ZIONS BANCORPORATION /UT/
Form 10-Q
May 10, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2011

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	**(I.R.S. Employer**
of incorporation or organization)	**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 x 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 x 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 x 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 x

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

Common Stock, without par value, outstanding at April 29, 2011	183,824,938 shares

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ZIONS BANCORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Unaudited)

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	March 31, 2011 (Unaudited)	December 31, 2010	March 31, 2010 (Unaudited)
ASSETS			
Cash and due from banks	$ 949,140	$ 924,126	$ 1,045,391
Money market investments:			
Interest-bearing deposits	4,689,323	4,576,008	3,410,211
Federal funds sold and security resell agreements	67,197	130,305	117,548
Investment securities:			
Held-to-maturity, at adjusted cost (approximate fair value $758,169, $788,354, and $856,256)	820,636	840,642	902,902
Available-for-sale, at fair value	4,130,342	4,205,742	3,437,098
Trading account, at fair value	56,549	48,667	50,698
	5,007,527	5,095,051	4,390,698
Loans held for sale	195,055	206,286	171,892
Loans:			
Loans and leases excluding FDIC-supported loans	35,753,638	35,896,395	37,784,853
FDIC-supported loans	912,881	971,377	1,320,737
	36,666,519	36,867,772	39,105,590
Less:			
Unearned income and fees, net of related costs	120,725	120,341	131,555
Allowance for loan losses	1,349,800	1,440,341	1,581,577
Loans and leases, net of allowance	35,195,994	35,307,090	37,392,458
Other noninterest-bearing investments	858,958	858,367	909,601
Premises and equipment, net	721,487	720,985	707,387
Goodwill	1,015,161	1,015,161	1,015,161
Core deposit and other intangibles	82,199	87,898	106,839
Other real estate owned	268,876	299,577	414,237
Other assets	1,756,791	1,814,032	2,031,558
	$ 50,807,708	$ 51,034,886	$ 51,712,981
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			
Noninterest-bearing demand	$ 13,790,615	$ 13,653,929	$ 12,799,002
Interest-bearing:			
Savings and NOW	6,494,013	6,362,138	5,978,536
Money market	14,874,507	15,090,833	16,667,011
Time under $100,000	1,859,005	1,941,211	2,306,101
Time $100,000 and over	2,085,487	2,232,238	2,697,261
Foreign	1,488,807	1,654,651	1,647,898

	40,592,434	40,935,000	42,095,809
Securities sold, not yet purchased	101,406	42,548	47,890
Federal funds purchased and security repurchase agreements	727,764	722,258	953,791
Other short-term borrowings	182,167	166,394	178,435
Long-term debt	1,913,083	1,942,622	2,016,461
Reserve for unfunded lending commitments	102,168	111,708	96,312
Other liabilities	444,099	467,142	467,371
Total liabilities	44,063,121	44,387,672	45,856,069
Shareholders equity:			
Preferred stock, without par value, authorized 4,400,000 shares	2,162,399	2,056,672	1,532,323
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 183,854,486, 182,784,086, and 160,300,162	4,178,369	4,163,619	3,517,621
Retained earnings	904,247	889,284	1,220,439
Accumulated other comprehensive income (loss)	(499,163)	(461,296)	(428,177)
Controlling interest shareholders equity	6,745,852	6,648,279	5,842,206
Noncontrolling interests	(1,265)	(1,065)	14,706
Total shareholders equity	6,744,587	6,647,214	5,856,912
	$ 50,807,708	$ 51,034,886	$ 51,712,981

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 March 31, 2011**	**2010**
Interest income:		
Interest and fees on loans	$ 518,157	$ 547,636
Interest on money market investments	2,843	1,439
Interest on securities:		
Held-to-maturity	8,664	7,893
Available-for-sale	22,276	22,692
Trading account	452	475
Total interest income	552,392	580,135
Interest expense:		
Interest on deposits	36,484	56,076
Interest on short-term borrowings	2,180	3,067
Interest on long-term debt	89,872	65,692
Total interest expense	128,536	124,835
Net interest income	423,856	455,300
Provision for loan losses	60,000	265,565
Net interest income after provision for loan losses	363,856	189,735
Noninterest income:		
Service charges and fees on deposit accounts	44,530	51,608
Other service charges, commissions and fees	41,685	39,042
Trust and wealth management income	6,754	7,609
Capital markets and foreign exchange	7,214	8,539
Dividends and other investment income	8,028	7,700
Loan sales and servicing income	6,013	6,432
Fair value and nonhedge derivative income	1,220	2,188
Equity securities gains (losses), net	897	(3,165)
Fixed income securities gains (losses), net	(59)	1,256
Impairment losses on investment securities:		
Impairment losses on investment securities	(3,105)	(48,570)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)		17,307
Net impairment losses on investment securities	(3,105)	(31,263)
Gain on subordinated debt exchange		14,471
Other	20,966	3,193
Total noninterest income	134,143	107,610
Noninterest expense:		

Salaries and employee benefits	215,010	204,333
Occupancy, net	28,010	28,488
Furniture and equipment	25,662	24,996
Other real estate expense	24,167	32,648
Credit related expense	14,913	16,825
Provision for unfunded lending commitments	(9,540)	(20,133)
Legal and professional services	6,689	9,976
Advertising	6,911	6,374
FDIC premiums	24,101	24,210
Amortization of core deposit and other intangibles	5,701	6,577
Other	66,751	54,832
Total noninterest expense	408,375	389,126
Income (loss) before income taxes	89,624	(91,781)
Income taxes (benefit)	37,033	(28,644)
Net income (loss)	52,591	(63,137)
Net income (loss) applicable to noncontrolling interests	(226)	(2,927)
Net income (loss) applicable to controlling interest	52,817	(60,210)
Preferred stock dividends	(38,050)	(26,311)
Net earnings (loss) applicable to common shareholders	$ 14,767	$ (86,521)
Weighted average common shares outstanding during the period:		
Basic shares	181,707	151,073
Diluted shares	181,998	151,073
Net earnings (loss) per common share:		
Basic	$ 0.08	$ (0.57)
Diluted	0.08	(0.57)

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

(Unaudited)

(In thousands, except 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, 2010	$ 2,056,672	182,784,086	$ 4,163,619	$ 889,284	$ (461,296)	$ (1,065)	$ 6,647,214
Comprehensive income:							
Net income (loss) for the period				52,817		(226)	52,591
Other comprehensive income (loss), net of tax:							
Net realized and unrealized holding losses on investments					(31,788)		
Reclassification for net losses on investments included in earnings					1,954		
Accretion of securities with noncredit-related impairment losses not expected to be sold					26		
Net unrealized losses on derivative instruments					(8,059)		
Other comprehensive loss					(37,867)		(37,867)
Total comprehensive income							14,724
Subordinated debt converted to preferred stock	100,454		(14,605)				85,849
Issuance of common stock		1,067,540	25,048				25,048
Net activity under employee plans and related tax benefits		2,860	4,307				4,307
Dividends on preferred stock	5,273			(38,050)			(32,777)
Dividends on common stock, $0.01 per share				(1,824)			(1,824)
Change in deferred compensation				2,020			2,020
Other changes in noncontrolling interests						26	26
Balance at March 31, 2011	$ 2,162,399	183,854,486	$ 4,178,369	$ 904,247	$ (499,163)	$ (1,265)	$ 6,744,587
Balance at December 31, 2009	$ 1,502,784	150,425,070	$ 3,318,417	$ 1,308,356	$ (436,899)	$ 17,599	$ 5,710,257
Comprehensive loss:							
Net loss for the period				(60,210)		(2,927)	(63,137)
Other comprehensive income (loss), net of tax:							
Net realized and unrealized holding gains on investments					10,565		
Reclassification for net losses on investments included in earnings					18,521		
Noncredit-related impairment losses on securities not expected to be sold					(10,687)		
Accretion of securities with noncredit-related impairment losses not expected to be sold					39		
Net unrealized losses on derivative instruments					(9,716)		

Other comprehensive income					8,722		8,722
Total comprehensive loss							(54,415)
Subordinated debt converted to preferred stock	24,612		(3,578)				21,034
Subordinated debt exchanged for common stock		2,165,391	46,902				46,902
Issuance of common stock		7,741,740	149,908				149,908
Net activity under employee plans and related tax benefits		(32,039)	5,972				5,972
Dividends on preferred stock	4,927			(26,311)			(21,384)
Dividends on common stock, $0.01 per share				(1,498)			(1,498)
Change in deferred compensation				102			102
Other changes in noncontrolling interests						34	34
Balance at March 31, 2010	$ 1,532,323	160,300,162	$ 3,517,621	$ 1,220,439	$ (428,177)	$ 14,706	$ 5,856,912

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	Three Months Ended March 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	$ 52,591	$ (63,137)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net impairment losses on investment securities	3,105	31,263
Gain on subordinated debt exchange		(14,471)
Provision for credit losses	50,460	245,432
Depreciation and amortization	89,806	46,254
Deferred income tax expense (benefit)	53,790	(36,163)
Net increase in trading securities	(7,882)	(27,155)
Net decrease in loans held for sale	28,471	24,981
Net write-down of and losses from sales of other real estate owned	19,750	27,112
Change in other liabilities	(36,824)	336,775
Change in other assets	18,154	103,373
Other, net	(2,200)	(3,720)
Net cash provided by operating activities	269,221	670,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in short term investments	(50,207)	(2,796,254)
Proceeds from maturities and paydowns of investment securities held-to-maturity	29,108	26,651
Purchases of investment securities held-to-maturity	(5,493)	(22,884)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	302,250	409,761
Purchases of investment securities available-for-sale	(279,886)	(196,548)
Proceeds from sales of loans and leases	1,082	35,163
Net loan and lease collections (originations)	(44,811)	788,877
Net decrease in other noninterest-bearing investments	4,796	16,613
Net purchases of premises and equipment	(20,185)	(15,549)
Proceeds from sales of other real estate owned	91,841	105,981
Net cash provided by (used in) investing activities	28,495	(1,648,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(342,542)	257,421
Net change in short-term funds borrowed	80,092	229,424
Proceeds from issuance of long-term debt		39,698
Repayments of long-term debt	(156)	(61)
Proceeds from issuance of common stock	25,212	149,908
Dividends paid on common and preferred stock	(34,601)	(22,882)
Other, net	(707)	(661)
Net cash provided by (used in) financing activities	(272,702)	652,847
Net increase (decrease) in cash and due from banks	25,014	(324,798)
Cash and due from banks at beginning of period	924,126	1,370,189

Cash and due from banks at end of period	$ 949,140	$ 1,045,391
Cash paid for interest	$ 91,281	$ 102,672
Net cash refund received for income taxes	(108)	(352,753)

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

March 31, 2011

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 (GAA 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 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-month periods ended March 31, 2011 and 2010 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2010 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 2010 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 PRONOUNCEMENT

In April 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-3, *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 requirement is eliminated by ASU 2011-3 from the assessment of effective control. The new guidance will take effect prospectively for the first interim or annual period beginning after December 15, 2011. Early adoption is not permitted. Management is currently evaluating the impact this new guidance may have on the Company s financial statements.

