ZIONS BANCORPORATION /UT/
Form 10-Q
November 06, 2015

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 September 30, 2015

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) 844-7637

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 November 2, 2015 204,294,516 shares

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

(In thousands, except shares)	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Cash and due from banks	$602,694	$841,942
Money market investments:		
Interest-bearing deposits	6,558,678	7,178,097
Federal funds sold and security resell agreements	1,325,501	1,386,291
Investment securities:		
Held-to-maturity, at amortized cost (approximate fair value $553,088 and $677,196)	544,168	647,252
Available-for-sale, at fair value	6,000,011	3,844,248
Trading account, at fair value	73,521	70,601
	6,617,700	4,562,101
Loans held for sale	139,122	132,504
Loans and leases, net of unearned income and fees	40,113,123	40,063,658
Less allowance for loan losses	596,440	604,663
Loans, net of allowance	39,516,683	39,458,995
Other noninterest-bearing investments	851,225	865,950
Premises and equipment, net	873,800	829,809
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	18,546	25,520
Other real estate owned	12,799	18,916
Other assets	880,050	894,620
	$58,410,927	$57,208,874
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$21,572,022	$20,529,124
Interest-bearing:		
Savings and money market	24,690,359	24,583,636
Time	2,216,206	2,406,924
Foreign	441,560	328,391
	48,920,147	47,848,075
Federal funds and other short-term borrowings	272,391	244,223
Long-term debt	944,752	1,092,282
Reserve for unfunded lending commitments	81,389	81,076
Other liabilities	554,153	573,688
Total liabilities	50,772,832	49,839,344
Shareholders' equity:		

Preferred stock, without par value, authorized 4,400,000 shares	1,004,159	1,004,011
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 204,278,594 and 203,014,903 shares	4,756,288	4,723,855
Retained earnings	1,894,623	1,769,705
Accumulated other comprehensive income (loss)	(16,975)	(128,041)
Total shareholders’ equity	7,638,095	7,369,530
	$58,410,927	$57,208,874

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 September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Interest income:				
Interest and fees on loans	$419,981	$430,416	$1,256,378	$1,298,567
Interest on money market investments	6,018	5,483	17,021	15,501
Interest on securities	30,231	24,377	86,513	76,973
Total interest income	456,230	460,276	1,359,912	1,391,041
Interest expense:				
Interest on deposits	12,542	12,313	36,967	37,188
Interest on short- and long-term borrowings	18,311	31,144	56,518	104,280
Total interest expense	30,853	43,457	93,485	141,468
Net interest income	425,377	416,819	1,266,427	1,249,573
Provision for loan losses	18,262	(54,643)	17,334	(109,669)
Net interest income after provision for loan losses	407,115	471,462	1,249,093	1,359,242
Noninterest income:				
Service charges and fees on deposit accounts	43,196	43,468	126,006	126,068
Other service charges, commissions and fees	52,837	51,639	152,028	143,847
Wealth management income	7,496	7,438	23,271	22,495
Loan sales and servicing income	7,728	7,592	23,816	22,020
Capital markets and foreign exchange	6,624	5,400	19,400	16,319
Dividends and other investment income	8,449	11,324	27,164	27,183
Fair value and nonhedge derivative income (loss)	(1,555)	44	(799)	(10,429)
Equity securities gains, net	3,630	440	11,822	3,865
Fixed income securities gains (losses), net	(53)	(13,901)	(138,728)	22,039
Impairment losses on investment securities	—	—	—	(27)
Less amounts recognized in other comprehensive income	—		—	—
Net impairment losses on investment securities	—	—	—	(27)
Other	2,461	2,627	9,076	5,854
Total noninterest income	130,813	116,071	253,056	379,234
Noninterest expense:				
Salaries and employee benefits	242,023	245,518	736,675	717,680
Occupancy, net	29,477	28,495	88,911	85,739
Furniture, equipment and software	30,416	28,524	91,376	84,454
Other real estate expense, net	(40)	875	(111)	2,216
Credit-related expense	6,914	6,508	20,959	20,615
Provision for unfunded lending commitments	1,428	(16,095)	313	(10,328)
Professional and legal services	12,699	16,588	37,292	39,754
Advertising	6,136	6,094	19,622	19,295
FDIC premiums	8,500	8,204	25,228	24,143
Amortization of core deposit and other intangibles	2,298	2,665	6,974	8,283
Debt extinguishment cost	—	44,422	2,395	44,422
Other	56,298	66,738	168,076	206,353

Total noninterest expense	396,149	438,536	1,197,710	1,242,626
Income before income taxes	141,779	148,997	304,439	495,850
Income taxes	40,780	53,109	97,455	179,202
Net income	100,999	95,888	206,984	316,648
Dividends on preferred stock	(16,761)	(16,761)	(48,567)	(56,841)
Net earnings applicable to common shareholders	$84,238	$79,127	$158,417	$259,807
Weighted average common shares outstanding during the period:				
Basic shares	203,668	196,687	203,057	188,643
Diluted shares	204,155	197,271	203,511	189,260
Net earnings per common share:				
Basic	$0.41	$0.40	$0.77	$1.36
Diluted	0.41	0.40	0.77	1.36

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 September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net income for the period	$100,999	$95,888	$206,984	$316,648
Other comprehensive income, net of tax:				
Net unrealized holding gains on investment securities	11,268	18,265	4,460	100,723
Reclassification of HTM securities to AFS securities	—	—	10,938	—
Reclassification to earnings for realized net fixed income securities losses (gains)	33	7,886	85,845	(20,058)
Reclassification to earnings for net credit-related impairment losses on investment securities	—	—	—	17
Accretion of securities with noncredit-related impairment losses not expected to be sold	—	276	—	835
Net unrealized gains (losses) on other noninterest-bearing investments	(1,881)	454	94	(333)
Net unrealized holding gains (losses) on derivative instruments	10,607	(508)	12,941	1,011
Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments	(1,830)	(463)	(3,212)	(1,021)
Other comprehensive income	18,197	25,910	111,066	81,174
Comprehensive income	$119,196	$121,798	$318,050	$397,822

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)	Total shareholders' equity
Balance at December 31, 2014	$1,004,011	203,014,903	$4,723,855	$1,769,705	$(128,041)	$7,369,530
Net income for the period				206,984		206,984
Other comprehensive income, net of tax					111,066	111,066
Subordinated debt converted to preferred stock	148		(44)			104
Net activity under employee plans and related tax benefits		1,263,691	32,477			32,477
Dividends on preferred stock				(48,567)		(48,567)
Dividends on common stock, $0.16 per share				(32,785)		(32,785)
Change in deferred compensation				(714)		(714)
Balance at September 30, 2015	$1,004,159	204,278,594	$4,756,288	$1,894,623	$(16,975)	$7,638,095
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				316,648		316,648
Other comprehensive income, net of tax					81,174	81,174
Issuance of common stock		17,617,450	515,856			515,856
Subordinated debt converted to preferred stock	36		(5)			31
Net activity under employee plans and related tax benefits		603,345	22,420			22,420
Dividends on preferred stock				(56,841)		(56,841)
Dividends on common stock, $0.12 per share				(23,039)		(23,039)
Change in deferred compensation				1,347		1,347
Balance at September 30, 2014	$1,004,006	202,898,491	$4,717,295	$1,711,785	$(110,927)	$7,322,159

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 September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	$100,999	$95,888	$206,984	$316,648
Adjustments to reconcile net income to net cash provided by operating activities:				
Debt extinguishment cost	—	44,422	2,395	44,422
Provision for credit losses	19,690	(70,738)	17,647	(119,997)
Depreciation and amortization	40,281	33,860	109,563	97,414
Fixed income securities losses (gains), net	53	13,901	138,728	(22,039)
Deferred income tax expense (benefit)	(10,027)	2,960	(51,056)	22,368
Net decrease (increase) in trading securities	970	1,241	(2,950)	(20,868)
Net decrease in loans held for sale	23,314	53,820	3,263	60,774
Change in other liabilities	21,525	33,919	(14,738)	(24,598)
Change in other assets	31,178	4,739	(1,991)	(8,721)
Other, net	(15,461)	(5,745)	(21,475)	6,528
Net cash provided by operating activities	212,522	208,267	386,370	351,931
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in money market investments	1,181,378	(955,971)	680,209	635,594
Proceeds from maturities and paydowns of investment securities held-to-maturity	26,875	20,796	87,785	58,921
Purchases of investment securities held-to-maturity	(142)	(14,964)	(24,203)	(78,228)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	385,584	374,973	1,365,851	1,417,234
Purchases of investment securities available-for-sale	(1,728,939)	(451,212)	(3,486,509)	(1,125,036)
Net change in loans and leases	(122,868)	(126,173)	(74,974)	(738,706)
Purchases of premises and equipment	(38,747)	(26,153)	(106,115)	(138,884)
Proceeds from sales of other real estate owned	8,019	8,200	16,592	37,112
Other, net	17,610	12,799	46,935	19,796
Net cash provided by (used in) investing activities	(271,230)	(1,157,705)	(1,494,429)	87,803
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in deposits	(16,977)	594,422	1,072,072	(96,321)
Net change in short-term funds borrowed	45,267	(66,603)	28,168	(148,550)
Repayments of long-term debt	(111,477)	(834,964)	(164,082)	(1,196,123)
Debt extinguishment costs paid	—	(35,435)	(2,395)	(35,435)
Proceeds from the issuance of common stock	13,599	519,559	19,631	524,080
Dividends paid on common and preferred stock	(27,420)	(23,243)	(79,699)	(71,191)
Other, net	172	112	(4,884)	(3,579)
Net cash provided by (used in) financing activities	(96,836)	153,848	868,811	(1,027,119)
Net decrease in cash and due from banks	(155,544)	(795,590)	(239,248)	(587,385)
Cash and due from banks at beginning of period	758,238	1,381,262	841,942	1,173,057
Cash and due from banks at end of period	$602,694	$585,672	$602,694	$585,672

