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Section 1: 10-Q (FORM 10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended March 31, 2020

OR

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

For the transition period from ____ to ____

Commission file number 001-38481

UMB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Missouri **(State or other jurisdiction of incorporation or organization)**	**43-0903811** **(I.R.S. Employer Identification Number)**
1010 Grand Boulevard, Kansas City, Missouri **(Address of principal executive offices)**	**64106** **(Zip Code)**

(Registrant's telephone number, including area code): (816) 860-7000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 Par Value	UMBF	The NASDAQ Global Select Market

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non- accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

As of April 24, 2020, UMB Financial Corporation had 48,136,923 shares of common stock outstanding.

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
UMB FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share and per share data)

	March 31, 2020 (unaudited)	December 31, 2019 (audited)
ASSETS		
Loans	$ 13,949,710	$ 13,431,722
Allowance for credit losses on loans(1)	(187,911)	(101,788)
Net loans	13,761,799	13,329,934
Loans held for sale	9,585	7,803
Securities:		
Available for sale (amortized cost of $7,353,180 and $7,323,980, respectively)	7,639,451	7,447,362
Held to maturity, net of allowance for credit losses of $3,235 and $0, respectively (fair value of $1,146,909 and $1,082,345, respectively)	1,110,925	1,116,102
Trading securities	61,177	45,618
Other securities	135,194	108,420
Total securities	8,946,747	8,717,502
Federal funds sold and securities purchased under agreements to resell	784,750	1,578,345
Interest-bearing due from banks	1,109,254	1,225,491
Cash and due from banks	340,553	472,958
Premises and equipment, net	297,668	300,334
Accrued income	111,879	124,508
Goodwill	180,867	180,867
Other intangibles, net	25,839	27,597
Other assets	675,945	596,016
Total assets	$ 26,244,886	$ 26,561,355
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 7,269,520	$ 6,944,465
Interest-bearing demand and savings	12,920,980	13,432,415
Time deposits under $250,000	595,128	611,587
Time deposits of $250,000 or more	389,892	614,777
Total deposits	21,175,520	21,603,244
Federal funds purchased and repurchase agreements	1,890,917	1,896,508
Short-term debt	15,000	—
Long-term debt	121,582	97,490
Accrued expenses and taxes	216,272	232,200
Other liabilities	162,154	125,473
Total liabilities	23,581,445	23,954,915
SHAREHOLDERS' EQUITY		
Common stock, $1.00 par value; 80,000,000 shares authorized; 55,056,730 shares issued, 48,134,601 and 49,097,606 shares outstanding, respectively	55,057	55,057
Capital surplus	1,073,089	1,073,764
Retained earnings	1,646,751	1,672,438
Accumulated other comprehensive income, net	219,390	83,180
Treasury stock, 6,922,129 and 5,959,124 shares, at cost, respectively	(330,846)	(277,999)
Total shareholders' equity	2,663,441	2,606,440
Total liabilities and shareholders' equity	$ 26,244,886	$ 26,561,355

(1) As of December 31, 2019, this line represents the Allowance for loan losses. See further discussion of this change in Note 3, "New Accounting Pronouncements."
See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(unaudited, dollars in thousands, except share and per share data)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
INTEREST INCOME		
Loans	$ 151,026	$ 157,261
Securities:		
Taxable interest	27,212	25,391
Tax-exempt interest	24,404	20,697
Total securities income	51,616	46,088
Federal funds and resell agreements	5,452	3,625
Interest-bearing due from banks	2,663	3,899
Trading securities	654	434
Total interest income	211,411	211,307
INTEREST EXPENSE		
Deposits	29,732	37,834
Federal funds and repurchase agreements	6,381	8,264
Other	1,357	1,341
Total interest expense	37,470	47,439
Net interest income	173,941	163,868
Provision for credit losses(1)	88,000	12,350
Net interest income after provision for credit losses	85,941	151,518
NONINTEREST INCOME		
Trust and securities processing	47,000	41,957
Trading and investment banking	1,723	5,581
Service charges on deposit accounts	25,081	21,281
Insurance fees and commissions	259	338
Brokerage fees	9,860	7,243
Bankcard fees	16,545	17,067
Gains on sales of securities available for sale, net	1,227	809
Other	(3,271)	13,106
Total noninterest income	98,424	107,382
NONINTEREST EXPENSE		
Salaries and employee benefits	111,060	116,032
Occupancy, net	12,180	11,743
Equipment	21,241	19,684
Supplies and services	4,185	3,873
Marketing and business development	4,640	4,913
Processing fees	13,390	12,132
Legal and consulting	6,110	5,633
Bankcard	4,860	4,345
Amortization of other intangible assets	1,734	1,327
Regulatory fees	2,366	2,890
Other	6,853	8,054
Total noninterest expense	188,619	190,626
(Loss) income before income taxes	(4,254)	68,274
Income tax (benefit) expense	(815)	10,530
NET (LOSS) INCOME	$ (3,439)	$ 57,744
PER SHARE DATA		
Net (loss) income – basic	$ (0.07)	$ 1.19
Net (loss) income – diluted	(0.07)	1.18
Dividends	0.31	0.30
Weighted average shares outstanding – basic	48,689,876	48,712,153
Weighted average shares outstanding – diluted	48,689,876	48,998,571

(1) For the three months ended March 31, 2019, this line represents the Provision for loan losses. See further discussion of this change in Note 3, "New Accounting Pronouncements."
See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, dollars in thousands)

	Three Months Ended March 31,	
	2020	2019
Net (loss) income	$ (3,439)	$ 57,744
Other comprehensive income, before tax:		
Unrealized gains and losses on debt securities:		
Change in unrealized holding gains and losses, net	164,116	106,434
Less: Reclassification adjustment for gains included in net income	(1,227)	(809)
Change in unrealized gains and losses on debt securities during the period	162,889	105,625
Unrealized gains and losses on derivative hedges:		
Change in unrealized gains and losses on derivative hedges	14,525	(2,088)
Less: Reclassification adjustment for losses (gains) included in net income	768	(5)
Change in unrealized gains and losses on derivative hedges	15,293	(2,093)
Other comprehensive income, before tax	178,182	103,532
Income tax expense	(41,972)	(25,389)
Other comprehensive income	136,210	78,143
Comprehensive income	$ 132,771	$ 135,887

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, dollars in thousands, except per share data)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
Balance – January 1, 2019	$ 55,057	$ 1,054,601	$ 1,488,421	$ (95,782)	$ (273,827)	$ 2,228,470
Total comprehensive income	—	—	57,744	78,143	—	135,887
Dividends ($0.30 per share)	—	—	(14,769)	—	—	(14,769)
Purchase of treasury stock	—	—	—	—	(4,086)	(4,086)
Forfeitures of equity awards, net of issuances	—	2,383	—	—	(1,779)	604
Recognition of equity-based compensation	—	3,289	—	—	—	3,289
Sale of treasury stock	—	100	—	—	161	261
Exercise of stock options	—	257	—	—	930	1,187
Balance – March 31, 2019	$ 55,057	$ 1,060,630	$ 1,531,396	$ (17,639)	$ (278,601)	$ 2,350,843
Balance – January 1, 2020	$ 55,057	$ 1,073,764	$ 1,672,438	$ 83,180	$ (277,999)	$ 2,606,440
Total comprehensive (loss) income	—	—	(3,439)	136,210	—	132,771
Dividends ($0.31 per share)	—	—	(15,209)	—	—	(15,209)
Purchase of treasury stock	—	(4,500)	—	—	(54,886)	(59,386)
Issuances of equity awards, net of forfeitures	—	521	—	—	72	593
Recognition of equity-based compensation	—	2,817	—	—	—	2,817
Sale of treasury stock	—	95	—	—	89	184
Exercise of stock options	—	392	—	—	1,878	2,270
Cumulative effect adjustment (1)	—	—	(7,039)	—	—	(7,039)
Balance – March 31, 2020	$ 55,057	$ 1,073,089	$ 1,646,751	$ 219,390	$ (330,846)	$ 2,663,441

(1) Related to the adoption of ASU No. 2016-13. See Note 3, “New Accounting Pronouncements,” for further detail.

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, dollars in thousands)

	For the Three Months Ended March 31,	
	2020	2019
OPERATING ACTIVITIES		
Net (loss) income	$ (3,439)	$ 57,744
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Provision for credit losses(1)	88,000	12,350
Net (accretion) amortization of premiums and discounts from acquisition	(275)	135
Depreciation and amortization	15,591	13,614
Deferred income tax (benefit) expense	(11,134)	295
Net (increase) decrease in trading securities and other earning assets	(17,789)	4,507
Gains on sales of securities available for sale, net	(1,227)	(809)
Gains on sales of assets	(1,922)	(236)
Amortization of securities premiums, net of discount accretion	8,795	8,859
Originations of loans held for sale	(77,129)	(19,156)
Gains on sales of loans held for sale, net	(320)	(177)
Proceeds from sales of loans held for sale	75,667	21,258
Equity-based compensation	3,410	3,893
Net tax benefit related to equity compensation plans	312	539
Changes in:		
Accrued income	12,629	(6,839)
Accrued expenses and taxes	(2,803)	(13,319)
Other assets and liabilities, net	(79,008)	(36,453)
Net cash provided by operating activities	9,358	46,205
INVESTING ACTIVITIES		
Proceeds from maturities of securities held to maturity	19,507	22,769
Proceeds from sales of securities available for sale	84,439	53,329
Proceeds from maturities of securities available for sale	313,871	267,255
Purchases of securities held to maturity	(18,662)	(1,893)
Purchases of securities available for sale	(422,003)	(579,392)
Payment on low-income housing tax credit investment commitments	(4,039)	—
Net increase in loans	(525,091)	(383,799)
Net decrease in fed funds sold and resell agreements	793,595	362,229
Net cash activity from acquisitions and divestitures	24	—
Net increase in interest bearing balances due from other financial institutions	(1,274)	(3,867)
Purchases of premises and equipment	(17,652)	(10,066)
Proceeds from sales of premises and equipment	8,389	2,904
Proceeds from bank-owned and company-owned life insurance death benefit	19	—
Net cash provided by (used in) investing activities	231,123	(270,531)
FINANCING ACTIVITIES		
Net (decrease) increase in demand and savings deposits	(186,380)	332,490
Net decrease in time deposits	(241,344)	(248,535)
Net decrease in fed funds purchased and repurchase agreements	(5,591)	(24,872)
Proceeds from short-term debt	15,000	—
Repayment of long-term debt	—	(1,305)
Cash dividends paid	(15,150)	(14,777)
Proceeds from exercise of stock options and sales of treasury shares	2,454	1,448
Purchases of treasury stock	(59,386)	(4,086)
Net cash (used in) provided by financing activities	(490,397)	40,363
Decrease in cash and cash equivalents	(249,916)	(183,963)
Cash and cash equivalents at beginning of period	1,669,170	1,674,121
Cash and cash equivalents at end of period	$ 1,419,254	$ 1,490,158

Supplemental disclosures:				
Income tax refunds	$	(1,530)	$	(12)
Total interest payments		42,134		39,524
Noncash disclosures:				
Acquisition of low-income housing tax credit investments	$	27,834	$	—
Commitment to fund low-income housing tax credit investments		27,834		—

(1) For the three months ended March 31, 2019, this line represents the Provision for loan losses. See further discussion of this change in Note 3, “New Accounting Pronouncements.”

See Notes to Consolidated Financial Statements.

1. Financial Statement Presentation

The Consolidated Financial Statements include the accounts of UMB Financial Corporation and its subsidiaries (collectively, the Company) after the elimination of all intercompany transactions. In the opinion of management of the Company, all adjustments relating to items that are of a normal recurring nature and necessary for a fair presentation of the financial position and results of operations have been made. The results of operations and cash flows for the interim periods presented may not be indicative of the results of the full year ending December 31, 2020. The financial statements should be read in conjunction with "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" within this Quarterly Report on Form 10-Q (the Form 10-Q) and in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the Securities and Exchange Commission (SEC) on February 27, 2020 (the Form 10-K).

The Company is a financial holding company, which offers a wide range of banking and other financial services to its customers through its branches and offices. The Company's national bank, UMB Bank, National Association (the Bank), has its principal office in Missouri and also has branches in Arizona, Colorado, Illinois, Kansas, Nebraska, Oklahoma, and Texas. The Company also has offices in Pennsylvania, South Dakota, Indiana, Utah, Minnesota, California, and Wisconsin.

2. Summary of Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also impact reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A summary of the significant accounting policies to assist the reader in understanding the financial presentation is provided in the Notes to Consolidated Financial Statements in the Form 10-K.

Cash and cash equivalents

Cash and cash equivalents includes Cash and due from banks and amounts due from the Federal Reserve Bank (FRB). Cash on hand, cash items in the process of collection, and amounts due from correspondent banks are included in Cash and due from banks. Amounts due from the FRB are interest-bearing for all periods presented and are included in the Interest-bearing due from banks line on the Company's Consolidated Balance Sheets.

This table provides a summary of cash and cash equivalents as presented on the Consolidated Statements of Cash Flows as of March 31, 2020 and March 31, 2019 *(in thousands)*:

	March 31, 2020	March 31, 2019
Due from the FRB	$ 1,078,701	$ 1,090,771
Cash and due from banks	340,553	399,387
Cash and cash equivalents at end of period	$ 1,419,254	$ 1,490,158

Also included in the Interest-bearing due from banks, but not considered cash and cash equivalents, are interest-bearing accounts held at other financial institutions, which totaled $30.6 million and $22.7 million at March 31, 2020 and March 31, 2019, respectively.

Per Share Data

Basic net (loss) income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Basic and diluted net loss per share were the same at March 31, 2020 as the impact of all potentially dilutive shares was anti-dilutive. Diluted net income per share includes the dilutive effect of 286,418 shares issuable upon the exercise of stock options, nonvested restricted shares, and nonvested restricted stock units granted by the Company and outstanding at March 31, 2019.

Certain options, restricted stock and restricted stock units issued under employee benefits plans are excluded from the computation of diluted earnings per share because they were anti-dilutive. At March 31, 2020, all outstanding options, restricted stock and restricted stock units were excluded. At March 31, 2019, 123,384 stock options were excluded.

Derivatives

The Company records all derivatives on the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Currently, four of the Company's derivatives are designated in qualifying hedging relationships. However, the remainder of the Company's derivatives are not designated in qualifying hedging relationships, as the derivatives are not used to manage risks within the Company's assets or liabilities. All changes in fair value of the Company's non-designated derivatives and fair value hedges are recognized directly in earnings. Changes in fair value of the Company's cash flow hedges are recognized in accumulated other comprehensive income (AOCI) and are reclassified to earnings when the hedged transaction affects earnings.

3. New Accounting Pronouncements

Leases In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* – Accounting Standards Codification (ASC) Topic 842. In January, July, and December 2018 and March 2019, the FASB issued implementation amendments to the February 2016 ASU (collectively, the amended guidance). The amended guidance changed the accounting treatment of leases, in that lessees recognize most leases on-balance sheet. This increased reported assets and liabilities, as lessees are required to recognize a right-of-use asset along with a lease liability, measured on a discounted basis. The amended guidance allows an entity to choose either the effective date, or the beginning of the earliest comparative period presented in the financial statements, as its date of initial application. The Company adopted the amended guidance on January 1, 2019, using the effective date as the date of initial application. Adoption of the amended guidance resulted in the recording of a right-of-use asset of $58.2 million and a lease liability of $63.0 million to its Consolidated Balance Sheets as of January 1, 2019.

Credit Losses In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." In April and November 2019, the FASB issued implementation amendments to the June 2016 ASU (collectively, the amended guidance). The amended guidance replaced the current incurred loss methodology for recognizing credit losses with a current expected credit loss (CECL) model, which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The amended guidance broadened the information that an entity must consider in developing its expected credit loss estimates. Additionally, the updates amended the accounting for credit losses for available-for-sale debt securities and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination. The amended guidance required enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a company's loan portfolio. The Company adopted the amended guidance on January 1, 2020 using a modified retrospective approach for adoption. Results for reporting periods beginning after January 1, 2020 are presented under ASC Topic 326, *Financial Instruments – Credit Losses*, while prior period amounts continue to be reported in accordance with previously applicable Generally Accepted Accounting Principles (GAAP). Upon adoption, the Company recorded a cumulative effect adjustment to the Company's Consolidated Balance Sheets of $9.0 million as increase to the allowance for credit losses and $7.0 million as a reduction to retained earnings, net of deferred tax balances. See Note 4, "Loans and Allowance for Credit Losses" for related disclosures.

4. Loans and Allowance for Credit Losses

The Company adopted the CECL methodology for measuring credit losses as of January 1, 2020. All disclosures as of and for the three months ended March 31, 2020 are presented in accordance with ASC 326, *Financial Instruments – Credit Losses* (ASC 326). The Company did not recast comparative financial periods and has presented those disclosures under previously applicable GAAP.

Loan Origination/Risk Management

The Company has certain lending policies and procedures in place that are designed to minimize the level of risk within the loan portfolio. Diversification of the loan portfolio manages the risk associated with fluctuations in economic conditions. Authority levels are established for the extension of credit to ensure consistency throughout the Company. It is necessary that policies, processes and practices implemented to control the risks of individual credit transactions and portfolio segments are sound and adhered to. The Company maintains an independent loan review department that reviews and validates the risk assessment on a continual basis. Management regularly evaluates the results of the loan reviews. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company's policies and procedures.

Commercial and industrial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Commercial loans are made based on the identified cash flows of the borrower and on the underlying collateral provided by the borrower. The cash flows of the borrower, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts from its customers.

Specialty lending loans include Asset-based and Factoring loans. Asset-based loans are offered primarily in the form of revolving lines of credit to commercial borrowers that do not generally qualify for traditional bank financing. Asset-based loans are underwritten based primarily upon the value of the collateral pledged to secure the loan, rather than on the borrower's general financial condition. The Company utilizes pre-loan due diligence techniques, monitoring disciplines, and loan management practices common within the asset-based lending industry to underwrite loans to these borrowers. Factoring loans provide working capital through the purchase and/or financing of accounts receivable to borrowers in the transportation industry and to commercial borrowers that do not generally qualify for traditional bank financing.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans, in addition to those of real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. The Company requires that an appraisal of the collateral be made at origination and on an as-needed basis, in conformity with current market conditions and regulatory requirements. The underwriting standards address both owner and non-owner occupied real estate. Also included in Commercial real estate are Construction loans that are underwritten using feasibility studies, independent appraisal reviews, sensitivity analysis or absorption and lease rates, and financial analysis of the developers and property owners. Construction loans are based upon estimates of costs and value associated with the complete project. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their repayment being sensitive to interest rate changes, governmental regulation of real property, economic conditions, and the availability of long-term financing.

Consumer real estate loans, including residential real estate and home equity loans, are underwritten based on the borrower's loan-to-value percentage, collection remedies, and overall credit history.

Consumer loans are underwritten based on the borrower's repayment ability. The Company monitors delinquencies on all of its consumer loans and leases. The underwriting and review practices combined with the relatively small loan amounts that are spread across many individual borrowers, minimizes risk. Consumer loans and leases that are 90 days past due or more are considered non-performing.

Credit cards include both commercial and consumer credit cards. Commercial credit cards are generally unsecured and are underwritten with criteria similar to commercial loans, including an analysis of the borrower's cash flow, available business capital, and overall credit-worthiness of the borrower. Consumer credit cards are underwritten based on the borrower's repayment ability. The Company monitors delinquencies on all of its consumer credit cards and periodically reviews the distribution of FICO scores relative to historical periods to monitor credit risk on its consumer credit card loans.

Credit risk is a potential loss resulting from nonpayment of either the primary or secondary exposure. Credit risk is mitigated with formal risk management practices and a thorough initial credit-granting process including consistent underwriting standards and approval process. Control factors or techniques to minimize credit risk include knowing the client, understanding total exposure, analyzing the client and debtor's financial capacity, and monitoring the client's activities. Credit risk and portions of the portfolio risk are managed through concentration considerations, average risk ratings, and other aggregate characteristics.

Loan Aging Analysis

This table provides a summary of loan classes and an aging of past due loans at March 31, 2020 and December 31, 2019 *(in thousands):*

	March 31, 2020					
	30-89 Days Past Due and Accruing	**Greater than 90 Days Past Due and Accruing**	**Non-Accrual Loans**	**Total Past Due**	**Current**	**Total Loans**
Loans						
Commercial and industrial	$ 8,663	$ 34	$ 42,613	$ 51,310	$ 5,901,054	$ 5,952,364
Specialty lending	—	—	1,455	1,455	521,970	523,425
Commercial real estate	7,180	115	46,379	53,674	5,230,113	5,283,787
Consumer real estate	1,282	154	5,521	6,957	1,437,554	1,444,511
Consumer	124	23	184	331	146,390	146,721
Credit cards	2,175	1,885	808	4,868	368,739	373,607
Leases and other	—	—	69	69	225,226	225,295
Total loans	$ 19,424	$ 2,211	$ 97,029	$ 118,664	$ 13,831,046	$ 13,949,710

	December 31, 2019					
	30-89 Days Past Due and Accruing	Greater than 90 Days Past Due and Accruing	Non-Accrual Loans	Total Past Due	Current	Total Loans
Loans						
Commercial:						
Commercial	$ 10,491	$ 250	$ 25,592	$ 36,333	$ 5,805,669	$ 5,842,002
Asset-based	—	—	—	—	292,231	292,231
Factoring	—	—	—	—	170,560	170,560
Commercial – credit card	760	52	24	836	181,402	182,238
Real estate:						
Real estate – construction	3,933	—	95	4,028	838,318	842,346
Real estate – commercial	3,365	36	24,030	27,431	4,301,293	4,328,724
Real estate – residential	485	—	2,748	3,233	930,043	933,276
Real estate – HELOC	544	—	2,798	3,342	474,809	478,151
Consumer:						
Consumer – credit card	1,835	1,681	803	4,319	222,423	226,742
Consumer – other	81	50	257	388	133,086	133,474
Leases	—	—	—	—	1,978	1,978
Total loans	$ 21,494	$ 2,069	$ 56,347	$ 79,910	$ 13,351,812	$ 13,431,722

The Company sold consumer real estate loans with proceeds of $75.7 million and $21.3 million in the secondary market without recourse during the three months ended March 31, 2020 and March 31, 2019, respectively.

