FIRST CITIZENS BANCSHARES INC /DE/
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**
**Commission File Number: 001-16715**

# First Citizens BancShares, Inc.

**(Exact name of Registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **56-1528994** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification Number)** |
| **4300 Six Forks Road, Raleigh, North Carolina** | **27609** |
| **(Address of principle executive offices)** | **(Zip code)** |

**(919) 716-7000**

**(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 twelve 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 ninety 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 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 definition of accelerated filer and large accelerated filer 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

**Class A Common Stock $1 Par Value 8,756,778 shares**

**Class B Common Stock $1 Par Value 1,677,675 shares**

**(Number of shares outstanding, by class, as of May 10, 2011)**

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**Part 1**

**Item 1. Financial Statements (Unaudited)**

**First Citizens BancShares, Inc. and Subsidiaries**

**Consolidated Balance Sheets**

| | March 31* 2011 | December 31# 2010 | March 31* 2010 |
|---|---|---|---|
| | (thousands, except share data) | | |
| **Assets** | | | |
| Cash and due from banks | **$ 406,252** | $ 460,178 | $ 745,180 |
| Overnight investments | **585,286** | 398,390 | 866,562 |
| Investment securities available for sale | **4,202,016** | 4,510,076 | 3,375,158 |
| Investment securities held to maturity | **2,341** | 2,532 | 3,324 |
| Loans held for sale | **48,222** | 88,933 | 59,530 |
| Loans and leases: | | | |
| Covered by loss share agreements | **2,658,134** | 2,007,452 | 2,602,261 |
| Not covered by loss share agreements | **11,392,351** | 11,480,577 | 11,640,041 |
| Less allowance for loan and lease losses | **232,597** | 227,765 | 176,273 |
| Net loans and leases | **13,817,888** | 13,260,264 | 14,066,029 |
| Premises and equipment | **839,463** | 842,745 | 839,960 |
| Other real estate owned: | | | |
| Covered by loss share agreements | **137,479** | 112,748 | 109,783 |
| Not covered by loss share agreements | **49,584** | 52,842 | 48,368 |
| Income earned not collected | **98,501** | 83,644 | 73,368 |
| Receivable from FDIC for loss share agreements | **624,322** | 623,261 | 687,455 |
| Goodwill | **102,625** | 102,625 | 102,625 |
| Other intangible assets | **9,265** | 9,897 | 14,522 |
| Other assets | **244,251** | 258,524 | 223,827 |
| **Total assets** | **$ 21,167,495** | $ 20,806,659 | $ 21,215,691 |
| **Liabilities** | | | |
| Deposits: | | | |
| Noninterest-bearing | **$ 4,164,449** | $ 3,976,366 | $ 3,762,622 |
| Interest-bearing | **13,647,287** | 13,658,900 | 14,081,205 |
| Total deposits | **17,811,736** | 17,635,266 | 17,843,827 |
| Short-term borrowings | **666,417** | 546,597 | 594,121 |
| Long-term obligations | **801,081** | 809,949 | 922,207 |
| Other liabilities | **99,128** | 81,885 | 187,946 |
| **Total liabilities** | **19,378,362** | 19,073,697 | 19,548,101 |
| **Shareholders Equity** | | | |
| Common stock: | | | |
| Class A - $1 par value (8,756,778 shares issued for all periods) | **8,757** | 8,757 | 8,757 |
| Class B - $1 par value (1,677,675 shares issued for all periods) | **1,678** | 1,678 | 1,678 |
| Surplus | **143,766** | 143,766 | 143,766 |
| Retained earnings | **1,674,839** | 1,615,290 | 1,538,248 |
| Accumulated other comprehensive loss | **(39,907)** | (36,529) | (24,859) |

| | | | |
|---|---|---|---|
| **Total shareholders equity** | **1,789,133** | 1,732,962 | 1,667,590 |
| **Total liabilities and shareholders equity** | **$ 21,167,495** | $ 20,806,659 | $ 21,215,691 |

* Unaudited

\# Derived from the 2010 Annual Report on Form 10-K.

See accompanying Notes to Consolidated Financial Statements.

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**First Citizens BancShares, Inc. and Subsidiaries**

**Consolidated Statements of Income**

| | Three Months Ended March 31 2011 | 2010 |
|---|---|---|
| | (thousands, except share and per share data, unaudited) | |
| **Interest income** | | |
| Loans and leases | $ 231,453 | $ 187,074 |
| Investment securities: | | |
| U. S. Treasury and government agency | 8,257 | 9,350 |
| Residential mortgage-backed securities | 2,653 | 1,564 |
| Corporate bonds | 2,176 | 2,135 |
| State, county and municipal | 13 | 33 |
| Other | 259 | 70 |
| Total investment securities interest and dividend income | 13,358 | 13,152 |
| Overnight investments | 389 | 474 |
| Total interest income | 245,200 | 200,700 |
| **Interest expense** | | |
| Deposits | 29,820 | 38,116 |
| Short-term borrowings | 1,697 | 756 |
| Long-term obligations | 9,696 | 10,792 |
| Total interest expense | 41,213 | 49,664 |
| Net interest income | 203,987 | 151,036 |
| Provision for loan and lease losses | 44,419 | 16,930 |
| Net interest income after provision for loan and lease losses | 159,568 | 134,106 |
| **Noninterest income** | | |
| Gain on acquisitions | 65,508 | 136,000 |
| Cardholder and merchant services | 26,780 | 23,788 |
| Service charges on deposit accounts | 15,790 | 18,827 |
| Wealth management services | 13,288 | 11,734 |
| Fees from processing services | 7,246 | 7,223 |
| Securities (losses) gains | (449) | 1,131 |
| Other service charges and fees | 5,957 | 4,648 |
| Mortgage income | 2,315 | 1,411 |
| Insurance commissions | 2,534 | 2,806 |
| ATM income | 1,590 | 1,655 |
| Adjustments to FDIC receivable for loss share agreements | (10,379) | 2,587 |
| Other | 910 | 139 |
| Total noninterest income | 131,090 | 211,949 |
| **Noninterest expense** | | |
| Salaries and wages | 75,804 | 72,160 |
| Employee benefits | 19,649 | 18,311 |
| Occupancy expense | 18,313 | 17,836 |
| Equipment expense | 17,391 | 15,815 |
| FDIC deposit insurance | 8,225 | 4,887 |
| Foreclosure-related expenses | 5,488 | 4,061 |
| Other | 45,158 | 39,880 |

| | | |
|---|---|---|
| Total noninterest expense | 190,028 | 172,950 |
| Income before income taxes | 100,630 | 173,105 |
| Income taxes | 37,951 | 66,494 |
| **Net income** | $ 62,679 | $ 106,611 |
| Average shares outstanding | 10,434,453 | 10,434,453 |
| Net income per share | $ 6.01 | $ 10.22 |

See accompanying Notes to Consolidated Financial Statements.

