114)	(703)	(20,795)
Recoveries	6,845	2,604	2,197	1,238	12,884
Net loan and lease charge-offs	(2,279)	(5,250)	(917)	535	(7,911)
Balance at end of period	$474,548	$206,546	$51,080	$4,779	$736,953
Reserve for unfunded lending commitments:					
Balance at beginning of period	$48,345	$37,485	$3,875	$—	$89,705
Provision charged (credited) to earnings	1,525	(2,212)	(325)	—	(1,012)
Balance at end of period	$49,870	$35,273	$3,550	$—	$88,693
Total allowance for credit losses at end of period:					
Allowance for loan losses	$474,548	$206,546	$51,080	$4,779	$736,953
Reserve for unfunded lending commitments	49,870	35,273	3,550	—	88,693
Total allowance for credit losses	$524,418	$241,819	$54,630	$4,779	$825,646

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(In thousands)	Three Months Ended March 31, 2013 Commercial	Commercial real estate	Consumer	FDIC-supported [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	(3,229)	(18,628)	(5,020)	(2,158)	(29,035)
Adjustment for FDIC-supported loans	—	—	—	(7,429)	(7,429)
Deductions:					
Gross loan and lease charge-offs	(18,100)	(7,224)	(9,937)	(206)	(35,467)
Recoveries	7,351	5,297	3,923	1,054	17,625
Net loan and lease charge-offs	(10,749)	(1,927)	(6,014)	848	(17,842)
Balance at end of period	$496,930	$256,421	$84,622	$3,808	$841,781
Reserve for unfunded lending commitments:					
Balance at beginning of period	$67,374	$37,852	$1,583	$—	$106,809
Provision charged (credited) to earnings	(1,742)	(4,612)	—	—	(6,354)
Balance at end of period	$65,632	$33,240	$1,583	$—	$100,455
Total allowance for credit losses at end of period:					
Allowance for loan losses	$496,930	$256,421	$84,622	$3,808	$841,781
Reserve for unfunded lending commitments	65,632	33,240	1,583	—	100,455
Total allowance for credit losses	$562,562	$289,661	$86,205	$3,808	$942,236

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

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

(In thousands)	March 31, 2014 Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	$41,739	$7,409	$10,137	$—	$59,285
Collectively evaluated for impairment	432,809	199,137	40,943	528	673,417
Purchased loans with evidence of credit deterioration	—	—	—	4,251	4,251
Total	$474,548	$206,546	$51,080	$4,779	$736,953
Outstanding loan balances:					
Individually evaluated for impairment	$329,389	$240,384	$100,680	$1,218	$671,671
Collectively evaluated for impairment	20,401,704	10,103,884	7,736,782	35,128	38,277,498
Purchased loans with evidence of credit deterioration	—	—	—	248,967	248,967
Total	$20,731,093	$10,344,268	$7,837,462	$285,313	$39,198,136

	December 31, 2013				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported	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)	March 31, 2014	December 31, 2013
Commercial:		
Commercial and industrial	$108,618	$97,960
Leasing	684	757
Owner occupied	127,140	136,281
Municipal	9,947	9,986
Total commercial	246,389	244,984
Commercial real estate:		
Construction and land development	29,061	29,205
Term	59,202	60,380
Total commercial real estate	88,263	89,585
Consumer:		
Home equity credit line	9,624	8,969
1-4 family residential	48,023	53,002
Construction and other consumer real estate	3,424	3,510
Bankcard and other revolving plans	882	1,365
Other	944	804
Total consumer loans	62,897	67,650
FDIC-supported loans	4,117	4,394
Total	$401,666	$406,613

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

	March 31, 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]
Commercial:							
Commercial and industrial	$12,403,866	$53,684	$54,080	$107,764	$12,511,630	$826	$45,137
Leasing	389,201	181	194	375	389,576	—	490
Owner occupied	7,262,832	44,218	40,763	84,981	7,347,813	130	71,445
Municipal	473,263	—	8,811	8,811	482,074	—	1,136
Total commercial	20,529,162	98,083	103,848	201,931	20,731,093	956	118,208
Commercial real estate:							
Construction and land development	2,246,891	5,518	11,511	17,029	2,263,920	—	16,934
Term	8,023,737	31,597	25,014	56,611	8,080,348	3,992	21,690
Total commercial real estate	10,270,628	37,115	36,525	73,640	10,344,268	3,992	38,624
Consumer:							
Home equity credit line	2,151,938	6,305	7,042	13,347	2,165,285	—	2,145
1-4 family residential	4,765,571	11,351	18,562	29,913	4,795,484	702	25,889
Construction and other consumer real estate	326,297	3,035	883	3,918	330,215	—	2,100
	357,596	1,722	1,071	2,793	360,389	1,008	739

Bankcard and other revolving plans							
Other	184,687	625	777	1,402	186,089	3	127
Total consumer loans	7,786,089	23,038	28,335	51,373	7,837,462	1,713	31,000
FDIC-supported loans	247,399	4,390	33,524	37,914	285,313	31,530	1,572
Total	$38,833,278	$162,626	$202,232	$364,858	$39,198,136	$38,191	$ 189,404

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(In thousands)	December 31, 2013 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]
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 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.

