ZIONS BANCORPORATION /UT/
Form 10-Q
August 06, 2013

ZIONS BANCORPORATION AND SUBSIDIARIES

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 June 30, 2013
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
COMMISSION FILE NUMBER 001-12307
ZIONS BANCORPORATION
(Exact name of registrant as specified in its charter)

UTAH (State or other jurisdiction of incorporation or organization)	87-0227400 (I.R.S. Employer Identification No.)
One South Main, 15th Floor Salt Lake City, Utah (Address of principal executive offices)	84133 (Zip Code)

Registrant’s telephone number, including area code: (801) 524-4787
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.
Common Stock, without par value, outstanding at July 31, 2013 184,522,379 shares

1

ZIONS BANCORPORATION AND SUBSIDIARIES
INDEX

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited)	
	Consolidated Balance Sheets	3
	Consolidated Statements of Income	4
	Consolidated Statements of Comprehensive Income	5
	Consolidated Statements of Changes in Shareholders' Equity	6
	Consolidated Statements of Cash Flows	7
	Notes to Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	63
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	112
Item 4.	Controls and Procedures	112
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	112
Item 1A.	Risk Factors	112
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	114
Item 6.	Exhibits	114
Signatures		116

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (Unaudited)
ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	June 30, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
Cash and due from banks	$1,183,097	$1,841,907
Money market investments:		
Interest-bearing deposits	8,180,010	5,978,978
Federal funds sold and security resell agreements	221,799	2,775,354
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value $734,292 and $674,741)	783,371	756,909
Available-for-sale, at fair value	3,193,395	3,091,310
Trading account, at fair value	26,385	28,290
	4,003,151	3,876,509
Loans held for sale	164,619	251,651
Loans, net of unearned income and fees:		
Loans and leases	37,756,010	37,137,006
FDIC-supported loans	431,935	528,241
	38,187,945	37,665,247
Less allowance for loan losses	813,912	896,087
Loans, net of allowance	37,374,033	36,769,160
Other noninterest-bearing investments	852,939	855,462
Premises and equipment, net	717,299	708,882
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	43,239	50,818
Other real estate owned	80,789	98,151
Other assets	1,069,436	1,290,917
	$54,904,540	$55,511,918
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$17,803,950	$18,469,458
Interest-bearing:		
Savings and money market	22,887,404	22,896,624
Time	2,810,431	2,962,931
Foreign	1,514,270	1,804,060
	45,016,055	46,133,073
Securities sold, not yet purchased	15,799	26,735
Federal funds purchased and security repurchase agreements	240,816	320,478
Other short-term borrowings	—	5,409
Long-term debt	2,173,176	2,337,113
Reserve for unfunded lending commitments	104,082	106,809
Other liabilities	494,280	533,660
Total liabilities	48,044,208	49,463,277

Shareholders' equity:		
Preferred stock, without par value, authorized 4,400,000 shares	1,728,659	1,128,302
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 184,436,656 and 184,199,198 shares	4,167,828	4,166,109
Retained earnings	1,338,401	1,203,815
Accumulated other comprehensive income (loss)	(374,556)	(446,157)
Controlling interest shareholders' equity	6,860,332	6,052,069
Noncontrolling interests	—	(3,428)
Total shareholders' equity	6,860,332	6,048,641
	$54,904,540	$55,511,918

See accompanying notes to consolidated financial statements.

3

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest income:				
Interest and fees on loans	$460,308	$472,926	$913,741	$954,720
Interest on money market investments	5,764	5,099	11,203	9,727
Interest on securities:				
Held-to-maturity	7,846	9,325	15,820	18,284
Available-for-sale	19,028	25,090	36,740	48,248
Trading account	287	148	477	486
Total interest income	493,233	512,588	977,981	1,031,465
Interest expense:				
Interest on deposits	15,143	20,823	30,785	44,236
Interest on short-term borrowings	78	256	170	1,035
Interest on long-term debt	47,355	65,165	98,254	122,372
Total interest expense	62,576	86,244	129,209	167,643
Net interest income	430,657	426,344	848,772	863,822
Provision for loan losses	(21,990)	10,853	(51,025)	26,517
Net interest income after provision for loan losses	452,647	415,491	899,797	837,305
Noninterest income:				
Service charges and fees on deposit accounts	44,329	43,426	87,909	86,958
Other service charges, commissions and fees	45,888	44,197	88,619	83,244
Trust and wealth management income	7,732	8,057	14,726	14,431
Capital markets and foreign exchange	6,740	7,342	14,226	13,076
Dividends and other investment income	11,339	21,542	24,063	31,022
Loan sales and servicing income	10,723	10,287	21,674	18,639
Fair value and nonhedge derivative loss	(2,957)	(6,784)	(8,402)	(11,184)
Equity securities gains, net	2,209	107	5,041	9,252
Fixed income securities gains (losses), net	(1,153)	5,519	2,146	6,239
Impairment losses on investment securities:				
Impairment losses on investment securities	(4,910)	(24,026)	(36,403)	(42,299)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	693	16,718	22,069	24,782
Net impairment losses on investment securities	(4,217)	(7,308)	(14,334)	(17,517)
Other	4,515	2,280	10,699	6,325
Total noninterest income	125,148	128,665	246,367	240,485
Noninterest expense:				
Salaries and employee benefits	227,328	220,765	457,117	445,399
Occupancy, net	27,951	28,169	55,340	56,120
Equipment, software and furniture	26,545	27,302	52,619	54,094
Other real estate expense	1,590	6,440	3,567	14,250
Credit-related expense	9,397	12,415	19,879	25,900
Provision for unfunded lending commitments	3,627	4,868	(2,727)	1,164
Professional and legal services	17,149	12,947	27,620	24,043
Advertising	5,807	6,618	11,700	12,425
FDIC premiums	10,124	10,444	19,835	21,363
Amortization of core deposit and other intangibles	3,762	4,262	7,581	8,553

Debt extinguishment cost	40,282	—	40,282	—
Other	78,116	67,426	156,213	130,717
Total noninterest expense	451,678	401,656	849,026	794,028
Income before income taxes	126,117	142,500	297,138	283,762
Income taxes	43,091	51,036	103,725	102,895
Net income	83,026	91,464	193,413	180,867
Net loss applicable to noncontrolling interests	—	(273)	(336)	(546)
Net income applicable to controlling interest	83,026	91,737	193,749	181,413
Preferred stock dividends	(27,641)	(36,522)	(50,040)	(100,709)
Net earnings applicable to common shareholders	$55,385	$55,215	$143,709	$80,704
Weighted average common shares outstanding during the period:				
Basic shares	183,647	182,985	183,522	182,892
Diluted shares	184,062	183,137	183,863	183,050
Net earnings per common share:				
Basic	$0.30	$0.30	$0.78	$0.44
Diluted	0.30	0.30	0.77	0.44

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended June 30, 2013	2012	Six Months Ended June 30, 2013	2012
Net income	$83,026	$91,464	$193,413	$180,867
Other comprehensive income (loss), net of tax:				
Net unrealized holding gains on investment securities	29,300	6,431	78,096	29,045
Noncredit-related impairment losses on securities not expected to be sold	(130)	(10,323)	(12,884)	(15,303)
Reclassification to earnings for realized net fixed income securities losses (gains)	712	(3,481)	(1,325)	(3,987)
Reclassification to earnings for net credit-related impairment losses on investment securities	2,549	4,302	8,548	10,606
Accretion of securities with noncredit-related impairment losses not expected to be sold	386	367	595	532
Net unrealized holding gains (losses) on derivative instruments	(1)	56	(3)	177
Reclassification adjustment for decrease (increase) in interest income recognized in earnings on derivative instruments	(469)	(1,932)	(1,426)	(5,133)
Other comprehensive income (loss)	32,347	(4,580)	71,601	15,937
Comprehensive income	115,373	86,884	265,014	196,804
Comprehensive loss applicable to noncontrolling interests	—	(273)	(336)	(546)
Comprehensive income applicable to controlling interest	$115,373	$87,157	$265,350	$197,350

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(In thousands, except share and per share amounts)	Preferred stock	Common stock		Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total shareholders' equity
		Shares	Amount				
Balance at December 31, 2012	$1,128,302	184,199,198	$4,166,109	$1,203,815	$(446,157)	$(3,428)	$6,048,641
Net income (loss) for the period				193,749		(336)	193,413
Other comprehensive income					71,601		71,601
Issuance of preferred stock	598,941		(11,016)				587,925
Subordinated debt converted to preferred stock	1,416		(206)				1,210
Net activity under employee plans and related tax benefits		237,458	17,107				17,107
Dividends on preferred stock				(50,040)			(50,040)
Dividends on common stock, $0.05 per share				(9,239)			(9,239)
Change in deferred compensation				116			116
Other changes in noncontrolling interests			(4,166)			3,764	(402)
Balance at June 30, 2013	$1,728,659	184,436,656	$4,167,828	$1,338,401	$(374,556)	$—	$6,860,332
Balance at December 31, 2011	$2,377,560	184,135,388	$4,163,242	$1,036,590	$(592,084)	$(2,080)	$6,983,228
Net income (loss) for the period				181,413		(546)	180,867
Other comprehensive income					15,937		15,937
Issuance of preferred stock	143,750		(2,408)				141,342
Preferred stock redemption	(842,500)		3,830	(3,830)			(842,500)
Subordinated debt converted to preferred stock	93,568		(13,602)				79,966
Net activity under employee plans and related tax benefits		(17,866)	6,463				6,463
Dividends on preferred stock	28,095			(100,709)			(72,614)
Dividends on common stock, $0.02 per share				(3,704)			(3,704)

Change in deferred compensation				360			360
Other changes in noncontrolling interests						18	18
Balance at June 30, 2012	$1,800,473	184,117,522	$4,157,525	$1,110,120	$(576,147)	$(2,608)	$6,489,363

See accompanying notes to consolidated financial statements.

6

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	$83,026	$91,464	$193,413	$180,867
Adjustments to reconcile net income to net cash provided by operating activities:				
Debt extinguishment cost	40,282	—	40,282	—
Net impairment losses on investment securities	4,217	7,308	14,334	17,517
Provision for credit losses	(18,363)	15,721	(53,752)	27,681
Depreciation and amortization	45,526	62,166	91,759	119,309
Deferred income tax expense (benefit)	(7,726)	(630)	(6,444)	19,055
Net decrease (increase) in trading securities	1,882	(1,506)	1,871	19,734
Net decrease in loans held for sale	33,450	50,464	123,446	71,377
Net write-downs of and gains/losses from sales of other real estate owned	439	5,509	492	13,341
Change in other liabilities	2,967	(11,731)	(45,510)	(30,530)
Change in other assets	121,095	38,398	172,675	88,823
Other, net	4,299	3,544	(11,206)	(18,372)
Net cash provided by operating activities	311,094	260,707	521,360	508,802
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in money market investments	(276,364)	(288,671)	352,523	(847,650)
Proceeds from maturities and paydowns of investment securities held-to-maturity	27,825	34,106	81,437	54,685
Purchases of investment securities held-to-maturity	(74,168)	(24,461)	(119,968)	(33,738)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	259,273	235,192	618,496	676,174
Purchases of investment securities available-for-sale	(124,146)	(187,627)	(611,121)	(593,930)
Proceeds from sales of loans and leases	5,046	13,478	11,057	39,787
Net loan and lease collections (originations)	(497,110)	(397,181)	(631,947)	18,230
Net decrease in other noninterest-bearing investments	12,646	6,445	20,034	12,174
Net purchases of premises and equipment	(26,733)	(17,655)	(42,533)	(32,817)
Proceeds from sales of other real estate owned	24,685	58,485	52,659	97,884
Net cash paid for divestitures	—	—	—	(22,568)
Net cash used in investing activities	(669,046)	(567,889)	(269,363)	(631,769)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in deposits	525,860	61,160	(1,117,018)	313,997
Net change in short-term funds borrowed	(70,154)	318,039	(96,007)	149,208
Proceeds from issuance of long-term debt	348,585	266,636	367,947	599,386
Repayments of long-term debt	(551,616)	(255,038)	(570,014)	(255,179)
Debt extinguishment cost paid	(23,305)	—	(23,305)	—
Cash paid for preferred stock redemption	—	(142,500)	—	(842,500)
Proceeds from issuances of common and preferred stock	423,118	141,661	592,517	142,003
Dividends paid on common and preferred stock	(35,047)	(35,522)	(59,279)	(76,318)

Other, net	(5,209)	(4,767)	(5,648)	(7,307)
Net cash provided by (used in) financing activities	612,232	349,669	(910,807)	23,290
Net increase (decrease) in cash and due from banks	254,280	42,487	(658,810)	(99,677)
Cash and due from banks at beginning of period	928,817	1,082,186	1,841,907	1,224,350
Cash and due from banks at end of period	$1,183,097	$1,124,673	$1,183,097	$1,124,673
Cash paid for interest	$41,782	$44,539	$103,913	$107,328
Net cash paid for income taxes	120,438	81,352	124,003	59,684

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2013

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Zions Bancorporation ("the Parent") and its majority-owned subsidiaries (collectively "the Company," "Zions," "we," "our," "us") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. References to GAAP, including standards promulgated by the Financial Accounting Standards Board ("FASB"), are made according to sections of the Accounting Standards Codification ("ASC") and to Accounting Standards Updates ("ASU"). Certain prior period amounts have been reclassified to conform to the current period presentation.

Operating results for the three and six months ended June 30, 2013 and 2012 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2012 is from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's 2012 Annual Report on Form 10-K.

The Company provides a full range of banking and related services through subsidiary banks in ten Western and Southwestern states as follows: Zions First National Bank ("Zions Bank"), in Utah and Idaho; California Bank & Trust ("CB&T"); Amegy Corporation ("Amegy") and its subsidiary, Amegy Bank, in Texas; National Bank of Arizona ("NBAZ"); Nevada State Bank ("NSB"); Vectra Bank Colorado ("Vectra"), in Colorado and New Mexico; The Commerce Bank of Washington ("TCBW"); and The Commerce Bank of Oregon ("TCBO"). The Parent and its subsidiary banks also own and operate certain nonbank subsidiaries that engage in financial services.

2. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Loans transferred to other real estate owned	$17,376	$51,724	$40,818	$104,299
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	37	8,537	206	13,602
Subordinated debt converted to preferred stock	219	50,192	1,210	79,966

3. CASH AND MONEY MARKET INVESTMENTS

Effective January 1, 2013, we adopted ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which limited the scope of ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. This new guidance under ASC 210, Balance Sheet, applies to the offsetting of derivatives (including bifurcated embedded derivatives), repurchase agreements and reverse repurchase (or resell) agreements, and securities borrowing and lending transactions. To provide convergence with disclosures under International Financial Reporting Standards ("IFRS"), the new guidance requires entities to present both gross and net information about these financial instruments, including those subject to a master netting arrangement. The change in disclosure is required on a retrospective basis for all prior periods presented.

8

ZIONS BANCORPORATION AND SUBSIDIARIES

Security resell and repurchase agreements are offset in the balance sheet according to master netting agreements. Derivative instruments may be offset under their master netting agreements; however, for accounting purposes, we present these items on a gross basis in the Company's balance sheet. See Note 6 for further information regarding derivative instruments.

