ZIONS BANCORPORATION /UT/
Form 10-Q
August 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2012
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
COMMISSION FILE NUMBER 001-12307
ZIONS BANCORPORATION
(Exact name of registrant as specified in its charter)

UTAH	87-0227400
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
ONE SOUTH MAIN, 15TH FLOOR SALT LAKE CITY, UTAH	84133
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (801) 524-4787
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common Stock, without par value, outstanding at July 31, 2012	184,148,177 shares

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

(In thousands, except share amounts)	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and due from banks	$1,124,673	$1,224,350
Money market investments:		
Interest-bearing deposits	7,887,175	7,020,895
Federal funds sold and security resell agreements	83,529	102,159
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value $715,710 and $729,974)	773,016	807,804
Available-for-sale, at fair value	3,167,590	3,230,795
Trading account, at fair value	20,539	40,273
	3,961,145	4,078,872
Loans held for sale	139,245	201,590
Loans, net of unearned income and fees:		
Loans and leases	36,231,104	36,393,782
FDIC-supported loans	642,246	750,870
	36,873,350	37,144,652
Less allowance for loan losses	971,716	1,049,958
Loans, net of allowance	35,901,634	36,094,694
Other noninterest-bearing investments	867,882	865,231
Premises and equipment, net	714,913	719,276
Goodwill	1,015,129	1,015,129
Core deposit and other intangibles	59,277	67,830
Other real estate owned	144,816	153,178
Other assets	1,507,594	1,605,905
	$53,407,012	$53,149,109
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$16,498,248	$16,110,857
Interest-bearing:		
Savings and NOW	7,505,841	7,159,101
Money market	14,439,389	14,616,740
Time	3,211,942	3,413,550
Foreign	1,504,827	1,575,361
	43,160,247	42,875,609
Securities sold, not yet purchased	104,882	44,486
Federal funds purchased and security repurchase agreements	759,591	608,098
Other short-term borrowings	7,621	70,273
Long-term debt	2,274,571	1,954,462
Reserve for unfunded lending commitments	103,586	102,422
Other liabilities	507,151	510,531
Total liabilities	46,917,649	46,165,881
Shareholders' equity:		
Preferred stock, without par value, authorized 4,400,000 shares	1,800,473	2,377,560

Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 184,117,522 and 184,135,388 shares	4,157,525	4,163,242
Retained earnings	1,110,120	1,036,590
Accumulated other comprehensive income (loss)	(576,147)	(592,084)
Controlling interest shareholders' equity	6,491,971	6,985,308
Noncontrolling interests	(2,608)	(2,080)
Total shareholders' equity	6,489,363	6,983,228
	$53,407,012	$53,149,109

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Interest income:				
Interest and fees on loans	$478,569	$523,741	$965,184	$1,041,898
Interest on money market investments	5,099	3,199	9,727	6,042
Interest on securities:				
Held-to-maturity	9,325	9,009	18,284	17,673
Available-for-sale	25,090	22,179	48,248	44,455
Trading account	148	538	486	990
Total interest income	518,231	558,666	1,041,929	1,111,058
Interest expense:				
Interest on deposits	20,823	34,257	44,236	70,741
Interest on short-term borrowings	256	1,783	1,035	3,963
Interest on long-term debt	65,165	106,454	122,372	196,326
Total interest expense	86,244	142,494	167,643	271,030
Net interest income	431,987	416,172	874,286	840,028
Provision for loan losses	10,853	1,330	26,517	61,330
Net interest income after provision for loan losses	421,134	414,842	847,769	778,698
Noninterest income:				
Service charges and fees on deposit accounts	43,426	42,878	86,958	87,408
Other service charges, commissions and fees	38,554	43,958	72,780	85,643
Trust and wealth management income	8,057	7,179	14,431	13,933
Capital markets and foreign exchange	7,342	8,358	13,076	15,572
Dividends and other investment income	21,542	17,239	31,022	25,267
Loan sales and servicing income	10,287	9,836	18,639	15,849
Fair value and nonhedge derivative income (loss)	(6,784)	4,195	(11,184)	5,415
Equity securities gains (losses), net	107	(1,636)	9,252	(739)
Fixed income securities gains (losses), net	5,519	(2,396)	6,239	(2,455)
Impairment losses on investment securities:				
Impairment losses on investment securities	(24,026)	(6,339)	(42,299)	(9,444)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	16,718	1,181	24,782	1,181
Net impairment losses on investment securities	(7,308)	(5,158)	(17,517)	(8,263)
Other	2,280	3,896	6,325	24,862
Total noninterest income	123,022	128,349	230,021	262,492
Noninterest expense:				
Salaries and employee benefits	220,765	222,138	445,399	437,148
Occupancy, net	28,169	27,588	56,120	55,598
Furniture and equipment	27,302	26,153	54,094	51,815
Other real estate expense	6,440	17,903	14,250	42,070
Credit-related expense	12,415	17,124	25,900	32,037
Provision for unfunded lending commitments	4,868	(1,904)	1,164	(11,444)
Legal and professional services	12,947	8,432	24,043	15,121
Advertising	6,618	5,962	12,425	12,873

FDIC premiums	10,444	15,232	21,363	39,333
Amortization of core deposit and other intangibles	4,262	4,855	8,553	10,556
Other	67,426	72,773	130,717	139,524
Total noninterest expense	401,656	416,256	794,028	824,631
Income before income taxes	142,500	126,935	283,762	216,559
Income taxes	51,036	54,325	102,895	91,358
Net income	91,464	72,610	180,867	125,201
Net loss applicable to noncontrolling interests	(273)	(265)	(546)	(491)
Net income applicable to controlling interest	91,737	72,875	181,413	125,692
Preferred stock dividends	(36,522)	(43,837)	(100,709)	(81,887)
Net earnings applicable to common shareholders	$55,215	$29,038	$80,704	$43,805
Weighted average common shares outstanding during the period:				
Basic shares	182,985	182,472	182,892	182,092
Diluted shares	183,137	182,728	183,050	182,365
Net earnings per common share:				
Basic	$0.30	$0.16	$0.44	$0.24
Diluted	0.30	0.16	0.44	0.24

See accompanying notes to consolidated financial statements.

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	$91,464	$72,610	$180,867	$125,201
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding gains (losses) on investments	6,431	(4,272)	29,045	(36,060)
Reclassification for net losses on investments included in earnings	821	4,636	6,619	6,590
Noncredit-related impairment losses on securities not expected to be sold	(10,323)	(729)	(15,303)	(729)
Accretion of securities with noncredit-related impairment losses not expected to be sold	367	73	532	99
Net unrealized losses on derivative instruments	(1,876)	(5,036)	(4,956)	(13,095)
Other comprehensive income (loss)	(4,580)	(5,328)	15,937	(43,195)
Comprehensive income	86,884	67,282	196,804	82,006
Comprehensive loss applicable to noncontrolling interests	(273)	(265)	(546)	(491)
Comprehensive income applicable to controlling interest	$87,157	$67,547	$197,350	$82,497

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 share and per share amounts)	Preferred stock	Common stock Shares	Common stock Amount	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total shareholders' equity
Balance at December 31, 2011	$2,377,560	184,135,388	$4,163,242	$1,036,590	$(592,084)	$(2,080)	$6,983,228
Net income (loss) for the period				181,413		(546)	180,867
Other comprehensive income					15,937		15,937
Issuance of preferred stock	143,750		(2,408)				141,342
Preferred stock redemption	(842,500)		3,830	(3,830)			(842,500)
Subordinated debt converted to preferred stock	93,568		(13,602)				79,966
Net activity under employee plans and related tax benefits		(17,866)	6,463				6,463
Dividends on preferred stock	28,095			(100,709)			(72,614)
Dividends on common stock, $0.02 per share				(3,704)			(3,704)
Change in deferred compensation				360			360
Other changes in noncontrolling interests						18	18
Balance at June 30, 2012	$1,800,473	184,117,522	$4,157,525	$1,110,120	$(576,147)	$(2,608)	$6,489,363
Balance at December 31, 2010	$2,056,672	182,784,086	$4,163,619	$889,284	$(461,296)	$(1,065)	$6,647,214
Net income (loss) for the period				125,692		(491)	125,201
Other comprehensive loss					(43,195)		(43,195)
Subordinated debt converted to preferred stock	262,062		(37,744)				224,318
Issuance of common stock		1,067,540	25,048				25,048
Net activity under employee plans and related tax benefits		459,664	7,446				7,446
Dividends on preferred stock	10,636			(81,887)			(71,251)
				(3,653)			(3,653)

Dividends on common stock, $0.02 per share							
Change in deferred compensation				1,909			1,909
Other changes in noncontrolling interests						54	54
Balance at June 30, 2011	$2,329,370	184,311,290	$4,158,369	$931,345	$(504,491)	$(1,502)	$6,913,091

See accompanying notes to consolidated financial statements.

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	$91,464	$72,610	$180,867	$125,201
Adjustments to reconcile net income to net cash provided by operating activities:				
Net impairment losses on investment securities	7,308	5,158	17,517	8,263
Provision for credit losses	15,721	(574)	27,681	49,886
Depreciation and amortization	62,166	105,790	119,309	195,596
Deferred income tax expense (benefit)	(630)	33,913	19,055	87,703
Net increase (decrease) in trading securities	(1,506)	5,397	19,734	(2,485)
Net decrease in loans held for sale	50,464	41,041	71,377	69,512
Net write-downs of and losses from sales of other real estate owned	5,509	14,363	13,341	34,113
Change in other liabilities	(11,731)	29,928	(30,530)	(6,896)
Change in other assets	38,398	41,334	88,823	59,488
Other, net	3,544	(2,734)	(18,372)	(4,934)
Net cash provided by operating activities	260,707	346,226	508,802	615,447
CASH FLOWS FROM INVESTING ACTIVITIES				
Net increase in money market investments	(288,671)	(291,604)	(847,650)	(341,811)
Proceeds from maturities and paydowns of investment securities held-to-maturity	34,106	12,923	54,685	42,031
Purchases of investment securities held-to-maturity	(24,461)	(21,316)	(33,738)	(26,809)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	235,192	277,419	676,174	579,669
Purchases of investment securities available-for-sale	(187,627)	(238,577)	(593,930)	(518,463)
Proceeds from sales of loans and leases	13,478	16,182	39,787	17,264
Net loan and lease collections (originations)	(397,181)	(492,134)	18,230	(536,945)
Net decrease in other noninterest-bearing investments	6,445	5,522	12,174	10,318
Net purchases of premises and equipment	(17,655)	(19,295)	(32,817)	(39,480)
Proceeds from sales of other real estate owned	58,485	95,036	97,884	186,877
Net cash paid for sale of branch	—	—	(22,568)	—
Net cash used in investing activities	(567,889)	(655,844)	(631,769)	(627,349)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposits	61,160	598,817	313,997	256,275
Net change in short-term funds borrowed	318,039	(190,675)	149,208	(110,583)
Proceeds from issuance of long-term debt	266,636	30,250	599,386	30,250
Repayments of long-term debt	(255,038)	(175)	(255,179)	(331)
Cash paid for preferred stock redemption	(142,500)	—	(842,500)	—
Proceeds from issuance of common stock and preferred stock	141,661	195	142,003	25,407
Dividends paid on common and preferred stock	(35,522)	(40,303)	(76,318)	(74,904)

Other, net	(4,767)	(2,603)	(7,307)	(3,310)
Net cash provided by financing activities	349,669	395,506	23,290	122,804
Net increase (decrease) in cash and due from banks	42,487	85,888	(99,677)	110,902
Cash and due from banks at beginning of period	1,082,186	949,140	1,224,350	924,126
Cash and due from banks at end of period	$1,124,673	$1,035,028	$1,124,673	$1,035,028
Cash paid for interest	$44,539	$51,039	$107,328	$142,320
Net cash paid (refund received) for income taxes	9,771	536	(11,897)	428

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2012

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 as 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"). Certain prior period amounts have been reclassified to conform to the current period presentation.

Operating results for the three and six months ended June 30, 2012 and 2011 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2011 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 2011 Annual Report on Form 10-K.

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

2. CERTAIN RECENT ACCOUNTING PRONOUNCEMENTS

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. This new guidance under ASC 210, Balance Sheet, provides convergence to International Financial Reporting Standards ("IFRS") to provide common disclosure requirements for the offsetting of financial instruments. Existing GAAP guidance allowing balance sheet offsetting, including industry-specific guidance, remains unchanged. The new guidance is effective on a retrospective basis, including all prior periods presented, for interim and annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact this new guidance may have on the disclosures in the Company's financial statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income. This new accounting guidance under ASC 220, Comprehensive Income, provides convergence to IFRS and no longer allows presentation of the components of other comprehensive income ("OCI") in the statement of changes in shareholders' equity. We adopted this new guidance effective January 1, 2012 as required and elected to present the components of OCI in a separate statement consecutive to the statement of income. There was otherwise no effect on the accompanying financial statements.

In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This ASU under ASC 220 defers the requirements of ASU 2011-05 to display reclassification adjustments for each component of OCI in both the statement of income and the statement of comprehensive income and to present the components of OCI in interim financial statements. During 2012, the FASB has indicated it will reconsider the reclassification requirements and the timing of their implementation. Management is currently

evaluating the impact this ASU will have on the disclosures in the Company's financial statements.

