FULTON FINANCIAL CORP
Form 10-Q
November 05, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20459

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014, or

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

For the transition period from to

Commission File No. 0-10587
FULTON FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

PENNSYLVANIA (State or other jurisdiction of incorporation or organization)	23-2195389 (I.R.S. Employer Identification No.)
One Penn Square, P.O. Box 4887, Lancaster, Pennsylvania (Address of principal executive offices)	17604 (Zip Code)

(717) 291-2411
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
Common Stock, $2.50 Par Value –185,265,000 shares outstanding as of October 31, 2014.

FULTON FINANCIAL CORPORATION
FORM 10-Q FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014
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Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

(in thousands, except per-share data)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Cash and due from banks	$220,946	$218,540
Interest-bearing deposits with other banks	291,523	163,988
Federal Reserve Bank and Federal Home Loan Bank stock	86,056	84,173
Loans held for sale	25,212	21,351
Available for sale investment securities	2,470,609	2,568,434
Loans, net of unearned income	13,030,405	12,782,220
Less: Allowance for loan losses	(189,477)	(202,780)
Net Loans	12,840,928	12,579,440
Premises and equipment	224,441	226,021
Accrued interest receivable	43,544	44,037
Goodwill and intangible assets	532,117	533,076
Other assets	502,798	495,574
Total Assets	$17,238,174	$16,934,634
LIABILITIES		
Deposits:		
Noninterest-bearing	$3,556,810	$3,283,172
Interest-bearing	9,776,817	9,208,014
Total Deposits	13,333,627	12,491,186
Short-term borrowings:		
Federal funds purchased	6,606	582,436
Other short-term borrowings	558,346	676,193
Total Short-Term Borrowings	564,952	1,258,629
Accrued interest payable	17,425	15,218
Other liabilities	225,875	222,830
Federal Home Loan Bank advances and long-term debt	1,018,289	883,584
Total Liabilities	15,160,168	14,871,447
SHAREHOLDERS' EQUITY		
Common stock, $2.50 par value, 600 million shares authorized, 218.1 million shares issued in 2014 and 217.8 million shares issued in 2013	545,207	544,568
Additional paid-in capital	1,438,343	1,432,974
Retained earnings	538,749	463,843
Accumulated other comprehensive loss	(11,948)	(37,341)
Treasury stock, at cost, 32.9 million shares in 2014 and 25.2 million shares in 2013	(432,345)	(340,857)
Total Shareholders' Equity	2,078,006	2,063,187
Total Liabilities and Shareholders' Equity	$17,238,174	$16,934,634

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per-share data)	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
INTEREST INCOME				
Loans, including fees	$133,741	$136,150	$397,011	$405,312
Investment securities:				
Taxable	12,278	12,977	37,962	40,890
Tax-exempt	2,219	2,327	6,865	7,151
Dividends	339	337	996	1,091
Loans held for sale	237	382	585	1,261
Other interest income	976	659	3,065	1,527
Total Interest Income	149,790	152,832	446,484	457,232
INTEREST EXPENSE				
Deposits	8,998	8,743	25,579	28,642
Short-term borrowings	297	691	1,470	1,900
Long-term debt	11,129	10,865	32,606	32,448
Total Interest Expense	20,424	20,299	59,655	62,990
Net Interest Income	129,366	132,533	386,829	394,242
Provision for credit losses	3,500	9,500	9,500	38,000
Net Interest Income After Provision for Credit Losses	125,866	123,033	377,329	356,242
NON-INTEREST INCOME				
Service charges on deposit accounts	12,801	13,938	37,064	42,700
Investment management and trust services	11,120	10,420	33,417	31,117
Other service charges and fees	9,954	9,518	29,407	27,536
Mortgage banking income	4,038	7,123	13,384	26,293
Other	3,906	3,725	10,813	11,315
Investment securities gains, net:				
Other-than-temporary impairment losses	(84)	(125)	(122)	(146)
Less: Portion of gain recognized in other comprehensive income (loss) (before taxes)	66	28	92	22
Net other-than-temporary impairment losses	(18)	(97)	(30)	(124)
Net gains on sales of investment securities	99	2,730	1,223	8,095
Investment securities gains, net	81	2,633	1,193	7,971
Total Non-Interest Income	41,900	47,357	125,278	146,932
NON-INTEREST EXPENSE				
Salaries and employee benefits	62,434	63,344	185,623	188,046
Net occupancy expense	11,582	11,519	36,649	34,810
Other outside services	8,632	5,048	19,684	13,223
Data processing	4,689	4,757	12,816	13,169
Software	3,353	3,268	9,487	9,110
Equipment expense	3,307	3,646	10,269	11,447
Professional fees	3,252	3,329	9,715	9,771
FDIC insurance expense	2,882	2,918	8,186	8,766
Marketing	1,798	2,251	5,719	6,045
Other real estate owned and repossession expense	1,303	1,453	3,034	6,248
Operating risk loss	1,242	3,297	3,786	6,923

Intangible amortization	314	534	944	1,603
Other	11,010	11,241	35,614	35,510
Total Non-Interest Expense	115,798	116,605	341,526	344,671
Income Before Income Taxes	51,968	53,785	161,081	158,503
Income taxes	13,402	13,837	41,136	38,746
Net Income	$38,566	$39,948	$119,945	$119,757
PER SHARE:				
Net Income (Basic)	$0.21	$0.21	$0.64	$0.62
Net Income (Diluted)	0.21	0.21	0.64	0.61
Cash Dividends	0.08	0.08	0.24	0.24

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	Three months ended September 30		Nine months ended September 30,	
	2014	2013	2014	2013
Net Income	$38,566	$39,948	$119,945	$119,757
Other Comprehensive Income (Loss), net of tax:				
Unrealized gain (loss) on securities	(3,011)	(6,951)	23,912	(43,784)
Reclassification adjustment for postretirement amendment gains included in net income	—	—	(944)	—
Reclassification adjustment for securities gains included in net income	(52)	(1,711)	(775)	(5,181)
Non-credit related unrealized gain on other-than-temporarily impaired debt securities	138	(106)	650	1,332
Unrealized gain on derivative financial instruments	34	34	102	102
Unrecognized pension and postretirement income	—	—	2,144	—
Amortization of net unrecognized pension and postretirement items	104	329	304	985
Other Comprehensive Income (Loss)	(2,787)	(8,405)	25,393	(46,546)
Total Comprehensive Income	$35,779	$31,543	$145,338	$73,211

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(in thousands, except per-share data)

	Common Stock						
	Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2013	192,652	$544,568	$1,432,974	$463,843	$ (37,341)	$(340,857)	$2,063,187
Net income				119,945			119,945
Other comprehensive income (loss)					25,393		25,393
Stock issued, including related tax benefits	506	639	1,059			3,767	5,465
Stock-based compensation awards			4,310				4,310
Acquisition of treasury stock	(8,000)					(95,255)	(95,255)
Common stock cash dividends - $0.24 per share				(45,039)			(45,039)
Balance at September 30, 2014	185,158	$545,207	$1,438,343	$538,749	$ (11,948)	$(432,345)	$2,078,006
Balance at December 31, 2012	199,225	$542,093	$1,426,267	$363,937	$ 5,675	$(256,316)	$2,081,656
Net income				119,757			119,757
Other comprehensive income (loss)					(46,546)		(46,546)
Stock issued, including related tax benefits	1,107	1,959	562			4,838	7,359
Stock-based compensation awards			4,186				4,186
Acquisition of treasury stock	(8,000)					(90,927)	(90,927)
Common stock cash dividends - $0.24 per share				(46,521)			(46,521)
Balance at September 30, 2013	192,332	$544,052	$1,431,015	$437,173	$ (40,871)	$(342,405)	$2,028,964

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Nine months ended September 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$119,945	$119,757
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	9,500	38,000
Depreciation and amortization of premises and equipment	18,412	19,165
Net amortization of investment securities premiums	4,399	8,749
Investment securities gains, net	(1,193)	(7,971)
Net (increase) decrease in loans held for sale	(3,861)	28,626
Amortization of intangible assets	944	1,603
Stock-based compensation	4,310	4,186
Excess tax benefits from stock-based compensation	(54)	(237)
Decrease in accrued interest receivable	493	1,071
(Increase) decrease in other assets	(1,909)	37,129
Increase (decrease) in accrued interest payable	2,207	(2,673)
Decrease in other liabilities	(5,315)	(24,207)
Total adjustments	27,933	103,441
Net cash provided by operating activities	147,878	223,198
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of securities available for sale	15,219	268,259
Proceeds from maturities of securities held to maturity	—	86
Proceeds from maturities of securities available for sale	273,688	526,393
Purchase of securities available for sale	(164,676)	(691,362)
Increase in short-term investments	(129,418)	(63,965)
Net increase in loans	(271,494)	(684,529)
Net purchases of premises and equipment	(16,832)	(18,741)
Net cash used in investing activities	(293,513)	(663,859)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand and savings deposits	768,979	595,722
Net increase (decrease) in time deposits	73,462	(358,764)
(Decrease) increase in short-term borrowings	(693,677)	330,178
Additions to long-term debt	140,000	—
Repayments of long-term debt	(5,295)	(5,131)
Net proceeds from issuance of common stock	5,411	7,122
Excess tax benefits from stock-based compensation	54	237
Dividends paid	(45,638)	(31,138)
Acquisition of treasury stock	(95,255)	(90,927)
Net cash provided by financing activities	148,041	447,299
Net Increase in Cash and Due From Banks	2,406	6,638
Cash and Due From Banks at Beginning of Period	218,540	256,300
Cash and Due From Banks at End of Period	$220,946	$262,938
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		