Additional recent accounting pronouncements are discussed where applicable in the Notes to Consolidated Financial Statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

3. SUPPLEMENTAL CASH FLOW INFORMATION
Noncash activities are summarized as follows:

(In thousands)	Three Months Ended March 31, 2011	2010
Loans transferred to other real estate owned	$ 89,529	$ 161,025
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	14,604	3,578
Subordinated debt exchanged for common stock		46,902
Subordinated debt converted to preferred stock	85,850	21,034

4. INVESTMENT SECURITIES
Investment securities are summarized as follows:

(In thousands)	March 31, 2011 Amortized cost	Recognized in OCI [1] Gross unrealized gains	Recognized in OCI [1] Gross unrealized losses	Carrying value	Not recognized in OCI Gross unrealized gains	Not recognized in OCI Gross unrealized losses	Estimated fair value
Held-to-maturity:							
Municipal securities	$ 557,684	$	$	$ 557,684	$ 8,570	$ 3,339	$ 562,915
Asset-backed securities:							
Trust preferred securities banks and insurance	263,621		23,997	239,624	337	61,219	178,742
Other	27,174		3,946	23,228	925	7,741	16,412
Other debt securities	100			100			100
	$ 848,579	$	$ 27,943	$ 820,636	$ 9,832	$ 72,299	$ 758,169
Available-for-sale:							
U.S. Treasury securities	$ 725,443	$ 397	$ 8	$ 725,832			$ 725,832
U.S. Government agencies and corporations:							
Agency securities	180,432	6,071	107	186,396			186,396
Agency guaranteed mortgage-backed securities	580,298	12,344	2,163	590,479			590,479
Small Business Administration loan-backed securities	919,690	7,430	6,999	920,121			920,121
Municipal securities	141,810	2,369	404	143,775			143,775
Asset-backed securities:							
Trust preferred securities banks and insurance	1,940,474	9,994	764,732	1,185,736			1,185,736
Trust preferred securities real estate investment trusts	40,260		20,546	19,714			19,714
Auction rate securities	110,203	578	1,537	109,244			109,244

Other	100,191	1,522	22,797	78,916	78,916
	4,738,801	40,705	819,293	3,960,213	3,960,213
Mutual funds and stock	170,062	67		170,129	170,129
	$ 4,908,863	$ 40,772	$ 819,293	$ 4,130,342	$ 4,130,342

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	March 31, 2010						
		Recognized in OCI [1]			Not recognized in OCI		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity:							
Municipal securities	$ 638,371	$	$	$ 638,371	$ 8,951	$ 4,806	$ 642,516
Asset-backed securities:							
Trust preferred securities banks and insurance	264,701		25,667	239,034	267	42,990	196,311
Other	29,984		4,587	25,397	458	8,525	17,330
Other debt securities	100			100		1	99
	$ 933,156	$	$ 30,254	$ 902,902	$ 9,676	$ 56,322	$ 856,256
Available-for-sale:							
U.S. Treasury securities	$ 27,669	$ 350	$	$ 28,019			$ 28,019
U.S. Government agencies and corporations:							
Agency securities	224,278	6,793	93	230,978			230,978
Agency guaranteed mortgage-backed securities	371,596	11,557	425	382,728			382,728
Small Business Administration loan-backed securities	798,005	3,369	16,061	785,313			785,313
Municipal securities	230,474	5,054	549	234,979			234,979
Asset-backed securities:							
Trust preferred securities banks and insurance	1,994,937	55,552	697,549	1,352,940			1,352,940
Trust preferred securities real estate investment trusts	54,232		30,378	23,854			23,854
Auction rate securities	156,358	823	386	156,795			156,795
Other	115,777	1,413	45,855	71,335			71,335
	3,973,326	84,911	791,296	3,266,941			3,266,941
Mutual funds and stock	170,081	76		170,157			170,157
	$ 4,143,407	$ 84,987	$ 791,296	$ 3,437,098			$ 3,437,098

[1] The *gross unrealized losses recognized in Other Comprehensive Income (OCI) resulted from a transfer of AFS securities to HTM in 2008.*

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of March 31, 2011 by expected maturity distribution for structured asset-backed CDOs (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:

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

Due in one year or less	$ 51,224	$ 51,661	$ 1,130,437	$ 1,096,796
Due after one year through five years	228,321	226,342	901,953	870,511
Due after five years through ten years	157,973	150,575	754,738	662,934
Due after ten years	411,061	329,591	1,951,673	1,329,972
	$ 848,579	$ 758,169	$ 4,738,801	$ 3,960,213

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:

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	March 31, 2011 Less than 12 months Gross unrealized losses	Estimated fair value	12 months or more Gross unrealized losses	Estimated fair value	Total Gross unrealized losses	Estimated fair value
Held-to-maturity:						
Municipal securities	$ 564	$ 31,398	$ 2,775	$ 23,394	$ 3,339	$ 54,792
Asset-backed securities:						
Trust preferred securities banks and insurance			85,216	178,344	85,216	178,344
Other			11,687	14,495	11,687	14,495
	$ 564	$ 31,398	$ 99,678	$ 216,233	$ 100,242	$ 247,631
Available-for-sale:						
U.S. Treasury securities	$ 8	$ 199,834	$	$	$ 8	$ 199,834
U.S. Government agencies and corporations:						
Agency securities	83	9,442	24	946	107	10,388
Agency guaranteed mortgage-backed securities	2,163	263,661			2,163	263,661
Small Business Administration loan-backed securities	2,838	292,232	4,161	224,376	6,999	516,608
Municipal securities	401	19,319	3	391	404	19,710
Asset-backed securities:						
Trust preferred securities banks and insurance	15,954	181,329	748,778	863,265	764,732	1,044,594
Trust preferred securities real estate investment trusts			20,546	19,714	20,546	19,714
Auction rate securities	1,537	67,008			1,537	67,008
Other			22,797	44,369	22,797	44,369
	$ 22,984	$ 1,032,825	$ 796,309	$ 1,153,061	$ 819,293	$ 2,185,886

(In thousands)	March 31, 2010 Less than 12 months Gross unrealized losses	Estimated fair value	12 months or more Gross unrealized losses	Estimated fair value	Total Gross unrealized losses	Estimated fair value
Held-to-maturity:						
Municipal securities	$ 743	$ 43,450	$ 4,063	$ 26,998	$ 4,806	$ 70,448
Asset-backed securities:						
Trust preferred securities banks and insurance			68,657	196,311	68,657	196,311
Other			13,112	17,330	13,112	17,330
Other debt securities			1	99	1	99
	$ 743	$ 43,450	$ 85,833	$ 240,738	$ 86,576	$ 284,188
Available-for-sale:						
U.S. Government agencies and corporations:						
Agency securities	$ 55	$ 5,248	$ 38	$ 1,671	$ 93	$ 6,919
Agency guaranteed mortgage-backed securities	425	48,232			425	48,232
Small Business Administration loan-backed securities	2,101	67,505	13,960	488,164	16,061	555,669
Municipal securities	544	12,283	5	853	549	13,136
Asset-backed securities:						
Trust preferred securities banks and insurance	14,154	68,573	683,395	897,006	697,549	965,579
Trust preferred securities real estate investment trusts	8,522	305	21,856	23,549	30,378	23,854

Auction rate securities	206	35,517	180	10,861	386	46,378
Other	2,252	5,833	43,603	51,571	45,855	57,404
	$ 28,259	$ 243,496	$ 763,037	$ 1,473,675	$ 791,296	$ 1,717,171

At March 31, 2011 and 2010, respectively, 78 and 104 HTM and 587 and 619 AFS investment securities were in an unrealized loss position.

We conduct a formal review of investment securities under ASC 320, *Investments Debt and Equity 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

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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. The more likely than not criteria is a lower threshold than the probable criteria under previous guidance.

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 2010 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 March 31, 2011:

Municipal securities

The HTM securities are purchased directly from the 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 values 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 was recorded for these securities at March 31, 2011.

Asset-backed securities

Trust preferred securities banks and insurance: These CDO securities are variable rate pools of trust preferred securities related to banks and insurance companies. 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. Unrealized losses were caused mainly by the following factors: (1) collateral deterioration due to bank failures and credit concerns across the banking sector; (2) widening of credit spreads for asset-backed securities; and (3) general illiquidity in the market for CDOs. Our ongoing review of these securities in accordance with the previous discussion determined that OTTI should be recorded at March 31, 2011.

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. Our ongoing review of these securities in accordance with the previous discussion determined that OTTI should be recorded at March 31, 2011.

Other asset-backed securities: Most of these CDO securities were purchased in 2009 from Lockhart at their carrying values and were 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. Unrealized losses decreased during the first quarter of 2011 as credit quality stabilized. Based on our review, no OTTI was recorded for these securities at March 31, 2011.

U.S. Government agencies and corporations

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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 was recorded for these securities at March 31, 2011.

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

(In thousands)	Three Months Ended March 31, 2011			Three Months Ended March 31, 2010		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$ (5,357)	$ (335,682)	$ (341,039)	$ (5,206)	$ (269,251)	$ (274,457)
Additions recognized in earnings during the period:						
Credit-related OTTI not previously recognized [1]					(325)	(325)
Credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis [2]		(3,105)	(3,105)	(12)	(30,926)	(30,938)
Subtotal of amounts recognized in earnings		(3,105)	(3,105)	(12)	(31,251)	(31,263)
Reductions for securities sold during the period		26,434	26,434			
Balance of credit-related OTTI at end of period	$ (5,357)	$ (312,353)	$ (317,710)	$ (5,218)	$ (300,502)	$ (305,720)

[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.

During the three months ended March 31, 2011, for those securities with credit-related OTTI, there was no noncredit-related OTTI recognized in OCI. For the three months ended March 31, 2010, the $17.3 million ($10.7 million after-tax) recognized was on AFS securities.

Nontaxable interest income on securities was $5.8 million and $7.2 million for the three months ended March 31, 2011 and 2010, respectively.

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

(In thousands)	Three Months Ended March 31, 2011		March 31, 2010	
	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:				
Held-to-maturity	$ 46	$	$	$ 12
Available-for-sale	3,519	6,729	1,284	31,279
Other noninterest-bearing investments:				
Nonmarketable equity securities	1,067		2,072	5,237
Other	1	171		
	4,633	6,900	3,356	36,528
Net losses		$ (2,267)		$ (33,172)
Statement of income information:				
Net impairment losses on investment securities		$ (3,105)		$ (31,263)
Equity securities gains (losses), net		897		(3,165)
Fixed income securities gains (losses), net		(59)		1,256
Net losses		$ (2,267)		$ (33,172)

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 $1.5 billion and $1.7 billion at March 31, 2011 and 2010, respectively, 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.

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, requires certain additional disclosures under ASC 310, *Receivables*, which became effective at December 31, 2010. Certain other disclosures were required beginning March 31, 2011 and relate to additional detail for the rollforward of the allowance for credit losses and for impaired loans. The new guidance is incorporated in the following discussion. It relates only to financial statement disclosures and does not affect the Company s financial condition or results of operations.

Additional accounting guidance and disclosures for troubled debt restructurings (TDRs) will be required for the Company beginning September 30, 2011 in accordance with ASU 2011-02, *A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring*. ASU 2011-02 was issued April 5, 2011 and supersedes the deferral granted by ASU 2011-01 of the effective date of disclosures about TDRs which were included in ASU 2010-20. In addition to the required new disclosures, ASU 2011-02 provides criteria to evaluate if a TDR exists based on whether (1) the restructuring constitutes a concession by the creditor and (2) the debtor is experiencing financial difficulty. Management is currently evaluating the impact this new guidance may have on the Company s financial statements.