In April 2011, the FASB issued ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements. The primary feature of this new accounting guidance under ASC 860, Transfers and Servicing, relates to the criteria that determine whether a sale or a secured borrowing occurred based on the transferor's maintenance of effective control over the transferred financial assets. The new guidance focuses on the transferor's contractual rights and obligations with respect to the transferred financial assets and not on the transferor's ability to perform under those rights and obligations. Accordingly, the collateral maintenance

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ZIONS BANCORPORATION AND SUBSIDIARIES

requirement is eliminated by ASU 2011-3 from the assessment of effective control. We adopted this new guidance effective January 1, 2012 as required. There was no material effect on the accompanying financial statements. Additional recent accounting pronouncements are discussed where applicable in the Notes to Consolidated Financial Statements.

3. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2012	2011	2012	2011
Loans transferred to other real estate owned	$51,724	$85,129	$104,299	$174,658
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	8,537	23,139	13,602	37,744
Subordinated debt converted to preferred stock	50,192	138,469	79,966	224,318

4. INVESTMENT SECURITIES

Investment securities are summarized as follows:

	June 30, 2012						
		Recognized in OCI [1]			Not recognized in OCI		
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$543,367	$—	$—	$543,367	$14,780	$435	$557,712
Asset-backed securities:							
Trust preferred securities – banks and insurance	262,511	—	53,472	209,039	282	63,637	145,684
Other	23,383	—	2,873	20,510	246	8,542	12,214
Other debt securities	100	—	—	100	—	—	100
	$829,361	$—	$56,345	$773,016	$15,308	$72,614	$715,710
Available-for-sale							
U.S. Treasury securities	$4,379	$259	$—	$4,638			$4,638
U.S. Government agencies and corporations:							
Agency securities	138,364	5,298	138	143,524			143,524
Agency guaranteed mortgage-backed securities	476,200	20,463	50	496,613			496,613
Small Business Administration loan-backed securities	1,179,718	18,481	1,960	1,196,239			1,196,239
Municipal securities	118,189	3,273	2,385	119,077			119,077
Asset-backed securities:							
	1,757,601	13,052	844,019	926,634			926,634

Trust preferred securities – banks and insurance					
Trust preferred securities – real estate investment trusts	40,361	—	25,930	14,431	14,431
Auction rate securities	7,149	94	77	7,166	7,166
Other	54,795	932	9,435	46,292	46,292
	3,776,756	61,852	883,994	2,954,614	2,954,614
Mutual funds and other	212,792	202	18	212,976	212,976
	$3,989,548	$62,054	$884,012	$3,167,590	$3,167,590

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ZIONS BANCORPORATION AND SUBSIDIARIES

	December 31, 2011						
		Recognized in OCI [1]			Not recognized in OCI		
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$564,468	$—	$—	$564,468	$8,807	$ 1,083	$572,192
Asset-backed securities:							
Trust preferred securities – banks and insurance	262,853	—	40,546	222,307	207	78,191	144,323
Other	24,310	—	3,381	20,929	303	7,868	13,364
Other debt securities	100	—	—	100	—	5	95
	$851,731	$—	$43,927	$807,804	$9,317	$ 87,147	$729,974
Available-for-sale							
U.S. Treasury securities	$4,330	$304	$—	$4,634			$4,634
U.S. Government agencies and corporations:							
Agency securities	153,179	5,423	122	158,480			158,480
Agency guaranteed mortgage-backed securities	535,228	18,211	102	553,337			553,337
Small Business Administration loan-backed securities	1,153,039	12,119	4,496	1,160,662			1,160,662
Municipal securities	120,677	3,191	1,700	122,168			122,168
Asset-backed securities:							
Trust preferred securities – banks and insurance	1,794,427	15,792	880,509	929,710			929,710
Trust preferred securities – real estate investment trusts	40,259	—	21,614	18,645			18,645
Auction rate securities	71,338	164	1,482	70,020			70,020
Other	64,646	1,028	15,302	50,372			50,372
	3,937,123	56,232	925,327	3,068,028			3,068,028
Mutual funds and other	162,606	167	6	162,767			162,767
	$4,099,729	$56,399	$925,333	$3,230,795			$3,230,795

[1]The gross unrealized losses recognized in OCI resulted from a previous transfer of available-for-sale (“AFS”) securities to held-to-maturity (“HTM”).

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of June 30, 2012 by expected maturity distribution for structured asset-backed collateralized debt obligations (“ABS CDOs”) and by contractual maturity distribution for other debt securities. Actual maturities may differ from expected or contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Held-to-maturity	Available-for-sale

(In thousands)	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Due in one year or less	$54,912	$55,321	$450,929	$420,393
Due after one year through five years	207,047	201,654	1,108,393	1,006,558
Due after five years through ten years	172,813	154,922	690,377	602,812
Due after ten years	394,589	303,813	1,527,057	924,851
	$829,361	$715,710	$3,776,756	$2,954,614

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

	June 30, 2012					
	Less than 12 months		12 months or more		Total	
(In thousands)	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$225	$11,399	$210	$14,646	$435	$26,045
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	117,109	145,346	117,109	145,346
Other	—	—	11,415	11,232	11,415	11,232
	$225	$11,399	$128,734	$171,224	$128,959	$182,623
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	$54	$21,836	$84	$7,168	$138	$29,004
Agency guaranteed mortgage-backed securities	48	11,668	2	241	50	11,909
Small Business Administration loan-backed securities	235	56,975	1,725	165,355	1,960	222,330
Municipal securities	169	5,420	2,216	11,478	2,385	16,898
Asset-backed securities:						
Trust preferred securities – banks and insurance	1,162	37,728	842,857	706,134	844,019	743,862
Trust preferred securities – real estate investment trusts	—	—	25,930	14,431	25,930	14,431
Auction rate securities	27	2,038	50	1,057	77	3,095
Other	—	—	9,435	15,701	9,435	15,701
	1,695	135,665	882,299	921,565	883,994	1,057,230
Mutual funds and other	18	20,053	—	—	18	20,053
	$1,713	$155,718	$882,299	$921,565	$884,012	$1,077,283

ZIONS BANCORPORATION AND SUBSIDIARIES

	December 31, 2011					
	Less than 12 months		12 months or more		Total	
(In thousands)	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$415	$10,855	$668	$22,188	$1,083	$33,043
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	118,737	144,053	118,737	144,053
Other	—	—	11,249	13,364	11,249	13,364
Other debt securities	5	95	—	—	5	95
	$420	$10,950	$130,654	$179,605	$131,074	$190,555
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	$60	$13,308	$62	$3,880	$122	$17,188
Agency guaranteed mortgage-backed securities	102	52,267	—	—	102	52,267
Small Business Administration loan-backed securities	1,783	260,865	2,713	191,339	4,496	452,204
Municipal securities	1,305	15,011	395	4,023	1,700	19,034
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	880,509	695,365	880,509	695,365
Trust preferred securities – real estate investment trusts	—	—	21,614	18,645	21,614	18,645
Auction rate securities	158	27,998	1,324	34,115	1,482	62,113
Other	—	—	15,302	18,585	15,302	18,585
	3,408	369,449	921,919	965,952	925,327	1,335,401
Mutual funds and other	6	167	—	—	6	167
	$3,414	$369,616	$921,919	$965,952	$925,333	$1,335,568

At June 30, 2012 and December 31, 2011, respectively, 89 and 72 HTM and 365 and 525 AFS investment securities were in an unrealized loss position.

Other-Than-Temporary Impairment

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

Credit-related OTTI is recognized in earnings while noncredit-related OTTI on securities not expected to be sold is recognized in OCI. Noncredit-related OTTI is based on other factors, including illiquidity. Presentation of OTTI is made in the statement of income on a gross basis with an offset for the amount of OTTI recognized in OCI. For securities classified as HTM, the amount of noncredit-related OTTI recognized in OCI is accreted to the

credit-adjusted expected cash flow amounts of the securities over future periods.

Our 2011 Annual Report on Form 10-K describes in more detail our OTTI evaluation process. The following summarizes the conclusions from our OTTI evaluation for those security types that have significant gross unrealized losses at June 30, 2012:

OTTI – Municipal Securities

The HTM securities are purchased directly from municipalities and are generally not rated by a credit rating agency. The AFS securities are rated as investment grade by various credit rating agencies. Both the HTM and AFS securities are at fixed and variable rates with maturities from one to 25 years. Fair value changes of these securities are largely driven by interest rates. We perform credit quality reviews on these securities at each reporting period. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded for the three months ended June 30, 2012.

OTTI – Asset-Backed Securities

Trust preferred securities – banks and insurance: These CDO securities are interests in variable rate pools of trust preferred securities related to banks and insurance companies ("collateral issuers"). They are rated by one or more Nationally Recognized Statistical Rating Organizations ("NRSROs"), which are rating agencies registered with the Securities and Exchange Commission ("SEC"). They were purchased generally at par. The primary drivers that have given rise to the unrealized losses on CDOs with bank and insurance collateral are listed below:

1) Market yield requirements for bank CDO securities remain very high. The credit crisis resulted in significant utilization of both the unique five-year deferral option each collateral issuer maintains during the life of the CDO and the ability of junior CDO bonds to defer the payment of current interest. The resulting increase in the rate of return demanded by the market for trust preferred CDOs remains dramatically higher than the effective interest rates. All structured product fair values, including bank CDOs, deteriorated significantly during the credit crisis, generally reaching a low in mid-2009. Prices for some structured products, other than bank CDOs, have since rebounded as the crucial unknowns related to value became resolved and as trading increased in these securities. Unlike these other structured products, CDO tranches backed by bank trust preferred securities continue to have unresolved questions surrounding collateral behavior, specifically including, but not limited to, the future number, size and timing of bank failures, and of allowed deferrals and subsequent resumption of payment of contractual interest.
2) Structural features of the collateral make these CDO tranches difficult for market participants to model. The first feature unique to bank CDOs is the interest deferral feature previously discussed. During the credit crisis starting in 2008, certain banks within our CDO pools have exercised this prerogative. The extent to which these deferrals either transition to default or alternatively come current prior to the five-year deadline is extremely difficult for market participants to assess. Our CDO pools include banks which first exercised this deferral option in the second quarter of 2008. At June 30, 2012, 53 banks in our CDO pools had come current after a period of deferral, while 215 were deferring, but remained within the allowed deferral period.

A second structural feature that is difficult to model is the payment in kind ("PIK") feature which provides that upon reaching certain levels of collateral default or deferral, certain junior CDO tranches will not receive current interest but will instead have the interest amount that is unpaid be capitalized or deferred. The cash flow that would otherwise be paid to the junior CDO securities and the income notes is instead used to pay down the principal balance of the most senior CDO securities. If the current market yield required by market participants equaled the effective interest rate of a security, a market participant should be indifferent between receiving current interest and capitalizing and compounding interest for later payment. However, given the difference between current market rates and effective interest rates of the securities, market participants are not indifferent. The delay in payment caused by PIKing results in lower security fair values even if PIKing is projected to be fully cured. This feature is difficult to model and assess. It increases the risk premium the market applies to these securities.

3) Ratings are generally below-investment-grade for even some of the most senior tranches. Rating agency opinions can vary significantly on a CDO tranche. The presence of a below-investment-grade rating by even a single rating agency will severely limit the pool of buyers, which causes greater illiquidity and therefore most likely a higher implicit discount rate/lower price with regard to that CDO tranche.
4) There is a lack of consistent disclosure by each CDO's trustee of the identity of collateral issuers; in addition, complex structures make projecting tranche return profiles difficult for non-specialists in the product.
5) At purchase, the expectation of cash flow variability was limited. As a result of the credit crisis, we have seen extreme variability of collateral performance both compared to expectations and between different pools.

Our ongoing review of these securities determined that OTTI should be recorded for the three months ended June 30, 2012.

Trust preferred securities – real estate investment trusts (“REITs”): These CDO securities are variable rate pools of trust preferred securities primarily related to REITs, and are rated by one or more NRSROs. They were purchased generally at par. Unrealized losses were caused mainly by severe deterioration in mortgage REITs and homebuilder credit in addition to the same factors previously discussed for banks and insurance CDOs. Based on our review, no OTTI for these securities was recorded for the three months ended June 30, 2012.

Other asset-backed securities: Most of these CDO securities were purchased in 2009 from Lockhart Funding LLC at their carrying values and then adjusted to fair value. Certain of these CDOs consist of ABS CDOs (also known as diversified structured finance CDOs). Unrealized losses since acquisition were caused mainly by deterioration in collateral quality and widening of credit spreads for asset backed securities. Based on our review, no OTTI for these securities was recorded for the three months ended June 30, 2012.

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OTTI – U.S. Government Agencies and Corporations
Small Business Administration ("SBA") Loan-Backed Securities: These securities were generally purchased at premiums with maturities from five to 25 years and have principal cash flows guaranteed by the SBA. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded for the three months ended June 30, 2012.