Gross and net information for selected financial instruments in the balance sheet is as follows:

(In thousands)	June 30, 2013			Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Assets:						
Federal funds sold and security resell agreements	$771,799	$(550,000)	$221,799	$—	$ —	$221,799
Derivatives (included in other assets)	59,457	—	59,457	(8,389)	(1,803)	49,265
	$831,256	$(550,000)	$281,256	$(8,389)	$ (1,803)	$271,064
Liabilities:						
Federal funds purchased and security repurchase agreements	$790,816	$(550,000)	$240,816	$—	$ —	$240,816
Derivatives (included in other liabilities)	64,862	—	64,862	(8,389)	(41,059)	15,414
	$855,678	$(550,000)	$305,678	$(8,389)	$ (41,059)	$256,230

(In thousands)	December 31, 2012			Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Assets:						
Federal funds sold and security resell agreements	$3,675,354	$(900,000)	$2,775,354	$—	$ —	$2,775,354
Derivatives (included in other assets)	81,810	—	81,810	(409)	—	81,401
	$3,757,164	$(900,000)	$2,857,164	$(409)	$ —	$2,856,755
Liabilities:						

Federal funds purchased and security repurchase agreements	$1,220,478	$(900,000)	$320,478	$—	$ —	$320,478
Derivatives (included in other liabilities)	89,100	—	89,100	(409)	(81,683)	7,008
	$1,309,578	$(900,000)	$409,578	$(409)	$ (81,683)	$327,486

9

ZIONS BANCORPORATION AND SUBSIDIARIES

4. INVESTMENT SECURITIES

Investment securities are summarized below. Note 9 discusses the process to estimate fair value for investment securities.

	June 30, 2013						
		Recognized in OCI			Not recognized in OCI		
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$564,212	$—	$—	$564,212	$11,600	$4,654	$571,158
Asset-backed securities:							
Trust preferred securities – banks and insurance	255,199	—	55,054	200,145	7,216	56,129	151,232
Other	21,135	—	2,221	18,914	906	8,018	11,802
Other debt securities	100	—	—	100	—	—	100
	840,646	—	57,275	783,371	19,722	68,801	734,292
Available-for-sale							
U.S. Treasury securities	39,879	163	—	40,042			40,042
U.S. Government agencies and corporations:							
Agency securities	264,377	2,542	306	266,613			266,613
Agency guaranteed mortgage-backed securities	334,733	12,254	536	346,451			346,451
Small Business Administration loan-backed securities	1,093,606	36,421	503	1,129,524			1,129,524
Municipal securities	65,732	1,737	1,090	66,379			66,379
Asset-backed securities:							
Trust preferred securities – banks and insurance	1,546,091	14,038	529,836	1,030,293			1,030,293
Trust preferred securities – real estate investment trusts	40,441	—	21,942	18,499			18,499
Auction rate securities	6,506	92	44	6,554			6,554
Other	22,287	495	2,311	20,471			20,471
	3,413,652	67,742	556,568	2,924,826			2,924,826
Mutual funds and other	276,383	69	7,883	268,569			268,569
	3,690,035	67,811	564,451	3,193,395			3,193,395
Total	$4,530,681	$67,811	$621,726	$3,976,766			$3,927,687

ZIONS BANCORPORATION AND SUBSIDIARIES

	December 31, 2012						
		Recognized in OCI			Not recognized in OCI		
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$524,738	$—	$—	$524,738	$12,837	$709	$536,866
Asset-backed securities:							
Trust preferred securities – banks and insurance	255,647	—	42,964	212,683	114	86,596	126,201
Other	21,858	—	2,470	19,388	709	8,523	11,574
Other debt securities	100	—	—	100	—	—	100
	802,343	—	45,434	756,909	13,660	95,828	674,741
Available-for-sale							
U.S. Treasury securities	104,313	211	—	104,524			104,524
U.S. Government agencies and corporations:							
Agency securities	108,814	3,959	116	112,657			112,657
Agency guaranteed mortgage-backed securities	406,928	18,598	16	425,510			425,510
Small Business Administration loan-backed securities	1,124,322	29,245	639	1,152,928			1,152,928
Municipal securities	75,344	2,622	1,970	75,996			75,996
Asset-backed securities:							
Trust preferred securities – banks and insurance	1,596,156	16,687	663,451	949,392			949,392
Trust preferred securities – real estate investment trusts	40,485	—	24,082	16,403			16,403
Auction rate securities	6,504	79	68	6,515			6,515
Other	25,614	701	6,941	19,374			19,374
	3,488,480	72,102	697,283	2,863,299			2,863,299
Mutual funds and other	228,469	194	652	228,011			228,011
	3,716,949	72,296	697,935	3,091,310			3,091,310
Total	$4,519,292	$72,296	$743,369	$3,848,219			$3,766,051

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of June 30, 2013 by expected maturity distribution for structured asset-backed collateralized debt obligations and by contractual maturity distribution for other debt securities. Actual maturities may differ from expected or contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Held-to-maturity		Available-for-sale	
(In thousands)	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Due in one year or less	$63,400	$63,302	$436,513	$415,076

Due after one year through five years	192,533	187,481	1,032,220	972,291
Due after five years through ten years	216,669	188,033	615,276	564,084
Due after ten years	368,044	295,476	1,329,643	973,375
	$840,646	$734,292	$3,413,652	$2,924,826

ZIONS BANCORPORATION AND SUBSIDIARIES

The following is a summary of the amount of gross unrealized losses for investment securities and the estimated fair value by length of time the securities have been in an unrealized loss position:

(In thousands)	June 30, 2013					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$4,622	$102,723	$32	$3,262	$4,654	$105,985
Asset-backed securities:						
Trust preferred securities – banks and insurance	83	76	111,100	151,156	111,183	151,232
Other	—	—	10,239	11,356	10,239	11,356
	4,705	102,799	121,371	165,774	126,076	268,573
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	235	18,904	71	6,814	306	25,718
Agency guaranteed mortgage-backed securities	534	36,119	2	426	536	36,545
Small Business Administration loan-backed securities	36	4,949	467	41,684	503	46,633
Municipal securities	26	2,502	1,064	10,391	1,090	12,893
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	529,836	868,996	529,836	868,996
Trust preferred securities – real estate investment trusts	—	—	21,942	18,499	21,942	18,499
Auction rate securities	—	—	44	2,483	44	2,483
Other	—	—	2,311	17,287	2,311	17,287
	831	62,474	555,737	966,580	556,568	1,029,054
Mutual funds and other	7,883	122,209	—	—	7,883	122,209
	8,714	184,683	555,737	966,580	564,451	1,151,263
Total	$13,419	$287,482	$677,108	$1,132,354	$690,527	$1,419,836

ZIONS BANCORPORATION AND SUBSIDIARIES

	December 31, 2012					
	Less than 12 months		12 months or more		Total	
(In thousands)	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$630	$42,613	$79	$5,910	$709	$48,523
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	129,560	126,019	129,560	126,019
Other	—	—	10,993	10,904	10,993	10,904
	630	42,613	140,632	142,833	141,262	185,446
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	35	18,633	81	6,916	116	25,549
Agency guaranteed mortgage-backed securities	10	6,032	6	629	16	6,661
Small Business Administration loan-backed securities	91	15,199	548	69,011	639	84,210
Municipal securities	61	4,898	1,909	11,768	1,970	16,666
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	663,451	765,421	663,451	765,421
Trust preferred securities – real estate investment trusts	—	—	24,082	16,403	24,082	16,403
Auction rate securities	—	—	68	2,459	68	2,459
Other	—	—	6,941	15,234	6,941	15,234
	197	44,762	697,086	887,841	697,283	932,603
Mutual funds and other	652	112,324	—	—	652	112,324
	849	157,086	697,086	887,841	697,935	1,044,927
Total	$1,479	$199,699	$837,718	$1,030,674	$839,197	$1,230,373

At June 30, 2013 and December 31, 2012, respectively, 251 and 84 held-to-maturity ("HTM") and 218 and 256 available -for-sale ("AFS") investment securities were in an unrealized loss position.

Other-Than-Temporary Impairment

We conduct a formal review of investment securities on a quarterly basis for the presence of other-than-temporary impairment ("OTTI"). We assess whether OTTI is present when the fair value of a debt security is less than its amortized cost basis at the balance sheet date (the vast majority of the investment portfolio are debt securities). Under these circumstances, OTTI is considered to have occurred if (1) we intend to sell the security; (2) it is "more likely than not" we will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis.

Credit-related OTTI is recognized in earnings while noncredit-related OTTI on securities not expected to be sold is recognized in other comprehensive income ("OCI"). Noncredit-related OTTI is based on other factors, including illiquidity. Presentation of OTTI is made in the statement of income on a gross basis with an offset for the amount of OTTI recognized in OCI. For securities classified as HTM, the amount of noncredit-related OTTI recognized in OCI

is accreted using the effective interest rate method to the credit-adjusted expected cash flow amounts of the securities over future periods.

Our 2012 Annual Report on Form 10-K describes in more detail our OTTI evaluation process. The following summarizes the conclusions from our OTTI evaluation for those security types that have significant gross unrealized losses at June 30, 2013:

ZIONS BANCORPORATION AND SUBSIDIARIES

OTTI – Municipal Securities
The HTM securities are purchased directly from municipalities and are generally not rated by a credit rating agency. Most of the AFS securities are rated as investment grade by various credit rating agencies. Both the HTM and AFS securities are at fixed and variable rates with maturities from one to 25 years. Fair value changes of these securities are largely driven by interest rates, as seen by recent increases in unrealized losses and the number of investments with reduced fair values because of current increases in interest rates. We perform credit quality reviews on these securities at each reporting period. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded for the three months ended June 30, 2013.

OTTI – Asset-Backed Securities
Trust preferred securities – banks and insurance: These collateralized debt obligation (“CDO”) securities are interests in variable rate pools of trust preferred securities issued by trusts related to bank holding companies and insurance companies (“collateral issuers”). They are rated by one or more Nationally Recognized Statistical Rating Organizations (“NRSROs”), which are rating agencies registered with the Securities and Exchange Commission (“SEC”). The more junior securities were purchased generally at par, while the senior securities were purchased from Lockhart Funding LLC (“Lockhart”) at their carrying values (generally par) and then adjusted to their lower fair values. The primary drivers that have given rise to the unrealized losses on CDOs with bank and insurance collateral are listed below:

1) Market yield requirements for bank CDO securities remain high. The financial crisis and economic downturn resulted in significant utilization of both the unique five-year deferral option, which each collateral issuer maintains during the life of the CDO, and the payment in kind feature described subsequently. The resulting increase in the rate of return demanded by the market for trust preferred CDOs remains dramatically higher than the contractual interest rates. Virtually all structured asset-backed security (“ABS”) fair values, including bank CDOs, deteriorated significantly during the recent financial crisis, generally reaching a low in mid-2009. Prices for some structured products have since rebounded as the crucial unknowns related to value became resolved and as trading increased in these securities. Unlike these other structured products, CDO tranches backed by bank trust preferred securities continue to be characterized by considerable uncertainty surrounding collateral behavior, specifically including, but not limited to, prepayments; the future number, size and timing of bank failures; holding company bankruptcies; and allowed deferrals and subsequent resumption of payment or default due to nonpayment of contractual interest.
2) Structural features of the collateral make these CDO tranches difficult to model. The first feature unique to bank CDOs is the interest deferral feature previously noted. Throughout the financial crisis starting in 2008, certain banks within our CDO pools have exercised this prerogative. The extent to which these deferrals are likely to either transition to default or, alternatively, come current prior to the five-year deadline is extremely difficult for market participants to assess. Our CDO pools include a bank that first exercised this deferral option as early as the second quarter of 2008. At June 30, 2013, 92 banks underlying our CDO tranches had come current after a period of deferral, while 173 were deferring, but remained within the allowed deferral period.

A second structural feature that is difficult to model is the payment in kind (“PIK”) feature, which provides that upon reaching certain levels of collateral default or deferral, certain junior CDO tranches will not receive current interest but will instead have the interest amount that is unpaid capitalized or deferred. The cash flow that would otherwise be paid to the junior CDO securities and the income notes is instead used to pay down the principal balance of the most senior CDO securities. The delay in payment caused by PIKing results in lower security fair values even if PIKing is projected to be fully cured. This feature is difficult to model and assess. It increases the risk premium the market applies to these securities.

3) Ratings are generally below investment grade for even some of the most senior tranches. Ratings on a number of CDO tranches vary significantly among rating agencies. The presence of a below-investment-grade rating by even a single rating agency will severely limit the pool of buyers, which causes greater

ZIONS BANCORPORATION AND SUBSIDIARIES

illiquidity and therefore most likely a higher implicit discount rate/lower price with regard to that CDO tranche.

4) There is a lack of consistent disclosure by each CDO's trustee of the identity of collateral issuers; in addition, complex structures make projecting tranche return profiles difficult for nonspecialists in the product.

5) At purchase, the expectation of cash flow variability was limited. As a result of the crisis, we have seen extreme variability of collateral performance both compared to expectations and between different pools.

Our ongoing review of these securities determined that OTTI should be recorded for the three months ended June 30, 2013.

Trust preferred securities – real estate investment trusts ("REITs"): These CDO securities are variable rate pools of trust preferred securities primarily related to REITs, and are rated by one or more NRSROs. They were purchased generally at par. Unrealized losses were caused mainly by severe deterioration in mortgage REITs and homebuilder credit in addition to the same factors previously discussed for banks and insurance CDOs. Based on our review, OTTI for one of these securities was recorded for the three months ended June 30, 2013.

Other asset-backed securities: Most of these CDO securities were purchased in 2009 from Lockhart at their carrying values and then adjusted to fair value. Certain of these CDOs consist of ABS CDOs (also known as diversified structured finance CDOs). Unrealized losses since acquisition were caused mainly by deterioration in collateral quality and widening of credit spreads for asset backed securities. Based on our review, no OTTI for these securities was recorded for the three months ended June 30, 2013.

OTTI – Mutual Funds and Other

A substantial portion of these securities is included in a mutual fund that consists primarily of fixed rate residential and agriculture mortgage-backed securities issued by the Government National Mortgage Association ("GNMA"). Contractual cash flows in the pool of mortgage loans are backed by the U.S. Government. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded for the three months ended June 30, 2013.

The following is a tabular rollforward of the total amount of credit-related OTTI:

(In thousands)	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(13,952)	$(404,208)	$(418,160)	$(13,549)	$(394,494)	$(408,043)
Additions recognized in earnings during the period:						
Credit-related OTTI on securities not previously impaired	—	—	—	(403)	—	(403)
Additional credit-related OTTI on securities previously impaired	—	(4,217)	(4,217)	—	(13,931)	(13,931)
Subtotal of amounts recognized in earnings	—	(4,217)	(4,217)	(403)	(13,931)	(14,334)
Reductions for securities sold or paid off during the period	—	1,848	1,848	—	1,848	1,848
Balance of credit-related OTTI at end of period	$(13,952)	$(406,577)	$(420,529)	$(13,952)	$(406,577)	$(420,529)

15

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(6,126)	$(308,216)	$(314,342)	$(6,126)	$(314,860)	$(320,986)
Additions recognized in earnings during the period:						
Credit-related OTTI on securities not previously impaired	(341)	—	(341)	(341)	—	(341)
Additional credit-related OTTI on securities previously impaired	—	(6,967)	(6,967)	—	(17,176)	(17,176)
Subtotal of amounts recognized in earnings	(341)	(6,967)	(7,308)	(341)	(17,176)	(17,517)
Reductions for securities sold or paid off during the period	—	—	—	—	16,853	16,853
Balance of credit-related OTTI at end of period	$(6,467)	$(315,183)	$(321,650)	$(6,467)	$(315,183)	$(321,650)

To determine the credit component of OTTI for all security types, we utilize projected cash flows as the best estimate of fair value. These cash flows are credit adjusted using, among other things, assumptions for default probability assigned to each portion of performing collateral. The credit-adjusted cash flows are discounted at a security-specific coupon rate to identify any OTTI, and then at a market rate for valuation purposes.