Interest	$57,448	$65,663
Income taxes	16,632	29,964

See Notes to Consolidated Financial Statements

FULTON FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A – Basis of Presentation

The accompanying unaudited consolidated financial statements of Fulton Financial Corporation (the Corporation) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities as of the date of the financial statements as well as revenues and expenses during the period. Actual results could differ from those estimates. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The Corporation evaluates subsequent events through the filing date of this Form 10-Q with the Securities and Exchange Commission (SEC).

Recent Accounting Standards
In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Update 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASC Update 2014-08 changes the criteria for reporting discontinued operations, including a change in the definition of what constitutes the disposal of a component and additional disclosure requirements. For public business entities ASC Update 2014-08 is effective for disposals that occur within annual periods beginning after December 15, 2014. For the Corporation, this standards update is effective with its March 31, 2015 quarterly report on Form 10-Q. The adoption of ASC Update 2014-08 is not expected to have a material impact on the Corporation's consolidated financial statements.

In May 2014, the FASB issued ASC Update 2014-09, "Revenue from Contracts with Customers." This standards update provides a framework that replaces most existing revenue recognition guidance. The core principle prescribed by this standards update is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC Update 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2016. Early application is not permitted. For the Corporation, this standards update is effective with its March 31, 2017 quarterly report on Form 10-Q. The Corporation is currently evaluating the impact of the adoption of ASC Update 2014-09 on its consolidated financial statements.

In June 2014, the FASB issued ASC Update 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." In addition to new disclosure requirements, ASC Update 2014-11 requires that all repurchase-to-maturity transactions be accounted for as secured borrowings rather than as sales of financial assets. Also, all transfers of financial assets executed contemporaneously with a repurchase agreement with the same counterparty must be accounted for separately, the result of which would be the treatment of such transactions as secured borrowings. ASC Update 2014-11 is effective for public business entities' interim and annual reporting periods beginning after December 15, 2014. For the Corporation, this standards update is effective with its March 31, 2015 quarterly report on Form 10-Q. The adoption of ASC Update 2014-11 is not expected to have a material impact on the Corporation's consolidated financial statements.
In June 2014, the FASB issued ASC Update 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." ASC Update 2014-12 clarifies guidance related to accounting for share-based payment awards with terms that allow an employee to vest in the award regardless of whether the employee is rendering service on the date a performance target is achieved.

ASC Update 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. ASC Update 2014-12 is effective for public business entities' interim and annual reporting periods beginning after December 15, 2014, with earlier adoption permitted. For the Corporation, this standards update is effective with its March 31, 2015 quarterly report on Form 10-Q. The adoption of ASC Update 2014-12 is not expected to have a material impact on the Corporation's consolidated financial statements.

In August 2014, the FASB issued ASC Update 2014-14, "Receivables - Troubled Debt Restructuring by Creditors." ASC Update 2014-14 clarifies troubled debt restructuring guidance related to the classification and measurement of certain government-sponsored loan guarantee programs upon foreclosure. ASC Update 2014-14 is effective for public business entities' interim and annual reporting periods beginning after December 15, 2014, with earlier adoption permitted. For the Corporation, this standards update is effective with its March 31, 2015 quarterly report on Form 10-Q. The adoption of ASC Update 2014-14 is not expected to have a material impact on the Corporation’s consolidated financial statements.

In August 2014, the FASB issued ASC Update 2014-15, "Presentation of Financial Statements - Going Concern." ASC Update 2014-15 provides guidance regarding management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. The standards update describes how an entity's management should assess whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued. ASC Update 2014-15 is effective for public business entities’ annual reporting periods ending after December 15, 2016, with earlier adoption permitted. For the Corporation, this standards update is effective with its December 31, 2016 annual report on Form 10-K. The adoption of ASC Update 2014-15 is not expected to have a material impact on the Corporation’s consolidated financial statements.

Reclassifications

Certain amounts in the 2013 consolidated financial statements and notes have been reclassified to conform to the 2014 presentation.

NOTE B – Net Income Per Share

Basic net income per share is calculated as net income divided by the weighted average number of shares outstanding. Diluted net income per share is calculated as net income divided by the weighted average number of shares outstanding plus the incremental number of shares added as a result of converting common stock equivalents, calculated using the treasury stock method. The Corporation’s common stock equivalents consist of outstanding stock options, restricted stock, restricted stock units (RSUs) and performance-based restricted stock units (PSUs). PSUs are required to be included in weighted average shares outstanding if performance measures, as defined in each PSU award agreement, are met as of the end of the period.

A reconciliation of weighted average shares outstanding used to calculate basic net income per share and diluted net income per share follows:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
	(in thousands)			
Weighted average shares outstanding (basic)	186,109	192,251	187,893	193,926
Impact of common stock equivalents	846	1,008	970	1,000
Weighted average shares outstanding (diluted)	186,955	193,259	188,863	194,926

For the three and nine months ended September 30, 2014, 2.5 million and 2.9 million shares issuable under stock options, respectively, were excluded from the diluted net income per share computation as their effect would have been anti-dilutive. For the three and nine months ended September 30, 2013, 3.2 million and 3.7 million shares issuable under stock options, respectively, were excluded from the diluted net income per share computation as their effect would have been anti-dilutive.

NOTE C – Accumulated Other Comprehensive Income (Loss)

The following table presents changes in other comprehensive income (loss):

	Before-Tax Amount	Tax Effect	Net of Tax Amount
	(in thousands)		
Three months ended September 30, 2014			
Unrealized gain (loss) on securities	$(4,629)	$1,618	$(3,011)
Reclassification adjustment for securities gains included in net income (1)	(81)	29	(52)
Non-credit related unrealized gains (losses) on other-than-temporarily impaired debt securities	212	(74)	138
Unrealized gain on derivative financial instruments	52	(18)	34
Amortization of net unrecognized pension and postretirement items (2)	160	(56)	104
Total Other Comprehensive Income (Loss)	$(4,286)	$1,499	$(2,787)
Three months ended September 30, 2013			
Unrealized gain (loss) on securities	$(10,691)	$3,740	$(6,951)
Reclassification adjustment for securities gains included in net income (1)	(2,633)	922	(1,711)
Non-credit related unrealized gains (losses) on other-than-temporarily impaired debt securities	(163)	57	(106)
Unrealized gain on derivative financial instruments	52	(18)	34
Amortization of net unrecognized pension and postretirement items (2)	505	(176)	329
Total Other Comprehensive Income (Loss)	$(12,930)	$4,525	$(8,405)
Nine months ended September 30, 2014			
Unrealized gain (loss) on securities	$36,790	$(12,878)	$23,912
Reclassification adjustment for postretirement gains included in net income (2)	(1,452)	508	(944)
Reclassification adjustment for securities gains included in net income (1)	(1,193)	418	(775)
Non-credit related unrealized gains (losses) on other-than-temporarily impaired debt securities	1,000	(350)	650
Unrealized gain on derivative financial instruments	157	(55)	102
Unrecognized pension and postretirement income	3,291	(1,147)	2,144
Amortization of net unrecognized pension and postretirement items (2)	469	(165)	304
Total Other Comprehensive Income (Loss)	$39,062	$(13,669)	$25,393
Nine months ended September 30, 2013			
Unrealized gain (loss) on securities	$(67,357)	$23,573	$(43,784)
Reclassification adjustment for securities gains included in net income (1)	(7,971)	2,790	(5,181)
Non-credit related unrealized gains (losses) on other-than-temporarily impaired debt securities	2,049	(717)	1,332
Unrealized gain on derivative financial instruments	157	(55)	102
Amortization of net unrecognized pension and postretirement items (2)	1,515	(530)	985
Total Other Comprehensive Income (Loss)	$(71,607)	$25,061	$(46,546)

(1) Amounts reclassified out of accumulated other comprehensive income. Before-tax amounts included within "Investment securities gains, net" on the consolidated statements of income. See Note D, "Investment Securities," for additional details.