The following is a tabular rollforward of the total amount of credit-related OTTI, including amounts recognized in earnings:

(In thousands)	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(6,126)	$(308,216)	$(314,342)	$(6,126)	$(314,860)	$(320,986)
Additions recognized in earnings during the period:						
Credit-related OTTI not previously recognized [1]	(341)	—	(341)	(341)	—	(341)
Credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis [2]	—	(6,967)	(6,967)	—	(17,176)	(17,176)
Subtotal of amounts recognized in earnings	(341)	(6,967)	(7,308)	(341)	(17,176)	(17,517)
Reductions for securities sold during the period		—	—		16,853	16,853
Balance of credit-related OTTI at end of period	$(6,467)	$(315,183)	$(321,650)	$(6,467)	$(315,183)	$(321,650)

(In thousands)	Three Months Ended June 30, 2011			Six Months Ended June 30, 2011		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(5,357)	$(312,353)	$(317,710)	$(5,357)	$(335,682)	$(341,039)
Additions recognized in earnings during the period:						
Credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis [2]	—	(5,158)	(5,158)	—	(8,263)	(8,263)
Subtotal of amounts recognized in earnings	—	(5,158)	(5,158)	—	(8,263)	(8,263)
Reductions for securities sold during the period		27,302	27,302		53,736	53,736
Balance of credit-related OTTI at end of period	$(5,357)	$(290,209)	$(295,566)	$(5,357)	$(290,209)	$(295,566)

[1] Relates to securities not previously impaired.

[2] Relates to additional impairment on securities previously impaired.

To determine the credit component of OTTI for all security types, we utilize projected cash flows as the best estimate of fair value. These cash flows are credit adjusted using, among other things, assumptions for default probability assigned to each portion of performing collateral. The credit adjusted cash flows are discounted at a security specific coupon rate to identify any OTTI, and then at a market rate for valuation purposes.

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
HTM	$16,718	$—	$16,718	$—
AFS	—	1,181	8,064	1,181
	$16,718	$1,181	$24,782	$1,181

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During the three and six months ended June 30, nontaxable interest income on securities was $4.7 million and $9.5 million in 2012, and $5.4 million and $11.2 million in 2011, respectively.

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

	Three Months Ended				Six Months Ended			
	June 30, 2012		June 30, 2011		June 30, 2012		June 30, 2011	
(In thousands)	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:								
Held-to-maturity	$49	$341	$71	$—	$98	$341	$117	$—
Available-for-sale	5,470	6,967	4,063	11,688	11,929	22,964	7,582	18,417
Other noninterest-bearing investments:								
Nonmarketable equity securities	10,518	10,411	—	1,636	19,721	10,469	1,068	1,807
	16,037	17,719	4,134	13,324	31,748	33,774	8,767	20,224
Net losses		$(1,682)		$(9,190)		$(2,026)		$(11,457)
Statement of income information:								
Net impairment losses on investment securities		$(7,308)		$(5,158)		$(17,517)		$(8,263)
Equity securities gains (losses), net		107		(1,636)		9,252		(739)
Fixed income securities gains (losses), net		5,519		(2,396)		6,239		(2,455)
Net losses		$(1,682)		$(9,190)		$(2,026)		$(11,457)

Gains and losses on the sale of securities are recognized using the specific identification method and recorded in noninterest income.

Securities with a carrying value of $1.3 billion at June 30, 2012 and $1.5 billion at December 31, 2011 were pledged to secure public and trust deposits, advances, and for other purposes as required by law. Securities are also pledged as collateral for security repurchase agreements.

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5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and Loans Held for Sale

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

(In thousands)	June 30, 2012	December 31, 2011
Loans held for sale	$139,245	$201,590
Commercial:		
Commercial and industrial	$10,382,676	$10,334,858
Leasing	406,502	379,709
Owner occupied	7,810,636	8,158,556
Municipal	476,668	441,241
Total commercial	19,076,482	19,314,364
Commercial real estate:		
Construction and land development	2,099,064	2,264,909
Term	8,011,281	7,883,434
Total commercial real estate	10,110,345	10,148,343
Consumer:		
Home equity credit line	2,180,857	2,187,428
1-4 family residential	4,018,858	3,921,216
Construction and other consumer real estate	327,867	305,873
Bankcard and other revolving plans	284,112	291,018
Other	232,583	225,540
Total consumer	7,044,277	6,931,075
FDIC-supported loans	642,246	750,870
Total loans	$36,873,350	$37,144,652

FDIC-supported loans were acquired during 2009 and are indemnified by the Federal Deposit Insurance Corporation ("FDIC") under loss sharing agreements. The FDIC-supported loan balances presented in the accompanying schedules include purchased credit-impaired loans accounted for at their carrying values rather than their outstanding balances. See subsequent discussion under Purchased Loans.

Loan balances are presented net of unearned income and fees, which amounted to $133.1 million at both June 30, 2012 and December 31, 2011.

Owner occupied and commercial real estate loans include unamortized premiums of approximately $64.8 million at June 30, 2012 and $73.4 million at December 31, 2011.

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.

Loans with a carrying value of approximately $21.0 billion at June 30, 2012 and $21.1 billion at December 31, 2011 have been made available for pledging at the Federal Reserve and various Federal Home Loan Banks as collateral for current and potential borrowings.

We sold loans totaling $449 million and $875 million for the three and six months ended June 30, 2012, and $392 million and $850 million for the three and six months ended June 30, 2011, respectively, that were previously classified as loans held for sale. Amounts added to loans held for sale during these periods were $401 million and $808 million for the three and six months ended June 30, 2012 and $353 million and $788 million for the three and six months ended June 30, 2011, respectively. Income from loans sold, excluding servicing, was $7.9 million and $14.0

million for the three and six months ended June 30, 2012 and $7.0 million and $10.1 million for the three and six months ended June 30, 2011.

Allowance for Credit Losses

The allowance for credit losses (“ACL”) consists of the allowance for loan and lease losses (“ALLL,” also referred to as the allowance for loan losses) and the reserve for unfunded lending commitments (“RULC”).

Allowance for Loan and Lease Losses

The ALLL represents our estimate of probable and estimable losses inherent in the loan and lease portfolio as of the balance sheet date. Losses are charged to the ALLL when recognized. Generally, commercial loans are charged off or charged down at the point at which they are determined to be uncollectible in whole or in part, or when 180 days past due unless the loan is well secured and in the process of collection. Consumer loans are either charged off or charged down to net realizable value no later than the month in which they become 180 days past due. Closed-end 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 provisions 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 commercial real estate segments, we use a comprehensive loan grading system to assign probability of default and loss given default grades to each loan. The credit quality indicators discussed subsequently are based on this grading system. Probability of default and loss given default grades are based on both financial and statistical models and loan officers’ judgment. We create groupings of these grades for each subsidiary bank and loan class and calculate historic loss rates using a loss migration analysis that attributes historic realized losses to historic loan grades over the most recent 60 months.

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. These roll rates are then applied to current delinquency levels to estimate probable inherent losses.

For FDIC-supported loans purchased with evidence of credit deterioration, we determine the ALLL according to separate accounting guidance. The accounting for these loans, including the allowance calculation, is described in the Purchased Loans section following.

After applying historic loss experience, as described above, we review the quantitatively derived level of ALLL for each segment using qualitative criteria. We track various risk factors that influence our judgment regarding the level of the ALLL across the portfolio segments. Primary qualitative and environmental factors that may not be reflected in our quantitative models 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

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

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Reserve for Unfunded Lending Commitments

We also estimate a reserve for potential losses associated with off-balance sheet commitments and 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 June 30, 2012				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$631,169	$248,744	$109,101	$21,045	$1,010,059
Additions:					
Provision for loan losses	5,733	(6,271)	12,455	(1,064)	10,853
Adjustment for FDIC-supported loans				(5,856)	(5,856)
Deductions:					
Gross loan and lease charge-offs	(31,576)	(22,823)	(17,322)	(1,964)	(73,685)
Recoveries	11,033	12,399	(1,843)	8,756	30,345
Net loan and lease charge-offs	(20,543)	(10,424)	(19,165)	6,792	(43,340)
Balance at end of period	$616,359	$232,049	$102,391	$20,917	$971,716
Reserve for unfunded lending commitments:					
Balance at beginning of period	$72,002	$25,799	$917	$—	$98,718
Provision charged (credited) to earnings	(1,449)	5,864	453	—	4,868
Balance at end of period	$70,553	$31,663	$1,370	$—	$103,586
Total allowance for credit losses at end of period:					
Allowance for loan losses	$616,359	$232,049	$102,391	$20,917	$971,716
Reserve for unfunded lending commitments	70,553	31,663	1,370	—	103,586
Total allowance for credit losses	$686,912	$263,712	$103,761	$20,917	$1,075,302

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(In thousands)	Six Months Ended June 30, 2012				
	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$627,825	$275,546	$123,115	$23,472	$1,049,958
Additions:					
Provision for loan losses	32,898	(18,410)	12,407	(378)	26,517
Adjustment for FDIC-supported loans				(6,913)	(6,913)
Deductions:					
Gross loan and lease charge-offs	(65,053)	(49,834)	(34,331)	(4,481)	(153,699)
Recoveries	20,689	24,747	1,200	9,217	55,853
Net loan and lease charge-offs	(44,364)	(25,087)	(33,131)	4,736	(97,846)
Balance at end of period	$616,359	$232,049	$102,391	$20,917	$971,716
Reserve for unfunded lending commitments:					
Balance at beginning of period	$77,232	$23,572	$1,618	$—	$102,422
Provision charged (credited) to earnings	(6,679)	8,091	(248)	—	1,164
Balance at end of period	$70,553	$31,663	$1,370	$—	$103,586
Total allowance for credit losses at end of period:					
Allowance for loan losses	$616,359	$232,049	$102,391	$20,917	$971,716
Reserve for unfunded lending commitments	70,553	31,663	1,370	—	103,586
Total allowance for credit losses	$686,912	$263,712	$103,761	$20,917	$1,075,302

(In thousands)	Three Months Ended June 30, 2011				
	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$694,090	$480,514	$148,110	$27,086	$1,349,800
Additions:					
Provision for loan losses	9,825	(33,567)	21,990	3,082	1,330
Adjustment for FDIC-supported loans				(162)	(162)
Deductions:					
Gross loan and lease charge-offs	(49,673)	(64,811)	(23,611)	(4,349)	(142,444)
Recoveries	13,404	10,716	3,284	1,805	29,209
Net loan and lease charge-offs	(36,269)	(54,095)	(20,327)	(2,544)	(113,235)
Balance at end of period	$667,646	$392,852	$149,773	$27,462	$1,237,733
Reserve for unfunded lending commitments:					
Balance at beginning of period	$74,429	$26,300	$1,439	$—	$102,168
Provision charged (credited) to earnings	653	(2,448)	(109)	—	(1,904)
Balance at end of period	$75,082	$23,852	$1,330	$—	$100,264

Total allowance for credit losses at end of period:					
Allowance for loan losses	$667,646	$392,852	$149,773	$27,462	$1,237,733
Reserve for unfunded lending commitments	75,082	23,852	1,330	—	100,264
Total allowance for credit losses	$742,728	$416,704	$151,103	$27,462	$1,337,997

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Six Months Ended June 30, 2011				
	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$761,107	$487,235	$154,326	$37,673	$1,440,341
Additions:					
Provision for loan losses	(9,900)	28,295	37,946	4,989	61,330
Adjustment for FDIC-supported loans				(4,676)	(4,676)
Deductions:					
Gross loan and lease charge-offs	(109,056)	(138,191)	(49,932)	(13,233)	(310,412)
Recoveries	25,495	15,513	7,433	2,709	51,150
Net loan and lease charge-offs	(83,561)	(122,678)	(42,499)	(10,524)	(259,262)
Balance at end of period	$667,646	$392,852	$149,773	$27,462	$1,237,733
Reserve for unfunded lending commitments:					
Balance at beginning of period	$83,352	$26,373	$1,983	$—	$111,708
Provision charged (credited) to earnings	(8,270)	(2,521)	(653)	—	(11,444)
Balance at end of period	$75,082	$23,852	$1,330	$—	$100,264
Total allowance for credit losses at end of period:					
Allowance for loan losses	$667,646	$392,852	$149,773	$27,462	$1,237,733
Reserve for unfunded lending commitments	75,082	23,852	1,330	—	100,264
Total allowance for credit losses	$742,728	$416,704	$151,103	$27,462	$1,337,997

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

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

(In thousands)	June 30, 2012				
	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	$34,434	$24,141	$12,042	$542	$71,159
Collectively evaluated for impairment	581,925	207,908	90,349	15,424	895,606
Purchased loans with evidence of credit deterioration	—	—	—	4,951	4,951
Total	$616,359	$232,049	$102,391	$20,917	$971,716
Outstanding loan balances:					
Individually evaluated for impairment	$368,751	$505,902	$105,769	$1,819	$982,241
Collectively evaluated for impairment	18,707,731	9,604,443	6,938,508	543,631	35,794,313
Purchased loans with evidence of credit deterioration	—	—	—	96,796	96,796
Total	$19,076,482	$10,110,345	$7,044,277	$642,246	$36,873,350

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(In thousands)	December 31, 2011				
	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	$11,456	$20,971	$8,995	$623	$42,045
Collectively evaluated for impairment	616,369	254,575	114,120	16,830	1,001,894
Purchased loans with evidence of credit deterioration	—	—	—	6,019	6,019
Total	$627,825	$275,546	$123,115	$23,472	$1,049,958
Outstanding loan balances:					
Individually evaluated for impairment	$349,662	$668,022	$113,798	$2,701	$1,134,183
Collectively evaluated for impairment	18,964,702	9,480,321	6,817,277	637,962	35,900,262
Purchased loans with evidence of credit deterioration	—	—	—	110,207	110,207
Total	$19,314,364	$10,148,343	$6,931,075	$750,870	$37,144,652

Nonaccrual and Past Due Loans

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

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

Closed-end loans with payments scheduled monthly are reported as past due when the borrower is in arrears for two or more monthly payments. Similarly, open-end credit such as charge-card plans and other revolving credit plans are reported as past due when the minimum payment has not been made for two or more billing cycles. Other multi-payment obligations (i.e., quarterly, semiannual, etc.), single payment, and demand notes are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more.