For those securities with credit-related OTTI recognized in the statement of income, the amounts of pretax noncredit-related OTTI recognized in OCI were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
HTM	$—	$16,718	$16,114	$16,718
AFS	693	—	5,955	8,064
	$693	$16,718	$22,069	$24,782

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

(In thousands)	Three Months Ended June 30, 2013		June 30, 2012		Six Months Ended June 30, 2013		June 30, 2012	
	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:								
Held-to-maturity	$7	$—	$49	$341	$31	$403	$98	$341
Available-for-sale	3,162	8,539	5,470	6,967	6,438	18,254	11,929	22,964
Other noninterest-bearing investments:								
Nonmarketable equity securities	2,209	—	10,518	10,411	5,066	25	19,721	10,469
	5,378	8,539	16,037	17,719	11,535	18,682	31,748	33,774
Net losses		$(3,161)		$(1,682)		$(7,147)		$(2,026)

Statement of income information:

Net impairment losses on investment securities	$(4,217)	$(7,308)	$(14,334)	$(17,517)
Equity securities gains, net	2,209	107	5,041	9,252
Fixed income securities gains (losses), net	(1,153)	5,519	2,146	6,239
Net losses	$(3,161)	$(1,682)	$(7,147)	$(2,026)

Gains and losses on the sale of securities are recognized using the specific identification method and recorded in noninterest income.

ZIONS BANCORPORATION AND SUBSIDIARIES

During the three and six months ended June 30, nontaxable interest income on securities was $3.4 million and $6.8 million in 2013 and $4.7 million and $9.5 million in 2012.

Securities with a carrying value of $1.5 billion at June 30, 2013 and December 31, 2012 were pledged to secure public and trust deposits, advances, and for other purposes as required by law. Securities are also pledged as collateral for security repurchase agreements.

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and Loans Held for Sale

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

(In thousands)	June 30, 2013	December 31, 2012
Loans held for sale	$164,619	$251,651
Commercial:		
Commercial and industrial	$11,898,852	$11,256,945
Leasing	388,044	422,513
Owner occupied	7,394,206	7,589,082
Municipal	453,710	494,183
Total commercial	20,134,812	19,762,723
Commercial real estate:		
Construction and land development	2,191,274	1,939,413
Term	7,970,833	8,062,819
Total commercial real estate	10,162,107	10,002,232
Consumer:		
Home equity credit line	2,123,913	2,177,680
1-4 family residential	4,485,804	4,350,329
Construction and other consumer real estate	321,839	321,235
Bankcard and other revolving plans	315,487	306,428
Other	212,048	216,379
Total consumer	7,459,091	7,372,051
FDIC-supported loans	431,935	528,241
Total loans	$38,187,945	$37,665,247

FDIC-supported loans were acquired during 2009 and are indemnified by the Federal Deposit Insurance Corporation (“FDIC”) under loss sharing agreements. The FDIC-supported loan balances presented in the accompanying schedules include purchased credit-impaired loans accounted for at their carrying values rather than their outstanding balances. See subsequent discussion under Purchased Loans.

Loan balances are presented net of unearned income and fees, which amounted to $132.9 million at June 30, 2013 and $137.5 million at December 31, 2012.

Owner occupied and commercial real estate loans include unamortized premiums of approximately $53.1 million at June 30, 2013 and $59.3 million at December 31, 2012.

Municipal loans generally include loans to municipalities with the debt service being repaid from general funds or pledged revenues of the municipal entity, or to private commercial entities or 501(c)(3) not-for-profit entities utilizing a pass-through municipal entity to achieve favorable tax treatment.

ZIONS BANCORPORATION AND SUBSIDIARIES

Loans with a carrying value of approximately $22.0 billion at June 30, 2013 and $21.1 billion at December 31, 2012 have been pledged at the Federal Reserve and various Federal Home Loan Banks as collateral for current and potential borrowings.
We sold loans totaling $447 million and $894 million for the three and six months ended June 30, 2013 and $449 million and $875 million for the three and six months ended June 30, 2012, respectively, that were previously classified as loans held for sale. At the time of origination, we determine whether loans will be held for investment or held for sale. We may subsequently change our original intent to hold loans for investment and reclassify them as held for sale. Loans classified as loans held for sale primarily consist of conforming residential mortgages. Amounts added to loans held for sale during these periods were $419 million and $778 million for the three and six months ended June 30, 2013 and $401 million and $808 million for the three and six months ended June 30, 2012, respectively. Income from loans sold, excluding servicing, was $8 million and $16 million for the three and six months ended June 30, 2013 and $8 million and $14 million for the three and six months ended June 30, 2012, respectively.

Allowance for Credit Losses
The allowance for credit losses (“ACL”) consists of the allowance for loan and lease losses (“ALLL,” also referred to as the allowance for loan losses) and the reserve for unfunded lending commitments (“RULC”).

Allowance for Loan and Lease Losses
The ALLL represents our estimate of probable and estimable losses inherent in the loan and lease portfolio as of the balance sheet date. Losses are charged to the ALLL when recognized. Generally, commercial loans are charged off or charged down at the point at which they are determined to be uncollectible in whole or in part, or when 180 days past due unless the loan is well secured and in the process of collection. Consumer loans are either charged off or charged down to net realizable value no later than the month in which they become 180 days past due. Closed-end consumer loans that are not secured by residential real estate are either charged off or charged down to net realizable value no later than the month in which they become 120 days past due. We establish the amount of the ALLL by analyzing the portfolio at least quarterly, and we adjust the provision for loan losses so the ALLL is at an appropriate level at the balance sheet date.

We determine our ALLL as the best estimate within a range of estimated losses. The methodologies we use to estimate the ALLL depend upon the impairment status and portfolio segment of the loan. The methodology for impaired loans is discussed subsequently. For the commercial and commercial real estate (“CRE”) segments, we use a comprehensive loan grading system to assign probability of default (“PD”) and loss given default (“LGD”) grades to each loan. The credit quality indicators discussed subsequently are based on this grading system. PD and LGD grades are based on both financial and statistical models and loan officers’ judgment. We create groupings of these grades for each subsidiary bank and loan class and calculate historic loss rates using a loss migration analysis that attributes historic realized losses to these loan grade groupings over the period of January 2008 through the most recent full quarter.
For the consumer loan segment, we use roll rate models to forecast probable inherent losses. Roll rate models measure the rate at which consumer loans migrate from one delinquency category to the next worse delinquency category, and eventually to loss. We estimate roll rates for consumer loans using recent delinquency and loss experience by segmenting our consumer loan portfolio into separate pools based on common risk characteristics and separately calculating historical delinquency and loss experience for each pool. These roll rates are then applied to current delinquency levels to estimate probable inherent losses. Roll rates incorporate housing market trends inasmuch as these trends manifest themselves in charge-offs and delinquencies. In addition, our qualitative and environmental factors discussed subsequently incorporate the most recent housing market trends.
For FDIC-supported loans purchased with evidence of credit deterioration, we determine the ALLL according to separate accounting guidance. The accounting for these loans, including the allowance calculation, is described in the

Purchased Loans section following.

ZIONS BANCORPORATION AND SUBSIDIARIES

The current status and historical changes in qualitative and environmental factors may not be reflected in our quantitative models. Thus, after applying historical loss experience, as described above, we review the quantitatively derived level of ALLL for each segment using qualitative criteria and use those criteria to determine our estimate within the range. We track various risk factors that influence our judgment regarding the level of the ALLL across the portfolio segments. These factors primarily include:

- Asset quality trends
- Risk management and loan administration practices
- Risk identification practices
- Effect of changes in the nature and volume of the portfolio
- Existence and effect of any portfolio concentrations
- National economic and business conditions
- Regional and local economic and business conditions
- Data availability and applicability

The magnitude of the impact of these factors on our qualitative assessment of the ALLL changes from quarter to quarter according to the extent these factors are already reflected in historic loss rates and according to the extent these factors diverge from one to another. We also consider the uncertainty inherent in the estimation process when evaluating the ALLL.

Reserve for Unfunded Lending Commitments

We also estimate a reserve for potential losses associated with off-balance sheet commitments, including standby letters of credit. We determine the RULC using the same procedures and methodologies that we use for the ALLL. The loss factors used in the RULC are the same as the loss factors used in the ALLL, and the qualitative adjustments used in the RULC are the same as the qualitative adjustments used in the ALLL. We adjust the Company’s unfunded lending commitments that are not unconditionally cancelable to an outstanding amount equivalent using credit conversion factors and we apply the loss factors to the outstanding equivalents.

Changes in ACL Assumptions

We regularly evaluate the appropriateness of our loss estimation methods to reduce differences between estimated incurred losses and actual losses. During the second quarter of 2013, we changed certain assumptions in our ACL estimation process including our loss migration model that we use to quantitatively estimate the ALLL and RULC for the commercial and commercial real estate segments.

Prior to the second quarter of 2013, we used loss migration models based on loss experience over the most recent 60 months. During the second quarter of 2013 and subsequently, the loss migration models are based on loss experience from January 2008 through the most recent full quarter. We extended the period of loss experience to include the beginning of the year 2008 to encompass the last economic downturn period, as the improving charge-off rates experienced during recent periods may not be reflective of current incurred losses, given the environment of continued economic uncertainty. These refinements in the quantitative portion of the ACL did not have a material effect on the overall level of the ACL or the provision for loan losses.

ZIONS BANCORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30, 2013				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$496,930	$256,421	$84,622	$3,808	$841,781
Additions:					
Provision for loan losses	(5,182)	(11,222)	(8,274)	2,688	(21,990)
Adjustment for FDIC-supported loans	—	—	—	(209)	(209)
Deductions:					
Gross loan and lease charge-offs	(18,508)	(6,107)	(9,102)	(1,382)	(35,099)
Recoveries	13,113	12,186	3,120	1,010	29,429
Net loan and lease charge-offs	(5,395)	6,079	(5,982)	(372)	(5,670)
Balance at end of period	$486,353	$251,278	$70,366	$5,915	$813,912
Reserve for unfunded lending commitments:					
Balance at beginning of period	$65,632	$33,240	$1,583	$—	$100,455
Provision charged (credited) to earnings	(2,360)	6,214	(227)	—	3,627
Balance at end of period	$63,272	$39,454	$1,356	$—	$104,082
Total allowance for credit losses at end of period:					
Allowance for loan losses	$486,353	$251,278	$70,366	$5,915	$813,912
Reserve for unfunded lending commitments	63,272	39,454	1,356	—	104,082
Total allowance for credit losses	$549,625	$290,732	$71,722	$5,915	$917,994

	Six Months Ended June 30, 2013				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$510,908	$276,976	$95,656	$12,547	$896,087
Additions:					
Provision for loan losses	(8,411)	(29,850)	(13,294)	530	(51,025)
Adjustment for FDIC-supported loans	—	—	—	(7,638)	(7,638)
Deductions:					
Gross loan and lease charge-offs	(36,608)	(13,331)	(19,039)	(1,588)	(70,566)
Recoveries	20,464	17,483	7,043	2,064	47,054
Net loan and lease charge-offs	(16,144)	4,152	(11,996)	476	(23,512)
Balance at end of period	$486,353	$251,278	$70,366	$5,915	$813,912
Reserve for unfunded lending commitments:					
Balance at beginning of period	$67,374	$37,852	$1,583	$—	$106,809
Provision charged (credited) to earnings	(4,102)	1,602	(227)	—	(2,727)
Balance at end of period	$63,272	$39,454	$1,356	$—	$104,082

Total allowance for credit losses at end of period:					
Allowance for loan losses	$486,353	$251,278	$70,366	$5,915	$813,912
Reserve for unfunded lending commitments	63,272	39,454	1,356	—	104,082
Total allowance for credit losses	$549,625	$290,732	$71,722	$5,915	$917,994

ZIONS BANCORPORATION AND SUBSIDIARIES

	Three Months Ended June 30, 2012				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$547,341	$334,299	$109,101	$21,045	$1,011,786
Additions:					
Provision for loan losses	15,372	(10,141)	6,686	(1,064)	10,853
Adjustment for FDIC-supported loans	—	—	—	(5,856)	(5,856)
Deductions:					
Gross loan and lease charge-offs	(31,576)	(22,823)	(17,322)	(1,964)	(73,685)
Recoveries	11,033	6,630	3,926	8,756	30,345
Net loan and lease charge-offs	(20,543)	(16,193)	(13,396)	6,792	(43,340)
Balance at end of period	$542,170	$307,965	$102,391	$20,917	$973,443
Reserve for unfunded lending commitments:					
Balance at beginning of period	$72,002	$25,799	$917	$—	$98,718
Provision charged (credited) to earnings	(1,449)	5,864	453	—	4,868
Balance at end of period	$70,553	$31,663	$1,370	$—	$103,586
Total allowance for credit losses at end of period:					
Allowance for loan losses	$542,170	$307,965	$102,391	$20,917	$973,443
Reserve for unfunded lending commitments	70,553	31,663	1,370	—	103,586
Total allowance for credit losses	$612,723	$339,628	$103,761	$20,917	$1,077,029

	Six Months Ended June 30, 2012				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$561,351	$343,747	$123,115	$23,472	$1,051,685
Additions:					
Provision for loan losses	25,183	(4,926)	6,638	(378)	26,517
Adjustment for FDIC-supported loans	—	—	—	(6,913)	(6,913)
Deductions:					
Gross loan and lease charge-offs	(65,053)	(49,834)	(34,331)	(4,481)	(153,699)
Recoveries	20,689	18,978	6,969	9,217	55,853
Net loan and lease charge-offs	(44,364)	(30,856)	(27,362)	4,736	(97,846)
Balance at end of period	$542,170	$307,965	$102,391	$20,917	$973,443
Reserve for unfunded lending commitments:					
Balance at beginning of period	$77,232	$23,572	$1,618	$—	$102,422
Provision charged (credited) to earnings	(6,679)	8,091	(248)	—	1,164
Balance at end of period	$70,553	$31,663	$1,370	$—	$103,586
Total allowance for credit losses at end of period:					
Allowance for loan losses	$542,170	$307,965	$102,391	$20,917	$973,443
Reserve for unfunded lending commitments	70,553	31,663	1,370	—	103,586

Total allowance for credit losses	$612,723	$339,628	$103,761	$20,917	$1,077,029

[1] The Purchased Loans section following contains further discussion related to FDIC-supported loans.

