CULLEN/FROST BANKERS, INC.
Form 10-Q
October 26, 2017
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United States
Securities and Exchange Commission
Washington, D.C. 20549
Form 10-Q
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended: September 30, 2017
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: 001-13221
Cullen/Frost Bankers, Inc.
(Exact name of registrant as specified in its charter)

Texas	74-1751768
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 W. Houston Street, San Antonio, Texas	78205
(Address of principal executive offices)	(Zip code)

(210) 220-4011
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 Act). Yes ¨ No ý
As of October 19, 2017 there were 63,164,491 shares of the registrant's Common Stock, $.01 par value, outstanding.

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Cullen/Frost Bankers, Inc.
Quarterly Report on Form 10-Q
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Part I. Financial Information
Item 1. Financial Statements (Unaudited)
Cullen/Frost Bankers, Inc.
Consolidated Balance Sheets
(Dollars in thousands, except per share amounts)

	September 30, 2017	December 31, 2016
Assets:		
Cash and due from banks	$503,961	$561,838
Interest-bearing deposits	4,538,300	3,560,865
Federal funds sold and resell agreements	49,642	18,742
Total cash and cash equivalents	5,091,903	4,141,445
Securities held to maturity, at amortized cost	1,442,222	2,250,460
Securities available for sale, at estimated fair value	10,185,100	10,203,277
Trading account securities	19,721	16,703
Loans, net of unearned discounts	12,706,304	11,975,392
Less: Allowance for loan losses	(154,303)	(153,045)
Net loans	12,552,001	11,822,347
Premises and equipment, net	520,639	525,821
Goodwill	654,952	654,952
Other intangible assets, net	5,475	6,776
Cash surrender value of life insurance policies	179,789	177,884
Accrued interest receivable and other assets	338,170	396,654
Total assets	$30,989,972	$30,196,319
Liabilities:		
Deposits:		
Non-interest-bearing demand deposits	$11,174,251	$10,513,369
Interest-bearing deposits	15,229,018	15,298,206
Total deposits	26,403,269	25,811,575
Federal funds purchased and repurchase agreements	997,919	976,992
Junior subordinated deferrable interest debentures, net of unamortized issuance costs	136,170	136,127
Subordinated notes, net of unamortized issuance costs	98,512	99,990
Accrued interest payable and other liabilities	165,059	169,107
Total liabilities	27,800,929	27,193,791
Shareholders' Equity:		
Preferred stock, par value $0.01 per share; 10,000,000 shares authorized; 6,000,000 Series A shares ($25 liquidation preference) issued at September 30, 2017 and December 31, 2016	144,486	144,486
Common stock, par value $0.01 per share; 210,000,000 shares authorized; 64,236,306 shares issued at September 30, 2017 and 63,632,464 shares issued at December 31, 2016	642	637
Additional paid-in capital	951,893	906,732
Retained earnings	2,133,259	1,985,569
Accumulated other comprehensive income, net of tax	57,675	(24,623)
Treasury stock, at cost; 1,122,721 shares at September 30, 2017 and 158,243 shares at December 31, 2016	(98,912)	(10,273)
Total shareholders' equity	3,189,043	3,002,528
Total liabilities and shareholders' equity	$30,989,972	$30,196,319

See Notes to Consolidated Financial Statements.

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Cullen/Frost Bankers, Inc.
Consolidated Statements of Income
(Dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest income:				
Loans, including fees	$138,400	$114,368	$392,073	$340,303
Securities:				
Taxable	23,203	25,897	72,032	77,402
Tax-exempt	54,939	53,065	167,321	154,308
Interest-bearing deposits	10,800	4,111	26,712	11,366
Federal funds sold and resell agreements	244	48	514	165
Total interest income	227,586	197,489	658,652	583,544
Interest expense:				
Deposits	5,668	1,749	9,709	5,309
Federal funds purchased and repurchase agreements	523	44	849	152
Junior subordinated deferrable interest debentures	1,020	839	2,890	2,392
Other long-term borrowings	1,164	350	2,696	958
Total interest expense	8,375	2,982	16,144	8,811
Net interest income	219,211	194,507	642,508	574,733
Provision for loan losses	10,980	5,045	27,358	42,734
Net interest income after provision for loan losses	208,231	189,462	615,150	531,999
Non-interest income:				
Trust and investment management fees	27,493	26,451	81,690	77,806
Service charges on deposit accounts	20,967	20,540	62,934	60,769
Insurance commissions and fees	10,892	11,029	34,441	35,812
Interchange and debit card transaction fees	5,884	5,435	17,150	15,838
Other charges, commissions and fees	10,493	10,703	29,983	29,825
Net gain (loss) on securities transactions	(4,867)	(37)	(4,917)	14,866
Other	10,753	7,993	25,114	21,358
Total non-interest income	81,615	82,114	246,395	256,274
Non-interest expense:				
Salaries and wages	84,388	79,411	247,895	236,814
Employee benefits	17,730	17,844	57,553	55,861
Net occupancy	19,391	18,202	57,781	53,631
Furniture and equipment	18,743	17,979	54,983	53,474
Deposit insurance	4,862	4,558	15,347	12,412
Intangible amortization	405	586	1,301	1,869
Other	41,304	41,925	127,929	125,048
Total non-interest expense	186,823	180,505	562,789	539,109
Income before income taxes	103,023	91,071	298,756	249,164
Income taxes	9,892	10,852	35,131	28,622
Net income	93,131	80,219	263,625	220,542
Preferred stock dividends	2,016	2,016	6,047	6,047
Net income available to common shareholders	$91,115	$78,203	$257,578	$214,495
Earnings per common share:				
Basic	$1.43	$1.24	$4.02	$3.44

Diluted	1.41	1.24	3.98	3.42

See Notes to Consolidated Financial Statements.

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Cullen/Frost Bankers, Inc.
Consolidated Statements of Comprehensive Income
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$93,131	$80,219	$263,625	$220,542
Other comprehensive income (loss), before tax:				
Securities available for sale and transferred securities:				
Change in net unrealized gain/loss during the period	7,082	(95,641)	131,283	191,865
Change in net unrealized gain on securities transferred to held to maturity	(3,514)	(7,278)	(13,660)	(24,629)
Reclassification adjustment for net (gains) losses included in net income	4,867	37	4,917	(14,866)
Total securities available for sale and transferred securities	8,435	(102,882)	122,540	152,370
Defined-benefit post-retirement benefit plans:				
Change in the net actuarial gain/loss	—	—	—	(862)
Reclassification adjustment for net amortization of actuarial gain/loss included in net income as a component of net periodic cost (benefit)	1,357	1,585	4,072	4,878
Total defined-benefit post-retirement benefit plans	1,357	1,585	4,072	4,016
Other comprehensive income (loss), before tax	9,792	(101,297)	126,612	156,386
Deferred tax expense (benefit) related to other comprehensive income	3,427	(35,453)	44,314	54,736
Other comprehensive income (loss), net of tax	6,365	(65,844)	82,298	101,650
Comprehensive income (loss)	$99,496	$14,375	$345,923	$322,192

See Notes to Consolidated Financial Statements.

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Cullen/Frost Bankers, Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Dollars in thousands, except per share amounts)

	Nine Months Ended September 30,	
	2017	2016
Total shareholders' equity at beginning of period	$3,002,528	$2,890,343
Net income	263,625	220,542
Other comprehensive income (loss)	82,298	101,650
Stock option exercises/stock unit conversions (774,799 shares in 2017 and 908,921 shares in 2016)	45,422	47,873
Stock compensation expense recognized in earnings	9,013	7,998
Purchase of treasury stock (1,135,435 shares in 2017)	(100,042)	—
Cash dividends – preferred stock (approximately $1.01 per share in both 2017 and in 2016)	(6,047)	(6,047)
Cash dividends – common stock ($1.68 per share in 2017 and $1.61 per share in 2016)	(107,754)	(100,563)
Total shareholders' equity at end of period	$3,189,043	$3,161,796

See Notes to Consolidated Financial Statements.