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Nonaccrual loans are summarized as follows:

(In thousands)	June 30, 2012	December 31, 2011
Loans held for sale	$30	$18,216
Commercial:		
Commercial and industrial	$133,241	$126,468
Leasing	1,259	1,546
Owner occupied	239,549	239,203
Total commercial	374,049	367,217
Commercial real estate:		
Construction and land development	115,411	219,837
Term	182,412	156,165
Total commercial real estate	297,823	376,002
Consumer:		
Home equity credit line	13,741	18,376
1-4 family residential	74,935	90,857
Construction and other consumer real estate	7,731	12,096
Bankcard and other revolving plans	1,256	346
Other	1,945	2,498
Total consumer loans	99,608	124,173
FDIC-supported loans	21,980	24,267
Total	$793,460	$891,659

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

	June 30, 2012						
(In thousands)	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current[1]
Loans held for sale	$139,215	$30	$—	$30	$139,245	$—	$—
Commercial:							
Commercial and industrial	$10,242,577	$53,792	$86,307	$140,099	$10,382,676	$7,440	$44,566
Leasing	404,387	825	1,290	2,115	406,502	34	—
Owner occupied	7,632,058	53,507	125,071	178,578	7,810,636	4,674	97,109
Municipal	476,668	—	—	—	476,668	—	—
Total commercial	18,755,690	108,124	212,668	320,792	19,076,482	12,148	141,675
Commercial real estate:							
Construction and land development	2,008,441	32,853	57,770	90,623	2,099,064	2,335	50,991
Term	7,885,492	36,470	89,319	125,789	8,011,281	1,221	80,753
Total commercial real estate	9,893,933	69,323	147,089	216,412	10,110,345	3,556	131,744
Consumer:							
Home equity credit line	2,169,606	6,188	5,063	11,251	2,180,857	—	6,001
1-4 family residential	3,960,786	13,405	44,667	58,072	4,018,858	459	27,160
	310,855	2,101	14,911	17,012	327,867	12,096	4,339

Construction and other consumer real estate							
Bankcard and other revolving plans	279,221	3,144	1,747	4,891	284,112	1,197	580
Other	229,536	1,639	1,408	3,047	232,583	4	465
Total consumer loans	6,950,004	26,477	67,796	94,273	7,044,277	13,756	38,545
FDIC-supported loans	541,689	17,430	83,127	100,557	642,246	70,453	7,395
Total	$36,141,316	$221,354	$510,680	$732,034	$36,873,350	$99,913	$ 319,359

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	December 31, 2011						
(In thousands)	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current[1]
Loans held for sale	$183,344	$—	$18,246	$18,246	$201,590	$30	$—
Commercial:							
Commercial and industrial	$10,198,434	$62,153	$74,271	$136,424	$10,334,858	$4,966	$47,939
Leasing	377,914	1,634	161	1,795	379,709	—	1,319
Owner occupied	7,953,280	93,763	111,513	205,276	8,158,556	3,230	85,495
Municipal	441,241	—	—	—	441,241	—	—
Total commercial	18,970,869	157,550	185,945	343,495	19,314,364	8,196	134,753
Commercial real estate:							
Construction and land development	2,137,544	21,562	105,803	127,365	2,264,909	2,471	107,991
Term	7,770,268	51,592	61,574	113,166	7,883,434	4,170	88,451
Total commercial real estate	9,907,812	73,154	167,377	240,531	10,148,343	6,641	196,442
Consumer:							
Home equity credit line	2,169,190	8,669	9,569	18,238	2,187,428	—	5,542
1-4 family residential	3,846,012	18,985	56,219	75,204	3,921,216	2,833	32,067
Construction and other consumer real estate	294,371	5,008	6,494	11,502	305,873	136	4,773
Bankcard and other revolving plans	287,541	1,984	1,493	3,477	291,018	1,309	122
Other	221,575	1,995	1,970	3,965	225,540	—	372
Total consumer loans	6,818,689	36,641	75,745	112,386	6,931,075	4,278	42,876
FDIC-supported loans	634,113	27,791	88,966	116,757	750,870	74,611	6,812
Total	$36,331,483	$295,136	$518,033	$813,169	$37,144,652	$93,726	$380,883

[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 a loan grading system. We generally assign internal grades to loans with commitments less than $500,000 based on the performance of those loans. Performance-based grades 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 may be temporary or, if left uncorrected, may result in a loss. While concerns exist, the bank is currently protected and loss is considered unlikely and not imminent.
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.

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We generally assign internal grades to commercial and commercial real estate loans with commitments equal to or greater than $500,000 based on financial/statistical models and loan officer judgment. For these larger loans, we assign one of fourteen probability of default grades (in order of declining credit quality) and one of twelve loss-given-default grades. The first ten of the fourteen probability of default grades indicate a Pass grade. The remaining four grades are: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding balance has been charged-off. We evaluate our credit quality information such as risk grades at least quarterly, or as soon as we identify information that might warrant an upgrade or downgrade. Risk grades are then updated as necessary.
For consumer loans, we generally assign internal risk grades similar to those described previously based on payment performance. These are generally assigned with either a Pass or Substandard grade and are reviewed as we identify information that might warrant an upgrade or downgrade.
Outstanding loan balances (accruing and nonaccruing) categorized by these credit quality indicators are summarized as follows:

	June 30, 2012					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Loans held for sale	$138,633	$—	$612	$—	$139,245	$—
Commercial:						
Commercial and industrial	$9,750,389	$275,392	$343,102	$13,793	$10,382,676	
Leasing	395,595	3,232	7,675	—	406,502	
Owner occupied	7,104,691	154,787	544,520	6,638	7,810,636	
Municipal	465,266	11,402	—	—	476,668	
Total commercial	17,715,941	444,813	895,297	20,431	19,076,482	$616,359
Commercial real estate:						
Construction and land development	1,655,632	162,031	280,118	1,283	2,099,064	
Term	7,328,172	200,661	475,965	6,483	8,011,281	
Total commercial real estate	8,983,804	362,692	756,083	7,766	10,110,345	232,049
Consumer:						
Home equity credit line	2,134,373	103	46,333	48	2,180,857	
1-4 family residential	3,889,904	2,613	126,126	215	4,018,858	
Construction and other consumer real estate	303,565	12,127	10,644	1,531	327,867	
Bankcard and other revolving plans	272,140	3,553	8,419	—	284,112	
Other	227,976	—	4,607	—	232,583	
Total consumer loans	6,827,958	18,396	196,129	1,794	7,044,277	102,391
FDIC-supported loans	409,492	25,297	207,457	—	642,246	20,917
Total	$33,937,195	$851,198	$2,054,966	$29,991	$36,873,350	$971,716

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	December 31, 2011					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Loans held for sale	$182,626	$—	$18,964	$—	$201,590	$—
Commercial:						
Commercial and industrial	$9,612,143	$271,845	$442,139	$8,731	$10,334,858	
Leasing	362,711	5,878	11,120	—	379,709	
Owner occupied	7,481,207	184,821	486,584	5,944	8,158,556	
Municipal	425,807	15,434	—	—	441,241	
Total commercial	17,881,868	477,978	939,843	14,675	19,314,364	$627,825
Commercial real estate:						
Construction and land development	1,647,741	187,323	426,152	3,693	2,264,909	
Term	7,243,678	196,377	437,390	5,989	7,883,434	
Total commercial real estate	8,891,419	383,700	863,542	9,682	10,148,343	275,546
Consumer:						
Home equity credit line	2,136,190	106	51,089	43	2,187,428	
1-4 family residential	3,788,958	5,736	126,277	245	3,921,216	
Construction and other consumer real estate	274,712	12,206	16,967	1,988	305,873	
Bankcard and other revolving plans	278,767	3,832	8,419	—	291,018	
Other	221,114	163	4,256	7	225,540	
Total consumer loans	6,699,741	22,043	207,008	2,283	6,931,075	123,115
FDIC-supported loans	499,956	35,877	215,031	6	750,870	23,472
Total	$33,972,984	$919,598	$2,225,424	$26,646	$37,144,652	$1,049,958

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. If a nonaccrual loan has a balance greater than $1 million or if a loan is a troubled debt restructuring ("TDR"), including TDRs that subsequently default, we evaluate the loan for impairment and estimate a specific reserve for the loan for all portfolio segments under applicable accounting guidance. Smaller nonaccrual loans are pooled for ALLL estimation purposes.

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 less the cost to sell. 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. Payments are recognized when cash is received.

Information on impaired loans individually evaluated is summarized as follows, including the average recorded investment and interest income recognized for the three and six months ended June 30, 2012 and 2011:

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	June 30, 2012				
(In thousands)	Unpaid principal balance	Recorded investment with no allowance	with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$218,406	$35,361	$128,168	$163,529	$23,015
Owner occupied	234,421	102,753	102,469	205,222	11,419
Total commercial	452,827	138,114	230,637	368,751	34,434
Commercial real estate:					
Construction and land development	277,856	97,965	125,876	223,841	7,932
Term	341,484	106,839	175,222	282,061	16,209
Total commercial real estate	619,340	204,804	301,098	505,902	24,141
Consumer:					
Home equity credit line	1,526	729	28	757	1
1-4 family residential	110,449	40,053	55,382	95,435	11,151
Construction and other consumer real estate	9,331	3,124	3,967	7,091	766
Bankcard and other revolving plans	294	—	294	294	124
Other	2,638	2,192	—	2,192	—
Total consumer loans	124,238	46,098	59,671	105,769	12,042
FDIC-supported loans	210,936	39,450	59,165	98,615	5,493
Total	$1,407,341	$428,466	$650,571	$1,079,037	$76,110

	December 31, 2011				
(In thousands)	Unpaid principal balance	Recorded investment with no allowance	with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$212,263	$69,492	$66,438	$135,930	$6,373
Owner occupied	258,173	135,555	78,177	213,732	5,083
Total commercial	470,436	205,047	144,615	349,662	11,456
Commercial real estate:					
Construction and land development	405,499	178,113	136,634	314,747	8,925
Term	414,998	187,345	165,930	353,275	12,046
Total commercial real estate	820,497	365,458	302,564	668,022	20,971
Consumer:					
Home equity credit line	1,955	384	1,469	1,853	411
1-4 family residential	116,498	58,392	39,960	98,352	7,555
Construction and other consumer real estate	13,340	4,537	6,188	10,725	1,026
Bankcard and other revolving plans	—	—	—	—	—
Other	2,889	2,840	28	2,868	3
Total consumer loans	134,682	66,153	47,645	113,798	8,995
FDIC-supported loans	353,195	47,736	65,188	112,924	6,642
Total	$1,778,810	$684,394	$560,012	$1,244,406	$48,064

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(In thousands)	Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial:				
Commercial and industrial	$163,397	$820	$158,783	$1,509
Owner occupied	196,213	644	179,503	1,176
Total commercial	359,610	1,464	338,286	2,685
Commercial real estate:				
Construction and land development	218,087	1,385	207,418	2,940
Term	268,798	1,416	255,229	2,789
Total commercial real estate	486,885	2,801	462,647	5,729
Consumer:				
Home equity credit line	906	2	998	4
1-4 family residential	93,188	437	86,799	758
Construction and other consumer real estate	7,079	43	6,763	88
Bankcard and other revolving plans	98	—	49	—
Other	1,550	—	2,105	—
Total consumer loans	102,821	482	96,714	850
FDIC-supported loans	102,503	11,288 [1]	106,570	20,148 [1]
Total	$1,051,819	$16,035	$1,004,217	$29,412

(In thousands)	Three Months Ended June 30, 2011		Six Months Ended June 30, 2011	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial:				
Commercial and industrial	$191,826	$496	$201,990	$1,140
Leasing	129	—	66	—
Owner occupied	300,560	777	312,113	1,432
Municipal	5,898	—	2,949	—
Total commercial	498,413	1,273	517,118	2,572
Commercial real estate:				
Construction and land development	489,695	1,212	536,495	2,574
Term	393,803	1,717	407,506	4,299
Total commercial real estate	883,498	2,929	944,001	6,873
Consumer:				
Home equity credit line	708	—	1,332	1
1-4 family residential	105,397	310	107,666	624
Construction and other consumer real estate	10,778	8	13,382	22
Bankcard and other revolving plans	10	—	31	—
Other	3,932	—	3,829	—
Total consumer loans	120,825	318	126,240	647
FDIC-supported loans	148,272	14,217 [1]	161,557	28,503 [1]