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**First Citizens BancShares, Inc. and Subsidiaries**

**Consolidated Statements of Changes in Shareholders Equity**

| | Class A Common Stock | Class B Common Stock | Surplus | Retained Earnings | Accumulated Other Comprehensive Income (loss) | Total Shareholders Equity |
|---|---|---|---|---|---|---|
| | | | (thousands, except share data, unaudited) | | | |
| Balance at December 31, 2009 | $ 8,757 | $ 1,678 | $ 143,766 | $ 1,429,863 | $ (24,949) | $ 1,559,115 |
| Adjustment resulting from adoption of a change in accounting for QSPEs and controlling financial interests effective January 1, 2010 | 0 | 0 | 0 | 4,904 | 0 | 4,904 |
| Comprehensive income: | | | | | | |
| Net income | 0 | 0 | 0 | 106,611 | 0 | 106,611 |
| Change in unrealized securities gains arising during period, net of $1,173 deferred tax | 0 | 0 | 0 | 0 | 1,650 | 1,650 |
| Reclassification adjustment for gains included in net income, net of $447 deferred tax benefit | 0 | 0 | 0 | 0 | (684) | (684) |
| Change in unrecognized loss on cash flow hedges, net of $572 deferred tax benefit | 0 | 0 | 0 | 0 | (876) | (876) |
| Total comprehensive income | | | | | | 106,701 |
| Cash dividends | 0 | 0 | 0 | (3,130) | 0 | (3,130) |
| Balance at March 31, 2010 | $ 8,757 | $ 1,678 | $ 143,766 | $ 1,538,248 | $ (24,859) | $ 1,667,590 |
| Balance at December 31, 2010 | $ 8,757 | $ 1,678 | $ 143,766 | $ 1,615,290 | $ (36,529) | $ 1,732,962 |
| Comprehensive income: | | | | | | |
| Net income | 0 | 0 | 0 | 62,679 | 0 | 62,679 |
| Change in unrealized securities gains arising during period, net of $3,447 deferred tax benefit | 0 | 0 | 0 | 0 | (5,692) | (5,692) |
| Reclassification adjustment for losses included in net income, net of $177 deferred tax | 0 | 0 | 0 | 0 | 272 | 272 |
| Change in unrecognized loss on cash flow hedges, net of $678 deferred tax | 0 | 0 | 0 | 0 | 1,039 | 1,039 |
| Change in pension obligation, net of $645 deferred tax | 0 | 0 | 0 | 0 | 1,003 | 1,003 |
| Total comprehensive income | | | | | | 59,301 |
| Cash dividends | 0 | 0 | 0 | (3,130) | 0 | (3,130) |
| Balance at March 31, 2011 | $ 8,757 | $ 1,678 | $ 143,766 | $ 1,674,839 | $ (39,907) | $ 1,789,133 |

See accompanying Notes to Consolidated Financial Statements.

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**Consolidated Statements of Cash Flows**

**First Citizens BancShares, Inc. and Subsidiaries**

| | For the three months ended March 31, 2011 | 2010 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net income | $ 62,679 | $ 106,611 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Amortization of intangibles | 1,169 | 1,578 |
| Provision for loan and lease losses | 44,419 | 16,930 |
| Deferred tax (benefit) expense | 1,155 | (16,448) |
| Change in current taxes payable | 30,455 | 24,399 |
| Depreciation | 16,114 | 15,299 |
| Change in accrued interest payable | (9,074) | (4,761) |
| Change in income earned not collected | (9,582) | (5,024) |
| Gain on acquisitions | (65,508) | (136,000) |
| Securities losses (gains) | 449 | (1,131) |
| Origination of loans held for sale | (87,719) | (114,974) |
| Proceeds from sale of loans | 130,641 | 124,196 |
| Gain on sale of loans | (2,211) | (1,371) |
| Loss on sale of other real estate | 2,074 | 2,809 |
| Net amortization of premiums and discounts | (35,624) | 10,991 |
| Net change in FDIC receivable for loss share agreements | 128,845 | 19,917 |
| Net change in other assets | 143,341 | 41,963 |
| Net change in other liabilities | (14,193) | 46,520 |
| Net cash provided by operating activities | 337,430 | 131,504 |
| INVESTING ACTIVITIES | | |
| Net change in loans outstanding | 119,185 | 200,380 |
| Purchases of investment securities held to maturity | 0 | 1 |
| Purchases of investment securities available for sale | (141,592) | (672,023) |
| Proceeds from maturities of investment securities held to maturity | 191 | 278 |
| Proceeds from maturities of investment securities available for sale | 522,893 | 261,201 |
| Proceeds from sales of investment securities available for sale | 191,697 | 24,137 |
| Net change in overnight investments | (186,896) | (143,302) |
| Proceeds from sale of other real estate | 18,067 | 33,912 |
| Additions to premises and equipment | (12,832) | (18,177) |
| Net cash received from acquisitions | 962,977 | 106,489 |
| Net cash provided (used) by investing activities | 1,473,690 | (207,104) |
| FINANCING ACTIVITIES | | |
| Net change in time deposits | (367,974) | 85,986 |
| Net change in demand and other interest-bearing deposits | (1,060,414) | 712,543 |
| Net change in short-term borrowings | (217,033) | (454,861) |
| Repayment of long-term obligations | (216,495) | 0 |
| Cash dividends paid | (3,130) | (3,130) |
| Net cash provided (used) by financing activities | (1,865,046) | 340,538 |
| Change in cash and due from banks | (53,926) | 264,938 |
| Cash and due from banks at beginning of period | 460,178 | 480,242 |

| | | | | |
|---|---|---|---|---|
| Cash and due from banks at end of period | $ | 406,252 | $ | 745,180 |
| | | | | |
| **CASH PAYMENTS FOR:** | | | | |
| Interest | $ | 50,287 | $ | 54,425 |
| Income taxes | | 9,100 | | 130 |
| | | | | |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:** | | | | |
| Unrealized securities (losses) gains | $ | (9,339) | $ | 1,692 |
| Unrealized gain (loss) on cash flow hedge | | 1,717 | | (1,448) |
| Prepaid pension benefit | | 1,648 | | 0 |
| Transfers of loans to other real estate | | 46,929 | | 23,770 |
| Acquisitions: | | | | |
| Assets acquired | | 2,227,404 | | 2,291,659 |
| Liabilities assumed | | (2,161,896) | | 2,155,861 |
| Net assets acquired | | 65,508 | | 135,798 |

See accompanying Notes to Consolidated Financial Statements.

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**First Citizens BancShares, Inc. and Subsidiaries**

**Notes to Unaudited Consolidated Financial Statements**

(Dollars in thousands, except per share amounts)

**Note A**

**Accounting Policies and Other Matters**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) for interim financial information. Accordingly, they do not include all of the information and notes required by US GAAP for complete financial statements.

In the opinion of management, the consolidated financial statements contain all material adjustments necessary to present fairly the financial position of First Citizens BancShares, Inc. and Subsidiaries (BancShares) as of and for each of the periods presented, and all such adjustments are of a normal recurring nature. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

Management has evaluated subsequent events through the filing date of the Quarterly Report on Form 10-Q.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in BancShares 2010 Form 10-K. Certain amounts for prior periods have been reclassified to conform with statement presentations for 2011. However, with the exception of adjustments to acquisition fair values, the reclassifications have no effect on shareholders equity or net income as previously reported. Fair values are subject to refinement for up to one year after the closing date of the transaction as additional information regarding closing date fair values becomes available. We have reduced previously reported amounts of net income and retained earnings for the three months ended March 31, 2010 by $1,003 as a result of adjustments to the fair value of assets acquired in the first quarter of 2010.