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Cullen/Frost Bankers, Inc.
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Nine Months Ended September 30,	
	2017	2016
Operating Activities:		
Net income	$263,625	$220,542
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	27,358	42,734
Deferred tax expense (benefit)	(9,505)	(11,629)
Accretion of loan discounts	(11,567)	(11,893)
Securities premium amortization (discount accretion), net	66,455	59,071
Net (gain) loss on securities transactions	4,917	(14,866)
Depreciation and amortization	35,819	35,712
Net (gain) loss on sale/write-down of assets/foreclosed assets	(2,045)	(373)
Stock-based compensation	9,013	7,998
Net tax benefit from stock-based compensation	5,844	1,610
Earnings on life insurance policies	(2,367)	(2,678)
Net change in:		
Trading account securities	(3,018)	418
Accrued interest receivable and other assets	10,495	11,134
Accrued interest payable and other liabilities	(39,580)	(2,806)
Net cash from operating activities	355,444	334,974
Investing Activities:		
Securities held to maturity:		
Purchases	—	—
Sales	—	135,610
Maturities, calls and principal repayments	780,562	227,760
Securities available for sale:		
Purchases	(9,138,457)	(10,079,302)
Sales	8,993,963	9,040,245
Maturities, calls and principal repayments	283,278	270,737
Proceeds from sale of loans	—	30,470
Net change in loans	(745,702)	(142,698)
Benefits received on life insurance policies	462	906
Proceeds from sales of premises and equipment	1,553	1,517
Purchases of premises and equipment	(23,796)	(32,647)
Proceeds from sales of repossessed properties	517	297
Net cash from investing activities	152,380	(547,105)
Financing Activities:		
Net change in deposits	591,694	763,953
Net change in short-term borrowings	20,927	(89,220)
Proceeds from issuance of subordinated notes	98,434	—
Principal payments on subordinated notes	(100,000)	—
Proceeds from stock option exercises	45,422	47,873
Purchase of treasury stock	(100,042)	—

Cash dividends paid on preferred stock	(6,047)	(6,047)
Cash dividends paid on common stock	(107,754)	(100,563)
Net cash from financing activities	442,634	615,996
Net change in cash and cash equivalents	950,458	403,865
Cash and equivalents at beginning of period	4,141,445	3,591,523
Cash and equivalents at end of period	$5,091,903	$3,995,388

See Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements
(Table amounts in thousands, except for share and per share amounts)
Note 1 - Significant Accounting Policies
Nature of Operations. Cullen/Frost Bankers, Inc. (“Cullen/Frost”) is a financial holding company and a bank holding company headquartered in San Antonio, Texas that provides, through its subsidiaries, a broad array of products and services throughout numerous Texas markets. The terms “Cullen/Frost,” “the Corporation,” “we,” “us” and “our” mean Cullen/Frost Bankers, Inc. and its subsidiaries, when appropriate. In addition to general commercial and consumer banking, other products and services offered include trust and investment management, insurance, brokerage, mutual funds, leasing, treasury management, capital markets advisory and item processing.
Basis of Presentation. The consolidated financial statements in this Quarterly Report on Form 10-Q include the accounts of Cullen/Frost and all other entities in which Cullen/Frost has a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and financial reporting policies we follow conform, in all material respects, to accounting principles generally accepted in the United States and to general practices within the financial services industry.
The consolidated financial statements in this Quarterly Report on Form 10-Q have not been audited by an independent registered public accounting firm, but in the opinion of management, reflect all adjustments necessary for a fair presentation of our financial position and results of operations. All such adjustments were of a normal and recurring nature. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q adopted by the Securities and Exchange Commission (“SEC”). Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements and should be read in conjunction with our consolidated financial statements, and notes thereto, for the year ended December 31, 2016, included in our Annual Report on Form 10-K filed with the SEC on February 3, 2017 (the “2016 Form 10-K”). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.
Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The allowance for loan losses and the fair values of financial instruments and the status of contingencies are particularly subject to change.
Cash Flow Reporting. Additional cash flow information was as follows:

	Nine Months Ended September 30,	
	2017	2016
Cash paid for interest	$15,611	$8,731
Cash paid for income taxes	41,969	39,160
Significant non-cash transactions:		
Unsettled purchases of securities	41,763	54,342
Loans foreclosed and transferred to other real estate owned and foreclosed assets	257	422

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Note 2 - Securities

Securities. A summary of the amortized cost and estimated fair value of securities, excluding trading securities, is presented below.

	September 30, 2017				December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held to Maturity								
U.S. Treasury	$—	$—	$—	$—	$249,889	$1,762	$—	$251,651
Residential mortgage-backed securities	3,708	21	24	3,705	4,511	39	—	4,550
States and political subdivisions	1,437,164	36,991	2,556	1,471,599	1,994,710	16,821	6,335	2,005,196
Other	1,350	—	1	1,349	1,350	—	—	1,350
Total	$1,442,222	$37,012	$2,581	$1,476,653	$2,250,460	$18,622	$6,335	$2,262,747
Available for Sale								
U.S. Treasury	$3,452,882	$23,796	$3,050	$3,473,628	$4,003,692	$24,984	$8,945	$4,019,731
Residential mortgage-backed securities	658,281	24,218	1,304	681,195	756,072	30,388	1,293	785,167
States and political subdivisions	5,898,098	130,142	40,501	5,987,739	5,403,918	50,101	98,134	5,355,885
Other	42,538	—	—	42,538	42,494	—	—	42,494
Total	$10,051,799	$178,156	$44,855	$10,185,100	$10,206,176	$105,473	$108,372	$10,203,277

All mortgage-backed securities included in the above table were issued by U.S. government agencies and corporations. At September 30, 2017, approximately 98.1% of the securities in our municipal bond portfolio were issued by political subdivisions or agencies within the State of Texas, of which approximately 67.7% are either guaranteed by the Texas Permanent School Fund, which has a “triple A” insurer financial strength rating, or are secured by U.S. Treasury securities via defeasance of the debt by the issuers. Securities with limited marketability, such as stock in the Federal Reserve Bank and the Federal Home Loan Bank, are carried at cost and are reported as other available for sale securities in the table above. The carrying value of securities pledged to secure public funds, trust deposits, repurchase agreements and for other purposes, as required or permitted by law was $3.5 billion at September 30, 2017 and $3.9 billion at December 31, 2016.

During the fourth quarter of 2012, we reclassified certain securities from available for sale to held to maturity. The securities had an aggregate fair value of $2.3 billion with an aggregate net unrealized gain of $165.7 million ($107.7 million, net of tax) on the date of the transfer. The net unamortized, unrealized gain on the remaining transferred securities included in accumulated other comprehensive income in the accompanying balance sheet as of September 30, 2017 totaled $14.1 million ($9.2 million, net of tax). This amount will be amortized out of accumulated other comprehensive income over the remaining life of the underlying securities as an adjustment of the yield on those securities.

Unrealized Losses. As of September 30, 2017, securities with unrealized losses, segregated by length of impairment, were as follows:

	Less than 12 Months		More than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Held to Maturity						
Residential mortgage-backed securities	$2,212	$ 24	$—	$ —	$2,212	$ 24
States and political subdivisions	5,301	28	74,965	2,528	80,266	2,556

Other	1,349	1	—	—	1,349	1
Total	$8,862	$ 53	$74,965	$ 2,528	$83,827	$ 2,581
Available for Sale						
U.S. Treasury	$840,074	$ 3,050	$—	$ —	$840,074	$ 3,050
Residential mortgage-backed securities	75,441	618	19,458	686	94,899	1,304
States and political subdivisions	986,705	9,713	842,751	30,788	1,829,456	40,501
Total	$1,902,220	$ 13,381	$862,209	$ 31,474	$2,764,429	$ 44,855

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Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and our ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in cost.

Management has the ability and intent to hold the securities classified as held to maturity in the table above until they mature, at which time we expect to receive full value for the securities. Furthermore, as of September 30, 2017, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that we will not have to sell any such securities before a recovery of cost. Any unrealized losses are due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of September 30, 2017, management believes the impairments detailed in the table above are temporary and no impairment loss has been realized in our consolidated income statement.

Contractual Maturities. The amortized cost and estimated fair value of securities, excluding trading securities, at September 30, 2017 are presented below by contractual maturity. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Residential mortgage-backed securities and equity securities are shown separately since they are not due at a single maturity date.

	Held to Maturity		Available for Sale	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$251,739	$256,716	$37,321	$38,127
Due after one year through five years	116,604	121,451	4,056,709	4,085,795
Due after five years through ten years	411,074	420,160	385,649	399,538
Due after ten years	659,097	674,621	4,871,301	4,937,907
Residential mortgage-backed securities	3,708	3,705	658,281	681,195
Equity securities	—	—	42,538	42,538
Total	$1,442,222	$1,476,653	$10,051,799	$10,185,100

Sales of Securities. As more fully discussed in our 2016 Form 10-K, during 2016, we sold certain securities issued by municipalities that, based upon our internal credit analysis, had experienced significant deterioration in creditworthiness. Some of the securities we sold were classified as held to maturity prior to their sale. Despite their classification as held to maturity, we believe the sale of these securities was merited and permissible under the applicable accounting guidelines because of the significant deterioration in the creditworthiness of the issuers.