Total	$1,651,008	$18,737	$1,748,916	$38,595

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

Modified and Restructured Loans

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

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

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

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Selected information on TDRs that includes the recorded investment on an accruing and nonaccruing basis by loan class and modification type is summarized in the following table. This information reflects all TDRs at June 30, 2012 and December 31, 2011:

	June 30, 2012						
	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	$280	$5,382	$—	$3,846	$27,194	$ 19,608	$56,310
Owner occupied	1,316	15,230	—	5,704	4,542	13,401	40,193
Total commercial	1,596	20,612	—	9,550	31,736	33,009	96,503
Commercial real estate:							
Construction and land development	1,745	26,539	7	59	37,078	47,928	113,356
Term	1,950	1,882	2,990	2,208	27,541	88,515	125,086
Total commercial real estate	3,695	28,421	2,997	2,267	64,619	136,443	238,442
Consumer:							
Home equity credit line	194	—	—	—	—	90	284
1-4 family residential	6,174	6,936	1,059	—	3,526	37,867	55,562
Construction and other consumer real estate	156	472	—	—	652	1,289	2,569
Total consumer loans	6,524	7,408	1,059	—	4,178	39,246	58,415
Total accruing	11,815	56,441	4,056	11,817	100,533	208,698	393,360
Nonaccruing							
Commercial:							
Commercial and industrial	339	5,700	2,643	526	15,600	12,847	37,655
Owner occupied	5,142	1,141	684	8,888	9,994	14,708	40,557
Total commercial	5,481	6,841	3,327	9,414	25,594	27,555	78,212
Commercial real estate:							
Construction and land development	16,382	2,487	—	—	8,194	43,426	70,489
Term	4,414	37	—	2,484	11,586	38,780	57,301
Total commercial real estate	20,796	2,524	—	2,484	19,780	82,206	127,790
Consumer:							
Home equity credit line	—	—	—	—	—	128	128
1-4 family residential	1,145	48	311	—	848	15,469	17,821
Construction and other consumer real estate	12	1,931	—	—	—	1,380	3,323
Bankcard and other revolving plans	—	294	—	—	—	—	294
Total consumer loans	1,157	2,273	311	—	848	16,977	21,566

Total nonaccruing	27,434	11,638	3,638	11,898	46,222	126,738	227,568
Total	$39,249	$68,079	$7,694	$23,715	$146,755	$335,436	$620,928

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(In thousands)	December 31, 2011 Recorded investment resulting from the following modification types: Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other[1]	Multiple modification types[2]	Total
Accruing							
Commercial:							
Commercial and industrial	$302	$7,727	$—	$1,955	$27,370	$ 4,517	$41,871
Owner occupied	1,875	15,224	37	1,008	5,504	20,449	44,097
Total commercial	2,177	22,951	37	2,963	32,874	24,966	85,968
Commercial real estate:							
Construction and land development	644	33,284	565	—	28,911	34,862	98,266
Term	2,738	33,885	3,027	23,640	54,031	95,868	213,189
Total commercial real estate	3,382	67,169	3,592	23,640	82,942	130,730	311,455
Consumer:							
Home equity credit line	—	—	—	—	32	—	32
1-4 family residential	3,270	1,663	525	—	6,103	34,839	46,400
Construction and other consumer real estate	166	1,444	—	—	635	1,981	4,226
Other	—	28	—	—	—	—	28
Total consumer loans	3,436	3,135	525	—	6,770	36,820	50,686
Total accruing	8,995	93,255	4,154	26,603	122,586	192,516	448,109
Nonaccruing							
Commercial:							
Commercial and industrial	3,526	6,094	—	1,429	8,384	10,202	29,635
Owner occupied	4,464	1,101	715	6,575	17,070	10,300	40,225
Total commercial	7,990	7,195	715	8,004	25,454	20,502	69,860
Commercial real estate:							
Construction and land development	15,088	3,348	19	2,060	7,441	94,502	122,458
Term	3,445	50	—	4,250	4,724	65,316	77,785
Total commercial real estate	18,533	3,398	19	6,310	12,165	159,818	200,243
Consumer:							
Home equity credit line	195	—	—	—	253	69	517
1-4 family residential	1,386	85	939	718	1,391	18,476	22,995
Construction and other consumer real estate	18	1,837	—	—	—	355	2,210
Total consumer loans	1,599	1,922	939	718	1,644	18,900	25,722
Total nonaccruing	28,122	12,515	1,673	15,032	39,263	199,220	295,825
Total	$37,117	$105,770	$ 5,827	$41,635	$161,849	$ 391,736	$743,934

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

[2] Includes TDRs that resulted from a combination of any of the previous modification types.
Unused commitments to extend credit on TDRs amounted to approximately $14 million at June 30, 2012 and $9 million at December 31, 2011.

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The total recorded investment of all TDRs in which interest rates were modified below market was $185.3 million at June 30, 2012 and $269.9 million at December 31, 2011. These loans are included in the previous table in the columns for interest rate below market and multiple modification types.

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

(In thousands)	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012	Year Ended December 31, 2011
Commercial:			
Commercial and industrial	$(8)	$(23)	$(46)
Owner occupied	(329)	(705)	(1,650)
Total commercial	(337)	(728)	(1,696)
Commercial real estate:			
Construction and land development	(236)	(469)	(244)
Term	(1,473)	(3,026)	(7,096)
Total commercial real estate	(1,709)	(3,495)	(7,340)
Consumer:			
Home equity credit line	(19)	(34)	—
1-4 family residential	(3,992)	(7,841)	(10,188)
Construction and other consumer real estate	(107)	(215)	(406)
Total consumer loans	(4,118)	(8,090)	(10,594)
Total decrease to interest income	$(6,164) [1]	$(12,313) [1]	$(19,630) [1]

[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.

As of June 30, 2012, 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:

(In thousands)	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012			Year Ended December 31, 2011		
	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:									
Commercial and industrial	$—	$ 114	$114	$—	$ 1,291	$1,291	$35	$ 1,700	$1,735
Owner occupied	—	5,405	5,405	—	5,405	5,405	—	441	441
Total commercial	—	5,519	5,519	—	6,696	6,696	35	2,141	2,176
Commercial real estate:									
Construction and land development	—	2,765	2,765	—	2,765	2,765	—	11,667	11,667
Term	—	—	—	—	1,466	1,466	—	5,971	5,971
Total commercial real estate	—	2,765	2,765	—	4,231	4,231	—	17,638	17,638

Consumer:									
1-4 family residential	—	—	—	—	526	526	—	2,745	2,745
Total consumer loans	—	—	—	—	526	526	—	2,745	2,745
Total	$—	$ 8,284	$8,284	$—	$ 11,453	$11,453	$35	$ 22,524	$22,559

Note: Total loans modified as TDRs during the 12 months previous to June 30, 2012 were $219.5 million.

Concentrations of Credit Risk

We perform an ongoing analysis of our loan portfolio to evaluate whether there is any significant exposure to any concentrations of credit risk. These potential concentrations include, but are not limited to, individual borrowers, groups of borrowers, industries, geographies, collateral types, sponsors, etc. Such credit risks (whether on- or off-balance sheet) may occur when groups of borrowers or counterparties have similar economic characteristics and are similarly affected by changes in economic or other conditions. Credit risk also includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. Our analysis as of June 30, 2012 concluded that no significant exposure exists from such credit risk concentrations. See Note 6 for a discussion of counterparty risk associated with the Company's derivative transactions.

Purchased Loans

Background and Accounting

We purchase loans in the ordinary course of business and account for them and the related interest income based on their performing status at the time of acquisition. Purchased credit-impaired ("PCI") loans have evidence of credit deterioration at the time of acquisition and it is probable that not all contractual payments will be collected. Interest income for PCI loans is accounted for on an expected cash flow basis. Certain other loans acquired by the Company that are not credit-impaired include loans with revolving privileges and are excluded from the PCI tabular disclosures following. Interest income for these loans is accounted for on a contractual cash flow basis. Certain acquired loans with similar characteristics such as risk exposure, type, size, etc., are grouped and accounted for in loan pools.

CB&T and NSB acquired failed banks from the FDIC as receiver and entered into loss sharing agreements with the FDIC for the acquired loans and foreclosed assets. The FDIC assumes 80% of credit losses up to a threshold specified for each acquisition and 95% above the threshold for a period of up to ten years. The loans acquired from the FDIC are presented separately in the Company's balance sheet as "FDIC-supported loans" and include both PCI and certain other acquired loans.

During the first quarter of 2011, certain FDIC-supported loans charged off at the time of acquisition were determined to be covered by the FDIC loss sharing agreement. The FDIC remitted $18.9 million to the Company, which was recognized in other noninterest income.

Upon acquisition, in accordance with applicable accounting guidance, the acquired loans were recorded at their fair value without a corresponding ALLL. The acquired foreclosed assets and subsequent real estate foreclosures were included with other real estate owned ("OREO") in the balance sheet and amounted to $19.7 million at June 30, 2012 and $24.3 million at December 31, 2011.

Outstanding Balances and Accretable Yield

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

(In thousands)	June 30, 2012	December 31, 2011
Commercial	$274,629	$321,515
Commercial real estate	453,394	556,197
Consumer	47,597	57,391
Outstanding balance	$775,620	$935,103
Carrying amount	$578,845	$672,159
ALLL	19,776	21,604
Carrying amount, net	$559,069	$650,555

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.

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Certain PCI loans are not accounted for as previously described because the estimation of cash flows to be collected involves a high degree of uncertainty. Under these circumstances, the accounting guidance provides that interest income is recognized on a cash basis similar to the cost recovery methodology for nonaccrual loans. The net carrying amounts in the preceding schedule also include the amounts for these loans, which were approximately $39.7 million at June 30, 2012 and $42.6 million at December 31, 2011.

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Balance at beginning of period	$174,004	$271,736	$184,679	$277,005
Accretion	(22,882)	(31,247)	(44,415)	(62,690)
Reclassification from nonaccretable difference	1,678	2,520	15,547	25,912
Disposals and other	4,240	(810)	1,229	1,972
Balance at end of period	$157,040	$242,199	$157,040	$242,199

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

The primary driver of reclassifications to accretable yield from nonaccretable difference resulted from changes in estimated cash flows for the acquired loans and loan pools, as discussed subsequently under changes in cash flow estimates.

ALLL Determination

For all acquired loans, the ALLL is only established for credit deterioration subsequent to the date of acquisition and represents our estimate of the inherent losses in excess of the book value of acquired loans. The ALLL for acquired loans is determined without giving consideration to the amounts recoverable from the FDIC through loss sharing agreements. These amounts recoverable are separately accounted for in the FDIC indemnification asset ("IA") and are thus presented "gross" in the balance sheet. The FDIC IA is included in other assets in the balance sheet and is discussed subsequently. The ALLL is included in the overall ALLL in the balance sheet. The provision for loan losses is reported net of changes in the amounts recoverable under the loss sharing agreements.

During the three and six months ended June 30, we adjusted the ALLL for acquired loans by recording a (decrease) increase on an adjusted gross basis to the provision for loan losses of $(6.9) million and $(7.3) million in 2012, and $2.9 million and $0.3 million in 2011, respectively. These amounts are net of the ALLL reversals due to increases in estimated cash flows which are discussed subsequently. As separately discussed and in accordance with the loss sharing agreements, portions of the increases to the provision are recoverable from the FDIC and comprise part of the FDIC IA. For the three and six months ended June 30, 2012, these adjustments, before FDIC indemnification, resulted in net recoveries of $7.8 million and $6.7 million, respectively. For the three and six months ended June 30, 2011, they resulted in net charge-offs of $2.5 million and $10.5 million, respectively.

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

Changes in Cash Flow Estimates

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

For increases in carrying values that resulted from better-than-expected cash flows, we use such increases first to reverse any existing ALLL. During the three and six months ended June 30, total reversals to the ALLL, including the impact of increases in estimated cash flows, were $7.9 million and $10.6 million in 2012, and $4.8 million and $9.0 million in 2011, respectively. When there is no current ALLL, we increase the amount of accretable yield on a prospective basis over the remaining life of the loan and recognize this increase in interest income. Any related decrease to the FDIC IA is recorded through a charge to other noninterest expense. Changes that increase cash flows have been due primarily to (1) the enhanced economic status of borrowers compared to original evaluations, (2) improvements in the Southern California market where the majority of these

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loans were originated, and (3) stronger efforts by our credit officers and loan workout professionals to resolve problem loans.

For the three and six months ended June 30, the impact of increased cash flow estimates recognized in the statement of income for acquired loans with no ALLL was approximately $14.8 million and $27.9 million in 2012, and $21.5 million and $40.7 million in 2011, respectively, of additional interest income, and $11.2 million and $21.2 million in 2012, and $15.0 million and $28.1 million in 2011, respectively, of additional other noninterest expense due to the reduction of the FDIC IA.