Cash paid for interest	$22,162	$41,138	$73,219	$122,807
Net cash paid for income taxes	8,679	58,645	100,505	181,301

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2015

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. These reclassifications did not affect net income.

Operating results for the three and nine months ended September 30, 2015 and 2014 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2014 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 2014 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; Amegy Corporation ("Amegy") and its subsidiary, Amegy Bank, in Texas; California Bank & Trust ("CB&T"); National Bank of Arizona ("NBAZ"); Nevada State Bank ("NSB"); Vectra Bank Colorado ("Vectra"), in Colorado and New Mexico; and The Commerce Bank of Washington ("TCBW"), in Washington and Oregon. Effective April 1, 2015, The Commerce Bank of Oregon ("TCBO") was merged into TCBW. The Parent and its subsidiary banks also own and operate certain nonbank subsidiaries that engage in financial services. On June 1, 2015, the Company announced certain efficiency and restructuring initiatives that included, among other things, the mergers of its seven subsidiary banks into Zions Bank, whose name will be changed to ZB, N.A. Regional brand names according to geographic location will continue to be used. The Company has received approvals from the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation and expects to complete the mergers following the close of business on December 31, 2015.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards not yet adopted by the Company			
ASU 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or	The guidance eliminates the current requirement to categorize within the fair value hierarchy investments whose fair values are measured at net asset value ("NAV") using the practical expedient in ASC 820. Fair value disclosure of these investments will be made to facilitate reconciliation to amounts reported on the	January 1, 2016	We do not currently expect this new disclosure guidance will have a material impact on the Company's financial statements.

its Equivalent), (Topic 820)	balance sheet. Other related disclosures will continue when the NAV practical expedient is used. Adoption is retrospective and early adoption is permitted.

ZIONS BANCORPORATION AND SUBSIDIARIES

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards not yet adopted by the Company (continued)			
ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement (Subtopic 350-40)	The standard provides guidance to determine whether an arrangement includes a software license. If it does, the customer accounts for it the same way as for other software licenses. If no software license is included, the customer accounts for it as a service contract. Adoption may be retrospective or prospective. Early adoption is permitted.	January 1, 2016	We are currently evaluating the impact this new guidance may have on the Company's financial statements.
ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (Subtopic 835-30)	The standard requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the associated debt liability, consistent with debt discounts. Adoption is retrospective and early adoption is permitted.	January 1, 2016	We currently include debt issuance costs in other assets. The amount to be reclassified to the debt liability is not material to the Company's financial statements.
ASU 2015-02, Amendments to the Consolidation Analysis (Topic 810)	The new standard changes certain criteria in the variable interest model and the voting model to determine whether certain legal entities are variable interest entities ("VIEs") and whether they should be consolidated. Additional disclosures are required for entities not currently considered VIEs, but may become VIEs under the new guidance and may be subject to consolidation. Adoption may be retrospective or modified retrospective with a cumulative effect adjustment. Early adoption is permitted.	January 1, 2016	We currently do not consolidate any VIEs and do not expect this new guidance will have a material impact on the Company's financial statements.
ASU 2014-09, Revenue from Contracts with Customers (Topic 606)	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 standard, (including loans, derivatives, debt and equity securities, etc.). However, the new standard affects other fees charged by banks, such as	January 1, 2018, as extended in August 2015 by ASU 2015-14	While we currently do not expect this standard will have a material impact on the Company's financial statements, we are still in process of conducting our evaluation.

	asset management fees, credit card interchange fees, deposit account fees, etc. Adoption may be made on a full retrospective basis with practical expedients, or on a modified retrospective basis with a cumulative effect adjustment. Early adoption of the guidance is permitted as of January 1, 2017.		
Standards adopted by the Company			
ASU 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (Subtopic 310-40)	The standard addresses the classification of certain foreclosed mortgage loans fully or partially guaranteed under government programs. Under certain such programs, qualifying creditors can extend mortgage loans with a guarantee entitling the creditor to recover all or a portion of the unpaid principal balance from the government if the borrower defaults. A separate other receivable is established that is measured based on the amount of the loans expected to be recovered.	January 1, 2015	Our adoption of this standard had no impact on the accompanying financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards adopted by the Company (continued)			
ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (Subtopic 310-40)	The standard 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. Additional financial statement disclosures will be required.	January 1, 2015	Our adoption of this standard added a nominal amount of additional disclosure to Note 6.
ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects (Topic 323)	The standard revised conditions an entity must meet to elect the effective yield method when accounting for qualified affordable housing project investments. The EITF final consensus changed the method of amortizing a Low-Income Housing Tax Credit ("LIHTC") investment from the effective yield method to a proportional amorti-zation method. Amortization would be proportional to the tax credits and tax benefits received but, under a practical expedient 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.	January 1, 2015	Our adoption of this standard did not have a material impact on the accompanying financial statements.

3. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Loans and leases transferred to other real estate owned	$3,446	$8,954	$10,098	$20,197
Loans held for sale reclassified as loans and leases	22,299	9,658	33,042	14,739
Amortized cost of HTM securities reclassified as AFS securities	—	—	79,276	—

4. OFFSETTING ASSETS AND LIABILITIES

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

(In thousands)	September 30, 2015			Gross amounts not offset in the balance sheet		
Description	Gross amounts	Gross amounts	Net amounts presented in	Financial instruments	Cash collateral received/pledged	Net amount

	recognized	offset in the balance sheet	the balance sheet			
Assets:						
Federal funds sold and security resell agreements	$1,325,501	$—	$1,325,501	$—	$ —	$1,325,501
Derivatives (included in other assets)	103,119	—	103,119	(17,207)	—	85,912
	$1,428,620	$—	$1,428,620	$(17,207)	$ —	$1,411,413
Liabilities:						
Federal funds and other short-term borrowings	$272,391	$—	$272,391	$—	$ —	$272,391
Derivatives (included in other liabilities)	86,363	—	86,363	(17,207)	(37,109)	32,047
	$358,754	$—	$358,754	$(17,207)	$ (37,109)	$304,438

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 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	$1,386,291	$—	$1,386,291	$—	$ —	$1,386,291
Derivatives (included in other assets)	66,420	—	66,420	(3,755)		62,665
	$1,452,711	$—	$1,452,711	$(3,755)	$ —	$1,448,956
Liabilities:						
Federal funds and other short-term borrowings	$244,223	$—	$244,223	$—	$ —	$244,223
Derivatives (included in other liabilities)	66,064	—	66,064	(3,755)	(31,968)	30,341
	$310,287	$—	$310,287	$(3,755)	$ (31,968)	$274,564

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. INVESTMENTS

Investment Securities

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

(In thousands)	September 30, 2015 Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity				
Municipal securities	$544,168	$9,976	$1,056	$553,088
Available-for-sale				
U.S. Government agencies and corporations:				
Agency securities	1,102,978	7,147	578	1,109,547
Agency guaranteed mortgage-backed securities	2,805,901	12,989	5,619	2,813,271
Small Business Administration loan-backed securities	1,815,766	14,177	10,779	1,819,164
Municipal securities	212,698	1,059	359	213,398
Other debt securities	25,485	187	2,905	22,767
	5,962,828	35,559	20,240	5,978,147

Money market mutual funds and other	21,773	91	—	21,864
	5,984,601	35,650	20,240	6,000,011
Total	$6,528,769	$45,626	$21,296	$6,553,099