Sales of securities held to maturity were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Proceeds from sales	$ —	$ —	$ —	$135,610
Amortized cost	—	—	—	131,840
Gross realized gains	—	—	—	3,770
Gross realized losses	—	—	—	—
Tax (expense) benefit of securities gains/losses	—	—	—	(1,319)

Sales of securities available for sale were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Proceeds from sales	$746,524	$7,980,049	$8,993,963	$9,040,245
Gross realized gains	—	1	—	11,134
Gross realized losses	(4,867)	(38)	(4,917)	(38)
Tax (expense) benefit of securities gains/losses	1,703	13	1,721	(3,884)

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Premiums and Discounts. Premium amortization and discount accretion included in interest income on securities was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Premium amortization	$(24,586)	$(22,762)	$(72,733)	$(67,321)
Discount accretion	1,783	2,497	6,278	8,250
Net (premium amortization) discount accretion	$(22,803)	$(20,265)	$(66,455)	$(59,071)

Trading Account Securities. Trading account securities, at estimated fair value, were as follows:

	September 30, 2017	December 31, 2016
U.S. Treasury	$ 18,814	$ 16,594
States and political subdivisions	907	109
Total	$ 19,721	$ 16,703

Net gains and losses on trading account securities were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net gain on sales transactions	$414	$379	$1,018	$1,032
Net mark-to-market gains (losses)	(8)	—	(51)	(1)
Net gain (loss) on trading account securities	$406	$379	$967	$1,031

Note 3 - Loans

Loans were as follows:

	September 30, 2017	Percentage of Total	December 31, 2016	Percentage of Total
Commercial and industrial	$4,677,923	36.8 %	$4,344,000	36.3 %
Energy:				
Production	1,094,927	8.6	971,767	8.1
Service	159,893	1.3	221,213	1.8
Other	132,240	1.0	193,081	1.7
Total energy	1,387,060	10.9	1,386,061	11.6
Commercial real estate:				
Commercial mortgages	3,714,172	29.2	3,481,157	29.1
Construction	1,082,229	8.5	1,043,261	8.7
Land	307,701	2.4	311,030	2.6
Total commercial real estate	5,104,102	40.1	4,835,448	40.4
Consumer real estate:				
Home equity loans	357,542	2.8	345,130	2.9
Home equity lines of credit	288,981	2.3	264,862	2.2
Other	367,948	2.9	326,793	2.7
Total consumer real estate	1,014,471	8.0	936,785	7.8
Total real estate	6,118,573	48.1	5,772,233	48.2
Consumer and other	522,748	4.2	473,098	3.9
Total loans	$12,706,304	100.0 %	$11,975,392	100.0 %

Concentrations of Credit. Most of our lending activity occurs within the State of Texas, including the four largest metropolitan areas of Austin, Dallas/Ft. Worth, Houston and San Antonio, as well as other markets. The majority of our loan portfolio consists of commercial and industrial and commercial real estate loans. As of September 30, 2017, there were no concentrations of loans related to any single industry in excess of 10% of total loans other than energy loans, which totaled 10.9% of total loans. Unfunded commitments to extend credit and standby letters of credit issued to customers in the energy industry totaled $1.1 billion and $40.9 million, respectively, as of September 30, 2017.

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Foreign Loans. We have U.S. dollar denominated loans and commitments to borrowers in Mexico. The outstanding balance of these loans and the unfunded amounts available under these commitments were not significant at September 30, 2017 or December 31, 2016.

Non-Accrual and Past Due Loans. Non-accrual loans, segregated by class of loans, were as follows:

	September 30, 2017	December 31, 2016
Commercial and industrial	$ 37,239	$ 31,475
Energy	96,717	57,571
Commercial real estate:		
Buildings, land and other	6,773	8,550
Construction	—	—
Consumer real estate	2,167	2,130
Consumer and other	208	425
Total	$ 143,104	$ 100,151

As of September 30, 2017, non-accrual loans reported in the table above included $54.1 million related to loans that were restructured as “troubled debt restructurings” during 2017. See the section captioned “Troubled Debt Restructurings” elsewhere in this note. Had non-accrual loans performed in accordance with their original contract terms, we would have recognized additional interest income, net of tax, of approximately $783 thousand and $2.4 million for the three and nine months ended September 30, 2017, compared to $647 thousand and $2.4 million for three and nine months ended September 30, 2016.

An age analysis of past due loans (including both accruing and non-accruing loans), segregated by class of loans, as of September 30, 2017 was as follows:

	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due
Commercial and industrial	$ 26,415	$ 30,740	$57,155	$4,620,768	$4,677,923	$ 20,614
Energy	12,585	46,097	58,682	1,328,378	1,387,060	634
Commercial real estate:						
Buildings, land and other	9,065	4,065	13,130	4,008,743	4,021,873	2,229
Construction	—	2,331	2,331	1,079,898	1,082,229	2,331
Consumer real estate	7,671	2,107	9,778	1,004,693	1,014,471	835
Consumer and other	9,754	486	10,240	512,508	522,748	478
Total	$ 65,490	$ 85,826	$151,316	$12,554,988	$12,706,304	$ 27,121

Impaired Loans. Impaired loans are set forth in the following table. No interest income was recognized on impaired loans subsequent to their classification as impaired.

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance
September 30, 2017					
Commercial and industrial	$ 48,751	$ 31,065	$ 3,937	$ 35,002	$ 1,665
Energy	107,883	34,834	61,805	96,639	13,267
Commercial real estate:					
Buildings, land and other	9,976	5,627	—	5,627	—
Construction	—	—	—	—	—
Consumer real estate	1,214	1,214	—	1,214	—
Consumer and other	—	—	—	—	—
Total	$ 167,824	$ 72,740	$ 65,742	$ 138,482	$ 14,932

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	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance
December 31, 2016					
Commercial and industrial	$ 40,288	$ 19,862	$ 9,047	$ 28,909	$ 5,436
Energy	60,522	27,759	29,804	57,563	3,750
Commercial real estate:					
Buildings, land and other	11,369	6,866	—	6,866	—
Construction	—	—	—	—	—
Consumer real estate	977	655	—	655	—
Consumer and other	32	30	—	30	—
Total	$ 113,188	$ 55,172	$ 38,851	$ 94,023	$ 9,186

The average recorded investment in impaired loans was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Commercial and industrial	$26,910	$26,921	$26,651	$25,365
Energy	76,008	47,003	72,055	57,309
Commercial real estate:				
Buildings, land and other	5,553	8,904	6,106	20,444
Construction	—	326	—	548
Consumer real estate	1,209	545	1,155	508
Consumer and other	—	48	13	24
Total	$109,680	$83,747	$105,980	$104,198

Troubled Debt Restructurings. Troubled debt restructurings during the nine months ended September 30, 2017 and September 30, 2016 are set forth in the following table.

	Nine Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	Balance at Restructure	Balance at Period-End	Balance at Restructure	Balance at Period-End
Commercial and industrial	$4,026	$ 3,875	$510	$ 505
Energy	56,097	55,023	73,977	31,918
Commercial real estate:				
Buildings, land and other	—	—	1,455	1,455
Construction	—	—	243	221
	$60,123	$ 58,898	$76,185	$ 34,099

Loan modifications are typically related to extending amortization periods, converting loans to interest only for a limited period of time, deferral of interest payments, waiver of certain covenants, consolidating notes and/or reducing collateral or interest rates. The modifications during the reported periods did not significantly impact our determination of the allowance for loan losses. As of September 30, 2017, there was one loan totaling $43.1 million that was restructured during the third quarter of 2017 that was in excess of 90 days past due, however, the underlying terms of the modification allow for the deferral of payments. During the nine months ended September 30, 2017, we recognized charge-offs totaling $10.0 million related to loans restructured during the third and fourth quarters of 2016. During the nine months ended September 30, 2016, we recognized a charge-off of $9.5 million related to a loan restructured during the first quarter of 2016. The loan was subsequently sold with proceeds from the sale totaling $30.5 million.

Credit Quality Indicators. As part of the on-going monitoring of the credit quality of our loan portfolio, management tracks certain credit quality indicators including trends related to (i) the weighted-average risk grade of commercial loans, (ii) the level of classified commercial loans, (iii) the delinquency status of consumer loans (see details above), (iv) net charge-offs, (v) non-performing loans (see details above) and (vi) the general economic conditions in the State of Texas.