The Company has ceased the recognition of interest on loans with a carrying value of $97.0 million and $56.3 million at March 31, 2020 and December 31, 2019, respectively. Restructured loans totaled $14.3 million and $19.8 million at March 31, 2020 and December 31, 2019, respectively. Loans 90 days past due and still accruing interest amounted to $2.2 million and $2.1 million at March 31, 2020 and December 31, 2019, respectively. All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. There was an insignificant amount of interest reversed related to loans on nonaccrual during 2020. Nonaccrual loans with no related allowance for credit losses totaled $68.2 million at March 31, 2020.

The following table provides the amortized cost of nonaccrual loans with no related allowance for credit losses by loan class at March 31, 2020 *(in thousands):*

	March 31, 2020	
	Non-Accrual Loans	Amortized Cost of Non-Accrual Loans with no related Allowance
Loans		
Commercial and industrial	$ 42,613	$ 22,102
Specialty lending	1,455	1,011
Commercial real estate	46,379	38,495
Consumer real estate	5,521	5,521
Consumer	184	184
Credit cards	808	808
Leases and other	69	69
Total loans	$ 97,029	$ 68,190

Amortized Cost

The following disclosure is presented in accordance with ASC 326.

The following table provides a summary of the amortized cost balance of each of the Company’s loan classes disaggregated by collateral type and origination year as of March 31, 2020 *(in thousands):*

	March 31, 2020								
Loan Segment and Type	Amortized Cost Basis by Origination Year - Term Loans 2020	2019	2018	2017	2016	Prior	Amortized Cost - Revolving Loans	Amortized Cost - Revolving Loans Converted to Term Loans	Total
Commercial and industrial:									
Equipment/Accounts Receivable/Inventory	$ 955,311	$ 1,012,606	$ 660,657	$ 267,071	$ 235,386	$ 186,903	$ 2,429,565	$ 10,701	$ 5,758,200
Agriculture	967	12,068	3,946	6,332	4,556	1,949	148,744	—	178,562
Overdrafts	—	—	—	—	—	—	15,602	—	15,602
Total Commercial and industrial	956,278	1,024,674	664,603	273,403	239,942	188,852	2,593,911	10,701	5,952,364
Specialty lending:									
Asset-based lending	8,503	61,289	—	—	—	—	286,844	—	356,636
Factoring	—	—	—	—	—	—	166,789	—	166,789
Total Specialty lending	8,503	61,289	—	—	—	—	453,633	—	523,425
Commercial real estate:									
Owner-occupied	89,443	426,334	300,415	237,437	175,338	290,695	30,328	17,368	1,567,358
Non-owner-occupied	111,865	566,992	288,939	267,792	263,488	279,534	69,403	73,130	1,921,143
Farmland	22,470	75,807	54,607	52,831	92,875	77,722	50,267	177	426,756
5+ Multi-family	7,257	110,450	48,822	91,199	119,504	11,714	1,770	—	390,716
1-4 Family construction	—	—	—	—	—	—	40,463	—	40,463
General construction	7,750	4,807	5,857	936	548	2,957	910,394	4,102	937,351
Total Commercial real estate	238,785	1,184,390	698,640	650,195	651,753	662,622	1,102,625	94,777	5,283,787
Consumer real estate:									
HELOC	17,606	23,227	13,430	454	86	2,916	419,468	—	477,187
First lien: 1-4 family	119,235	358,923	110,014	126,240	111,528	118,687	1,412	—	946,039
Junior lien: 1-4 family	2,298	9,308	3,559	2,267	1,201	2,361	291	—	21,285
Total Consumer real estate	139,139	391,458	127,003	128,961	112,815	123,964	421,171	—	1,444,511
Consumer:									
Revolving line	—	—	—	—	—	85	85,927	—	86,012
Auto	4,314	13,670	5,117	3,110	1,553	1,036	—	—	28,800
Other	1,245	8,509	3,156	638	1,271	355	16,735	—	31,909
Total Consumer	5,559	22,179	8,273	3,748	2,824	1,476	102,662	—	146,721
Credit cards:									
Consumer	—	—	—	—	—	—	203,318	—	203,318
Commercial	—	—	—	—	—	—	170,289	—	170,289
Total Credit cards	—	—	—	—	—	—	373,607	—	373,607
Leases and other:									
Leases	—	557	—	833	—	769	—	—	2,159
Other	586	12,693	9,470	3,444	2,414	5,889	188,640	—	223,136
Total Leases and other	586	13,250	9,470	4,277	2,414	6,658	188,640	—	225,295
Total loans	$ 1,348,850	$ 2,697,240	$ 1,507,989	$ 1,060,584	$ 1,009,748	$ 983,572	$ 5,236,249	$ 105,478	$ 13,949,710

Accrued interest on loans totaled $44.1 million as of March 31, 2020 and is included in the Accrued income line on the Company's Consolidated Balance Sheets. The total amount of accrued interest is excluded from the amortized cost basis of loans presented above. Further, the Company has elected not to measure an allowance for credit losses for accrued interest receivables.

Credit Quality Indicators

As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to the risk grading of specified classes of loans, net charge-offs, non-performing loans, and general economic conditions.

The Company utilizes a risk grading matrix to assign a rating to each of its commercial, commercial real estate, and construction real estate loans. The loan ratings are summarized into the following categories: Non-watch list, Watch, Special Mention, Substandard, and Doubtful. Any loan not classified in one of the categories described below is considered to be a Non-watch list loan. A description of the general characteristics of the loan rating categories is as follows:

- **Watch** – This rating represents credit exposure that presents higher than average risk and warrants greater than routine attention by Company personnel due to conditions affecting the borrower, the borrower's industry or the economic environment. These conditions have resulted in some degree of uncertainty that results in higher than average credit risk.
- **Special Mention** – This rating reflects a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or the borrower's credit position at some future date. The rating is not adversely classified and does not expose an institution to sufficient risk to warrant adverse classification.
- **Substandard** – This rating represents an asset inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Loans in this category are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified as substandard.
- **Doubtful** – This rating represents an asset that has all the weaknesses inherent in an asset classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, based on currently existing facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work to the advantage of strengthening the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, liquidation procedures, capital injection, or perfecting liens.

Commercial and industrial

A discussion of the credit quality indicators that impact each type of collateral securing Commercial and industrial loans is included below:

Equipment, accounts receivable, and inventory General commercial and industrial loans are secured by working capital assets and non-real estate assets. The general purpose of these loans is for financing capital expenditures and current operations for commercial and industrial entities. These assets are short-term in nature. In the case of accounts receivable and inventories, the repayment of debt is reliant upon converting assets into cash or through goods and services being sold and collected. Collateral based-risk is due to aged short-term assets, which can be indicative of underlying issues with the borrower and lead to the value of the collateral being overstated.

Agriculture Agricultural loans are secured by non-real estate agricultural assets. These include shorter-term assets such as equipment, crops, and livestock. The risks associated with loans to finance crops or livestock include the borrower's ability to successfully raise and market the commodity. Adverse weather conditions and other natural perils can dramatically affect farmers' or ranchers' production and ability to service debt. Volatile commodity prices present another significant risk for agriculture borrowers. Market price volatility and production cost volatility can affect both revenues and expenses.

Overdrafts Commercial overdrafts are typically short-term and unsecured. Some commercial borrowers tie their overdraft obligation to their line of credit, so any draw on the line of credit will satisfy the overdraft.

Based on the factors noted above for each type of collateral, the Company assigns risk ratings to borrowers based on their most recently assessed financial position. The following table provides a summary of the amortized cost balance by collateral type and risk rating as of March 31, 2020 *(in thousands):*

	March 31, 2020								
	Amortized Cost Basis by Origination Year - Term Loans								
Risk by Collateral	2020	2019	2018	2017	2016	Prior	Amortized Cost - Revolving Loans	Amortized Cost - Revolving Loans Converted to Term Loans	Total
Equipment/Accounts Receivable/Inventory									
Non-watch list	$ 889,106	$ 970,210	$ 608,207	$ 249,951	$ 198,513	$ 182,297	$ 2,231,968	$ 6,191	$ 5,336,443
Watch	28,487	17,722	40,462	6,142	25,592	3,224	82,337	—	203,966
Special Mention	97	408	2,366	2,251	9,240	624	27,778	3,990	46,754
Substandard	37,621	24,127	9,622	2,947	2,041	719	87,157	520	164,754
Doubtful	—	139	—	5,780	—	39	325	—	6,283
Total Equipment/Accounts Receivable/Inventory	$ 955,311	$ 1,012,606	$ 660,657	$ 267,071	$ 235,386	$ 186,903	$ 2,429,565	$ 10,701	$ 5,758,200
Agriculture									
Non-watch list	$ 832	$ 10,113	$ 3,374	$ 2,991	$ 3,982	$ 1,769	$ 102,899	$ —	$ 125,960
Watch	135	161	532	144	503	45	12,223	—	13,743
Special Mention	—	475	22	163	22	—	3,285	—	3,967
Substandard	—	1,319	18	3,034	49	135	30,337	—	34,892
Doubtful	—	—	—	—	—	—	—	—	—
Total Agriculture	$ 967	$ 12,068	$ 3,946	$ 6,332	$ 4,556	$ 1,949	$ 148,744	$ —	$ 178,562

Specialty lending

A discussion of the credit quality indicators that impact each type of collateral securing Specialty loans is included below:

Asset-based lending General asset-based loans are secured by accounts receivable, inventory, equipment, and real estate. The purpose of these loans is for financing current operations for commercial customers. The repayment of debt is reliant upon collection of the accounts receivable within 30 to 90 days or converting assets into cash or through goods and services being sold and collected. The Company tracks each individual borrower credit risk based on their loan to collateral position. Any borrower position where the underlying value of collateral is below the fair value of the loan is considered out-of-margin and inherently higher risk.

Factoring General factoring loans are secured by accounts receivable. The purpose of these loans is for financing current operations for trucking or other commercial customers. The repayment of debt is reliant upon collection of the accounts receivable within 30 to 90 days. The Company tracks each individual borrower credit risk based on their loan to collateral position. Any borrower that has experienced a position where the underlying value of collateral is below the fair value of the loan is considered out-of-margin and inherently higher risk.

The following table provides a summary of the amortized cost balance by collateral type and risk rating as of March 31, 2020 *(in thousands):*

	March 31, 2020	
Risk	**Asset-based lending**	**Factoring**
In-margin	$ 350,487	$ 23,160
Out-of-margin	6,149	143,629
Total	$ 356,636	$ 166,789

Commercial real estate

A discussion of the credit quality indicators that impact each type of collateral securing Commercial real estate loans is included below:

Owner-occupied Owner-occupied loans are secured by commercial real estate. These loans are often longer tenured and susceptible to multiple economic cycles. The loans rely on the owner-occupied operations to service debt which cover a broad spectrum of industries. Real estate debt can carry a significant amount of leverage for a borrower to maintain.

Non-owner-occupied Non-owner-occupied loans are secured by commercial real estate. These loans are often longer tenured and susceptible to multiple economic cycles. The key element of risk in this type of lending is the cyclical nature of real estate markets. Although national conditions affect the overall real estate industry, the effect of national conditions on local markets is equally important. Factors such as unemployment rates, consumer demand, household formation, and the level of economic activity can vary widely from state to state and among metropolitan areas. In addition to geographic considerations, markets can be defined by property type. While all sectors are influenced by economic conditions, some sectors are more sensitive to certain economic factors than others.

Farmland Farmland loans are secured by real estate used for agricultural purposes such as crop and livestock production. Assets used as collateral are long-term assets that carry the ability to have longer amortizations and maturities. Longer terms carry the risk of added susceptibility to market conditions. The limited purpose of some Agriculture-related collateral affects credit risk because such collateral may have limited or no other uses to support values when loan repayment problems emerge.

5+ Multi-family 5+ multi-family loans are secured by a multi-family residential property. The primary risks associated with this type of collateral are largely driven by economic conditions. The national and local market conditions can change with unemployment rates or competing supply of multi-family housing. Tenants may not be able to afford their housing or have better options and this can result in increased vacancy. Rents may need to be lowered to fill apartment units. Increased vacancy and lower rental rates not only drive the borrower’s ability to repay debt but also contribute to how the collateral is valued.

1-4 Family construction 1-4 family construction loans are secured by 1-4 family residential real estate and are in the process of construction or improvements being made. The predominant risk inherent to this portfolio is the risk associated with a borrower’s ability to successfully complete a project on time and within budget. Market conditions also play an important role in understanding the risk profile. Risk from adverse changes in market conditions from the start of development to completion can result in deflated collateral values

General construction General construction loans are secured by commercial real estate in process of construction or improvements being made and their repayment is dependent on the collateral’s completion. Construction lending presents unique risks not encountered in term financing of existing real estate. The predominant risk inherent to this portfolio is the risk associated with a borrower’s ability to successfully complete a project on time and within budget. Commercial properties under construction are susceptible to market and economic conditions. Demand from prospective customers may erode after construction begins because of a general economic slowdown or an increase in the supply of competing properties.

Based on the factors noted above for each type of collateral, the Company assigns risk ratings to borrowers based on their most recently assessed financial position. The following table provides a summary of the amortized cost balance by collateral type and risk rating as of March 31, 2020 *(in thousands):*

	March 31, 2020								
	Amortized Cost Basis by Origination Year - Term Loans						Amortized Cost - Revolving Loans	Amortized Cost - Revolving Loans Converted to Term Loans	
Risk by Collateral	**2020**	**2019**	**2018**	**2017**	**2016**	**Prior**			**Total**
Owner-occupied									
Non-watch list	$ 84,399	$ 418,347	$ 252,193	$ 203,728	$ 166,497	$ 281,410	$ 18,351	$ 17,368	$ 1,442,293
Watch	—	6,398	35,581	—	—	502	—	—	42,481
Special Mention	—	990	6,327	1,722	2,100	1,987	43	—	13,169
Substandard	5,044	599	6,314	31,987	6,102	6,796	11,934	—	68,776
Doubtful	—	—	—	—	639	—	—	—	639
Total Owner-occupied	$ 89,443	$ 426,334	$ 300,415	$ 237,437	$ 175,338	$ 290,695	$ 30,328	$ 17,368	$ 1,567,358
Non-owner-occupied									
Non-watch list	$ 111,681	$ 566,241	$ 288,939	$ 260,214	$ 260,735	$ 273,040	$ 69,403	$ 73,130	$ 1,903,383
Watch	—	300	—	7,578	1,983	5,105	—	—	14,966
Special Mention	—	—	—	—	—	1,329	—	—	1,329
Substandard	184	451	—	—	770	60	—	—	1,465
Doubtful	—	—	—	—	—	—	—	—	—
Total Non-owner-occupied	$ 111,865	$ 566,992	$ 288,939	$ 267,792	$ 263,488	$ 279,534	$ 69,403	$ 73,130	$ 1,921,143
Farmland									
Non-watch list	$ 20,730	$ 56,685	$ 31,484	$ 38,394	$ 65,139	$ 34,394	$ 27,597	$ 177	$ 274,600
Watch	123	3,727	15,251	6,299	5,294	26,809	19,193	—	76,696
Special Mention	—	—	1,220	510	1,462	507	205	—	3,904
Substandard	1,617	15,395	6,652	7,628	20,980	16,012	3,272	—	71,556
Doubtful	—	—	—	—	—	—	—	—	—
Total Farmland	$ 22,470	$ 75,807	$ 54,607	$ 52,831	$ 92,875	$ 77,722	$ 50,267	$ 177	$ 426,756
5+ Multi-family									
Non-watch list	$ 7,257	$ 107,990	$ 48,822	$ 89,850	$ 111,374	$ 11,714	$ 1,770	$ —	$ 378,777
Watch	—	—	—	1,349	—	—	—	—	1,349
Special Mention	—	2,460	—	—	6,269	—	—	—	8,729
Substandard	—	—	—	—	1,861	—	—	—	1,861
Doubtful	—	—	—	—	—	—	—	—	—
Total 5+ Multi-family	$ 7,257	$ 110,450	$ 48,822	$ 91,199	$ 119,504	$ 11,714	$ 1,770	$ —	$ 390,716
1-4 Family construction									
Non-watch list	$ —	$ —	$ —	$ —	$ —	$ —	$ 40,463	$ —	$ 40,463
Watch	—	—	—	—	—	—	—	—	—
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total 1-4 Family construction	$ —	$ —	$ —	$ —	$ —	$ —	$ 40,463	$ —	$ 40,463
General construction									
Non-watch list	$ 6,828	$ 4,713	$ 5,689	$ 936	$ 548	$ 2,957	$ 907,000	$ 4,102	$ 932,773
Watch	617	—	—	—	—	—	—	—	617
Special Mention	305	—	—	—	—	—	—	—	305
Substandard	—	—	168	—	—	—	3,394	—	3,562
Doubtful	—	94	—	—	—	—	—	—	94
Total General construction	$ 7,750	$ 4,807	$ 5,857	$ 936	$ 548	$ 2,957	$ 910,394	$ 4,102	$ 937,351

Consumer real estate

A discussion of the credit quality indicators that impact each type of collateral securing Consumer real estate loans is included below:

HELOC HELOC loans are revolving lines of credit secured by 1-4 family residential property. The primary risk is the borrower's inability to repay debt. Revolving notes are often associated with HELOCs that can be secured by real estate without a 1st lien priority. Collateral is susceptible to market volatility impacting home values or economic downturns.

First lien: 1-4 family First lien 1-4 family loans are secured by a first lien on 1-4 family residential property. These term loans carry longer maturities and amortizations. The longer tenure exposes the borrower to multiple economic cycles, coupled with longer amortizations that result in smaller principal reduction early in the life of the loan. Collateral is susceptible to market volatility impacting home values.

Junior lien: 1-4 family Junior lien 1-4 family loans are secured by a junior lien on 1-4 family residential property. The Company's primary risk is the borrower's inability to repay debt and not being in a priority lien position. Collateral is susceptible to market volatility impacting home values or economic downturns.

A borrower is considered non-performing if the Company has ceased the recognition of interest and the loan is placed on non-accrual. Charge-offs and borrower performance are tracked on a loan origination vintage basis. Certain vintages, based on their maturation cycle, could be at higher risk due to collateral-based risk factors. The following table provides a summary of the amortized cost balance by collateral type and risk rating as of March 31, 2020 *(in thousands):*

	March 31, 2020		
Risk	**HELOC**	**First lien: 1-4 family**	**Junior lien: 1-4 family**
Performing	$ 473,836	$ 943,957	$ 21,196
Nonperforming:			
2020	—	—	—
2019	190	138	—
2018	130	78	49
2017	208	1,072	—
2016	144	472	24
Prior to 2016	2,679	322	16
Total	$ 477,187	$ 946,039	$ 21,285

Consumer

A discussion of the credit quality indicators that impact each type of collateral securing Consumer loans is included below:

Revolving line Consumer Revolving lines of credit are secured by consumer assets other than real estate. The primary risk associated with this collateral is related to market volatility and the value of the underlying financial assets.

Auto Direct consumer auto loans are secured by new and used consumer vehicles. The primary risk with this collateral class is the rate at which the collateral depreciates.

Other This category includes Other consumer loans made to an individual. The primary risk for this category is for those loans where the loan is unsecured. This collateral type also includes other unsecured lending such as consumer overdrafts.

A borrower is considered non-performing if the Company has ceased the recognition of interest and the loan is placed on non-accrual. Charge-offs and borrower performance are tracked on a loan origination vintage basis. Certain vintages, based on their maturation cycle, could be at higher risk due to collateral-based risk factors. The following table provides a summary of the amortized cost balance by collateral type and risk rating as of March 31, 2020 *(in thousands):*

	March 31, 2020		
Risk	**Revolving line**	**Auto**	**Other**
Performing	$ 85,888	$ 28,744	$ 31,905
Nonperforming:			
2020	—	—	—
2019	—	55	—
2018	—	—	—
2017	124	—	4
2016	—	—	—
Prior to 2016	—	1	—
Total	$ 86,012	$ 28,800	$ 31,909

Credit cards

A discussion of the credit quality indicators that impact Credit card loans is included below:

Consumer Consumer credit card loans are revolving loans made to individuals. The primary risk associated with this collateral class is credit card debt is generally unsecured; therefore, repayment depends primarily on a borrower's willingness and capacity to repay. The highly competitive environment for credit card lending provides consumers with ample opportunity to hold several credit cards from different issuers and to pay only minimum monthly payments on outstanding balances. In such an environment, borrowers may become over-extended and unable to repay, particularly in times of an economic downturn or a personal catastrophic event.