**FDIC-Assisted Transactions**

US GAAP requires that the acquisition method of accounting be used for all business combinations, including those resulting from FDIC-assisted transactions and that an acquirer be identified for each business combination. Under US GAAP, the acquirer is the entity that obtains control of one or more businesses in the business combination, and the acquisition date is the date the acquirer achieves control. US GAAP requires that the acquirer recognize the fair value of assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date. In addition, acquisition-related costs and restructuring costs are recognized as period expenses as incurred.

During 2011, 2010 and 2009, BancShares wholly-owned subsidiary, First-Citizens Bank & Trust Company (FCB), acquired assets and assumed liabilities of five entities as noted below (collectively referred to as the Acquisitions ) with the assistance of the Federal Deposit Insurance Corporation (FDIC), which had been appointed Receiver of each entity by its respective state banking authority.

| **Name of entity** | **Headquarters location** | **Date of transaction** |
|---|---|---|
| United Western Bank (United Western) | Denver, Colorado | January 21, 2011 |
| Sun American Bank (SAB) | Boca Raton, Florida | March 5, 2010 |
| First Regional Bank (First Regional) | Los Angeles, California | January 29, 2010 |
| Venture Bank (VB) | Lacey, Washington | September 11, 2009 |
| Temecula Valley Bank (TVB) | Temecula, California | July 17, 2009 |

The acquired assets and assumed liabilities were recorded at estimated fair value. Management made significant estimates and exercised significant judgment in accounting for the Acquisitions. Management judgmentally assigned risk ratings to loans based on credit quality, appraisals and estimated collateral values, estimated expected cash flows, and applied appropriate liquidity and coupon discounts to measure fair values for loans. Other real estate acquired through foreclosure was valued based upon pending sales contracts and appraised values, adjusted for current market conditions. FCB also recorded identifiable intangible assets representing the estimated values of the assumed core deposits and other customer relationships. Management used quoted or current market prices to determine the fair value of investment securities. Fair values of short-term borrowings and long-term obligations were estimated inclusive of any prepayment penalties.

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**Loans and Leases**

Loans and leases that are held for investment purposes are carried at the principal amount outstanding. Interest on substantially all loans is accrued and credited to interest income on a constant yield basis based upon the daily principal amount outstanding.

Loans that are classified as held for sale represent mortgage loans originated or purchased and are carried at the lower of aggregate cost or fair value. Gains and losses on sales of mortgage loans are included in mortgage income.

Acquired loans are recorded at fair value at the date of acquisition. The fair values are recorded net of a nonaccretable difference and, if appropriate, an accretable yield. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is the nonaccretable difference, which is included as a reduction to the carrying amount of acquired loans. Subsequent decreases to expected cash flows will generally result in recognition of an allowance by a charge to provision for loan and lease losses. Any excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loan when there is a reasonable expectation regarding the amount and timing of such cash flows. Subsequent increases in expected cash flows result in either a reversal of the provision for loan and lease losses to the extent of prior charges, or a reclassification of the difference from nonaccretable to accretable with a positive impact on the accretable yield.

BancShares did not initially estimate the amount and timing of cash flows for loans acquired from TVB and VB at the dates of the acquisitions and, therefore, the cost recovery method is being applied to these loans. Cash flow analyses were performed on loans acquired from First Regional, SAB, and United Western in order to determine the cash flows expected to be collected. BancShares is accounting for substantially all acquired loans on a loan level basis since the majority of the portfolios acquired consist of large non-homogeneous commercial loans.

**Receivable from FDIC for Loss Share Agreements**

The receivable from the FDIC for loss share agreements is measured separately from the related covered assets as it is not contractually embedded in the assets and is not transferable should the assets be sold. Fair value at acquisition was estimated using projected cash flows related to the loss share agreements based on the expected reimbursements for losses using the applicable loss share percentages and the estimated true-up payment at the expiration of the loss share agreements, if applicable. These cash flows were discounted to reflect the estimated timing of the receipt of the loss share reimbursements from the FDIC and any applicable true-up payment owed to the FDIC for transactions that include claw-back provisions. The FDIC receivable has been reviewed and updated prospectively as loss estimates related to covered loans and other real estate owned change, and as reimbursements are received or expected to be received from the FDIC. Post-acquisition adjustments to the FDIC receivable are charged or credited to noninterest income.

**Other Real Estate Owned Covered by Loss Share Agreements**

Other real estate owned (OREO) covered by loss share agreements with the FDIC is reported exclusive of expected reimbursement cash flows from the FDIC. Subsequent downward adjustments to the estimated recoverable value of covered OREO result in a reduction of covered OREO, a charge to other noninterest expense and an increase in the FDIC receivable for the estimated amount to be reimbursed, with a corresponding amount recorded as an adjustment to other noninterest income. OREO is presented at the estimated present value that management expects to receive when the property is sold, net of related costs of disposal. Management used appraisals of properties to determine fair values and applied additional discounts where appropriate for passage of time or, in certain cases, for subsequent events occurring after the appraisal date.

**Recently Adopted Accounting Policies and Other Regulatory Issues**

In July, 2010, the FASB issued *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Loss* (ASU 2010-20). In an effort to provide financial statement users with greater transparency about the allowance for loan and lease losses, ASU 2010-20 requires enhanced disclosures regarding the nature of credit risk inherent in the portfolio and how risk is analyzed and assessed in determining the amount of the allowance. Changes in the allowance will also require disclosure. The end-of-period disclosures were effective for BancShares on December 31, 2010 with the exception of disclosures related to troubled debt restructurings which become effective for interim and annual periods ending after June 15, 2011. The disclosures related to activity during a period are effective during 2011. The provisions of ASU 2010-20 have affected disclosures regarding the allowance for loan and lease losses, but will have no impact on financial condition, results of operations or liquidity.

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**Note B**

**Federally Assisted Acquisition of United Western Bank**

On January 21, 2011, FCB entered into an agreement with the FDIC, as Receiver, to purchase substantially all the assets and assume the majority of the liabilities of United Western Bank (United Western) of Denver, Colorado at a discount of $213,000 with no deposit premium. United Western operated in Denver, Colorado, with eight branch locations in Boulder, Centennial, Cherry Creek, downtown Denver, Hampden at Interstate 25, Fort Collins, Longmont and Loveland. The Purchase and Assumption Agreement with the FDIC includes loss share agreements on the covered loans and other real estate purchased by FCB which provides protection against losses to FCB.

Loss share agreements between the FDIC and FCB (one for single family residential mortgage loans and the other for all other loans and OREO) provide significant loss protection to FCB for all non-consumer loans and OREO. Under the loss share agreement for single family residential mortgage loans (SFRs), the FDIC will cover 80 percent of covered loan losses up to $32,489; 0 percent from $32,489 up to $57,653 and 80 percent of losses in excess of $57,653. The loss share agreement for all other non-consumer loans and OREO will cover 80 percent of covered loan and OREO losses up to $111,517; 30 percent of losses from $111,517 to $227,032; and 80 percent of losses in excess of $227,032. Consumer loans are not covered under the FDIC loss share agreements.