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Loans and Loans Held for Sale

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

(In thousands)	March 31, 2011	December 31, 2010	March 31, 2010
Loans held for sale	$ 195,055	$ 206,286	$ 171,892
Commercial:			
Commercial and industrial	$ 9,275,650	$ 9,167,001	$ 9,268,840
Leasing	409,264	410,174	442,290
Owner occupied	8,252,005	8,217,363	8,456,932
Municipal	435,220	438,985	331,489
Total commercial	18,372,139	18,233,523	18,499,551
Commercial real estate:			
Construction and land development	2,954,781	3,499,103	5,060,388
Term	7,856,834	7,649,494	7,524,065
Total commercial real estate	10,811,615	11,148,597	12,584,453
Consumer:			
Home equity credit line	2,120,091	2,141,740	2,120,655
1-4 family residential	3,619,647	3,499,149	3,584,339
Construction and other consumer real estate	324,381	343,257	402,971
Bankcard and other revolving plans	275,389	296,936	314,054
Other	230,376	233,193	278,830
Total consumer	6,569,884	6,514,275	6,700,849
FDIC-supported loans	912,881	971,377	1,320,737
Total loans	$ 36,666,519	$ 36,867,772	$ 39,105,590

FDIC-supported loans were acquired during 2009 and are indemnified by the FDIC under loss sharing agreements. The FDIC-supported loan balances presented in the accompanying schedules include purchased loans accounted for under ASC 310-30 at their carrying values rather than their outstanding balances. See subsequent discussion under purchased loans.

Owner occupied and commercial real estate loans include unamortized premiums of approximately $82.3 million at March 31, 2011 and $88.4 million at December 31, 2010.

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 $20.6 billion at March 31, 2011 and $20.4 billion at December 31, 2010 were pledged as collateral for current and potential borrowings.

We sold loans totaling $458 million for the three months ended March 31, 2011 that were previously classified as loans held for sale. The amount sold approximately equaled the amount added to loans held for sale. Income from loans sold, excluding servicing, was $5.2 million for the three months ended March 31, 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).

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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, i.e., those with a maturity date, 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.

The methodologies we use to estimate the ALLL depend upon the impairment status and portfolio segment of the loan. 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 time period of the loss migration analysis, ranging from the previous 6 to 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 bucket to the next worse delinquency bucket, 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 ASC 310-30. 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 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 consistent with changes in these factors. The magnitude of the impact of each 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

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uncertainty inherent in the estimation process when evaluating the ALLL.

Reserve for Unfunded Lending Commitments: The Company also estimates 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 ACL Assumptions: During the first quarter of 2011, we changed certain assumptions in our loss migration model that we use to estimate the ALLL and RULC for the commercial and commercial real estate segments by expanding the loss look-back periods to include losses as far back as 60 months. Prior to the first quarter of 2011, we used loss migration models based on the most recent 18 months of loss data to estimate probable losses for the portions of the segments that were collectively evaluated for impairment. The expansion of the look-back periods to a maximum of 60 months during the first quarter of 2011 increased the quantitative portion of the ACL by approximately $63 million as of March 31, 2011 over what it would have been had the previous assumptions been used. We considered these assumption changes in assessing our qualitative adjustments to the ACL. The change was made so we could continue to capture the inherent risks in the portfolio, as we believe the high level of loss severity rates that occurred during the longer periods are still relevant to estimating probable inherent losses in those segments. Our quantitative models serve as the starting point for our estimation of the appropriate level of the ACL, and therefore we utilize the qualitative portion of the ACL to capture these risks not captured in the quantitative models.

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

(In thousands)

	Commercial	**Commercial real estate**	**Consumer**	**FDIC-supported**	**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	(19,725)	61,862	15,956	1,907	60,000
Change in allowance covered by FDIC indemnification				(9,048)	(9,048)
Deductions:					
Gross loan and lease charge-offs	(59,383)	(73,380)	(26,321)	(8,884)	(167,968)
Net charge-offs recoverable from FDIC				4,534	4,534
Recoveries	12,091	4,797	4,149	904	21,941
Net loan and lease charge-offs	(47,292)	(68,583)	(22,172)	(3,446)	(141,493)
Balance at end of period	$ 694,090	$ 480,514	$ 148,110	$ 27,086	$ 1,349,800
Reserve for unfunded lending commitments:					
Balance at beginning of period	$ 83,352	$ 26,373	$ 1,983	$	$ 111,708
Provision credited to earnings	(8,923)	(73)	(544)		(9,540)
Balance at end of period	$ 74,429	$ 26,300	$ 1,439	$	$ 102,168
Total allowance for credit losses:					
Allowance for loan losses	$ 694,090	$ 480,514	$ 148,110	$ 27,086	$ 1,349,800
Reserve for unfunded lending commitments	74,429	26,300	1,439		102,168

Total allowance for credit losses	$ 768,519	$ 506,814	$ 149,549	$ 27,086	$ 1,451,968

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The ALLL and outstanding loan balances according to the Company s impairment method are summarized as follows at March 31, 2011:

(In thousands)

	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	$ 37,928	$ 23,419	$ 8,125	$ 97	$ 69,569
Collectively evaluated for impairment	656,162	457,095	139,985	20,637	1,273,879
Purchased loans with evidence of credit deterioration				6,352	6,352
Total	$ 694,090	$ 480,514	$ 148,110	$ 27,086	$ 1,349,800
Outstanding loan balances:					
Individually evaluated for impairment	$ 502,071	$ 916,647	$ 127,320	$ 1,517	$ 1,547,555
Collectively evaluated for impairment	17,870,068	9,894,968	6,442,564	753,409	34,961,009
Purchased loans with evidence of credit deterioration				157,955	157,955
Total	$ 18,372,139	$ 10,811,615	$ 6,569,884	$ 912,881	$ 36,666,519

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.

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 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 multipayment obligations (i.e., quarterly, semiannual, etc.), single payment, and demand notes are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more.

Nonaccrual loans are summarized as follows at March 31, 2011 and 2010:

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(In thousands)	Three Months Ended March 31, 2011	2010
Loans held for sale	$ 20,735	$
Commercial:		
Commercial and industrial	$ 212,692	$ 318,154
Leasing	1,037	7,872
Owner occupied	317,268	459,522
Municipal	1,974	2,065
Total commercial	532,971	787,613
Commercial real estate:		
Construction and land development	399,147	802,559
Term	270,315	323,817
Total commercial real estate	669,462	1,126,376
Consumer:		
Home equity credit line	12,527	14,162
1-4 family residential	118,574	127,465
Construction and other consumer real estate	21,293	28,151
Bankcard and other revolving plans	330	384
Other	3,629	3,052
Total consumer loans	156,353	173,214
FDIC-supported loans	32,935	283,999
Total	$ 1,391,721	$ 2,371,202

Past due loans (accruing and nonaccruing) are summarized as follows at March 31, 2011:

(In thousands)	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Recorded investment in accruing loans 90+ days past due	Nonaccrual loans that are current [1]
Loans held for sale	$ 176,064	$ 488	$ 18,503	$ 18,991	$ 195,055	$	$ 1,970
Commercial:							
Commercial and industrial	$ 9,058,680	$ 92,757	$ 124,213	$ 216,970	$ 9,275,650	$ 6,425	$ 62,667
Leasing	407,785	547	932	1,479	409,264	69	44
Owner occupied	7,982,556	77,894	191,555	269,449	8,252,005	2,497	105,354
Municipal	435,220				435,220		1,974
Total commercial	17,884,241	171,198	316,700	487,898	18,372,139	8,991	170,039
Commercial real estate:							
Construction and land development	2,675,638	79,667	199,476	279,143	2,954,781	1,567	146,727

Term	7,658,565	82,590	115,679	198,269	7,856,834	1,084	124,371
Total commercial real estate	10,334,203	162,257	315,155	477,412	10,811,615	2,651	271,098
Consumer:							
Home equity credit line	2,106,540	7,549	6,002	13,551	2,120,091		3,369
1-4 family residential	3,501,515	46,855	71,277	118,132	3,619,647	1,577	29,872
Construction and other consumer real estate	310,405	4,824	9,152	13,976	324,381	103	10,301
Bankcard and other revolving plans	270,275	3,556	1,558	5,114	275,389	1,508	189
Other	225,387	2,682	2,307	4,989	230,376		1,051
Total consumer loans	6,414,122	65,466	90,296	155,762	6,569,884	3,188	44,782
FDIC-supported loans	774,107	22,558	116,216	138,774	912,881	94,715	11,368
Total	$ 35,406,673	$ 421,479	$ 838,367	$ 1,259,846	$ 36,666,519	$ 109,545	$ 497,287

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

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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.

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 and one of twelve loss-given default grades. We use the ten Pass probability of default grades for loans that do not meet one of the grades listed subsequently. The other four grades follow our definitions of Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding balance has been charged-off. The 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.

Outstanding loan balances (accruing and nonaccruing) categorized by these credit quality indicators are summarized as follows at March 31, 2011:

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(In thousands)

	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Loans held for sale	$ 174,320	$	$ 20,735	$	$ 195,055	$
Commercial:						
Commercial and industrial	$ 8,493,411	$ 235,440	$ 518,714	$ 28,085	$ 9,275,650	
Leasing	397,270	1,027	10,967		409,264	
Owner occupied	7,397,747	162,330	688,414	3,514	8,252,005	
Municipal	423,565	305	11,350		435,220	
Total commercial	16,711,993	399,102	1,229,445	31,599	18,372,139	$ 694,090
Commercial real estate:						
Construction and land development	1,678,638	375,439	892,202	8,502	2,954,781	
Term	6,948,519	289,546	616,742	2,027	7,856,834	
Total commercial real estate	8,627,157	664,985	1,508,944	10,529	10,811,615	480,514
Consumer:						
Home equity credit line	2,076,744	107	43,196	44	2,120,091	
1-4 family residential	3,455,353	6,746	156,298	1,250	3,619,647	
Construction and other consumer real estate	294,301	1,470	28,078	532	324,381	
Bankcard and other revolving plans	262,376	4,042	8,933	38	275,389	
Other	223,929	408	6,033	6	230,376	
Total consumer loans	6,312,703	12,773	242,538	1,870	6,569,884	148,110
FDIC-supported loans	601,018	53,282	258,546	35	912,881	27,086
Total	$ 32,252,871	$ 1,130,142	$ 3,239,473	$ 44,033	$ 36,666,519	$ 1,349,800

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 $500,000 or if a loan is a TDR, we consider the loan to be impaired and estimate a specific reserve for the loan according to ASC 310. Smaller nonaccrual loans are pooled for ALLL estimation purposes. When loans are impaired, we estimate the amount of the balance that is impaired and assign a specific reserve to the loan based on the estimated 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. 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 is summarized as follows at March 31, 2011:

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(In thousands)	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance	Average recorded investment	Interest income recognized
Commercial:							
Commercial and industrial	$ 208,783	$ 101,324	$ 100,105	$ 201,429	$ 23,149	$ 210,610	$ 563
Leasing							
Owner occupied	298,699	206,082	92,586	298,668	14,328	321,311	686
Municipal	1,974		1,974	1,974	451	1,983	
Total commercial	509,456	307,406	194,665	502,071	37,928	533,904	1,249
Commercial real estate:							
Construction and land development	515,757	424,986	90,163	515,149	9,177	583,756	1,424
Term	401,528	277,150	124,348	401,498	14,242	416,262	1,759
Total commercial real estate	917,285	702,136	214,511	916,647	23,419	1,000,018	3,183
Consumer:							
Home equity credit line	1,201	1,201		1,201		1,956	
1-4 family residential	126,705	71,669	36,587	108,256	7,225	108,476	481
Construction and other consumer real estate	13,747	7,930	5,804	13,734	701	15,986	10
Bankcard and other revolving plans	30		30	30	30	52	
Other	4,098	3,584	515	4,099	169	3,725	
Total consumer loans	145,781	84,384	42,936	127,320	8,125	130,195	491
FDIC-supported loans	400,443	113,731	45,741	159,472	6,449	177,961	14,286 [1]
Total	$ 1,972,965	$ 1,207,657	$ 497,853	$ 1,705,510	$ 75,921	$ 1,842,078	$ 19,209

[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. When this occurs, the loan may be considered a TDR. Loans restructured at a rate equal to or greater than that of a new loan with comparable risk at the time the contract is modified may be excluded from the impairment assessment and may cease to be considered impaired loans in the calendar years subsequent to the restructuring if they are not impaired based on the modified terms. 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.