The consumer credit card portfolio is segmented by borrower payment activity. Transactors are defined as accounts that pay off their balance by the end of each statement cycle. Revolvers are defined as an account that carries a balance from statement cycle to the next. These accounts incur monthly finance charges, and, sometimes, late fees. Revolvers are inherently higher risk and are tracked by FICO score.

Commercial Commercial credit card loans are revolving loans made to small and commercial businesses. The primary risk associated with this collateral class is credit card debt is generally unsecured; therefore, repayment depends primarily on a borrower's willingness and capacity to repay. Borrowers may become over-extended and unable to repay, particularly in times of an economic downturn or a catastrophic event.

The commercial credit card portfolio is segmented by current and past due payment status. A borrower is past due after 30 days. In general, commercial credit card customers do not have incentive to hold a balance resulting in paying interest on credit card debt as commercial customers will typically have other debt obligations with lower interest rates in which they can utilize for capital.

The following table provides a summary of the amortized cost balance of consumer credit cards by risk rating as of March 31, 2020 *(in thousands):*

	March 31, 2020	
Risk	**Consumer**	
Transactor accounts	$	48,428
Revolver accounts (by FICO score):		
Less than 600		9,795
600-619		3,642
620-639		6,569
640-659		11,654
660-679		19,194
680-699		20,566
700-719		19,869
720-739		18,228
740-759		14,799
760-779		9,994
780-799		7,894
800-819		5,590
820-839		4,558
840+		2,538
Total	$	203,318

The following table provides a summary of the amortized cost balance of commercial credit cards by risk rating as of March 31, 2020 *(in thousands):*

	March 31, 2020	
Risk	**Commercial**	
Current	$	157,772
Past Due		12,517
Total	$	170,289

Leases and other

A discussion of the credit quality indicators that impact each type of collateral securing Leases and other loans is included below:

Leases Leases are either loans to individuals for household, family and other personal expenditures or are loans related to all other direct financing and leveraged leases on property for leasing to lessees other than for household, family and other personal expenditure purposes. Leases to individuals are secured by the lease between the lessor and the lessee. All other leases are secured by the lease between the lessor and the lessee. These assignments grant the creditor a security interest in the rent stream from any lease, an important source of cash to pay the note in case of the borrower's default.

Other Other loans are loans that are obligations of states and political subdivisions in the U.S., loans to non-depository financial institutions, loans for purchasing or carrying securities, or all other non-consumer loans. Risk associated with other loans is tied to the underlying collateral by each type of loan. Collateral is generally equipment, account receivable, inventory, 1-4 family residential construction and susceptible to the same risks mentioned with those collateral types previously. Other risks consist of collateral that is secured by the stock of the non-depository financial institution, which can be unlisted stock with a limited market for the stock or volatility of asset values driven by market performance.

Based on the factors noted above for each type of collateral, the Company assigns risk ratings to borrowers based on their most recently assessed financial position. The following table provides a summary of the amortized cost balance by collateral type and risk rating as of March 31, 2020 *(in thousands):*

	March 31, 2020	
Risk	**Leases**	**Other**
Non-watch list	$ 2,159	$ 222,234
Watch	—	700
Special Mention	—	—
Substandard	—	202
Doubtful	—	—
Total	$ 2,159	$ 223,136

The following disclosures are presented under previously applicable GAAP.

The description of the general characteristics of the loan rating categories is as described above, however in the prior period disclosures the Substandard loan rating category may also include loans where the collection of full principal is doubtful or remote.

All other classes of loans are generally evaluated and monitored based on payment activity. Non-performing loans include restructured loans on non-accrual and all other non-accrual loans.

This table provides an analysis of the credit risk profile of each loan class at December 31, 2019 *(in thousands)*:

Credit Exposure
Credit Risk Profile by Risk Rating

	December 31, 2019				
	Commercial	**Asset-based**	**Factoring**	**Real estate – construction**	**Real estate – commercial**
Non-watch list	$ 5,380,205	$ 230,526	$ 127,310	$ 837,836	$ 4,078,673
Watch	257,040	—	—	175	110,530
Special Mention	91,020	34,640	1,376	307	28,020
Substandard	113,737	27,065	41,874	4,028	111,501
Total	$ 5,842,002	$ 292,231	$ 170,560	$ 842,346	$ 4,328,724

Credit Exposure
Credit Risk Profile Based on Payment Activity

	December 31, 2019					
	Commercial – credit card	**Real estate – residential**	**Real estate – HELOC**	**Consumer – credit card**	**Consumer – other**	**Leases**
Performing	$ 182,214	$ 926,312	$ 468,228	$ 225,939	$ 132,414	$ 1,978
Non-performing	24	6,964	9,923	803	1,060	—
Total	$ 182,238	$ 933,276	$ 478,151	$ 226,742	$ 133,474	$ 1,978

Allowance for Credit Losses

The allowance for credit losses (ACL) is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the loan balance becomes uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in portfolio industry-based segmentation, risk rating and FICO score changes, prepayment assumptions, changes in environmental conditions, or other relevant factors. For economic forecasts, the Company uses the Moody's baseline scenario. The Company has developed a dynamic reasonable and supportable forecast period that ranges from one to three years and changes based on economic conditions. Due to current economic conditions, the Company's reasonable and supportable forecast period is one year. After the reasonable and supportable forecast period, the Company reverts to historical losses. The reversion method applied to each portfolio can either be cliff or straight-line over four periods. The method is determined by loss specific data at the end of the reasonable and supportable forecast period.

The ACL is measured on a collective (pool) basis when similar risk characteristics exists. The Company has identified the following portfolio segments and measures the allowance for credit losses using the following methods. The Company's portfolio segmentation consists of Commercial and industrial, Specialty lending, Commercial real estate, Consumer real estate, Consumer, Credit cards, Leases and other, and Held-to-maturity securities. Multiple modeling techniques are used to measure credit losses based on the portfolio.

The Commercial & industrial and Leases and other segments are measured using a probability of default and loss given default method. Primary risk drivers within the segment are risk ratings of the individual loans along with changes of macro-economic variables such as unemployment, the 2-Year Treasury Rate, and farm income.

Collateral positions for Specialty lending loans are continuously monitored by the Company and the borrower is required to continually adjust the amount of collateral securing the loan. Credit losses are measured for any position where the amortized cost basis is greater than the fair value of the collateral.

The Commercial real estate segment is measured using a probability of default and loss given default method. Primary risk drivers within the segment are risk ratings of the individual loans, along with changes of macro-economic variables, such as unemployment, interest rates, construction activity, farm income, and vacancy rates.

The Consumer real estate and Consumer segments are measured using an origination vintage loss rate method. The primary risk driver within the segments is year of origination along with changes of macro-economic variables such as unemployment and the home price index.

The Credit card segment contains both consumer and commercial credit cards. Consumer credit cards are measured using a probability of default and loss given default method. Primary risk drivers within the segment are FICO ratings of the individual card holders along with changes of macro-economic variables such as unemployment and retail sales. Commercial credit cards are measured using roll-rate loss rate method based on days past due.

The Held-to-maturity (HTM) securities segment is measured using a loss rate method based on historical bond rating transitions. Primary risk drivers within the segment are bond ratings in the portfolio along with changes of macro-economic conditions. For further discussion on these securities, including the aging and amortized cost balance of HTM securities, see Note 5, "Securities."

See the credit quality indicators presented previously for a summary of current risk in the Company's portfolio. Changes in economic forecasts will affect all portfolio segments, updated financial records from borrowers will affect portfolio segments by risk rating, updated FICO scores will affect consumer credit cards, payment performance will affect consumer and commercial credit card portfolio segments, and updated bond credit ratings will affect held-to-maturity securities. The Company actively monitors all credit quality indicators for risk changes that will influence the current estimate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring (TDR) will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancelable by the Company.

Credit card receivables do not have stated maturities. In determining the estimated life of a credit card receivable, management first estimates the future cash flows expected to be received and then applies those expected future cash flows to the credit card balance. Expected credit losses for credit cards are determined by estimating the amount and timing of principal payments expected to be received as payment for the balance outstanding as of the reporting period until the expected payments have been fully allocated. The ACL is recorded for the excess of the balance outstanding as of the reporting period over the expected principal payments.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are excluded from the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for undiscounted selling costs as appropriate. All loans are considered collateral dependent if placed on non-accrual or are considered to be a TDR.

A loan modification is considered a TDR when a concession has been granted to a debtor experiencing financial difficulties. The allowance for credit loss on a TDR is measured using the discounted cash flow method. When the value of a concession is measured using the discounted cash flow method, the allowance for credit loss is determined by discounting the expected future cash flows at the original effective interest rate of the loan.

ALLOWANCE FOR CREDIT LOSSES AND RECORDED INVESTMENT IN LOANS

This table provides a rollforward of the allowance for credit losses by portfolio segment for the three months ended March 31, 2020 *(in thousands):*

	Three Months Ended March 31, 2020									
	Commercial and industrial	Specialty lending	Commercial real estate	Consumer real estate	Consumer	Credit cards	Leases and other	Total - Loans	HTM	Total
Allowance for credit losses:										
Beginning balance	$ 63,313	$ 2,545	$ 15,951	$ 2,623	$ 543	$ 15,739	$ 1,074	$ 101,788	$ —	$ 101,788
ASU 2016-13 adjustment	3,677	148	926	152	31	914	62	5,910	3,120	9,030
Charge-offs	(1,315)	—	(6,062)	(13)	(248)	(2,126)	—	(9,764)	—	(9,764)
Recoveries	1,476	—	21	14	97	484	—	2,092	—	2,092
Provision	55,381	856	24,559	1,401	704	3,812	1,172	87,885	115	88,000
Ending balance	$ 122,532	$ 3,549	$ 35,395	$ 4,177	$ 1,127	$ 18,823	$ 2,308	$ 187,911	$ 3,235	$ 191,146

This table provides a rollforward of the allowance for loan losses by portfolio segment for the three months ended March 31, 2019 *(in thousands):*

	Three Months Ended March 31, 2019				
	Commercial	Real estate	Consumer	Leases	Total
Allowance for loan losses:					
Beginning balance	$ 80,888	$ 13,664	$ 9,071	$ 12	$ 103,635
Charge-offs	(11,163)	(114)	(2,467)	—	(13,744)
Recoveries	626	73	721	—	1,420
Provision	9,981	767	1,603	(1)	12,350
Ending balance	$ 80,332	$ 14,390	$ 8,928	$ 11	$ 103,661
Ending balance: individually evaluated for impairment	$ 5,547	$ 101	$ —	$ —	$ 5,648
Ending balance: collectively evaluated for impairment	74,785	14,289	8,928	11	98,013
Loans:					
Ending balance: loans	$ 6,261,244	$ 5,928,139	$ 355,538	$ 4,811	$ 12,549,732
Ending balance: individually evaluated for impairment	37,493	21,197	349	—	59,039
Ending balance: collectively evaluated for impairment	6,223,751	5,906,942	355,189	4,811	12,490,693

Collateral Dependent Financial Assets

The following disclosure is presented in accordance with ASC 326.

This table provides the amortized cost balance of financial assets considered collateral dependent as of March 31, 2020 *(in thousands)*:

Loan Segment and Type	March 31, 2020 Amortized Cost of Collateral Dependent Assets	Related Allowance for Credit Losses	Amortized Cost of Collateral Dependent Assets with no related Allowance
Commercial and industrial:			
Equipment/Accounts Receivable/Inventory	$ 34,636	$ 6,607	$ 14,125
Agriculture	7,977	—	7,977
Total Commercial and industrial	42,613	6,607	22,102
Specialty lending:			
Asset-based lending	907	—	907
Factoring	548	41	104
Total Specialty lending	1,455	41	1,011
Commercial real estate:			
Owner-occupied	32,561	21	27,389
Non-owner-occupied	1,221	—	1,221
Farmland	9,316	—	9,316
5+ Multi-family	—	—	—
1-4 Family construction	—	—	—
General construction	3,489	595	777
Total Commercial real estate	46,587	616	38,703
Consumer real estate:			
HELOC	3,351	—	3,351
First lien: 1-4 family	2,082	—	2,082
Junior lien: 1-4 family	268	81	175
Total Consumer real estate	5,701	81	5,608
Consumer:			
Revolving line	124	—	124
Auto	56	—	56
Other	4	—	4
Total Consumer	184	—	184
Leases and other:			
Leases	—	—	—
Other	69	—	69
Total Leases and other	69	—	69
Total loans	$ 96,609	$ 7,345	$ 67,677

Impaired Loans

The following disclosure is presented under previously applicable GAAP.

This table provides an analysis of impaired loans by class at December 31, 2019 *(in thousands):*

	As of December 31, 2019					
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial:						
Commercial	$ 32,301	$ 20,986	$ 856	$ 21,842	$ 271	$ 31,271
Asset-based	948	948	—	948	—	190
Factoring	2,979	2,979	—	2,979	—	3,917
Commercial – credit card	—	—	—	—	—	—
Real estate:						
Real estate – construction	97	95	—	95	—	19
Real estate – commercial	28,258	19,314	4,928	24,242	387	19,826
Real estate – residential	1,751	1,617	93	1,710	80	846
Real estate – HELOC	—	—	—	—	—	—
Consumer:						
Consumer – credit card	—	—	—	—	—	—
Consumer – other	—	—	—	—	—	70
Leases	—	—	—	—	—	—
Total	$ 66,334	$ 45,939	$ 5,877	$ 51,816	$ 738	$ 56,139

Troubled Debt Restructurings

A loan modification is considered a TDR when a concession has been granted to a debtor experiencing financial difficulties. The Company's modifications generally include interest rate adjustments, principal reductions, and amortization and maturity date extensions. These modifications allow the debtor short-term cash relief to allow them to improve their financial condition. The Company's TDRs are considered collateral dependent and evaluated as part of the allowance for credit loss as described above in the Allowance for Credit Losses section of this note.

The Company had no outstanding commitments to lend to borrowers with loan modifications classified as TDRs as of March 31, 2020 and March 31, 2019. The Company monitors loan payments on an on-going basis to determine if a loan is considered to have a payment default. Determination of payment default involves analyzing the economic conditions that exist for each customer and their ability to generate positive cash flows during the loan term.

For the three-month periods ended March 31, 2020 and March 31, 2019, the Company had no new TDRs. For the three-month periods ended March 31, 2020 and March 31, 2019, the Company had no TDRs for which there was a payment default within the 12 months following the restructure date.

For the three-month period ended March 31, 2020, the Company had one loan modification for $7 thousand due to the effects of Coronavirus Disease 2019 (COVID-19) which was not identified as a TDR, consistent with the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus. The Company anticipates additional loans to be restructured due to the effects of COVID-19 in the coming periods that will not be identified as TDRs. See further discussion of the impacts of COVID-19 on the Company's consolidated financial statements in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

5. Securities

Securities Available for Sale

This table provides detailed information about securities available for sale at March 31, 2020 and December 31, 2019 *(in thousands):*

March 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 30,549	$ 1,056	$ —	$ 31,605
U.S. Agencies	94,195	6,421	—	100,616
Mortgage-backed	4,067,786	171,441	(4,578)	4,234,649
State and political subdivisions	2,980,676	114,292	(1,276)	3,093,692
Corporates	179,974	1,368	(2,453)	178,889
Total	$ 7,353,180	$ 294,578	$ (8,307)	$ 7,639,451

December 31, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 63,835	$ 408	$ (165)	$ 64,078
U.S. Agencies	89,867	3,154	—	93,021
Mortgage-backed	4,030,688	58,184	(17,078)	4,071,794
State and political subdivisions	2,954,276	78,867	(3,226)	3,029,917
Corporates	185,314	3,259	(21)	188,552
Total	$ 7,323,980	$ 143,872	$ (20,490)	$ 7,447,362

The following table presents contractual maturity information for securities available for sale at March 31, 2020 *(in thousands):*

	Amortized Cost	Fair Value
Due in 1 year or less	$ 225,943	$ 226,438
Due after 1 year through 5 years	842,108	852,880
Due after 5 years through 10 years	580,312	594,772
Due after 10 years	1,637,031	1,730,712
Total	3,285,394	3,404,802
Mortgage-backed securities	4,067,786	4,234,649
Total securities available for sale	$ 7,353,180	$ 7,639,451

Securities may be disposed of before contractual maturities due to sales by the Company or because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

For the three months ended March 31, 2020, proceeds from the sales of securities available for sale were $84.4 million compared to $53.3 million for the same period in 2019. Securities transactions resulted in gross realized gains of $1.2 million and $809 thousand for the three months ended March 31, 2020 and 2019, respectively. There were no gross realized losses for either the three months ended March 31, 2020 or 2019.

Securities available for sale with a fair value of $6.0 billion at March 31, 2020 and $5.8 billion at December 31, 2019 were pledged to secure U.S. Government deposits, other public deposits, certain trust deposits, derivative transactions, and repurchase agreements. Of these amounts, securities with a market value of $979.2 million and $481.2 million at March 31, 2020 and December 31, 2019, respectively, were pledged at the Federal Reserve Discount Window but were unencumbered as of those dates.

Accrued interest on securities available for sale totaled $32.5 million as of March 31, 2020 and is included in the Accrued income line on the Company's Consolidated Balance Sheets. The total amount of accrued interest is excluded from the amortized cost of available for sale securities presented above. Further, the Company has elected not to measure an ACL for accrued interest receivable.

The following table shows the Company's available for sale investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2020 and December 31, 2019 *(in thousands):*

	Less than 12 months			12 months or more			Total		
March 31, 2020	**Count**	**Fair Value**	**Unrealized Losses**	**Count**	**Fair Value**	**Unrealized Losses**	**Count**	**Fair Value**	**Unrealized Losses**
Description of Securities									
U.S. Treasury	—	$ —	$ —	—	$ —	$ —	—	$ —	$ —
U.S. Agencies	1	4,406	—	—	—	—	1	4,406	—
Mortgage-backed	36	159,593	(4,079)	10	34,227	(499)	46	193,820	(4,578)
State and political subdivisions	184	127,235	(1,267)	4	1,158	(9)	188	128,393	(1,276)
Corporates	63	96,594	(2,453)	—	—	—	63	96,594	(2,453)
Total	284	$ 387,828	$ (7,799)	14	$ 35,385	$ (508)	298	$ 423,213	$ (8,307)

	Less than 12 months		12 months or more		Total	
December 31, 2019	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Description of Securities						
U.S. Treasury	$ —	$ —	$ 19,863	$ (165)	$ 19,863	$ (165)
U.S. Agencies	—	—	—	—	—	—
Mortgage-backed	947,415	(5,236)	517,824	(11,842)	1,465,239	(17,078)
State and political subdivisions	361,440	(3,084)	27,501	(142)	388,941	(3,226)
Corporates	13,685	(21)	—	—	13,685	(21)
Total	$ 1,322,540	$ (8,341)	$ 565,188	$ (12,149)	$ 1,887,728	$ (20,490)

The unrealized losses in the Company's investments in U.S. Treasury securities, U.S. Agency securities, Government Sponsored Entity (GSE) mortgage-backed securities, State and political subdivisions, and Corporates were caused by changes in interest rates, and not from a decline in credit of the underlying issuers. The U.S. Treasury, U.S. Agency, and GSE mortgage-backed securities are all considered to be agency-backed securities with no risk of loss as they are either explicitly or implicitly guaranteed by the U.S. government. The changes in fair value in the agency-backed portfolios are solely driven by change in interest rates caused by changing economic conditions. The Company has no knowledge of any underlying credit issues and the cash flows underlying the debt securities have not changed and are not expected to be impacted by changes in interest rates. For the State and political subdivision portfolio, the majority of the Company's holdings are in general obligation bonds, which have a very low historical default rate due to issuers generally having unlimited taxing authority to service the debt. For both the State and political subdivision and Corporate portfolios, the Company has a robust process for monitoring credit risk, including both pre-purchase and ongoing post-purchase credit reviews and analysis. The Company monitors credit ratings of all bond issuers in these segments and reviews available financial data, including market and sector trends. As of March 31, 2020, the Company does not believe the decline in value in these portfolios is related to credit impairments and instead is due to declining interest rates. The Company does not have the intent to sell these securities and does not believe it is more likely than not that the Company will be required to sell these securities before a recovery of amortized cost. As of March 31, 2020, there is no ACL related to the Company's AFS securities as the decline in fair value did not result from credit issues.

Securities Held to Maturity

The following table shows the Company's held to maturity investments' amortized cost, fair value, and gross unrealized gains and losses at March 31, 2020 and December 31, 2019, respectively *(in thousands):*

March 31, 2020	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
State and political subdivisions:				
Due in 1 year or less	$ 14,151	$ 20	$ —	$ 14,171
Due after 1 year through 5 years	93,532	2,785	(135)	96,182
Due after 5 years through 10 years	414,223	11,534	(760)	424,997
Due after 10 years	592,254	22,230	(2,925)	611,559
Total state and political subdivisions	$ 1,114,160	$ 36,569	$ (3,820)	$ 1,146,909
Allowance for credit losses	(3,235)			
Total state and political subdivisions, net of allowance for credit losses	$ 1,110,925			

December 31, 2019	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
State and political subdivisions:				
Due in 1 year or less	$ 15,323	$ 5	$ (60)	$ 15,268
Due after 1 year through 5 years	100,623	374	(699)	100,298
Due after 5 years through 10 years	394,591	389	(8,400)	386,580
Due after 10 years	605,565	494	(25,860)	580,199
Total state and political subdivisions	$ 1,116,102	$ 1,262	$ (35,019)	$ 1,082,345

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

There were no sales of securities held to maturity during the three months ended March 31, 2020 or 2019.