During the first quarter of 2013, we modified the reporting of certain ALLL balances in the previous schedules. This change in reporting resulted in the reclassification of approximately $83.2 million at December 31, 2012, $75.9

ZIONS BANCORPORATION AND SUBSIDIARIES

million at June 30, 2012, and $68.2 million at December 31, 2011 of ALLL balances from the commercial to the commercial real estate loan segments. There was no change to the methodology or assumptions used to estimate the ALLL, nor was the change the result of any changes in credit quality.

The ALLL and outstanding loan balances according to the Company's impairment method are summarized as follows:

	June 30, 2013				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	$36,104	$16,186	$11,817	$—	$64,107
Collectively evaluated for impairment	450,249	235,092	58,549	1,008	744,898
Purchased loans with evidence of credit deterioration	—	—	—	4,907	4,907
Total	$486,353	$251,278	$70,366	$5,915	$813,912
Outstanding loan balances:					
Individually evaluated for impairment	$341,652	$329,247	$109,860	$1,056	$781,815
Collectively evaluated for impairment	19,793,160	9,832,860	7,349,231	45,373	37,020,624
Purchased loans with evidence of credit deterioration	—	—	—	385,506	385,506
Total	$20,134,812	$10,162,107	$7,459,091	$431,935	$38,187,945

	December 31, 2012				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	$30,587	$22,295	$13,758	$—	$66,640
Collectively evaluated for impairment	480,321	254,681	81,898	422	817,322
Purchased loans with evidence of credit deterioration	—	—	—	12,125	12,125
Total	$510,908	$276,976	$95,656	$12,547	$896,087
Outstanding loan balances:					
Individually evaluated for impairment	$353,380	$437,647	$112,320	$1,149	$904,496
Collectively evaluated for impairment	19,409,343	9,564,585	7,259,731	57,896	36,291,555
Purchased loans with evidence of credit deterioration	—	—	—	469,196	469,196
Total	$19,762,723	$10,002,232	$7,372,051	$528,241	$37,665,247

Nonaccrual and Past Due Loans

Loans are generally placed on nonaccrual status when payment in full of principal and interest is not expected, or the loan is 90 days or more past due as to principal or interest, unless the loan is both well secured and in the process of collection. Factors we consider in determining whether a loan is placed on nonaccrual include delinquency status, collateral value, borrower or guarantor financial statement information, bankruptcy status, and other information which would indicate that the full and timely collection of interest and principal is uncertain.

A nonaccrual loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement; the loan, if secured, is well secured; the borrower has paid according to the contractual terms for a minimum of six months; and analysis of the borrower indicates a reasonable assurance of the ability and willingness to maintain payments. Payments received on nonaccrual loans are applied as a reduction to the principal outstanding.

ZIONS BANCORPORATION AND SUBSIDIARIES

Closed-end loans with payments scheduled monthly are reported as past due when the borrower is in arrears for two or more monthly payments. Similarly, open-end credit such as charge-card plans and other revolving credit plans are reported as past due when the minimum payment has not been made for two or more billing cycles. Other multi-payment obligations (i.e., quarterly, semiannual, etc.), single payment, and demand notes are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more.

Nonaccrual loans are summarized as follows:

(In thousands)	June 30, 2013	December 31, 2012
Commercial:		
Commercial and industrial	$94,204	$90,859
Leasing	945	838
Owner occupied	186,090	206,031
Municipal	8,962	9,234
Total commercial	290,201	306,962
Commercial real estate:		
Construction and land development	70,128	107,658
Term	70,575	124,615
Total commercial real estate	140,703	232,273
Consumer:		
Home equity credit line	11,397	14,247
1-4 family residential	66,174	70,180
Construction and other consumer real estate	4,584	4,560
Bankcard and other revolving plans	1,537	1,190
Other	1,112	1,398
Total consumer loans	84,804	91,575
FDIC-supported loans	5,256	17,343
Total	$520,964	$648,153

ZIONS BANCORPORATION AND SUBSIDIARIES

Past due loans (accruing and nonaccruing) are summarized as follows:

	June 30, 2013						
(In thousands)	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current[1]
Commercial:							
Commercial and industrial	$11,793,816	$60,244	$44,792	$105,036	$11,898,852	$3,247	$ 35,437
Leasing	386,464	635	945	1,580	388,044	—	—
Owner occupied	7,283,000	47,716	63,490	111,206	7,394,206	1,734	100,732
Municipal	453,710	—	—	—	453,710	—	8,962
Total commercial	19,916,990	108,595	109,227	217,822	20,134,812	4,981	145,131
Commercial real estate:							
Construction and land development	2,164,615	5,701	20,958	26,659	2,191,274	—	48,735
Term	7,919,531	18,817	32,485	51,302	7,970,833	2,565	36,207
Total commercial real estate	10,084,146	24,518	53,443	77,961	10,162,107	2,565	84,942
Consumer:							
Home equity credit line	2,113,205	6,906	3,802	10,708	2,123,913	—	4,446
1-4 family residential	4,441,875	13,548	30,381	43,929	4,485,804	2,065	32,601
Construction and other consumer real estate	317,932	1,655	2,252	3,907	321,839	275	1,945
Bankcard and other revolving plans	312,160	1,637	1,690	3,327	315,487	799	578
Other	210,088	1,902	58	1,960	212,048	—	211
Total consumer loans	7,395,260	25,648	38,183	63,831	7,459,091	3,139	39,781
FDIC-supported loans	389,718	8,103	34,114	42,217	431,935	33,410	2,971
Total	$37,786,114	$166,864	$234,967	$401,831	$38,187,945	$44,095	$ 272,825

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2012 Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current[1]
Commercial:							
Commercial and industrial	$11,124,639	$73,555	$58,751	$132,306	$11,256,945	$4,013	$ 32,389
Leasing	421,590	115	808	923	422,513	—	—
Owner occupied	7,447,083	56,504	85,495	141,999	7,589,082	1,822	100,835
Municipal	494,183	—	—	—	494,183	—	9,234
Total commercial	19,487,495	130,174	145,054	275,228	19,762,723	5,835	142,458
Commercial real estate:							
Construction and land development	1,836,284	66,139	36,990	103,129	1,939,413	853	50,044
Term	7,984,819	24,730	53,270	78,000	8,062,819	107	54,546
Total commercial real estate	9,821,103	90,869	90,260	181,129	10,002,232	960	104,590
Consumer:							
Home equity credit line	2,169,722	4,036	3,922	7,958	2,177,680	—	8,846
1-4 family residential	4,282,611	24,060	43,658	67,718	4,350,329	1,423	21,945
Construction and other consumer real estate	314,931	4,344	1,960	6,304	321,235	395	2,500
Bankcard and other revolving plans	302,587	2,439	1,402	3,841	306,428	1,010	721
Other	213,930	1,411	1,038	2,449	216,379	107	275
Total consumer loans	7,283,781	36,290	51,980	88,270	7,372,051	2,935	34,287
FDIC-supported loans	454,333	12,407	61,501	73,908	528,241	52,033	7,393
Total	$37,046,712	$269,740	$348,795	$618,535	$37,665,247	$61,763	$ 288,728

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

Credit Quality Indicators

In addition to the past due and nonaccrual criteria, we also analyze loans using a loan grading system. We generally assign internal grades to loans with commitments less than $500,000 based on the performance of those loans. Performance-based grades follow our definitions of Pass, Special Mention, Substandard, and Doubtful, which are consistent with published definitions of regulatory risk classifications.

Definitions of Pass, Special Mention, Substandard, and Doubtful are summarized as follows:
Pass: A Pass asset is higher quality and does not fit any of the other categories described below. The likelihood of loss is considered remote.
Special Mention: A Special Mention asset has potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the bank’s credit position at some future date.
Substandard: A Substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified have well defined weaknesses and are characterized by the distinct possibility that the bank may sustain some loss if deficiencies are not corrected.

Doubtful: A Doubtful asset has all the weaknesses inherent in a Substandard asset with the added characteristics that the weaknesses make collection or liquidation in full highly questionable and improbable.

We generally assign internal grades to commercial and CRE loans with commitments equal to or greater than $500,000 based on financial and statistical models, individual credit analysis, and loan officer judgment. For these

ZIONS BANCORPORATION AND SUBSIDIARIES

larger loans, we assign multiple grades within the Pass classification or one of the following four grades: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding balance has been charged off. We evaluate our credit quality information such as risk grades at least quarterly, or as soon as we identify information that might warrant an upgrade or downgrade. Risk grades are then updated as necessary.

For consumer loans, we generally assign internal risk grades similar to those described previously based on payment performance. These are generally assigned either a Pass or Substandard grade and are reviewed as we identify information that might warrant an upgrade or downgrade.

Outstanding loan balances (accruing and nonaccruing) categorized by these credit quality indicators are summarized as follows:

	June 30, 2013					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Commercial:						
Commercial and industrial	$11,218,159	$295,542	$374,377	$10,774	$11,898,852	
Leasing	383,901	1,498	2,645	—	388,044	
Owner occupied	6,688,110	108,812	594,271	3,013	7,394,206	
Municipal	439,344	5,404	8,962	—	453,710	
Total commercial	18,729,514	411,256	980,255	13,787	20,134,812	$486,353
Commercial real estate:						
Construction and land development	2,035,512	15,805	137,469	2,488	2,191,274	
Term	7,378,519	255,789	333,978	2,547	7,970,833	
Total commercial real estate	9,414,031	271,594	471,447	5,035	10,162,107	251,278
Consumer:						
Home equity credit line	2,083,154	15	40,744	—	2,123,913	
1-4 family residential	4,375,794	3,456	106,554	—	4,485,804	
Construction and other consumer real estate	313,637	—	8,202	—	321,839	
Bankcard and other revolving plans	308,014	17	7,456	—	315,487	
Other	205,967	2,498	3,583	—	212,048	
Total consumer loans	7,286,566	5,986	166,539	—	7,459,091	70,366
FDIC-supported loans	274,616	25,529	131,790	—	431,935	5,915
Total	$35,704,727	$714,365	$1,750,031	$18,822	$38,187,945	$813,912

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2012					
	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Commercial:						
Commercial and industrial	$10,717,594	$198,645	$336,230	$4,476	$11,256,945	
Leasing	419,482	226	2,805	—	422,513	
Owner occupied	6,833,923	138,539	612,011	4,609	7,589,082	
Municipal	453,193	31,756	9,234	—	494,183	
Total commercial	18,424,192	369,166	960,280	9,085	19,762,723	$510,908
Commercial real estate:						
Construction and land development	1,648,215	57,348	233,374	476	1,939,413	
Term	7,433,789	237,201	388,914	2,915	8,062,819	
Total commercial real estate	9,082,004	294,549	622,288	3,391	10,002,232	276,976
Consumer:						
Home equity credit line	2,138,693	85	38,897	5	2,177,680	
1-4 family residential	4,234,426	4,316	111,063	524	4,350,329	
Construction and other consumer real estate	313,499	218	7,518	—	321,235	
Bankcard and other revolving plans	298,665	23	7,740	—	306,428	
Other	209,293	3,211	3,875	—	216,379	
Total consumer loans	7,194,576	7,853	169,093	529	7,372,051	95,656
FDIC-supported loans	327,609	24,980	175,652	—	528,241	12,547
Total	$35,028,381	$696,548	$1,927,313	$13,005	$37,665,247	$896,087

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. For our non-purchased credit impaired loans, if a nonaccrual loan has a balance greater than $1 million or if a loan is a troubled debt restructuring (“TDR”), including TDRs that subsequently default, we evaluate the loan for impairment and estimate a specific reserve for the loan for all portfolio segments under applicable accounting guidance. Smaller nonaccrual loans are pooled for ALLL estimation purposes. Purchased credit impaired (“PCI”) loans in our FDIC-supported portfolio segment are included in impaired loans and are accounted for under separate accounting guidance. See subsequent discussion under Purchased Loans.

When a loan is impaired, we estimate a specific reserve for the loan based on the projected present value of the loan’s future cash flows discounted at the loan’s effective interest rate, the observable market price of the loan, or the fair value of the loan’s underlying collateral less the cost to sell. The process of estimating future cash flows also incorporates the same determining factors discussed previously under nonaccrual loans. When we base the impairment amount on the fair value of the loan’s underlying collateral, we generally charge off the portion of the balance that is impaired, such that these loans do not have a specific reserve in the ALLL. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding. The amount of interest income recognized on a cash basis during the time the loans were impaired within the three and six months ended June 30, 2013 and 2012 was not significant.

Information on impaired loans individually evaluated is summarized as follows, including the average recorded investment and interest income recognized for the three and six months ended June 30, 2013 and 2012:

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	June 30, 2013 Unpaid principal balance	Recorded investment with no allowance	 with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$158,007	$28,035	$102,604	$130,639	$15,463
Owner occupied	205,569	56,636	132,111	188,747	19,697
Total commercial	363,576	84,671	234,715	319,386	35,160
Commercial real estate:					
Construction and land development	139,255	52,209	66,717	118,926	4,277
Term	208,326	42,183	142,290	184,473	11,651
Total commercial real estate	347,581	94,392	209,007	303,399	15,928
Consumer:					
Home equity credit line	16,308	10,981	2,538	13,519	206
1-4 family residential	106,014	44,228	45,926	90,154	11,358
Construction and other consumer real estate	6,865	3,405	1,599	5,004	252
Other	938	936	2	938	—
Total consumer loans	130,125	59,550	50,065	109,615	11,816
FDIC-supported loans	537,324	192,344	194,219	386,563	4,907
Total	$1,378,606	$430,957	$688,006	$1,118,963	$67,811

(In thousands)	December 31, 2012 Unpaid principal balance	Recorded investment with no allowance	 with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$176,521	$27,035	$119,780	$146,815	$12,198
Owner occupied	210,319	79,413	106,282	185,695	17,105
Total commercial	386,840	106,448	226,062	332,510	29,303
Commercial real estate:					
Construction and land development	182,385	67,241	85,855	153,096	5,178
Term	310,242	70,718	187,112	257,830	16,725
Total commercial real estate	492,627	137,959	272,967	410,926	21,903
Consumer:					
Home equity credit line	14,339	8,055	3,444	11,499	297
1-4 family residential	108,934	42,602	49,867	92,469	12,921
Construction and other consumer real estate	7,054	2,710	3,085	5,795	517
Bankcard and other revolving plans	287	—	287	287	1
Other	2,454	1,832	175	2,007	22
Total consumer loans	133,068	55,199	56,858	112,057	13,758
FDIC-supported loans	895,804	275,187	195,158	470,345	12,125
Total	$1,908,339	$574,793	$751,045	$1,325,838	$77,089

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Three Months Ended June 30, 2013		Six Months Ended June 30, 2013	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial:				
Commercial and industrial	$170,959	$861	$162,330	$1,519
Owner occupied	213,757	959	209,928	1,878
Total commercial	384,716	1,820	372,258	3,397
Commercial real estate:				
Construction and land development	142,428	1,558	145,234	2,215
Term	284,518	1,984	287,464	3,824
Total commercial real estate	426,946	3,542	432,698	6,039
Consumer:				
Home equity credit line	13,462	85	12,459	143
1-4 family residential	100,395	354	98,914	725
Construction and other consumer real estate	5,626	47	5,874	93
Other	1,782	—	1,799	—
Total consumer loans	121,265	486	119,046	961
FDIC-supported loans	404,652	33,996 [1]	425,972	59,149 [1]
Total	$1,337,579	$39,844	$1,349,974	$69,546

(In thousands)	Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial:				
Commercial and industrial	$163,397	$820	$158,783	$1,509
Owner occupied	196,213	644	179,503	1,176
Total commercial	359,610	1,464	338,286	2,685
Commercial real estate:				
Construction and land development	218,087	1,385	207,418	2,940
Term	268,798	1,416	255,229	2,789
Total commercial real estate	486,885	2,801	462,647	5,729
Consumer:				
Home equity credit line	906	2	998	4
1-4 family residential	93,188	437	86,799	758
Construction and other consumer real estate	7,079	43	6,763	88
Bankcard and other revolving plans	98	—	49	—
Other	1,550	—	2,105	—
Total consumer loans	102,821	482	96,714	850
FDIC-supported loans	102,503	11,288 [1]	106,570	20,148 [1]
Total	$1,051,819	$16,035	$1,004,217	$29,412

[1] The balance of interest income recognized results primarily from accretion of interest income on impaired FDIC-supported loans.