(2) Amounts reclassified out of accumulated other comprehensive income. Before-tax amounts included within "Salaries and employee benefits" on the consolidated statements of income. See Note H, "Employee Benefit Plans," for additional details.

The following table presents changes in each component of accumulated other comprehensive income (loss), net of tax:

	Unrealized Gains (Losses) on Investment Securities Not Other-Than-Temporarily Impaired	Unrealized Non-Credit Gains (Losses) on Other-Than-Temporarily Impaired Debt Securities	Unrealized Effective Portions of Losses on Forward-Starting Interest Rate Swaps	Unrecognized Pension and Postretirement Plan Income (Costs)	Total
	(in thousands)				
Three months ended September 30, 2014					
Balance at June 30, 2014	$(580)	$ 1,434	$ (2,614)	$ (7,401)	$(9,161)
Other comprehensive income (loss) before reclassifications	(3,011)	138	—	—	(2,873)
Amounts reclassified from accumulated other comprehensive income (loss)	(63)	11	34	104	86
Balance at September 30, 2014	$(3,654)	$ 1,583	$ (2,580)	$ (7,297)	$(11,948)
Three months ended September 30, 2013					
Balance at June 30, 2013	$(12,941)	$ 1,050	$ (2,750)	$ (17,825)	$(32,466)
Other comprehensive income (loss) before reclassifications	(6,951)	(106)	—	—	(7,057)
Amounts reclassified from accumulated other comprehensive income (loss)	(1,774)	63	34	329	(1,348)
Balance at September 30, 2013	$(21,666)	$ 1,007	$ (2,716)	$ (17,496)	$(40,871)
Nine months ended September 30, 2014					
Balance at December 31, 2013	$(27,510)	$ 1,652	$ (2,682)	$ (8,801)	$(37,341)
Other comprehensive income (loss) before reclassifications	23,912	650	—	2,144	26,706
Amounts reclassified from accumulated other comprehensive income (loss)	(56)	(719)	102	(640)	(1,313)
Balance at September 30, 2014	$(3,654)	$ 1,583	$ (2,580)	$ (7,297)	$(11,948)
Nine months ended September 30, 2013					
Balance at December 31, 2012	$26,361	$ 613	$ (2,818)	$ (18,481)	$5,675
Other comprehensive income (loss) before reclassifications	(43,784)	1,332	—	—	(42,452)
Amounts reclassified from accumulated other comprehensive income (loss)	(4,243)	(938)	102	985	(4,094)
Balance at September 30, 2013	$(21,666)	$ 1,007	$ (2,716)	$ (17,496)	$(40,871)

NOTE D – Investment Securities

The following table presents the amortized cost and estimated fair values of investment securities, which were all classified as available for sale:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
September 30, 2014				
Equity securities	$34,380	$10,927	$(29)	$45,278
U.S. Government securities	200	—	—	200
U.S. Government sponsored agency securities	235	5	—	240
State and municipal securities	250,195	7,917	(496)	257,616
Corporate debt securities	99,670	5,777	(4,020)	101,427
Collateralized mortgage obligations	975,971	6,700	(27,631)	955,040
Mortgage-backed securities	954,412	14,201	(6,278)	962,335
Auction rate securities	158,725	1	(10,253)	148,473
	$2,473,788	$45,528	$(48,707)	$2,470,609

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
December 31, 2013				
Equity securities	$33,922	$12,355	$(76)	$46,201
U.S. Government securities	525	—	—	525
U.S. Government sponsored agency securities	720	7	(1)	726
State and municipal securities	281,810	6,483	(3,444)	284,849
Corporate debt securities	100,468	5,685	(7,404)	98,749
Collateralized mortgage obligations	1,069,138	8,036	(44,776)	1,032,398
Mortgage-backed securities	949,328	13,881	(17,497)	945,712
Auction rate securities	172,299	234	(13,259)	159,274
	$2,608,210	$46,681	$(86,457)	$2,568,434

Securities carried at $1.8 billion as of September 30, 2014 and $1.7 billion as of December 31, 2013 were pledged as collateral to secure public and trust deposits and customer repurchase agreements.

Equity securities include common stocks of financial institutions (estimated fair value of $39.3 million at September 30, 2014 and $40.6 million at December 31, 2013) and other equity investments (estimated fair value of $6.0 million at September 30, 2014 and $5.6 million at December 31, 2013).

As of September 30, 2014, the financial institutions stock portfolio had a cost basis of $28.6 million and an estimated fair value of $39.3 million, including an investment in a single financial institution with a cost basis of $20.0 million and an estimated fair value of $27.5 million. The estimated fair value of this investment accounted for 70.0% of the fair value of the Corporation's investments in the common stocks of publicly traded financial institutions. No other investment within the financial institutions stock portfolio exceeded 5% of the portfolio's estimated fair value.

The amortized cost and estimated fair values of debt securities as of September 30, 2014, by contractual maturity, are shown in the following table. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
	(in thousands)	
Due in one year or less	$13,218	$13,284
Due from one year to five years	75,307	78,967
Due from five years to ten years	187,966	193,537
Due after ten years	232,534	222,168
	509,025	507,956
Collateralized mortgage obligations	975,971	955,040
Mortgage-backed securities	954,412	962,335
	$2,439,408	$2,425,331

The following table presents information related to the gross realized gains and losses on the sales of equity and debt securities:

	Gross Realized Gains	Gross Realized Losses	Other-than-temporary Impairment Losses	Net Gains (Losses)
Three months ended September 30, 2014	(in thousands)			
Equity securities	$99	$—	$—	$99
Debt securities	—	—	(18)	(18)
Total	$99	$—	$(18)	$81
Three months ended September 30, 2013				
Equity securities	$2,135	$—	$—	$2,135
Debt securities	617	(22)	(97)	498
Total	$2,752	$(22)	$(97)	$2,633
Nine months ended September 30, 2014				
Equity securities	$100	$—	$(12)	$88
Debt securities	1,446	(323)	(18)	1,105
Total	$1,546	$(323)	$(30)	$1,193
Nine months ended September 30, 2013				
Equity securities	$4,357	$(28)	$(27)	$4,302
Debt securities	3,788	(22)	(97)	3,669
Total	$8,145	$(50)	$(124)	$7,971

The other-than-temporary impairment charges for equity securities during the three and nine months ended September 30, 2014 and 2013 were for investments in common stocks of financial institutions and were due to the severity and duration of the declines in the fair values of certain financial institution stocks, in conjunction with management's assessment of the near-term prospects of each specific financial institution.

The credit related other-than-temporary impairment charges for debt securities during the three and nine months ended September 30, 2014 and 2013 were for investments in pooled trust preferred securities issued by financial institutions. The credit related other-than-temporary impairment charges for the pooled trust preferred securities were determined based on an expected cash flows model.

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The following table presents a summary of the cumulative credit related other-than-temporary impairment charges, recognized as components of earnings, for debt securities held by the Corporation at September 30, 2014 and 2013:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
	(in thousands)			
Balance of cumulative credit losses on debt securities, beginning of period	$(17,214)	$(20,607)	$(20,691)	$(23,079)
Additions for credit losses recorded which were not previously recognized as components of earnings	(18)	(97)	(18)	(97)
Reductions for securities sold during the period	—	—	3,472	2,468
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	—	—	5	4
Balance of cumulative credit losses on debt securities, end of period	$(17,232)	$(20,704)	$(17,232)	$(20,704)

The following table presents the gross unrealized losses and estimated fair values of investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2014:

	Less than 12 months		12 months or longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(in thousands)					
State and municipal securities	$7,996	$(37)	$26,484	$(459)	$34,480	$(496)
Corporate debt securities	—	—	38,900	(4,020)	38,900	(4,020)
Collateralized mortgage obligations	53,189	(248)	652,396	(27,383)	705,585	(27,631)
Mortgage-backed securities	241,707	(527)	291,712	(5,751)	533,419	(6,278)
Auction rate securities	—	—	148,380	(10,253)	148,380	(10,253)
Total debt securities	302,892	(812)	1,157,872	(47,866)	1,460,764	(48,678)
Equity securities	269	(17)	77	(12)	346	(29)
	$303,161	$(829)	$1,157,949	$(47,878)	$1,461,110	$(48,707)

The Corporation's collateralized mortgage obligations and mortgage-backed securities have contractual terms that generally do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the decline in market value of these securities is attributable to changes in interest rates and not credit quality, and because the Corporation does not have the intent to sell and does not believe it will more likely than not be required to sell any of these securities prior to a recovery of their fair value to amortized cost, the Corporation does not consider these investments to be other-than-temporarily impaired as of September 30, 2014.