FDIC Indemnification Asset

The amount of the FDIC IA was initially recorded at fair value using estimated cash flows based on credit adjustments for each loan or loan pool and the loss sharing reimbursement of 80% or 95%, as appropriate. The timing of the cash flows was adjusted to reflect our expectations to receive the FDIC reimbursements within the estimated loss period. Discount rates were based on U.S. Treasury rates or the AAA composite yield on investment grade bonds of similar maturity. As previously discussed, the amount is adjusted as actual loss experience is developed and estimated losses covered under the loss sharing agreements are updated. Estimated loan losses, if any, in excess of the amounts recoverable are reflected as period expenses through the provision for loan losses.

Changes in the FDIC IA were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Balance at beginning of period	$121,332	$172,170	$133,810	$195,516
Amounts filed with the FDIC and collected or in process	12,495	(6,404)	11,202	(12,911)
Net change in asset balance due to reestimation of projected cash flows [1]	(16,660)	(15,209)	(27,845)	(32,048)
Balance at end of period	$117,167	$150,557	$117,167	$150,557

Note: Beginning in the latter half of 2011, the FDIC changed its reimbursement process to require that submitted expenses must be paid, not just incurred, to qualify for reimbursement.

[1]Negative amounts result from the accretion of loan balances based on increases in cash flow estimates on the underlying indemnified loans.

Any changes to the FDIC IA are recognized immediately in the quarterly period the change in estimated cash flows is determined. All claims submitted to the FDIC have been reimbursed in a timely manner.

6. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We record all derivatives on the balance sheet at fair value. Note 9 discusses the process to estimate fair value for derivatives. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives used to manage the exposure to credit risk, which can include total return swaps, are considered credit derivatives. When put in place after purchase of the asset(s) to be protected, these derivatives generally may not be designated as accounting hedges. See discussion following regarding the total return swap and estimation of its fair value.

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 periods, we used fair value hedges to manage interest rate exposure to certain long-term debt. These hedges have been terminated and their remaining balances are being amortized 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.

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We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows on the derivative hedging instrument with the changes in fair value or cash flows on the designated hedged item or transaction. For derivatives not designated as accounting hedges, changes in fair value are recognized in earnings.
Our objectives in using derivatives are to add stability to interest income or expense, to modify the duration of specific assets or liabilities as we consider advisable, to manage exposure to interest rate movements or other identified risks, and/or to directly offset derivatives sold to our customers. To accomplish these objectives, we use interest rate swaps as part of our cash flow hedging strategy. These derivatives are used to hedge the variable cash flows associated with designated commercial loans.
Exposure to credit risk arises from the possibility of nonperformance by counterparties. These counterparties primarily consist of financial institutions that are well established and well capitalized. We control this credit risk through credit approvals, limits, pledges of collateral, and monitoring procedures. No losses on derivative instruments have occurred as a result of counterparty nonperformance. Nevertheless, the related credit risk is considered and measured when and where appropriate.
Interest rate swap agreements designated as cash flow hedges involve the receipt of fixed-rate amounts in exchange for variable-rate payments over the life of the agreements without exchange of the underlying principal amount.
Derivatives not designated as accounting hedges, including basis swap agreements, are not speculative and are used to economically manage our exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements.

Selected information with respect to notional amounts and recorded gross fair values at June 30, 2012 and December 31, 2011, and the related gain (loss) of derivative instruments for the three and six months ended June 30, 2012 and 2011 is summarized as follows:

(In thousands)	June 30, 2012			December 31, 2011		
	Notional amount	Fair value Other assets	Other liabilities	Notional amount	Fair value Other assets	Other liabilities
Derivatives designated as hedging instruments						
Asset derivatives						
Cash flow hedges [1]:						
Interest rate swaps	$150,000	$3,617	$—	$335,000	$7,341	$—
Total derivatives designated as hedging instruments	150,000	3,617	—	335,000	7,341	—
Derivatives not designated as hedging instruments						
Interest rate swaps	120,238	1,463	1,474	145,388	1,952	1,977
Interest rate swaps for customers [2]	2,463,149	83,319	88,196	2,638,601	82,648	87,363
Basis swaps	—	—	—	85,000	3	11
Options contracts	—	—	—	1,700,000	11	—
Total return swap	1,159,686	—	5,337	1,159,686	—	5,422
Total derivatives not designated as hedging instruments	3,743,073	84,782	95,007	5,728,675	84,614	94,773
Total derivatives	$3,893,073	$88,399	$95,007	$6,063,675	$91,955	$94,773

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(In thousands)	Three Months Ended June 30, 2012				Six Months Ended June 30, 2012			
	Amount of derivative gain (loss) recognized/reclassified							
	OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense	OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$95	$3,199	$—		$306	$ 8,493	$ —	
	95	3,199	—		306	8,493 [3]	—	
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$756				$ 1,506
Total derivatives designated as hedging instruments	95	3,199	—	756	306	8,493	—	1,506
Derivatives not designated as hedging instruments								
Interest rate swaps			4				(128)	
Interest rate swaps for customers [2]			(804)				586	
Basis swaps			—				18	
Futures contracts			14				(10)	
Total return swap			(5,450)				(10,900)	
Total derivatives not designated as hedging instruments			(6,236)				(10,434)	
Total derivatives	$95	$3,199	$(6,236)	$756	$306	$ 8,493	$ (10,434)	$ 1,506

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(In thousands)	Three Months Ended June 30, 2011				Six Months Ended June 30, 2011			
	Amount of derivative gain (loss) recognized/reclassified							
	OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense	OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$1,474	$ 8,979	$—		$1,492	$ 21,419	$—	
Interest rate floors	179	889	—		183	1,686	—	
	1,653	9,868	—		1,675	23,105 [3]	—	
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$732				$1,451
Total derivatives designated as hedging instruments	1,653	9,868	—	732	1,675	23,105	—	1,451
Derivatives not designated as hedging instruments								
Interest rate swaps			(13)				(76)	
Interest rate swaps for customers [2]			(205)				1,327	
Energy commodity swaps for customers [2]			—				56	
Basis swaps			62				149	
Futures contracts			5,537				4,778	
Options contracts			(521)				502	
Total derivatives not designated as hedging instruments			4,860				6,736	
Total derivatives	$1,653	$ 9,868	$4,860	$732	$1,675	$ 23,105	$6,736	$1,451

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

[1] Amounts recognized in OCI and reclassified from accumulated OCI ("AOCI") represent the effective portion of the derivative gain (loss).
[2] Amounts include both the customer swaps and the offsetting derivative contracts.
[3] Amounts for the six months ended June 30, 2012 and 2011 of $8,493 and $23,105, respectively, are the amounts of reclassification to earnings presented in the tabular changes of AOCI in Note 7.

At June 30, the fair values of derivative assets and liabilities were reduced (increased) by net credit valuation adjustments of $5.0 million and $0.1 million in 2012, and $3.2 million and $(0.4) million in 2011, respectively. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk.

Fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) have been offset against recognized fair value amounts of derivatives executed with the same counterparty under a master netting arrangement. In the balance sheet, cash collateral was used to reduce recorded amounts of derivative liabilities by $1.1 million and $2.4 million at June 30, 2012 and 2011, respectively.

We offer to our customers interest rate swaps to assist them in managing their exposure to fluctuating interest rates. Previously, we also offered energy commodity swaps. Upon issuance, all of these customer swaps are immediately “hedged” by offsetting derivative contracts, such that the Company minimizes its net risk exposure resulting from such transactions. Fee income from customer swaps is included in other service charges, commissions and fees. As with other derivative instruments, we have credit risk for any nonperformance by counterparties.

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Options contracts were used to economically hedge certain interest rate exposures of previously used Eurodollar futures contracts. All of these contracts expired during the first quarter of 2012.
The remaining balances of any derivative instruments terminated prior to maturity, including amounts in AOCI for swap hedges, are accreted or amortized to interest income or expense over the period to their previously stated maturity dates.
Amounts in AOCI are reclassified to interest income as interest is earned on variable rate loans and as amounts for terminated hedges are accreted or amortized to earnings. For the 12 months following June 30, 2012, we estimate that an additional $7 million will be reclassified.
Total Return Swap
On July 28, 2010, we entered into a total return swap and related interest rate swaps (“TRS”) with Deutsche Bank AG (“DB”) relating to a portfolio of $1.16 billion notional amount of our bank and insurance trust preferred CDOs. As a result of the TRS, DB assumed all of the credit risk of this CDO portfolio, providing timely payment of all scheduled payments of interest and principal when contractually due to the Company (without regard to acceleration or deferral events). The transaction reduced regulatory risk-weighted assets and improved the Company’s risk-based capital ratios. The transaction did not qualify for hedge accounting and did not change the accounting for the underlying securities, including the quarterly analysis of OTTI and OCI. As a result, future potential OTTI, if any, associated with the underlying securities may not be offset by any valuation adjustment on the swap in the quarter in which OTTI is recognized, and OTTI changes could result in reductions in our regulatory capital ratios, which could be material.
The fair value of the TRS derivative liability was $5.3 million at June 30, 2012 and $5.4 million at December 31, 2011.
Both the fair values of the securities and the fair value of the TRS are dependent upon the projected credit-adjusted cash flows of the securities. The period that we are unable to cancel the transaction has shortened to and will remain at one calendar quarter. Accordingly, absent major changes in these projected cash flows, we expect the value of the TRS liability to continue to approximate its June 30, 2012 fair value. We expect to incur subsequent net quarterly costs of approximately $5.4 million under the TRS, including related interest rate swaps and scheduled payments of interest on the underlying CDOs, as long as the TRS remains in place for this CDO portfolio. Our estimated quarterly expense amount would be impacted by, among other things, changes in the composition of the CDO portfolio included in the transaction and changes over time in the forward London Interbank Offered Rate (“LIBOR”) rate curve. The Company’s costs are also subject to adjustment in the event of future changes in regulatory requirements applicable to DB if we do not then elect to terminate the transaction. Termination by the Company for such regulatory changes applicable to DB will result in no payment by the Company.
At June 30, 2012, we completed a valuation process which resulted in an estimated fair value for the TRS under Level 3. The process utilized valuation inputs from two sources:

1) The Company built on its fair valuation process for the underlying CDO portfolio and utilized those same projected cash flows to quantify the extent and timing of payments to be received from the Trustee related to each CDO and in the aggregate. For valuation purposes, we assumed that a market participant would cancel the TRS at the first opportunity if the TRS did not have a positive value based on the best estimates of cash flows through maturity. Consequently, the fair value approximated the amount of required payments up to the earliest termination date.

2) A valuation from a market participant in possession of all relevant terms and costs of the TRS structure.

We considered the observable input or inputs from the market participant, who is the counterparty to this transaction, as well as the results of our internal modeling in estimating the fair value of the TRS. We expect to continue the use of this methodology in subsequent periods.

7. DEBT AND SHAREHOLDERS’ EQUITY

TARP Redemption

On March 28, 2012, we redeemed $700 million of the $1.4 billion Series D Fixed-Rate Cumulative Perpetual Preferred Stock issued to the U.S. Department of the Treasury under its Troubled Asset Relief Program (“TARP”) Capital Purchase Program. The redemption was made following notification from the Federal Reserve Board (“FRB”) on March 13, 2012 that it does not object to the capital actions proposed in our Capital Plan submitted under the FRB’s 2012 Capital Plan Review.

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Among other things, our Capital Plan includes the following provisions: (1) completing the entire redemption in 2012 of our TARP preferred stock with the second $700 million installment contingent upon specified conditions requiring regulatory approval, including Parent liquidity and other requirements; (2) issuing a total of $600 million in senior debt (see debt issuances and redemption following); (3) redeeming on a timely basis the Company's $254.9 million variable rate senior medium-term notes (see debt issuances and redemption following); and (4) not changing in 2012 the current common stock dividend of $0.01 per share per quarter. There is no requirement to issue common or preferred equity. See also preferred stock issuance and redemption following.
The TARP redemption accelerated the amortization of approximately $19.6 million of unamortized discount in the first quarter of 2012. This discount was based on the fair value originally estimated for the common stock warrant associated with the TARP preferred stock issuance. The discount was being accreted to preferred stock over five years using the interest method with a corresponding increase to preferred stock dividends.
Debt Issuances and Redemption
On March 27, 2012, we issued $300 million of 4.5% senior unsecured medium-term notes at a price of 94.25%. On May 1, 2012, we issued an additional $100 million at a price of 100.249%, bringing the total to $400 million of the 4.5% notes that are due March 27, 2017. On June 20, 2012, we issued $158.45 million of 4.0% senior notes due June 20, 2016 at a price of 97.5%. Net of commissions, fees and discounts, the proceeds to the Company for these debt issuances were $533.3 million.
We redeemed all $254.9 million of variable rate senior medium-term notes on their maturity date of June 21, 2012 that were guaranteed under the FDIC's Temporary Liquidity Guarantee Program. We have no other notes outstanding under this program.
During the three and six months ended June 30, 2012, we issued long-term senior medium-term notes of $11.9 million and $61.9 million, respectively, and a short-term medium-term note of $5.0 million during the first quarter of 2012. The short-term note matures March 2013 at an interest rate of 2.0%. The long-term notes mature February 2014 and June 2014 at interest rates of 3.5% and 3.4%, respectively. During these same periods, we redeemed at maturity $12.0 million and $66.9 million of short-term senior medium-term notes.
Subordinated Debt Conversions
During the three and six months ended June 30, 2012, $50.2 million and $80.0 million of convertible subordinated debt was converted into depositary shares each representing a 1/40th interest in a share of the Company's preferred stock. These conversions added 79,596 shares of Series C and 370 shares of Series A to the Company's preferred stock.
For the six months ended June 30, 2012 in connection with these conversions, the $93.6 million added to preferred stock included the transfer from common stock of $13.6 million of the intrinsic value of the beneficial conversion feature. The amount of this conversion feature was included with common stock at the time of the debt modification. The remaining balance in common stock of this conversion feature was approximately $78.2 million at June 30, 2012. Accelerated discount amortization on the converted debt increased interest expense for the three and six months ended June 30, 2012 by approximately $16.2 million and $28.4 million, respectively. At June 30, 2012, the balance at par of the convertible subordinated debt was $467.4 million and the remaining balance of the convertible debt discount was $174.0 million.
Preferred Stock Issuance and Redemption
On May 7, 2012, we sold $143.75 million of Series F 7.9% Fixed-Rate Non-Cumulative Perpetual Preferred Stock. The issuance was in the form of depositary shares with each depositary share representing a 1/40th ownership interest in a share of the preferred stock. The shares are registered with the SEC and qualify as Tier 1 capital. We redeemed on the June 15, 2012 call date all $142.5 million of Series E 11% preferred stock.