ZIONS BANCORPORATION AND SUBSIDIARIES

Modified and Restructured Loans

Loans may be modified in the normal course of business for competitive reasons or to strengthen the Company's position. Loan modifications and restructurings may also occur when the borrower experiences financial difficulty and needs temporary or permanent relief from the original contractual terms of the loan. These modifications are structured on a loan-by-loan basis and, depending on the circumstances, may include extended payment terms, a modified interest rate, forgiveness of principal, or other concessions. Loans that have been modified to accommodate a borrower who is experiencing financial difficulties, and for which the Company has granted a concession that it would not otherwise consider, are considered TDRs.

We consider many factors in determining whether to agree to a loan modification involving concessions, and seek a solution that will both minimize potential loss to the Company and attempt to help the borrower. We evaluate borrowers' current and forecasted future cash flows, their ability and willingness to make current contractual or proposed modified payments, the value of the underlying collateral (if applicable), the possibility of obtaining additional security or guarantees, and the potential costs related to a repossession or foreclosure and the subsequent sale of the collateral.

TDRs are classified as either accrual or nonaccrual loans. A loan on nonaccrual and restructured as a TDR will remain on nonaccrual status until the borrower has proven the ability to perform under the modified structure for a minimum of six months, and there is evidence that such payments can and are likely to continue as agreed. Performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan. A TDR loan that specifies an interest rate that at the time of the restructuring is greater than or equal to the rate the bank is willing to accept for a new loan with comparable risk may not be reported as a TDR or an impaired loan in the calendar years subsequent to the restructuring if it is in compliance with its modified terms.

Selected information on TDRs that includes the recorded investment on an accruing and nonaccruing basis by loan class and modification type is summarized in the following schedules:

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	June 30, 2013 Recorded investment resulting from the following modification types:						
	Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other[1]	Multiple modification types[2]	Total
Accruing							
Commercial:							
Commercial and industrial	$1,532	$9,133	$—	$8,349	$15,625	$22,890	$57,529
Owner occupied	24,476	3,536	999	2,981	9,901	34,930	76,823
Total commercial	26,008	12,669	999	11,330	25,526	57,820	134,352
Commercial real estate:							
Construction and land development	2,083	13,296	—	59	8,203	31,231	54,872
Term	31,230	9,686	8,361	4,892	24,720	54,028	132,917
Total commercial real estate	33,313	22,982	8,361	4,951	32,923	85,259	187,789
Consumer:							
Home equity credit line	743	—	8,415	—	324	191	9,673
1-4 family residential	3,021	1,304	8,135	651	3,964	33,751	50,826
Construction and other consumer real estate	137	970	—	—	146	1,533	2,786
Other	—	2	—	—	—	—	2
Total consumer loans	3,901	2,276	16,550	651	4,434	35,475	63,287
Total accruing	63,222	37,927	25,910	16,932	62,883	178,554	385,428
Nonaccruing							
Commercial:							
Commercial and industrial	108	7,947	—	217	1,477	13,684	23,433
Owner occupied	1,321	2,685	1,132	3,492	14,234	10,229	33,093
Total commercial	1,429	10,632	1,132	3,709	15,711	23,913	56,526
Commercial real estate:							
Construction and land development	12,213	2,790	—	—	5,620	39,631	60,254
Term	312	460	—	3,057	1,525	6,825	12,179
Total commercial real estate	12,525	3,250	—	3,057	7,145	46,456	72,433
Consumer:							
Home equity credit line	—	—	1,633	—	221	131	1,985
1-4 family residential	4,617	1,942	2,191	—	4,589	15,849	29,188
Construction and other consumer real estate	5	943	—	—	155	992	2,095
Bankcard and other revolving plans	—	269	—	—	—	—	269
Total consumer loans	4,622	3,154	3,824	—	4,965	16,972	33,537
Total nonaccruing	18,576	17,036	4,956	6,766	27,821	87,341	162,496
Total	$81,798	$54,963	$30,866	$23,698	$90,704	$265,895	$547,924

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2012 Recorded investment resulting from the following modification types:						
	Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other[1]	Multiple modification types[2]	Total
Accruing							
Commercial:							
Commercial and industrial	$5,388	$6,139	$ —	$3,585	$17,647	$ 44,684	$77,443
Owner occupied	20,963	12,104	—	4,013	9,305	13,598	59,983
Total commercial	26,351	18,243	—	7,598	26,952	58,282	137,426
Commercial real estate:							
Construction and land development	1,718	9,868	2	59	8,432	30,248	50,327
Term	30,118	1,854	8,433	3,807	32,302	82,809	159,323
Total commercial real estate	31,836	11,722	8,435	3,866	40,734	113,057	209,650
Consumer:							
Home equity credit line	744	—	5,965	—	300	218	7,227
1-4 family residential	2,665	1,324	5,923	147	3,319	36,199	49,577
Construction and other consumer real estate	147	—	—	—	641	2,354	3,142
Other	—	3	—	—	1	—	4
Total consumer loans	3,556	1,327	11,888	147	4,261	38,771	59,950
Total accruing	61,743	31,292	20,323	11,611	71,947	210,110	407,026
Nonaccruing							
Commercial:							
Commercial and industrial	318	5,667	—	480	2,035	17,379	25,879
Owner occupied	3,822	4,816	654	4,701	7,643	7,803	29,439
Total commercial	4,140	10,483	654	5,181	9,678	25,182	55,318
Commercial real estate:							
Construction and land development	18,255	1,308	—	—	1,807	68,481	89,851
Term	3,042	536	—	2,645	9,389	17,718	33,330
Total commercial real estate	21,297	1,844	—	2,645	11,196	86,199	123,181
Consumer:							
Home equity credit line	—	—	4,008	—	131	143	4,282
1-4 family residential	4,697	5,637	4,048	—	1,693	14,240	30,315
Construction and other consumer real estate	7	1,671	—	—	—	243	1,921
Bankcard and other revolving plans	—	287	—	—	—	—	287
Other	—	—	—	172	—	—	172
Total consumer loans	4,704	7,595	8,056	172	1,824	14,626	36,977
Total nonaccruing	30,141	19,922	8,710	7,998	22,698	126,007	215,476
Total	$91,884	$51,214	$ 29,033	$19,609	$94,645	$ 336,117	$622,502

[1] Includes TDRs that resulted from other modification types including, but not limited to, a legal judgment awarded on different terms, a bankruptcy plan confirmed on different terms, a settlement that includes the delivery of collateral in exchange for debt reduction, etc.

[2] Includes TDRs that resulted from a combination of any of the previous modification types.

ZIONS BANCORPORATION AND SUBSIDIARIES

Unused commitments to extend credit on TDRs amounted to approximately $8 million at June 30, 2013 and $13 million at December 31, 2012.

The total recorded investment of all TDRs in which interest rates were modified below market was $208.0 million at June 30, 2013 and $225.6 million at December 31, 2012. These loans are included in the previous table in the columns for interest rate below market and multiple modification types.

The net financial impact on interest income due to interest rate modifications below market for accruing TDRs is summarized in the following schedule:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Commercial:				
Commercial and industrial	$(17)	$(8)	$(201)	$(23)
Owner occupied	(1,046)	(329)	(2,097)	(705)
Total commercial	(1,063)	(337)	(2,298)	(728)
Commercial real estate:				
Construction and land development	(111)	(236)	(519)	(469)
Term	(2,585)	(1,473)	(5,150)	(3,026)
Total commercial real estate	(2,696)	(1,709)	(5,669)	(3,495)
Consumer:				
Home equity credit line	(34)	(19)	(73)	(34)
1-4 family residential	(3,758)	(3,992)	(7,613)	(7,841)
Construction and other consumer real estate	(108)	(107)	(217)	(215)
Total consumer loans	(3,900)	(4,118)	(7,903)	(8,090)
Total decrease to interest income[1]	$(7,659)	$(6,164)	$(15,870)	$(12,313)

[1]Calculated based on the difference between the modified rate and the premodified rate applied to the recorded investment.

On an ongoing basis, we monitor the performance of all TDRs according to their restructured terms. Subsequent payment default is defined in terms of delinquency, when principal or interest payments are past due 90 days or more for commercial loans, or 60 days or more for consumer loans.

The recorded investment of accruing and nonaccruing TDRs that had a payment default during the period listed below (and are still in default at period-end) and are within 12 months or less of being modified as TDRs is as follows:

ZIONS BANCORPORATION AND SUBSIDIARIES

	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
(In thousands)	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:						
Commercial and industrial	$—	$—	$—	$—	$3	$3
Owner occupied	—	3,153	3,153	—	3,153	3,153
Total commercial	—	3,153	3,153	—	3,156	3,156
Commercial real estate:						
Construction and land development	—	—	—	—	—	—
Term	—	—	—	—	1,019	1,019
Total commercial real estate	—	—	—	—	1,019	1,019
Consumer:						
Home equity credit line	—	—	—	—	85	85
1-4 family residential	—	2,399	2,399	—	2,399	2,399
Total consumer loans	—	2,399	2,399	—	2,484	2,484
Total	$—	$5,552	$5,552	$—	$6,659	$6,659

	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012		
(In thousands)	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:						
Commercial and industrial	$—	$114	$114	$—	$1,291	$1,291
Owner occupied	—	5,405	5,405	—	5,405	5,405
Total commercial	—	5,519	5,519	—	6,696	6,696
Commercial real estate:						
Construction and land development	—	2,765	2,765	—	2,765	2,765
Term	—	—	—	—	1,466	1,466
Total commercial real estate	—	2,765	2,765	—	4,231	4,231
Consumer:						
Home equity credit line	—	—	—	—	—	—
1-4 family residential	—	—	—	—	526	526
Total consumer loans	—	—	—	—	526	526
Total	$—	$8,284	$8,284	$—	$11,453	$11,453

Note: Total loans modified as TDRs during the 12 months previous to June 30, 2013 and 2012 were $183.8 million and $219.5 million, respectively.

Concentrations of Credit Risk

We perform an ongoing analysis of our loan portfolio to evaluate whether there is any significant exposure to any concentrations of credit risk. These potential concentrations include, but are not limited to, individual borrowers, groups of borrowers, industries, geographies, collateral types, sponsors, etc. Such credit risks (whether on- or off-balance sheet) may occur when groups of borrowers or counterparties have similar economic characteristics and are similarly affected by changes in economic or other conditions. Credit risk also includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. Our analysis as of June 30, 2013 concluded that no significant exposure exists from such credit risk concentrations. See Note 6 for a discussion of counterparty risk associated with the Company’s derivative transactions.

Purchased Loans

Background and Accounting

We purchase loans in the ordinary course of business and account for them and the related interest income based on their performing status at the time of acquisition. PCI loans have evidence of credit deterioration at the time of

---

acquisition and it is probable that not all contractual payments will be collected. Interest income for PCI loans is accounted for on an expected cash flow basis. Certain other loans acquired by the Company that are not credit-impaired include loans with revolving privileges and are excluded from the PCI tabular disclosures following. Interest income for these loans is accounted for on a contractual cash flow basis. Certain acquired loans with similar characteristics such as risk exposure, type, size, etc., are grouped and accounted for in loan pools.

During 2009, CB&T and NSB acquired failed banks from the FDIC as receiver and entered into loss sharing agreements with the FDIC for the acquired loans and foreclosed assets. According to the agreements, the FDIC assumes 80% of credit losses up to a threshold specified for each acquisition and 95% above that threshold for a period of five years, or in 2014. The covered portfolio primarily consists of commercial loans. The agreements expire after ten years, or in 2019, for single family residential loans. The loans acquired from the FDIC are presented separately in the Company's balance sheet as "FDIC-supported loans" and include both PCI and certain other acquired loans. Upon acquisition, in accordance with applicable accounting guidance, the acquired loans were recorded at their fair value without a corresponding ALLL.

Outstanding Balances and Accretable Yield

The outstanding balances of all required payments and the related carrying amounts for PCI loans are as follows:

(In thousands)	June 30, 2013	December 31, 2012
Commercial	$190,576	$227,414
Commercial real estate	322,361	382,068
Consumer	35,295	41,398
Outstanding balance	$548,232	$650,880
Carrying amount	$386,918	$472,040
ALLL	4,859	12,077
Carrying amount, net	$382,059	$459,963

At the time of acquisition of PCI loans, we determine the loan's contractually required payments in excess of all cash flows expected to be collected as an amount that should not be accreted (nonaccretable difference). With respect to the cash flows expected to be collected, the portion representing the excess of the loan's expected cash flows over our initial investment (accretable yield) is accreted into interest income on a level yield basis over the remaining expected life of the loan or pool of loans. The effects of estimated prepayments are considered in estimating the expected cash flows.

Certain PCI loans are not accounted for as previously described because the estimation of cash flows to be collected involves a high degree of uncertainty. Under these circumstances, the accounting guidance provides that interest income is recognized on a cash basis similar to the cost recovery methodology for nonaccrual loans. The net carrying amounts in the preceding schedule also include the amounts for these loans, which were approximately $0.1 million at June 30, 2013 and $12.2 million at December 31, 2012.

ZIONS BANCORPORATION AND SUBSIDIARIES

Changes in the accretable yield for PCI loans were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Balance at beginning of period	$126,359	$174,004	$134,461	$184,679
Accretion	(33,787)	(22,882)	(59,053)	(44,415)
Reclassification from nonaccretable difference	8,312	1,678	23,184	15,547
Disposals and other	3,599	4,240	5,891	1,229
Balance at end of period	$104,483	$157,040	$104,483	$157,040

Note: Amounts have been adjusted based on refinements to the original estimates of the accretable yield. Because of the estimation process required, we expect that additional adjustments to these amounts may be necessary in future periods.

The primary drivers of reclassification to accretable yield from nonaccretable difference and increases in disposals and other resulted primarily from (1) changes in estimated cash flows, (2) unexpected payments on nonaccrual loans, and (3) recoveries on zero balance loans pools. See subsequent discussion under changes in cash flow estimates.

ALLL Determination

For all acquired loans, the ALLL is only established for credit deterioration subsequent to the date of acquisition and represents our estimate of the inherent losses in excess of the book value of acquired loans. The ALLL for acquired loans is determined without giving consideration to the amounts recoverable from the FDIC through loss sharing agreements. These amounts recoverable are separately accounted for in the FDIC indemnification asset ("IA") and are thus presented "gross" in the balance sheet. The FDIC IA is included in other assets in the balance sheet and is discussed subsequently. The ALLL for acquired loans is included in the overall ALLL in the balance sheet. The provision for loan losses is reported net of changes in the amounts recoverable under the loss sharing agreements.