The SFR loss share agreement covers losses recorded during the ten years following the date of the transaction, while the term for the loss share agreement covering all other loans and OREO is five years. The SFR loss share agreement also covers recoveries received for ten years following the date of the transaction, while recoveries of all other loans and OREO will be shared with the FDIC for a five-year period. The losses reimbursable by the FDIC are based on the book value of the relevant loan as determined by the FDIC at the date of the transaction. New loans made after that date are not covered by the loss share agreements.

The loss share agreements include a true-up payment in the event FCB s losses do not reach the Total Intrinsic Loss Estimate of $294,000. On March 17, 2021, the true-up measurement date, FCB is required to make a true-up payment to the FDIC equal to 50 percent of the excess, if any, of the following calculation: A-(B+C+D), where (A) equals 20 percent of the Total Intrinsic Loss Estimate, or $58,800; (B) equals 20 percent of the Net Loss Amount; (C) equals 25 percent of the asset (discount) bid, or ($53,250); and (D) equals 3.5 percent of total Shared Loss Assets at Bank Closing, or $37,936. Current loss estimates suggest that a true-up payment of $10,478 will be paid to the FDIC during 2021.

The FDIC-assisted acquisition of United Western was accounted for under the acquisition method of accounting. The statement of net assets acquired and the resulting acquisition gain are presented in the following table. As indicated in the explanatory notes that accompany the following table, the purchased assets, assumed liabilities and identifiable intangible assets were recorded at their respective acquisition date estimated fair values. Fair values are subject to refinement for up to one year after the closing date of the transaction as additional information regarding closing date fair values becomes available. During this one year period, the causes of any changes in cash flow estimates are considered to determine whether the change results from circumstances that existed as of the acquisition date or if the change results from an event that occurred after the acquisition.

First quarter 2011 noninterest income includes an acquisition gain of $65,508 that resulted from the United Western FDIC-assisted acquisition. The gain resulted from the difference between the estimated fair value of acquired assets and assumed liabilities. FCB recorded a deferred tax liability for the gain of $25,653 resulting from differences between the financial statement and tax bases of assets acquired and liabilities assumed in this transaction.

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| | As recorded by United Western | January 21, 2011 Fair value adjustments | As recorded by FCB |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | $ 420,902 | $ | $ 420,902 |
| Investment securities available for sale | 281,862 | | 281,862 |
| Loans covered by loss share agreements | 1,046,072 | (278,913)a | 767,159 |
| Other real estate owned covered by loss share agreements | 37,812 | (10,252)b | 27,560 |
| Income earned not collected | 5,275 | | 5,275 |
| Receivable from FDIC for loss share agreements | | 140,285c | 140,285 |
| FHLB stock | 22,783 | | 22,783 |
| Mortgage servicing rights | 4,925 | (1,489)d | 3,436 |
| Core deposit intangible | | 537e | 537 |
| Other assets | 15,421 | 109f | 15,530 |
| **Total assets acquired** | $ 1,835,052 | $ (149,723) | $ 1,685,329 |
| **Liabilities** | | | |
| Deposits: | | | |
| Noninterest-bearing | $ 101,875 | $ | $ 101,875 |
| Interest-bearing | 1,502,983 | | 1,502,983 |
| Total deposits | 1,604,858 | | 1,604,858 |
| Short-term borrowings | 336,853 | | 336,853 |
| Long-term obligations | 206,838 | 789g | 207,627 |
| Other liabilities | 13,123 | (565)h | 12,558 |
| **Total liabilities assumed** | 2,161,672 | 224 | 2,161,896 |
| Excess (shortfall) of assets acquired over liabilities assumed | $ (326,620) | | |
| Aggregate fair value adjustments | | $ (149,947) | |
| Cash received from the FDIC | | | $ 542,075 |
| Gain on acquisition of United Western | | | $ 65,508 |

<u>Explanation of fair value adjustments</u>

a - Adjustment reflects the fair value adjustments based on FCB s evaluation of the acquired loan portfolio.

b - Adjustments to reflect the estimated OREO losses based on FCB s evaluation of the acquired OREO portfolio.

c - Adjustment reflects the estimated fair value of payments FCB will receive from the FDIC under the loss share agreements.

d - Adjustment to reflect the estimated fair value of mortgage servicing rights.

e - Adjustment reflects the estimated value of the core deposit intangible.

f - Adjustment reflects the amount needed to adjust the carrying value of other assets to their estimated fair value.

g - Adjustment reflects the amount needed to adjust the carrying value of long-term obligations to extimated fair value based on the prepayment penalties that would be owed to the counterparty.

h - Adjustment reflects the amount needed to adjust the carrying value of assumed deferred tax liabilities to their estimated fair value.

Results of operations for United Western prior to their respective acquisition dates are not included in the income statement.

Due to the significant amount of fair value adjustments, the resulting accretion of those fair value adjustments and the protection resulting from the FDIC loss share agreements, historical results of United Western are not relevant to BancShares results of operations. Therefore, no pro forma information is presented.

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**Note C**

**Investments**

The aggregate values of investment securities at March 31 along with unrealized gains and losses determined on an individual security basis are as follows:

| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **Investment securities available for sale** | | | | |
| March 31, 2011 | | | | |
| U. S. Treasury and government agency securities | $ 3,580,088 | $ 3,043 | $ 17,628 | $ 3,565,503 |
| Corporate bonds | 453,390 | 6,327 | | 459,717 |
| Residential mortgage-backed securities | 152,483 | 3,971 | 532 | 155,922 |
| Equity securities | 965 | 18,656 | | 19,621 |
| State, county and municipal | 1,238 | 19 | 4 | 1,253 |
| Total investment securities available for sale | $ 4,188,164 | $ 32,016 | $ 18,164 | $ 4,202,016 |
| December 31, 2010 | | | | |
| U. S. Treasury and government agency securities | $ 3,866,135 | $ 4,402 | $ 11,151 | $ 3,859,386 |
| Corporate bonds | 479,160 | 7,498 | | 486,658 |
| Residential mortgage-backed securities | 139,291 | 4,522 | 268 | 143,545 |
| Equity securities | 1,055 | 18,176 | | 19,231 |
| State, county and municipal | 1,240 | 20 | 4 | 1,256 |
| Total investment securities available for sale | $ 4,486,881 | $ 34,618 | $ 11,423 | $ 4,510,076 |
| March 31, 2010 | | | | |
| U. S. Treasury and government agency securities | $ 2,681,265 | $ 11,367 | $ 1,119 | $ 2,691,513 |
| Corporate bonds | 480,576 | 6,054 | | 486,630 |
| Residential mortgage-backed securities | 174,519 | 3,281 | 436 | 177,364 |
| Equity securities | 1,544 | 16,836 | | 18,380 |
| State, county and municipal | 1,244 | 30 | 3 | 1,271 |
| Total investment securities available for sale | $ 3,339,148 | $ 37,568 | $ 1,558 | $ 3,375,158 |
| **Investment securities held to maturity** | | | | |
| March 31, 2011 | | | | |
| Residential mortgage-backed securities | $ 2,341 | $ 217 | $ 21 | $ 2,537 |
| Total investment securities held to maturity | $ 2,341 | $ 217 | $ 21 | $ 2,537 |
| December 31, 2010 | | | | |
| Residential mortgage-backed securities | $ 2,532 | $ 235 | $ 26 | $ 2,741 |
| Total investment securities held to maturity | $ 2,532 | $ 235 | $ 26 | $ 2,741 |
| March 31, 2010 | | | | |
| Residential mortgage-backed securities | $ 3,173 | $ 275 | $ 26 | $ 3,422 |
| State, county and municipal | 151 | | | 151 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total investment securities held to maturity | $ | 3,324 | $ | 275 | $ | 26 | $ | 3,573 |

Investments in corporate bonds represent debt securities that were issued by various financial institutions under the Temporary Liquidity Guarantee Program. These debt obligations were issued with the full faith and credit of the United States of America. The guarantee for these securities is triggered when an issuer defaults on a scheduled payment.