We utilize a risk grading matrix to assign a risk grade to each of our commercial loans. Loans are graded on a scale of 1 to 14. A description of the general characteristics of the 14 risk grades is set forth in our 2016 Form 10-K. In monitoring credit quality

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trends in the context of assessing the appropriate level of the allowance for loan losses, we monitor portfolio credit quality by the weighted-average risk grade of each class of commercial loan. Individual relationship managers review updated financial information for all pass grade loans to reassess the risk grade on at least an annual basis. When a loan has a risk grade of 9, it is still considered a pass grade loan; however, it is considered to be on management's "watch list," where a significant risk-modifying action is anticipated in the near term. When a loan has a risk grade of 10 or higher, a special assets officer monitors the loan on an on-going basis. The following tables present weighted-average risk grades for all commercial loans by class.

	September 30, 2017		December 31, 2016	
	Weighted Average Risk Grade	Loans	Weighted Average Risk Grade	Loans
Commercial and industrial:				
Risk grades 1-8	6.01	$4,236,670	6.01	$3,989,722
Risk grade 9	9.00	201,635	9.00	106,988
Risk grade 10	10.00	89,126	10.00	115,420
Risk grade 11	11.00	113,253	11.00	100,245
Risk grade 12	12.00	35,574	12.00	25,939
Risk grade 13	13.00	1,665	13.00	5,686
Total	6.38	$4,677,923	6.35	$4,344,000
Energy				
Risk grades 1-8	6.19	$1,082,349	6.34	$854,688
Risk grade 9	9.00	46,285	9.00	78,524
Risk grade 10	10.00	67,694	10.00	150,872
Risk grade 11	11.00	94,015	11.00	244,406
Risk grade 12	12.00	83,450	12.00	53,821
Risk grade 13	13.00	13,267	13.00	3,750
Total	7.21	$1,387,060	7.95	$1,386,061
Commercial real estate:				
Buildings, land and other				
Risk grades 1-8	6.69	$3,720,068	6.67	$3,463,064
Risk grade 9	9.00	115,196	9.00	109,110
Risk grade 10	10.00	110,647	10.00	145,067
Risk grade 11	11.00	69,189	11.00	66,396
Risk grade 12	12.00	6,773	12.00	8,550
Risk grade 13	13.00	—	13.00	—
Total	6.93	$4,021,873	6.95	$3,792,187
Construction				
Risk grades 1-8	7.14	$1,058,847	6.97	$1,023,194
Risk grade 9	9.00	18,106	9.00	15,829
Risk grade 10	10.00	3,768	10.00	2,889
Risk grade 11	11.00	1,508	11.00	1,349
Risk grade 12	12.00	—	12.00	—
Risk grade 13	13.00	—	13.00	—
Total	7.19	$1,082,229	7.01	$1,043,261

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Net (charge-offs)/recoveries, segregated by class of loans, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Commercial and industrial	$(4,565)	$(3,079)	$(12,155)	$(8,177)
Energy	451	(865)	(10,010)	(18,623)
Commercial real estate:				
Buildings, land and other	266	259	768	801
Construction	2	9	8	18
Consumer real estate	(629)	(195)	(422)	(22)
Consumer and other	(1,760)	(1,115)	(4,289)	(2,817)
Total	$(6,235)	$(4,986)	$(26,100)	$(28,820)

In assessing the general economic conditions in the State of Texas, management monitors and tracks the Texas Leading Index ("TLI"), which is produced by the Federal Reserve Bank of Dallas. The TLI, the components of which are more fully described in our 2016 Form 10-K, totaled 124.6 at August 31, 2017 (most recent date available) and 123.1 at December 31, 2016. A higher TLI value implies more favorable economic conditions.

Allowance for Loan Losses. The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of inherent losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. Our allowance for loan loss methodology, which is more fully described in our 2016 Form 10-K, follows the accounting guidance set forth in U.S. generally accepted accounting principles and the Interagency Policy Statement on the Allowance for Loan and Lease Losses, which was jointly issued by U.S. bank regulatory agencies. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss and recovery experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off.

The following table presents details of the allowance for loan losses allocated to each portfolio segment as of September 30, 2017 and December 31, 2016 and detailed on the basis of the impairment evaluation methodology we used:

	Commercial and Industrial	Energy	Commercial Real Estate	Consumer Real Estate	Consumer and Other	Total
September 30, 2017						
Historical valuation allowances	$ 27,190	$21,900	$ 18,304	$ 2,443	$ 5,491	$75,328
Specific valuation allowances	1,665	13,267	—	—	—	14,932
General valuation allowances	7,397	4,677	4,841	2,040	163	19,118
Macroeconomic valuation allowances	12,185	12,069	14,930	2,392	3,349	44,925
Total	$ 48,437	$51,913	$ 38,075	$ 6,875	$ 9,003	$154,303
Allocated to loans:						
Individually evaluated	$ 1,665	$13,267	$ —	$ —	$ —	$14,932
Collectively evaluated	46,772	38,646	38,075	6,875	9,003	139,371
Total	$ 48,437	$51,913	$ 38,075	$ 6,875	$ 9,003	$154,303
December 31, 2016						
Historical valuation allowances	$ 33,251	$34,626	$ 16,976	$ 2,225	$ 4,585	$91,663
Specific valuation allowances	5,436	3,750	—	—	—	9,186
General valuation allowances	6,708	3,769	5,004	1,506	(144)	16,843
Macroeconomic valuation allowances	7,520	18,508	8,233	507	585	35,353

Total	$ 52,915	$60,653	$ 30,213	$ 4,238	$ 5,026	$153,045
Allocated to loans:						
Individually evaluated	$ 5,436	$3,750	$ —	$ —	$ —	$9,186
Collectively evaluated	47,479	56,903	30,213	4,238	5,026	143,859
Total	$ 52,915	$60,653	$ 30,213	$ 4,238	$ 5,026	$153,045

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Our recorded investment in loans as of September 30, 2017 and December 31, 2016 related to each balance in the allowance for loan losses by portfolio segment and detailed on the basis of the impairment methodology we used was as follows:

	Commercial and Industrial	Energy	Commercial Real Estate	Consumer Real Estate	Consumer and Other	Total
September 30, 2017						
Individually evaluated	$35,002	$96,639	$5,627	$1,214	$—	$138,482
Collectively evaluated	4,642,921	1,290,421	5,098,475	1,013,257	522,748	12,567,822
Total	$4,677,923	$1,387,060	$5,104,102	$1,014,471	$522,748	$12,706,304
December 31, 2016						
Individually evaluated	$28,909	$57,563	$6,866	$655	$30	$94,023
Collectively evaluated	4,315,091	1,328,498	4,828,582	936,130	473,068	11,881,369
Total	$4,344,000	$1,386,061	$4,835,448	$936,785	$473,098	$11,975,392

The following table details activity in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2017 and 2016. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Commercial and Industrial	Energy	Commercial Real Estate	Consumer Real Estate	Consumer and Other	Total
Three months ended:						
September 30, 2017						
Beginning balance	$ 48,906	$54,277	$ 33,002	$ 5,535	$ 7,838	$149,558
Provision for loan losses	4,096	(2,815)	4,805	1,969	2,925	10,980
Charge-offs	(5,468)	—	—	(766)	(4,120)	(10,354)
Recoveries	903	451	268	137	2,360	4,119
Net charge-offs	(4,565)	451	268	(629)	(1,760)	(6,235)
Ending balance	$ 48,437	$51,913	$ 38,075	$ 6,875	$ 9,003	$154,303
September 30, 2016						
Beginning balance	$ 47,578	$66,339	$ 27,063	$ 3,935	$ 4,799	$149,714
Provision for loan losses	4,632	(3,231)	1,886	427	1,331	5,045
Charge-offs	(4,036)	(884)	(9)	(287)	(3,300)	(8,516)
Recoveries	957	19	277	92	2,185	3,530
Net charge-offs	(3,079)	(865)	268	(195)	(1,115)	(4,986)
Ending balance	$ 49,131	$62,243	$ 29,217	$ 4,167	$ 5,015	$149,773
Nine months ended:						
September 30, 2017						
Beginning balance	$ 52,915	$60,653	$ 30,213	$ 4,238	$ 5,026	$153,045
Provision for loan losses	7,677	1,270	7,086	3,059	8,266	27,358
Charge-offs	(14,574)	(10,595)	(14)	(779)	(11,291)	(37,253)
Recoveries	2,419	585	790	357	7,002	11,153
Net charge-offs	(12,155)	(10,010)	776	(422)	(4,289)	(26,100)
Ending balance	$ 48,437	$51,913	$ 38,075	$ 6,875	$ 9,003	$154,303
September 30, 2016						
Beginning balance	$ 42,993	$54,696	$ 24,313	$ 4,659	$ 9,198	$135,859
Provision for loan losses	14,315	26,170	4,085	(470)	(1,366)	42,734
Charge-offs	(10,754)	(18,644)	(56)	(464)	(9,276)	(39,194)
Recoveries	2,577	21	875	442	6,459	10,374

Net charge-offs	(8,177)	(18,623)	819	(22)	(2,817)	(28,820)
Ending balance	$ 49,131	$ 62,243	$ 29,217	$ 4,167	$ 5,015	$ 149,773

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Note 4 - Goodwill and Other Intangible Assets

Goodwill and other intangible assets are presented in the table below.