During the three and six months ended June 30, we adjusted the ALLL for acquired loans by recording a provision for loan losses of $2.5 million and $(7.1) million in 2013 and $(6.9) million and $(7.3) million in 2012, respectively. The provision is net of the ALLL reversals discussed subsequently. As separately discussed and in accordance with the loss sharing agreements, portions of the increases to the provision are recoverable from the FDIC and comprise part of the FDIC IA. For the three and six months ended June 30, these adjustments, before FDIC indemnification, resulted in net charge-offs of $0.3 million and net recoveries of $0.6 million in 2013, and net recoveries of $7.8 million and $6.7 million in 2012, respectively.

Changes in the provision for loan losses and related ALLL are driven in large part by the same factors that affect the changes in reclassification from nonaccretable difference to accretable yield, as discussed under changes in cash flow estimates.

Changes in Cash Flow Estimates

Over the life of the loan or loan pool, we continue to estimate cash flows expected to be collected. We evaluate quarterly at the balance sheet date whether the estimated present values of these loans using the effective interest rates have decreased below their carrying values. If so, we record a provision for loan losses.

For increases in carrying values that resulted from better-than-expected cash flows, we use such increases first to reverse any existing ALLL. During the three and six months ended June 30, total reversals to the ALLL were $1.1 million and $10.9 million in 2013 and $7.9 million and $10.6 million in 2012, respectively. When there is no current ALLL, we increase the amount of accretable yield on a prospective basis over the remaining life of the loan and

recognize this increase in interest income. Any related decrease to the FDIC IA is recorded through a charge to other noninterest expense. Changes that increase cash flows have been due primarily to (1) the enhanced economic status of borrowers compared to original evaluations, (2) improvements in the Southern California market where the

ZIONS BANCORPORATION AND SUBSIDIARIES

majority of these loans were originated, and (3) efforts by our credit officers and loan workout professionals to resolve problem loans.

For the three and six months ended June 30, the impact of increased cash flow estimates recognized in the statement of income for acquired loans with no ALLL was approximately $28.4 million and $47.4 million in 2013 and $14.8 million and $27.9 million in 2012, respectively, of additional interest income; and $21.8 million and $42.1 million in 2013 and $11.2 million and $21.2 million in 2012, respectively, of additional other noninterest expense due to the reduction of the FDIC IA.

FDIC Indemnification Asset

In October 2012, the FASB issued ASU 2012-06, Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution, a consensus of the FASB Emerging Issues Task Force. This new guidance under ASC 805, Business Combinations, provides that a change in measurement of the IA due to a change in expected cash flows would be accounted for on the same basis as the change in the indemnified loans. Any amortization period for the changes in value would be limited to the lesser of the term of the indemnification agreement or the remaining life of the indemnified loans. Our existing accounting was substantially similar to this new guidance, and our adoption effective January 1, 2013 did not have a significant impact on our financial position or results of operations.

The amount of the FDIC IA was initially recorded at fair value using estimated cash flows based on credit adjustments for each loan or loan pool and the loss sharing reimbursement of 80% or 95%, as appropriate. The timing of the cash flows was adjusted to reflect our expectations to receive the FDIC reimbursements within the estimated loss period. Discount rates were based on U.S. Treasury rates or the AAA composite yield on investment grade bonds of similar maturity. As previously discussed, the amount is adjusted as actual loss experience is developed and estimated losses covered under the loss sharing agreements are updated. Estimated loan losses, if any, in excess of the amounts recoverable are reflected as period expenses through the provision for loan losses.

Changes in the FDIC IA were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Balance at beginning of period	$71,100	$121,332	$90,929	$133,810
Amounts filed with the FDIC and collected or in process [1]	2,089	12,495	9,760	11,202
Net change in asset balance due to reestimation of projected cash flows [2]	(21,892)	(16,660)	(49,392)	(27,845)
Balance at end of period	$51,297	$117,167	$51,297	$117,167

1 The FDIC’s reimbursement process requires that submitted expenses be paid, not just incurred, to qualify for reimbursement.

2 Negative amounts result from the accretion of loan balances based on increases in cash flow estimates and on prepayments.

Any changes to the FDIC IA are recognized immediately in the quarterly period the change in estimated cash flows is determined. All claims submitted to the FDIC have been reimbursed in a timely manner.

6. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We record all derivatives on the balance sheet at fair value. Note 9 discusses the process to estimate fair value for derivatives. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives used to manage the exposure to credit risk, which can include total return swaps, are considered credit derivatives. When put in place after purchase of the

assets to be protected, these derivatives generally may not be designated as accounting hedges. See discussion following regarding the total return swap and estimation of its fair value.

For derivatives designated as fair value hedges, the effective portion of changes in the fair value of the derivative are recognized in earnings together with changes in the fair value of the related hedged item. The net amount, if any, representing hedge ineffectiveness, is reflected in earnings. In previous periods, we used fair value hedges to manage interest rate exposure to certain long-term debt. These hedges have been terminated and their remaining balances are being amortized to earnings, as discussed subsequently.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded in OCI and recognized in earnings when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized directly in earnings.

No derivatives have been designated for hedges of investments in foreign operations.

We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows on the derivative hedging instrument with the changes in fair value or cash flows on the designated hedged item or transaction. For derivatives not designated as accounting hedges, changes in fair value are recognized in earnings.

Our objectives in using derivatives are to add stability to interest income or expense, to modify the duration of specific assets or liabilities as we consider advisable, to manage exposure to interest rate movements or other identified risks, and/or to directly offset derivatives sold to our customers. To accomplish these objectives, we use interest rate swaps as part of our cash flow hedging strategy. These derivatives are used to hedge the variable cash flows associated with designated loans.

Exposure to credit risk arises from the possibility of nonperformance by counterparties. These counterparties primarily consist of financial institutions that are well established and well capitalized. We control this credit risk through credit approvals, limits, pledges of collateral, and monitoring procedures. No losses on derivative instruments have occurred as a result of counterparty nonperformance. Nevertheless, the related credit risk is considered and measured when and where appropriate.

Our derivative contracts require us to pledge collateral for derivatives that are in a net liability position at a given balance sheet date. Certain of these derivative contracts contain credit-risk-related contingent features that include the requirement to maintain a minimum debt credit rating. We may be required to pledge additional collateral if a credit-risk-related feature were triggered, such as a downgrade of our credit rating. However, in past situations, not all counterparties have demanded that additional collateral be pledged when provided for under their contracts. At June 30, 2013, the fair value of our derivative liabilities was $64.9 million, for which we have pledged cash collateral of approximately $53.6 million in the normal course of business. If our credit rating were downgraded by one notch at June 30, 2013, the additional amount of collateral we could be required to pledge is approximately $2 million.

Interest rate swap agreements designated as cash flow hedges involve the receipt of fixed-rate amounts in exchange for variable-rate payments over the life of the agreements without exchange of the underlying principal amount. Derivatives not designated as accounting hedges, including basis swap agreements, are not speculative and are used to economically manage our exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements.

Selected information with respect to notional amounts and recorded gross fair values at June 30, 2013 and December 31, 2012, and the related gain (loss) of derivative instruments for the three and six months ended June 30, 2013 and 2012 is summarized as follows:

38

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	June 30, 2013 Notional amount	Fair value Other assets	Other liabilities	December 31, 2012 Notional amount	Fair value Other assets	Other liabilities
Derivatives designated as hedging instruments						
Asset derivatives						
Cash flow hedges:						
Interest rate swaps	$50,000	$66	$—	$150,000	$1,188	$—
Total derivatives designated as hedging instruments	50,000	66	—	150,000	1,188	—
Derivatives not designated as hedging instruments						
Interest rate swaps	80,446	685	687	98,524	1,043	1,047
Interest rate swaps for customers [2]	2,782,634	58,706	59,346	2,607,603	79,579	82,926
Total return swap	1,159,686	—	4,829	1,159,686	—	5,127
Total derivatives not designated as hedging instruments	4,022,766	59,391	64,862	3,865,813	80,622	89,100
Total derivatives	$4,072,766	$59,457	$64,862	$4,015,813	$81,810	$89,100

(In thousands)	Three Months Ended June 30, 2013 OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense	Six Months Ended June 30, 2013 OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense
	Amount of derivative gain (loss) recognized/reclassified							
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$(2)	$ 777	$—		$(6)	$ 2,382	$—	
	(2)	777	—		(6)	2,382	—	
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$780				$1,546
Total derivatives designated as hedging instruments	(2)	777	—	780	(6)	2,382	—	1,546
Derivatives not designated as hedging instruments								
Interest rate swaps			(20)				(87)	
Interest rate swaps for customers [2]			4,290				5,748	
Futures contracts			(1)				—	
Total return swap			(5,450)				(11,008)	
			(1,181)				(5,347)	

Total derivatives not designated as hedging instruments								
Total derivatives	$(2)	$ 777	$ (1,181)	$ 780	$(6)	$ 2,382	$ (5,347)	$ 1,546

39

ZIONS BANCORPORATION AND SUBSIDIARIES

	Three Months Ended June 30, 2012				Six Months Ended June 30, 2012			
	Amount of derivative gain (loss) recognized/reclassified							
(In thousands)	OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense	OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$95	$ 3,199	$ —		$306	$ 8,493	$ —	
	95	3,199	—		306	8,493	—	
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$756				1,506
Total derivatives designated as hedging instruments	95	3,199	—	756	306	8,493	—	1,506
Derivatives not designated as hedging instruments								
Interest rate swaps			4				(128)	
Interest rate swaps for customers [2]			(804)				586	
Basis swaps			—				18	
Futures contracts			14				(10)	
Total return swap			(5,450)				(10,900)	
Total derivatives not designated as hedging instruments			(6,236)				(10,434)	
Total derivatives	$95	$ 3,199	$ (6,236)	$756	$306	$ 8,493	$ (10,434)	$1,506

Note: These tables are not intended to present at any given time the Company's long/short position with respect to its derivative contracts.

[1] Amounts recognized in OCI and reclassified from accumulated OCI ("AOCI") represent the effective portion of the derivative gain (loss).

[2] Amounts include both the customer swaps and the offsetting derivative contracts.

[3] Amounts for the three and six months ended June 30 of $0.8 million and $2.4 million in 2013, and $3.2 million and $8.5 million in 2012, respectively, are the amounts of reclassification to earnings from AOCI presented in Note 7.

At June 30, the fair values of derivative assets and liabilities were reduced by net credit valuation adjustments of $2.8 million and $2.2 million in 2013, and $5.0 million and $0.1 million in 2012, respectively. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk.

We offer interest rate swaps to our customers to assist them in managing their exposure to fluctuating interest rates. Upon issuance, all of these customer swaps are immediately "hedged" by offsetting derivative contracts with major dealers, such that the Company minimizes its net risk exposure resulting from such transactions. Fee income from customer swaps is included in other service charges, commissions and fees. As with other derivative instruments, we have credit risk for any nonperformance by counterparties.

The remaining balances of any derivative instruments terminated prior to maturity, including amounts in AOCI for swap hedges, are accreted or amortized to interest income or expense over the period corresponding to their previously stated maturity dates.

Amounts in AOCI are reclassified to interest income as interest is earned on variable rate loans and as amounts for terminated hedges are accreted or amortized to earnings. At June 30, 2013, amounts to be reclassified were not material.

ZIONS BANCORPORATION AND SUBSIDIARIES

Total Return Swap

On July 28, 2010, we entered into a total return swap and related interest rate swaps ("TRS") with Deutsche Bank AG ("DB") relating to a portfolio of $1.16 billion notional amount of our bank and insurance trust preferred CDOs. As a result of the TRS, DB assumed all of the credit risk of this CDO portfolio, providing timely payment of all scheduled payments of interest and principal when contractually due to the Company (without regard to acceleration or deferral events). The transaction reduced regulatory risk-weighted assets and improved the Company's risk-based capital ratios.

The transaction did not qualify for hedge accounting and did not change the accounting for the underlying securities, including the quarterly analysis of OTTI and OCI. As a result, future potential OTTI, if any, associated with the underlying securities may not be offset by any valuation adjustment on the swap in the quarter in which OTTI is recognized, and OTTI changes could result in reductions in our regulatory capital ratios, which could be material.

The fair value of the TRS derivative liability was $4.8 million at June 30, 2013 and $5.1 million at December 31, 2012.

Both the fair values of the securities and the fair value of the TRS are dependent upon the projected credit-adjusted cash flows of the securities. We are able to cancel the transaction with not longer than 90 days' notice. Absent major changes in these projected cash flows, we expect the value of the TRS liability to continue to approximate its June 30, 2013 fair value. We expect to incur subsequent net quarterly costs of approximately $5.5 million under the TRS, including related interest rate swaps and scheduled payments of interest on the underlying CDOs, as long as the TRS remains in place for this CDO portfolio. Our estimated quarterly expense amount would be impacted by, among other things, changes in the composition of the CDO portfolio included in the transaction and changes over time in the forward London Interbank Offered Rate ("LIBOR") rate curve. The Company's costs are also subject to adjustment in the event of future changes in regulatory requirements applicable to DB if we do not then elect to terminate the transaction. Termination by the Company for such regulatory changes applicable to DB will result in no payment by the Company.

At June 30, 2013, we completed a valuation process which resulted in an estimated fair value for the TRS under Level 3. The process utilized valuation inputs from two sources:

1) The Company built on its fair valuation process for the underlying CDO portfolio and utilized those same projected cash flows to quantify the extent and timing of payments to be received from the Trustee related to each CDO and in the aggregate. For valuation purposes, we assumed that a market participant would cancel the TRS at the first opportunity if the TRS did not have a positive value based on the best estimates of cash flows through maturity. Consequently, the fair value approximated the amount of required payments up to the earliest termination date.
2) A valuation from a market participant in possession of all relevant terms and costs of the TRS structure.

We considered the observable input or inputs from the market participant, who is the counterparty to this transaction, as well as the results of our internal modeling in estimating the fair value of the TRS. We expect to continue the use of this methodology in subsequent periods.

7. DEBT AND SHAREHOLDERS' EQUITY

Debt Issuance and Redemptions

During the three and six months ended June 30, 2013 under our senior medium-term note program, we issued notes totaling $49 million and $69 million that have interest rates from 2.75% to 3.30% and mature through May 2018. During the six months ended June 30, 2013, we redeemed at maturity all of the remaining $5 million of short-term notes and $18 million of long-term notes.

ZIONS BANCORPORATION AND SUBSIDIARIES

On June 13, 2013, we issued $300 million of 4.5% senior notes due June 13, 2023, with interest payments commencing December 13, 2013. Net proceeds from this issuance were approximately $297.2 million.

On May 3, 2013, Zions Capital Trust B redeemed all of its 8.0% trust preferred securities, or 11.4 million shares, at 100% of their $25 per share liquidation amount for a total of $285 million. Following our tender offer announced on May 31, 2013, we repurchased on June 18, 2013 approximately $258 million of our $500 million outstanding 7.75% senior notes that were due September 23, 2014. In connection with these debt redemptions, we recorded $40.3 million of debt extinguishment cost that consisted of $22.9 million of the early tender premium and $17.4 million in write-offs of unamortized debt discount and issuance costs.