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The following table provides maturity information for investment securities as of the dates indicated. Callable securities are assumed to mature on their earliest call date.

| | March 31, 2011 | | December 31, 2010 | | March 31, 2010 | |
|---|---|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value | Cost | Fair Value |
| **Investment securities available for sale** | | | | | | |
| Maturing in: | | | | | | |
| One year or less | $ 2,966,749 | $ 2,958,654 | $ 3,441,185 | $ 3,436,818 | $ 2,004,230 | $ 2,013,062 |
| One through five years | 895,234 | 895,807 | 916,101 | 921,536 | 1,159,558 | 1,167,353 |
| Five through 10 years | 21,099 | 21,099 | 1,683 | 1,710 | 9,403 | 9,422 |
| Over 10 years | 304,117 | 306,835 | 126,857 | 130,781 | 164,413 | 166,941 |
| Equity securities | 965 | 19,621 | 1,055 | 19,231 | 1,544 | 18,380 |
| Total investment securities available for sale | $ 4,188,164 | $ 4,202,016 | $ 4,486,881 | $ 4,510,076 | $ 3,339,148 | $ 3,375,158 |
| **Investment securities held to maturity** | | | | | | |
| Maturing in: | | | | | | |
| One through five years | 5 | 3 | | | 151 | 151 |
| Five through 10 years | 2,214 | 2,368 | 2,404 | 2,570 | 3,032 | 3,240 |
| Over 10 years | 122 | 166 | 128 | 171 | 141 | 182 |
| Total investment securities held to maturity | $ 2,341 | $ 2,537 | $ 2,532 | $ 2,741 | $ 3,324 | $ 3,573 |

For each period presented, securities gains (losses) include the following:

| | Three months ended March 31, | |
|---|---|---|
| | 2011 | 2010 |
| Gross gains on sales of investment securities available for sale | $ 156 | $ 2,860 |
| Gross losses on sales of investment securities available for sale | (605) | (1,729) |
| Total securities gains (losses) | $ (449) | $ 1,131 |

The following table provides information regarding securities with unrealized losses as of March 31:

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| March 31, 2011 | | | | | | |
| Investment securities available for sale: | | | | | | |
| U. S. Treasury and government agency securities | $ 2,138,529 | $ 17,628 | $ | $ | $ 2,138,529 | $ 17,628 |
| Residential mortgage-backed securities | 33,644 | 503 | 462 | 29 | 34,106 | 532 |
| State, county and municipal | 528 | 4 | 10 | | 538 | 4 |
| Total | $ 2,172,701 | $ 18,135 | $ 472 | $ 29 | $ 2,173,173 | $ 18,164 |
| Investment securities held to maturity: | | | | | | |
| Mortgage-backed securities | $ | $ | $ 19 | $ 21 | $ 19 | $ 21 |

| | | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2010 | | | | | | |
| Investment securities available for sale: | | | | | | |
| U. S. Treasury and government agency securities | $ 644,407 | $ 1,119 | $ | $ | $ 644,407 | $ 1,119 |
| Residential mortgage-backed securities | 33,651 | 352 | 2,332 | 84 | 35,983 | 436 |
| State, county and municipal | | | 438 | 3 | 438 | 3 |
| Total | $ 678,058 | $ 1,471 | $ 2,770 | $ 87 | $ 680,828 | $ 1,558 |
| Investment securities held to maturity: | | | | | | |
| Residential mortgage-backed securities | $ | $ | $ 29 | $ 26 | $ 29 | $ 26 |

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Investment securities with an aggregate fair value of $491 have had continuous unrealized losses for more than twelve months as of March 31, 2011 with an aggregate unrealized loss of $50. These 17 investments include residential mortgage-backed and state, county and municipal securities. None of the unrealized losses identified as of March 31, 2011 relate to the marketability of the securities or the issuer s ability to honor redemption obligations. For all periods presented, BancShares had the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses. Therefore, none of the securities were deemed to be other than temporarily impaired.

Investment securities having an aggregate carrying value of $2,604,467 at March 31, 2011, $2,096,850 at December 31, 2010 and $1,720,227 at March 31, 2010 were pledged as collateral to secure public funds on deposit, to secure certain short-term borrowings and for other purposes as required by law.

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**Note D**

**Loans and Leases**

Loans and leases outstanding include the following as of the dates indicated:

| | March 31, 2011 | December 31, 2010 | March 31, 2010 |
|---|---|---|---|
| Covered loans | $ 2,658,134 | $ 2,007,452 | $ 2,602,261 |
| Noncovered loans and leases: | | | |
| Commercial: | | | |
| Construction and land development | 373,769 | 338,929 | 480,191 |
| Commercial mortgage | 4,763,393 | 4,737,862 | 4,589,291 |
| Other commercial real estate | 147,150 | 149,710 | 161,770 |
| Commercial and industrial | 1,792,042 | 1,869,490 | 1,793,195 |
| Lease financing | 295,994 | 301,289 | 316,912 |
| Other | 174,370 | 182,015 | 198,068 |
| Total commercial loans | 7,546,718 | 7,579,295 | 7,539,427 |
| Non-commercial: | | | |
| Residential mortgage | 808,650 | 878,792 | 912,955 |
| Revolving mortgage | 2,299,668 | 2,233,853 | 2,159,581 |
| Construction and land development | 145,864 | 192,954 | 163,840 |
| Consumer | 591,451 | 595,683 | 864,238 |
| Total non-commercial loans | 3,845,633 | 3,901,282 | 4,100,614 |
| Total noncovered loans and leases | 11,392,351 | 11,480,577 | 11,640,041 |
| Total loans and leases | $ 14,050,485 | $ 13,488,029 | $ 14,242,302 |