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(In thousands)	December 31, 2014 Amortized cost	Recognized in OCI [1] Gross unrealized gains	Recognized in OCI [1] Gross unrealized losses	Carrying value	Not recognized in OCI Gross unrealized gains	Not recognized in OCI Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$607,675	$—	$—	$607,675	$13,018	$804	$619,889
Asset-backed securities:							
Trust preferred securities – banks and insurance	79,276	—	39,699	39,577	18,393	663	57,307
	686,951	—	39,699	647,252	$31,411	$1,467	677,196
Available-for-sale							
U.S. Government agencies and corporations:							
Agency securities	607,523	1,572	8,343	600,752			600,752
Agency guaranteed mortgage-backed securities	935,164	12,132	2,105	945,191			945,191
Small Business Administration loan-backed securities	1,544,710	16,446	8,891	1,552,265			1,552,265
Municipal securities	189,059	1,143	945	189,257			189,257
Asset-backed securities:							
Trust preferred securities – banks and insurance	537,589	103	121,984	415,708			415,708
Other	5,252	207	7	5,452			5,452
	3,819,297	31,603	142,275	3,708,625			3,708,625
Money market mutual funds and other	136,591	76	1,044	135,623			135,623
	3,955,888	31,679	143,319	3,844,248			3,844,248
Total	$4,642,839	$31,679	$183,018	$4,491,500			$4,521,444

[1] Other comprehensive income

CDO Sales and Paydowns

During the second quarter of 2015, we sold the remaining portfolio of our collateralized debt obligation (“CDO”) securities, or $574 million at amortized cost, and realized net losses of approximately $137 million.

During the first quarter of 2015, we reclassified all of the remaining held-to-maturity (“HTM”) CDO securities, or approximately $79 million at amortized cost, to available-for-sale (“AFS”) securities. The reclassification resulted from increased risk weights for these securities under the new Basel III capital rules, and was made in accordance with applicable accounting guidance that allows for such reclassifications when increased risk weights of debt securities must be used for regulatory risk-based capital purposes. No gain or loss was recognized in the statement of income at the time of reclassification.

During the first nine months of 2014, we recorded a total of $1,294 million par amount of sales and paydowns of CDO securities, resulting in net gains of approximately $22 million. These sales were made in part as a result of the Volcker Rule (“VR”).

Maturities

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of September 30, 2015 by expected timing of principal payments. Actual principal payments may differ from contractual or expected principal payments because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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(In thousands)	Held-to-maturity		Available-for-sale	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Principal return in one year or less	$88,169	$88,714	$822,647	$824,744
Principal return after one year through five years	168,734	171,164	2,314,091	2,319,836
Principal return after five years through ten years	152,942	158,331	1,857,898	1,862,624
Principal return after ten years	134,323	134,879	968,192	970,943
	$544,168	$553,088	$5,962,828	$5,978,147

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:

(In thousands)	September 30, 2015					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$901	$55,763	$155	$11,681	$1,056	$67,444
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	65	34,737	513	137,964	578	172,701
Agency guaranteed mortgage-backed securities	5,361	1,330,271	258	15,351	5,619	1,345,622
Small Business Administration loan-backed securities	4,550	453,651	6,229	452,275	10,779	905,926
Municipal securities	305	34,703	54	4,125	359	38,828
Other debt securities	—	—	2,905	12,097	2,905	12,097
	10,281	1,853,362	9,959	621,812	20,240	2,475,174
Total	$11,182	$1,909,125	$10,114	$633,493	$21,296	$2,542,618

(In thousands)	December 31, 2014					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$527	$62,762	$277	$14,003	$804	$76,765
Asset-backed securities:						
Trust preferred securities – banks and insurance	53	122	40,309	57,186	40,362	57,308
	580	62,884	40,586	71,189	41,166	134,073
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	4,510	295,694	3,833	101,188	8,343	396,882

Agency guaranteed mortgage-backed securities	1,914	425,114	191	12,124	2,105	437,238
Small Business Administration loan-backed securities	5,869	495,817	3,022	175,523	8,891	671,340
Municipal securities	258	36,551	687	4,616	945	41,167
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	121,984	405,605	121,984	405,605
Other	7	1,607	—	—	7	1,607
	12,558	1,254,783	129,717	699,056	142,275	1,953,839
Money market mutual funds and other	1,044	71,907	—	—	1,044	71,907
	13,602	1,326,690	129,717	699,056	143,319	2,025,746
Total	$14,182	$1,389,574	$170,303	$770,245	$184,485	$2,159,819

At September 30, 2015 and December 31, 2014, respectively, 146 and 153 HTM and 460 and 458 AFS investment securities were in an unrealized loss position.

Other-Than-Temporary Impairment

Ongoing Policy

We review 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 majority of the investment portfolio are debt securities). Under these circumstances, OTTI is considered to have occurred if (1) we have formed a documented intent to sell identified securities or initiated such sales; (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.

OTTI Conclusions

Our 2014 Annual Report on Form 10-K describes in more detail our OTTI evaluation process. The following summarizes the conclusions from our OTTI evaluation by each security type that has significant gross unrealized losses at September 30, 2015:

OTTI – U.S. Government Agencies and Corporations

Agency Guaranteed Mortgage-Backed Securities: These pass-through securities are comprised largely of fixed and floating-rate residential mortgage-backed securities issued by the Government National Mortgage Association (“GNMA”), the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation. They were generally purchased at premiums with maturity dates from 10 to 15 years for fixed-rate securities and 30 years for floating-rate securities. These securities benefit from certain guarantee provisions or, in the case of GNMA, direct U.S. government guarantees. Unrealized losses relate to changes in interest rates subsequent to purchase and are not attributable to credit. At September 30, 2015, we did not have an intent to sell identified securities with unrealized losses or initiate such sales, and we believe it is more likely than not we would not be required to sell such securities before recovery of their amortized cost basis. Therefore, we did not record OTTI for these securities during the third quarter of 2015.

Small Business Administration (“SBA”) Loan-Backed Securities: These securities were generally purchased at premiums with maturities from 5 to 25 years and have principal cash flows guaranteed by the SBA. Unrealized losses relate to changes in interest rates subsequent to purchase and are not attributable to credit. At September 30, 2015, we did not have an intent to sell identified SBA securities with unrealized losses or initiate such sales, and we believe it is more likely than not we would not be required to sell such securities before recovery of their amortized cost basis. Therefore, we did not record OTTI for these securities during the third quarter of 2015.

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

(In thousands)	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$—	$—	$—	$(9,079)	$(95,472)	$(104,551)
Reductions for securities sold or paid off during the period	—	—	—	—	104,551	104,551
Reclassification of securities from HTM to AFS	—	—	—	9,079	(9,079)	—
Balance of credit-related OTTI at end of period	$—	$—	$—	$—	$—	$—

(In thousands)	Three Months Ended September 30, 2014			Nine Months Ended September 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:						
Additional credit-related OTTI on securities previously impaired	—	—	—	(27)	—	(27)
Reductions for securities sold or paid off during the period	—	44,929	44,929	—	57,848	57,848
Balance of credit-related OTTI at end of period	$(9,079)	$(118,985)	$(128,064)	$(9,079)	$(118,985)	$(128,064)

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

	Three Months Ended				Nine Months Ended			
	September 30, 2015		September 30, 2014		September 30, 2015		September 30, 2014	
(In thousands)	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:								
Held-to-maturity	$—	$—	$2	$—	$1	$—	$2	$27
Available-for-sale	6	59	5,873	20,063	8,366	147,572	83,466	62,948
Other noninterest-bearing investments	14,267	10,637	5,911	5,184	23,870	11,571	10,568	5,184
	14,273	10,696	11,786	25,247	32,237	159,143	94,036	68,159
Net gains (losses)		$3,577		$(13,461)		$(126,906)		$25,877

Statement of income information:

Net impairment losses on investment securities	$—	$—	$—	$(27)
Equity securities gains, net	3,630	440	11,822	3,865
Fixed income securities gains (losses), net	(53)	(13,901)	(138,728)	22,039
Net gains (losses)	$3,577	$(13,461)	$(126,906)	$25,877

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Interest income by security type is as follows:

(In thousands)	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Taxable	Nontaxable	Total	Taxable	Nontaxable	Total
Investment securities:						
Held-to-maturity	$3,031	$2,629	$5,660	$9,716	$8,265	$17,981
Available-for-sale	23,427	699	24,126	64,832	2,047	66,879
Trading	445	—	445	1,653	—	1,653
	$26,903	$3,328	$30,231	$76,201	$10,312	$86,513

(In thousands)	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	Taxable	Nontaxable	Total	Taxable	Nontaxable	Total
Investment securities:						
Held-to-maturity	$3,597	$2,805	$6,402	$11,146	$8,448	$19,594
Available-for-sale	16,895	677	17,572	54,099	1,829	55,928
Trading	403	—	403	1,451	—	1,451
	$20,895	$3,482	$24,377	$66,696	$10,277	$76,973

Investment securities with a carrying value of $1.9 billion at September 30, 2015 and $1.4 billion at December 31, 2014 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.