The following table shows the Company's held to maturity investments' gross unrealized losses and fair value, aggregated by length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2020 and December 31, 2019, respectively *(in thousands):*

	Less than 12 months		**12 months or more**		**Total**	
March 31, 2020	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
State and political subdivisions	$ 20,357	$ (384)	$ 113,935	$ (3,436)	$ 134,292	$ (3,820)
Total	$ 20,357	$ (384)	$ 113,935	$ (3,436)	$ 134,292	$ (3,820)

	Less than 12 months		**12 months or more**		**Total**	
December 31, 2019	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
State and political subdivisions	$ 471,544	$ (12,424)	$ 546,572	$ (22,595)	$ 1,018,116	$ (35,019)
Total	$ 471,544	$ (12,424)	$ 546,572	$ (22,595)	$ 1,018,116	$ (35,019)

The unrealized losses in the Company's held to maturity portfolio were caused by changes in the interest rate environment. The underlying bonds are evaluated for credit losses in conjunction with management's estimate of the ACL based on credit rating.

The following table shows the amortized cost basis by credit rating of the Company's held to maturity investments at March 31, 2020 *(in thousands):*

	Amortized Cost Basis by Credit Rating - HTM Debt Securities						
March 31, 2020	**AA**	**A**	**BBB**	**BB**	**B**	**CCC-C**	**Total**
State and political subdivisions:							
Competitive	$ 8,998	$ 394,082	$ 597,984	$ 22,519	$ 685	$ 12,576	$ 1,036,844
Utilities	—	57,349	19,967	—	—	—	77,316
Total state and political subdivisions	$ 8,998	$ 451,431	$ 617,951	$ 22,519	$ 685	$ 12,576	$ 1,114,160

Competitive held-to-maturity securities include not-for-profit enterprises that provide an public functions such as housing, higher education or healthcare, but do so in a competitive environment. It also includes project financings that can have relatively high enterprise risk, such as deals backed by revenues from sports or convention facilities or start-up transportation ventures.

Utilities are public enterprises providing essential services with a monopoly or near-monopoly over the service area. This includes environmental utilities (water, sewer, solid waste), power utilities (electric distribution and generation, gas), and transportation utilities (airports, parking, toll roads, mass transit, ports).

All held to maturity securities were current and not past due at March 31, 2020.

Accrued interest on securities held to maturity totaled $6.5 million as of March 31, 2020 and is included in the Accrued income line on the Company's Consolidated Balance Sheets. The total amount of accrued interest is excluded from the amortized cost of available for sale securities presented above. Further, the Company has elected not to measure an ACL for accrued interest receivable.

Trading Securities

There were net unrealized gains on trading securities of $150 thousand and $52 thousand at March 31, 2020 and March 31, 2019, respectively. Net unrealized gains/losses are included in trading and investment banking income on the Company's Consolidated Statements of Income. Securities sold not yet purchased totaled $17.6 million and $14.6 million at March 31, 2020 and December 31, 2019, respectively, and are classified within the Other liabilities line of the Company's Consolidated Balance Sheets.

Other Securities

The table below provides detailed information for FRB stock and Federal Home Loan Bank (FHLB) stock and other securities at March 31, 2020 and December 31, 2019 *(in thousands):*

March 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
FRB and FHLB stock	$ 33,252	$ —	$ —	$ 33,252
Other securities – non-marketable	99,543	2,428	(29)	101,942
Total Other securities	$ 132,795	$ 2,428	$ (29)	$ 135,194

December 31, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
FRB and FHLB stock	$ 33,262	$ —	$ —	$ 33,262
Other securities – non-marketable	69,868	5,295	(5)	75,158
Total Other securities	$ 103,130	$ 5,295	$ (5)	$ 108,420

Investment in FRB stock is based on the capital structure of the investing bank, and investment in FHLB stock is mainly tied to the level of borrowings from the FHLB. These holdings are carried at cost. Other non-marketable securities include Prairie Capital Management (PCM) alternative investments in hedge funds and private equity funds, which are accounted for as equity-method investments. Also included in other non-marketable securities are equity investments which are held by a subsidiary qualified as a Small Business Investment Company, as well as investments in low-income housing partnerships within the areas the Company serves. The fair value of other non-marketable securities includes alternative investment securities of $5.6 million at March 31, 2020 and $7.0 million at December 31, 2019. Unrealized gains or losses on alternative investments are recognized in the Other noninterest income line on the Company's Consolidated Statements of Income.

6. Goodwill and Other Intangibles

Changes in the carrying amount of goodwill for the periods ended March 31, 2020 and December 31, 2019 by reportable segment are as follows *(in thousands):*

	Commercial Banking	Institutional Banking	Personal Banking	Total
Balances as of January 1, 2020	$ 59,419	$ 51,332	$ 70,116	$ 180,867
Balances as of March 31, 2020	$ 59,419	$ 51,332	$ 70,116	$ 180,867
Balances as of January 1, 2019	$ 59,419	$ 51,332	$ 70,116	$ 180,867
Balances as of December 31, 2019	$ 59,419	$ 51,332	$ 70,116	$ 180,867

The following table lists the finite-lived intangible assets that continue to be subject to amortization as of March 31, 2020 and December 31, 2019 *(in thousands)*:

	As of March 31, 2020		
	Core Deposit Intangible Assets	Customer Relationships	Total
Gross carrying amount	$ 50,059	$ 89,928	$ 139,987
Accumulated amortization	47,607	66,541	114,148
Net carrying amount	$ 2,452	$ 23,387	$ 25,839

	As of December 31, 2019		
	Core Deposit Intangible Assets	Customer Relationships	Total
Gross carrying amount	$ 50,059	$ 89,952	$ 140,011
Accumulated amortization	47,140	65,274	112,414
Net carrying amount	$ 2,919	$ 24,678	$ 27,597

During the year ended December 31, 2019, the Company acquired two corporate trust business with aggregate customer relationship intangibles of $18.1 million. During the three months ended March 31, 2020, the Company recorded a $24 thousand post-closing purchase adjustment related to one of these acquisitions.

The following table has the aggregate amortization expense recognized in each period *(in thousands)*:

	Three Months Ended March 31,	
	2020	2019
Aggregate amortization expense	$ 1,734	$ 1,327

The following table lists estimated amortization expense of intangible assets in future periods *(in thousands):*

For the nine months ending December 31, 2020	$ 4,678
For the year ending December 31, 2021	5,408
For the year ending December 31, 2022	4,468
For the year ending December 31, 2023	3,750
For the year ending December 31, 2024	2,965

7. Securities Sold Under Agreements to Repurchase

The Company utilizes repurchase agreements to facilitate the needs of customers and to facilitate secured short-term funding needs. Repurchase agreements are stated at the amount of cash received in connection with the transaction. The Company monitors collateral levels on a continuous basis and may be required to provide additional collateral based on the fair value of the underlying securities. Securities pledged as collateral under repurchase agreements are maintained with the Company's safekeeping agents.

The table below presents the remaining contractual maturities of repurchase agreements outstanding at March 31, 2020 and December 31, 2019, in addition to the various types of marketable securities that have been pledged as collateral for these borrowings *(in thousands):*

	As of March 31, 2020 Remaining Contractual Maturities of the Agreements			
	Overnight	30-90 Days	Over 90 Days	Total
Repurchase agreements, secured by:				
U.S. Agencies	$ 1,664,427	$ 202,930	$ 500	$ 1,867,857
Total repurchase agreements	$ 1,664,427	$ 202,930	$ 500	$ 1,867,857

	As of December 31, 2019 Remaining Contractual Maturities of the Agreements		
	2-29 Days	30-90 Days	Total
Repurchase agreements, secured by:			
U.S. Agencies	$ 1,753,870	$ 110,765	$ 1,864,635
Total repurchase agreements	$ 1,753,870	$ 110,765	$ 1,864,635

8. Business Segment Reporting

The Company has strategically aligned its operations into the following three reportable segments: Commercial Banking, Institutional Banking, and Personal Banking (collectively, the Business Segments, and each, a Business Segment). The Company's senior executive officers regularly evaluate the Business Segment financial results produced by the Company's internal reporting system in deciding how to allocate resources and assess performance for individual Business Segments. Prior to 2020, the Company had the following four Business Segments: Commercial Banking, Institutional Banking, Personal Banking, and Healthcare Services. In the first quarter of 2020, the Company merged the Healthcare Services segment into the Institutional Banking segment to better reflect how the core businesses, products and services are currently being evaluated by management. The Company's Healthcare Services leadership structure and financial performance assessments are now included in the Institutional Banking segment, and accordingly, the reportable segments were realigned to reflect these changes. For comparability purposes, amounts in all periods are based on methodologies in effect at March 31, 2020. Previously reported results have been reclassified in this Form 10-Q to conform to the Company's current organizational structure.

The following summaries provide information about the activities of each Business Segment:

Commercial Banking serves the commercial banking and treasury management needs of the small to middle-market businesses through a variety of products and services. Such services include commercial loans, commercial real estate financing, commercial credit cards, letters of credit, loan syndication services, and consultative services. In addition, our specialty lending group offers a variety of business solutions including asset-based lending, accounts receivable financing, mezzanine debt and minority equity investments. Treasury management services include depository services, account reconciliation and cash management tools such as, accounts payable and receivable solutions, electronic funds transfer and automated payments, controlled disbursements, lockbox services and remote deposit capture services.

Institutional Banking is a combination of banking services, fund services, asset management services and healthcare services provided to institutional clients. This segment also provides fixed income sales, trading and underwriting, corporate trust and escrow services, as well as institutional custody. Institutional Banking includes UMB Fund Services, which provides fund administration and accounting, investor services and transfer agency, marketing and distribution, custody, and alternative investment services. Healthcare services provides healthcare payment solutions including custodial services for health savings accounts (HSAs) and private label, multipurpose debit cards to insurance carriers, third-party administrators, software companies, employers, and financial institutions.

Personal Banking combines consumer banking and wealth management services offered to clients and delivered through personal relationships and the Company's bank branches, ATM network and internet banking. Products offered include deposit accounts, retail credit cards, installment loans, home equity lines of credit, residential mortgages and small business loans. The range of client services extends from a basic checking account to estate planning and trust services and includes private banking, brokerage services, and insurance services in addition to a full spectrum of investment advisory, trust, and custody services.

Business Segment Information

Business Segment financial results for the three months ended March 31, 2020 and March 31, 2019 were as follows *(in thousands):*

	Three Months Ended March 31, 2020			
	Commercial Banking	Institutional Banking	Personal Banking	Total
Net interest income	$ 106,948	$ 33,036	$ 33,957	$ 173,941
Provision for credit losses	82,220	275	5,505	88,000
Noninterest income	11,240	61,952	25,232	98,424
Noninterest expense	59,043	68,453	61,123	188,619
(Loss) income before taxes	(23,075)	26,260	(7,439)	(4,254)
Income tax (benefit) expense	(4,421)	5,032	(1,426)	(815)
Net (loss) income	$ (18,654)	$ 21,228	$ (6,013)	$ (3,439)
Average assets	$ 11,609,000	$ 9,006,000	$ 5,425,000	$ 26,040,000

	Three Months Ended March 31, 2019			
	Commercial Banking	Institutional Banking	Personal Banking	Total
Net interest income	$ 99,814	$ 31,752	$ 32,302	$ 163,868
Provision for credit losses	10,329	286	1,735	12,350
Noninterest income	23,181	55,850	28,351	107,382
Noninterest expense	66,820	65,398	58,408	190,626
Income before taxes	45,846	21,918	510	68,274
Income tax expense	7,071	3,380	79	10,530
Net income	$ 38,775	$ 18,538	$ 431	$ 57,744
Average assets	$ 10,448,000	$ 7,013,000	$ 5,393,000	$ 22,854,000

9. Revenue Recognition

The following is a description of the principal activities from which the Company generates revenue that are within the scope of ASC Topic 606, *Revenue from Contracts with Customers*:

Trust and securities processing – Trust and securities processing income consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and wealth management services, and mutual fund and alternative asset servicing. The performance obligations related to this revenue include items such as performing full bond trustee service administration, investment advisory services, custody and record-keeping services, and fund administrative and accounting services. These fees are part of long-term contractual agreements and the performance obligations are satisfied upon completion of service and fees are generally a fixed flat monthly rate or based on a percentage of the account's market value per the contract with the customer. These fees are primarily recorded within the Company's Institutional and Personal Banking segments.

Trading and investment banking – Trading and investment banking income consists of income earned related to the Company's trading securities portfolio, including futures hedging, dividends, bond underwriting, and other securities incomes. The vast majority of this revenue is recognized in accordance with ASC 320, *Debt and Equity Securities*, and is out of the scope of ASC 606. A portion of trading and investment banking represents fees earned for management fees, commissions, and underwriting of corporate bond issuances. The performance obligations related to these fees include reviewing the credit worthiness of the customer, ensuring appropriate regulatory approval and participating in due diligence. The fees are fixed per the bond prospectus and the performance obligations are satisfied upon registration approval of the bonds by the applicable regulatory agencies. Revenue is recognized at the point in time upon completion of service and when approval is granted by the regulators.

Service charges on deposits – Service charges on deposit accounts represent monthly analysis fees recognized for the services related to customer deposit accounts, including account maintenance and depository transactions processing fees. Commercial Banking and Institutional Banking depository accounts charge fees in accordance with the customer's pricing schedule while Personal Banking account holders are generally charged a flat service fee per month. Deposit service charges for the healthcare accounts included in the Institutional Banking segment are priced according to either standard pricing schedules with individual account holders or according to service agreements between the Company and employer groups or third party administrators. The Company satisfies the performance obligation related to providing depository accounts monthly as transactions are processed and deposit service charge revenue is recorded monthly. These fees are recognized within all Business Segments.

Insurance fees and commissions – Insurance fees and commissions includes all insurance-related fees earned, including commissions for individual life, variable life, group life, health, group health, fixed annuity, and variable annuity insurance contracts. The performance obligations related to these revenues primarily represent the placement of insurance policies with the insurance company partners. The fees are based on the contracts with insurance company partners and the performance obligations are satisfied when the terms of the policy have been agreed to and the insurance policy becomes effective.

Brokerage fees – Brokerage fees represent income earned related to providing brokerage transaction services, including commissions on equity and commodity trades, and fees for investment management, advisory and administration. The performance obligations related to transaction services are executing the specified trade and are priced according to the customer's fee schedule. Such income is recognized at a point in time as the trade occurs and the performance obligation is fulfilled. The performance obligations related to investment management, advisory and administration include allocating customer assets across a wide range of mutual funds and other investments, on-going account monitoring and re-balancing of the portfolio. These performance obligations are satisfied over time and the related revenue is calculated monthly based on the assets under management of each customer. All material performance obligations are satisfied as of the end of each accounting period.

Bankcard fees – Bankcard fees primarily represent income earned from interchange revenue from MasterCard and Visa for the Company's processing of debit, credit, HSA, and flexible spending account transactions. Additionally, the Company earns income and incentives related to various referrals of customers to card programs. The performance obligation for interchange revenue is the processing of each transaction through the Company's access to the banking system. This performance obligation is completed for each individual transaction and income is recognized per transaction in accordance with interchange rates established by MasterCard and Visa. The performance obligations for various referral and incentive programs include either referring customers to certain card products or issuing exclusively branded cards for certain customer segments. The pricing of these incentive and referral programs are in accordance with the agreement with the individual card partner. These performance obligations are completed as the referrals are made or over a period of time when the Company is exclusively issuing branded cards. For the three months ended March 31, 2020 and March 31, 2019, the Company had approximately $8.4 million and $8.3 million of expense, respectively, recorded within the Bankcard fees line on the Company's Consolidated Income Statements related to rebates and rewards programs that are outside of the scope of ASC 606. All material performance obligations are satisfied as of the end of each accounting period.

Gains on sales of securities available for sale, net – In the regular course of business, the Company recognizes gains on the sale of available for sale securities. These gains are recognized in accordance with ASC 320, *Debt and Equity Securities*, and are outside of the scope of ASC 606.

Other income – The Company recognizes other miscellaneous income through a variety of other revenue streams, the most material of which include letter of credit fees, certain loan origination fees, gains on the sale of assets, gains and losses on equity-method investments, derivative income, and bank-owned and company-owned life insurance income. These revenue streams are outside of the scope of ASC 606 and are recognized in accordance with the applicable U.S. GAAP. The remainder of Other income is primarily earned through transactions with personal banking customers, including wire transfer service charges, stop payment charges, and fees for items like money orders and cashier's checks. The performance obligations of these types of fees are satisfied as transactions are completed and revenue is recognized upon transaction execution according to established fee schedules with the customers.

The Company had no material contract assets, contract liabilities, or remaining performance obligations as of March 31, 2020. Total receivables from revenue recognized under the scope of ASC 606 were $55.6 million and $58.0 million as of March 31, 2020 and December 31, 2019, respectively. These receivables are included as part of the Other assets line on the Company's Consolidated Balance Sheets.

The following table depicts the disaggregation of revenue according to revenue stream and Business Segment for the three months ended March 31, 2020 and March 31, 2019. As stated in Note 8, "Business Segment Reporting," for comparability purposes, amounts in all periods are based on methodologies in effect at March 31, 2020 and previously reported results have been reclassified in this Form 10-Q to conform to the Company's current organizational structure. Disaggregated revenue is as follows *(in thousands):*

	Three Months Ended March 31, 2020				
NONINTEREST INCOME	**Commercial Banking**	**Institutional Banking**	**Personal Banking**	**Revenue (Expense) out of Scope of ASC 606**	**Total**
Trust and securities processing	$ —	$ 31,262	$ 15,738	$ —	$ 47,000
Trading and investment banking	—	656	—	1,067	1,723
Service charges on deposit accounts	6,892	15,607	2,539	43	25,081
Insurance fees and commissions	—	—	259	—	259
Brokerage fees	59	7,590	2,211	—	9,860
Bankcard fees	14,988	4,724	4,990	(8,157)	16,545
Gains on sales of securities available for sale, net	—	—	—	1,227	1,227
Other	400	438	713	(4,822)	(3,271)
Total Noninterest income	$ 22,339	$ 60,277	$ 26,450	$ (10,642)	$ 98,424

	Three Months Ended March 31, 2019				
NONINTEREST INCOME	**Commercial Banking**	**Institutional Banking**	**Personal Banking**	**Revenue (Expense) out of Scope of ASC 606**	**Total**
Trust and securities processing	$ —	$ 26,689	$ 15,268	$ —	$ 41,957
Trading and investment banking	—	128	—	5,453	5,581
Service charges on deposit accounts	7,461	11,077	2,708	35	21,281
Insurance fees and commissions	—	—	338	—	338
Brokerage fees	48	5,422	1,773	—	7,243
Bankcard fees	14,488	5,525	5,115	(8,061)	17,067
Gains on sales of securities available for sale, net	—	—	—	809	809
Other	339	339	871	11,557	13,106
Total Noninterest income	$ 22,336	$ 49,180	$ 26,073	$ 9,793	$ 107,382

10. Commitments, Contingencies and Guarantees

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, commercial letters of credit, standby letters of credit, forward foreign exchange contracts and spot foreign exchange contracts. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Balance Sheets. The contractual or notional amount of those instruments reflects the extent of involvement the

Company has in particular classes of financial instruments. Many of the commitments expire without being drawn upon; therefore, the total amount of these commitments does not necessarily represent the future cash requirements of the Company.

The Company's exposure to credit loss in the event of nonperformance by the counterparty to the financial instruments for commitments to extend credit, commercial letters of credit, and standby letters of credit is represented by the contract or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The following table summarizes the Company's off-balance sheet financial instruments *(in thousands):*

	Contract or Notional Amount	
	March 31, 2020	**December 31, 2019**
Commitments to extend credit for loans (excluding credit card loans)	$ 7,254,024	$ 7,409,338
Commitments to extend credit under credit card loans	3,285,687	3,188,905
Commercial letters of credit	5,320	4,460
Standby letters of credit	301,416	299,933
Forward contracts	218,750	58,287
Spot foreign exchange contracts	4,375	1,980

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancelable by the Company. The ACL on off-balance sheet credit exposures is adjusted as a provision for off-balance sheet reserve located in Other expense within Noninterest expense in the Company's Consolidated Statements of Income. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The estimate is based on expected utilization rates by portfolio segment. Utilization rates are influenced by historical trends and current conditions. The expected utilization rates are applied to the total commitment to determine the expected amount to be funded. The allowance for off-balance sheet credit exposure is calculated by applying portfolio segment expected credit loss rates to the expected amount to be funded.

The following categories of off-balance sheet credit exposures have been identified:

Revolving Lines of Credit: includes commercial, construction, agriculture, personal, and home-equity. Risks inherent to revolving lines of credit often are related to the susceptibility of an individual or business experiencing unpredictable cash flow or financial troubles, thus leading to payment default. During these financial troubles, the borrower could have less than desirable assets collateralizing the revolving line of credit. The financial strain the borrower is experiencing could lead to drawing against the line without the ability to pay the line down.

Non-Revolving Lines of Credit: includes commercial and personal. Lines that do not carry a revolving feature are generally associated with a specific expenditure or project, such as to purchase equipment or the construction of real estate. The predominate risk associated with non-revolving lines is the diversion of funds for other expenditures. If funds get diverted, the contributory value to collateral suffers.