Concentrations of Credit Risk

We perform an ongoing analysis of our loan portfolio to evaluate whether there is any significant exposure to an individual borrower or group(s) of borrowers as a result of any concentrations of credit risk. 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 March 31, 2011 has concluded that no significant exposure exists from such credit risks. See Note 6 for a discussion of counterparty risk associated with the Company s derivative transactions.

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Purchased Loans

We purchase loans in the ordinary course of business and account for them and the related interest income in accordance with ASC 310-20, *Nonrefundable Fees and Other Costs*, or ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, as appropriate. Interest income is recognized based on contractual cash flows under ASC 310-20 and on expected cash flows under ASC 310-30.

During 2009, CB&T and NSB acquired failed banks from the FDIC as receiver and entered into loss sharing agreements with the FDIC for the acquired loans and foreclosed assets. 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.

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 in the balance sheet and amounted to $43.9 million at March 31, 2011, $40.0 million at December 31, 2010, and $47.4 million at March 31, 2010.

Acquired loans which have evidence of credit deterioration and for which it is probable that not all contractual payments will be collected are accounted for as loans under ASC 310-30. Certain acquired loans (including loans with revolving privileges) without evidence of credit deterioration are accounted for under ASC 310-20 and are excluded from the following tables.

The outstanding balances of all contractually required payments and the related carrying amounts for loans under ASC 310-30 are as follows:

(In thousands)	**March 31 2011**	**December 31, 2010**	**March 31, 2010** [1]
Commercial	$ 383,391	$ 413,783	$ 523,439
Commercial real estate	713,506	746,206	1,062,808
Consumer	67,813	79,393	101,690
Outstanding balance	$ 1,164,710	$ 1,239,382	$ 1,687,937
Carrying amount	$ 825,615	$ 877,857	$ 1,193,320
ALLL	25,236	35,123	14,711
Carrying amount, net	$ 800,379	$ 842,734	$ 1,178,609

[1] *See discussion following regarding the adjustment of previously reported amounts.*

At the time of acquisition, 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.

Changes in the accretable yield are as follows:

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(In thousands)	Three Months Ended March 31, 2011	2010 [1]
Balance at beginning of period	$ 277,005	$ 161,977
Accretion	(31,443)	(17,677)
Reclassification from nonaccretable difference	23,392	5,054
Disposals and other	2,782	6,540
Balance at end of period	$ 271,736	$ 155,894

[1] *See discussion following regarding the adjustment of previously reported amounts.*

Over the life of the loan or pool, we continue to estimate cash flows expected to be collected. We evaluate at the balance sheet date whether the estimated present value of these loans using the effective interest rates has decreased below their carrying value, and if so, we record a provision for loan losses. The present value of any subsequent increase in these loans actual or expected cash flows is used first to reverse any existing ALLL. Such reversal did not occur for the periods presented herein. For any remaining increases in cash flows expected to be collected, 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. Additionally, with respect to FDIC-supported loans, when changes in expected cash flows occur, to the extent applicable, we adjust the amount recoverable from the FDIC (also referred to as the FDIC indemnification asset) through a charge or credit (depending on whether there was an increase or decrease in expected cash flows) to other noninterest expense. The FDIC indemnification asset is included in other assets on the balance sheet.

The determination of the ALLL for FDIC-supported loans follows the same process described previously. However, this allowance 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 FDIC-supported loans. The allowance for loan losses for loans acquired in FDIC-supported transactions is determined without giving consideration to the amounts recoverable through loss sharing agreements (since the loss sharing agreements are separately accounted for and thus presented gross on the balance sheet). The ALLL is included in the overall ALLL on the balance sheet. The provision for loan losses is reported net of changes in the amounts recoverable under the loss sharing agreements.

Certain acquired loans within the scope of ASC 310-30 are not accounted for as previously described because the estimation of cash flows to be collected involves a high degree of uncertainty. As allowed under ASC 310-30 in these circumstances, interest income is recognized on a cash basis similar to the cost recovery methodology used for nonaccrual loans. The carrying amounts in the preceding table also include the amounts for these loans. The net carrying amount of these loans was approximately $70.9 million at March 31, 2011, $78.3 million at December 31, 2010, and $175.5 million at March 31, 2010.

During the three months ended March 31, 2011 and 2010, we increased the ALLL for all FDIC-supported loans by a charge to the provision for loan losses of $1.9 million and $17.0 million, respectively. As described subsequently and in accordance with the loss sharing agreements, portions of these amounts are recoverable from the FDIC and comprise part of the FDIC indemnification asset. Charge-offs net of recoveries were $3.4 million and $2.3 million, respectively, for the three months ended March 31, 2011 and 2010.

Changes in the FDIC indemnification asset are as follows:

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(In thousands)	Three Months Ended March 31, 2011	2010
Balance at beginning of period	$ 195,516	$ 293,308
Amounts filed with the FDIC and collected or in process	(6,507)	(29,527)
Net change in asset balance due to reestimation of projected cash flows	(16,839)	12,000
Balance at end of period	$ 172,170	$ 275,781

The amount of the FDIC indemnification asset was initially recorded at fair value using projected cash flows based on credit adjustments for each loan class 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. 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.

Amounts as of March 31, 2010 and for the three months then ended in the preceding tables presenting outstanding balances and accretable yield have been adjusted from balances previously reported for this same period. The change resulted from correcting the footnote presentation to reflect our accounting for these items under ASC 310-30. Certain of these acquired loans were previously reported as being accounted for under ASC 310-20, although they were actually being appropriately accounted for under ASC 310-30. Accordingly, these adjustments to the footnote presentation did not have a material impact on the Company s balance sheet or results of operations.

6. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We record all derivatives on the balance sheet at fair value in accordance with ASC 815, *Derivatives and Hedging*. Note 9 discusses the determination of fair value for derivatives, except for the Company s total return swap which is discussed subsequently. 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.

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.

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 and floors 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 March 31, 2011 and 2010, and the related gain (loss) of derivative instruments for the three months then ended is summarized as follows:

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(In thousands)	March 31, 2011	Fair value		Three Months Ended March 31, 2011 Amount of derivative gain (loss) recognized/reclassified			
	Notional amount	Other assets	Other liabilities	OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments under ASC 815							
Asset derivatives							
Cash flow hedges[1]:							
Interest rate swaps	$ 495,000	$ 18,921	$ 518	$ 18	$ 12,440		
Interest rate floors	95,000	740		4	797		
Terminated swaps and floors						$	
	590,000	19,661	518	22	13,237	[3]	
Liability derivatives							
Fair value hedges:							
Terminated swaps on long-term debt							$ 719
Total derivatives designated as hedging instruments	590,000	19,661	518	22	13,237		719
Derivatives not designated as hedging instruments under ASC 815							
Interest rate swaps	148,234	2,530	2,556			(63)	
Interest rate swaps for customers[2]	2,385,821	53,480	56,180			1,532	
Energy commodity swaps for customers[2]						56	
Basis swaps	150,000	59				87	
Futures contracts	8,295,000					(759)	
Options contracts	640,000	375				1,023	
Total return swap	1,159,686		10,511				
Total derivatives not designated as hedging instruments	12,778,741	56,444	69,247			1,876	
Total derivatives	$ 13,368,741	$ 76,105	$ 69,765	$ 22	$ 13,237	$ 1,876	$ 719

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(In thousands)	March 31, 2010	Fair value		Three Months Ended March 31, 2010 Amount of derivative gain (loss) recognized/reclassified			
	Notional amount	Other assets	Other liabilities	OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments under ASC 815							
Asset derivatives							
Cash flow hedges [1]:							
Interest rate swaps	$ 620,000	$ 40,809	$	$ 5,147	$ 17,703		
Interest rate floors	150,000	3,586		1,681	806		
Terminated swaps and floors						$ 3,897	
	770,000	44,395		6,828	18,509	3,897 [3]	
Liability derivatives							
Fair value hedges:							
Terminated swaps on long-term debt							$ 979
Total derivatives designated as hedging instruments	770,000	44,395		6,828	18,509	3,897	979
Derivatives not designated as hedging instruments under ASC 815							
Interest rate swaps	192,024	3,785	3,861			(268)	
Interest rate swaps for customers [2]	3,060,042	70,031	71,853			(1,368)	
Energy commodity swaps for customers [2]	99,015	11,008	10,924			(205)	
Basis swaps	300,000	200				258	
Futures contracts	2,565,000					109	
Total derivatives not designated as hedging instruments	6,216,081	85,024	86,638			(1,474)	
Total derivatives	$ 6,986,081	$ 129,419	$ 86,638	$ 6,828	$ 18,509	$ 2,423	$ 979

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 three months ended March 31, 2011 and 2010 of $0 and $3,897, respectively, which reflect the acceleration of OCI amounts reclassified to income that related to previously terminated hedges, together with the reclassification amounts of $13,237 and $18,509, or a total of $13,237 and $22,406, respectively, are the amounts of reclassification included in the changes in OCI presented in Note 7.*

At March 31, the fair values of derivative assets and liabilities were reduced (increased) by net credit valuation adjustments of $2.7 million and $(0.1) million in 2011, and $2.5 million and $0.6 million in 2010, 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 assets and liabilities by $0 and $1.9 million at March 31, 2011, and $1.8 million and $8.0 million at March 31, 2010, respectively.

We offer to our customers interest rate swaps and, through the third quarter of 2010, energy commodity swaps to assist them in managing their exposure to fluctuating interest rates and energy prices. 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.

Futures and options contracts primarily consist of: (1) Eurodollar futures contracts that allow us to extend the duration of certain overnight cash account balances. These contracts reference the 90-day LIBOR rate. Options contracts are used to economically hedge certain rate exposures of the underlying Eurodollar futures contracts. (2) Highly liquid federal funds futures contracts that are traded to manage interest rate risk on certain CDO securities. These identified mixed straddle contracts are executed to convert primarily three- and six-month fixed cash flows into cash flows that vary with daily fluctuations in interest rates. The accounts for both types of futures contracts are cash settled daily.