| | March 31, 2011 | | | December 31, 2010 | | | March 31, 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Impaired at acquisition date | All other acquired loans | Total | Impaired at acquisition date | All other acquired loans | Total | Impaired at acquisition date | All other acquired loans | Total |
| Covered loans: | | | | | | | | | |
| Commercial: | | | | | | | | | |
| Construction and land development | $ 112,271 | $ 290,045 | $ 402,316 | $ 102,988 | $ 265,432 | $ 368,420 | $ 136,452 | $ 463,523 | $ 599,975 |
| Commercial mortgage | 141,869 | 1,290,763 | 1,432,632 | 120,240 | 968,824 | 1,089,064 | 192,190 | 987,334 | 1,179,524 |
| Other commercial real estate | 36,338 | 126,967 | 163,305 | 34,704 | 175,957 | 210,661 | 20,865 | 54,306 | 75,171 |
| Commercial and industrial | 31,124 | 139,917 | 171,041 | 9,087 | 123,390 | 132,477 | 35,895 | 166,579 | 202,474 |
| Lease financing | 22 | 249 | 271 | | | | | | |
| Other | | 1,729 | 1,729 | | 1,510 | 1,510 | 5,066 | 12,681 | 17,747 |
| Total commercial loans | 321,624 | 1,849,670 | 2,171,294 | 267,019 | 1,535,113 | 1,802,132 | 390,468 | 1,684,423 | 2,074,891 |
| Non-commercial: | | | | | | | | | |
| | 19,846 | 327,547 | 347,393 | 11,026 | 63,469 | 74,495 | 41,102 | 250,191 | 291,293 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Residential mortgage | | | | | | | | | |
| Revolving mortgage | 7,341 | 16,068 | 23,409 | 8,400 | 9,466 | 17,866 | 4,945 | 16,720 | 21,665 |
| Construction and land development | 56,829 | 54,596 | 111,425 | 44,260 | 61,545 | 105,805 | 46,557 | 158,153 | 204,710 |
| Consumer | 140 | 4,473 | 4,613 | | 7,154 | 7,154 | 1,478 | 8,224 | 9,702 |
| Total non-commercial loans | 84,156 | 402,684 | 486,840 | 63,686 | 141,634 | 205,320 | 94,082 | 433,288 | 527,370 |
| Total covered loans | $ 405,780 | $ 2,252,354 | $ 2,658,134 | $ 330,705 | $ 1,676,747 | $ 2,007,452 | $ 484,550 | $ 2,117,711 | $ 2,602,261 |

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At March 31, 2011, $2,376,716 in noncovered loans were pledged to secure debt obligations, compared to $3,744,067 at December 31, 2010 and $3,590,324 at March 31, 2010.

**Description of segment and class risks**

Each portfolio segment and the classes within those segments are subject to risks that could have an adverse impact on the credit quality of the loan and lease portfolio. Management has identified the most significant risks as described below which are generally similar among the segments and classes. While the list in not exhaustive, it provides a description of the risks that management has determined are the most significant.

*Commercial loans and leases*

We centrally underwrite each of our commercial loans and leases based primarily upon the customer s ability to generate the required cash flow to service the debt in accordance with the contractual terms and conditions of the loan agreement. We endeavor to gain a complete understanding of our borrower s businesses including the experience and background of the principals. To the extent that the loan is secured by collateral, which is a predominant feature of the majority of our commercial loans and leases, we gain an understanding of the likely value of the collateral and what level of strength the collateral brings to the loan transaction. To the extent that the principals or other parties provide personal guarantees, we analyze the relative financial strength and liquidity of each guarantor. Common risks to each class of commercial loans include risks that are not specific to individual transactions such as general economic conditions within our markets, as well as risks that are specific to each transaction including demand for products and services, personal events such as disability or change in marital status, and reductions in the value of our collateral. Due to our concentration of loans in the medical, dental, and related fields, we are susceptible to risks that legislative and governmental actions will fundamentally alter the economic structure of the medical care industry in the United States.

In addition to these common risks for the majority of our commercial loans and leases, additional risks are inherent in certain of our classes of commercial loans and leases.

*Commercial construction and land development*

Commercial construction and land development loans are highly dependent on the supply and demand for commercial real estate in the markets we serve as well as the demand for newly constructed residential homes and lots that our customers are developing. Continuing deterioration in demand could result in significant decreases in the underlying collateral values and make repayment of the outstanding loans more difficult for our customers.

*Commercial mortgage, commercial and industrial and lease financing*

Commercial mortgage and commercial and industrial loans and lease financing are primarily dependent on the ability of our customers to achieve business results consistent with those projected at loan origination resulting in cash flow sufficient to service the debt. To the extent that a customer s business results are significantly unfavorable versus the original projections, the ability for our loan to be serviced on a basis consistent with the contractual terms may be at risk. While these loans and leases are generally secured by real property, personal property, or business assets such as inventory or accounts receivable, it is possible that the liquidation of the collateral will not fully satisfy the obligation.

*Other commercial real estate*

Other commercial real estate loans consist primarily of loans secured by multifamily housing and agricultural loans. The primary risk associated with multifamily loans is the ability of the income-producing property that collateralizes the loan to produce adequate cash flow to service the debt. High unemployment or generally weak economic conditions may result in our customer having to provide rental rate concessions to achieve adequate occupancy rates. The performance of agricultural loans are highly dependent on favorable weather, reasonable costs for seed and fertilizer, and the ability to successfully market the product at a profitable margin. The demand for these products is also dependent on macroeconomic conditions that are beyond the control of the borrower.

*Non-commercial loans*

We centrally underwrite each of our non-commercial loans using automated credit scoring and analysis tools. These credit scoring tools take into account factors such as payment history, credit utilization, length of credit history, types of credit currently in use, and recent credit inquiries. To the extent that the loan is secured by collateral we also evaluate the likely value of that collateral. Common risks to each class of non-commercial loans include risks that are not specific to individual transactions such as general economic conditions within our markets, particularly unemployment and potential declines in real estate values. Personal events such as disability or change in marital status also add risk to non-commercial loans.

In addition to these common risks for the majority of our non-commercial loans, additional risks are inherent in certain of our classes of non-commercial loans.

*Revolving mortgage*

Revolving mortgage loans are often secured by second liens on residential real estate, thereby making such loans particularly susceptible to declining collateral values. A substantial decline in collateral value could render our second lien position to be effectively unsecured. Additional risks include lien perfection inaccuracies and disputes with first lienholders that may further weaken our collateral position. Further, the open-end structure of these loans creates the risk that customers may draw on the lines in excess of the collateral value if there have been significant declines since origination.

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*Consumer*

The consumer loan portfolio includes loans secured by personal property such as automobiles, marketable securities, other titled recreational vehicles including boats and motorcycles, as well as unsecured consumer debt. The value of underlying collateral within this class is especially volatile due to potential rapid depreciation in values since date of loan origination in excess of principal repayment.

*Residential mortgage and non-commercial construction and land development*

Residential mortgage and non-commercial construction and land development loans are to individuals and are typically secured by 1-4 family residential property, undeveloped land, and partially developed land in anticipation of pending construction of a personal residence. Significant and rapid declines in real estate values can result in residential mortgage loan borrowers having debt levels in excess of the current market value of the collateral. Such a decline in values has led to unprecedented levels of foreclosures and losses during 2008-2010 within the banking industry. Non-commercial construction and land development loans often experience delays in completion and cost overruns that exceed the borrower s financial ability to complete the project. Such cost overruns can routinely result in foreclosure of partially completed and unmarketable collateral.

*Covered loans*

The risks associated with covered loans are generally consistent with the risks identified for commercial and non-commercial loans and the classes of loans within those segments. An additional substantive risk with respect to covered loans relates to the FDIC loss share agreements, specifically the ability to receive timely and full reimbursement from the FDIC for losses and related expenses that we believe are covered by the loss share agreements. Further, these loans were underwritten by other institutions with weaker lending standards. Therefore, there is a significant risk that the loans are not adequately supported by the paying capacity of the borrower or the values of underlying collateral at the time of origination.