Letters of Credit: incudes standby letters of credit. Generally, a standby letter of credit is established to provide assurance to the beneficiary that the applicant will perform certain obligations arising out of a separate transaction between the beneficiary and applicant. These obligations might be the performance of a service or delivery of a product. If the obligations are not met, it gives the beneficiary, the right to draw on the letter of credit.

As of March 31, 2020, the ACL for off-balance sheet credit exposures was $3.0 million and was recorded in the Other liabilities line of the Company's Consolidated Balance Sheets.

11. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's loans and borrowings. The Company also has interest rate derivatives that result from a service provided to certain qualifying customers and, therefore, are not used to manage interest rate risk of the Company's assets or liabilities. The Company has entered into an offsetting position for each of these derivative instruments with a matching instrument from another financial institution in order to minimize its net risk exposure resulting from such transactions.

Fair Values of Derivative Instruments on the Consolidated Balance Sheets

The table below presents the fair value of the Company's derivative financial instruments as of March 31, 2020 and December 31, 2019. The Company's derivative assets and derivative liabilities are located within Other assets and Other liabilities, respectively, on the Company's Consolidated Balance Sheets.

Derivative fair values are determined using valuation techniques including discounted cash flow analysis on the expected cash flows from each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

This table provides a summary of the fair value of the Company's derivative assets and liabilities as of March 31, 2020 and December 31, 2019 (*in thousands*):

	Derivative Assets		Derivative Liabilities	
Fair Value	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Interest Rate Products:				
Derivatives not designated as hedging instruments	$ 112,603	$ 47,458	$ 10,435	$ 5,997
Derivatives designated as hedging instruments	32,744	7,818	2	—
Total	$ 145,347	$ 55,276	$ 10,437	$ 5,997

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain of its fixed-rate assets and liabilities due to changes in the benchmark interest rate, London Interbank Offered Rate (LIBOR). Interest rate swaps designated as fair value hedges involve making fixed rate payments to a counterparty in exchange for the Company receiving variable rate payments over the life of the agreements without the exchange of the underlying notional amount. As of March 31, 2020 and December 31, 2019, the Company had one interest rate swap that was designated as a fair value hedge of interest rate risk associated with the Company's fixed rate loan assets. This swap had a notional amount of $5.2 million and $5.3 million as of March 31, 2020 and December 31, 2019, respectively.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings.

Cash Flow Hedges of Interest Rate Risk

The Company's objective in using interest rate derivatives is to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and floors as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. As of March 31, 2020 and December 31, 2019, the Company had two interest rate swaps that were designated as cash flow hedges of interest rate risk associated with the Company's variable-rate subordinated debentures issued by Marquette Capital Trusts III and IV. These swaps had an aggregate notional amount of $51.5 million at both March 31, 2020 and December 31, 2019. Interest rate floors designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates fall below the strike rate on the contract in exchange for an upfront premium. As of March 31, 2020 and December 31, 2019, the Company had one interest rate floor with a notional amount of $750.0 million that was designated as a cash flow hedge of interest rate risk.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in AOCI and is subsequently reclassified into interest expense and interest income in the period during which the hedged forecasted transaction affects earnings. Amounts reported in AOCI related to interest rate swap derivatives will be reclassified to Interest expense as interest payments are received or paid on the Company's derivatives. Amounts reported in AOCI related to interest rate floor derivatives will be reclassified to Interest income as interest payments are received or paid on the Company's derivatives. The Company expects to reclassify $1.2 million from AOCI to Interest expense and $4.0 million from AOCI to Interest income during the next 12 months. As of March 31, 2020, the Company is hedging its exposure to the variability in future cash flows for forecasted transactions over a maximum period of 16.47 years.

Non-designated Hedges

The remainder of the Company's derivatives are not designated in qualifying hedging relationships. Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously offset by interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings. As of March 31, 2020, the Company had 146 interest rate swaps with an aggregate notional amount of $2.0 billion related to this program. As of December 31, 2019, the Company had 142 interest rate swaps with an aggregate notional amount of $1.9 billion.

Effect of Derivative Instruments on the Consolidated Statements of Income and Accumulated Other Comprehensive Income

This table provides a summary of the amount of gain or loss recognized in Other noninterest expense in the Consolidated Statements of Income related to the Company's derivative assets and liabilities for the three months ended March 31, 2020 and March 31, 2019 *(in thousands)*:

	Amount of Gain (Loss) Recognized For the Three Months Ended	
	March 31, 2020	March 31, 2019
Interest Rate Products		
Derivatives not designated as hedging instruments	$ (259)	$ (873)
Total	$ (259)	$ (873)
Interest Rate Products		
Derivatives designated as hedging instruments:		
Fair value adjustments on derivatives	$ (203)	$ (58)
Fair value adjustments on hedged items	202	59
Total	$ (1)	$ 1

This table provides a summary of the effect of hedges on AOCI in the Consolidated Statements of Comprehensive Income related to the Company's derivative assets and liabilities for the three months ended March 31, 2020 and March 31, 2019 *(in thousands)*:

	For the Three Months Ended March 31, 2020					
Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI on Derivative	Gain (Loss) Recognized in OCI Included Component	Loss Recognized in OCI Excluded Component	Loss Reclassified from AOCI into Earnings	Loss Reclassified from AOCI into Earnings Included Component	Loss Reclassified from AOCI into Earnings Excluded Component
Interest rate floor	$ 24,934	$ 29,296	$ (4,362)	$ (636)	$ —	$ (636)
Interest rate swaps	(10,409)	(10,409)	—	(132)	(132)	—
Total	$ 14,525	$ 18,887	$ (4,362)	$ (768)	$ (132)	$ (636)

	For the Three Months Ended March 31, 2019					
Derivatives in Cash Flow Hedging Relationships	Loss Recognized in OCI on Derivative	Loss Recognized in OCI Included Component	Loss Recognized in OCI Excluded Component	Gain Reclassified from AOCI into Earnings	Gain Reclassified from AOCI into Earnings Included Component	Gain Reclassified from AOCI into Earnings Excluded Component
Interest rate swaps	$ (2,088)	$ (2,088)	$ —	$ 5	$ 5	$ —
Total	$ (2,088)	$ (2,088)	$ —	$ 5	$ 5	$ —

Credit-risk-related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain a provision that if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

As of March 31, 2020, the termination value of derivatives in a net liability position, which includes accrued interest, related to these agreements was $257 thousand. The Company has minimum collateral posting thresholds with certain of its derivative counterparties. At March 31, 2020, the Company had posted $373 thousand of collateral. If the Company had breached any of these provisions at March 31, 2020, it could have been required to settle its obligations under the agreements at the termination value.

12. Fair Value Measurements

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2020, and December 31, 2019, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets and liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the hierarchy. In such cases, the fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2020 and December 31, 2019 *(in thousands):*

	Fair Value Measurement at March 31, 2020			
Description	**March 31, 2020**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
U.S. Agencies	$ 3,477	$ —	$ 3,477	$ —
Mortgage-backed	5	—	5	—
State and political subdivisions	35,259	—	35,259	—
Corporates	5,243	5,243	—	—
Trading – other	17,193	17,193	—	—
Trading securities	61,177	22,436	38,741	—
U.S. Treasury	31,605	31,605	—	—
U.S. Agencies	100,616	—	100,616	—
Mortgage-backed	4,234,649	—	4,234,649	—
State and political subdivisions	3,093,692	—	3,093,692	—
Corporates	178,889	178,889	—	—
Available for sale securities	7,639,451	210,494	7,428,957	—
Company-owned life insurance	47,726	—	47,726	—
Bank-owned life insurance	282,562	—	282,562	—
Derivatives	145,347	—	145,347	—
Total	$ 8,176,263	$ 232,930	$ 7,943,333	$ —
Liabilities				
Derivatives	$ 10,437	$ —	$ 10,437	$ —
Securities sold not yet purchased	17,631	—	17,631	—
Total	$ 28,068	$ —	$ 28,068	$ —

	Fair Value Measurement at December 31, 2019			
Description	**December 31, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
U.S. Agencies	$ 1,246	$ —	$ 1,246	$ —
Mortgage-backed	392	—	392	—
State and political subdivisions	21,764	—	21,764	—
Corporates	5,649	5,649	—	—
Trading – other	16,567	16,567	—	—
Trading securities	45,618	22,216	23,402	—
U.S. Treasury	64,078	64,078	—	—
U.S. Agencies	93,021	—	93,021	—
Mortgage-backed	4,071,794	—	4,071,794	—
State and political subdivisions	3,029,917	—	3,029,917	—
Corporates	188,552	188,552	—	—
Available for sale securities	7,447,362	252,630	7,194,732	—
Company-owned life insurance	63,900	—	63,900	—
Bank-owned life insurance	280,709	—	280,709	—
Derivatives	55,276	—	55,276	—
Total	$ 7,892,865	$ 274,846	$ 7,618,019	$ —
Liabilities				
Derivatives	$ 5,997	$ —	$ 5,997	$ —
Securities sold not yet purchased	14,599	—	14,599	—
Total	$ 20,596	$ —	$ 20,596	$ —

Valuation methods for instruments measured at fair value on a recurring basis

The following methods and assumptions were used to estimate the fair value of each class of financial instruments measured on a recurring basis:

Trading Securities Fair values for trading securities (including financial futures), are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices for similar securities.

Securities Available for Sale Fair values are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Prices are provided by third-party pricing services and are based on observable market inputs. On an annual basis, the Company compares a sample of these prices to other independent sources for the same securities. Additionally, throughout the year, if securities are sold, comparisons are made between the pricing services prices and the market prices at which the securities were sold. Variances are analyzed, and, if appropriate, additional research is conducted with the third-party pricing services. Based on this research, the pricing services may affirm or revise their quoted price. No significant adjustments have been made to the prices provided by the pricing services. The pricing services also provide documentation on an ongoing basis that includes reference data, inputs and methodology by asset class, which is reviewed to ensure that security placement within the fair value hierarchy is appropriate.

Company-owned Life Insurance Fair value is equal to the cash surrender value of the life insurance policies.

Bank-owned Life Insurance Fair value is equal to the cash surrender value of the life insurance policies.

Derivatives Fair values are determined using valuation techniques including discounted cash flow analysis on the expected cash flows from each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Securities sold not yet purchased Fair values are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Prices are provided by third-party pricing services and are based on observable market inputs.

Assets measured at fair value on a non-recurring basis as of March 31, 2020 and December 31, 2019 *(in thousands):*

	Fair Value Measurement at March 31, 2020 Using				
Description	**March 31, 2020**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Losses Recognized During the Three Months Ended March 31**
Collateral dependent assets	$ 21,587	$ —	$ —	$ 21,587	$ (6,607)
Other real estate owned	3	—	—	3	—
Total	$ 21,590	$ —	$ —	$ 21,590	$ (6,607)

	Fair Value Measurement at December 31, 2019 Using				
Description	**December 31, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains Recognized During the Twelve Months Ended December 31**
Impaired loans	$ 5,139	$ —	$ —	$ 5,139	$ 3,973
Other real estate owned	55	—	—	55	7
Total	$ 5,194	$ —	$ —	$ 5,194	$ 3,980

Valuation methods for instruments measured at fair value on a non-recurring basis

The following methods and assumptions were used to estimate the fair value of each class of financial instruments measured on a non-recurring basis:

Collateral Dependent Assets/Impaired loans With the adoption of CECL, collateral dependent assets are assets evaluated as part of the ACL on an individual basis. Those assets for which there is an associated allowance are considered financial assets measured at fair value on a non-recurring basis. Prior to the adoption of CECL, loans identified as impaired were considered financial assets measured at fair value on a non-recurring basis. The valuation method for collateral dependent assets and impaired loans is the same. Adjustments are recorded on certain assets to reflect write-downs that are based on the external appraised value of the underlying collateral. The external appraisals are generally based on recent sales of comparable properties which are then adjusted for the unique characteristics of the property being valued. In the case of non-real estate collateral, reliance is placed on a variety of sources, including external estimates of value and judgments based on the experience and expertise of internal specialists within the Company's property management group and the Company's credit department. The valuation of the collateral dependent assets and impaired loans are reviewed on a quarterly basis. Because many of these inputs are not observable, the measurements are classified as Level 3.

Other real estate owned Other real estate owned consists of loan collateral which has been repossessed through foreclosure. This collateral is comprised of commercial and residential real estate and other non-real estate property, including auto, recreational and marine vehicles. Other real estate owned is recorded as held for sale initially at the fair value of the collateral less estimated selling costs. The initial valuation of the foreclosed property is obtained through an appraisal process similar to the process described in the impaired loans paragraph above. Subsequent to foreclosure, valuations are reviewed quarterly and updated periodically, and the assets may be marked down further, reflecting a new cost basis. Fair value measurements may be based upon appraisals, third-party price opinions, or internally developed pricing methods and those measurements are classified as Level 3.

Fair value disclosures require disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The estimated fair value of the Company's financial instruments at March 31, 2020 and December 31, 2019 are as follows *(in thousands):*

		Fair Value Measurement at March 31, 2020 Using			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
FINANCIAL ASSETS					
Cash and short-term investments	$ 2,234,557	$ 1,449,807	$ 784,750		$ 2,234,557
Securities available for sale	7,639,451	210,494	7,428,957		7,639,451
Securities held to maturity (exclusive of allowance for credit losses)	1,114,160	—	1,146,909		1,146,909
Trading securities	61,177	22,436	38,741		61,177
Other securities	135,194	—	135,194		135,194
Loans (exclusive of allowance for credit losses)	13,959,295	—	14,291,643		14,291,643
Derivatives	145,347	—	145,347		145,347
FINANCIAL LIABILITIES					
Demand and savings deposits	20,190,500	20,190,500	—		20,190,500
Time deposits	985,020	—	992,339		992,339
Other borrowings	1,905,917	23,060	1,882,857		1,905,917
Long-term debt	121,582	—	137,078		137,078
Derivatives	10,437	—	10,437		10,437
OFF-BALANCE SHEET ARRANGEMENTS					
Commitments to extend credit for loans					1,463
Commercial letters of credit					13
Standby letters of credit					956

	Fair Value Measurement at December 31, 2019 Using				
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
FINANCIAL ASSETS					
Cash and short-term investments	$ 3,276,794	$ 1,701,449	$ 1,575,345	$ —	$ 3,276,794
Securities available for sale	7,447,362	252,630	7,194,732	—	7,447,362
Securities held to maturity	1,116,102	—	1,082,345	—	1,082,345
Trading securities	45,618	22,216	23,402	—	45,618
Other securities	108,420	—	108,420	—	108,420
Loans (exclusive of allowance for loan loss)	13,439,525	—	13,601,595	—	13,601,595
Derivatives	55,276	—	55,276	—	55,276
FINANCIAL LIABILITIES					
Demand and savings deposits	20,376,880	20,376,880	—	—	20,376,880
Time deposits	1,226,364	—	1,226,646	—	1,226,646
Other borrowings	1,896,508	31,873	1,864,635	—	1,896,508
Long-term debt	97,490	—	97,831	—	97,831
Derivatives	5,997	—	5,997	—	5,997
OFF-BALANCE SHEET ARRANGEMENTS					
Commitments to extend credit for loans					5,908
Commercial letters of credit					113
Standby letters of credit					2,966

Cash and short-term investments The carrying amounts of cash and due from banks, federal funds sold and resell agreements are reasonable estimates of their fair values.

Securities held to maturity Fair value of held-to-maturity securities are estimated by discounting the future cash flows using current market rates.

Other securities Amount consists of FRB and FHLB stock held by the Company, PCM equity-method investments, and other miscellaneous investments. The carrying amount of the FRB and FHLB stock equals its fair value because the shares can only be redeemed by the FRB and FHLB at their carrying amount. For PCM non-marketable equity-method investments, the Company's proportionate share of the income or loss is recognized on a one-quarter lag based on the valuation of the underlying investment(s). Other non-marketable securities are carried at cost, which approximates fair value.

Loans Fair values are estimated for portfolios with similar financial characteristics. Loans are segregated by type, such as commercial, real estate, consumer, and credit card. Each loan category is further segmented into fixed and variable interest rate categories. The fair value of loans are estimated by discounting the future cash flows. The discount rates used are estimated using comparable market rates for similar types of instruments adjusted to be commensurate with the credit risk, overhead costs, and optionality of such instruments.

Demand and savings deposits The fair value of demand deposits and savings accounts was the amount payable on demand at March 31, 2020 and December 31, 2019.

Time deposits The fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using the rates that are currently offered for deposits of similar remaining maturities.

Other borrowings The carrying amounts of federal funds purchased, repurchase agreements and other short-term debt are reasonable estimates of their fair value because of the short-term nature of their maturities.

Long-term debt Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Other off-balance sheet instruments The fair value of loan commitments and letters of credit are determined based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the present creditworthiness of the counterparties. Neither the fees earned during the year on these instruments nor their fair value at period-end are significant to the Company's consolidated financial position.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations highlights the material changes in the results of operations and changes in financial condition of the Company for the three-month period ended March 31, 2020. It should be read in conjunction with the accompanying Consolidated Financial Statements, Notes to Consolidated Financial Statements and other financial information appearing elsewhere in this Form 10-Q and the Form 10-K. Results of operations for the periods included in this review are not necessarily indicative of results to be attained during any future period.

CAUTIONARY NOTICE ABOUT FORWARD-LOOKING STATEMENTS

From time to time the Company has made, and in the future will make, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "believe," "expect," "anticipate," "intend," "estimate," "project," "outlook," "forecast," "target," "trend," "plan," "goal," or other words of comparable meaning or future-tense or conditional verbs such as "may," "will," "should," "would," or "could." Forward-looking statements convey the Company's expectations, intentions, or forecasts about future events, circumstances, results, or aspirations, in each case as of the date such forward-looking statements are made.

This Form 10-Q, including any information incorporated by reference in this Form 10-Q, contains forward-looking statements. The Company also may make forward-looking statements in other documents that are filed or furnished with the Securities and Exchange Commission. In addition, the Company may make forward-looking statements orally or in writing to investors, analysts, members of the media, or others.

All forward-looking statements, by their nature, are subject to assumptions, risks, and uncertainties, which may change over time and many of which are beyond the Company's control. You should not rely on any forward-looking statement as a prediction or guarantee about the future. Actual future objectives, strategies, plans, prospects, performance, conditions, or results may differ materially from those set forth in any forward-looking statement. While no list of assumptions, risks, or uncertainties could be complete, some of the factors that may cause actual results or other future events, circumstances, or aspirations to differ from those in forward-looking statements include:

- local, regional, national, or international business, economic, or political conditions or events;
- changes in laws or the regulatory environment, including as a result of financial-services legislation or regulation;
- changes in monetary, fiscal, or trade laws or policies, including as a result of actions by central banks or supranational authorities;
- changes in accounting standards or policies;
- shifts in investor sentiment or behavior in the securities, capital, or other financial markets, including changes in market liquidity or volatility or changes in interest or currency rates;
- changes in spending, borrowing, or saving by businesses or households;
- the Company's ability to effectively manage capital or liquidity or to effectively attract or deploy deposits;
- changes in any credit rating assigned to the Company or its affiliates;
- adverse publicity or other reputational harm to the Company;
- changes in the Company's corporate strategies, the composition of its assets, or the way in which it funds those assets;
- the Company's ability to develop, maintain, or market products or services or to absorb unanticipated costs or liabilities associated with those products or services;

- the Company’s ability to innovate to anticipate the needs of current or future customers, to successfully compete in its chosen business lines, to increase or hold market share in changing competitive environments, or to deal with pricing or other competitive pressures;
- changes in the credit, liquidity, or other condition of the Company’s customers, counterparties, or competitors;
- the Company’s ability to effectively deal with economic, business, or market slowdowns or disruptions;
- judicial, regulatory, or administrative investigations, proceedings, disputes, or rulings that create uncertainty for, or are adverse to, the Company or the financial-services industry;
- the Company’s ability to address changing or stricter regulatory or other governmental supervision or requirements;
- the Company’s ability to maintain secure and functional financial, accounting, technology, data processing, or other operating systems or facilities, including its capacity to withstand cyber-attacks;
- the adequacy of the Company’s corporate governance, risk-management framework, compliance programs, or internal controls, including its ability to control lapses or deficiencies in financial reporting or to effectively mitigate or manage operational risk;
- the efficacy of the Company’s methods or models in assessing business strategies or opportunities or in valuing, measuring, monitoring, or managing positions or risk;
- the Company’s ability to keep pace with changes in technology that affect the Company or its customers, counterparties, or competitors;
- mergers, acquisitions, or dispositions, including the Company’s ability to integrate acquisitions and divest assets;
- the adequacy of the Company’s succession planning for key executives or other personnel;
- the Company’s ability to grow revenue, control expenses, or attract and retain qualified employees;
- natural disasters, war, terrorist activities, pandemics, or the outbreak of COVID-19 or similar outbreaks, and their effects on economic and business environments in which the Company operates;
- adverse effects due to COVID-19 on the Company and its customers, counterparties, employees, and third-party service providers, and the adverse impacts to our business, financial position, results of operations, and prospects; or
- other assumptions, risks, or uncertainties described in the Notes to Consolidated Financial Statements (Item 1) and Management’s Discussion and Analysis of Financial Condition and Results of Operations (Item 2) in this Form 10-Q, in the Risk Factors (Item 1A) in the Form 10-K, or in any of the Company’s quarterly or current reports.