Private Equity Investments
Effect of Volcker Rule
The VR, as published pursuant to the Dodd-Frank Act in December 2013 and amended in January 2014, significantly restricted certain activities by covered bank holding companies, including restrictions on certain types of securities, proprietary trading, and private equity investing. The Company's private equity investments ("PEIs") consist of Small Business Investment Companies ("SBICs") and non-SBICs. Following the sales of its CDO securities, the only prohibited investments under the VR requiring divestiture by the Company were certain of its PEIs. Of the recorded PEIs of $140 million at September 30, 2015, approximately $24 million remain prohibited by the VR.

As of September 30, 2015, we have sold a total of approximately $17 million of PEIs, including $9 million during the first half of 2015 and $8 million during 2014. None were sold during the third quarter of 2015. All of these sales related to prohibited PEIs. The 2015 sales resulted in insignificant amounts of realized gains or losses. We will dispose of the remaining $24 million of prohibited PEIs before the required deadline. However, the required deadline has been extended to July 21, 2016 from July 21, 2015 and the Federal Reserve has announced its intention to act in 2015 to grant an additional one-year extension to July 21, 2017. See other discussions in Notes 10 and 11.

As discussed in Note 11, we have $48 million at September 30, 2015 of unfunded commitments for PEIs, of which approximately $8 million relate to prohibited PEIs. Until we dispose of the prohibited PEIs, we expect to fund these commitments if and as the capital calls are made, as allowed under the VR.

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)	September 30, 2015	December 31, 2014
Loans held for sale	$139,122	$132,504
Commercial:		
Commercial and industrial	$13,035,251	$13,162,955
Leasing	426,781	408,974
Owner occupied	7,141,360	7,351,548
Municipal	600,258	520,887
Total commercial	21,203,650	21,444,364
Commercial real estate:		
Construction and land development	2,213,465	1,986,408
Term	8,089,258	8,126,600
Total commercial real estate	10,302,723	10,113,008
Consumer:		
Home equity credit line	2,347,061	2,321,150
1-4 family residential	5,268,840	5,200,882
Construction and other consumer real estate	370,015	370,542
Bankcard and other revolving plans	427,849	401,352
Other	192,985	212,360
Total consumer	8,606,750	8,506,286
Total loans	$40,113,123	$40,063,658

Loan balances are presented net of unearned income and fees, which amounted to $144.1 million at September 30, 2015 and $144.7 million at December 31, 2014.

Owner occupied and commercial real estate (“CRE”) loans include unamortized premiums of approximately $28.8 million at September 30, 2015 and $36.5 million at December 31, 2014.

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 $383.1 million at September 30, 2015 and $484.9 million at December 31, 2014.

Loans with a carrying value of approximately $22.3 billion at September 30, 2015 and $22.5 billion at December 31, 2014 have been pledged at the Federal Reserve and various Federal Home Loan Banks (“FHLBs”) as collateral for potential borrowings.

We sold loans with a carrying value of $434.1 million and $1,070.2 million for the three and nine months ended September 30, 2015, and $341.3 million and $939.0 million, for the three and nine months ended September 30, 2014, 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 and the guaranteed portion of SBA loans. The principal balance of sold loans for which we retain servicing was approximately $1.2 billion at both September 30, 2015 and December 31, 2014.

Amounts added to loans held for sale during these periods were $442.4 million and $1,111.0 million for the three and nine months ended September 30, 2015, and $297.8 million and $894.9 million for the three and nine months ended

September 30, 2014, respectively. Income from loans sold, excluding servicing, was $5.0 million and $13.9

million for the three and nine months ended September 30, 2015, and $4.2 million and $11.3 million for the three and nine months ended September 30, 2014, respectively.

Since 2009, CB&T and NSB have had loss sharing agreements with the Federal Deposit Insurance Corporation (“FDIC”), which provided indemnification for credit losses of acquired loans and foreclosed assets up to specified thresholds. The last of the agreements for commercial loans, which comprised the major portion of the acquired portfolio, expired as of September 30, 2014. The agreements for 1-4 family residential loans will expire in 2019. In previous periods, the FDIC-supported loan balances were presented separately in this footnote and in other disclosures, and included purchased credit-impaired (“PCI”) loans, as subsequently discussed in Purchased Loans. Due to declining balances, for all periods presented herein, the FDIC-supported/PCI loans have been reclassified to their respective loan segments and classes.

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 and CRE loans are charged off or charged down when 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 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. In addition, loan officers utilize their experience and judgment in assigning PD and LGD grades, subject to confirmation of the PD and LGD by either credit risk or credit examination. 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. When long-term average losses exceed those losses estimated through roll rates, we use long-term average loss rates for the applicable pools. 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.
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 changes made by management in its assessment of these factors, the extent these factors are already reflected in historic loss rates, and the extent changes in 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 September 30, 2015			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Balance at beginning of period	$437,770	$125,796	$45,809	$609,375
Additions:				
Provision for loan losses	22,417	(6,621)	2,466	18,262
Adjustment for FDIC-supported/PCI loans	—	—	—	—
Deductions:				
Gross loan and lease charge-offs	(36,961)	(1,068)	(4,330)	(42,359)
Recoveries	4,471	4,162	2,529	11,162
Net loan and lease charge-offs	(32,490)	3,094	(1,801)	(31,197)
Balance at end of period	$427,697	$122,269	$46,474	$596,440
Reserve for unfunded lending commitments				
Balance at beginning of period	$60,774	$18,639	$548	$79,961
Provision charged (credited) to earnings	2,808	(1,467)	87	1,428
Balance at end of period	$63,582	$17,172	$635	$81,389
Total allowance for credit losses at end of period				
Allowance for loan losses	$427,697	$122,269	$46,474	$596,440
Reserve for unfunded lending commitments	63,582	17,172	635	81,389
Total allowance for credit losses	$491,279	$139,441	$47,109	$677,829

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	Nine Months Ended September 30, 2015			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Balance at beginning of period	$412,514	$145,009	$47,140	$604,663
Additions:				
Provision for loan losses	53,292	(38,491)	2,533	17,334
Adjustment for FDIC-supported/PCI loans	(57)	57	—	—
Deductions:				
Gross loan and lease charge-offs	(76,734)	(5,637)	(11,224)	(93,595)
Recoveries	38,682	21,331	8,025	68,038
Net loan and lease charge-offs	(38,052)	15,694	(3,199)	(25,557)
Balance at end of period	$427,697	$122,269	$46,474	$596,440
Reserve for unfunded lending commitments				
Balance at beginning of period	$58,931	$21,517	$628	$81,076
Provision charged (credited) to earnings	4,651	(4,345)	7	313
Balance at end of period	$63,582	$17,172	$635	$81,389
Total allowance for credit losses at end of period				
Allowance for loan losses	$427,697	$122,269	$46,474	$596,440
Reserve for unfunded lending commitments	63,582	17,172	635	81,389
Total allowance for credit losses	$491,279	$139,441	$47,109	$677,829

	Three Months Ended September 30, 2014			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Balance at beginning of period	$442,965	$187,940	$45,002	$675,907
Additions:				
Provision for loan losses	(19,960)	(34,187)	(496)	(54,643)
Adjustment for FDIC-supported/PCI loans	(25)	—	—	(25)
Deductions:				
Gross loan and lease charge-offs	(20,084)	(3,320)	(3,067)	(26,471)
Recoveries	9,149	3,332	3,028	15,509
Net loan and lease charge-offs	(10,935)	12	(39)	(10,962)
Balance at end of period	$412,045	$153,765	$44,467	$610,277
Reserve for unfunded lending commitments				
Balance at beginning of period	$52,801	$38,689	$3,982	$95,472
Provision charged (credited) to earnings	1,651	(14,390)	(3,356)	(16,095)
Balance at end of period	$54,452	$24,299	$626	$79,377
Total allowance for credit losses at end of period				
Allowance for loan losses	$412,045	$153,765	$44,467	$610,277
Reserve for unfunded lending commitments	54,452	24,299	626	79,377
Total allowance for credit losses	$466,497	$178,064	$45,093	$689,654