Subordinated Debt Conversions

During the three and six months ended June 30, 2013, approximately $0.2 million and $1.2 million of convertible subordinated debt was converted into depositary shares each representing a $1/40^{th}$ interest in a share of the Company's preferred stock. These conversions added 1,210 shares of Series C to the Company's preferred stock.

For the six months ended June 30, 2013, in connection with these conversions, the $1.4 million added to preferred stock included the transfer from common stock of $0.2 million of the intrinsic value of the beneficial conversion feature. The amount of this conversion feature was included with common stock at the time of the debt modification. At June 30, 2013, the remaining balance in common stock of this conversion feature was approximately $76.4 million. The balance at par of the convertible subordinated debt was $456.6 million at June 30, 2013. The five largest investor holdings totaled approximately 57% of this amount. The remaining balance of the convertible debt discount was $125.3 million at June 30, 2013.

Preferred Stock Issuances

The following series of noncumulative perpetual preferred stock were issued during the six months ended June 30, 2013 for a total of $599 million. Net of commissions and fees, the proceeds added approximately $588 million to shareholders' equity. The shares qualify as Tier 1 capital. Except for Series I, the shares were registered with the SEC and issuances were in the form of depositary shares.

1. Series I, $300.9 million, fixed/floating rate issued May 17, 2013; dividends payable semiannually at 5.80% on the 15th day of June and December commencing December 15, 2013 to the earliest possible redemption date of June 15, 2023, interest rate then resets to an annual floating rate equal to three-month LIBOR plus 3.80% and dividends become payable quarterly.
2. Series H, $126.2 million, fixed rate issued May 3, 2013; dividends payable quarterly at 5.75% on the 15th day of March, June, September, and December, commencing June 15, 2013; redeemable beginning June 15, 2019.
3. Series G, $171.8 million, fixed/floating rate issued February 7, 2013; dividends payable quarterly at 6.30% on the 15th day of March, June, September, and December commencing June 15, 2013 to the earliest possible redemption date of March 15, 2023, interest rate then resets to an annual floating rate equal to three-month LIBOR plus 4.24%.

These preferred stock issuances, as with our existing preferred stock, are subject to federal regulations pertaining to the payment of dividends, redemptions, and other items.

Accumulated Other Comprehensive Income

Effective January 1, 2013, we adopted ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This new guidance under ASU 220, Comprehensive Income, follows ASUs 2011-12 and 2011-05 and finalizes the reporting requirements for reclassifications out of AOCI. Companies must present reclassifications by component when reporting changes in AOCI. Items reclassified in their entirety out of AOCI to

net income must have the effect of the reclassification disclosed according to the respective income statement line

ZIONS BANCORPORATION AND SUBSIDIARIES

item. Items not reclassified in their entirety must be cross-referenced to other disclosures in the footnotes. The entire reclassification information must be disclosed in one location, either on the face of the financial statements by income statement line item, or in a footnote. We have elected to present the information in a footnote and include the comparable periods for the previous year.

Changes in AOCI by component are as follows:

(In thousands)	Net unrealized gains (losses) on investment securities	Net unrealized gains (losses) on derivative instruments	Pension and post-retirement	Total
Six Months Ended June 30, 2013				
Balance at December 31, 2012	$(397,616)	$1,794	$ (50,335)	$(446,157)
Other comprehensive income (loss) before reclassifications, net of tax	64,440	(3)	—	64,437
Amounts reclassified from AOCI, net of tax	8,590	(1,426)	—	7,164
Other comprehensive income (loss)	73,030	(1,429)	—	71,601
Balance at June 30, 2013	$(324,586)	$365	$ (50,335)	$(374,556)
Six Months Ended June 30, 2012				
Balance at December 31, 2011	$(546,763)	$9,404	$ (54,725)	$(592,084)
Other comprehensive income before reclassifications, net of tax	13,742	177	—	13,919
Amounts reclassified from AOCI, net of tax	7,151	(5,133)	—	2,018
Other comprehensive income (loss)	20,893	(4,956)	—	15,937
Balance at June 30, 2012	$(525,870)	$4,448	$ (54,725)	$(576,147)

(In thousands)	Amounts reclassified from AOCI [1] Three Months Ended June 30,		Six Months Ended June 30,		Statement of income (SI) Balance sheet (BS)	Affected line item
Details about AOCI components	2013	2012	2013	2012		
Net realized gains (losses) on investment securities	$(1,153)	$5,519	$2,146	$6,239	SI	Fixed income securities gains (losses), net
Income tax expense (benefit)	(441)	2,038	821	2,252		
	(712)	3,481	1,325	3,987		
Net unrealized losses on investment securities	(4,217)	(6,967)	(13,932)	(17,176)	SI	Net impairment losses on investment securities
Income tax benefit	(1,668)	(2,665)	(5,384)	(6,570)		
	(2,549)	(4,302)	(8,548)	(10,606)		

Accretion of securities with noncredit-related impairment losses not expected to be sold	(637)	(614)	(981)	(881)	BS	Investment securities, held-to-maturity
Deferred income taxes	(521)	247	(386)	349	BS	Other assets
	$(4,419)	$(1,188)	$(8,590)	$(7,151)		
Net unrealized gains on derivative instruments	$777	$3,199	$2,382	$8,493	SI	Interest and fees on loans
Income tax expense	308	1,267	956	3,360		
	$469	$1,932	$1,426	$5,133		

[1] Negative reclassification amounts indicate decreases to earnings in the statement of income and increases to balance sheet assets. The opposite applies to positive reclassification amounts.

ZIONS BANCORPORATION AND SUBSIDIARIES

Noncontrolling Interests
On June 3, 2013, we removed the entire noncontrolling interest amount of approximately $4.8 million from the Company's balance sheet following settlement with the remaining owner.

Subsequent Events
New Capital Rules, Basel III
In July 2013, the Federal Reserve published final rules establishing a new capital framework for U.S. banking organizations. These new rules implement the Basel Committee's December 2010 framework, commonly referred to as Basel III, and will become effective for the Company on January 1, 2015, with the fully phased-in requirements becoming effective in 2018.
Among other things, the new rules revise capital adequacy guidelines and the regulatory framework for prompt corrective action, and they modify specified quantitative measures of our assets, liabilities, and capital. The impact of these new rules will require the Company to maintain capital in excess of current "well-capitalized" regulatory standards, and in excess of historical levels. We believe the Company and its subsidiary banks would meet the capital adequacy requirements under the new rules on a fully phased-in basis if they were required as of June 30, 2013.
Equity Transactions
On July 24, 2013, we announced our intent to redeem on September 16, 2013 $590 million of our 9.50% Series C Non-Cumulative Perpetual Preferred Stock. This redemption represents 590,000 shares, or 23.6 million depositary shares, at a redemption price of $25 per depositary share. The Federal Reserve did not object to the element of our capital plan, as of the latest modification on May 6, 2013, to redeem up to $800 million of our Series C preferred stock subject to issuing an equivalent amount of new preferred shares. At June 30, 2013, the entire outstanding amount of our Series C preferred stock was approximately $799.5 million.

On August 2, 2013, we issued depositary shares representing $5.9 million aggregate liquidation preference of our Series A Non-Cumulative Perpetual Preferred Stock, consisting of 236,279 depositary shares at a price per depositary share of $21.55 for an aggregate purchase price of $5.1 million. Dividends on this preferred stock are payable at the greater of three-month LIBOR plus 0.52% or 4.0%.

On August 5, 2013, we filed a preliminary prospectus with the SEC with respect to and announced our intent to issue up to approximately $195 million (195,152 shares with a liquidation preference of $1,000 per share) of a new Series J Fixed/Floating Rate Non-Cumulative Perpetual Preferred Stock. If this offering is completed, it is expected that dividends will be payable semiannually at a fixed rate on the 15th day of March and September commencing March 15, 2014 to the earliest possible redemption date of September 15, 2023. The interest rate would then reset to a floating rate equal to three-month LIBOR plus a spread to be determined. The fixed dividend rate and the spread associated with the floating dividend rate will be determined by an online auction process expected to be conducted August 7-8, 2013.

8. INCOME TAXES
The income tax expense rate for the three months ended June 30, 2013 was lower than the tax rate for the same period in 2012 primarily because of the nontaxability of certain income items. The tax rate in 2012 was increased primarily by the nondeductibility of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock during the quarter. The income tax expense rates for the six months ended June 30, 2013 and 2012 were similarly impacted by the previously discussed permanent items.
The balance of net deferred tax assets was approximately $367 million at June 30, 2013 and $406 million at December 31, 2012. We evaluate net deferred tax assets on a regular basis to determine whether an additional valuation allowance is required. Based on this evaluation, and considering the weight of the positive evidence compared to the negative evidence, we have concluded that an additional valuation allowance is not required as of

June 30, 2013.

ZIONS BANCORPORATION AND SUBSIDIARIES

9. FAIR VALUE

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, a hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities; includes U.S. Treasury and other U.S. Government and agency securities actively traded in over-the-counter markets; mutual funds and stock; securities sold, not yet purchased; and certain derivatives.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data; also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency securities; municipal securities; CDO securities; mutual funds and stock; private equity investments; securities sold, not yet purchased; and derivatives.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data. This category generally includes municipal securities; private equity investments; most CDO securities; and the total return swap.

We use fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure for accounting. This is done primarily for AFS and trading investment securities; private equity investments under the equity method of accounting; securities sold, not yet purchased; and derivatives. Fair value is used on a nonrecurring basis to measure certain assets when applying lower of cost or fair value accounting or when adjusting carrying values of certain assets or liabilities, including recognition of impairment on assets. This is done primarily for HTM securities; loans held for sale; impaired loans; other real estate owned ("OREO"); private equity investments carried at cost; goodwill; core deposit and other intangibles; other long-lived assets; and for disclosures of certain financial instruments. ASC 820 presupposes an orderly transaction and precludes the use of blockage factors or liquidity adjustments due to the quantity of securities held by an entity.

Level 3 Valuation Policies and Procedures

Our valuation policies and procedures for Level 3 securities are under the direction of the Securities Valuation and Securitization Oversight Committee ("SOC") comprised of senior and executive members of management in our investment, financial and accounting operations. The SOC is chaired by our chief financial officer and reports to the Audit Committee of the Board of Directors. The major function of the SOC is to develop, review, and approve for use on a quarterly basis the key model inputs, critical valuation assumptions, and proposed discount rates utilized for the valuation of Level 3 securities. The sources of fair value changes are presented to the SOC and attribution analysis are completed when significant changes occur between quarters. SOC procedures require that back testing of certain significant assumptions be provided quarterly. Observers from Risk Management, Internal Audit and other areas attend SOC meetings.

The Model Control Committee ("MCC") is responsible for model validation and related policies. The MCC is separate from the SOC and is part of the Corporate Risk Management department. MCC members are drawn from quantitative experts throughout the Company. The MCC conducts model validations, including the trust preferred CDO internal model discussed subsequently, and sets policies and procedures for revalidation timing.

ZIONS BANCORPORATION AND SUBSIDIARIES

Utilization of Third Party Service Providers

We use third party service providers and third party model outputs to estimate fair value for certain of our AFS securities as follows:

For AFS Level 2 securities, we use a third party pricing service to provide pricing, if available, for securities in the following reporting categories: U.S. Treasury, agencies and corporations (except Federal Agricultural Mortgage Corporation ("FAMC") securities); municipal securities; trust preferred – banks and insurance; and other (including ABS CDOs). At June 30, 2013, the fair value of AFS Level 2 securities for which we obtained pricing from the third party pricing service in these reporting categories amounted to approximately $1.7 billion of the $1.8 billion total of AFS Level 2 securities.

For AFS Level 3 securities, we use other third party service providers to provide pricing, if available, for securities in the following reporting categories: municipal securities, trust preferred – banks and insurance, trust preferred – real estate investment trusts, auction rate, and other (including ABS CDOs). At June 30, 2013, the fair value of AFS Level 3 securities for which we obtained pricing from these third party service providers in these reporting categories amounted to approximately $80 million of the $1.1 billion total of AFS Level 3 securities. In addition, the fair values for approximately $1.0 billion at June 30, 2013 of our AFS Level 3 securities, while internally modeled, include information from third party models. See "Trust preferred CDO internal model" discussed subsequently.

Fair values of the remaining AFS Level 2 and Level 3 securities not valued by pricing from third party services were determined by us using market corroborative data. At June 30, 2013, the Level 2 securities for which we use market corroborative data consisted of approximately $104 million of FAMC securities, $53 million of municipal securities, and $6 million of mutual funds and stock, and the Level 3 securities consisted of $3 million of ABS CDOs. Estimation of the fair values of the FAMC securities included the use of a standard mortgage pass-through calculator that incorporates discounted cash flows, while the municipal securities included the use of a standard form discounted cash flow model with certain inputs adjusted for market conditions.

For AFS Level 2 securities, the third party pricing service provides documentation on an ongoing basis that includes, among other things, pricing information with respect to reference data, methodology, inputs summarized by asset class, pricing application, corroborative information, etc. The documentation includes benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Also included are data from the vendor trading platform. We review, test and validate this information as appropriate.

For AFS Level 3 securities, SOC procedures call for quarterly comparisons of relevant data assumptions used in the models of the other third party service providers. We evaluate these assumptions for reasonableness and compare them with those used in our internal models. These assumptions include, but are not limited to, discount rates, PDs, loss-given-default rates, over-collateralization levels, and rating transition probability matrices from rating agencies. We also compare the model results and valuations with our information about market trends and trading data. This includes information regarding trading prices, implied discounts, outlier information, valuation assumptions, etc.

Because of the timeliness of our involvement, the ongoing exchange of market information, and our agreement on input assumptions, we do not adjust prices from our third party service providers. The procedures discussed previously help ensure that the fair value information received was determined in accordance with applicable accounting guidance.

Available-for-Sale and Trading

AFS and trading investment securities are fair valued under Level 1 using quoted market prices when available for identical securities. When quoted prices are not available, fair values are determined under Level 2 using quoted prices for similar securities or independent pricing services that incorporate observable market data. The largest

ZIONS BANCORPORATION AND SUBSIDIARIES

portion of Level 3 AFS securities include certain CDOs backed by trust preferred securities issued by banks and insurance companies and, to a lesser extent, by REITs.

U.S. Treasury, Agencies and Corporations
Valuation inputs under Level 2 utilized by the third party service provider are discussed previously.

Municipal Securities
Valuation inputs under Level 2 utilized by the third party service provider are discussed previously. We may also include reported trades and material event notices from the Municipal Securities Rulemaking Board, plus new issue data. Municipal securities under Level 3 are fair valued similar to the auction rate securities.