	September 30, 2017	December 31, 2016
Goodwill	$ 654,952	$ 654,952
Other intangible assets:		
Core deposits	$ 4,340	$ 5,298
Customer relationships	1,086	1,410
Non-compete agreements	49	68
	$ 5,475	$ 6,776

The estimated aggregate future amortization expense for intangible assets remaining as of September 30, 2017 is as follows:

Remainder of 2017	$402
2018	1,424
2019	1,167
2020	918
2021	697
Thereafter	867
	$5,475

Note 5 - Deposits

Deposits were as follows:

	September 30, 2017	Percentage of Total	December 31, 2016	Percentage of Total
Non-interest-bearing demand deposits:				
Commercial and individual	$ 10,466,844	39.6 %	$ 9,670,989	37.5 %
Correspondent banks	226,313	0.9	280,751	1.1
Public funds	481,094	1.8	561,629	2.2
Total non-interest-bearing demand deposits	11,174,251	42.3	10,513,369	40.8
Interest-bearing deposits:				
Private accounts:				
Savings and interest checking	6,449,079	24.4	6,436,065	24.9
Money market accounts	7,607,675	28.8	7,486,431	29.0
Time accounts of $100,000 or more	454,096	1.7	460,028	1.8
Time accounts under $100,000	323,748	1.3	338,714	1.3
Total private accounts	14,834,598	56.2	14,721,238	57.0
Public funds:				
Savings and interest checking	312,430	1.2	446,872	1.7
Money market accounts	68,018	0.3	113,669	0.4
Time accounts of $100,000 or more	13,462	—	15,748	0.1
Time accounts under $100,000	510	—	679	—
Total public funds	394,420	1.5	576,968	2.2
Total interest-bearing deposits	15,229,018	57.7	15,298,206	59.2
Total deposits	$ 26,403,269	100.0 %	$ 25,811,575	100.0 %

The following table presents additional information about our deposits:

	September 30, 2017	December 31, 2016
Deposits from foreign sources (primarily Mexico)	$ 756,326	$ 776,003
Deposits not covered by deposit insurance	13,255,165	12,889,047

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Note 6 - Borrowed Funds

Subordinated Notes Payable. In March 2017, we issued $100 million of 4.50% subordinated notes that mature on March 17, 2027. The notes, which qualify as Tier 2 capital for Cullen/Frost, bear interest at the rate of 4.50% per annum, payable semi-annually on each March 17 and September 17. The notes are unsecured and subordinated in right of payment to the payment of our existing and future senior indebtedness and structurally subordinated to all existing and future indebtedness of our subsidiaries. Unamortized debt issuance costs related to these notes, totaled approximately $1.5 million at September 30, 2017. Proceeds from sale of the notes were used for general corporate purposes.

Our $100 million of 5.75% fixed-to-floating rate subordinated notes matured and were redeemed on February 15, 2017. See Note 8 - Borrowed Funds in our 2016 Form 10-K for additional information about these notes.

Note 7 - Commitments and Contingencies

Financial Instruments with Off-Balance-Sheet Risk. In the normal course of business, we enter into various transactions, which, in accordance with generally accepted accounting principles are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our customers. As more fully discussed in our 2016 Form 10-K, these transactions include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. We minimize our exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures.

Financial instruments with off-balance-sheet risk were as follows:

	September 30, 2017	December 31, 2016
Commitments to extend credit	$ 7,939,438	$ 7,476,420
Standby letters of credit	236,996	239,482
Deferred standby letter of credit fees	1,860	2,054

Lease Commitments. We lease certain office facilities and office equipment under operating leases. Rent expense for all operating leases totaled $7.7 million and $23.0 million during the three and nine months ended September 30, 2017 and $7.5 million and $22.0 million during the three and nine months ended September 30, 2016. There has been no significant change in our expected future minimum lease payments since December 31, 2016. See the 2016 Form 10-K for information regarding these commitments.

Litigation. We are subject to various claims and legal actions that have arisen in the course of conducting business. Management does not expect the ultimate disposition of these matters to have a material adverse impact on our financial statements.

Note 8 - Capital and Regulatory Matters

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

Cullen/Frost’s and Frost Bank’s Common Equity Tier 1 capital includes common stock and related paid-in capital, net of treasury stock, and retained earnings. In connection with the adoption of the Basel III Capital Rules, we elected to opt-out of the requirement to include most components of accumulated other comprehensive income in Common Equity Tier 1. Common Equity Tier 1 for both Cullen/Frost and Frost Bank is reduced by, goodwill and other intangible assets, net of associated deferred tax liabilities, and subject to transition provisions. Frost Bank's Common Equity Tier 1 is also reduced by its equity investment in its financial subsidiary, Frost Insurance Agency (“FIA”).

Tier 1 capital includes Common Equity Tier 1 capital and additional Tier 1 capital. For Cullen/Frost, additional Tier 1 capital at September 30, 2017 and December 31, 2016 includes $144.5 million of 5.375% non-cumulative perpetual preferred stock. Frost Bank did not have any additional Tier 1 capital beyond Common Equity Tier 1 at September 30, 2017 or December 31, 2016.

Total capital includes Tier 1 capital and Tier 2 capital. Tier 2 capital for both Cullen/Frost and Frost Bank includes a permissible portion of the allowance for loan losses. Tier 2 capital for Cullen/Frost also includes $100.0 million of qualified subordinated debt at September 30, 2017 and $133.0 million of trust preferred securities at both September 30, 2017 and December 31, 2016.

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The following table presents actual and required capital ratios for Cullen/Frost and Frost Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of September 30, 2017 and December 31, 2016 based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules. See the 2016 Form 10-K for a more detailed discussion of the Basel III Capital Rules.

	Actual		Minimum Capital Required - Basel III Phase-In Schedule		Minimum Capital Required - Basel III Fully Phased-In		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
September 30, 2017								
Common Equity Tier 1 to Risk-Weighted Assets								
Cullen/Frost	$2,345,433	12.38%	$1,089,289	5.75 %	$1,326,014	7.00 %	$1,231,370	6.50 %
Frost Bank	2,461,004	13.02	1,086,527	5.75	1,322,652	7.00	1,228,248	6.50
Tier 1 Capital to Risk-Weighted Assets								
Cullen/Frost	2,489,919	13.14	1,373,451	7.25	1,610,160	8.50	1,515,532	8.00
Frost Bank	2,461,004	13.02	1,369,969	7.25	1,606,077	8.50	1,511,690	8.00
Total Capital to Risk-Weighted Assets								
Cullen/Frost	2,877,222	15.19	1,752,334	9.25	1,989,021	10.50	1,894,415	10.00
Frost Bank	2,615,307	13.84	1,747,891	9.25	1,983,978	10.50	1,889,612	10.00
Leverage Ratio								
Cullen/Frost	2,489,919	8.39	1,187,616	4.00	1,187,573	4.00	1,484,521	5.00
Frost Bank	2,461,004	8.29	1,186,763	4.00	1,186,719	4.00	1,483,453	5.00
December 31, 2016								
Common Equity Tier 1 to Risk-Weighted Assets								
Cullen/Frost	$2,239,186	12.52%	$916,360	5.125%	$1,251,425	7.00 %	$1,162,213	6.50 %
Frost Bank	2,296,480	12.88	913,460	5.125	1,247,463	7.00	1,158,535	6.50
Tier 1 Capital to Risk-Weighted Assets								
Cullen/Frost	2,383,672	13.33	1,184,563	6.625	1,519,587	8.50	1,430,416	8.00
Frost Bank	2,296,480	12.88	1,180,814	6.625	1,514,776	8.50	1,425,889	8.00
Total Capital to Risk-Weighted Assets								
Cullen/Frost	2,669,717	14.93	1,542,168	8.625	1,877,137	10.50	1,788,020	10.00
Frost Bank	2,449,525	13.74	1,537,286	8.625	1,871,194	10.50	1,782,361	10.00
Leverage Ratio								
Cullen/Frost	2,383,672	8.14	1,171,682	4.00	1,171,573	4.00	1,464,602	5.00
Frost Bank	2,296,480	7.85	1,170,249	4.00	1,170,141	4.00	1,462,812	5.00

As of September 30, 2017, capital levels at Cullen/Frost and Frost Bank exceed all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis. Based on the ratios presented above, capital levels as of September 30, 2017 at Cullen/Frost and Frost Bank exceed the minimum levels necessary to be considered “well capitalized.”