Any forward-looking statement made by the Company or on its behalf speaks only as of the date that it was made. The Company does not undertake to update any forward-looking statement to reflect the impact of events, circumstances, or results that arise after the date that the statement was made, except as required by applicable securities laws. You, however, should consult further disclosures (including disclosures of a forward-looking nature) that the Company may make in any subsequent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, or Current Report on Form 8-K.

Overview

During the first quarter of 2020, the global economy began experiencing a downturn related to the impacts of the COVID-19 global pandemic. Such impacts have included significant volatility in the global stock markets, a 150-basis-point reduction in the target federal funds rate, the enactment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, including the Paycheck Protection Program administered by the Small Business Administration, and a variety of rulings from the Company’s banking regulators.

The Company continues to actively monitor developments related to COVID-19 and its impact to its business, customers, employees, counterparties, vendors, and service providers. During the first quarter of 2020, the most notable financial impacts to the Company's results of operations included higher provision expense for credit losses primarily as a result of deterioration in macroeconomic variables such as unemployment, which are incorporated into our economic forecasts utilized to calculate our allowance for credit losses. Additionally, as a result of market conditions, the valuation of our equity securities portfolio has declined.

In response to the COVID-19 pandemic, the Company has taken a number of actions to offer various forms of support to our customers, employees, and communities that have experienced impacts from this development. Approximately eighty percent of the Company's associates are working remotely. Those associates that continue to be required to work in branch or office locations are being paid supplemental hazard pay. The Company has also increased purchases of computer hardware to support a remote workforce, as well as incurred additional cleaning and janitorial expense to disinfect branch and office locations. The Company is also actively working with customers impacted by the economic downturn, offering payment deferrals and other loan modifications. Additionally, as of the date of this filing, the Company has processed over 3,000 applications for more than $1.4 billion in loans under the Paycheck Protection Program administered by the Small Business Administration.

In light of volatility in the capital markets and economic disruptions, the Company continues to carefully monitor its capital and liquidity position. In March 2020, the U.S. banking agencies issued an interim final rule that provides banking organizations with an alternative option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period. The Company is electing this alternative option instead of the one described in the December 2018 rule previously issued by banking agencies. The Company continues to anticipate that it will have sufficient capital levels to meet all applicable regulatory capital requirements.

The COVID-19 pandemic and shelter-in-place mandates have also necessitated certain actions related to the way the Company operates its business. As noted above, the Company transitioned most of its workforce off-site or to work-from-home to help mitigate health risks. The Company is also carefully monitoring the activities of its vendors and other third-party service providers to mitigate the risks associated with any potential service disruptions. The length of time it may be required to operate under such circumstances and future degrees of disruption remain uncertain. While the Company has not experienced material adverse disruptions to its internal operations due to the pandemic, it continues to review evolving risks and developments.

The Company has detailed the impact of the COVID-19 pandemic in each applicable section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" included below.

The Company focuses on the following strategic objectives to guide its efforts to achieve its vision, to deliver the unparalleled customer experience, all while seeking to improve net income and strengthen the balance sheet while undertaking prudent risk management.

The first strategic objective is to continuously improve operating efficiencies. The Company has focused on identifying efficiencies that simplify our organizational and reporting structures, streamline back office functions and take advantage of synergies and newer technologies among various platforms and distribution networks. The Company has identified and expects to continue identifying ongoing efficiencies through the normal course of business that, when combined with increased revenue, will contribute to improved operating leverage. During the first quarter of 2020, total revenue remained flat as compared to the first quarter of 2019, while noninterest expense decreased 1.1 percent for the same period. The decrease in noninterest expense is primarily driven by a significant decline in deferred compensation expense but is partially offset by an increase in equipment expense. As part of the initiative to improve operating efficiencies, the Company continues to invest in technological advances that it believes will help management drive operating leverage in the future through improved data analysis and automation. The Company also continues to evaluate core systems and will invest in enhancements that it believes will yield operating efficiencies.

The second strategic objective is to increase net interest income through profitable loan and deposit growth and the optimization of the balance sheet. During the first quarter of 2020, the Company had an increase in net interest income of $10.1 million, or 6.1 percent, from the same period in 2019. The Company has shown increased net interest income through the effects of increased volume and mix of average earning assets. These changes were offset by the recent interest rate reductions. Average loan balances increased $1.3 billion, or 10.7 percent compared to the same period in 2019. The funding for these assets was driven primarily by a 14.6 percent increase in average interest-bearing liabilities. Net interest margin, on a tax-equivalent basis, decreased 23 basis points compared to the same period in 2019. The Company expects to see continued volatility in the economic markets and government responses to the COVID-19 pandemic. These changing conditions and governmental responses could have impacts on the balance sheet and income statement of the Company for the remainder of the year.

The third strategic objective is to grow the Company's revenue from noninterest sources. The Company seeks to grow noninterest revenues throughout all economic and interest rate cycles, while positioning itself to benefit in periods of economic growth. Noninterest income decreased $9.0 million, or 8.3 percent, to $98.4 million for the three months ended March 31, 2020, compared to the same period in 2019. This change is primarily due to a significant decrease in the market value of company-owned life insurance and is discussed in greater detail below under Noninterest Income. The Company continues to emphasize its asset management, brokerage, bankcard services, healthcare services, and treasury management businesses. At March 31, 2020, noninterest income represented 36.1 percent of total revenues, compared to 39.6 percent at March 31, 2019. The recent economic changes have impacted fee income, especially those with assets tied to market values.

The fourth strategic objective is effective capital management. The Company places a significant emphasis on maintaining a strong capital position, which management believes promotes investor confidence, provides access to funding sources under favorable terms, and enhances the Company's ability to capitalize on business growth and acquisition opportunities. The Company continues to maximize shareholder value through a mix of reinvesting in organic growth, evaluating acquisition opportunities that complement the Company's strategies, increasing dividends over time, and appropriately utilizing a share repurchase program. At March 31, 2020, the Company had $2.7 billion in total shareholders' equity. This is an increase of $312.6 million, or 13.3 percent, compared to total shareholders' equity at March 31, 2019. At March 31, 2020, the Company had a total risk-based capital ratio of 13.12 percent. The Company repurchased 1.0 million shares of common stock at an average price of $53.79 per share during the first quarter of 2020.

Earnings Summary

The following is a summary regarding the Company's earnings for the first quarter of 2020. The changes identified in the summary are explained in greater detail below. The Company recorded a net loss of $3.4 million for the three-month period ended March 31, 2020, compared to net income of $57.7 million for the same period a year earlier. This represents a 106.0 decrease over the three-month period ended March 31, 2019. Basic losses per share for the first quarter of 2020 was $0.07 per share ($0.07 per share fully-diluted) compared to earnings of $1.19 per share ($1.18 per share fully-diluted) for the first quarter of 2019. Return on average assets and return on average common shareholders' equity for the three-month period ended March 31, 2020 were (0.05) and (0.51) percent, respectively, compared to 1.02 and 10.48 percent, respectively, for the three-month period ended March 31, 2019.

Net interest income for the three-month period ended March 31, 2020 increased $10.1 million, or 6.1 percent, compared to the same period in 2019. For the three-month period ended March 31, 2020, average earning assets increased by $3.0 billion, or 14.1 percent, compared to the same period in 2019. Net interest margin, on a tax-equivalent basis, decreased to 2.97 percent for the three-month period ended March 31, 2020, compared to 3.20 percent for the same period in 2019.

The provision for credit losses increased by $75.7 million to $88.0 million for the three-month period ended March 31, 2020, as compared to the same period in 2019. This change is the result of the adoption of the CECL standard and applying this methodology for computing the allowance for credit losses, coupled with the impacts of the current and forecasted economic downturn related to the COVID-19 pandemic. The Company's nonperforming loans increased $33.8 million to $97.0 million at March 31, 2020, compared to March 31, 2019, and increased $40.7 million, compared to December 31, 2019. The allowance for credit losses on loans as a percentage of total loans increased to 1.35 percent as of March 31, 2020, compared to 0.83 percent at March 31, 2019. For a description of the Company's methodology for computing the allowance for credit losses, please see the summary discussion in the "Provision and Allowance for Credit Losses" section included below.

Noninterest income decreased by $9.0 million, or 8.3 percent, for the three-month period ended March 31, 2020, compared to the same period in 2019. These changes are discussed in greater detail below under Noninterest Income.

Noninterest expense decreased by $2.0 million, or 1.1 percent, for the three-month period ended March 31, 2020, compared to the same period in 2019. These changes are discussed in greater detail below under Noninterest Expense.

Net Interest Income

Net interest income is a significant source of the Company's earnings and represents the amount by which interest income on earning assets exceeds the interest expense paid on liabilities. The volume of interest-earning assets and the related funding sources, the overall mix of these assets and liabilities, and the rates paid on each affect net interest income. Net interest income for the three-month period ended March 31, 2020 increased $10.1 million, or 6.1 percent, compared to the same period in 2019.

Table 1 shows the impact of earning asset rate changes compared to changes in the cost of interest-bearing liabilities. As illustrated in this table, net interest spread for the three months ended March 31, 2020 decreased nine basis points as compared to the same period in 2019. Net interest margin for the three months ended March 31, 2020 decreased by 23 basis points compared to the same period in 2019. The changes are primarily due to favorable volume variance on loans and securities and favorable rate variances on interest-bearing deposits, offset by unfavorable rate variances on earning assets. These interest rate variances have led to a small increase in interest income and a large decrease in interest expense, resulting in an increase in the Company's net interest income during 2020 as compared to results for the same period in 2019. The changes compared to last year have been impacted by the recent short-term interest rate cuts. The Company expects to see continued volatility in the economic markets and government responses to these changes as a result of the COVID-19 pandemic. It will also be impacted by the Company's active participation as a lender in the Paycheck Protection Program administered by the Small Business Administration. This program is one of the centerpieces of the recently passed CARES Act. As of the date of this filing, the Company has processed more than 3,000 applications in excess of $1.4 billion as part of this program. These changing conditions and governmental responses could have impacts on the balance sheet and income statement of the Company the remainder of the year. For the impact of the contribution from free funds, see the Analysis of Net Interest Margin within Table 2 below. Table 2 also illustrates how the changes in volume and interest rates have resulted in an increase in net interest income.

Table 1

AVERAGE BALANCE SHEETS/YIELDS AND RATES *(tax-equivalent basis) (unaudited, dollars in thousands)*

The following table presents, for the periods indicated, the average earning assets and resulting yields, as well as the average interest-bearing liabilities and resulting yields, expressed in both dollars and rates. All average balances are daily average balances. The average yield on earning assets without the tax-equivalent basis adjustment would have been 3.47 percent for the three-month period ended March 31, 2020 and 3.99 percent for the same period in 2019.

	Three Months Ended March 31,			
	2020		2019	
	Average Balance	Average Yield/Rate	Average Balance	Average Yield/Rate
ASSETS				
Loans, net of unearned interest	$ 13,616,566	4.46%	$ 12,303,154	5.18%
Securities:				
Taxable	4,694,418	2.33	4,301,121	2.39
Tax-exempt	4,063,042	3.05	3,623,164	2.93
Total securities	8,757,460	2.67	7,924,285	2.64
Federal funds and resell agreements	1,224,196	1.79	521,422	2.82
Interest-bearing due from banks	826,963	1.30	662,050	2.39
Other earning assets	48,102	5.84	46,408	4.40
Total earning assets	24,473,287	3.58	21,457,319	4.10
Allowance for credit losses	(112,751)		(105,444)	
Other assets	1,679,390		1,502,277	
Total assets	$ 26,039,926		$ 22,854,152	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest-bearing deposits	$ 14,330,150	0.83%	$ 12,733,114	1.21%
Federal funds and repurchase agreements	2,030,385	1.26	1,554,570	2.16
Borrowed funds	111,591	4.89	82,416	6.60
Total interest-bearing liabilities	16,472,126	0.91	14,370,100	1.34
Noninterest-bearing demand deposits	6,495,611		5,989,215	
Other liabilities	351,237		259,244	
Shareholders' equity	2,720,952		2,235,593	
Total liabilities and shareholders' equity	$ 26,039,926		$ 22,854,152	
Net interest spread		2.67%		2.76%
Net interest margin		2.97		3.20

Table 2 presents the dollar amount of change in net interest income and margin due to volume and rate. Table 2 also reflects the effect that interest-free funds have on net interest margin. The average balance of interest-free funds (total earning assets less interest-bearing liabilities) increased $913.9 million for the three-month period ended March 31, 2020 compared to the same period in 2019. The benefit from interest-free funds decreased by 14 basis points in the three-month period due to decreased yields on earning assets, offset by a decrease in interest rates of interest-bearing liabilities.

Table 2
ANALYSIS OF CHANGES IN NET INTEREST INCOME AND MARGIN *(unaudited, dollars in thousands)*

ANALYSIS OF CHANGES IN NET INTEREST INCOME

	Three Months Ended March 31, 2020 and 2019		
	Volume	**Rate**	**Total**
Change in interest earned on:			
Loans	$ 16,475	$ (22,710)	$ (6,235)
Securities:			
Taxable	2,458	(637)	1,821
Tax-exempt	2,732	975	3,707
Federal funds sold and resell agreements	3,536	(1,709)	1,827
Interest-bearing due from banks	833	(2,069)	(1,236)
Trading	23	197	220
Interest income	26,057	(25,953)	104
Change in interest incurred on:			
Interest-bearing deposits	4,450	(12,552)	(8,102)
Federal funds purchased and repurchase agreements	2,131	(4,014)	(1,883)
Other borrowed funds	414	(398)	16
Interest expense	6,995	(16,964)	(9,969)
Net interest income	$ 19,062	$ (8,989)	$ 10,073

ANALYSIS OF NET INTEREST MARGIN

	Three Months Ended March 31,		
	2020	**2019**	**Change**
Average earning assets	$ 24,473,287	$ 21,457,319	$ 3,015,968
Interest-bearing liabilities	16,472,126	14,370,100	2,102,026
Interest-free funds	$ 8,001,161	$ 7,087,219	$ 913,942
Free funds ratio (interest free funds to average earning assets)	32.69%	33.03%	(0.34)%
Tax-equivalent yield on earning assets	3.58	4.10	(0.52)
Cost of interest-bearing liabilities	0.91	1.34	(0.43)
Net interest spread	2.67	2.76	(0.09)
Benefit of interest-free funds	0.30	0.44	(0.14)
Net interest margin	2.97%	3.20%	(0.23)%

Provision and Allowance for Credit Losses

The allowance for credit losses (ACL) represents management's judgment of the total expected losses included in the Company's loan portfolio as of the balance sheet date. The Company's process for recording the ACL is based on the evaluation of the Company's lifetime historical loss experience, management's understanding of the credit quality inherent in the loan portfolio, and the impact of the current economic environment, coupled with reasonable and supportable economic forecasts.

A mathematical calculation of an estimate is made to assist in determining the adequacy and reasonableness of management's recorded ACL. To develop the estimate, the Company follows the guidelines in ASC Topic 326, *Financial Instruments – Credit Losses*. The estimate reserves for assets held at amortized cost and any related credit deterioration in the Company's available-for-sale debt security portfolio. Assets held at amortized cost include the Company's loan book and held-to-maturity security portfolio.

The process involves the consideration of quantitative and qualitative factors relevant to the specific segmentation of loans. These factors have been established over decades of financial institution experience and include economic observation and loan loss characteristics. This process is designed to produce a lifetime estimate of the losses, at a reporting date, that includes evaluation of historical loss experience, current economic conditions, reasonable and supportable forecasts, and the qualitative framework outlined by the Office of the Comptroller of the Currency in the published 2006 Interagency Policy Statement. This process allows management to take a holistic view of the recorded ACL reserve and ensure that all significant and pertinent information is considered.

The Company considers a variety of factors to ensure the safety and soundness of its estimate including a strong internal control framework, extensive methodology documentation, credit underwriting standards which encompass the Company's desired risk profile, model validation, and ratio analysis. If the Company's total ACL estimate, as determined in accordance with the approved ACL methodology, is either outside a reasonable range based on review of economic indicators or by comparison of historical ratio analysis, the ACL estimate is an outlier and management will investigate the underlying reason(s). Based on that investigation, issues or factors that previously had not been considered may be identified in the estimation process, which may warrant adjustments to estimated credit losses.

The ending result of this process is a recorded consolidated ACL that represents management's best estimate of the total expected losses included in the loan portfolio, held-to-maturity securities, and credit deterioration in available-for-sale securities.

Based on the factors above, management of the Company recorded $88.0 million as provision for credit losses for the three-month period ended March 31, 2020, compared to $12.4 million for the same period in 2019. As illustrated in Table 3 below, the ACL on loans increased to 1.35 percent of total loans as of March 31, 2020, compared to 0.83 percent of total loans as of March 31, 2019.

Table 3 presents a summary of the Company's ACL for the three months ended March 31, 2020 and 2019, and for the year ended December 31, 2019. Net charge-offs were $7.7 million for the three months ended March 31, 2020, compared to $12.3 million for the same period in 2019. See "Credit Risk Management" under "Item 3. Quantitative and Qualitative Disclosures About Market Risk" in this report for information relating to nonaccrual loans, past due loans, restructured loans and other credit risk matters.

Table 3
ANALYSIS OF ALLOWANCE FOR CREDIT LOSSES *(unaudited, dollars in thousands)*

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Year Ended December 31, 2019
Allowance - January 1	$ 101,788	$ 103,635	$ 103,635
Cumulative effect adjustment(1)	9,030	—	—
Provision for credit losses	88,000	12,350	32,850
Charge-offs:			
Commercial and industrial	(1,315)	(125)	(19,267)
Specialty lending	—	(11,000)	(16,813)
Commercial real estate	(6,062)	(70)	(392)
Consumer real estate	(13)	(43)	(52)
Consumer	(248)	(216)	(909)
Credit cards	(2,126)	(2,290)	(8,647)
Leases and other	—	—	—
Total charge-offs	(9,764)	(13,744)	(46,080)
Recoveries:			
Commercial and industrial	1,476	520	3,579
Specialty lending	—	6	3,992
Commercial real estate	21	22	738
Consumer real estate	14	51	384
Consumer	97	145	509
Credit cards	484	676	2,181
Leases and other	—	—	—
Total recoveries	2,092	1,420	11,383
Net charge-offs	(7,672)	(12,324)	(34,697)
Allowance for credit losses - end of period	$ 191,146	$ 103,661	$ 101,788
Allowance for credit losses on loans	$ 187,911	$ 103,661	$ 101,788
Allowance for credit losses on held to maturity securities	3,235	N/A(1)	N/A(1)
Loans at end of period, net of unearned interest	13,949,710	12,549,732	13,431,722
Held to maturity securities at end of period	1,114,160	1,147,947	1,116,102
Total assets at amortized cost	15,063,870	13,697,679	14,547,824
Average loans, net of unearned interest	13,609,726	12,301,655	12,759,387
Allowance for credit losses on loans to loans at end of period	1.35%	0.83%	0.76%
Allowance for credit losses - end of period to total assets at amortized cost	1.27%	N/A(1)	N/A(1)
Allowance as a multiple of net charge-offs	6.19x	2.07x	2.93x
Net charge-offs to average loans	0.23%	0.41%	0.27%

(1) Related to the adoption of ASU No. 2016-13. See Note 3, "New Accounting Pronouncements," for further detail.

Noninterest Income

A key objective of the Company is the growth of noninterest income to provide a diverse source of revenue not directly tied to interest rates. Fee-based services are typically non-credit related and are not generally affected by fluctuations in interest rates.

The Company offers multiple fee-based products and services, which management believes will more closely align with customer demands. The Company is currently emphasizing fee-based products and services including trust and securities processing, bankcard, securities trading and brokerage, and cash and treasury management.

Management believes that it can offer these products and services both efficiently and profitably, as most have common platforms and support structures.

Table 4
SUMMARY OF NONINTEREST INCOME *(unaudited, dollars in thousands)*

	Three Months Ended March 31,		Dollar Change	Percent Change
	2020	2019	20-19	20-19
Trust and securities processing	$ 47,000	$ 41,957	$ 5,043	12.0%
Trading and investment banking	1,723	5,581	(3,858)	(69.1)
Service charges on deposits	25,081	21,281	3,800	17.9
Insurance fees and commissions	259	338	(79)	(23.4)
Brokerage fees	9,860	7,243	2,617	36.1
Bankcard fees	16,545	17,067	(522)	(3.1)
Gains on sales of securities available for sale, net	1,227	809	418	51.7
Other	(3,271)	13,106	(16,377)	(>100.0)
Total noninterest income	$ 98,424	$ 107,382	$ (8,958)	(8.3)%

Noninterest income decreased by $9.0 million, or 8.3 percent, during the three months ended March 31, 2020, compared to the same period in 2019. Table 4 above summarizes the components of noninterest income and the respective year-over-year comparison for each category.

Trust and securities processing income consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and wealth management services, mutual fund assets, and alternative asset servicing. The increase in these fees for the three-month period ended March 31, 2020, compared to the same period last year, was primarily due to an increase in corporate trust and fund services revenues. Corporate trust revenue increased $2.7 million, or 44.5 percent, and fund services revenue increased $1.8 million, or 9.2 percent, compared to the same period in 2019. Wealth management revenue increased $0.5 million, or 2.9 percent, compared to the same period in 2019. The recent volatile markets have impacted the income in this category. Since trust and securities processing fees are primarily asset-based, which are highly correlated to the change in market value of the assets, the related income for the remainder of the year will be affected by changes in the securities markets. Management continues to emphasize sales of services to both new and existing clients as well as increasing and improving the distribution channels.