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	Nine Months Ended September 30, 2014			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Balance at beginning of period	$469,213	$216,012	$61,066	$746,291
Additions:				
Provision for loan losses	(38,274)	(57,350)	(14,045)	(109,669)
Adjustment for FDIC-supported/PCI loans	(1,190)	—	(96)	(1,286)
Deductions:				
Gross loan and lease charge-offs	(45,903)	(14,135)	(10,628)	(70,666)
Recoveries	28,199	9,238	8,170	45,607
Net loan and lease charge-offs	(17,704)	(4,897)	(2,458)	(25,059)
Balance at end of period	$412,045	$153,765	$44,467	$610,277
Reserve for unfunded lending commitments				
Balance at beginning of period	$48,345	$37,485	$3,875	$89,705
Provision charged (credited) to earnings	6,107	(13,186)	(3,249)	(10,328)
Balance at end of period	$54,452	$24,299	$626	$79,377
Total allowance for credit losses at end of period				
Allowance for loan losses	$412,045	$153,765	$44,467	$610,277
Reserve for unfunded lending commitments	54,452	24,299	626	79,377
Total allowance for credit losses	$466,497	$178,064	$45,093	$689,654

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

	September 30, 2015			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses:				
Individually evaluated for impairment	$32,191	$2,898	$11,014	$46,103
Collectively evaluated for impairment	394,836	119,286	35,010	549,132
Purchased loans with evidence of credit deterioration	670	85	450	1,205
Total	$427,697	$122,269	$46,474	$596,440
Outstanding loan balances:				
Individually evaluated for impairment	$279,928	$122,063	$92,612	$494,603
Collectively evaluated for impairment	20,859,442	10,122,697	8,503,160	39,485,299
Purchased loans with evidence of credit deterioration	64,280	57,963	10,978	133,221
Total	$21,203,650	$10,302,723	$8,606,750	$40,113,123

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(In thousands)	December 31, 2014 Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses:				
Individually evaluated for impairment	$28,627	$4,027	$9,059	$41,713
Collectively evaluated for impairment	382,552	140,090	37,508	560,150
Purchased loans with evidence of credit deterioration	1,335	892	573	2,800
Total	$412,514	$145,009	$47,140	$604,663
Outstanding loan balances:				
Individually evaluated for impairment	$259,207	$167,435	$95,267	$521,909
Collectively evaluated for impairment	21,105,217	9,861,862	8,395,371	39,362,450
Purchased loans with evidence of credit deterioration	79,940	83,711	15,648	179,299
Total	$21,444,364	$10,113,008	$8,506,286	$40,063,658

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.

Nonaccrual loans are summarized as follows:

(In thousands)	September 30, 2015	December 31, 2014
Commercial:		
Commercial and industrial	$167,136	$105,591
Leasing	306	295
Owner occupied	76,624	87,243
Municipal	967	1,056
Total commercial	245,033	194,185
Commercial real estate:		
Construction and land development	15,202	23,880
Term	39,053	25,107
Total commercial real estate	54,255	48,987
Consumer:		

Home equity credit line	9,792	11,430
1-4 family residential	48,592	49,861
Construction and other consumer real estate	765	1,735
Bankcard and other revolving plans	563	196
Other	272	254
Total consumer loans	59,984	63,476
Total	$359,272	$306,648

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

	September 30, 2015						
(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	$12,909,622	$79,246	$46,383	$125,629	$13,035,251	$4,951	$ 90,584
Leasing	423,071	3,557	153	3,710	426,781	—	55
Owner occupied	7,077,386	33,198	30,776	63,974	7,141,360	5,443	46,283
Municipal	600,210	48	—	48	600,258	—	967
Total commercial	21,010,289	116,049	77,312	193,361	21,203,650	10,394	137,889
Commercial real estate:							
Construction and land development	2,195,193	12,447	5,825	18,272	2,213,465	2,296	10,914
Term	8,039,923	15,578	33,757	49,335	8,089,258	20,503	23,188
Total commercial real estate	10,235,116	28,025	39,582	67,607	10,302,723	22,799	34,102
Consumer:							
Home equity credit line	2,336,740	4,694	5,627	10,321	2,347,061	—	2,592
1-4 family residential	5,231,005	10,137	27,698	37,835	5,268,840	877	18,739
Construction and other consumer real estate	364,283	5,524	208	5,732	370,015	—	401
Bankcard and other revolving plans	425,041	1,621	1,187	2,808	427,849	787	114
Other	192,042	877	66	943	192,985	—	46
Total consumer loans	8,549,111	22,853	34,786	57,639	8,606,750	1,664	21,892
Total	$39,794,516	$166,927	$151,680	$318,607	$40,113,123	$34,857	$ 193,883

	December 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	$13,092,731	$28,295	$41,929	$70,224	$13,162,955	$4,677	$ 64,385
Leasing	408,724	225	25	250	408,974	—	270
Owner occupied	7,275,842	29,182	46,524	75,706	7,351,548	3,334	39,649
Municipal	520,887	—	—	—	520,887	—	1,056
Total commercial	21,298,184	57,702	88,478	146,180	21,444,364	8,011	105,360
Commercial real estate:							
Construction and land development	1,972,206	2,711	11,491	14,202	1,986,408	92	12,481
Term	8,082,940	14,415	29,245	43,660	8,126,600	19,700	13,787
Total commercial real estate	10,055,146	17,126	40,736	57,862	10,113,008	19,792	26,268
Consumer:							
Home equity credit line	2,309,967	4,503	6,680	11,183	2,321,150	1	1,779
1-4 family residential	5,163,610	12,416	24,856	37,272	5,200,882	318	20,599
	359,723	9,675	1,144	10,819	370,542	160	608

Construction and other consumer real estate							
Bankcard and other revolving plans	397,882	2,425	1,045	3,470	401,352	946	80
Other	211,560	644	156	800	212,360	—	84
Total consumer loans	8,442,742	29,663	33,881	63,544	8,506,286	1,425	23,150
Total	$39,796,072	$104,491	$163,095	$267,586	$40,063,658	$29,228	$ 154,778

[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 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.

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

	September 30, 2015					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Commercial:						
Commercial and industrial	$12,037,219	$281,696	$709,086	$7,250	$13,035,251	
Leasing	400,233	3,015	23,533	—	426,781	
Owner occupied	6,684,216	142,204	314,940	—	7,141,360	
Municipal	599,243	48	967	—	600,258	
Total commercial	19,720,911	426,963	1,048,526	7,250	21,203,650	$427,697
Commercial real estate:						
Construction and land development	2,166,381	19,138	27,946	—	2,213,465	
Term	7,862,956	59,689	166,613	—	8,089,258	
Total commercial real estate	10,029,337	78,827	194,559	—	10,302,723	122,269
Consumer:						
Home equity credit line	2,333,240	—	13,821	—	2,347,061	
1-4 family residential	5,214,015	—	54,825	—	5,268,840	
Construction and other consumer real estate	368,363	—	1,652	—	370,015	
Bankcard and other revolving plans	425,979	—	1,870	—	427,849	
Other	192,564	—	421	—	192,985	
Total consumer loans	8,534,161	—	72,589	—	8,606,750	46,474
Total	$38,284,409	$505,790	$1,315,674	$7,250	$40,113,123	$596,440

	December 31, 2014					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Commercial:						
Commercial and industrial	$12,515,846	$209,215	$426,002	$11,892	$13,162,955	
Leasing	399,032	4,868	5,074	—	408,974	
Owner occupied	6,844,310	168,423	338,815	—	7,351,548	
Municipal	518,513	1,318	1,056	—	520,887	
Total commercial	20,277,701	383,824	770,947	11,892	21,444,364	$412,514
Commercial real estate:						
Construction and land development	1,925,685	8,464	52,259	—	1,986,408	
Term	7,802,571	96,347	223,324	4,358	8,126,600	
Total commercial real estate	9,728,256	104,811	275,583	4,358	10,113,008	145,009
Consumer:						
Home equity credit line	2,304,352	—	16,798	—	2,321,150	
1-4 family residential	5,138,660	—	62,222	—	5,200,882	
Construction and other consumer real estate	367,932	—	2,610	—	370,542	
Bankcard and other revolving plans	399,446	—	1,906	—	401,352	
Other	211,811	—	549	—	212,360	
Total consumer loans	8,422,201	—	84,085	—	8,506,286	47,140
Total	$38,428,158	$488,635	$1,130,615	$16,250	$40,063,658	$604,663

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, or if the loan is no longer reported as a TDR, we individually evaluate the loan for impairment and estimate a specific

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reserve for the loan for all portfolio segments under applicable accounting guidance. Smaller nonaccrual loans are pooled for ALLL estimation purposes. PCI loans 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 nine months ended September 30, 2015 and 2014 was not significant.