Cullen/Frost and Frost Bank are subject to the regulatory capital requirements administered by the Federal Reserve Board and, for Frost Bank, the Federal Deposit Insurance Corporation (“FDIC”). Regulatory authorities can initiate certain mandatory actions if Cullen/Frost or Frost Bank fail to meet the minimum capital requirements, which could have a direct material effect on our financial statements. Management believes, as of September 30, 2017, that Cullen/Frost and Frost Bank meet all capital adequacy requirements to which they are subject.

Stock Repurchase Plans. From time to time, our board of directors has authorized stock repurchase plans. In general, stock repurchase plans allow us to proactively manage our capital position and return excess capital to shareholders. Shares purchased under such plans also provide us with shares of common stock necessary to satisfy obligations related to stock compensation awards. On October 27, 2016, our board of directors authorized a $100.0 million stock repurchase program, allowing us to

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repurchase shares of our common stock over a two-year period from time to time at various prices in the open market or through private transactions. During the three months ended September 30, 2017, we repurchased 1,134,966 shares under the plan at at a total cost of $100.0 million.

Dividend Restrictions. In the ordinary course of business, Cullen/Frost is dependent upon dividends from Frost Bank to provide funds for the payment of dividends to shareholders and to provide for other cash requirements. Banking regulations may limit the amount of dividends that may be paid. Approval by regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of Frost Bank to fall below specified minimum levels. Approval is also required if dividends declared exceed the net profits for that year combined with the retained net profits for the preceding two years. Under the foregoing dividend restrictions and while maintaining its "well capitalized" status, at September 30, 2017, Frost Bank could pay aggregate dividends of up to $480.2 million to Cullen/Frost without prior regulatory approval.

Under the terms of the junior subordinated deferrable interest debentures that Cullen/Frost has issued to Cullen/Frost Capital Trust II and WNB Capital Trust I, Cullen/Frost has the right at any time during the term of the debentures to defer the payment of interest at any time or from time to time for an extension period not exceeding 20 consecutive quarterly periods with respect to each extension period. In the event that we have elected to defer interest on the debentures, we may not, with certain exceptions, declare or pay any dividends or distributions on our capital stock or purchase or acquire any of our capital stock.

Under the terms of our Series A Preferred Stock, in the event that we do not declare and pay dividends on our Series A Preferred Stock for the most recent dividend period, we may not, with certain exceptions, declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of our common stock or any of our securities that rank junior to our Series A Preferred Stock.

Note 9 - Derivative Financial Instruments

The fair value of derivative positions outstanding is included in accrued interest receivable and other assets and accrued interest payable and other liabilities in the accompanying consolidated balance sheets and in the net change in each of these financial statement line items in the accompanying consolidated statements of cash flows.

Interest Rate Derivatives. We utilize interest rate swaps, caps and floors to mitigate exposure to interest rate risk and to facilitate the needs of our customers. Our objectives for utilizing these derivative instruments are described in our 2016 Form 10-K.

The notional amounts and estimated fair values of interest rate derivative contracts are presented in the following table. The fair values of interest rate derivative contracts are estimated utilizing internal valuation models with observable market data inputs, or as determined by the Chicago Mercantile Exchange ("CME") for centrally cleared derivative contracts. Beginning in 2017, CME rules legally characterize variation margin payments for centrally cleared derivatives as settlements of the derivatives' exposure rather than collateral. As a result, the variation margin payment and the related derivative instruments are considered a single unit of account for accounting and financial reporting purposes. Variation margin, as determined by the CME, is settled daily. As a result, derivative contracts that clear through the CME have an estimated fair value of zero as of September 30, 2017.

	September 30, 2017		December 31, 2016	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Derivatives designated as hedges of fair value:				
Financial institution counterparties:				
Loan/lease interest rate swaps – assets	$39,372	$ 296	$41,818	$ 368
Loan/lease interest rate swaps – liabilities	14,077	(764)	18,812	(1,278)
Non-hedging interest rate derivatives:				
Financial institution counterparties:				
Loan/lease interest rate swaps – assets	206,930	747	206,745	2,649
Loan/lease interest rate swaps – liabilities	735,583	(14,623)	694,965	(25,466)
Loan/lease interest rate caps – assets	114,744	547	85,966	575
Customer counterparties:				

Loan/lease interest rate swaps – assets	735,583	22,384	694,965	25,467
Loan/lease interest rate swaps – liabilities	206,930	(2,442)	206,745	(2,649)
Loan/lease interest rate caps – liabilities	114,744	(547)	85,966	(575)

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The weighted-average rates paid and received for interest rate swaps outstanding at September 30, 2017 were as follows:

	Weighted-Average Interest Rate Paid	Interest Rate Received
Interest rate swaps:		
Fair value hedge loan/lease interest rate swaps	2.32 %	1.23 %
Non-hedging interest rate swaps – financial institution counterparties	3.96 %	2.84 %
Non-hedging interest rate swaps – customer counterparties	2.84 %	3.96 %

The weighted-average strike rate for outstanding interest rate caps was 3.07% at September 30, 2017.

Commodity Derivatives. We enter into commodity swaps and option contracts that are not designated as hedging instruments primarily to accommodate the business needs of our customers. Upon the origination of a commodity swap or option contract with a customer, we simultaneously enter into an offsetting contract with a third party financial institution to mitigate the exposure to fluctuations in commodity prices.

The notional amounts and estimated fair values of non-hedging commodity swap and option derivative positions outstanding are presented in the following table. We obtain dealer quotations and use internal valuation models with observable market data inputs to value our commodity derivative positions.

		September 30, 2017		December 31, 2016	
	Notional Units	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Financial institution counterparties:					
Oil – assets	Barrels	977	$ 1,530	227	$ 206
Oil – liabilities	Barrels	1,082	(1,311)	944	(4,400)
Natural gas – assets	MMBTUs	3,351	319	—	—
Natural gas – liabilities	MMBTUs	1,546	(81)	1,299	(1,357)
Customer counterparties:					
Oil – assets	Barrels	1,096	1,459	944	4,580
Oil – liabilities	Barrels	963	(1,327)	227	(206)
Natural gas – assets	MMBTUs	1,546	96	1,299	1,393
Natural gas – liabilities	MMBTUs	3,351	(285)	—	—

Foreign Currency Derivatives. We enter into foreign currency forward contracts that are not designated as hedging instruments primarily to accommodate the business needs of our customers. Upon the origination of a foreign currency denominated transaction with a customer, we simultaneously enter into an offsetting contract with a third party financial institution to negate the exposure to fluctuations in foreign currency exchange rates. We also utilize foreign currency forward contracts that are not designated as hedging instruments to mitigate the economic effect of fluctuations in foreign currency exchange rates on foreign currency holdings and certain short-term, non-U.S. dollar denominated loans. The notional amounts and fair values of open foreign currency forward contracts were as follows:

		September 30, 2017		December 31, 2016	
	Notional Currency	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Financial institution counterparties:					
Forward contracts – assets	EUR	135	$ 1	—	$ —
Forward contracts – assets	CAD	7,234	15	—	—
Forward contracts – assets	GBP	547	1	—	—
Forward contracts – assets	AUD	60	1	—	—
Forward contracts – liabilities	EUR	4,693	(80)	870	(9)

Forward contracts – liabilities	CAD	—	—	2,214	(21)
Forward contracts – liabilities	GBP	1,075	(24)	419	(3)
Customer counterparties:					
Forward contracts – assets	EUR	3,867	104	—	—
Forward contracts – assets	CAD	7,205	15	2,205	29
Forward contracts – assets	GBP	192	2	—	—

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Gains, Losses and Derivative Cash Flows. For fair value hedges, the changes in the fair value of both the derivative hedging instrument and the hedged item are included in other non-interest income or other non-interest expense. The extent that such changes in fair value do not offset represents hedge ineffectiveness. Net cash flows from interest rate swaps on commercial loans/leases designated as hedging instruments in effective hedges of fair value are included in interest income on loans. For non-hedging derivative instruments, gains and losses due to changes in fair value and all cash flows are included in other non-interest income and other non-interest expense.