Trading and investment banking fees for the three-month period ended March 31, 2020 decreased $3.9 million, or 69.1 percent, compared to the same period in 2019. This decrease was driven by a decrease in the market valuations of investments in the Company's trading portfolio primarily driven by the market decline in March related to the COVID-19 pandemic. The income in this category is market driven and impacted by general increases or decreases in trading volume.

Service charges on deposit accounts for the three-month period ended March 31, 2020 increased by $3.8 million, or 17.9 percent, compared to the same period in 2019. This increase was primarily driven by income related to healthcare customer transfer and conversion fees recorded in the first quarter. Service charge income could be impacted by various programs related to the recent COVID-19 pandemic.

Brokerage fees for the three-month period ended March 31, 2020, increased $2.6 million, or 36.1 percent, compared to the same period in 2019. These increases were driven by higher money market balances and the related 12b-1 fees. The recent reduction in short-term interest rates will impact the income in this category the remainder of the year.

Other noninterest income for the three-month period ended March 31, 2020, decreased $16.4 million, or 125.0 percent, compared to the same period in 2019. These decreases were primarily driven by decreases in company-owned life insurance and derivative income, and partially offset by an increase in equity earnings on alternative investments and gains on sale of other assets.

Table 5
SUMMARY OF NONINTEREST EXPENSE *(unaudited, dollars in thousands)*

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Dollar Change 20-19	Percent Change 20-19
Salaries and employee benefits	$ 111,060	$ 116,032	$ (4,972)	(4.3)%
Occupancy, net	12,180	11,743	437	3.7
Equipment	21,241	19,684	1,557	7.9
Supplies and services	4,185	3,873	312	8.1
Marketing and business development	4,640	4,913	(273)	(5.6)
Processing fees	13,390	12,132	1,258	10.4
Legal and consulting	6,110	5,633	477	8.5
Bankcard	4,860	4,345	515	11.9
Amortization of other intangible assets	1,734	1,327	407	30.7
Regulatory fees	2,366	2,890	(524)	(18.1)
Other	6,853	8,054	(1,201)	(14.9)
Total noninterest expense	$ 188,619	$ 190,626	$ (2,007)	(1.1)%

Noninterest expense decreased by $2.0 million, or 1.1 percent, for the three months ended March 31, 2020, compared to the same period in 2019. Table 5 above summarizes the components of noninterest expense and the respective year-over-year comparison for each category.

Salaries and employee benefits decreased by $5.0 million, or 4.3 percent, for the three months ended March 31, 2020 compared to the same period in 2019. Employee benefits expense decreased $15.5 million, or 56.6 percent, for the three months ended March 31, 2020, compared to the same period in 2019 driven by lower deferred compensation expense. Salaries and wages increased $6.1 million, or 9.0 percent, and bonus and commission expense increased $4.5 million, or 21.2 percent, for the three months ended March 31, 2020, compared to the same period in 2019.

Equipment expense increased $1.6 million, or 7.9 percent, for the three months ended March 31, 2020, compared to the same period in 2019, primarily due to higher equipment maintenance and software costs.

Processing fees expense increased $1.3 million, or 10.4 percent, for the three months ended March 31, 2020, compared to the same period in 2019, primarily due to system investments to support growth across the Company's business lines.

Legal and consulting expense increased $477 thousand, or 8.5 percent, for the three months ended March 31, 2020, compared to the same period in 2019, primarily due to the timing of multiple projects.

Other noninterest expense decreased $1.2 million, or 14.9 percent, for the three months ended March 31, 2020, compared to the same period in 2019. The decrease is primarily due to decreased operating losses and lower derivative expense.

Income Tax Expense

The Company recognized an income tax benefit of $0.8 million, or 19.2 percent, on a pre-tax loss of $4.3 million for the three months ended March 31, 2020 compared to income tax expense of $10.5 million, or 15.4 percent, on pre-tax income of $68.3 million for the same period in 2019. The amount of tax benefit recorded for the three months ended March 31, 2020 reflects management’s estimate of the annual effective tax rate applied to the year-to-date loss from continuing operations adjusted for the tax impact of items discrete to the quarter. The Company’s pre-tax loss for the three months ended March 31, 2020 is expected to be offset by income in 2020. As such, management has determined it is more-likely-than-not that realization of tax benefits recorded in our financial statements will occur within the calendar year.

Strategic Lines of Business

The Company has strategically aligned its operations into the following three reportable Business Segments: Commercial Banking, Institutional Banking, and Personal Banking. The Company’s senior executive officers regularly evaluate Business Segment financial results produced by the Company’s internal reporting system in deciding how to allocate resources and assess performance for individual Business Segments. Prior to 2020, the Company had the following four Business Segments: Commercial Banking, Institutional Banking, Personal Banking, and Healthcare Services. In the first quarter of 2020, the Company merged the Healthcare Services segment into the Institutional Banking segment to better reflect how the Company’s core businesses, products and services are currently being evaluated by management. For comparability purposes, amounts in all periods are based on methodologies in effect at March 31, 2020. Previously reported results have been reclassified in this Form 10-Q to conform to the Company’s current organizational structure.

Table 6
Commercial Banking Operating Results *(unaudited, dollars in thousands)*

	Three Months Ended March 31,		Dollar Change	Percent Change
	2020	**2019**	**20-19**	**20-19**
Net interest income	$ 106,948	$ 99,814	$ 7,134	7.1%
Provision for credit losses	82,220	10,329	71,891	>100.0
Noninterest income	11,240	23,181	(11,941)	(51.5)
Noninterest expense	59,043	66,820	(7,777)	(11.6)
(Loss) income before taxes	(23,075)	45,846	(68,921)	(>100.0)
Income tax (benefit) expense	(4,421)	7,071	(11,492)	(>100.0)
Net (loss) income	$ (18,654)	$ 38,775	$ (57,429)	(>100.0)%

For the three months ended March 31, 2020, Commercial Banking recognized a net loss of $18.7 million, which represents a decrease of $57.4 million, as compared to the same period in 2019. Net interest income increased $7.1 million, or 7.1 percent, for the three-month period ended March 31, 2020, compared to the same period in 2019, primarily driven by strong loan growth and earning asset mix changes. Provision for credit losses increased by $71.9 million due to adoption of CECL, coupled with the current economic environment and reasonable and supportable economic forecasts. The impacts of the COVID-19 pandemic are key elements of these forecasts. Noninterest income decreased $11.9 million, or 51.5 percent, over the same period in 2019 primarily due to a decrease of $10.8 million in other noninterest income driven by decreased company-owned life insurance income and derivative income. Noninterest expense decreased $7.8 million, or 11.6 percent, to $59.0 million for the three-month period ended March 31, 2020, compared to the same period in 2019. This decrease was driven by a $9.4 million decrease in technology, service, and overhead expenses. These decreases were partially offset by an increase of $1.3 million in salary and employee benefits expense.

Table 7

Institutional Banking Operating Results *(unaudited, dollars in thousands)*

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Dollar Change 20-19	Percent Change 20-19
Net interest income	$ 33,036	$ 31,752	$ 1,284	4.0%
Provision for credit losses	275	286	(11)	(3.8)
Noninterest income	61,952	55,850	6,102	10.9
Noninterest expense	68,453	65,398	3,055	4.7
Income before taxes	26,260	21,918	4,342	19.8
Income tax expense	5,032	3,380	1,652	48.9
Net income	$ 21,228	$ 18,538	$ 2,690	14.5%

For the three months ended March 31, 2020, Institutional Banking net income increased $2.7 million, or 14.5 percent, compared to the same period last year. Net interest income increased $1.3 million, or 4.0 percent, compared to the same period last year, due to an increase in deposits and related increase in funds transfer pricing. Noninterest income increased $6.1 million, primarily due to increases of $4.6 million in trust and securities processing revenue, $4.5 million in service charges on deposit accounts, and $2.2 million in brokerage revenue. These increases were partially offset by a decrease of $5.4 million in other noninterest income driven by lower company-owned life insurance income. Noninterest expense increased $3.1 million, or 4.7 percent, primarily driven by an increase of $4.9 million in salary and employee benefits expense, partially offset by a decrease of $1.1 million in operational losses as compared to the same period in 2019.

Table 8

Personal Banking Operating Results *(unaudited, dollars in thousands)*

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Dollar Change 20-19	Percent Change 20-19
Net interest income	$ 33,957	$ 32,302	$ 1,655	5.1%
Provision for credit losses	5,505	1,735	3,770	>100.0
Noninterest income	25,232	28,351	(3,119)	(11.0)
Noninterest expense	61,123	58,408	2,715	4.6
(Loss) income before taxes	(7,439)	510	(7,949)	(>100.0)
Income tax (benefit) expense	(1,426)	79	(1,505)	(>100.0)
Net (loss) income	$ (6,013)	$ 431	$ (6,444)	(>100.0)%

For the three months ended March 31, 2020, Personal Banking recognized a net loss of $6.0 million, which represents a decrease of $6.4 million as compared to the same period last year. Net interest income increased $1.7 million, or 5.1 percent, compared to the same period last year due to increased loan balances. Provision for credit losses increased $3.8 million due to adoption of CECL, coupled with the current economic environment and reasonable and supportable economic forecasts. The impacts of the COVID-19 pandemic are key elements of these forecasts. Noninterest income decreased $3.1 million, or 11.0 percent, for the same period. This decrease is primarily driven by a decrease of $5.6 million in other noninterest income due to lower company-owned life insurance income, partially offset by an increase of $1.9 million in equity earnings on alternative investments. Noninterest expense increased $2.7 million, or 4.6 percent, primarily due to an increase of $2.3 million in salary and employee benefits expense.

Balance Sheet Analysis

Total assets of the Company decreased by $316.5 million, or 1.2 percent, as of March 31, 2020, compared to December 31, 2019, primarily due to a decrease in securities purchased under agreements to resell of $790.6 million, or 50.2 percent, and a decrease of $116.2 million, or 9.5 percent, in interest-bearing due from banks, partially offset by an increase in loan balances of $518.0 million, or 3.9 percent, and an increase in AFS securities of $192.1 million, or 2.6 percent.

Total assets of the Company increased $2.7 billion, or 11.4 percent, as of March 31, 2020, compared to March 31, 2019, primarily due to an increase in loan balances of $1.4 billion, or 11.2 percent, an increase in AFS securities of $747.6 million, or 10.8 percent, and an increase in securities purchased under agreements to resell of $525.2 million, or 202.3 percent.

Table 9
SELECTED FINANCIAL INFORMATION *(unaudited, dollars in thousands)*

	March 31,		December 31,
	2020	2019	2019
Total assets	$ 26,244,886	$ 23,556,760	$ 26,561,355
Loans, net of unearned interest	13,959,295	12,550,999	13,439,525
Total securities	8,949,982	8,171,198	8,717,502
Interest-bearing due from banks	1,109,254	1,113,470	1,225,491
Total earning assets	24,612,135	21,996,778	24,859,075
Total deposits	21,175,520	19,365,215	21,603,244
Total borrowed funds	2,012,499	1,575,656	1,993,998

Loans represent the Company's largest source of interest income. In addition to growing the commercial loan portfolio, management believes its middle market commercial business and its consumer business, including home equity and credit card loan products, are the market niches that represent its best opportunity to cross-sell fee-related services and generate additional noninterest income for the Company.

Actual loan balances totaled $14.0 billion as of March 31, 2020, and increased $519.8 million, or 3.9 percent, compared to December 31, 2019, and increased $1.4 billion, or 11.2 percent, compared to March 31, 2019. Compared to December 31, 2019, commercial and industrial loans increased $290.9 million, or 5.1 percent, commercial real estate loans increased $140.4 million, or 2.7 percent, and consumer real estate loans increased $50.7 million, or 3.6 percent. Compared to March 31, 2019, commercial and industrial loans increased $688.0 million, or 13.1 percent, commercial real estate loans increased $619.2 million, or 13.3 percent, and consumer real estate loans increased $221.0 million, or 18.1 percent. The increase in total loans is driven by the Company's focus on optimizing the balance sheet, coupled with recent loan demand related to the COVID-19 pandemic. The size of the Company's loan portfolio will be impacted by the continued volatility in the markets related to the COVID-19 pandemic. It will also be impacted by the Company's active participation as a lender in the Paycheck Protection Program administered by the Small Business Administration. This program is one of the centerpieces of the recently passed CARES Act. As of the date of this filing, the Company has processed more than 3,000 applications in excess of $1.4 billion as part of this program.

Nonaccrual, past due and restructured loans are discussed under "Credit Risk Management" within "Item 3. Quantitative and Qualitative Disclosures About Market Risk" in this report.

Investment Securities

The Company's investment portfolio contains trading, AFS, and HTM securities, as well as FRB stock, FHLB stock, and other miscellaneous investments. Investment securities totaled $8.9 billion as of March 31, 2020, and $8.7 billion as of December 31, 2019, and comprised 36.4 percent and 35.1 percent of the Company's earning assets, respectively, as of those dates.

The Company's AFS securities portfolio comprised 85.4 percent of the Company's investment securities portfolio at both March 31, 2020 and December 31, 2019. The Company's AFS securities portfolio provides liquidity as a result of the composition and average life of the underlying securities. This liquidity can be used to fund loan growth or to offset the outflow of traditional funding sources. The average life of the AFS securities portfolio was 60.6 months at March 31, 2020, compared to 70.9 months at December 31, 2019, and 57.7 months at March 31, 2019. In addition to providing a potential source of liquidity, the AFS securities portfolio can be used as a tool to manage interest rate sensitivity. The Company's goal in the management of its AFS securities portfolio is to maximize return within the Company's parameters of liquidity goals, interest rate risk, and credit risk.

Management expects collateral pledging requirements for public funds, loan demand, and deposit funding to be the primary factors impacting changes in the level of AFS securities. There were $6.0 billion of AFS securities pledged to secure U.S. Government deposits, other public deposits, certain trust deposits, derivative transactions, and repurchase agreements at March 31, 2020. Of this amount, securities with a market value of $979.2 million at March 31, 2020 were pledged at the Federal Reserve Discount Window but were unencumbered as of that date.

The Company's HTM securities portfolio consists of private placement bonds, which are issued primarily to refinance existing revenue bonds in the healthcare and education sectors. The HTM portfolio, net of the ACL totaled $1.1 billion as of March 31, 2020, a decrease of $5.2 million, or 0.5 percent, from December 31, 2019. The average life of the HTM portfolio was 6.2 years at March 31, 2020, 6.3 years at December 31, 2019, and 6.9 years at March 31, 2019.

The securities portfolio generates the Company's second largest component of interest income. The securities portfolio achieved an average yield on a tax-equivalent basis of 2.67 percent for the three months ended March 31, 2020, compared to 2.64 percent for the same period in 2019.

Deposits and Borrowed Funds

Deposits decreased $427.7 million, or 2.0 percent, from December 31, 2019 to March 31, 2020 and increased $1.8 billion, or 9.3 percent, from March 31, 2019 to March 31, 2020. Total interest-bearing deposits decreased $752.8 million, and non-interest bearing deposits increased $325.1 million from December 31, 2019 to March 31, 2020. Total interest-bearing deposits increased $989.2 million and noninterest-bearing deposits increased $821.1 million from March 31, 2019 to March 31, 2020.

Deposits represent the Company's primary funding source for its asset base. In addition to the core deposits garnered by the Company's retail branch structure, the Company continues to focus on its cash management services, as well as its trust and mutual fund servicing businesses, in order to attract and retain additional deposits. Management believes a strong core deposit composition is one of the Company's key strengths given its competitive product mix.

Long-term debt totaled $121.6 million at March 31, 2020, compared to $97.5 million as of December 31, 2019, and $81.6 million as of March 31, 2019. The majority of the Company's long-term debt was assumed from the acquisition of Marquette Financial Companies (Marquette) and consists of debt obligations payable to four unconsolidated trusts (Marquette Capital Trust I, Marquette Capital Trust II, Marquette Capital Trust III, and Marquette Capital Trust IV) that previously issued trust preferred securities. These long-term debt obligations had an aggregate contractual balance of $103.1 million and had an aggregate carrying value of $70.7 million as of March 31, 2020. Interest rates on trust preferred securities are tied to the three-month LIBOR rate with spreads ranging from 133 basis points to 160 basis points, and reset quarterly. The trust preferred securities have maturity dates ranging from January 2036 to September 2036.

The Company has $50.9 million in contractual equity contribution commitments to various low-income housing investment projects. These low-income housing investment projects require the Company to invest in an underlying fund that is recorded in Other securities on the Company's Consolidated Balance Sheets. The Company receives tax credits over the life of the low-income housing investment projects. These commitments are included in the Long-term debt line on the Company's Consolidated Balance Sheets.

The Company has a revolving line of credit with Wells Fargo Bank, N.A. which allows the Company to borrow up to $50.0 million for general working capital purposes. The interest rate applied to borrowed balances will be at the Company's option either 1.00 percent above LIBOR or 1.75 percent below the prime rate on the date of an advance. The Company pays a 0.3 percent unused commitment fee for unused portions of the revolving line of credit. As of March 31, 2020, the Company had an outstanding balance of $15.0 million on this revolving line of credit. This borrowing is included in the Short-term debt line on the Company's Consolidated Balance Sheets.

Federal funds purchased and securities sold under agreements to repurchase totaled $1.9 billion at both March 31, 2020 and December 31, 2019, and $1.5 billion at March 31, 2019. Repurchase agreements are transactions involving the exchange of investment funds by the customer for securities by the Company under an agreement to repurchase the same or similar issues at an agreed-upon price and date. The level of borrowings could be impacted by mix changes in the Company's balance sheet from the impacts of the COVID-19 pandemic.

Capital and Liquidity

The Company places a significant emphasis on the maintenance of a strong capital position, which promotes investor confidence, provides access to funding sources under favorable terms, and enhances the Company's ability to capitalize on business growth and acquisition opportunities. Higher levels of liquidity, however, bear corresponding costs, measured in terms of lower yields on short-term, more liquid earning assets and higher expenses for extended liability maturities. The Company manages capital for each subsidiary based upon the subsidiary's respective risks and growth opportunities as well as regulatory requirements.

Total shareholders' equity was $2.7 billion at March 31, 2020, a $57.0 million increase compared to December 31, 2019, and a $312.6 million increase compared to March 31, 2019.

The Company's Board of Directors authorized, at its April 28, 2020, April 23, 2019, and April 24, 2018 meetings, the repurchase of up to two million shares of the Company's common stock during the twelve months following each meeting (each a Repurchase Authorization). During the three months ended March 31, 2020 and 2019, the Company acquired 1,020,365 shares and 61,765 shares of its common stock pursuant to the applicable Repurchase Authorization. During the three months ended March 31, 2020, the Company entered into an agreement with Bank of America (BoA) to repurchase an aggregate of $30.0 million of the Company's common stock through an accelerated share repurchase agreement (the ASR). Under the ASR, the Company repurchased a total of 537,182 shares. The final settlement of the transactions under the ASR is expected to occur during the second quarter of 2020. The ASR was entered into pursuant to the April 23, 2019 Repurchase Authorization and the Company has not made any repurchase of its securities other than pursuant to the Repurchase Authorizations. The Company is not currently engaging in repurchases, other than in connection with the settlement of the ASR. In the future, it may determine to resume repurchases.

At the Company's quarterly board meeting, the Board of Directors declared a $0.31 per share quarterly cash dividend payable on July 1, 2020, to shareholders of record at the close of business on June 10, 2020.

Through the Company's relationship with the FHLB of Des Moines, the Company owns $10.0 million of FHLB stock and has access to additional liquidity and funding sources through FHLB advances. The Company's borrowing capacity is dependent upon the amount of collateral the Company places at the FHLB. The Company's borrowing capacity with the FHLB was $1.3 billion as of March 31, 2020. The Company had no outstanding FHLB advances at FHLB of Des Moines as of March 31, 2020.

Risk-based capital guidelines established by regulatory agencies set minimum capital standards based on the level of risk associated with a financial institution's assets. The Company has implemented the Basel III regulatory capital rules adopted by the FRB. Basel III capital rules include a minimum ratio of common equity tier 1 capital to risk-weighted assets of 4.5 percent and a minimum tier 1 risk-based capital ratio of 6 percent. A financial institution's total capital is also required to equal at least 8 percent of risk-weighted assets.

The risk-based capital guidelines indicate the specific risk weightings by type of asset. Certain off-balance sheet items (such as standby letters of credit and binding loan commitments) are multiplied by credit conversion factors to translate them into balance sheet equivalents before assigning them specific risk weightings. The Company is also required to maintain a leverage ratio equal to or greater than 4 percent. The leverage ratio is calculated as the ratio of tier 1 core capital to total average assets, less goodwill and intangibles.

U.S. banking agencies in December 2018 approved a final rule to address the impact of CECL on regulatory capital by allowing banking organizations the option to phase in the day-one impact of CECL until the first quarter of 2023. In March 2020, the U.S. banking agencies issued an interim final rule that provides banking organizations with an alternative option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period. The Company is electing this alternative option instead of the one described in the December 2018 rule.

The Company's capital position as of March 31, 2020 is summarized in the table below and exceeded regulatory requirements.