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 March 31, 2011, we estimate that additional projected gains of $18 million and accretion/amortization of $14 million, or a total of $32 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). Contractual due dates for principal are at each individual security s maturity, which ranges from 2030 to 2042. We can cancel the TRS quarterly after the first year and remove individual securities on or after the end of the sixth year. Additionally, with the consent of DB, we can transfer the TRS to a third party in part or in whole. DB cannot cancel the TRS except in the event of nonperformance by the Company and under certain other circumstances customary to ISDA swap agreements.

This transfer of credit risk reduced the Company s regulatory capital risk weighting for these investments. The underlying securities were originally rated primarily A and BBB but later downgraded, and carry some of the highest risk-weightings of the securities in the Company s portfolio. As a result, the transaction reduced regulatory risk-weighted assets and improved the Company s risk-based capital ratios.

This 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.

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During the third quarter of 2010, we recorded a negative initial value for the TRS of $22.8 million and structuring costs of $11.6 million. The negative initial value is approximately equal to the first-year fees we will incur for the TRS (that is, during the period we are unable to cancel the transaction). The fair value of the TRS derivative liability was $10.5 million at March 31, 2011 and $15.9 million at December 31, 2010.

Both the fair value of the securities and the fair value of the TRS are dependent upon the projected credit-adjusted cash flows of the securities. Absent major changes in these projected cash flows, we expect the value of the TRS to continue to become less negative compared to the negative initial value as the period that we are unable to cancel the transaction shortens.

After the first year of the transaction, we expect to incur subsequent net quarterly costs of approximately $5.3 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. The payments under the transaction generally include or arise from (1) payments by DB to the Company of all scheduled payments of interest and principal when contractually due to the Company, and payment by the Company to DB of a fixed quarterly or semiannual guarantee fee based on the notional amount of the CDO portfolio in the transaction; (2) an interest rate swap pursuant to which DB pays the Company a fixed interest rate and the Company pays to DB a floating interest rate (generally three-month LIBOR) on the notional amount of the CDO portfolio in the transaction; and (3) a third swap between the Company and DB included in the transaction in order to hedge each party s exposure to change in interest rates over the life of the transaction. In addition, under the terms of the transaction, payments from the CDOs will continue to be made to the Company and retained by the Company; this recovery amount, plus assumed reinvestment earnings at an imputed interest rate, generally three-month LIBOR, will offset principal payments that DB would otherwise be required to make.

The net result of the payment streams described in the preceding paragraph is the approximate $5.3 million expense per quarter noted previously. 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 LIBOR rate curve. Payments under the third swap began on the second payment date of each covered security. If the forward interest rates projected in mid-July 2010 occur, no net payment will be due by either party under this third swap. If rates increase more than projected, the payment will be to the Company from DB and if less than projected the payment will be the reverse. 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. Should such cost increases occur in the first year, we may cancel the transaction with no payment due beyond the liability already incurred. Termination by the Company for such regulatory changes applicable to DB after year one will result in no payment by the Company**.**

At March 31, 2011, 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 aggregate. These cash flows, plus assumed reinvestment earnings constitute an estimated recovery amount, the extent of which will offset DB s required principal payments. The internal valuation utilized the Company s estimate of each of the cash flows to/from each leg of the derivative and from each covered CDO through maturity and also through the first date on which we may terminate. 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

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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 market participants as well as the results of our internal modeling to estimate the fair value of the TRS. We expect to continue the use of this methodology in subsequent periods.

7. DEBT AND SHAREHOLDERS EQUITY

During the three months ended March 31, 2011, $85.8 million of convertible subordinated debt was converted into the Company s preferred stock, consisting of 85,829 shares of Series C and 20 shares of Series A. The $100.4 million amount added to preferred stock included the transfer from common stock to preferred stock of $14.6 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 in June 2009. The remaining balance in common stock of this conversion feature was approximately $120.4 million at March 31, 2011. Accelerated discount amortization on the converted debt increased interest expense for the three months ended March 31, 2011 by approximately $41.0 million. At March 31, 2011, the balance at par of the convertible subordinated debt was $717.6 million and the remaining balance of the convertible debt discount was $331.7 million.

As of April 18, 2011, holders of approximately $138.5 million of subordinated convertible debt elected to convert their debt into depositary shares of the Company s preferred stock. The anticipated conversion will add 200 shares of Series A and 138,269 shares of Series C to the Company s preferred stock. Accelerated discount amortization from this conversion is estimated at $61.4 million.

During the three months ended March 31, 2011, we sold 1,067,540 shares of common stock for $25.5 million (average price of $23.89). The sales were made under a new equity distribution program announced February 10, 2011 to sell up to $200 million of common stock, which superseded all prior programs. Net of commissions and fees, the sales for the three-month period added $25.0 million to common stock.

Changes in accumulated other comprehensive income (loss) are summarized as follows:

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(In thousands)	Net unrealized gains (losses) on investments and other	Net unrealized gains (losses) on derivative instruments	Pension and post-retirement	Total
Three Months Ended March 31, 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 $19,677	(31,788)			(31,788)
Reclassification for net losses included in earnings, net of income tax benefit of $1,210	1,954			1,954
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $16	26			26
Net unrealized losses, net of reclassification to earnings of $13,237 and income tax benefit of $5,156		(8,059)		(8,059)
Other comprehensive loss	(29,808)	(8,059)		(37,867)
Balance at March 31, 2011	$ (486,072)	$ 22,643	$ (35,734)	$ (499,163)
Three Months Ended March 31, 2010:				
Balance at December 31, 2009	$ (462,412)	$ 68,059	$ (42,546)	$ (436,899)
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding gains, net of income tax expense of $6,470	10,565			10,565
Reclassification for net losses included in earnings, net of income tax benefit of $11,486	18,521			18,521
Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of $6,620	(10,687)			(10,687)
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $24	39			39
Net unrealized losses, net of reclassification to earnings of $22,406 and income tax benefit of $5,862		(9,716)		(9,716)
Other comprehensive income (loss)	18,438	(9,716)		8,722
Balance at March 31, 2010	$ (443,974)	$ 58,343	$ (42,546)	$ (428,177)

8. INCOME TAXES

The income tax expense rate for the first quarter of 2011 was increased by the non deductibility of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock during the quarter. During the first quarter of 2010, we surrendered certain bank-owned life insurance contracts and incurred taxes and penalties of approximately $34.2 million, which were included in income tax expense for the quarter.

The balance of net deferred tax assets was approximately $513 million at March 31, 2011, $540 million at December 31, 2010, and $533 million at March 31, 2010. 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 March 31, 2011.

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9. FAIR VALUE

Fair Value Measurements

ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements,* requires certain additional fair value disclosures under ASC 820, *Fair Value Measurements and Disclosures*, which began January 1, 2010. One of the new requirements did not become effective until January 1, 2011 and requires the gross, rather than net, basis for certain Level 3 rollforward information. The following information incorporates this new disclosure requirement.

Fair value is defined under ASC 820 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 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 other real estate owned. 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.

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.

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U.S. Treasury, agencies and corporations

Valuation inputs utilized by the independent pricing service for those U.S. Treasury, agency and corporation securities under Level 2 include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications. Also included are data from the vendor trading platform.

Municipal securities

Valuation inputs utilized by the independent pricing services for those municipal securities under Level 2 include the same inputs used for U.S. Treasury, agency and corporation securities. Also included are 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 discussed subsequently.

Trust preferred collateralized debt obligations

Substantially all the CDO portfolio is fair valued under Level 3 using an income-based cash flow modeling approach incorporating several methodologies that primarily include internal and third party models. In addition, each quarter we seek to obtain information for all actual trades of securities in this asset class. We consider this information to determine whether the comparability of the security and the orderliness of the trades make such reported prices suitable for inclusion as or consideration in our fair value estimates in accordance with ASU 2010-06.

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. For privately owned banks, 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 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 ratios, seeks to incorporate the most recent available information. During the first quarter of 2011, we utilized pro forma capital ratios for one deferring publicly traded bank in order to reflect the significant capital raise completed by this bank during the first quarter of 2011. The capital raise will be included in the bank s normal regulatory filing in the subsequent quarter.

Prior to the fourth quarter of 2010 for publicly traded performing banks, we exclusively utilized a licensed third party proprietary reduced form model derived using logistic regression on a historical default database to produce PDs. This model requires equity valuation related inputs (along with other macro and issuer-specific inputs) to produce PDs, and therefore cannot be used for privately owned banks.

Nearly all of the failures within our predominantly bank CDO pools have come from those banks that have previously deferred the payment of interest on their trust preferred securities. The terms of the securities within the CDO pools generally allow for deferral of current interest for five years without causing default.

We have found that for publicly traded deferring banks, the ratio-based approach generally resulted in higher PDs than did the licensed third party proprietary reduced model for banks that subsequently failed. Therefore, in order to better project publicly traded bank failures, historically we utilized the higher of the PDs from our ratio-based approach and those from the licensed third party model for publicly traded deferring banks. During the fourth quarter of 2010, we began utilizing the same approach for publicly traded performing banks.

After identifying collateral level PDs, we modify the PDs of deferring collateral by a calibration adjustment. The calibration adjustment was calculated as the average difference between the actual 100% default probability for all banks failing in the previous three quarters (both CDO and non-CDO banks) and the PD generated for each deferring bank using the ratio-based approach. Ratio-based PDs for deferring banks were first used in the fourth quarter of 2009 when the adjustment upward was 7.8%. The calibration adjustments upward for 2010 were 6.6% for the first and second quarters, 5.1% for the third quarter, and 4.8% for the fourth quarter, from the level produced by the collateral level PD in the relevant quarter. For the first quarter of 2011, the calibration adjustment upward was 2.5%.

The resulting effective PDs at March 31, 2011 ranged from 100% for the worst deferring banks to 2.5% for the best deferring banks. The weighted average assumed loss rate on deferring collateral was 35% at March 31, 2011, and 30% and 44% at December 31, 2010 and 2009, respectively. 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 increase in the assumed loss rate for deferring banks at March 31, 2011 was due to a general deterioration in financial ratios and to an updated PD regression.

Prior to March 31, 2011, we had little evidence with which to assess the likelihood of previously deferring collateral returning to a current status prior to or at the end of the allowable five-year deferral period. Accordingly, our third party cash flow model assumed that the par amount of deferring collateral within each pool that did not default would be paid off at par after five years of deferral. No receipt of back interest or return to current status was assumed.

During the first quarter of 2011, we observed improvement in the performance of certain deferring collateral such that payment of interest resumed and interest payments that had been deferred for one or more quarters were paid in full. By the end of the first quarter of 2011, this pattern was seen in 7% of all surviving bank deferrals within our CDO pools, although none had reached the end of the allowable deferral period. Accordingly, expectations have been revised regarding the extent of deferring collateral ultimately repaying contractually due interest. Effective March 31, 2011, the third party cash flow valuation model was enhanced and incorporated these revised expectations.

The licensed third party cash flow model now projects the expected cash flows for CDO tranches, including 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 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. The presence of OTTI is identified and the amount of the credit component of OTTI is calculated by discounting the resulting loss-adjusted cash flows at each tranche s coupon rate and comparing that value to the Company s amortized cost of the tranche. The fair value of each tranche is determined by discounting its resultant loss-adjusted cash flows with appropriate current market-based discount rates.