Amounts included in the consolidated statements of income related to interest rate derivatives designated as hedges of fair value were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Commercial loan/lease interest rate swaps:				
Amount of gain (loss) included in interest income on loans	$(149)	$(331)	$(592)	$(1,057)
Amount of (gain) loss included in other non-interest expense	(2)	4	(5)	(3)

As stated above, we enter into non-hedge related derivative positions primarily to accommodate the business needs of our customers. Upon the origination of a derivative contract with a customer, we simultaneously enter into an offsetting derivative contract with a third party financial institution. We recognize immediate income based upon the difference in the bid/ask spread of the underlying transactions with our customers and the third party. Because we act only as an intermediary for our customer, subsequent changes in the fair value of the underlying derivative contracts for the most part offset each other and do not significantly impact our results of operations.

Amounts included in the consolidated statements of income related to non-hedging interest rate, commodity and foreign currency derivative instruments are presented in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Non-hedging interest rate derivatives:				
Other non-interest income	$1,085	$374	$2,062	$1,788
Other non-interest expense	—	—	1	—
Non-hedging commodity derivatives:				
Other non-interest income	231	110	387	255
Non-hedging foreign currency derivatives:				
Other non-interest income	83	8	101	22

Counterparty Credit Risk. Our credit exposure relating to interest rate swaps, commodity swaps/options and foreign currency forward contracts with bank customers was approximately $23.6 million at September 30, 2017. This credit exposure is partly mitigated as transactions with customers are generally secured by the collateral, if any, securing the underlying transaction being hedged. Our credit exposure, net of collateral pledged, relating to interest rate swaps, commodity swaps/options and foreign currency forward contracts with upstream financial institution counterparties was approximately $10.3 million at September 30, 2017. This amount was primarily related to excess collateral we posted to counterparties. Collateral levels for upstream financial institution counterparties are monitored and adjusted as necessary. See Note 10 – Balance Sheet Offsetting and Repurchase Agreements for additional information regarding our credit exposure with upstream financial institution counterparties.

The aggregate fair value of securities we posted as collateral related to derivative contracts totaled $13.2 million at September 30, 2017. At such date, we also had $10.6 million in cash collateral on deposit with other financial institution counterparties.

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Note 10 - Balance Sheet Offsetting and Repurchase Agreements

Balance Sheet Offsetting. Certain financial instruments, including resell and repurchase agreements and derivatives, may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar agreements. Our derivative transactions with upstream financial institution counterparties are generally executed under International Swaps and Derivative Association ("ISDA") master agreements which include "right of set-off" provisions. In such cases there is generally a legally enforceable right to offset recognized amounts and there may be an intention to settle such amounts on a net basis. Nonetheless, we do not generally offset such financial instruments for financial reporting purposes.

Information about financial instruments that are eligible for offset in the consolidated balance sheet as of September 30, 2017 is presented in the following tables.

	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized
September 30, 2017			
Financial assets:			
Derivatives:			
Loan/lease interest rate swaps and caps	$ 1,590	$ —	$ 1,590
Commodity swaps and options	1,849	—	1,849
Foreign currency forward contracts	18	—	18
Total derivatives	3,457	—	3,457
Resell agreements	17,642	—	17,642
Total	$ 21,099	$ —	$ 21,099
Financial liabilities:			
Derivatives:			
Loan/lease interest rate swaps	$ 15,387	$ —	$ 15,387
Commodity swaps and options	1,392	—	1,392
Foreign currency forward contracts	104	—	104
Total derivatives	16,883	—	16,883
Repurchase agreements	987,869	—	987,869
Total	$ 1,004,752	$ —	$ 1,004,752

	Net Amount Recognized	Gross Amounts Not Offset: Financial Instruments	Gross Amounts Not Offset: Collateral	Net Amount
September 30, 2017				
Financial assets:				
Derivatives:				
Counterparty A	$ 397	$ (397)	$ —	$ —
Counterparty B	866	(866)	—	—
Counterparty C	204	(204)	—	—
Counterparty D	—	—	—	—
Other counterparties	1,990	(1,631)	(130)	229
Total derivatives	3,457	(3,098)	(130)	229
Resell agreements	17,642	—	(17,642)	—
Total	$ 21,099	$ (3,098)	$ (17,772)	$ 229
Financial liabilities:				
Derivatives:				
Counterparty A	$ 8,984	$ (397)	$ (8,587)	$ —
Counterparty B	3,535	(866)	(2,669)	—
Counterparty C	1,128	(204)	(830)	94

Counterparty D	—	—	—	—
Other counterparties	3,236	(1,631)	(1,605)	—
Total derivatives	16,883	(3,098)	(13,691)	94
Repurchase agreements	987,869	—	(987,869)	—
Total	$ 1,004,752	$ (3,098)	$ (1,001,560)	$ 94

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Information about financial instruments that are eligible for offset in the consolidated balance sheet as of December 31, 2016 is presented in the following tables.

	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized
December 31, 2016			
Financial assets:			
Derivatives:			
Loan/lease interest rate swaps and caps	$ 3,592	$ —	$ 3,592
Commodity swaps and options	206	—	206
Foreign currency forward contracts	—	—	—
Total derivatives	3,798	—	3,798
Resell agreements	9,642	—	9,642
Total	$ 13,440	$ —	$ 13,440
Financial liabilities:			
Derivatives:			
Loan/lease interest rate swaps	$ 26,744	$ —	$ 26,744
Commodity swaps and options	5,757	—	5,757
Foreign currency forward contracts	33	—	33
Total derivatives	32,534	—	32,534
Repurchase agreements	963,317	—	963,317
Total	$ 995,851	$ —	$ 995,851

	Net Amount Recognized	Gross Amounts Not Offset: Financial Instruments	Gross Amounts Not Offset: Collateral	Net Amount
December 31, 2016				
Financial assets:				
Derivatives:				
Counterparty A	$ 687	$ (687)	$ —	$ —
Counterparty B	223	(223)	—	—
Counterparty C	158	(158)	—	—
Counterparty D	1,820	(1,820)	—	—
Other counterparties	910	(677)	(64)	169
Total derivatives	3,798	(3,565)	(64)	169
Resell agreements	9,642	—	(9,642)	—
Total	$ 13,440	$ (3,565)	$ (9,706)	$ 169
Financial liabilities:				
Derivatives:				
Counterparty A	$ 11,233	$ (687)	$ (10,026)	$ 520
Counterparty B	6,867	(223)	(6,344)	300
Counterparty C	4,578	(158)	(4,415)	5
Counterparty D	7,706	(1,820)	(5,886)	—
Other counterparties	2,150	(677)	(676)	797
Total derivatives	32,534	(3,565)	(27,347)	1,622
Repurchase agreements	963,317	—	(963,317)	—
Total	$ 995,851	$ (3,565)	$ (990,664)	$ 1,622

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Repurchase Agreements. We utilize securities sold under agreements to repurchase to facilitate the needs of our customers and to facilitate secured short-term funding needs. Securities sold under agreements to repurchase are stated at the amount of cash received in connection with the transaction. We monitor collateral levels on a continuous basis. We 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 our safekeeping agents.

The remaining contractual maturity of repurchase agreements in the consolidated balance sheets as of September 30, 2017 and December 31, 2016 is presented in the following tables.

	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
September 30, 2017					
Repurchase agreements:					
U.S. Treasury	$907,509	$ —	$ —	$ —	$907,509
Residential mortgage-backed securities	80,360	—	—	—	80,360
Total borrowings	$987,869	$ —	$ —	$ —	$987,869
Gross amount of recognized liabilities for repurchase agreements					$987,869
Amounts related to agreements not included in offsetting disclosures above					$—
December 31, 2016					
Repurchase agreements:					
U.S. Treasury	$841,475	$ —	$ —	$ —	$841,475
Residential mortgage-backed securities	121,842	—	—	—	121,842
Total borrowings	$963,317	$ —	$ —	$ —	$963,317
Gross amount of recognized liabilities for repurchase agreements					$963,317
Amounts related to agreements not included in offsetting disclosures above					$—

Note 11 - Stock-Based Compensation

A combined summary of activity in our active stock plans is presented in the table. Performance stock units outstanding are presented assuming attainment of the maximum payout rate as set forth by the performance criteria. The target award level for performance stock units granted in 2016 was 29,240. As of September 30, 2017, there were 1,499,399 shares remaining available for grant for future stock-based compensation awards.