The unrealized holding losses on auction rate securities, or auction rate certificates (ARCs), are attributable to liquidity issues resulting from the failure of periodic auctions. The Corporation had previously purchased ARCs for investment management and trust customers as short-term investments with fair values that could be derived based on periodic auctions under normal market conditions. During 2008 and 2009, the Corporation purchased ARCs from these customers due to the failure of these periodic auctions, which made these previously short-term investments illiquid.

As of September 30, 2014, approximately $144 million, or 97%, of the ARCs were rated above investment grade, with approximately $6 million, or 4%, AAA rated and $104 million, or 72%, AA rated. Approximately $4 million, or 3%, of ARCs were either not rated or rated below investment grade by at least one ratings agency. Of this amount, approximately $3 million of the student loans underlying these ARCs have principal payments which are guaranteed by the federal government. In total, approximately $147 million, or 99%, of the student loans underlying the ARCs have principal payments that are guaranteed by the federal government.

During the nine months ended September 30, 2014, the Corporation sold ARCs with a total book value of $11.9 million, with no gain or loss upon sale. As of September 30, 2014, all ARCs were current and making scheduled interest payments. Based on management’s evaluations, ARCs with a fair value of $148.5 million were not subject to any other-than-temporary impairment charges as of September 30, 2014. The Corporation does not have the intent to sell and does not believe it will more likely than not be required to sell any of these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

For its investments in equity securities, particularly its investments in stocks of financial institutions, management evaluates the near-term prospects of the issuers in relation to the severity and duration of the impairment. Based on that evaluation and the Corporation’s ability and intent to hold those investments for a reasonable period of time sufficient for a recovery of fair value, the Corporation does not consider those investments with unrealized holding losses as of September 30, 2014 to be other-than-temporarily impaired.

The majority of the Corporation's available for sale corporate debt securities are issued by financial institutions. The following table presents the amortized cost and estimated fair value of corporate debt securities:

	September 30, 2014		December 31, 2013	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
	(in thousands)			
Single-issuer trust preferred securities	$47,546	$44,075	$47,481	$40,531
Subordinated debt	47,498	50,289	47,405	50,327
Pooled trust preferred securities	2,050	4,487	2,997	5,306
Corporate debt securities issued by financial institutions	97,094	98,851	97,883	96,164
Other corporate debt securities	2,576	2,576	2,585	2,585
Available for sale corporate debt securities	$99,670	$101,427	$100,468	$98,749

The Corporation’s investments in single-issuer trust preferred securities had an unrealized loss of $3.5 million at September 30, 2014. The Corporation did not record any other-than-temporary impairment charges for single-issuer trust preferred securities during the three or nine months ended September 30, 2014 or 2013. Six of the Corporation's 20 single-issuer trust preferred securities were rated below investment grade by at least one ratings agency, with an amortized cost of $13.5 million and an estimated fair value of $12.3 million at September 30, 2014. All of the single-issuer trust preferred securities rated below investment grade were rated BB or Ba. Three single-issuer trust preferred securities with an amortized cost of $4.7 million and an estimated fair value of $3.9 million at September 30, 2014 were not rated by any ratings agency.

During the nine months ended September 30, 2014, the Corporation sold two pooled trust preferred securities with a total amortized cost of $728,000, for a gain of $1.1 million. As of September 30, 2014, all six of the Corporation's pooled trust preferred securities, with an amortized cost of $2.1 million and an estimated fair value of $4.5 million, were rated below investment grade by at least one ratings agency, with ratings ranging from C to Ca. The class of securities held by the Corporation was below the most senior tranche, with the Corporation’s interests being subordinate to other investors in the pool. The Corporation determines the fair value of pooled trust preferred securities based on quotes provided by third-party brokers.

The amortized cost of pooled trust preferred securities is the purchase price of the securities, net of cumulative credit related other-than-temporary impairment charges, determined using an expected cash flows model. The most significant input to the expected cash flows model is the expected payment deferral rate for each pooled trust preferred security. The Corporation evaluates the financial metrics, such as capital ratios and non-performing assets ratios, of the individual financial institution issuers that comprise each pooled trust preferred security to estimate its expected deferral rate.

Based on management’s evaluations, corporate debt securities with a fair value of $101.4 million were not subject to any additional other-than-temporary impairment charges as of September 30, 2014. The Corporation does not have the intent to sell and does not believe it will more likely than not be required to sell any of these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

As mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), in December 2013, five regulatory bodies issued final rulings (Final Rules) implementing certain prohibitions and restrictions on the ability of a banking entity and non-bank financial company supervised by the Federal Reserve Board to engage in proprietary trading and have certain ownership interests in, or relationships with, a "covered fund" (the so-called "Volcker Rule"). The Final Rules generally treat as a covered fund any entity that would be an investment company under the Investment Company Act of 1940 (1940 Act) but for the application of the exemptions from SEC registration set forth in Section 3(c)(1) (fewer than 100 beneficial owners) or Section 3(c)(7) (qualified purchasers) of the 1940 Act. The Final Rules also require regulated entities to establish an internal compliance program that is consistent with the extent to which it engages in activities covered by the Volcker Rule, which must include making regular reports about those activities to regulators. Although the Final Rules provide some tiering of compliance and reporting obligations based on size, the fundamental prohibitions of the Volcker Rule apply to banking entities of any size, including the Corporation. Banking entities have until July 21, 2015 to conform their activities and investments to the requirements of the Final Rules. The Corporation does not engage in proprietary trading or in any other activities prohibited by the Final Rules. Based on the Corporation's evaluation of its investments, none fall within the definition of a "covered fund" and would need to be disposed of by July 21, 2015. Therefore, it does not currently expect that the Final Rules will have a material effect on its business, financial condition or results of operations.

NOTE E – Loans and Allowance for Credit Losses

Loans, Net of Unearned Income
Loans, net of unearned income are summarized as follows:

	September 30, 2014	December 31, 2013
	(in thousands)	
Real-estate - commercial mortgage	$5,156,979	$5,101,922
Commercial - industrial, financial and agricultural	3,691,262	3,628,420
Real-estate - home equity	1,733,036	1,764,197
Real-estate - residential mortgage	1,372,033	1,337,380
Real-estate - construction	687,728	573,672
Consumer	278,219	283,124
Leasing and other	120,144	99,256
Overdrafts	2,646	4,045
Loans, gross of unearned income	13,042,047	12,792,016
Unearned income	(11,642)	(9,796)
Loans, net of unearned income	$13,030,405	$12,782,220

Allowance for Credit Losses
The allowance for credit losses consists of the allowance for loan losses and the reserve for unfunded lending commitments. The allowance for loan losses represents management’s estimate of incurred losses in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The reserve for unfunded lending commitments represents management’s estimate of incurred losses in its unfunded loan commitments and is recorded in other liabilities on the consolidated balance sheet. The allowance for credit losses is increased by charges to expense, through the provision for credit losses, and decreased by charge-offs, net of recoveries.
The Corporation’s allowance for credit losses includes: (1) specific allowances allocated to loans evaluated for impairment under the FASB's ASC Section 310-10-35; and (2) allowances calculated for pools of loans measured for impairment under FASB ASC Subtopic 450-20.
The Corporation segments its loan portfolio by general loan type, or "portfolio segments," as presented in the table under the heading, "Loans, Net of Unearned Income," above. Certain portfolio segments are further disaggregated and evaluated collectively for impairment based on "class segments," which are largely based on the type of collateral underlying each loan. For commercial loans, class segments include loans secured by collateral and unsecured loans. Construction loan class segments include loans secured by commercial real estate, loans to commercial borrowers secured by residential real estate and loans to individuals secured by residential real estate. Consumer loan class segments include direct consumer installment loans and indirect automobile loans.
The following table presents the components of the allowance for credit losses:

	September 30, 2014	December 31, 2013
	(in thousands)	
Allowance for loan losses	$189,477	$202,780
Reserve for unfunded lending commitments	1,631	2,137
Allowance for credit losses	$191,108	$204,917

The following table presents the activity in the allowance for credit losses:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
	(in thousands)			
Balance at beginning of period	$193,442	$217,626	$204,917	$225,439
Loans charged off	(9,604)	(18,108)	(31,348)	(61,597)
Recoveries of loans previously charged off	3,770	3,820	8,039	10,996
Net loans charged off	(5,834)	(14,288)	(23,309)	(50,601)
Provision for credit losses	3,500	9,500	9,500	38,000
Balance at end of period	$191,108	$212,838	$191,108	$212,838

The following table presents the activity in the allowance for loan losses by portfolio segment:

	Real Estate - Commercial Mortgage	Commercial - Industrial, Financial and Agricultural	Real Estate - Home Equity	Real Estate - Residential Mortgage	Real Estate - Construction	Consumer	Leasing and other and overdrafts	Unallocated	Total
	(in thousands)								
Three months ended September 30, 2014									
Balance at June 30, 2014	$49,842	$ 49,084	$ 32,041	$ 32,744	$ 11,331	$ 3,306	$1,851	$ 11,486	$191,685
Loans charged off	(1,557)	(5,167)	(1,492)	(231)	(313)	(538)	(306)	—	(9,604)
Recoveries of loans previously charged off	1,167	1,013	336	95	470	448	241	—	3,770
Net loans charged off	(390)	(4,154)	(1,156)	(136)	157	(90)	(65)	—	(5,834)
Provision for loan losses (1)	(278)	6,110	406	397	(312)	244	180	(3,121)	3,626
Balance at September 30, 2014	$49,174	$ 51,040	$ 31,291	$ 33,005	$ 11,176	$ 3,460	$1,966	$ 8,365	$189,477
Three months ended September 30, 2013									
Balance at June 30, 2013	$58,696	$ 57,557	$ 25,736	$ 32,684	$ 14,471	$ 2,497	$2,925	$ 21,865	$216,431
Loans charged off	(3,724)	(9,394)	(2,365)	(767)	(598)	(473)	(787)	—	(18,108)
Recoveries of loans previously	185	2,295	198	245	379	294	224	—	3,820

charged off									
Net loans charged off	(3,539)	(7,099)	(2,167)	(522)	(219)	(179)	(563)	—	(14,288)
Provision for loan losses (1)	3,470	1,437	4,451	1,595	(1,221)	610	620	(2,619)	8,343
Balance at September 30, 2013	$58,627	$ 51,895	$ 28,020	$ 33,757	$ 13,031	$ 2,928	$ 2,982	$ 19,246	$210,486
Nine months ended September 30, 2014									
Balance at December 31, 2013	$55,659	$ 50,330	$ 28,222	$ 33,082	$ 12,649	$ 3,260	$ 3,370	$ 16,208	$202,780
Loans charged off	(5,084)	(15,804)	(4,377)	(2,166)	(745)	(1,738)	(1,434)	—	(31,348)
Recoveries of loans previously charged off	1,641	2,532	869	319	852	1,059	767	—	8,039
Net loans charged off	(3,443)	(13,272)	(3,508)	(1,847)	107	(679)	(667)	—	(23,309)
Provision for loan losses (1)	(3,042)	13,982	6,577	1,770	(1,580)	879	(737)	(7,843)	10,006
Balance at September 30, 2014	$49,174	$ 51,040	$ 31,291	$ 33,005	$ 11,176	$ 3,460	$ 1,966	$ 8,365	$189,477
Nine months ended September 30, 2013									
Balance at December 31, 2012	$62,928	$ 60,205	$ 22,776	$ 34,536	$ 17,287	$ 2,367	$ 2,752	$ 21,052	$223,903
Loans charged off	(13,050)	(24,856)	(6,735)	(8,282)	(5,181)	(1,456)	(2,037)	—	(61,597)
Recoveries of loans previously charged off	2,754	3,430	721	442	1,794	1,206	649	—	10,996
Net loans charged off	(10,296)	(21,426)	(6,014)	(7,840)	(3,387)	(250)	(1,388)	—	(50,601)
Provision for loan losses (1)	5,995	13,116	11,258	7,061	(869)	811	1,618	(1,806)	37,184
Balance at September 30, 2013	$58,627	$ 51,895	$ 28,020	$ 33,757	$ 13,031	$ 2,928	$ 2,982	$ 19,246	$210,486

(1) The provision for loan losses excluded a $126,000 and $506,000 decrease, respectively, in the reserve for unfunded lending commitments for the three and nine months ended September 30, 2014 and excluded a $1.2

million and $816,000 increase, respectively, in the reserve for unfunded lending commitments for the three and nine months ended September 30, 2013. The total provision for credit losses, comprised of allocations for both funded and unfunded loans, was $3.5 million and $9.5 million, respectively, for the three and nine months ended September 30, 2014 and $9.5 million and $38.0 million, respectively, for the three and nine months ended September 30, 2013.

The following table presents loans, net of unearned income and their related allowance for loan losses, by portfolio segment:

	Real Estate - Commercial Mortgage	Commercial - Industrial, Financial and Agricultural	Real Estate - Home Equity	Real Estate - Residential Mortgage	Real Estate - Construction	Consumer	Leasing and other and overdrafts	Unallocated (1)	Total
	(in thousands)								
Allowance for loan losses at September 30, 2014:									
Measured for impairment under FASB ASC Subtopic 450-20	$32,951	$39,098	$21,666	$11,503	$6,009	$3,439	$1,966	$8,365	$124,997
Evaluated for impairment under FASB ASC Section 310-10-35	16,223	11,942	9,625	21,502	5,167	21	—	N/A	64,480
	$49,174	$51,040	$31,291	$33,005	$11,176	$3,460	$1,966	$8,365	$189,477
Loans, net of unearned income at September 30, 2014:									
Measured for impairment under FASB ASC Subtopic 450-20	$5,095,263	$3,655,162	$1,719,049	$1,319,333	$658,822	$278,196	$111,148	N/A	$12,836,973
Evaluated for impairment under FASB ASC Section 310-10-35	61,716	36,100	13,987	52,700	28,906	23	—	N/A	193,432
	$5,156,979	$3,691,262	$1,733,036	$1,372,033	$687,728	$278,219	$111,148	N/A	$13,030,405
Allowance for loan losses at September 30, 2013:									
Measured for impairment under FASB ASC Subtopic 450-20	$43,262	$38,025	$18,482	$11,494	$8,648	$2,911	$2,982	$19,246	$145,050
Evaluated for impairment under FASB ASC Section 310-10-35	15,365	13,870	9,538	22,263	4,383	17	—	N/A	65,436
	$58,627	$51,895	$28,020	$33,757	$13,031	$2,928	$2,982	$19,246	$210,486
Loans, net of unearned income at September 30, 2013:									
Measured for impairment under FASB ASC Subtopic 450-20	$5,001,851	$3,593,038	$1,758,492	$1,277,200	$543,268	$296,122	$97,749	N/A	$12,567,720

Evaluated for impairment under FASB ASC Section 310-10-35	61,522	52,232	15,062	50,269	34,074	20	—	N/A	213,179
	$5,063,373	$3,645,270	$1,773,554	$1,327,469	$577,342	$296,142	$97,749	N/A	$12,780,899

(1) The unallocated allowance, which was approximately 4% and 9% of the total allowance for credit losses as of September 30, 2014 and September 30, 2013, respectively, was, in the opinion of management, reasonable and appropriate given that the estimates used in the allocation process are inherently imprecise.

N/A – Not applicable.

Impaired Loans

A loan is considered to be impaired if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. Impaired loans consist of all loans on non-accrual status and accruing troubled debt restructurings (TDRs). An allowance for loan losses is established for an impaired loan if its carrying value exceeds its estimated fair value. Impaired loans to borrowers with total outstanding commitments greater than or equal to $1.0 million are evaluated individually for impairment. Impaired loans to borrowers with total outstanding commitments less than $1.0 million are pooled and measured for impairment collectively. As of September 30, 2014 and December 31, 2013, substantially all of the Corporation’s individually evaluated impaired loans with total outstanding balances greater than or equal to $1.0 million were measured based on the estimated fair value of each loan’s collateral. Collateral could be in the form of real estate, in the case of impaired commercial mortgages and construction loans, or business assets, such as accounts receivable or inventory, in the case of commercial and industrial loans. Commercial and industrial loans may also be secured by real property.

As of September 30, 2014 and 2013, approximately 77% and 89%, respectively, of impaired loans with principal balances greater than or equal to $1.0 million, whose primary collateral is real estate, were measured at estimated fair value using state certified third-party appraisals that had been updated within the preceding 12 months.

When updated certified appraisals are not obtained for loans to commercial borrowers evaluated for impairment under FASB ASC Section 310-10-35 that are secured by real estate, fair values are estimated based on the original appraisal values, as long as the original appraisal indicated a strong loan-to-value position and, in the opinion of the Corporation's internal loan evaluation staff, there has not been a significant deterioration in the collateral value since the original appraisal was performed. Original appraisals are typically used only when the estimated collateral value, as adjusted appropriately for the age of the appraisal, results in a current loan-to-value ratio that is lower than the Corporation's loan-to-value requirements for new loans, generally less than 70%.