**Credit quality indicators**

Loans and leases are monitored for credit quality on a recurring basis. The credit quality indicators used are dependent on the portfolio segment to which the loan relates. Commercial loans and leases, non-commercial loans and leases, and covered loans have different credit quality indicators as a result of the methods used to monitor each of these loan segments.

The loan and lease credit quality indicators for commercial loans and leases and covered loans are developed through review of individual borrowers on an ongoing basis. Each borrower is evaluated at least annually with more frequent evaluation of more severely criticized loans or leases. The indicators represent the rating for loans or leases as of the date presented based on the most recent assessment performed. These credit quality indicators are defined as follows:

**Pass** A pass rated asset is not adversely classified because it does not display any of the characteristics for adverse classification.

**Special mention** A special mention asset has potential weaknesses that deserve management s close attention. If left uncorrected, such potential weaknesses may result in deterioration of the repayment prospects or collateral position at some future date. Special mention assets are not adversely classified and do not warrant adverse classification.

**Substandard** A substandard asset is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Assets classified as substandard generally have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. These assets are characterized by the distinct possibility of loss if the deficiencies are not corrected.

**Doubtful** An asset classified doubtful has all the weaknesses inherent in an asset classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently existing facts, conditions, and values.

**Loss** Assets classified loss are considered uncollectible and of such little value that their continuing to be carried as an asset is not warranted. This classification is not necessarily equivalent to no potential for recovery or salvage value, but rather that it is not appropriate to defer a full write-off even though partial recovery may be effected in the future.

**Ungraded** Ungraded loans represent loans that are not included in the individual credit grading process due to their relatively small balances or borrower type. The majority of noncovered, ungraded loans at March 31, 2011 relate to business credit cards and tobacco buyout loans. Tobacco buyout loans with an outstanding balance of $60,900 at March 31, 2011 are secured by assignments of receivables made pursuant to the Fair and Equitable Tobacco Reform Act of 2004. The credit risk associated with these loans is considered low as the payments that began in 2005 and continue through 2014 are to be made by the Commodity Credit Corporation which is part of the United States Department of Agriculture. The majority of

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covered, ungraded loans relate to loans secured by the first lien on 1-4 family residences acquired from United Western. These loans are not graded because this group of loans is made up of a large number of small balance, homogeneous loans.

The loan credit quality indicators for noncovered, non-commercial loans and leases are based on the delinquency status of the borrower. As the borrower becomes more delinquent, the likelihood of loss increases.

The composition of the loans and leases outstanding at March 31, 2011 and December 31, 2010 by credit quality indicator is provided below

| | Commercial noncovered loans and leases | | | | | | |
|---|---|---|---|---|---|---|---|
| **Grade:** | **Construction and Land Development** | **Commercial Mortgage** | **Other Commercial Real Estate** | **Commercial and Industrial** | **Lease Financing** | **Other** | **Total Commercial Loans Not Covered by Loss Share** |
| March 31, 2011 | | | | | | | |
| Pass | $ 316,395 | $ 4,403,652 | $ 133,931 | $ 1,571,193 | $ 285,699 | $ 173,025 | $ 6,883,895 |
| Special mention | 22,416 | 232,019 | 7,415 | 40,023 | 6,228 | 1,299 | 309,400 |
| Substandard | 32,864 | 119,229 | 5,271 | 30,992 | 3,796 | 12 | 192,164 |
| Doubtful | 2,094 | 6,004 | 401 | 1,182 | 271 | | 9,952 |
| Ungraded | | 2,489 | 132 | 148,652 | | 34 | 151,307 |
| Total | $ 373,769 | $ 4,763,393 | $ 147,150 | $ 1,792,042 | $ 295,994 | $ 174,370 | $ 7,546,718 |
| December 31, 2010 | | | | | | | |
| Pass | $ 285,988 | $ 4,390,634 | $ 137,570 | $ 1,633,775 | $ 291,476 | $ 181,044 | $ 6,920,487 |
| Special mention | 20,957 | 229,581 | 6,531 | 42,639 | 6,888 | 846 | 307,442 |
| Substandard | 29,714 | 108,239 | 5,103 | 24,686 | 2,496 | 90 | 170,328 |
| Doubtful | 2,270 | 7,928 | 401 | 748 | 414 | | 11,761 |
| Ungraded | | 1,480 | 105 | 167,642 | 15 | 35 | 169,277 |
| Total | $ 338,929 | $ 4,737,862 | $ 149,710 | $ 1,869,490 | $ 301,289 | $ 182,015 | $ 7,579,295 |

| | Non-commercial noncovered loans and leases | | | | |
|---|---|---|---|---|---|
| | **Residential Mortgage** | **Revolving Mortgage** | **Construction and Land Development** | **Consumer** | **Total Non-commercial Noncovered Loans** |
| March 31, 2011 | | | | | |
| Current | $ 777,982 | $ 2,287,726 | $ 142,423 | $ 580,544 | $ 3,788,675 |
| 31-60 days past due | 16,439 | 5,462 | 1,116 | 6,911 | 29,928 |
| 61-90 days past due | 2,207 | 3,285 | 364 | 2,216 | 8,072 |
| Over 90 days past due | 12,022 | 3,195 | 1,961 | 1,780 | 18,958 |
| Total | $ 808,650 | $ 2,299,668 | $ 145,864 | $ 591,451 | $ 3,845,633 |
| December 31, 2010 | | | | | |
| Current | $ 840,328 | $ 2,226,427 | $ 187,918 | 579,227 | $ 3,833,900 |
| 31-60 days past due | 13,051 | 3,682 | 1,445 | 12,798 | 30,976 |
| 61-90 days past due | 4,762 | 1,424 | 548 | 2,611 | 9,345 |
| Over 90 days past due | 20,651 | 2,320 | 3,043 | 1,047 | 27,061 |
| Total | $ 878,792 | $ 2,233,853 | $ 192,954 | $ 595,683 | $ 3,901,282 |

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| | Covered loans | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Grade:** | **Construction and Land Development - Commercial** | **Commercial Mortgage** | **Other Commercial Real Estate** | **Commercial and Industrial** | **Lease Financing** | **Residential Mortgage** | **Revolving Mortgage** | **Construction and Land Development Non-commercial** | **Consumer and Other** | **Total Covered Loans** |
| March 31, 2011 | | | | | | | | | | |
| Pass | 76,319 | 574,681 | 60,238 | 49,260 | 2 | 42,014 | 5,000 | 4,217 | 3,927 | 815,658 |
| Special mention | 112,999 | 339,385 | 31,218 | 49,511 | | 36,430 | 2,225 | 23,127 | 247 | 595,142 |
| Substandard | 109,509 | 356,396 | 46,393 | 48,081 | | 27,761 | 5,509 | 66,829 | 324 | 660,802 |
| Doubtful | 98,757 | 62,984 | 24,833 | 3,795 | 22 | 7,484 | 1,966 | 17,252 | 1,047 | 218,140 |
| Ungraded | 4,732 | 99,186 | 623 | 20,394 | 247 | 233,704 | 8,709 | | 797 | 368,392 |
| Total | $ 402,316 | $ 1,432,632 | $ 163,305 | $ 171,041 | $ 271 | $ 347,393 | $ 23,409 | $ 111,425 | $ 6,342 | $ 2,658,134 |
| December 31, 2010 | | | | | | | | | | |
| Pass | $ 98,449 | $ 430,526 | $ 77,162 | $ 46,450 | $ | $ 39,492 | $ 5,051 | $ | $ 6,296 | $ 703,426 |
| Special mention | 90,203 | 261,273 | 40,756 | 36,566 | | 17,041 | 3,630 | 3,549 | 1,231 | 454,249 |
| Substandard | 79,631 | 326,036 | 65,896 | 41,936 | | 11,609 | 3,462 | 67,594 | 691 | 596,855 |
| Doubtful | 100,137 | 71,175 | 26,847 | 7,525 | | 6,353 | 1,837 | 34,662 | 438 | 248,974 |
| Ungraded | | 54 | | | | | 3,886 | | 8 | 3,948 |
| Total | $ 368,420 | $ 1,089,064 | $ 210,661 | $ 132,477 | $ | $ 74,495 | $ 17,866 | $ 105,805 | $ 8,664 | $ 2,007,452 |