	Director Deferred Stock Units Outstanding		Non-Vested Stock Awards/Stock Units Outstanding		Performance Stock Units Outstanding		Stock Options Outstanding	
	Number of Units	Weighted-Average Fair Value at Grant	Number of Shares/Units	Weighted-Average Fair Value at Grant	Number of Units	Weighted-Average Fair Value at Grant	Number of Shares	Weighted-Average Exercise Price
Balance, January 1, 2017	53,659	$ 61.48	256,850	$ 73.43	43,860	$ 69.70	4,089,028	$ 62.67
Authorized	—	—	—	—	—	—	—	—
Granted	5,447	95.37	—	—	—	—	—	—
Exercised/vested	(6,098)	62.29	(1,730)	76.07	—	—	(766,971)	59.22
Forfeited/expired	—	—	(2,860)	76.07	—	—	(50,764)	69.65
Balance, September 30, 2017	53,008	$ 64.87	252,260	$ 73.38	43,860	$ 69.70	3,271,293	$ 63.37

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Shares issued in connection with stock compensation awards are issued from available treasury shares. If no treasury shares are available, new shares are issued from available authorized shares. Shares issued in connection with stock compensation awards along with other related information were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
New shares issued from available authorized shares	9,299	—	602,662	—
Issued from available treasury stock	13,425	841,846	172,137	908,921
Total	22,724	841,846	774,799	908,921
Proceeds from stock option exercises	$1,274	$44,287	$45,422	$47,873

Stock-based compensation expense is recognized ratably over the requisite service period for all awards. For most stock option awards, the service period generally matches the vesting period. For stock options granted to certain executive officers and for non-vested stock units granted to all participants, the service period does not extend past the date the participant reaches 65 years of age. Deferred stock units granted to non-employee directors generally have immediate vesting and the related expense is fully recognized on the date of grant. For performance stock units, the service period generally matches the three-year performance period specified by the award, however, the service period does not extend past the date the participant reaches 65 years of age. Expense recognized each period is dependent upon our estimate of the number of shares that will ultimately be issued.

Stock-based compensation expense and the related income tax benefit is presented in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Stock options	$1,532	$2,163	$4,892	$6,405
Non-vested stock awards/stock units	813	358	2,747	1,073
Director deferred stock units	—	—	519	520
Performance stock units	377	—	855	—
Total	$2,722	$2,521	$9,013	$7,998
Income tax benefit	$953	$882	$3,155	$2,799

Unrecognized stock-based compensation expense at September 30, 2017 is presented in the table below. Unrecognized stock-based compensation expense related to performance stock units is presented assuming attainment of the maximum payout rate as set forth by the performance criteria.

Stock options	$6,952
Non-vested stock awards/stock units	7,448
Performance stock units	2,202
Total	$16,602

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Note 12 - Earnings Per Common Share

Earnings per common share is computed using the two-class method as more fully described in our 2016 Form 10-K. The following table presents a reconciliation of net income available to common shareholders, net earnings allocated to common stock and the number of shares used in the calculation of basic and diluted earnings per common share.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$93,131	$ 80,219	$263,625	$ 220,542
Less: Preferred stock dividends	2,016	2,016	6,047	6,047
Net income available to common shareholders	91,115	78,203	257,578	214,495
Less: Earnings allocated to participating securities	475	282	1,346	769
Net earnings allocated to common stock	$90,640	$ 77,921	$256,232	$ 213,726
Distributed earnings allocated to common stock	$36,174	$ 33,918	$107,194	$ 100,203
Undistributed earnings allocated to common stock	54,466	44,003	149,038	113,523
Net earnings allocated to common stock	$90,640	$ 77,921	$256,232	$ 213,726
Weighted-average shares outstanding for basic earnings per common share	63,667,356	62,449,660	63,822,011	62,114,075
Dilutive effect of stock compensation	897,945	691,543	957,337	448,290
Weighted-average shares outstanding for diluted earnings per common share	64,565,301	63,141,203	64,779,348	62,562,365

Note 13 - Defined Benefit Plans

The components of the combined net periodic expense (benefit) for our defined benefit pension plans are presented in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Expected return on plan assets, net of expenses	$(2,779)	$(2,890)	$(8,338)	$(8,669)
Interest cost on projected benefit obligation	1,547	1,732	4,642	5,230
Net amortization and deferral	1,357	1,585	4,072	4,691
SERP settlement costs	—	—	—	187
Net periodic expense (benefit)	$125	$427	$376	$1,439

Our non-qualified defined benefit pension plan is not funded. No contributions to the qualified defined benefit pension plan were made during the nine months ended September 30, 2017. We do not expect to make any contributions to the qualified defined benefit plan during the remainder of 2017.

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Note 14 - Income Taxes

Income tax expense was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Current income tax expense	$15,224	$12,848	$44,636	$40,251
Deferred income tax expense (benefit)	(5,332)	(1,996)	(9,505)	(11,629)
Income tax expense, as reported	$9,892	$10,852	$35,131	$28,622
Effective tax rate	9.6 %	11.9 %	11.8 %	11.5 %

Net deferred tax assets totaled $28.9 million at September 30, 2017 and $63.7 million at December 31, 2016. No valuation allowance for deferred tax assets was recorded at September 30, 2017 as management believes it is more likely than not that all of the deferred tax assets will be realized because they were supported by recoverable taxes paid in prior years.

The effective income tax rates differed from the U.S. statutory rate of 35% during the comparable periods primarily due to the effect of tax-exempt income from loans, securities and life insurance policies and the income tax effects associated with stock-based compensation. The effective income tax rates for the three and nine months ended September 30, 2017 were also impacted by the correction of an over-accrual of taxes that resulted from incorrectly classifying certain tax-exempt loans as taxable for federal income tax purposes since 2013. As a result, we recognized tax benefits totaling $3.7 million, which included $2.9 million related to the 2013 through 2016 tax years and $756 thousand related to the first and second quarters of 2017. There were no unrecognized tax benefits during any of the reported periods. Interest and/or penalties related to income taxes are reported as a component of income tax expense. Such amounts were not significant during the reported periods.

We file income tax returns in the U.S. federal jurisdiction. We are no longer subject to U.S. federal income tax examinations by tax authorities for years before 2013.

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Note 15 - Other Comprehensive Income (Loss)

The before and after tax amounts allocated to each component of other comprehensive income (loss) are presented in the following table. Reclassification adjustments related to securities available for sale are included in net gain (loss) on securities transactions in the accompanying consolidated statements of income. Reclassification adjustments related to defined-benefit post-retirement benefit plans are included in the computation of net periodic pension expense (see Note 13 – Defined Benefit Plans).

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Before Tax Amount	Tax Expense, (Benefit)	Net of Tax Amount	Before Tax Amount	Tax Expense, (Benefit)	Net of Tax Amount
Securities available for sale and transferred securities:						
Change in net unrealized gain/loss during the period	$7,082	$2,479	$4,603	$(95,641)	$(33,473)	$(62,168)
Change in net unrealized gain on securities transferred to held to maturity	(3,514)	(1,230)	(2,284)	(7,278)	(2,547)	(4,731)
Reclassification adjustment for net (gains) losses included in net income	4,867	1,703	3,164	37	12	25
Total securities available for sale and transferred securities	8,435	2,952	5,483	(102,882)	(36,008)	(66,874)
Defined-benefit post-retirement benefit plans:						
Change in the net actuarial gain/loss	—	—	—	—	—	—
Reclassification adjustment for net amortization of actuarial gain/loss included in net income as a component of net periodic cost (benefit)	1,357	475	882	1,585	555	1,030
Total defined-benefit post-retirement benefit plans	1,357	475	882	1,585	555	1,030
Total other comprehensive income (loss)	$9,792	$3,427	$6,365	$(101,297)	$(35,453)	$(65,844)

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Before Tax Amount	Tax Expense, (Benefit)	Net of Tax Amount	Before Tax Amount	Tax Expense, (Benefit)	Net of Tax Amount
Securities available for sale and transferred securities:						