Information on impaired loans individually evaluated is summarized as follows at September 30, 2015 and December 31, 2014, including the average recorded investment and interest income recognized for the three and nine months ended September 30, 2015 and 2014:

	September 30, 2015				
(In thousands)	Unpaid principal balance	Recorded investment with no allowance	with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$245,404	$37,843	$156,665	$194,508	$26,888
Owner occupied	151,243	83,527	48,400	131,927	5,091
Municipal	1,446	967	—	967	—
Total commercial	398,093	122,337	205,065	327,402	31,979
Commercial real estate:					
Construction and land development	47,876	7,486	23,800	31,286	1,068
Term	138,865	90,294	27,856	118,150	1,463
Total commercial real estate	186,741	97,780	51,656	149,436	2,531
Consumer:					
Home equity credit line	28,358	20,672	4,703	25,375	419
1-4 family residential	72,855	29,257	40,465	69,722	10,090
Construction and other consumer real estate	2,966	1,069	1,106	2,175	181
Other	3,843	36	3,162	3,198	294
Total consumer loans	108,022	51,034	49,436	100,470	10,984
Total	$692,856	$271,151	$306,157	$577,308	$45,494

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(In thousands)	December 31, 2014 Unpaid principal balance	Recorded investment with no allowance	 with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$185,520	$43,257	$103,565	$146,822	$22,852
Owner occupied	198,231	83,179	86,382	169,561	6,087
Municipal	1,535	1,056	—	1,056	—
Total commercial	385,286	127,492	189,947	317,439	28,939
Commercial real estate:					
Construction and land development	60,993	16,500	26,977	43,477	1,773
Term	203,788	96,351	63,740	160,091	2,345
Total commercial real estate	264,781	112,851	90,717	203,568	4,118
Consumer:					
Home equity credit line	30,209	14,798	11,883	26,681	437
1-4 family residential	86,575	37,096	35,831	72,927	8,494
Construction and other consumer real estate	3,902	1,449	1,410	2,859	233
Other	6,580	—	5,254	5,254	133
Total consumer loans	127,266	53,343	54,378	107,721	9,297
Total	$777,333	$293,686	$335,042	$628,728	$42,354

(In thousands)	Three Months Ended September 30, 2015 Average recorded investment	 Interest income recognized	Nine Months Ended September 30, 2015 Average recorded investment	 Interest income recognized
Commercial:				
Commercial and industrial	$191,642	$1,314	$158,825	$5,525
Owner occupied	138,194	2,752	135,212	9,706
Municipal	978	—	1,007	—
Total commercial	330,814	4,066	295,044	15,231
Commercial real estate:				
Construction and land development	31,506	499	31,920	2,691
Term	119,694	3,705	124,446	13,383
Total commercial real estate	151,200	4,204	156,366	16,074
Consumer:				
Home equity credit line	25,095	401	24,329	1,206
1-4 family residential	90,240	398	91,671	1,803
Construction and other consumer real estate	5,540	32	2,342	91
Bankcard and other revolving plans	—	1	1	101
Other	36	177	4,109	692
Total consumer loans	120,911	1,009	122,452	3,893
Total	$602,925	$9,279	$573,862	$35,198

(In thousands)	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial:				
Commercial and industrial	$186,026	$2,335	$180,130	$8,819
Owner occupied	232,484	4,514	235,380	13,774
Municipal	8,798	—	9,343	—
Total commercial	427,308	6,849	424,853	22,593
Commercial real estate:				
Construction and land development	59,735	515	62,404	5,398
Term	225,536	5,670	248,587	26,118
Total commercial real estate	285,271	6,185	310,991	31,516
Consumer:				
Home equity credit line	26,328	369	25,756	1,139
1-4 family residential	81,116	556	81,168	1,583
Construction and other consumer real estate	3,226	43	3,112	115
Bankcard and other revolving plans	—	1	3	2
Other	6,284	384	7,333	1,315
Total consumer loans	116,954	1,353	117,372	4,154
Total	$829,533	$14,387	$853,216	$58,263

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:

	September 30, 2015						
	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	$455	$3,906	$ 14	$108	$223	$ 35,228	$39,934
Owner occupied	2,034	701	938	—	8,151	17,172	28,996
Total commercial	2,489	4,607	952	108	8,374	52,400	68,930
Commercial real estate:							
Construction and land development	97	—	—	—	—	13,431	13,528
Term	4,758	766	170	975	2,409	20,825	29,903
Total commercial real estate	4,855	766	170	975	2,409	34,256	43,431
Consumer:							
Home equity credit line	192	1,060	11,143	—	164	2,360	14,919
1-4 family residential	2,482	358	7,388	435	3,474	34,901	49,038
Construction and other consumer real estate	177	488	—	—	—	1,153	1,818
Total consumer loans	2,851	1,906	18,531	435	3,638	38,414	65,775
Total accruing	10,195	7,279	19,653	1,518	14,421	125,070	178,136
Nonaccruing							
Commercial:							
Commercial and industrial	90	471	—	2,018	5,351	37,950	45,880
Owner occupied	1,220	1,742	—	5,833	36	9,060	17,891
Municipal	—	967	—	—	—	—	967
Total commercial	1,310	3,180	—	7,851	5,387	47,010	64,738
Commercial real estate:							
Construction and land development	10,512	354	—	—	3,197	968	15,031
Term	2,456	—	833	—	2,899	9,919	16,107
Total commercial real estate	12,968	354	833	—	6,096	10,887	31,138
Consumer:							
Home equity credit line	8	514	512	58	—	48	1,140
1-4 family residential	—	268	2,085	173	1,227	7,325	11,078
Construction and other consumer real estate	—	143	18	60	—	72	293
Total consumer loans	8	925	2,615	291	1,227	7,445	12,511
Total nonaccruing	14,286	4,459	3,448	8,142	12,710	65,342	108,387
Total	$24,481	$11,738	$ 23,101	$9,660	$27,131	$ 190,412	$286,523

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	December 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	$2,611	$6,509	$ 18	$3,203	$3,855	$ 34,585	$50,781
Owner occupied	19,981	1,124	960	1,251	10,960	17,505	51,781
Total commercial	22,592	7,633	978	4,454	14,815	52,090	102,562
Commercial real estate:							
Construction and land development	—	—	—	—	521	19,854	20,375
Term	7,328	9,027	179	3,153	2,546	39,007	61,240
Total commercial real estate	7,328	9,027	179	3,153	3,067	58,861	81,615
Consumer:							
Home equity credit line	742	70	11,320	—	166	1,281	13,579
1-4 family residential	2,425	552	6,828	446	753	34,719	45,723
Construction and other consumer real estate	290	422	42	90	—	1,227	2,071
Total consumer loans	3,457	1,044	18,190	536	919	37,227	61,373
Total accruing	33,377	17,704	19,347	8,143	18,801	148,178	245,550
Nonaccruing							
Commercial:							
Commercial and industrial	442	576	—	611	5,199	20,410	27,238
Owner occupied	2,714	1,219	—	883	2,852	12,040	19,708
Municipal	—	1,056	—	—	—	—	1,056
Total commercial	3,156	2,851	—	1,494	8,051	32,450	48,002
Commercial real estate:							
Construction and land development	11,080	68	—	93	3,300	6,427	20,968
Term	2,851	—	—	—	277	4,607	7,735
Total commercial real estate	13,931	68	—	93	3,577	11,034	28,703
Consumer:							
Home equity credit line	—	—	420	203	—	399	1,022
1-4 family residential	3,378	1,029	1,951	191	3,527	9,413	19,489
Construction and other consumer real estate	—	463	—	—	—	100	563
Total consumer loans	3,378	1,492	2,371	394	3,527	9,912	21,074
Total nonaccruing	20,465	4,411	2,371	1,981	15,155	53,396	97,779
Total	$53,842	$22,115	$21,718	$10,124	$33,956	$ 201,574	$343,329

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.

Unfunded lending commitments on TDRs amounted to approximately $3.6 million at September 30, 2015 and $6.1 million at December 31, 2014.

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The total recorded investment of all TDRs in which interest rates were modified below market was $190.7 million at September 30, 2015 and $219.3 million at December 31, 2014. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2015	2014	2015	2014
Commercial:				
Commercial and industrial	$(67)	$(36)	$(189)	$(34)
Owner occupied	(46)	(124)	(230)	(400)
Total commercial	(113)	(160)	(419)	(434)
Commercial real estate:				
Construction and land development	(26)	(48)	(88)	(154)
Term	(84)	(150)	(295)	(435)
Total commercial real estate	(110)	(198)	(383)	(589)
Consumer:				
Home equity credit line	—	(1)	(1)	(4)
1-4 family residential	(260)	(276)	(800)	(863)
Construction and other consumer real estate	(7)	(8)	(21)	(25)
Total consumer loans	(267)	(285)	(822)	(892)
Total decrease to interest income[1]	$(490)	$(643)	$(1,624)	$(1,915)

[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 September 30, 2015			Nine Months Ended September 30, 2015		
(In thousands)	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:						
Commercial and industrial	$—	$9	$9	$—	$104	$104
Owner occupied	—	—	—	—	943	943
Total commercial	—	9	9	—	1,047	1,047
Commercial real estate:						
Construction and land development	—	—	—	—	—	—
Term	—	—	—	—	833	833
Total commercial real estate	—	—	—	—	833	833
Consumer:						
Home equity credit line	—	—	—	—	—	—
1-4 family residential	—	595	595	—	595	595
Construction and other consumer real estate	—	—	—	—	—	—
Total consumer loans	—	595	595	—	595	595
Total	$—	$604	$604	$—	$2,475	$2,475

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	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
(In thousands)	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:						
Commercial and industrial	$96	$633	$729	$96	$ 752	$848
Owner occupied	—	1,025	1,025	—	1,025	1,025
Total commercial	96	1,658	1,754	96	1,777	1,873
Commercial real estate:						
Construction and land development	—	—	—	—	—	—
Term	—	—	—	—	—	—
Total commercial real estate	—	—	—	—	—	—
Consumer:						
Home equity credit line	—	158	158	—	201	201
1-4 family residential	—	353	353	—	353	353
Construction and other consumer real estate	—	—	—	—	39	39
Total consumer loans	—	511	511	—	593	593
Total	$96	$2,169	$2,265	$96	$ 2,370	$2,466

Note: Total loans modified as TDRs during the 12 months previous to September 30, 2015 and 2014 were $93.4 million and $97.3 million, respectively.