Prior to March 31, 2011, the discount rate assumption used for valuation purposes for each CDO tranche was derived from trading yields on publicly traded trust preferred securities and projected PDs on the underlying issuers. The data set generally included one or more publicly-traded trust preferred securities in deferral with regard to the payment of current interest. The effective yields on the traded securities, including the deferring securities, were 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 was then considered along with other third party or market data in order to identify

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appropriate discount rates to be applied to the CDOs.

During the first quarter of 2011, we observed trades in our CDO tranches which appeared to be orderly (that is, not distressed or forced); in addition we observed trades whose orderliness could not be definitively refuted. Trading data was generally limited to a single transaction in each of several of our original AAA-rated tranches and several of our A-rated tranches. In accordance with ASU 2010-06, this market price information was incorporated into our valuation process. The trading levels and effective yields of each tranche were included along with the trading yields of publicly traded trust preferred securities in order to identify the relationship between effective yield and expected loss as described above. This relationship was then used to identify appropriate discount rates to be applied to our CDO tranches.

Our March 31, 2011 valuations for bank and insurance tranches utilized a discount rate range of LIBOR+ 3.75% for the highest quality/most over-collateralized tranches and LIBOR+28.9% for the lowest credit quality tranche in order to reflect market level assumptions for structured finance securities. For tranches that include bank collateral, the discount rate was at least LIBOR + 5.54% for the highest quality/most over-collateralized tranches. These discount rates are applied to already credit-adjusted cash flows for each tranche. The range of the projected cumulative credit loss of the CDO pools varies extensively across pools, and at March 31, 2011 ranged between 7.4% and 66.6%.

CDO tranches with greater uncertainty in their cash flows are discounted at higher rates than those that 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-stressed cash flows, which constitute each tranche s expected cash flows; discount rates are not applied to a hypothetical contractual cash flow.

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.

Auction rate securities

Auction rate securities are fair valued under Level 3 using a market approach based on various market 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

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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 include the foreign currency exchange contracts that are not included in Note 6 in accordance with ASC 815. The amounts are also presented net of the cash collateral offsets discussed in Note 6. Also see the discussion in Note 6 for the determination of fair value of the total return swap.

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.

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

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(In thousands)	March 31, 2011			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$ 724,650	$ 1,698,178		$ 2,422,828
Municipal securities		124,718	$ 19,057	143,775
Asset-backed securities:				
Trust preferred banks and insurance		1,737	1,183,999	1,185,736
Trust preferred real estate investment trusts			19,714	19,714
Auction rate			109,244	109,244
Other (including ABS CDOs)		9,429	69,487	78,916
Mutual funds and stock	163,869	6,260		170,129
	888,519	1,840,322	1,401,501	4,130,342
Trading account		56,549		56,549
Other noninterest-bearing investments:				
Private equity		4,779	142,547	147,326
Other assets:				
Derivatives:				
Interest rate related and other		22,632		22,632
Interest rate swaps for customers		53,480		53,480
Foreign currency exchange contracts	5,082			5,082
	5,082	76,112		81,194
	$ 893,601	$ 1,977,762	$ 1,544,048	$ 4,415,411
LIABILITIES				
Securities sold, not yet purchased	$ 66,737	$ 34,669		$ 101,406
Other liabilities:				
Derivatives:				
Interest rate related and other		1,214		1,214
Interest rate swaps for customers		56,180		56,180
Foreign currency exchange contracts	3,595			3,595
Total return swap			$ 10,511	10,511
	3,595	57,394	10,511	71,500
Other			442	442
	$ 70,332	$ 92,063	$ 10,953	$ 173,348

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(In thousands)	March 31, 2010			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$ 26,635	$ 1,400,403		$ 1,427,038
Municipal securities		171,773	$ 63,206	234,979
Asset-backed securities:				
Trust preferred banks and insurance		1,671	1,351,269	1,352,940
Trust preferred real estate investment trusts			23,854	23,854
Auction rate			156,795	156,795
Other (including ABS CDOs)		13,962	57,373	71,335
Mutual funds and stock	163,329	6,828		170,157
	189,964	1,594,637	1,652,497	3,437,098
Trading account		50,698		50,698
Other noninterest-bearing investments:				
Private equity		5,605	161,884	167,489
Other assets:				
Derivatives:				
Interest rate related and other		48,375		48,375
Interest rate swaps for customers		70,031		70,031
Energy commodity swaps for customers		9,258		9,258
Foreign currency exchange contracts	3,725			3,725
	3,725	127,664		131,389
	$ 193,689	$ 1,778,604	$ 1,814,381	$ 3,786,674
LIABILITIES				
Securities sold, not yet purchased		$ 47,890		$ 47,890
Other liabilities:				
Derivatives:				
Interest rate related and other		3,935		3,935
Interest rate swaps for customers		71,853		71,853
Energy commodity swaps for customers		2,948		2,948
Foreign currency exchange contracts	$ 3,657			3,657
	3,657	78,736		82,393
Other			$ 553	553
	$ 3,657	$ 126,626	$ 553	$ 130,836

Selected additional information regarding key model inputs and assumptions used to fair value certain asset-backed securities by class under Level 3 include the following at March 31, 2011:

(Dollars in thousands)	Fair value at March 31, 2011	Valuation approach	Constant default rate (CDR)	Loss severity	Prepayment rate

Asset-backed securities:						
Trust preferred	predominantly banks	$ 986,280	Income	Pool specific[3]	100%	Pool specific[7]
Trust preferred	predominantly insurance	358,641	Income	Pool specific[4]	100%	4.5% per year
Trust preferred	individual banks	19,557	Market			
		1,364,478[1]				
Trust preferred trusts	real estate investment	19,714	Income	Pool specific[5]	22-100%	0% per year
Other (including ABS CDOs)		95,328 [2]	Income	Collateral specific[6]	19-100%	Collateral weighted average life

[1] *Includes $1,185.7 million of AFS securities and $178.7 million of HTM securities.*

[2] *Includes $78.9 million of AFS securities and $16.4 million of HTM securities.*

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[3] *CDR ranges: yr 1 0% to 10.74%; yrs 2-5 0% to 0.36%; yrs 6 to maturity 0.30% to 0.37%.*
[4] *CDR ranges: yr 1 0.13% to 8.91%; yrs 2-5 0.13% to 0.18%; yrs 6 to maturity 0.30%.*
[5] *CDR ranges: yr 1 4.4% to 8.6%; yrs 2-3 3.8% to 5.8%; 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] *CPR ranges: yrs 1-3 0% to 4.99%; yrs 4-5 0% to 14.97%; yrs 6 to maturity 2.0%.*

In the following discussion of our investment portfolio, we have included certain credit rating information because the information is one indication of the degree of credit risk to which we are exposed, and significant changes in ratings classifications for our investment portfolio could indicate an increased level of risk for us.

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 March 31, 2011	Percentage of total fair value AAA	A	BBB	Percentage of total fair value by vintage
2001	$ 96,853	8.9%	0.9%	0.1%	9.9%
2002	220,551	19.7	2.6		22.3
2003	375,393	25.2	12.6	0.3	38.1
2004	177,732	6.4	11.6		18.0
2005	19,433	0.9	0.8	0.3	2.0
2006	63,341	2.5	3.4	0.5	6.4
2007	32,977	3.3			3.3
	$ 986,280	66.9%	31.9%	1.2%	100.0%

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:

Level 3 Instruments
Three Months Ended March 31, 2011

(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, 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:								
Accretion of purchase discount on securities available-for-sale	169	1,477		8	39			
Dividends and other investment income						707		
Equity securities gains, net						897		
Fixed income securities gains (losses), net	18	3,468	(3,605)	7	7			
Net impairment losses on investment securities		(1,820)	(1,285)					

Other noninterest expense								119
Other comprehensive income (loss)	(299)	(51,041)	5,977	(20)	1,324			
Purchases						3,333		
Sales	(895)	(941)	(538)	(135)		(3,277)		
Redemptions and paydowns	(2,225)	(8,838)		(225)	(1,513)	(803)	5,414	
Balance at March 31, 2011	$ 19,057	$ 1,183,999	$ 19,714	$ 109,244	$ 69,487	$ 142,547	$ (10,511)	$ (442)

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(In thousands)	Level 3 Instruments Three Months Ended March 31, 2010						
	Municipal securities	Trust preferred banks and insurance	Trust preferred REIT	Auction rate	Other asset-backed	Private equity investments	Other liabilities
Balance at December 31, 2009	$ 64,314	$ 1,359,444	$ 24,018	$ 159,440	$ 62,430	$ 158,941	$ (522)
Total net gains (losses) included in:							
Statement of income:							
Accretion of purchase discount on securities available-for-sale	91	1,233	50	55	84		
Dividends and other investment income (loss)						(1,021)	
Equity securities gains, net						210	
Fixed income securities gains, net	29	587		227	355		
Net impairment losses on investment securities		(27,226)	(2,082)		(1,944)		
Other noninterest expense							(31)
Other comprehensive income (loss)	(102)	19,886	1,868	773	5,551		
Purchases, sales, issuances, and settlements, net	(1,126)	(2,655)		(3,700)	(9,103)	3,754	
Balance at March 31, 2010	$ 63,206	$ 1,351,269	$ 23,854	$ 156,795	$ 57,373	$ 161,884	$ (553)

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

(In thousands)	Three Months Ended March 31, 2011	2010
Dividends and other investment income	$ 1,631	$ 904
Equity securities losses, net		(252)
Fixed income securities gains (losses), net	(105)	1,198

Assets with fair value changes that are measured at fair value by class on a nonrecurring basis are summarized as follows:

(In thousands)	Fair value at March 31, 2011				Gains (losses) from fair value changes
	Level 1	Level 2	Level 3	Total	Three months ended March 31, 2011
ASSETS					
Impaired loans		$ 58,782		$ 58,782	$ (3,754)
Other real estate owned		115,432		115,432	(21,621)
	$	$ 174,214	$	$ 174,214	$ (25,375)

(In thousands)	Fair value at March 31, 2010				Gains (losses) from fair value changes
	Level 1	Level 2	Level 3	Total	Three months ended March 31, 2010
ASSETS					
HTM securities adjusted for OTTI			$ 3,140	$ 3,140	$ 42
Impaired loans		$ 343,002		343,002	(72,017)

Other real estate owned		92,664		92,664	(29,974)
	$	$ 435,666	$ 3,140	$ 438,806	$ (101,949)

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Impaired loans that are collateral-dependent are fair valued under Level 2 based on the fair value of the collateral. Impaired loans not collateral-dependent are fair valued based on the present value of future cash flows discounted at the expected coupon rates over the lives of the loans. Because the loans were not discounted at market interest rates, the valuations do not represent fair value under ASC 820 and have been excluded from the nonrecurring fair value balance in the preceding tables. Impaired loans were reported as being fair valued under Level 3 in certain previous periods; however, upon reconsideration, the fair value process for impaired loans that are collateral dependant is considered to be substantially the same as for other real estate owned, and accordingly, has been included under Level 2.

Other real estate owned is fair valued under Level 2 at the lower of cost or fair value based on property appraisals at the time the property is recorded in OREO and as appropriate thereafter.

Fair Value Option

At March 31, 2011, no financial assets or liabilities were recorded at fair value under the fair value option allowed in ASC 825, *Financial Instruments*.