Table 10

	Three Months Ended March 31,	
RATIOS	**2020**	**2019**
Common equity tier 1 capital ratio	11.90%	12.70%
Tier 1 risk-based capital ratio	11.90	12.70
Total risk-based capital ratio	13.12	13.72
Leverage ratio	8.81	9.65
Return on average assets	(0.05)	1.02
Return on average equity	(0.51)	10.48
Average equity to assets	10.45	9.78

The Company's per share data is summarized in the table below.

	Three Months Ended March 31,	
Per Share Data	**2020**	**2019**
(Losses) earnings - basic	$ (0.07)	$ 1.19
(Losses) earnings - diluted	(0.07)	1.18
Cash dividends	0.31	0.30
Dividend payout ratio	(442.9)%	25.21%
Book value	$ 55.33	$ 47.92

Off-balance Sheet Arrangements

The Company's main off-balance sheet arrangements are loan commitments, commercial and standby letters of credit, futures contracts and forward exchange contracts, which have maturity dates rather than payment due dates. See Note 10, "Commitments, Contingencies and Guarantees" in the Notes to Consolidated Financial Statements for detailed information on these arrangements. The level of the outstanding commitments will be impacted by financial impacts related to the COVID-19 pandemic.

Critical Accounting Policies and Estimates

The preparation of these Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to customers and suppliers, allowance for credit losses, bad debts, investments, financing operations, long-lived assets, taxes, other contingencies, and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which have formed the basis for making such judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Under different assumptions or conditions, actual results may differ from the recorded estimates.

A summary of critical accounting policies is listed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of a financial instrument. These changes may be the result of various factors, including interest rates, foreign exchange prices, commodity prices, or equity prices. Financial instruments that are subject to market risk can be classified either as held for trading or held for purposes other than trading.

The Company is subject to market risk primarily through the effect of changes in interest rates of its assets held for purposes other than trading. The following discussion of interest rate risk, however, combines instruments held for trading and instruments held for purposes other than trading because the instruments held for trading represent such a small portion of the Company's portfolio that the interest rate risk associated with them is immaterial.

Interest Rate Risk

In the banking industry, a major risk exposure is changing interest rates. To minimize the effect of interest rate changes to net interest income and exposure levels to economic losses, the Company manages its exposure to changes in interest rates through asset and liability management within guidelines established by its Asset Liability Committee (ALCO) and approved by the Board. The ALCO is responsible for approving and ensuring compliance with asset/liability management policies, including interest rate exposure. The Company's primary method for measuring and analyzing consolidated interest rate risk is the Net Interest Income Simulation Analysis. The Company also uses a Net Portfolio Value model to measure market value risk under various rate change scenarios and a gap analysis to measure maturity and repricing relationships between interest-earning assets and interest-bearing liabilities at specific points in time. On a limited basis, the Company uses hedges such as swaps and futures contracts to manage interest rate risk on certain loans, trading securities, trust preferred securities, and deposits. See further information in Note 11 "Derivatives and Hedging Activities" in the Notes to the Consolidated Financial Statements.

Overall, the Company manages interest rate risk by positioning the balance sheet to maximize net interest income while maintaining an acceptable level of interest rate and credit risk, remaining mindful of the relationship among profitability, liquidity, interest rate risk, and credit risk.

Net Interest Income Modeling

The Company's primary interest rate risk tool, the Net Interest Income Simulation Analysis, measures interest rate risk and the effect of interest rate changes on net interest income and net interest margin. This analysis incorporates all of the Company's assets and liabilities together with assumptions that reflect the current interest rate environment. Through these simulations, management estimates the impact on net interest income of a 300 basis point upward or a 200 basis point downward gradual change (e.g. ramp) and immediate change (e.g. shock) of market interest rates over a two year period. In ramp scenarios, rates change gradually for a one-year period and remain constant in year two. In shock scenarios, rates change immediately and the change is sustained for the remainder of the two-year scenario horizon. Assumptions are made to project rates for new loans and deposits based on historical analysis, management outlook and repricing strategies. Asset prepayments and other market risks are developed from industry estimates of prepayment speeds and other market changes. The results of these simulations can be significantly influenced by assumptions utilized and management evaluates the sensitivity of the simulation results on a regular basis.

Table 11 shows the net interest income increase or decrease over the next two years as of March 31, 2020 and 2019 based on hypothetical changes in interest rates and a constant sized balance sheet with runoff being replaced.

Table 11
MARKET RISK *(unaudited)*

	Hypothetical change in interest rate – Rate Ramp			
	Year One		Year Two	
(basis points)	**March 31, 2020 Percentage change**	**March 31, 2019 Percentage change**	**March 31, 2020 Percentage change**	**March 31, 2019 Percentage change**
300	3.3%	3.2%	15.2%	9.4%
200	2.1	1.7	10.6	5.4
100	1.3	0.4	5.8	1.5
Static	—	—	—	—
(100)	(3.5)	(2.5)	(8.5)	(5.8)
(200)	n/a	(4.9)	n/a	(13.9)

	Hypothetical change in interest rate – Rate Shock			
	Year One		Year Two	
(basis points)	**March 31, 2020 Percentage change**	**March 31, 2019 Percentage change**	**March 31, 2020 Percentage change**	**March 31, 2019 Percentage change**
300	8.1%	8.5%	18.0%	11.3%
200	5.5	5.3	12.7	6.7
100	2.7	2.1	6.7	2.0
Static	—	—	—	—
(100)	(6.4)	(5.2)	(8.9)	(7.1)
(200)	n/a	(11.5)	n/a	(17.1)

The Company is positioned slightly asset sensitive to changes in interest rates. For rate ramps and shocks, net interest income is predicted to increase in year one and two in rising rate scenarios and decrease in falling rate scenarios. Increases and decreases in net interest income in rising and falling rate scenarios are due to yields on earning assets increasing and decreasing more due to changes in market rates than the cost of paying liabilities is projected to increase or decrease. A key assumption underlying these projections is how the Company is projected to price deposits in a rising rate environment being consistent with our history. This conservative assumption has overstated projected interest expense as rates have risen and could continue to do so in the future.

Trading Account

The Company carries securities in a trading account that is maintained according to Board-approved policy and procedures. The policy limits the amount and type of securities that can be carried in the trading account, requires compliance with any limits under applicable law and regulations, and mandates the use of a value-at-risk methodology to manage price volatility risks within financial parameters. The risk associated with the carrying of trading securities is offset by utilizing financial instruments including exchange-traded financial futures as well as short sales of U.S. Treasury and Corporate securities. The trading securities and related hedging instruments are marked-to-market daily. The trading account had a balance of $61.2 million as of March 31, 2020, $45.6 million as of December 31, 2019, and $56.0 million as of March 31, 2019. Securities sold not yet purchased (i.e. short positions) totaled $17.6 million at March 31, 2020, $14.6 million as of December 31, 2019, and $19.8 million at March 31, 2019 and are classified within the Other liabilities line of the Company's Consolidated Balance Sheets.

The Company is subject to market risk primarily through the effect of changes in interest rates of its assets held for purposes other than trading. The discussion in Table 11 above of interest rate risk, however, combines instruments held for trading and instruments held for purposes other than trading, because the instruments held for trading represent such a small portion of the Company's portfolio that the interest rate risk associated with them is immaterial.

Other Market Risk

The Company has minimal foreign currency risk as a result of foreign exchange contracts. See Note 10 "Commitments, Contingencies and Guarantees" in the notes to the Consolidated Financial Statements.

Credit Risk Management

Credit risk represents the risk that a customer or counterparty may not perform in accordance with contractual terms. The Company utilizes a centralized credit administration function, which provides information on the Bank's risk levels, delinquencies, an internal ranking system and overall credit exposure. Loan requests are centrally reviewed to ensure the consistent application of the loan policy and standards. In addition, the Company has an internal loan review staff that operates independently of the Bank. This review team performs periodic examinations of the Bank's loans for credit quality, documentation and loan administration. The respective regulatory authorities governing the Bank also review loan portfolios.

A primary indicator of credit quality and risk management is the level of nonperforming loans. Nonperforming loans include both nonaccrual loans and restructured loans on nonaccrual. The Company's nonperforming loans increased $33.8 million to $97.0 million at March 31, 2020, compared to March 31, 2019, and increased $40.7 million, compared to December 31, 2019. The increase is primarily due to two credits in the oil and gas and agricultural industries totaling $34.8 million that were placed on nonaccrual during the first quarter of 2020.

The Company had $2.9 million, $3.3 million, and $2.9 million of other real estate owned as of March 31, 2020 and 2019, and December 31, 2019, respectively. Loans past due more than 90 days and still accruing interest totaled $2.2 million as of March 31, 2020, compared to $1.9 million at March 31, 2019 and $2.1 million as of December 31, 2019.

A loan is generally placed on nonaccrual status when payments are past due 90 days or more and/or when management has considerable doubt about the borrower's ability to repay on the terms originally contracted. The accrual of interest is discontinued and recorded thereafter only when actually received in cash.

Certain loans are restructured to provide a reduction or deferral of interest or principal due to deterioration in the financial condition of the respective borrowers. The Company had $14.3 million of restructured loans at March 31, 2020, $20.7 million at March 31, 2019, and $19.8 million at December 31, 2019.

Table 12
LOAN QUALITY *(unaudited, dollars in thousands)*

	March 31, 2020	March 31, 2019	December 31, 2019
Nonaccrual loans	$ 83,097	$ 42,984	$ 36,909
Restructured loans on nonaccrual	13,932	20,286	19,438
Total nonperforming loans	97,029	63,270	56,347
Other real estate owned	2,883	3,285	2,935
Total nonperforming assets	$ 99,912	$ 66,555	$ 59,282
Loans past due 90 days or more	$ 2,211	$ 1,874	$ 2,069
Restructured loans accruing	388	407	392
Allowance for credit losses on loans	187,911	103,661	101,788
Ratios:			
Nonperforming loans as a percent of loans	0.70%	0.50%	0.42%
Nonperforming assets as a percent of loans plus other real estate owned	0.72	0.53	0.44
Nonperforming assets as a percent of total assets	0.38	0.28	0.22
Loans past due 90 days or more as a percent of loans	0.02	0.01	0.02
Allowance for credit losses on loans as a percent of loans	1.35	0.83	0.76
Allowance for credit losses on loans as a multiple of nonperforming loans	1.94x	1.64x	1.81x

Liquidity Risk

Liquidity represents the Company’s ability to meet financial commitments through the maturity and sale of existing assets or availability of additional funds. The Company believes that the most important factor in the preservation of liquidity is maintaining public confidence that facilitates the retention and growth of a large, stable supply of core deposits and wholesale funds. Ultimately, the Company believes public confidence is generated through profitable operations, sound credit quality and a strong capital position. The primary source of liquidity for the Company is regularly scheduled payments on and maturity of assets, which include $7.6 billion of high-quality securities available for sale as of March 31, 2020. The liquidity of the Company and the Bank is also enhanced by its activity in the federal funds market and by its core deposits. Additionally, management believes it can raise debt or equity capital on favorable terms in the future, should the need arise.

Another factor affecting liquidity is the amount of deposits and customer repurchase agreements that have pledging requirements. All customer repurchase agreements require collateral in the form of a security. The U.S. Government, other public entities, and certain trust depositors require the Company to pledge securities if their deposit balances are greater than the FDIC-insured deposit limitations. These pledging requirements affect liquidity risk in that the related security cannot otherwise be disposed of due to the pledging restriction. At March 31, 2020, $6.0 billion, or 78.5 percent, of the securities available-for-sale were pledged or used as collateral, compared to $5.8 billion, or 77.5 percent, at December 31, 2019. However, of these amounts, securities with a market value of $979.2 million at March 31, 2020 and $481.2 million at December 31, 2019 were pledged at the Federal Reserve Discount Window but were unencumbered as of those dates.

The Company also has other commercial commitments that may impact liquidity. These commitments include unused commitments to extend credit, standby letters of credit and financial guarantees, and commercial letters of credit. The total amount of these commercial commitments at March 31, 2020 was $10.8 billion. Since many of these commitments expire without being drawn upon, the total amount of these commercial commitments does not necessarily represent the future cash requirements of the Company.

The Company's cash requirements consist primarily of dividends to shareholders, debt service, operating expenses, and treasury stock purchases. Management fees and dividends received from bank and non-bank subsidiaries traditionally have been sufficient to satisfy these requirements and are expected to be sufficient in the future. The Bank is subject to various rules regarding payment of dividends to the Company. For the most part, the Bank can pay dividends at least equal to its current year's earnings without seeking prior regulatory approval. The Company also uses cash to inject capital into its bank and non-bank subsidiaries to maintain adequate capital as well as fund strategic initiatives.

To enhance general working capital needs, the Company has a revolving line of credit with Wells Fargo Bank, N.A., which allows the Company to borrow up to $50.0 million for general working capital purposes. The interest rate applied to borrowed balances will be at the Company's option, either 1.00 percent above LIBOR or 1.75 percent below the prime rate on the date of an advance. The Company pays a 0.3 percent unused commitment fee for unused portions of the line of credit. As of March 31, 2020, the Company had an outstanding balance of $15.0 million on this line of credit.

The Company is a member bank of the FHLB. The Company owns $10.0 million of FHLB stock and has access to additional liquidity and funding sources through FHLB advances. Additionally, the Company has access to borrow up to $1.3 billion through advances at the FHLB of Des Moines, but had no outstanding FHLB Des Moines advances as of March 31, 2020.

Operational Risk

Operational risk generally refers to the risk of loss resulting from the Company's operations, including those operations performed for the Company by third parties. This would include but is not limited to the risk of fraud by employees or persons outside the Company, the execution of unauthorized transactions by employees or others, errors relating to transaction processing, breaches of the internal control system and compliance requirements, and unplanned interruptions in service. This risk of loss also includes the potential legal or regulatory actions that could arise as a result of an operational deficiency, or as a result of noncompliance with applicable regulatory standards. The Company must comply with a number of legal and regulatory requirements, including those under the Sarbanes-Oxley Act of 2002, as amended.

The Company operates in many markets and relies on the ability of its employees and systems to properly process a high number of transactions. In the event of a breakdown in internal control systems, improper operation of systems or improper employee actions, the Company could suffer financial loss, face regulatory action and suffer damage to its reputation. In order to address this risk, management maintains a system of internal controls with the objective of providing proper transaction authorization and execution, safeguarding of assets from misuse or theft, and ensuring the reliability of financial and other data.

The Company maintains systems of internal controls that provide management with timely and accurate information about the Company's operations. These systems have been designed to manage operational risk at appropriate levels given the Company's financial strength, the environment in which it operates, and considering factors such as competition and regulation. The Company has also established procedures that are designed to ensure that policies relating to conduct, ethics, and business practices are followed on a uniform basis. In certain cases, the Company has experienced losses from operational risk. Such losses have included the effects of operational errors that the Company has discovered and included as expense in the statement of income. While there can be no assurance that the Company will not suffer such losses in the future, management continually monitors and works to improve its internal controls, systems, and corporate-wide processes and procedures.

ITEM 4. CONTROLS AND PROCEDURES

The Sarbanes-Oxley Act of 2002, as amended, requires the Chief Executive Officer and the Chief Financial Officer to make certain certifications under this Form 10-Q with respect to the Company's disclosure controls and procedures and internal control over financial reporting. The Company has a Code of Ethics that expresses the values that drive employee behavior and maintains the Company's commitment to the highest standards of ethics.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this Form 10-Q. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Form 10-Q, the Company's disclosure controls and procedures were effective for ensuring that the Company's SEC filings are recorded, processed, summarized, and reported within the time period required and that information required to be disclosed by the Company is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the three-month period ended March 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, the Company and its subsidiaries are named defendants in various legal proceedings. In the opinion of management, after consultation with legal counsel, none of these lawsuits are expected to have a materially adverse effect on the financial position, results of operations, or cash flows of the Company.

ITEM 1A. RISK FACTORS

The following represents a material change in the Company's risk factors from those disclosed in Part I, Item 1A of the Annual Report on Form 10-K for the year ended December 31, 2019.

The COVID-19 pandemic is adversely affecting the Company and its customers, counterparties, employees, and third-party service providers, and the continued adverse impacts on its business, financial position, results of operations, and prospects could be significant.

The spread of COVID-19 has created a global public-health crisis that has resulted in widespread volatility and deteriorations in household, business, economic, and market conditions. The extent of the impact of the COVID-19 pandemic on the Company's capital, liquidity, and other financial positions and on its business, results of operations, and prospects will depend on a number of evolving factors, including:

- *The duration, extent, and severity of the COVID-19 pandemic*. COVID-19 does not yet appear to be contained and could affect significantly more households and businesses. The duration and severity of the COVID-19 pandemic continue to be impossible to accurately predict.
- *The response of governmental and nongovernmental authorities*. The actions of many governmental and nongovernmental authorities have been directed toward curtailing household and business activity to contain COVID-19 while simultaneously deploying fiscal- and monetary-policy measures to partially mitigate the adverse effects on individual households and businesses. These actions are not always coordinated or consistent across jurisdictions but, in general, have been rapidly expanding in scope and intensity.
- *The effect on the Company's customers, counterparties, employees, and third-party service providers*. COVID-19 and its associated consequences and uncertainties may affect individuals, households, and businesses differently and unevenly. In the near-term if not longer, however, the Company's credit, operational, and other risks are generally expected to increase.
- *The effect on economies and markets*. Whether the actions of governmental and nongovernmental authorities will be successful in mitigating the adverse effects of COVID-19 is unclear. National, regional, and local economies and markets could suffer disruptions that are lasting. An economic slowdown could adversely affect the Company's origination of new loans and the performance of its existing loans. In addition, governmental actions are meaningfully influencing the interest-rate environment, which could adversely affect the Company's results of operations and financial condition.

We are unable to estimate the impact of COVID-19 on the Company's business and operations at this time. The COVID-19 pandemic could cause the Company to experience higher credit losses in our lending portfolio, impairment of our goodwill and other financial assets, further reduced demand for its products and services, and other negative impacts on its financial position, results of operations, and prospects. Sustained adverse effects of the COVID-19 pandemic may also prevent the Company from satisfying our minimum regulatory capital ratios and other supervisory requirements, failing to be able to sustain the paying of dividends to its shareholders, or result in downgrades in its credit ratings.

Because of CECL, the Company's financial results may be negatively affected as soon as weak or deteriorating economic conditions are forecasted and alter our expectations for credit losses. In addition, due to the expansion of the time horizon over which it is required to estimate future credit losses under CECL, the Company may experience increased volatility in its future provisions for credit losses. As a result, factoring in COVID-19, the

Company incurred significant provision expense for credit losses in the first quarter of 2020 and may incur significant provision expense for credit losses in future periods as well.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth the information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the three months ended March 31, 2020.

ISSUER PURCHASE OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1 - January 31, 2020	14,012	$ 65.80	14,012	1,979,843
February 1 - February 29, 2020	167,389	64.94	167,389	1,812,454
March 1 - March 31, 2020	838,964	51.37	838,964	973,490
Total	1,020,365	$ 53.79	1,020,365	

On April 23, 2019, the Company announced a plan to repurchase up to two million shares of common stock, which terminated on April 28, 2020. On April 28, 2020, the Company announced a plan to repurchase up to two million shares of common stock, which will terminate on April 27, 2021. The Company has not made any repurchases other than through these Repurchase Authorizations. The Company is not currently engaging in repurchase, other than in connection with the settlement of the ASR. In the future, it may determine to resume repurchases. Other than purchases pursuant to the ASR, all share purchases pursuant to the Repurchase Authorizations are intended to be within the scope of Rule 10b-18 promulgated under the Exchange Act. Rule 10b-18 provides a safe harbor for purchases in a given day if the Company satisfies the manner, timing and volume conditions of the rule when purchasing its own shares of common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

3.1	Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and filed with the Commission on May 9, 2006).
3.2	Bylaws, amended as of October 28, 2014 (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 and filed with the Commission on August 2, 2016).
10.1	Performance Share Unit Award Agreement with James D. Rine (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 18, 2020).
31.1	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act filed herewith.
31.2	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act filed herewith.
32.1	CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act filed herewith.
32.2	CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act filed herewith.
101.INS	XBRL Instance Document – The instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Document filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document filed herewith.
104	The cover page of our Form 10-Q for the quarter ended March 31, 2020, formatted in iXBRL.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

UMB FINANCIAL CORPORATION

/s/ David C. Odgers
David C. Odgers
Chief Accounting Officer

Date: April 30, 2020

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Section 2: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, J. Mariner Kemper, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q as of, and for the period ended March 31, 2020 of UMB Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2020

/s/ J. Mariner Kemper
J. Mariner Kemper
Chief Executive Officer

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Section 3: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Ram Shankar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q as of, and for the period ended March 31, 2020 of UMB Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2020

/s/ Ram Shankar
Ram Shankar
Chief Financial Officer

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Section 4: EX-32.1 (EX-32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q as of, and for the period ended March 31, 2020, of UMB Financial Corporation (the Company) filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Mariner Kemper, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 30, 2020

/s/ J. Mariner Kemper
J. Mariner Kemper
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to UMB Financial Corporation and will be retained by UMB Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 5: EX-32.2 (EX-32.2)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q as of, and for the period ended March 31, 2020, of UMB Financial Corporation (the Company) filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ram Shankar, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 30, 2020

/s/ Ram Shankar
Ram Shankar
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to UMB Financial Corporation and will be retained by UMB Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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