The following table presents total impaired loans by class segment:

	September 30, 2014			December 31, 2013		
	Unpaid Principal Balance	Recorded Investment	Related Allowance	Unpaid Principal Balance	Recorded Investment	Related Allowance
	(in thousands)					
With no related allowance recorded:						
Real estate - commercial mortgage	$26,102	$23,280	$—	$28,892	$24,494	$—
Commercial - secured	19,100	15,283	—	23,890	21,383	—
Real estate - home equity	—	—	—	399	300	—
Real estate - residential mortgage	1,075	1,075	—	—	—	—
Construction - commercial residential	20,725	14,761	—	18,943	13,740	—
Construction - commercial	1,361	1,245	—	2,996	1,976	—
	68,363	55,644		75,120	61,893	
With a related allowance recorded:						
Real estate - commercial mortgage	47,938	38,436	16,223	43,282	35,830	14,444
Commercial - secured	29,939	19,990	11,336	34,267	22,324	13,315
Commercial - unsecured	974	827	606	1,113	1,048	752
Real estate - home equity	19,810	13,987	9,625	20,383	14,337	9,059
Real estate - residential mortgage	62,182	51,625	21,502	63,682	51,097	21,745
Construction - commercial residential	18,046	11,990	4,769	25,769	14,579	3,493
Construction - commercial	1,834	629	260	485	195	77
Construction - other	452	281	138	719	548	301
Consumer - direct	18	18	16	11	11	10
Consumer - indirect	5	5	5	2	2	2
	181,198	137,788	64,480	189,713	139,971	63,198
Total	$249,561	$193,432	$64,480	$264,833	$201,864	$63,198

As of September 30, 2014 and December 31, 2013, there were $55.6 million and $61.9 million, respectively, of impaired loans that did not have a related allowance for loan loss. The estimated fair values of the collateral for these loans exceeded their carrying amount, or they were previously charged down to realizable collateral values. Accordingly, no specific valuation allowance was considered to be necessary.

The following table presents average impaired loans by class segment:

	Three months ended September 30				Nine months ended September 30			
	2014		2013		2014		2013	
	Average Recorded Investment	Interest Income Recognized (1)	Average Recorded Investment	Interest Income Recognized (1)	Average Recorded Investment	Interest Income Recognized (1)	Average Recorded Investment	Interest Income Recognized (1)
	(in thousands)							
With no related allowance recorded:								
Real estate - commercial mortgage	$23,056	$ 78	$27,120	$ 113	$23,524	$ 244	$29,630	394
Commercial - secured	18,903	29	33,644	49	20,014	98	32,528	131
Commercial - unsecured	—	—	—	—	—	—	33	—
Real estate - home equity	150	—	300	—	225	1	253	1
Real estate - residential mortgage	1,236	7	747	4	697	13	869	25
Construction - commercial residential	14,881	51	20,809	66	16,052	173	21,730	200
Construction - commercial	1,060	—	2,021	—	1,514	—	3,500	2
	59,286	165	84,641	232	62,026	529	88,543	753
With a related allowance recorded:								
Real estate - commercial mortgage	38,469	130	37,962	158	37,794	394	46,213	563
Commercial - secured	19,764	30	22,771	34	21,404	101	29,317	115
Commercial - unsecured	850	1	1,260	1	847	3	1,502	4
Real estate - home equity	14,116	30	14,761	17	14,106	78	14,031	49
Real estate - residential mortgage	51,283	298	51,365	290	51,257	894	52,581	924
Construction - commercial residential	11,189	38	12,053	39	10,480	100	11,774	121
Construction - commercial	942	—	525	—	567	—	1,641	3
Construction - other	281	—	501	—	414	—	517	1
Consumer - direct	18	—	18	—	15	—	21	—
Consumer - indirect	6	—	3	—	4	—	1	—
Leasing and other and overdrafts	—	—	—	—	—	—	14	—
	136,918	527	141,219	539	136,888	1,570	157,612	1,780
Total	$196,204	$ 692	$225,860	$ 771	$198,914	$ 2,099	$246,155	2,533

(1) All impaired loans, excluding accruing TDRs, were non-accrual loans. Interest income recognized for the three and nine months ended September 30, 2014 and 2013 represents amounts earned on accruing TDRs.

Credit Quality Indicators and Non-performing Assets

The following table presents internal credit risk ratings for real estate - commercial mortgages, commercial - secured loans, commercial - unsecured loans, construction - commercial residential loans and construction - commercial loans:

	Pass		Special Mention		Substandard or Lower		Total	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	(dollars in thousands)							
Real estate - commercial mortgage	$4,877,904	$4,763,987	$113,650	$141,013	$165,425	$196,922	$5,156,979	$5,101,922
Commercial - secured	3,243,731	3,167,168	138,136	111,613	129,273	125,382	3,511,140	3,404,163
Commercial - unsecured	162,620	209,836	12,246	11,666	5,256	2,755	180,122	224,257
Total commercial - industrial, financial and agricultural	3,406,351	3,377,004	150,382	123,279	134,529	128,137	3,691,262	3,628,420
Construction - commercial residential	170,027	146,041	28,517	31,522	42,875	57,806	241,419	235,369
Construction - commercial	370,187	258,441	1,469	2,932	5,550	8,124	377,206	269,497
Total construction (excluding Construction - other)	540,214	404,482	29,986	34,454	48,425	65,930	618,625	504,866
	$8,824,469	$8,545,473	$294,018	$298,746	$348,379	$390,989	$9,466,866	$9,235,208
% of Total	93.2 %	92.6 %	3.1 %	3.2 %	3.7 %	4.2 %	100.0 %	100.0 %

The following is a summary of the Corporation's internal risk rating categories:

- Pass: These loans do not currently pose undue credit risk and can range from the highest to average quality, depending on the degree of potential risk.
- Special Mention: These loans constitute an undue and unwarranted credit risk, but not to a point of justifying a classification of substandard. Loans in this category are currently acceptable, but are nevertheless potentially weak.
- Substandard or Lower: These loans are inadequately protected by current sound worth and paying capacity of the borrower. There exists a well-defined weakness or weaknesses that jeopardize the normal repayment of the debt.

The Corporation believes that internal risk ratings are the most relevant credit quality indicator for the class segments presented above. The migration of loans through the various internal risk rating categories is a significant component of the allowance for credit loss methodology, which bases the probability of default on this migration. Assigning risk ratings involves judgment. Risk ratings are initially assigned to loans by loan officers and are reviewed on a regular basis by credit administration staff. The Corporation's loan review officers provide a separate assessment of risk rating accuracy. Ratings may be changed based on the ongoing monitoring procedures performed by loan officers or credit administration staff, or if specific loan review activities identify a deterioration or an improvement in the loan. The risk rating process allows management to identify riskier credits in a timely manner and to allocate resources to managing troubled accounts.

The Corporation does not assign internal risk ratings to smaller balance, homogeneous loans, such as home equity, residential mortgage, consumer, leasing and other and construction loans to individuals secured by residential real estate. For these loans, the most relevant credit quality indicator is delinquency status. The migration of these loans through the various delinquency status categories is a significant component of the allowance for credit losses methodology, which bases the probability of default on this migration.

The following table presents a summary of delinquency and non-performing status for home equity, real estate - residential mortgages, construction loans to individuals and consumer, leasing and other loans by class segment:

	Performing		Delinquent (1)		Non-performing (2)		Total	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	(dollars in thousands)							
Real estate - home equity	$1,707,659	$1,731,185	$10,306	$16,029	$15,071	$16,983	$1,733,036	$1,764,197
Real estate - residential mortgage	1,319,002	1,282,754	24,896	23,279	28,135	31,347	1,372,033	1,337,380
Construction - other	68,822	68,258	—	—	281	548	69,103	68,806
Consumer - direct	115,449	126,666	3,025	3,586	2,359	2,391	120,833	132,643
Consumer - indirect	155,027	147,017	2,203	3,312	156	152	157,386	150,481
Total consumer	270,476	273,683	5,228	6,898	2,515	2,543	278,219	283,124
Leasing and other and overdrafts	110,491	92,876	269	581	388	48	111,148	93,505
	$3,476,450	$3,448,756	$40,699	$46,787	$46,390	$51,469	$3,563,539	$3,547,012
% of Total	97.6 %	97.2 %	1.2 %	1.3 %	1.3 %	1.5 %	100.0 %	100.0 %

(1) Includes all accruing loans 31 days to 89 days past due.
(2) Includes all accruing loans 90 days or more past due and all non-accrual loans.