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

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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:

	March 31, 2014					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Commercial:						
Commercial and industrial	$11,722,928	$340,409	$436,572	$11,721	$12,511,630	
Leasing	383,454	992	5,130	—	389,576	
Owner occupied	6,762,002	167,655	417,828	328	7,347,813	
Municipal	472,127	—	9,947	—	482,074	
Total commercial	19,340,511	509,056	869,477	12,049	20,731,093	$474,548
Commercial real estate:						
Construction and land development	2,192,237	14,181	57,502	—	2,263,920	
Term	7,675,747	149,016	253,739	1,846	8,080,348	
Total commercial real estate	9,867,984	163,197	311,241	1,846	10,344,268	206,546
Consumer:						
Home equity credit line	2,140,762	—	24,523	—	2,165,285	
1-4 family residential	4,732,423	—	63,061	—	4,795,484	
Construction and other consumer real estate	321,328	—	8,887	—	330,215	
Bankcard and other revolving plans	358,045	—	2,344	—	360,389	
Other	184,863	—	1,226	—	186,089	
Total consumer loans	7,737,421	—	100,041	—	7,837,462	51,080
FDIC-supported loans	181,100	19,366	84,847	—	285,313	4,779
Total	$37,127,016	$691,619	$1,365,606	$13,895	$39,198,136	$736,953

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	December 31, 2013					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
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 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 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 months ended March 31, 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 three months ended March 31, 2014 and 2013:

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	March 31, 2014				
(In thousands)	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$201,765	$36,155	$140,988	$177,143	$31,319
Owner occupied	146,504	59,435	71,281	130,716	8,487
Total commercial	348,269	95,590	212,269	307,859	39,806
Commercial real estate:					
Construction and land development	70,088	28,680	30,460	59,140	2,865
Term	175,713	70,196	62,043	132,239	3,634
Total commercial real estate	245,801	98,876	92,503	191,379	6,499
Consumer:					
Home equity credit line	18,145	13,095	2,177	15,272	67
1-4 family residential	94,639	39,589	39,841	79,430	9,790
Construction and other consumer real estate	4,241	2,341	986	3,327	179
Other	630	630	—	630	—
Total consumer loans	117,655	55,655	43,004	98,659	10,036
FDIC-supported loans	321,798	91,487	158,698	250,185	4,251
Total	$1,033,523	$341,608	$506,474	$848,082	$60,592

	December 31, 2013				
(In thousands)	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$178,281	$30,092	$126,692	$156,784	$23,687
Owner occupied	151,499	50,361	88,584	138,945	13,900
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	—
Other	—	—	—	—	—
Total consumer loans	118,599	54,712	45,265	99,977	10,629
FDIC-supported loans	404,308	83,917	228,392	312,309	6,526
Total	$1,109,953	$272,546	$652,007	$924,553	$66,206

(In thousands)	Three Months Ended March 31, 2014 Average recorded investment	Interest income recognized		Three Months Ended March 31, 2013 Average recorded investment	Interest income recognized	
Commercial:						
Commercial and industrial	$175,155	$1,024		$177,745	$856	
Owner occupied	137,175	752		182,825	806	
Total commercial	312,330	1,776		360,570	1,662	
Commercial real estate:						
Construction and land development	62,548	552		147,225	664	
Term	149,425	1,294		289,103	1,836	
Total commercial real estate	211,973	1,846		436,328	2,500	
Consumer:						
Home equity credit line	14,952	135		11,455	59	
1-4 family residential	80,154	448		99,191	382	
Construction and other consumer real estate	3,332	35		6,122	46	
Other	704	—		1,816	—	
Total consumer loans	99,142	618		118,584	487	
FDIC-supported loans	283,782	22,305	[1]	447,841	25,153	[1]
Total	$907,227	$26,545		$1,363,323	$29,802	

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

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.

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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:

	March 31, 2014						
	Recorded investment resulting from the following modification types:						
(In thousands)	Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other[1]	Multiple modification types[2]	Total
Accruing							
Commercial:							
Commercial and industrial	$640	$8,738	$ 21	$3,553	$4,214	$ 64,547	$81,713
Owner occupied	22,484	1,072	980	1,282	9,573	21,437	56,828
Total commercial	23,124	9,810	1,001	4,835	13,787	85,984	138,541
Commercial real estate:							
Construction and land development	—	8,003	—	1,077	562	23,328	32,970
Term	8,603	8,980	188	3,695	4,151	59,215	84,832
Total commercial real estate	8,603	16,983	188	4,772	4,713	82,543	117,802
Consumer:							
Home equity credit line	742	34	10,158	—	164	426	11,524
1-4 family residential	2,608	55	6,966	638	1,437	37,323	49,027
Construction and other consumer real estate	123	326	49	—	—	1,494	1,992
Total consumer loans	3,473	415	17,173	638	1,601	39,243	