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Changes in Accumulated Other Comprehensive Income
Changes in accumulated other comprehensive income (loss) are summarized as follows:

(In thousands)	Net unrealized gains (losses) on investments and retained interests	Net unrealized gains (losses) on derivative instruments	Pension and post-retirement	Total
Six Months Ended June 30, 2012:				
Balance at December 31, 2011	$ (546,763)	$ 9,404	$ (54,725)	$ (592,084)
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding gains, net of income tax expense of $17,775	29,045			29,045
Reclassification for net losses included in earnings, net of income tax benefit of $4,318	6,619			6,619
Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of $9,479	(15,303)			(15,303)
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $349	532			532
Net unrealized losses, net of reclassification to earnings of $8,493 and income tax benefit of $3,231		(4,956)		(4,956)
Other comprehensive income (loss)	20,893	(4,956)	—	15,937
Balance at June 30, 2012	$ (525,870)	$ 4,448	$ (54,725)	$ (576,147)
Six Months Ended June 30, 2011:				
Balance at December 31, 2010	$ (456,264)	$ 30,702	$ (35,734)	$ (461,296)
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding losses, net of income tax benefit of $22,217	(36,060)			(36,060)
Reclassification for net losses included in earnings, net of income tax benefit of $4,128	6,590			6,590
Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of $452	(729)			(729)
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $61	99			99
Net unrealized losses, net of reclassification to earnings of $23,105 and income tax benefit of $8,335		(13,095)		(13,095)
Other comprehensive loss	(30,100)	(13,095)	—	(43,195)
Balance at June 30, 2011	$ (486,364)	$ 17,607	$ (35,734)	$ (504,491)

8. INCOME TAXES

The income tax expense rates for the three and six months ended June 30, 2012 were lower than the tax rates for the same periods in 2011 because of a decrease in the nondeductible amount of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock.

The balance of net deferred tax assets was approximately $479 million at June 30, 2012 and $509 million at December 31, 2011. We evaluate the net deferred tax assets on a regular basis to determine whether an additional valuation allowance is required. Based on this evaluation, and considering the weight of the positive evidence compared to the negative evidence, we have concluded that an additional valuation allowance is not required as of June 30, 2012.

9. FAIR VALUE

Fair Value Measurements

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This new accounting guidance under ASC 820, Fair Value Measurement, provides convergence to IFRS and amends fair value measurement and disclosure guidance. Among other things, new disclosures are

required for qualitative information and sensitivity analysis regarding Level 3 measurements. We adopted this new guidance effective January 1, 2012 as required and have incorporated it into the following disclosures.

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; includes U.S. Treasury and other U.S. Government and agency securities actively traded in over-the-counter markets; mutual funds and stock; securities sold, not yet purchased; and certain derivatives.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data; also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency securities; municipal securities; CDO securities; mutual funds and stock; private equity investments; securities sold, not yet purchased; and derivatives.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using 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; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data. This category generally includes municipal securities; private equity investments, most CDO securities, and the total return swap.

We use fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure for accounting. This is done primarily for AFS and trading investment securities; private equity investments; securities sold, not yet purchased; and derivatives. Fair value is used on a nonrecurring basis to measure certain assets when applying lower of cost or market accounting or when adjusting carrying values, such as for loans held for sale, impaired loans, and OREO. Fair value is also used when evaluating impairment on certain assets, including HTM and AFS securities, goodwill, core deposit and other intangibles, long-lived assets, and for disclosures of certain financial instruments.

Utilization of Third Party Service Providers

We use third party service providers and a licensed internal third party model to estimate fair value for certain of our AFS securities as follows:

For AFS Level 2 securities, we use a third party pricing service to provide pricing, if available, for securities in the following reporting categories: U.S. Treasury, agencies and corporations (except Federal Agricultural Mortgage Corporation (“FAMC”) securities); municipal securities; trust preferred – banks and insurance; and other (including ABS CDOs). At June 30, 2012, the fair value of AFS Level 2 securities for which we obtained pricing from the third party pricing service in these reporting categories amounted to approximately $1.8 billion of the $2.0 billion total of AFS Level 2 securities.

For AFS Level 3 securities, we use other third party service providers to provide pricing, if available, for securities in the following reporting categories: trust preferred – banks and insurance, trust preferred – real estate investment trusts, auction rate, and other (including ABS CDOs). At June 30, 2012, the fair value of AFS Level 3 securities for which we obtained pricing from these third party service providers in these reporting categories amounted to approximately $53 million of the $1.0 billion total of AFS Level 3 securities. In addition, the fair values for approximately $905 million at June 30, 2012 of our AFS Level 3 securities were determined utilizing a licensed internal third party model. See “trust preferred CDO internal model” discussed subsequently.

Fair values of the remaining AFS Level 2 and Level 3 securities not valued by pricing from third party services or the licensed internal third party model were determined by us using market corroborative data. At June 30, 2012, the Level 2 securities consisted of approximately $143 million of FAMC securities and $6 million of mutual funds and stock, and the Level 3 securities consisted of $16 million of municipal securities and $30 million of ABS CDOs. Estimation of the fair values of the FAMC securities included the use of a standard mortgage pass-through calculator that incorporates discounted cash flows, while the municipal securities included the use of a standard form discounted cash flow model with certain inputs adjusted for market conditions.

For AFS Level 2 securities, the third party pricing service provides documentation on an ongoing basis that includes, among other things, pricing information with respect to reference data, methodology, inputs summarized by asset class, pricing application, corroborative information, etc. The documentation includes benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Also included are data from the vendor trading platform. We review, test and validate this information as appropriate.

For AFS Level 3 securities, we compare assumptions with other third party service providers and with our internal models and the information we have about market trends and trading data. This includes information regarding trading prices, implied discounts, outlier information, valuation assumptions, etc. We consider this information to determine whether the comparability of the security and the orderliness of the trades make such reported prices suitable to consider in our estimates of fair value.

Because of the timeliness of our involvement, the ongoing exchange of market information, and our agreement on input assumptions, we do not adjust prices from our third party service providers. The procedures discussed previously help ensure that the fair value information received was determined in accordance with applicable accounting guidance.

Available-for-Sale and Trading

AFS and trading investment securities are fair valued under Level 1 using quoted market prices when available for identical securities. When quoted prices are not available, fair values are determined under Level 2 using quoted prices for similar securities or independent pricing services that incorporate observable market data when possible. The largest portion of AFS securities include certain CDOs backed by trust preferred securities issued by banks and insurance companies and, to a lesser extent, by REITs. These securities are fair valued primarily under Level 3.

U.S. Treasury, Agencies and Corporations

Valuation inputs under Level 2 utilized by the third party service provider are discussed previously.

Municipal Securities

Valuation inputs under Level 2 utilized by the third party service provider are discussed previously. We may also include reported trades and material event notices from the Municipal Securities Rulemaking Board, plus new issue data. Municipal securities under Level 3 are fair valued similar to the auction rate securities.

Trust Preferred Collateralized Debt Obligations

Substantially all of the CDO portfolio is fair valued using an income-based cash flow modeling approach incorporating several methodologies that primarily include internal and third party models.

Trust preferred CDO internal model: A licensed third party cash flow model, which requires the Company to input its own default assumptions, is used to estimate fair values of bank and insurance trust preferred CDOs. We utilize a statistical regression of quarterly regulatory ratios that we have identified as predictive of future bank failures to create a credit-specific probability of default (“PD”) for each bank issuer. The inputs are updated quarterly to include the most recent available financial ratios and the regression formula is updated periodically to utilize those financial ratios that have best predicted bank failures during this credit cycle (“ratio-based approach”). Our ratio-based approach, while generally referencing trailing quarter regulatory data and ratios, seeks to incorporate the most recent available information.

Approximately 27% of the bank issuers are public companies included in a third party proprietary reduced form model. The model generates PDs using equity valuation-related inputs along with other macro and issuer-specific inputs.

We use a floor PD of 30 basis points (“bps”) for year one for collateral where the higher of the one-year PDs from our ratio based approach and those from the third party proprietary reduced form model would be lower. The short-term 30 bps PD is similar to the PD we would apply if we had direct lending exposures to CDO pool collateral. We use a

floor PD of 48 bps each year from years two to five smoothing the step-up to reach a 65 bps minimum PD for year six. We utilize a minimum PD for years six to maturity of 65 bps for bank collateral.

The resulting five-year PDs at June 30, 2012 ranged from 100% for the "worst" deferring banks to 2.18% for the "best" deferring banks. The weighted average assumed loss rate on deferring collateral was 24% at June 30, 2012 and 26% at both March 31, 2012 and December 31, 2011. This loss rate is calculated as a percentage of the par amount of deferring collateral within a pool that is expected to default prior to the end of a five-year deferral period. The model includes the expectation that deferrals that do not default will pay their contractually required back interest and return to a current status at the end of five years. Estimates of expected loss for the individual pieces of underlying collateral are aggregated to

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arrive at a pool-level expected loss rate for each CDO. These loss assumptions are applied to the CDO's structure to generate cash flow projections for each tranche of the CDO.
We utilize a present value technique to identify both the OTTI present in the CDO tranches and to estimate fair value. To determine the credit-related portion of OTTI in accordance with applicable accounting guidance, we use the security specific effective interest rate when estimating the present value of cash flows. We discount the credit-adjusted cash flow of each CDO tranche at a tranche-specific discount rate which reflects the risk that the actual cash flow may vary from the expected credit-adjusted cash flow for that CDO tranche. This rate is consistent with market participants' assumptions, which include market illiquidity, and is applied to credit adjusted cash flows. We follow applicable guidance on illiquid markets such that risk premiums should be reflective of an orderly transaction between market participants under current market conditions. Because these securities are not traded on exchanges and trading prices are not posted on the TRACE® system (Trade Reporting and Compliance Engine®), we also seek information from market participants to obtain trade price information.
The discount rate assumption used for valuation purposes for each CDO tranche is derived from trading yields on publicly traded trust preferred securities and projected PDs on the underlying issuers as well as observed trades in our CDO tranches in accordance with applicable accounting guidance. The data set generally includes one or more publicly-traded trust preferred securities in deferral with regard to the payment of current interest and observed trades in our CDO tranches which appeared to be either orderly (that is, not distressed or forced); or whose orderliness could not be definitively refuted. Trading data is generally limited to a single transaction in each of several of our original AAA-rated tranches and several of our original A-rated tranches. The effective yields on the securities are then used to determine a relationship between the effective yield and expected loss. Expected loss for this purpose is a measure of the variability of cash flows from the mean estimate of cash flow across all Monte Carlo simulations. This relationship is then considered along with other third party or market data in order to identify appropriate discount rates to be applied to the CDOs.
Our June 30, 2012, valuations for bank and insurance tranches utilized a discount rate range of LIBOR + 3.75% for the highest quality/most over-collateralized insurance-only tranches and LIBOR + 26.0% for the lowest credit quality tranche, which included bank collateral, in order to reflect market level assumptions for structured finance securities. For tranches that include bank collateral, the discount rate was at least LIBOR + 6.6% for the highest quality/most over-collateralized tranches. These discount rates are applied to already credit-adjusted cash flows for each tranche. CDO tranches with greater uncertainty in their cash flows are discounted at rates higher than those market participants would use for tranches with more stable expected cash flows (e.g., as a result of more subordination and/or better credit quality in the underlying collateral). The high end of the discount rate spectrum was applied to tranches in which minor changes in default assumption timing produced substantial deterioration in tranche cash flows. These discount rates are applied to credit-adjusted cash flows, which constitute each tranche's expected cash flows; discount rates are not applied to a hypothetical contractual cash flow.
At June 30, 2012, the discount rates utilized for fair value purposes for tranches that include bank collateral were:
1)LIBOR + 6.6% to 7.6% and averaged LIBOR + 6.7% for first priority original AAA-rated bonds;
2)LIBOR + 6.6% to 8.3% and averaged LIBOR + 7.0% for lower priority original AAA-rated bonds;
3)LIBOR + 6.8% to 21.9% and averaged LIBOR + 13.6% for original A-rated bonds; and
4)LIBOR + 10.4% to 26.0% and averaged LIBOR + 22.5% for original BBB-rated bonds.
Accordingly, the wide difference between the effective interest rate used in the determination of the credit component of OTTI and the discount rate on the CDOs used in the determination of fair value results in the unrealized losses. The discount rate used for fair value purposes significantly exceeds the effective interest rate for the CDOs. The differences average approximately 6% for the original AAA-rated CDO tranches, 12% for the original A-rated CDO tranches, and 20% for the original BBB-rated CDO tranches. With the exception of certain of the most senior CDOs, most of the principal payments are not expected prior to the final maturity date, which is generally 2029 or later. High

market discount rates and the long maturities of the CDO tranches result in full principal repayment contributing little to CDO tranche fair values.