The following table presents non-performing assets:

	September 30, 2014	December 31, 2013
	(in thousands)	
Non-accrual loans	$126,420	$133,753
Accruing loans greater than 90 days past due	17,428	20,524
Total non-performing loans	143,848	154,277
Other real estate owned (OREO)	13,489	15,052
Total non-performing assets	$157,337	$169,329

The following table presents TDRs, by class segment:

	September 30, 2014	December 31, 2013
	(in thousands)	
Real-estate - residential mortgage	$30,850	$28,815
Real-estate - commercial mortgage	18,869	19,758
Construction - commercial residential	9,251	10,117
Commercial - secured	5,042	7,933
Real estate - home equity	2,904	1,365
Commercial - unsecured	73	112
Consumer - direct	18	11
Consumer - indirect	5	—
Total accruing TDRs	67,012	68,111

Non-accrual TDRs (1)	27,724	30,209
Total TDRs	$94,736	$98,320

(1) Included within non-accrual loans in the preceding table detailing non-performing assets.

As of September 30, 2014 and December 31, 2013, there were $4.6 million and $9.6 million, respectively, of commitments to lend additional funds to borrowers whose loans were modified under TDRs.

The following table presents TDRs, by class segment, as of September 30, 2014 and 2013 that were modified during the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30				Nine months ended September 30			
	2014		2013		2014		2013	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(dollars in thousands)							
Real estate - commercial mortgage	1	$ 391	4	$ 3,774	10	$ 10,195	13	$ 8,428
Construction - commercial residential	—	—	2	4,427	2	1,914	5	9,542
Real estate - residential mortgage	3	256	5	836	18	2,092	44	6,861
Real estate - home equity	6	764	14	1,071	26	1,627	42	2,928
Commercial - secured	3	1,214	—	—	4	1,357	8	592
Consumer - indirect	—	—	—	—	4	7	—	—
Consumer - direct	—	—	—	—	6	8	9	2
Commercial - unsecured	—	—	—	—	—	—	1	15
Total	13	$ 2,625	25	$ 10,108	70	$ 17,200	122	$ 28,368

The following table presents TDRs, by class segment, as of September 30, 2014 and 2013 that were modified within the previous 12 months and had a post-modification payment default during the nine months ended September 30, 2014 and 2013. The Corporation defines a payment default as a single missed payment.

	2014		2013	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(dollars in thousands)			
Real estate - residential mortgage	8	$ 1,147	20	$ 3,460
Real estate - home equity	5	724	18	1,419
Construction - commercial residential	3	2,509	1	608
Real estate - commercial mortgage	1	35	5	2,062
Commercial - secured	3	415	1	100
Consumer - direct	—	—	3	1
Total	20	$ 4,830	48	$ 7,650

The following table presents past due status and non-accrual loans by portfolio segment and class segment:

	September 30, 2014							
	31-59 Days Past Due	60-89 Days Past Due	≥ 90 Days Past Due and Accruing	Non-accrual	Total ≥ 90 Days	Total Past Due	Current	Total
	(in thousands)							
Real estate - commercial mortgage	$19,506	$5,074	$1,755	$42,847	$44,602	$69,182	$5,087,797	$5,156,979
Commercial - secured	7,530	1,215	2,292	30,231	32,523	41,268	3,469,872	3,511,140
Commercial - unsecured	1,528	209	—	754	754	2,491	177,631	180,122
Total commercial - industrial, financial and agricultural	9,058	1,424	2,292	30,985	33,277	43,759	3,647,503	3,691,262
Real estate - home equity	8,094	2,212	3,988	11,083	15,071	25,377	1,707,659	1,733,036
Real estate - residential mortgage	17,102	7,794	6,285	21,850	28,135	53,031	1,319,002	1,372,033
Construction - commercial residential	215	—	205	17,500	17,705	17,920	223,499	241,419
Construction - commercial	—	—	—	1,874	1,874	1,874	375,332	377,206
Construction - other	—	—	—	281	281	281	68,822	69,103
Total real estate - construction	215	—	205	19,655	19,860	20,075	667,653	687,728
Consumer - direct	2,032	993	2,359	—	2,359	5,384	115,449	120,833
Consumer - indirect	1,815	388	156	—	156	2,359	155,027	157,386
Total consumer	3,847	1,381	2,515	—	2,515	7,743	270,476	278,219
Leasing and other and overdrafts	185	84	388	—	388	657	110,491	111,148
Total	$58,007	$17,969	$17,428	$126,420	$143,848	$219,824	$12,810,581	$13,030,405

	December 31, 2013							
	31-59 Days Past Due	60-89 Days Past Due	≥ 90 Days Past Due and Accruing	Non-accrual	Total ≥ 90 Days	Total Past Due	Current	Total
	(in thousands)							
Real estate - commercial mortgage	$15,474	$4,009	$3,502	$40,566	$44,068	$63,551	$5,038,371	$5,101,922
Commercial - secured	8,916	1,365	1,311	35,774	37,085	47,366	3,356,797	3,404,163
Commercial - unsecured	332	125	—	936	936	1,393	222,864	224,257
Total commercial - industrial, financial and agricultural	9,248	1,490	1,311	36,710	38,021	48,759	3,579,661	3,628,420
Real estate - home equity	13,555	2,474	3,711	13,272	16,983	33,012	1,731,185	1,764,197
Real estate - residential mortgage	16,969	6,310	9,065	22,282	31,347	54,626	1,282,754	1,337,380
Construction - commercial residential	—	645	346	18,202	18,548	19,193	216,176	235,369
	14	—	—	2,171	2,171	2,185	267,312	269,497

Construction - commercial								
Construction - other	—	—	—	548	548	548	68,258	68,806
Total real estate - construction	14	645	346	20,921	21,267	21,926	551,746	573,672
Consumer - direct	2,091	1,495	2,391	—	2,391	5,977	126,666	132,643
Consumer - indirect	2,864	448	150	2	152	3,464	147,017	150,481
Total consumer	4,955	1,943	2,541	2	2,543	9,441	273,683	283,124
Leasing and other and overdrafts	559	22	48	—	48	629	92,876	93,505
Total	$60,774	$16,893	$20,524	$133,753	$154,277	$231,944	$12,550,276	$12,782,220

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NOTE F – Mortgage Servicing Rights

The following table summarizes the changes in mortgage servicing rights (MSRs), which are included in other assets on the consolidated balance sheets:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
	(in thousands)			
Amortized cost:				
Balance at beginning of period	$42,586	$41,750	$42,452	$39,737
Originations of mortgage servicing rights	1,456	2,909	3,807	10,371
Amortization	(1,664)	(2,031)	(3,881)	(7,480)
Balance at end of period	$42,378	$42,628	$42,378	$42,628
Valuation allowance:				
Balance at beginning of period	$—	$(1,690)	$—	$(3,680)
Reversals	—	1,690	—	3,680
Balance at end of period	$—	$—	$—	$—
Net MSRs at end of period	$42,378	$42,628	$42,378	$42,628

MSRs represent the economic value of existing contractual rights to service mortgage loans that have been sold. Accordingly, actual and expected prepayments of the underlying mortgage loans can impact the value of MSRs.

The Corporation estimates the fair value of its MSRs by discounting the estimated cash flows from servicing income, net of expense, over the expected life of the underlying loans at a discount rate commensurate with the risk associated with these assets. Expected life is based on the contractual terms of the loans, as adjusted for prepayment projections.

No adjustment to the valuation allowance was necessary for three and nine months ended September 30, 2014. A decrease to the valuation allowance of $1.7 million and $3.7 million was recorded for the three and nine months ended September 30, 2013.

The Corporation accounts for MSRs at the lower of amortized cost or fair value. As of September 30, 2014, the estimated fair value of MSRs was $47.9 million, which exceeded their book value. Therefore, no increase to the valuation allowance was necessary during the three or nine months ended September 30, 2014.

NOTE G – Stock-Based Compensation

The fair value of equity awards granted to employees is recognized as compensation expense over the period during which employees are required to provide service in exchange for such awards. The Corporation grants equity awards to employees, consisting of stock options, restricted stock, RSUs and PSUs under its Amended and Restated Equity and Cash Incentive Compensation Plan (Employee Option Plan). In addition, employees may purchase stock under the Corporation’s Employee Stock Purchase Plan.

The Corporation also grants stock equity awards to non-employee members of the board of directors under its 2011 Directors’ Equity Participation Plan (Directors’ Plan). Under the Directors’ Plan, the Corporation can grant equity awards to non-employee holding company and subsidiary bank directors in the form of stock options, restricted stock or common stock.

Equity awards issued under the Employee Option Plan are generally granted annually and become fully vested over or after a three year vesting period. Equity awards under the Directors' Plan generally vest immediately upon grant. Certain events, as defined in the Employee Option Plan and the Directors' Plan, result in the acceleration of the vesting of equity awards.