Fair Value of Certain Financial Instruments

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

(In thousands)	**March 31, 2011**		**March 31, 2010**	
	Carrying value	**Estimated fair value**	**Carrying value**	**Estimated fair value**
Financial assets:				
HTM investment securities	$ 820,636	$ 758,169	$ 902,902	$ 856,256
Loans and leases (including loans held for sale), net of allowance	35,391,049	34,857,731	37,564,350	37,165,638
Financial liabilities:				
Time deposits	3,944,492	3,976,682	5,003,362	5,058,224
Foreign deposits	1,488,807	1,489,852	1,647,898	1,649,308
Other short-term borrowings	182,167	183,857	178,435	179,156
Long-term debt (less fair value hedges)	1,900,007	2,345,786	2,000,504	2,506,788

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

The fair value of loans is estimated by discounting future cash flows on pass grade loans using the LIBOR yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. These future cash flows are then reduced by the estimated life-of-the-loan aggregate credit losses in the loan portfolio. These adjustments for lifetime future credit losses are highly judgmental because the Company does not have a validated model to estimate lifetime credit losses on large portions of its loan portfolio. The estimate of lifetime credit losses is adjusted quarterly as necessary to reflect the most recent loss experience during the current prolonged cycle of economic weakness. Impaired loans are not included in this credit adjustment as they are already considered to be held at fair value. Loans, other than those held for sale, are not normally purchased and sold by the Company, and there are no active trading markets for most of this portfolio.

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The fair value of time and foreign deposits, and other short-term borrowings, is estimated by discounting future cash flows using the LIBOR yield curve. The estimated fair value of long-term debt is based on actual market trades (i.e., an asset value) when available, or discounting cash flows using the LIBOR yield curve adjusted for credit spreads.

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

Further, certain financial instruments and all nonfinancial instruments are excluded from the applicable disclosure requirements. Therefore, the fair value amounts shown in the schedule do not, by themselves, represent the underlying value of the Company as a whole.

10. GUARANTEES, COMMITMENTS AND CONTINGENCIES

The following are guarantees issued by the Company:

(In thousands)	**March 31, 2011**	**December 31, 2010**	**March 31, 2010**
Standby letters of credit:			
Financial	$ 964,769	$ 921,257	$ 1,039,787
Performance	180,036	185,854	205,717
	$ 1,144,805	$ 1,107,111	$ 1,245,504

The Company s 2010 Annual Report on Form 10-K contains further information about these letters of credit including their terms and collateral requirements. At March 31, 2011, the Company had recorded approximately $15.0 million as a liability for these guarantees, which consisted of $9.6 million attributable to the reserve for unfunded lending commitments and $5.4 million of deferred commitment fees.

As of March 31, 2011, the Parent has guaranteed approximately $300.0 million of debt of affiliated trusts issuing trust preferred securities.

We are subject to litigation in court and arbitral proceedings, as well as proceedings and other actions brought or considered by governmental and self-regulatory agencies. At any given time, such litigation, proceedings and actions typically include claims relating to lending, deposit and other customer relationships, vendor and contractual issues, employee matters, intellectual property matters, personal injuries and torts, and regulatory compliance. Based on our current knowledge and consultations with legal counsel, we believe that our current estimated liability for these matters, determined in accordance with ASC 450-20, *Loss Contingencies*, is adequate and that the amount of any incremental liability arising from litigation and governmental and self-regulatory actions will not have a material adverse effect on our consolidated financial condition, cash flows, or results of operations. However, it is possible that the ultimate resolution of our litigation and governmental and self-regulatory actions may differ from our current assessments, based on facts and legal theories not currently known or fully appreciated, unpredicted decisions by courts, arbitrators or governmental or self-regulatory agencies, or other factors, and could have a material adverse effect on our results of operations for a particular reporting period depending, in part, on our results for that period.

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11. RETIREMENT PLANS

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

(In thousands)	Pension benefits		Supplemental retirement benefits		Postretirement benefits	
	Three Months Ended March 31,					
	2011	2010	2011	2010	2011	2010
Service cost	$ 97	$ 53	$	$	$ 8	$ 9
Interest cost	4,375	2,161	140	171	14	10
Expected return on plan assets	(6,522)	(2,053)				
Settlement loss				15		
Amortization of prior service cost (credit)			31	31	(61)	(61)
Amortization of net actuarial (gain) loss	2,737	1,488	(4)	20	(31)	(37)
Net periodic benefit cost (credit)	$ 687	$ 1,649	$ 167	$ 237	$ (70)	$ (79)

As disclosed in the Company s 2010 Annual Report on Form 10-K, the Company has frozen its participation and benefit accruals for the pension plan and its contributions for individual benefit payments in the postretirement benefit plan.

12. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of March 31, 2011, we operate eight community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. Zions Bank operates 106 branches in Utah and 27 branches in Idaho. CB&T operates 104 branches in California. Amegy operates 83 branches in Texas. NBA operates 77 branches in Arizona. NSB operates 54 branches in Nevada. Vectra operates 38 branches in Colorado and one branch in New Mexico. TCBW operates one branch in the state of Washington. TCBO operates one branch in Oregon. Additionally, each subsidiary bank, except for NSB and TCBO, operates a foreign branch in the Grand Cayman Islands.

The operating segment identified as Other includes the Parent, Zions Management Services Company (ZMSC), certain nonbank financial service subsidiaries, TCBO, and eliminations of transactions between segments. ZMSC provides internal technology and operational services to affiliated operating businesses of the Company. ZMSC charges most of its costs to the affiliates on an approximate break-even basis.

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

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The following table presents selected operating segment information for the three months ended March 31, 2011 and 2010:

	Zions Bank		CB&T		Amegy		NBA		NSB	
(In millions)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
CONDENSED INCOME STATEMENT										
Net interest income	$ 172.6	$ 180.3	$ 128.7	$ 113.4	$ 93.0	$ 100.4	$ 43.1	$ 45.2	$ 33.1	$ 36.1
Provision for loan losses	39.0	87.1	11.2	41.9	3.3	50.8	0.7	21.2	0.8	52.7
Net interest income after provision for loan losses	133.6	93.2	117.5	71.5	89.7	49.6	42.4	24.0	32.3	(16.6)
Net impairment losses on investment securities										
Loss on sale of investment securities to Parent		(54.8)	(13.5)							
Other noninterest income	49.5	44.2	38.4	26.3	34.0	35.3	8.5	7.5	8.6	9.4
Noninterest expense	128.4	129.3	90.3	75.3	79.9	74.8	45.1	39.7	34.6	36.5
Income (loss) before income taxes	54.7	(46.7)	52.1	22.5	43.8	10.1	5.8	(8.2)	6.3	(43.7)
Income tax expense (benefit)	18.2	3.0	20.5	12.6	14.2	2.3	2.3	(3.2)	2.1	(15.4)
Net income (loss)	36.5	(49.7)	31.6	9.9	29.6	7.8	3.5	(5.0)	4.2	(28.3)
Net income (loss) applicable to noncontrolling interests		0.1								
Net income (loss) applicable to controlling interest	36.5	(49.8)	31.6	9.9	29.6	7.8	3.5	(5.0)	4.2	(28.3)
Preferred stock dividends										
Net earnings (loss) applicable to common shareholders	$ 36.5	$ (49.8)	$ 31.6	$ 9.9	$ 29.6	$ 7.8	$ 3.5	$ (5.0)	$ 4.2	$ (28.3)
AVERAGE BALANCE SHEET DATA										

Total assets	$ 16,167	$ 18,813	$ 10,766	$ 11,044	$ 11,221	$ 11,435	$ 4,428	$ 4,444	$ 4,099	$ 4,104
Net loans and leases	12,829	13,818	8,347	8,828	7,571	8,232	3,273	3,527	2,424	2,703
Total deposits	13,492	13,965	9,213	9,688	8,700	9,095	3,711	3,712	3,488	3,464
Shareholder s equity:										
Preferred equity	480	460	262	262	488	390	305	404	360	360
Common equity	1,293	1,292	1,190	1,135	1,510	1,439	324	232	227	283
Noncontrolling interests		1								
Total shareholder s equity	1,773	1,753	1,452	1,397	1,998	1,829	629	636	587	643

	Vectra		TCBW		Other		Consolidated Company	
	2011	2010	2011	2010	2011	2010	2011	2010
CONDENSED INCOME STATEMENT								
Net interest income	$ 25.8	$ 27.3	$ 7.6	$ 7.4	$ (80.0)	$ (54.8)	$ 423.9	$ 455.3
Provision for loan losses	3.1	8.9	1.9	2.9		0.1	60.0	265.6
Net interest income after provision for loan losses	22.7	18.4	5.7	4.5	(80.0)	(54.9)	363.9	189.7
Net impairment losses on investment securities		(0.2)			(3.1)	(31.1)	(3.1)	(31.3)
Loss on sale of investment securities to Parent					13.5	54.8		
Other noninterest income	5.5	8.7	0.5	0.5	(7.8)	7.0	137.2	138.9
Noninterest expense	24.7	21.7	4.5	4.2	0.9	7.6	408.4	389.1
Income (loss) before income taxes	3.5	5.2	1.7	0.8	(78.3)	(31.8)	89.6	(91.8)
Income tax expense (benefit)	1.0	6.2	0.5	0.2	(21.8)	(34.4)	37.0	(28.7)
Net income (loss)	2.5	(1.0)	1.2	0.6	(56.5)	2.6	52.6	(63.1)
Net income (loss) applicable to noncontrolling interests					(0.2)	(3.0)	(0.2)	(2.9)
Net income (loss) applicable to controlling interest	2.5	(1.0)	1.2	0.6	(56.3)	5.6	52.8	(60.2)
Preferred stock dividends					(38.0)	(26.3)	(38.0)	(26.3)
Net earnings (loss) applicable to common shareholders	$ 2.5	$ (1.0)	$ 1.2	$ 0.6	$ (94.3)	$ (20.7)	$ 14.8	$ (86.5)

AVERAGE BALANCE SHEET DATA

Total assets	$ 2,253	$ 2,410	$ 852	$ 825	$ 919	$ (1,523)	$ 50,705	$ 51,552
Net loans and leases	1,783	1,924	568	575	(127)	61	36,668	39,668
Total deposits	1,873	1,993	669	617	(557)	(691)	40,589	41,843
Shareholder s equity:								
Preferred equity	70	65	15	15	97	(447)	2,077	1,509
Common equity	202	201	70	70	(173)	(423)	4,643	4,229
Noncontrolling interests					(1)	15	(1)	16
Total shareholder s equity	272	266	85	85	(77)	(855)	6,719	5,754