As of September 30, 2015, the amount of foreclosed residential real estate property held by the Company was approximately $1.6 million, and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure was approximately $9.3 million.

Concentrations of Credit Risk

Credit risk is the possibility of loss from the failure of a borrower, guarantor, or another obligor to fully perform under the terms of a credit-related contract. Credit risks (whether on- or off-balance sheet) may occur when individual borrowers, groups of borrowers, or counterparties have similar economic characteristics, including industries, geographies, collateral types, sponsors, etc., 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.

We perform an ongoing analysis of our loan portfolio to evaluate whether there is any significant exposure to any concentrations of credit risk. Based on this analysis, we believe that the loan portfolio is generally well diversified; however, there are certain significant concentrations in CRE and energy-related lending. Further, we cannot guarantee that we have fully understood or mitigated all risk concentrations or correlated risks. We have adopted and adhere to concentration limits on various types of CRE lending, particularly construction and land development lending, leveraged and enterprise value lending, municipal lending, and energy-related lending. All of these limits are continually monitored and revised as necessary.

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. 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

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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.

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)	September 30, 2015	December 31, 2014
Commercial	$78,180	$104,942
Commercial real estate	81,012	118,217
Consumer	12,204	17,910
Outstanding balance	$171,396	$241,069
Carrying amount	$133,221	$179,299
Less ALLL	1,205	2,800
Carrying amount, net	$132,016	$176,499

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. There were no amounts of these loans at September 30, 2015 and $5.3 million at December 31, 2014.

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

(In thousands)	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Balance at beginning of period	$46,702	$60,834	$45,055	$77,528
Accretion	(7,535)	(10,279)	(28,792)	(46,767)
Reclassification from nonaccretable difference	1,005	2,955	18,865	17,406
Disposals and other	1,126	(38)	6,170	5,305
Balance at end of period	$41,298	$53,472	$41,298	$53,472

Note: Amounts have been adjusted based on refinements to the original estimates of the accretable yield.

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 included in the overall ALLL in the balance sheet.

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During the three and nine months ended September 30, 2015, we adjusted the ALLL for acquired loans by recording a provision for loan losses of $0.8 million and $0.3 million, respectively. No adjustment was made during the three months ended September 30, 2014 and $(2.5) million was made during the nine months ended September 30, 2014. The provision is net of the ALLL reversals discussed subsequently.

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 nine months ended September 30, total reversals to the ALLL, including the impact of increases in estimated cash flows, were $0.6 million and $3.1 million in 2015 and $0.8 million and $4.4 million in 2014, 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.

For the three and nine months ended September 30, the impact of increased cash flow estimates recognized in the statement of income for acquired loans with no ALLL was approximately $5.4 million and $22.1 million in 2015 and $7.7 million and $37.9 million in 2014, respectively, of additional interest income.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES
Objectives
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 commercial loans.

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.

Accounting
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 cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, 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 years, 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 into earnings, as discussed subsequently.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative are 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.

The remaining balances of any derivative instruments terminated prior to maturity, including amounts in accumulated other comprehensive income ("AOCI") for swap hedges, are accreted or amortized to interest income or expense over the period 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 September 30, 2015, we estimate that an additional $11.6 million will be reclassified.

Collateral and Credit Risk

Exposure to credit risk arises from the possibility of nonperformance by counterparties. Financial institutions which are well capitalized and well established are the counterparties for those derivatives entered into for asset liability management and to offset derivatives sold to our customers. The Company reduces its counterparty exposure for derivative contracts by centrally clearing all eligible derivatives.

For those derivatives that are not centrally cleared, the counterparties are typically financial institutions or customers of the Company. For those that are financial institutions, we manage our credit exposure through the use of a Credit Support Annex ("CSA") to International Swaps and Derivative Association ("ISDA") master agreements. Eligible collateral types are documented by the CSA and controlled under the Company's general credit policies. They are typically monitored on a daily basis. A valuation haircut policy reflects the fact that collateral may fall in value between the date the collateral is called and the date of liquidation or enforcement. In practice, all of the Company's collateral held as credit risk mitigation under a CSA is cash.

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 offset through matching derivative contracts, such that the Company minimizes its interest rate risk exposure resulting from such transactions. Most of these customers do not have the capability for centralized clearing. Therefore we manage the credit risk through loan underwriting which includes a credit risk exposure formula for the swap, the same collateral and guarantee protection applicable to the loan and credit approvals, limits, and monitoring procedures. Fee income from customer swaps is included in other service charges, commissions and fees. No significant 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. See Note 6 for further discussion of our underwriting, collateral requirements, and other procedures used to address credit risk.

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 September 30, 2015, the fair value of our derivative liabilities was $86.4 million, for which we were required to pledge cash collateral of approximately $61.0 million in the normal course of business. If our credit rating were downgraded one notch by either Standard & Poor's or Moody's at September 30, 2015, the additional amount of

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collateral we could be required to pledge is approximately $1.9 million. As a result of 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.

Derivative Amounts

Selected information with respect to notional amounts and recorded gross fair values at September 30, 2015 and December 31, 2014, and the related gain (loss) of derivative instruments for the three and nine months ended September 30, 2015 and 2014 is summarized as follows:

	September 30, 2015			December 31, 2014		
		Fair value			Fair value	
(In thousands)	Notional amount	Other assets	Other liabilities	Notional amount	Other assets	Other liabilities
Derivatives designated as hedging instruments						
Asset derivatives						
Cash flow hedges:						
Interest rate swaps	$1,387,500	$17,367	$—	$275,000	$1,508	$123
Total derivatives designated as hedging instruments	1,387,500	17,367	—	275,000	1,508	123
Derivatives not designated as hedging instruments						
Interest rate swaps for customers [2]	3,237,694	66,805	69,991	2,770,052	48,287	50,669
Foreign exchange	340,818	18,947	16,372	443,721	16,625	15,272
Total derivatives not designated as hedging instruments	3,578,512	85,752	86,363	3,213,773	64,912	65,941
Total derivatives	$4,966,012	$103,119	$86,363	$3,488,773	$66,420	$66,064

	Three Months Ended September 30, 2015				Nine Months Ended September 30, 2015			
	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	$17,343	$ 2,957			$21,172	$ 5,191		
	17,343	2,957			21,172	5,191		
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$431				$1,364
Total derivatives designated as hedging instruments	17,343	2,957		431	21,172	5,191		1,364
Derivatives not designated as hedging instruments								

Interest rate swaps for customers [2]			$ 939				$ 5,329	
Futures contracts			1				2	
Foreign exchange			2,506				6,938	
Total derivatives not designated as hedging instruments			3,446				12,269	
Total derivatives	$ 17,343	$ 2,957	$ 3,446	$ 431	$ 21,172	$ 5,191	$ 12,269	$ 1,364

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(In thousands)	Three Months Ended September 30, 2014 Amount of derivative gain (loss) recognized/reclassified OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense	Nine Months Ended September 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	$(845)	$ 770			$1,681	$ 1,698		
	(845)	770			1,681	1,698		
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$496				$1,822
Total derivatives designated as hedging instruments	(845)	770		496	1,681	1,698		1,822
Derivatives not designated as hedging instruments								
Interest rate swaps			$ 1				$ 355	
Interest rate swaps for customers [2]			1,419				493	
Foreign exchange			2,242				5,951	
Total return swap			—				(7,894)	
Total derivatives not designated as hedging instruments			3,662				(1,095)	
Total derivatives	$(845)	$ 770	$ 3,662	$496	$1,681	$ 1,698	$ (1,095)	$1,822

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 AOCI represent the effective portion of the derivative gain.