The following table presents compensation expense and the related tax benefits for equity awards recognized in the consolidated statements of income:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
	(in thousands)			
Stock-based compensation expense	$1,288	$979	$4,310	$4,186
Tax benefit	(358)	(272)	(1,067)	(1,183)
Stock-based compensation expense, net of tax	$930	$707	$3,243	$3,003

Stock option fair values are estimated through the use of the Black-Scholes valuation methodology as of the date of grant. Stock options carry terms of up to ten years. The fair value of restricted stock is based on the trading price of the Corporation’s stock on the date of grant. Restricted stock awards earn dividends during the vesting period, which are forfeitable if the awards do not vest.

During the three and nine months ended September 30, 2014, the Corporation granted approximately 389,000 PSUs, 289,000 stock options and 105,000 RSUs under its Employee Option Plan. The fair value of RSUs and a majority of PSUs are based on the trading price of the Corporation's stock on the date of grant. The fair value of certain PSUs are estimated through the use of the Monte Carlo valuation methodology as of the date of grant. RSUs become fully vested over or after a three year vesting period, however, certain events, as defined in the Employee Option Plan, can result in the acceleration of the vesting of RSUs. RSUs and PSUs earn dividends during the vesting period, which are forfeitable if the awards do not vest. The fair value of PSUs, which is recognized as compensation expense over the period during which employees are required to provide service in exchange for such awards, may vary, based on the expectations for actual performance relative to defined performance measures. As of September 30, 2014, the Employee Option Plan had 11.2 million shares reserved for future grants through 2023. During the nine months ended September 30, 2014, the Corporation granted approximately 13,000 shares of stock under its Directors' Plan. As of September 30, 2014, the Directors’ Plan had approximately 424,000 shares reserved for future grants through 2021.

NOTE H – Employee Benefit Plans

The Corporation maintains a defined benefit pension plan (Pension Plan) for certain employees, which was curtailed effective January 1, 2008. Contributions to the Pension Plan are actuarially determined and funded annually, if required. Pension Plan assets are invested in: money markets; fixed income securities, including corporate bonds, U.S. Treasury securities and common trust funds; and equity securities, including common stocks and common stock mutual funds.

The net periodic benefit cost for the Corporation’s Pension Plan, as determined by a third-party actuary, consisted of the following components:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
	(in thousands)			
Service cost (1)	$92	$51	$276	$153
Interest cost	853	772	2,559	2,316
Expected return on plan assets	(811)	(800)	(2,432)	(2,400)
Net amortization and deferral	244	596	732	1,788
Net periodic benefit cost	$378	$619	$1,135	$1,857

(1) The Pension Plan service cost recorded for the three and nine months ended September 30, 2014 and 2013, respectively, was related to administrative costs associated with the plan and was not due to the accrual of additional participant benefits.

The Corporation currently provides medical and life insurance benefits under a postretirement benefits plan (Postretirement Plan) to certain retired full-time employees who were employees of the Corporation prior to January 1, 1998.

Effective February 1, 2014, the Corporation amended the Postretirement Plan, making all active full-time employees ineligible for benefits under this plan. As a result of this amendment, the Corporation recorded a $1.5 million gain in 2014, as determined by a third-party actuary and included as a component of salaries and employee benefits on the consolidated statements of income. The gain resulted from the recognition of the remaining prior service cost prior to the amendment date as of December 31, 2013. In addition, this amendment resulted in a $3.3 million decrease in the accumulated postretirement benefit obligation and a corresponding increase in unrecognized prior service cost credits.

The net periodic benefit (income) cost of the Corporation’s Postretirement Plan as determined by consulting actuaries, consisted of the following components, excluding the impact of the $1.5 million plan amendment gain:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
	(in thousands)			
Service cost (1)	$—	$57	$15	$171
Interest cost	48	81	157	243
Net accretion and deferral	(84)	(91)	(263)	(273)
Net periodic benefit (income) cost	$(36)	$47	$(91)	$141

(1) As a result of the plan amendment, additional participant benefits are not accrued under the Postretirement Plan after February 1, 2014. Service costs recorded after the effective date of the amendment represent administrative costs associated with the plan.

The Corporation recognizes the funded status of its Pension Plan and Postretirement Plan on the consolidated balance sheets and recognizes the change in that funded status through other comprehensive income.

NOTE I – Derivative Financial Instruments

The Corporation manages its exposure to certain interest rate and foreign currency risks through the use of derivatives. None of the Corporation's outstanding derivative contracts are designated as hedges and none are entered into for speculative purposes. Derivative instruments are carried at fair value, with changes in fair values recognized in earnings as components of non-interest income and non-interest expense on the consolidated statements of income. Derivative contracts create counterparty credit risk with both the Corporation's customers and with institutional derivative counterparties. The Corporation manages credit risk through its credit approval processes, monitoring procedures and obtaining adequate collateral, when the Corporation determines it is appropriate to do so.

Mortgage Banking Derivatives

In connection with its mortgage banking activities, the Corporation enters into commitments to originate certain fixed rate residential mortgage loans for customers, also referred to as interest rate locks. In addition, the Corporation enters into forward commitments for the future sales or purchases of mortgage-backed securities to or from third-party counterparties to hedge the effect of changes in interest rates on the values of both the interest rate locks and mortgage loans held for sale. Forward sales commitments may also be in the form of commitments to sell individual mortgage loans or interest rate locks at a fixed price at a future date. The amount necessary to settle each interest rate lock is based on the price that secondary market investors would pay for loans with similar characteristics, including interest rate and term, as of the date fair value is measured. Gross derivative assets and liabilities are recorded within other assets and other liabilities, respectively, on the consolidated balance sheets, with changes in fair values during the period recorded within mortgage banking income on the consolidated statements of income.

Interest Rate Swaps

The Corporation enters into interest rate swaps with certain qualifying commercial loan customers to meet their interest rate risk management needs. The Corporation simultaneously enters into interest rate swaps with dealer counterparties, with identical notional amounts and terms. The net result of these interest rate swaps is that the customer pays a fixed rate of interest and the Corporation receives a floating rate. These interest rate swaps are derivative financial instruments that are recorded at their fair values within other assets and liabilities on the consolidated balance sheets. Changes in fair value during the period are recorded within other non-interest expense on the consolidated statements of income.

Foreign Exchange Contracts

The Corporation enters into foreign exchange contracts to accommodate the needs of its customers. Foreign exchange contracts are commitments to buy or sell foreign currency on a future date at a contractual price. The Corporation offsets its foreign exchange contract exposure with customers by entering into contracts with third-party correspondent financial institutions to mitigate its exposure to fluctuations in foreign currency exchange rates. The

Corporation also holds certain amounts of foreign currency with international correspondent banks. The Corporation's policy limits the total net foreign currency open positions, which includes all outstanding contracts and foreign account balances, to $500,000. Gross derivative assets and liabilities are recorded within other assets and other liabilities, respectively, on the consolidated balance sheets, with changes in fair values during the period recorded within other service charges and fees on the consolidated statements of income.

The following table presents a summary of the notional amounts and fair values of derivative financial instruments:

	September 30, 2014		December 31, 2013	
	Notional Amount	Asset (Liability) Fair Value	Notional Amount	Asset (Liability) Fair Value
	(in thousands)			
Interest Rate Locks with Customers				
Positive fair values	$92,136	$1,324	$75,217	$867
Negative fair values	937	(16)	11,393	(59)
Net interest rate locks with customers		1,308		808
Forward Commitments				
Positive fair values	6,165	23	87,904	1,263
Negative fair values	98,323	(392)	2,373	(5)
Net forward commitments		(369)		1,258
Interest Rate Swaps with Customers				
Positive fair values	360,442	10,027	111,899	2,105
Negative fair values	54,308	(615)	105,673	(2,993)
Net interest rate swaps with customers		9,412		(888)
Interest Rate Swaps with Dealer Counterparties				
Positive fair values	54,308	615	105,673	2,993
Negative fair values	360,442	(10,027)	111,899	(2,105)
Net interest rate swaps with dealer counterparties		(9,412)		888
Foreign Exchange Contracts with Customers				
Positive fair values	17,434	959	2,150	24
Negative fair values	6,273	(424)	12,775	(343)
Net foreign exchange contracts with customers		535		(319)
Foreign Exchange Contracts with Correspondent Banks				
Positive fair values	6,554	428	17,348	498
Negative fair values	16,988	(871)	5,872	(48)
Net foreign exchange contracts with correspondent banks		(443)		450
Net derivative fair value asset		$1,031		$2,197

The following table presents a summary of the fair value gains and losses on derivative financial instruments:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
	(in thousands)			
Interest rate locks with customers	$(1,092)	$4,717	$500	$(3,707)
Forward commitments	1,374	(12,244)	(1,627)	(1,969)
Interest rate swaps with customers	(40)	1,009	10,300	(5,270)
Interest rate swaps with dealer counterpartie				