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The aging of the outstanding loans and leases by class at March 31, 2011 and December 31, 2010 (excluding loans impaired at acquisition date) is provided in the table below. The calculation of days past due begins on the day after payment is due and includes all days through which all required interest or principal have not been paid. Loans and leases less than 30 days past due are considered current due to certain grace periods that allow borrowers to make payments within a stated period after the due date and still remain in compliance with the loan agreement.

| | 31-60 Days Past Due | 61-90 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans and Leases |
|---|---|---|---|---|---|---|
| March 31, 2011 | | | | | | |
| Noncovered loans and leases: | | | | | | |
| Construction and land development - commercial | $ 2,006 | $ 116 | $ 3,572 | $ 5,694 | $ 368,075 | $ 373,769 |
| Commercial mortgage | 21,304 | 4,576 | 19,091 | 44,971 | 4,718,422 | 4,763,393 |
| Other commercial real estate | 860 | 147 | 585 | 1,592 | 145,558 | 147,150 |
| Commercial and industrial | 5,016 | 1,110 | 4,700 | 10,826 | 1,781,216 | 1,792,042 |
| Lease financing | 841 | 269 | 864 | 1,974 | 294,020 | 295,994 |
| Other | 2 | | | 2 | 174,368 | 174,370 |
| Residential mortgage | 16,439 | 2,207 | 12,022 | 30,668 | 777,982 | 808,650 |
| Revolving mortgage | 5,462 | 3,285 | 3,195 | 11,942 | 2,287,726 | 2,299,668 |
| Construction and land development - non-commercial | 1,116 | 364 | 1,961 | 3,441 | 142,423 | 145,864 |
| Consumer | 6,911 | 2,216 | 1,780 | 10,907 | 580,544 | 591,451 |
| Total noncovered loans and leases | 59,957 | 14,290 | 47,770 | 122,017 | 11,270,334 | 11,392,351 |
| Covered loans: | | | | | | |
| Construction and land development - commercial | 12,549 | 5,350 | 113,481 | 131,380 | 158,665 | 290,045 |
| Commercial mortgage | 71,194 | 36,091 | 65,272 | 172,557 | 1,118,206 | 1,290,763 |
| Other commercial real estate | | | 4,944 | 4,944 | 122,023 | 126,967 |
| Commercial and industrial | 8,660 | 1,604 | 8,620 | 18,884 | 121,033 | 139,917 |
| Lease financing | | | | | 249 | 249 |
| Residential mortgage | 8,586 | 4,829 | 30,172 | 43,587 | 283,960 | 327,547 |
| Revolving mortgage | 143 | | 133 | 276 | 15,792 | 16,068 |
| Construction and land development - non-commercial | 3,328 | | 27,641 | 30,969 | 23,627 | 54,596 |
| Consumer and other | 145 | 7 | 1,513 | 1,665 | 4,537 | 6,202 |
| Total covered loans | 104,605 | 47,881 | 251,776 | 404,262 | 1,848,092 | 2,252,354 |
| Total loans and leases | $ 164,562 | $ 62,171 | $ 299,546 | $ 526,279 | $ 13,118,426 | $ 13,644,705 |
| December 31, 2010 | | | | | | |
| Noncovered loans and leases: | | | | | | |
| Construction and land development - commercial | $ 3,047 | $ 6,092 | $ 4,208 | $ 13,347 | $ 325,582 | $ 338,929 |
| Commercial mortgage | 22,913 | 7,521 | 20,425 | 50,859 | 4,687,003 | 4,737,862 |
| Other commercial real estate | 35 | 290 | 621 | 946 | 148,764 | 149,710 |
| Commercial and industrial | 4,434 | 1,473 | 3,744 | 9,651 | 1,859,839 | 1,869,490 |
| Lease financing | 2,266 | 141 | 630 | 3,037 | 298,252 | 301,289 |
| Other | 40 | 75 | | 115 | 181,900 | 182,015 |
| Residential mortgage | 13,051 | 4,762 | 20,651 | 38,464 | 840,328 | 878,792 |
| Revolving mortgage | 3,682 | 1,424 | 2,320 | 7,426 | 2,226,427 | 2,233,853 |
| Construction and land development - non-commercial | 1,445 | 548 | 3,043 | 5,036 | 187,918 | 192,954 |
| Consumer | 12,798 | 2,611 | 1,047 | 16,456 | 579,227 | 595,683 |
| Total noncovered loans and leases | 63,711 | 24,937 | 56,689 | 145,337 | 11,335,240 | 11,480,577 |
| Covered loans: | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Construction and land development - commercial | 64,372 | 8,985 | 73,997 | 147,354 | 118,078 | 265,432 |
| Commercial mortgage | 43,570 | 20,308 | 88,525 | 152,403 | 816,421 | 968,824 |
| Other commercial real estate | 15,008 | 2,477 | 20,453 | 37,938 | 138,019 | 175,957 |
| Commercial and industrial | 9,267 | 5,899 | 28,780 | 43,946 | 79,444 | 123,390 |
| Residential mortgage | 4,459 | 1,352 | 3,979 | 9,790 | 53,679 | 63,469 |
| Revolving mortgage | 382 | | 337 | 719 | 8,747 | 9,466 |
| Construction and land development - non-commercial | 7,701 | | 36,412 | 44,113 | 17,432 | 61,545 |
| Consumer and other | 430 | 1,649 | 978 | 3,057 | 5,607 | 8,664 |
| Total covered loans | 145,189 | 40,670 | 253,461 | 439,320 | 1,237,427 | 1,676,747 |
| Total loans and leases | $ 208,900 | $ 65,607 | $ 310,150 | $ 584,657 | $ 12,572,667 | $ 13,157,324 |

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The recorded investment, by class, in loans and leases on nonaccrual status and loans and leases greater than 90 days past due and still accruing at March 31, 2011 and December 31, 2010 (excluding loans and leases impaired as acquisition date) is as follows:

| | March 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Nonaccrual loans and leases | Loans and leases > 90 days and accruing | Nonaccrual loans and leases | Loans and leases > 90 days and accruing |
| Noncovered loans and leases: | | | | |
| Construction and land development - commercial | $ 25,789 | $ 658 | $ 26,796 | $ |