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

[3] Amounts for the three and nine months ended September 30, of $3.0 million and $5.2 million in 2015, and $0.8 million and $1.7 million in 2014, respectively, are the amounts of reclassification to earnings from AOCI presented in Note 8.

At September 30, 2015, the fair value of derivative assets was reduced by a net credit valuation adjustment of $3.0 million. The adjustment for derivative liabilities was not significant. At September 30, 2014, these same adjustments were $1.7 million and $0.3 million, respectively. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk.

8. DEBT AND SHAREHOLDERS' EQUITY

Long-term debt is summarized as follows:
(In thousands)

	September 30, 2015	December 31, 2014
Junior subordinated debentures related to trust preferred securities	$164,950	$168,043
Convertible subordinated notes	70,119	132,838
Subordinated notes	302,102	335,798
Senior notes	406,631	432,385
FHLB advances	—	22,156
Capital lease obligations	950	1,062
Total	$944,752	$1,092,282

The preceding carrying values represent the par value of the debt adjusted for any unamortized premium or discount or other basis adjustments, including the value of associated hedges.

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Debt Redemptions and Maturities
During the third quarter of 2015, approximately $109 million carrying value of 6.0% subordinated and convertible subordinated notes matured. During the first half of 2015, we redeemed approximately $27 million of long-term senior notes at their initial call dates, and we redeemed $3.1 million of trust preferred securities and the entire $22 million of FHLB advances; the FHLB redemption resulted in debt extinguishment cost of $2.4 million.

On November 16, 2015, approximately $122 million carrying value at September 30, 2015 of 5.5% subordinated and convertible subordinated notes will mature.

Preferred Stock
On October, 19 2015, we announced the commencement of a $180 million cash tender offer to purchase certain outstanding preferred stock and depositary shares. The tender offer will expire on November 16, 2015.

Basel III Capital Framework
Effective January 1, 2015, we adopted the new Basel III capital framework that was issued by the Federal Reserve for U.S. banking organizations. We adopted the new capital rules on a 2015 phase-in basis and will adopt the fully phased-in requirements effective January 1, 2019. During the first quarter of 2015, we made the “opt-out” election with respect to the regulatory capital treatment of AOCI under the Basel III framework.

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.

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 derivatives and other	Pension and post-retirement	Total
Nine Months Ended September 30, 2015				
Balance at December 31, 2014	$(91,921)	$2,226	$ (38,346)	$(128,041)
Other comprehensive income before reclassifications, net of tax	15,398	13,035	—	28,433
Amounts reclassified from AOCI, net of tax	85,845	(3,212)	—	82,633
Other comprehensive income	101,243	9,823	—	111,066
Balance at September 30, 2015	$9,322	$12,049	$ (38,346)	$(16,975)
Income tax expense included in other comprehensive income	$65,549	$6,311	$ —	$71,860
Nine Months Ended September 30, 2014				
Balance at December 31, 2013	$(168,805)	$1,556	$ (24,852)	$(192,101)
Other comprehensive income before reclassifications, net of tax	100,723	678	—	101,401
Amounts reclassified from AOCI, net of tax	(19,206)	(1,021)	—	(20,227)
Other comprehensive income (loss)	81,517	(343)	—	81,174

Balance at September 30, 2014	$(87,288)	$1,213	$ (24,852)	$(110,927)
Income tax expense (benefit) included in other comprehensive income (loss)	$61,714	$(214)	$ —	$61,500

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(In thousands)	Amounts reclassified from AOCI [1] Three Months Ended September 30,		Nine Months Ended September 30,		Statement of income (SI) Balance sheet (BS)	Affected line item
Details about AOCI components	2015	2014	2015	2014		
Net realized gains (losses) on investment securities	$(53)	$(13,901)	$(138,728)	$22,039	SI	Fixed income securities gains (losses), net
Income tax expense (benefit)	(20)	(6,015)	(52,883)	1,981		
	(33)	(7,886)	(85,845)	20,058		
Net unrealized losses on investment securities	—	—	—	(27)	SI	Net impairment losses on investment securities
Income tax benefit	—	—	—	(10)		
	—	—	—	(17)		
Accretion of securities with noncredit-related impairment losses not expected to be sold	—	(467)	—	(1,411)	BS	Investment securities, held-to-maturity
Deferred income taxes	—	191	—	576	BS	Other assets
	$(33)	$(8,162)	$(85,845)	$19,206		
Net unrealized gains on derivative instruments	$2,957	$770	$5,191	$1,698	SI	Interest and fees on loans
Income tax expense	1,127	307	1,979	677		
	$1,830	$463	$3,212	$1,021		

[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.

9. INCOME TAXES

The effective income tax rate of 28.8% for the third quarter of 2015 was lower than the 2014 third quarter rate of 35.6%, primarily due to the recognition of tax credits for certain research and development initiatives and for a project related to alternative energy that was placed in service during the third quarter of 2015. On a year-to-date basis, the 2015 tax rate of 32.0% was lower than the 2014 rate of 36.1% due primarily to the tax credit projects and to an increase in the proportion of nontaxable items relative to pretax income.

Net deferred tax assets were approximately $201 million at September 30, 2015 and $224 million at December 31, 2014. We evaluate 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 September 30, 2015.

10. FAIR VALUE

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 Committee (“SVC”) comprised of executive management appointed by the Board of Directors. The SVC reviews and approves on a quarterly basis the key components of fair value estimation, including critical valuation assumptions for Level 3 modeling. A Model Risk Management Group conducts model validations, including internal models, 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 92% of our AFS Level 2 securities. Fair values for other AFS Level 2 and for Level 3 securities generally use certain inputs corroborated by market data and include standard form discounted cash flow modeling.

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. Absent observable trade data, we do not adjust prices from our third party sources.

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
U.S. Treasury, Agencies and Corporations
U.S. Treasury securities are measured under Level 1 using quoted market prices when available. 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 generally using the third party pricing service. Valuation inputs include Baa municipal curves, as well as FHLB and London Interbank Offered Rate ("LIBOR") swap curves.

Money Market Mutual Funds and Other

Money market mutual funds and other securities are measured under Level 1 or Level 2. For Level 1, quoted market prices are used which may include net asset values or their equivalents. Level 2 valuations generally use quoted prices for similar securities.

Trading Account

Securities in the trading account are measured under Level 1 using quoted market prices. If not available, quoted prices under Level 2 for similar securities are used.

Bank-Owned Life Insurance

Bank-owned life insurance ("BOLI") is measured under Level 2 according to cash surrender values ("CSVs") of the insurance policies that are provided by a third party service. Nearly all policies are general account policies with CSVs based on the Company's claims on the assets of the insurance companies. The insurance companies' investments include predominantly fixed income securities consisting of investment-grade corporate bonds and various types of mortgage instruments. Management regularly reviews its BOLI investment performance, including concentrations among insurance providers.

Private Equity Investments

Private equity investments are measured under Level 3. The Equity Investments Committee, consisting of executives familiar with the investments, reviews periodic financial information, including audited financial statements when available. Certain analytics may be employed that include current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors. The amount of unfunded commitments to invest is disclosed in Note 11. Certain restrictions apply for the redemption of these investments and certain investments are prohibited by the Volcker Rule. See discussions in Notes 5 and 11.

Agriculture Loan Servicing

This asset results from our servicing of agriculture loans approved and funded by Federal Agricultural Mortgage Corporation ("FAMC"). We provide this servicing under an agreement with FAMC 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 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 consist of shares of registered investment companies. These mutual funds are valued under Level 1 at quoted market prices, which represents the NAV 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 foreign 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, included in "Federal funds and other short-term borrowings" on the balance sheet, 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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ZIONS BANCORPORATION AND SUBSIDIARIES

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)	September 30, 2015			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$—	$5,741,982	$—	$5,741,982
Municipal securities		213,398		213,398
Other debt securities		22,767		22,767
Money market mutual funds and other	18,509	3,355		21,864
	18,509	5,981,502	—	6,000,011
Trading account		73,521		73,521
Other noninterest-bearing investments:				
Bank-owned life insurance		482,199		482,199
Private equity investments			120,195	120,195
Other assets:				
Agriculture loan servicing and interest-only strips			13,161	13,161
Deferred compensation plan assets	83,703			83,703
Derivatives:				
Interest rate related and other		18,270		18,270
Interest rate swaps for customers		66,805		66,805
Foreign currency exchange contracts	18,947			18,947
	18,947	85,075	—	104,022
	$121,159	$6,622,297	$133,356	$6,876,812
LIABILITIES				
Securities sold, not yet purchased	$29,566	$—	$—	$29,566
Other liabilities:				
Deferred compensation plan obligations	83,703			83,703
Derivatives:				