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

Statements in this Quarterly Report on Form 10-Q that are based on other than historical data are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others:

statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of Zions Bancorporation (the parent) and its subsidiaries (collectively the Company, Zions, we, our, us);

statements preceded by, followed by or that include the words may, could, should, would, believe, anticipate, estimate, expe plan, projects, or similar expressions.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management s views as of any subsequent date. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, either expressed or implied, including, but not limited to, those presented in the Management s Discussion and Analysis. Factors that might cause such differences include, but are not limited to:

the Company s ability to successfully execute its business plans, manage its risks, and achieve its objectives;

changes in political and economic conditions, including without limitation the political and economic effects of the current economic crisis, delay of recovery from the current economic crisis, and other major developments, including wars, military actions, and terrorist attacks;

changes in financial market conditions, either internationally, nationally or locally in areas in which the Company conducts its operations, including without limitation reduced rates of business formation and growth, commercial and residential real estate development and real estate prices;

fluctuations in markets for equity, fixed-income, commercial paper and other securities, including availability, market liquidity levels, and pricing;

changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition;

acquisitions and integration of acquired businesses;

increases in the levels of losses, customer bankruptcies, bank failures, claims, and assessments;

changes in fiscal, monetary, regulatory, trade and tax policies and laws, and regulatory assessments and fees, including policies of the U.S. Department of Treasury, the Board of Governors of the Federal Reserve Board System, and the FDIC;

the Company s participation or lack of participation in, or exit from, governmental programs implemented under the EESA and the ARRA, including without limitation the TARP and the CPP and the impact of such programs and related regulations on the Company and on international, national, and local economic and financial markets and conditions;

the impact of the EESA and the ARRA and related rules and regulations, and changes in those rules and regulations, on the business operations and competitiveness of the Company and other participating American financial institutions, including the impact of the executive compensation limits of these acts, which may impact the ability of the Company and other American financial institutions to retain and recruit executives and other personnel necessary for their businesses and competitiveness;

the impact of the financial reform bill, known as the Dodd-Frank Wall Street reform and Consumer Protection Act, and rules and regulations thereunder, most of which have not yet been promulgated;

new capital and liquidity requirements, which U.S. regulatory agencies are expected to establish in response to new international standards known as Basel III;

continuing consolidation in the financial services industry;

new litigation or changes in existing litigation;

success in gaining regulatory approvals, when required;

changes in consumer spending and savings habits;

increased competitive challenges and expanding product and pricing pressures among financial institutions;

demand for financial services in the Company s market areas;

inflation and deflation;

technological changes and the Company s implementation of new technologies;

the Company s ability to develop and maintain secure and reliable information technology systems;

legislation or regulatory changes which adversely affect the Company s operations or business;

- the Company s ability to comply with applicable laws and regulations;

- changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or regulatory agencies; and

- increased costs of deposit insurance and changes with respect to FDIC insurance coverage levels.

Except to the extent required by law, the Company specifically disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

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ZIONS BANCORPORATION AND SUBSIDIARIES

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Company has made no significant changes in its critical accounting policies and significant estimates from those disclosed in its 2010 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

The Company reported net earnings applicable to common shareholders of $14.8 million or $0.08 per diluted share for the first quarter of 2011 compared to a net loss applicable to common shareholders of $86.5 million or $0.57 per diluted share for the first quarter of 2010. The improved result was mainly caused by the following favorable changes:

- $205.6 million decrease in the provision for loan losses;
- $28.2 million decrease in net impairment losses on investment securities;
- $17.8 million increase in other noninterest income; and
- $8.5 million decrease in other real estate expense.

The impact of these items was partially offset by the following:

- $65.7 million increase in income tax expense;
- $31.4 million decrease in net interest income;
- $14.5 million decrease in gain on subordinated debt exchange;
- $11.7 million increase in preferred stock dividends;
- $11.9 million increase in other noninterest expense;
- $10.7 million increase in salaries and employee benefits;
- $10.6 million increase in the provision for unfunded lending commitments; and

$7.1 million decrease in service charges and fees on deposit accounts.

During the second quarter of 2009, the Company executed a subordinated debt modification and exchange transaction. The original discount on the convertible subordinated debt was $679 million and the remaining discount at March 31, 2011 was $332 million. It included the following components:

The fair value discount on the debt, and

The value of the beneficial conversion feature which added the right of the debt holder to convert the debt into preferred stock.

The discount associated with the convertible subordinated debt is amortized to interest expense, a noncash expense, using the interest method over the remaining terms of the subordinated debt. When holders of the convertible subordinated notes convert to preferred stock, the rate of amortization is accelerated by immediately expensing any unamortized discount associated with the converted debt.

Excluding the impact of these noncash expenses, income before income taxes and subordinated debt conversions for the first three months of 2011 increased to $143.7 million compared to a loss of $65.8 million in the first quarter of 2010.

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(In thousands)	Three Months Ended				
	March 31, 2011	**December 31, 2010**	**September 30, 2010**	**June 30, 2010**	**March 31, 2010**
Income (loss) before income taxes (GAAP)	$ 89,624	$ (96,491)	$ (78,637)	$ (136,259)	$ (91,781)
Convertible subordinated debt discount amortization	13,120	13,763	14,711	14,728	14,761
Accelerated convertible subordinated debt discount amortization	40,994	73,320	27,462	60,481	11,182
Income (loss) before income taxes and subordinated debt conversions (non-GAAP)	$ 143,738	$ (9,408)	$ (36,464)	$ (61,050)	$ (65,838)

The impact of the conversion of convertible subordinated debt into preferred stock is further detailed in the Capital Management section.

Net Interest Income, Margin and Interest Rate Spreads

Net interest income is the difference between interest earned on interest-bearing assets and interest incurred on interest-bearing liabilities. Taxable-equivalent net interest income for the first quarter of 2011 was $429.2 million compared to $461.0 million for the comparable period of 2010, and $412.0 million in the fourth quarter of 2010. The decline from March 31, 2010 to March 31, 2011 reflects the effect of many factors, including lower balances of and lower interest rates earned on net loans and leases (excluding FDIC-supported loans), higher noncash accelerated discount amortization on convertible subordinated debt, partially offset by lower balances and interest rates paid on customer deposits, and better-than-expected performance of loans acquired from the FDIC. Even though nonaccrual loans decreased by 40.4% between March 31, 2011 and March 31, 2010, the positive impact of this reduction only partially offset the adverse impact of pay-downs and charge-offs on earning assets. The tax rate used for calculating all taxable-equivalent adjustments was 35% for all periods presented.

By its nature, net interest income is especially vulnerable to changes in the mix and amounts of interest-earning assets and interest-bearing liabilities. In addition, changes in the interest rates and yields associated with these assets and liabilities can significantly impact net interest income. Between March 31, 2010 and March 31, 2011, total average loans and leases decreased by 7.6% while total average interest-bearing liabilities decreased by 8.9%. However, the mix of deposit funding improved. For the three months ended March 31, 2011 average noninterest-bearing deposits accounted for 33.7% of all customer deposits, while for the quarter ended March 31, 2010 average noninterest-bearing deposits had been 30.0% of total deposits. Even though the Company experienced growth in commercial, term commercial real estate, and consumer loans during the first quarter of 2011, the total loan portfolio contracted due to the continued reduction in commercial construction and land development and FDIC-supported loans. See Interest Rate and Market Risk Management for further discussion of how we manage the portfolios of interest-earning assets, interest-bearing liabilities, and associated risk.

A gauge that we use to measure the Company s success in managing its net interest income is the level and stability of the net interest margin. The net interest margin was 3.76% for the first quarter of 2011, compared to 4.03% for the same period in 2010, and 3.49% in the fourth quarter of 2010. During the first quarter of 2011, the net interest margin was negatively impacted by 36 basis points for the accelerated discount amortization resulting from the conversion of convertible subordinated debt to preferred stock, and by 11 basis points for the discount amortization related to the convertible subordinated debt. This unfavorable impact was partially mitigated by increased interest income resulting from the accretion of interest income on acquired loans based on increased projected cash flows, and by the increased volume of noninterest-bearing deposit funding.

The Company believes that its core net interest margin is more reflective of its operating performance than the reported net interest margin. We calculate the core net interest margin by excluding the impact of discount amortization on convertible subordinated debt, accelerated discount amortization on convertible subordinated debt, and additional accretion of interest income on acquired loans from the net interest margin. The core net interest margin was 4.06% and 4.26% for the first quarters of 2011 and 2010, respectively, and 4.07% in the fourth quarter of 2010. See GAAP to non-GAAP Reconciliations for a reconciliation between the GAAP net interest margin and the non-GAAP core net interest margin.

The spread on average interest-bearing funds for the first quarter of 2011 was 3.13%, compared to 3.57% in the same period in 2010. The spread on average interest-bearing funds for the first three months of 2011 was affected by most of the same factors that had an impact on the net interest margin.

The net interest margin will continue to be adversely affected in future quarters by the level of nonperforming assets and the amortization of the discount related to the debt modification transactions, including the accelerated amortization of discount to the extent that holders of the modified debt elect to convert their holdings to preferred stock. The unamortized discount on the convertible subordinated debt was $332 million as of March 31, 2011, or 46.2% of the total $718 million of remaining outstanding convertible subordinated notes; and will be amortized as interest expense over the remaining life of the debt using the interest method. See Capital Management, which includes subsequent event information on the subordinated debt conversion occurring during the second quarter of 2011.

The Company expects to continue its efforts over the long run to maintain a slightly asset-sensitive position with regard to interest rate risk. However, because of the current low interest rate environment, the Company has allowed its balance sheet to become more asset-sensitive than has historically been the case. With interest rates at historically low levels, there is also a reduced need to protect against falling interest rates. Our estimates of the Company s actual rate risk position are highly dependent upon a number of assumptions regarding the re-pricing behavior of various deposit and loan types in response to changes in both short-term and long-term interest rates, balance sheet composition, and other modeling assumptions, as well as the actions of competitors and customers in response to those changes. Further detail on interest rate risk is discussed in the Company s 2010 Annual Report on Form 10-K in Interest Rate Risk on page 75 and in this filing in Interest Rate Risk.

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CONSOLIDATED AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Unaudited)

	Three Months Ended March 31, 2011			Three Months Ended March 31, 2010		
(Amounts in thousands)	**Average balance**	**Amount of interest [1]**	**Average rate**	**Average balance**	**Amount of interest [1]**	**Average rate**
ASSETS						
Money market investments	$ 4,513,934	$ 2,843	0.26%	$ 2,227,181	$ 1,439	0.26%
Securities:						
Held-to-maturity	833,000	11,047	5.38%	899,587	10,821	4.88%
Available-for-sale	4,107,003	23,040	2.28%	3,378,930	23,619	2.83%
Trading account	49,769	452	3.68%	51,330	475	3.75%
Total securities	4,989,772	34,539	2.81%	4,329,847	34,915	3.27%
Loans held for sale	160,073	1,601	4.06%	179,433	2,363	5.34%
Loans:						
Net loans and leases excluding FDIC-supported loans [2]	35,715,679	485,615	5.51%	38,274,621	527,897	5.59%
FDIC-supported loans	952,078	33,169	14.13%	1,393,775	19,202	5.59%
Total loans and leases	36,667,757	518,784	5.74%	39,668,396	547,099	5.59%
Total interest-earning assets	46,331,536	557,767	4.88%	46,404,857	585,816	5.12%
Cash and due from banks	1,078,869			1,280,013		
Allowance for loan losses	(1,423,701)			(1,565,136)		
Goodwill	1,015,161			1,015,161		
Core deposit and other intangibles	85,372			110,754		
Other assets	3,617,747			4,306,119		
Total assets	$ 50,704,984			$ 51,551,768		
LIABILITIES						
Interest-bearing deposits:						
Savings and NOW	$ 6,401,249	4,781	0.30%	$ 5,842,531	5,160	0.36%
Money market	15,018,892	19,033	0.51%	16,515,285	31,229	0.77%