Certain REIT and ABS CDOs are fair valued by third party services using their proprietary models. These models utilize relevant data assumptions, which we evaluate for reasonableness. These assumptions include, but are not limited to, discount rates, PDs, loss-given-default rates, over-collateralization levels, and rating transition probability matrices from rating agencies. See subsequent discussion regarding key model inputs and assumptions. The model prices obtained from third party services are evaluated for reasonableness including quarter to quarter changes in assumptions and comparison to other available data, which included third party and internal model results and valuations.

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Auction Rate Securities

Our market approach methodology includes various data inputs, including AAA municipal and corporate bond yield curves, credit ratings and leverage of each closed-end fund, and market yields for municipal bonds and commercial paper.

Private Equity Investments

Private equity investments valued under Level 2 on a recurring basis are investments in partnerships that invest in certain financial services and real estate companies, some of which are publicly traded. Fair values are determined from net asset values, or their equivalents, provided by the partnerships. These fair values are determined on the last business day of the month using values from the primary exchange. In the case of illiquid or nontraded assets, the partnerships obtain fair values from independent sources. We have no unfunded commitments to these partnerships and redemption is available annually.

Private equity investments valued under Level 3 on a recurring basis are recorded initially at acquisition cost, which is considered the best indication of fair value unless there have been material subsequent positive or negative developments that justify an adjustment in the fair value estimate. Subsequent adjustments to recorded fair values are based as necessary on current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors.

Derivatives

Derivatives are fair valued according to their classification as either exchange-traded or over-the-counter (“OTC”). Exchange-traded derivatives consist of forward currency exchange contracts that have been fair valued 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 fair valued under Level 2 using third party services. Observable market inputs include yield curves (the LIBOR swap curve and applicable basis swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect both our own nonperformance risk and the respective counterparty’s nonperformance risk. These adjustments are determined generally by applying a credit spread for the counterparty or the Company as appropriate to the total expected exposure of the derivative. Amounts disclosed in the following schedules differ from the presentation in Note 6 in that they include the foreign currency exchange contracts and are presented net of cash collateral offsets. The estimation of fair value of the total return swap is discussed in Note 6.

Securities Sold, Not Yet Purchased

Securities sold, not yet purchased are fair valued under Level 1 when quoted prices are available for the securities involved. Those under Level 2 are fair valued similar to trading account investment securities.

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Quantitative Disclosure of Fair Value Measurements

Assets and liabilities measured at fair value by class on a recurring basis are summarized as follows:

(In thousands)	June 30, 2012			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$3,100	$1,837,914		$1,841,014
Municipal securities		102,717	$16,360	119,077
Asset-backed securities:				
Trust preferred – banks and insurance		184	926,450	926,634
Trust preferred – real estate investment trusts			14,431	14,431
Auction rate			7,166	7,166
Other (including ABS CDOs)		5,626	40,666	46,292
Mutual funds and stock	206,729	6,247		212,976
	209,829	1,952,688	1,005,073	3,167,590
Trading account		20,539		20,539
Other noninterest-bearing investments:				
Private equity		5,220	121,488	126,708
Other assets:				
Derivatives:				
Interest rate related and other		5,751		5,751
Interest rate swaps for customers		83,319		83,319
Foreign currency exchange contracts	4,366			4,366
	4,366	89,070		93,436
	$214,195	$2,067,517	$1,126,561	$3,408,273
LIABILITIES				
Securities sold, not yet purchased	$82,658	$22,224		$104,882
Other liabilities:				
Derivatives:				
Interest rate related and other		579		579
Interest rate swaps for customers		88,196		88,196
Foreign currency exchange contracts	4,643			4,643
Total return swap			$5,337	5,337
	4,643	88,775	5,337	98,755
Other			121	121
	$87,301	$110,999	$5,458	$203,758

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(In thousands)	December 31, 2011			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$3,103	$1,874,010		$1,877,113
Municipal securities		104,787	$17,381	122,168
Asset-backed securities:				
Trust preferred – banks and insurance		354	929,356	929,710
Trust preferred – real estate investment trusts			18,645	18,645
Auction rate			70,020	70,020
Other (including ABS CDOs)		6,826	43,546	50,372
Mutual funds and stock	156,829	5,938		162,767
	159,932	1,991,915	1,078,948	3,230,795
Trading account		40,273		40,273
Other noninterest-bearing investments:				
Private equity		5,339	128,348	133,687
Other assets:				
Derivatives:				
Interest rate related and other		9,560		9,560
Interest rate swaps for customers		82,648		82,648
Foreign currency exchange contracts	6,498			6,498
	6,498	92,208		98,706
	$166,430	$2,129,735	$1,207,296	$3,503,461
LIABILITIES				
Securities sold, not yet purchased	$13,098	$31,388		$44,486
Other liabilities:				
Derivatives:				
Interest rate related and other		734		734
Interest rate swaps for customers		87,363		87,363
Foreign currency exchange contracts	6,046			6,046
Total return swap			$5,422	5,422
	6,046	88,097	5,422	99,565
Other			86	86
	$19,144	$119,485	$5,508	$144,137

Key Model Inputs and Assumptions

Key model unobservable input assumptions used to fair value certain asset-backed securities by class under Level 3 include the following at June 30, 2012:

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(Dollars in thousands)	Fair value at June 30, 2012		Valuation approach	Constant default rate ("CDR")	Loss severity	Prepayment rate
Asset-backed securities:						
Trust preferred – predominantly banks	$765,465		Income	Pool specific [3]	100%	Pool specific [7]
Trust preferred – predominantly insurance	288,665		Income	Pool specific [4]	100%	4.5% per year
Trust preferred – individual banks	18,005		Market			
	1,072,135	1				
Trust preferred – real estate investment trusts	14,431		Income	Pool specific [5]	60-100%	0% per year
Other (including ABS CDOs)	52,880	2	Income	Collateral specific [6]	70-100%	Collateral weighted average life

[1] Includes $926.4 million of AFS securities and $145.7 million of HTM securities.
[2] Includes $40.7 million of AFS securities and $12.2 million of HTM securities.
[3] CDR ranges: yr 1 – 0.30% to 7.80%; yrs 2-5 – 0.45% to 0.63%; yrs 6 to maturity – 0.58% to 0.70%.
[4] CDR ranges: yr 1 – 0.32% to 0.41%; yrs 2-5 – 0.45% to 0.47%; yrs 6 to maturity – 0.50% to 0.54%.
[5] CDR ranges: yr 1 – 5.6% to 8.3%; yrs 2-3 – 4.1% to 6.1%; yrs 4-6 – 1.0%; yrs 6 to maturity – 0.50%.
[6] These are predominantly ABS CDOs whose collateral is rated. CDR and loss severities are built up from the loan level and vary by collateral ratings, asset class, and vintage.
[7] Constant Prepayment Rate ("CPR") ranges: 3.0% to 25.15% annually until 2016; 2016 to maturity – 3.0% annually.

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

The following presents the percentage of total fair value of predominantly bank trust preferred CDOs by vintage year (origination date) according to original rating:

(Dollars in thousands)

Vintage year	Fair value at June 30, 2012	Percentage of total fair value according to original rating						Percentage of total fair value by vintage	
		AAA		A		BBB			
2001	$54,703	6.0	%	1.0	%	0.1	%	7.1	%
2002	232,448	27.8		2.6		—		30.4	
2003	266,372	23.9		10.9		—		34.8	
2004	126,927	7.2		9.4		—		16.6	
2005	13,121	0.9		0.8		0.1		1.8	
2006	39,395	2.6		2.3		0.2		5.1	
2007	32,499	4.2		—		—		4.2	
	$765,465	72.6	%	27.0	%	0.4	%	100.0	%

Reconciliation of Level 3 Fair Value Measurements

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

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	Level 3 Instruments Three Months Ended June 30, 2012							
(In thousands)	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at March 31, 2012	$17,109	$935,870	$16,000	$40,873	$40,322	$134,746	$(5,218)	$(205)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	21	2,475	61	1	80			
Dividends and other investment income						6,820		
Equity securities losses, net						(10,086)		
Fixed income securities gains, net		3,224		2,246				
Net impairment losses on investment securities		(6,967)						
Other noninterest expense								84
Other comprehensive income (loss)	(595)	3,534	(1,630)	546	569			
Purchases						4,397		
Sales						(9,064)		
Redemptions and paydowns	(175)	(11,686)		(36,500)	(305)	(5,325)	(119)	
Balance at June 30, 2012	$16,360	$926,450	$14,431	$7,166	$40,666	$121,488	$(5,337)	$(121)

	Level 3 Instruments Six Months Ended June 30, 2012							
(In thousands)	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at December 31, 2011	$17,381	$929,356	$18,645	$70,020	$43,546	$128,348	$(5,422)	$(86)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities	64	5,028	101	2	160			

available-for-sale								
Dividends and other investment income						8,559		
Equity securities losses, net						(625)		
Fixed income securities gains (losses), net		7,776		4,134	(5,773)			
Net impairment losses on investment securities		(17,176)						
Other noninterest expense								(35)
Other comprehensive income (loss)	(635)	33,733	(4,315)	1,335	5,883			
Purchases						7,379		
Sales						(14,718)		
Redemptions and paydowns	(450)	(32,267)		(68,325)	(3,150)	(7,455)	85	
Balance at June 30, 2012	$16,360	$926,450	$14,431	$7,166	$40,666	$121,488	$(5,337)	$(121)

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Level 3 Instruments Three Months Ended June 30, 2011							
	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at March 31, 2011	$19,057	$1,183,999	$19,714	$109,244	$69,487	$142,547	$(10,511)	$(442)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	21	1,413		1	34			
Dividends and other investment income						4,858		
Equity securities losses, net						(1,635)		
Fixed income securities gains (losses), net		3,595		875	(6,935)			
Net impairment losses on investment securities		(3,046)			(2,112)			
Other noninterest expense								
Other comprehensive income (loss)	(216)	(6,852)	(583)	(41)	5,076			
Purchases						9,466		
Sales		(71,940)			(19,310)	(4,009)		
Redemptions and paydowns		(9,252)		(18,975)	(864)	(15,148)	5,091	
Balance at June 30, 2011	$18,862	$1,097,917	$19,131	$91,104	$45,376	$136,079	$(5,420)	$(442)

(In thousands)	Level 3 Instruments Six Months Ended June 30, 2011							
	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at December 31, 2010	$22,289	$1,241,694	$19,165	$109,609	$69,630	$141,690	$(15,925)	$(561)
Total net gains (losses) included in:								
Statement of income:								
	190	2,890		9	73			

Accretion of purchase discount on securities available-for-sale								
Dividends and other investment income						5,565		
Equity securities losses, net						(738)		
Fixed income securities gains (losses), net	18	7,063	(3,605)	882	(6,928)			
Net impairment losses on investment securities		(4,866)	(1,285)		(2,112)			
Other noninterest expense								119
Other comprehensive income (loss)	(515)	(57,893)	5,394	(61)	6,400			
Purchases						12,799		
Sales	(895)	(72,881)	(538)	(135)	(19,310)	(7,286)		
Redemptions and paydowns	(2,225)	(18,090)		(19,200)	(2,377)	(15,951)	10,505	
Balance at June 30, 2011	$ 18,862	$ 1,097,917	$ 19,131	$ 91,104	$ 45,376	$ 136,079	$ (5,420)	$ (442)

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ZIONS BANCORPORATION AND SUBSIDIARIES

The preceding reconciling amounts using Level 3 inputs include the following realized gains (losses):

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Dividends and other investment income	$3,859	$1,619	$4,516	$3,250
Fixed income securities gains (losses), net	5,470	(2,465)	6,137	(2,570)

Nonrecurring Fair Value Measurements

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

(In thousands)	Fair value at June 30, 2012				Fair value at December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
HTM securities adjusted for OTTI	—	—	$7,940	$7,940	—	—	$8,308	$8,308
Impaired loans	—	$16,060	—	16,060	—	$3,615	—	3,615
Other real estate owned	—	38,498	—	38,498	—	66,188	—	66,188
	$—	$54,558	$7,940	$62,498	$—	$69,803	$8,308	$78,111

(In thousands)	Gains (losses) from fair value changes Three Months Ended June 30,		Gains (losses) from fair value changes Six Months Ended June 30,	
	2012	2011	2012	2011
ASSETS				
HTM securities adjusted for OTTI	$(341)	$—	$(341)	$—
Impaired loans	(640)	(1,719)	(3,041)	