Trust Preferred Collateralized Debt Obligations
Substantially all of the CDO portfolio is fair valued using an income-based cash flow modeling approach incorporating several methodologies that primarily include internal and third party models.
Trust preferred CDO internal model: A licensed third party cash flow model, which requires the Company to input its own key valuation assumptions, is used to estimate fair values of bank and insurance trust preferred CDOs. We utilize a statistical regression of quarterly regulatory ratios that we have identified as predictive of future bank failures to create a credit-specific PD for each bank issuer. The inputs are updated quarterly to include the most recent available financial ratios and the regression formula is updated periodically to utilize those financial ratios that have best predicted bank failures during this credit cycle (“ratio-based approach”). Our ratio-based approach, while generally referencing trailing quarter regulatory data and ratios, seeks to incorporate the most recent available information. Approximately 31% of the bank issuers are public companies included in a third party proprietary reduced form model. The model generates PDs using equity valuation-related inputs along with other macro and issuer-specific inputs. We use the higher of the PD from the third party proprietary reduced form model and the ratio-based approach. For performing collateral, we use a floor PD of 30 basis points (“bps”) for year one for collateral where the higher of the one-year PDs from our ratio based approach and those from the third party proprietary reduced form model would be lower. The short-term 30 bps PD is similar to the PD we would apply if we had direct lending exposures to CDO pool collateral. We use a floor PD of 48 bps each year from years two to five smoothing the step-up to reach a 65 bps minimum PD for year six. We utilize a minimum PD for years six to maturity of 65 bps for bank collateral.

For deferring collateral, effective December 31, 2012 we added to our ratio-based approach a PD overlay model for deferrals. The deferral PD overlay model sorts all deferrals observed within our CDO pools into four “buckets” based on four factors indicative of bank holding company strength at the start of their deferral period. We then assume that the historical failure rate we have observed within our CDO pool for collateral in each bucket will be the future default rate of current deferrals in each bucket. Where the overlay PD of a deferral is higher than the PD identified by our traditional ratio-based PD model, we use the higher overlay PD.

The resulting five-year PDs at June 30, 2013, after adding the PD overlay model, ranged from 100% for the “worst” deferring banks to 11% for the “best” deferring banks. The weighted average assumed loss rate on deferring collateral was 53%. This loss rate is calculated as a percentage of the par amount of deferring collateral within a pool that is expected to default prior to the end of a five-year deferral period. The model includes the expectation that deferrals that do not default will pay their contractually required back interest and return to a current status at the end of five years. Estimates of expected loss for the individual pieces of underlying collateral are aggregated to arrive at a pool-level expected loss rate for each CDO. These loss assumptions are applied to the CDO’s structure to generate cash flow projections for each tranche of the CDO.

ZIONS BANCORPORATION AND SUBSIDIARIES

We utilize a present value technique to identify both the OTTI present in the CDO tranches and to estimate fair value. To determine the credit-related portion of OTTI in accordance with applicable accounting guidance, we use the security specific effective interest rate when estimating the present value of cash flows. We discount the credit-adjusted cash flow of each CDO tranche at a tranche-specific discount rate which reflects the risk that the actual cash flow may vary from the expected credit-adjusted cash flow for that CDO tranche. This rate is consistent with market participants' assumptions, which include market illiquidity, and is applied to credit adjusted cash flows. We follow applicable guidance on illiquid markets such that risk premiums should be reflective of an orderly transaction between market participants under current market conditions. Because these securities are not traded on exchanges and trading prices are not posted on the TRACE® system (Trade Reporting and Compliance Engine®), we also seek information from market participants to obtain trade price information.

The discount rate assumption used for valuation purposes for each CDO tranche is derived from trading yields on publicly traded trust preferred securities and projected PDs on the underlying issuers as well as observed trades in our CDO tranches in accordance with applicable accounting guidance. The data set generally includes one or more publicly-traded trust preferred securities in deferral with regard to the payment of current interest and observed trades in our CDO tranches which appeared to be either orderly (that is, not distressed or forced); or whose orderliness could not be definitively refuted. Trading data is generally limited to a single transaction in each of several of our original AAA-rated tranches and several of our original A-rated tranches. The effective yields on the securities are then used to determine a relationship between the effective yield and expected loss. Expected loss for this purpose is a measure of the variability of cash flows from the mean estimate of cash flow across all Monte Carlo simulations. This relationship is then considered along with other third party or market data in order to identify appropriate discount rates to be applied to the CDOs.

Our June 30, 2013, valuations for bank and insurance tranches utilized a discount rate range of LIBOR + 3.75% for the highest quality/most over-collateralized insurance-only tranches and LIBOR + 21.0% for the lowest credit quality tranche, which included bank collateral, in order to reflect market level assumptions for structured finance securities. For tranches that include bank collateral, the discount rate was at least LIBOR + 5.6% for the highest quality/most over-collateralized tranches. These discount rates are applied to already credit-adjusted cash flows for each tranche. CDO tranches with greater uncertainty in their cash flows are discounted at rates higher than those market participants would use for tranches with more stable expected cash flows (e.g., as a result of more subordination and/or better credit quality in the underlying collateral). The high end of the discount rate spectrum was applied to tranches in which minor changes in default assumption timing produced substantial deterioration in tranche cash flows. These discount rates are applied to credit-adjusted cash flows, which constitute each tranche's expected cash flows; discount rates are not applied to a hypothetical contractual cash flow.

At June 30, 2013, the discount rates utilized for fair value purposes for tranches that include bank collateral were:

1)LIBOR + 5.6% for all first priority original AAA-rated bonds;
2)LIBOR + 5.6% to 6.3% and averaged LIBOR + 5.7% for lower priority original AAA-rated bonds;
3)LIBOR + 5.9% to 16.2% and averaged LIBOR + 8.7% for original A-rated bonds; and
4)LIBOR + 9.2% to 21.0% and averaged LIBOR + 16.3% for original BBB-rated bonds.

Accordingly, the wide difference between the effective interest rate used in the determination of the credit component of OTTI and the discount rate on the CDOs used in the determination of fair value results in the unrealized losses. The discount rate used for fair value purposes significantly exceeds the effective interest rate for the CDOs. The differences average approximately 5% for the original AAA-rated CDO tranches, 7% for the original A-rated CDO tranches, and 14% for the original BBB-rated CDO tranches. With the exception of certain of the most senior CDOs, most of the principal payments are not expected prior to the final maturity

date, which is generally 2029 or later. High market discount rates and the long maturities of the CDO tranches result in full principal repayment contributing little to CDO tranche fair values.
REIT and ABS CDOs – third party models: Certain of these CDOs are fair valued by third party services using their proprietary models. See the previous discussion that describes the procedures we employ to evaluate the fair values from third party services for AFS Level 3 securities. Also see the subsequent discussion regarding key model inputs and assumptions.

Auction Rate Securities
Our market approach methodology includes various data inputs, including AAA municipal and corporate bond yield curves, credit ratings and leverage of each closed-end fund, and market yields for municipal bonds and commercial paper.

Private Equity Investments
Management who are familiar with our private equity investments, including investment officers, controllers, etc., review quarterly the financial statements and other information for each investment. The Other Equity Investments Committee, consisting of the chief executive officer, the chief financial officer, and the chief investment officer, review periodically for reasonableness the financial information for these investments. This includes oversight of the review of audited financial statements that are available for nearly all of the underlying investments. The amount of unfunded commitments to these partnerships is disclosed in Note 10. Generally, redemption is available annually.

Private equity investments valued under Level 2 on a recurring basis are investments in partnerships that invest in certain financial services and real estate companies, some of which are publicly traded. Fair values are determined from net asset values, or their equivalents, provided by the partnerships. These fair values are determined on the last business day of the month using values from the primary exchange. In the case of illiquid or nontraded assets, the partnerships obtain fair values from independent sources.

Private equity investments valued under Level 3 on a recurring basis are recorded initially at acquisition cost, which is considered the best indication of fair value unless there have been material subsequent positive or negative developments that justify an adjustment in the fair value estimate. Subsequent adjustments to recorded fair values are based as necessary on current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors.

Derivatives
Derivatives are fair valued according to their classification as either exchange-traded or over-the-counter ("OTC"). Exchange-traded derivatives consist of forward currency exchange contracts that have been fair valued under Level 1 because they are traded in active markets. OTC derivatives, including those for customers, consist of interest rate swaps and options. These derivatives are fair valued under Level 2 using third party services. Observable market inputs include yield curves (the LIBOR swap curve and applicable basis swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk. These adjustments are determined generally by applying a credit spread for the counterparty or the Company as appropriate to the total expected exposure of the derivative. Amounts disclosed in the following schedules differ from the presentation in Note 6 in that they include the foreign currency exchange contracts. The estimation of fair value of the TRS is discussed in Note 6.

Securities Sold, Not Yet Purchased

Securities sold, not yet purchased are fair valued under Level 1 when quoted prices are available for the securities involved. Any of these securities under Level 2 are fair valued similar to trading account investment securities.

ZIONS BANCORPORATION AND SUBSIDIARIES

Quantitative Disclosure of Fair Value Measurements

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

(In thousands)	June 30, 2013			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$38,498	$1,744,132		$1,782,630
Municipal securities		52,835	$13,544	66,379
Asset-backed securities:				
Trust preferred – banks and insurance			1,030,293	1,030,293
Trust preferred – real estate investment trusts			18,499	18,499
Auction rate			6,554	6,554
Other (including ABS CDOs)		3,147	17,324	20,471
Mutual funds and stock	262,816	5,753		268,569
	301,314	1,805,867	1,086,214	3,193,395
Trading account		26,385		26,385
Other noninterest-bearing investments:				
Private equity		5,128	75,517	80,645
Other assets:				
Derivatives:				
Interest rate related and other		1,584		1,584
Interest rate swaps for customers		58,706		58,706
Foreign currency exchange contracts	12,227			12,227
	12,227	60,290		72,517
	$313,541	$1,897,670	$1,161,731	$3,372,942
LIABILITIES				
Securities sold, not yet purchased	$15,799			$15,799
Other liabilities:				
Derivatives:				
Interest rate related and other		$687		687
Interest rate swaps for customers		59,346		59,346
Foreign currency exchange contracts	10,648			10,648
Total return swap			$4,829	4,829
	10,648	60,033	4,829	75,510
Other			289	289
	$26,447	$60,033	$5,118	$91,598

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2012			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$102,982	$1,692,637		$1,795,619
Municipal securities		59,445	$16,551	75,996
Asset-backed securities:				
Trust preferred – banks and insurance		121	949,271	949,392
Trust preferred – real estate investment trusts			16,403	16,403
Auction rate			6,515	6,515
Other (including ABS CDOs)		4,214	15,160	19,374
Mutual funds and stock	219,214	8,797		228,011
	322,196	1,765,214	1,003,900	3,091,310
Trading account		28,290		28,290
Other noninterest-bearing investments:				
Private equity		5,132	64,223	69,355
Other assets:				
Derivatives:				
Interest rate related and other		2,850		2,850
Interest rate swaps for customers		79,579		79,579
Foreign currency exchange contracts	4,404			4,404
	4,404	82,429		86,833
	$326,600	$1,881,065	$1,068,123	$3,275,788
LIABILITIES				
Securities sold, not yet purchased	$26,735			$26,735
Other liabilities:				
Derivatives:				
Interest rate related and other		$1,142		1,142
Interest rate swaps for customers		82,926		82,926
Foreign currency exchange contracts	3,159			3,159
Total return swap			$5,127	5,127
	3,159	84,068	5,127	92,354
Other			124	124
	$29,894	$84,068	$5,251	$119,213

No transfers of assets and liabilities occurred among Levels 1, 2 or 3 for the three and six months ended June 30, 2013 and 2012.

Key Model Inputs and Assumptions

Key model unobservable input assumptions used to fair value certain asset-backed securities by class under Level 3 include the following at June 30, 2013:

ZIONS BANCORPORATION AND SUBSIDIARIES

(Dollars in thousands)	Fair value at June 30, 2013		Valuation approach	Constant default rate ("CDR")	Loss severity	Prepayment rate
Asset-backed securities:						
Trust preferred – predominantly banks	$879,765		Income	Pool specific [3]	100%	Pool specific [7]
Trust preferred – predominantly insurance	279,678		Income	Pool specific [4]	100%	5% per year
Trust preferred – individual banks	22,081		Market			
	1,181,524	1				
Trust preferred – real estate investment trusts	18,499		Income	Pool specific [5]	60-100%	0% per year
Other (including ABS CDOs)	29,126	2	Income	Collateral specific [6]	70-100%	Collateral weighted average life

[1] Includes $1,030.3 million of AFS securities and $151.2 million of HTM securities.
[2] Includes $17.3 million of AFS securities and $11.8 million of HTM securities.
[3] CDR ranges: yr 1 – 0.30% to 2.84%; yrs 2-5 – 0.49% to 1.02%; yrs 6 to maturity – 0.58% to 0.69%.
[4] CDR ranges: yr 1 – 0.30% to 0.32%; yrs 2-5 – 0.47% to 0.48%; yrs 6 to maturity – 0.50% to 0.54%.
[5] CDR ranges: yr 1 – 4.3% to 7.8%; yrs 2-3 – 4.7% to 5.6%; yrs 4-6 – 1.0%; yrs 6 to maturity – 0.50%.
[6] These are predominantly ABS CDOs whose collateral is rated. CDR and loss severities are built up from the loan level and vary by collateral ratings, asset class, and vintage.
[7] Constant Prepayment Rate ("CPR") ranges: 9.0% to 21.67% annually until 2016; 2016 to maturity – 3.0% annually.

The fair value of the Level 3 bank and insurance CDO portfolio would generally be adversely affected by significant increases in the CDR for performing collateral, the loss percentage expected from deferring collateral, and the discount rate used. The fair value of the portfolio would generally be positively affected by increases in interest rates and prepayment rates. For a specific tranche within a CDO, the directionality of the fair value change for a given assumption change may differ depending on the seniority level of the tranche. For example, faster prepayment may increase the fair value of a senior most tranche of a CDO while decreasing the fair value of a more junior tranche.

The following presents the percentage of total fair value of predominantly bank trust preferred CDOs by vintage year (origination date) according to original rating:
(Dollars in thousands)

Vintage year	Fair value at June 30, 2013	Percentage of total fair value according to original rating						Percentage of total fair value by vintage	
		AAA		A		BBB			
2001	$38,859	3.3	%	1.1	%	0.1	%	4.5	%
2002	205,060	20.4		2.9		—		23.3	
2003	324,921	22.8		14.1		—		36.9	
2004	192,080	7.9		13.9		—		21.8	
2005	17,453	1.1		0.9		—		2.0	
2006	62,613	2.8		3.9		0.4		7.1	
2007	38,779	4.4		—		—		4.4	
	$879,765	62.7	%	36.8	%	0.5	%	100.0	%

Reconciliation of Level 3 Fair Value Measurements
The following reconciles the beginning and ending balances of assets and liabilities that are measured at fair value by class on a recurring basis using Level 3 inputs:

52

ZIONS BANCORPORATION AND SUBSIDIARIES

	Level 3 Instruments Three Months Ended June 30, 2013							
(In thousands)	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at March 31, 2013	$17,043	$1,003,102	$17,306	$6,524	$ 15,393	$ 69,706	$ (4,875)	$ (195)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale		797	63		9			
Dividends and other investment income						2,160		
Fair value and nonhedge derivative loss							(5,450)	
Equity securities gains, net						1,340		
Fixed income securities gains (losses), net	15	(1,190)			14			
Net impairment losses on investment securities		(4,047)	(170)					
Other noninterest expense								(94)
Other comprehensive income	197	52,312	1,300	30	1,972			
Purchases						2,882		
Sales		(7,015)				(387)		
Redemptions and paydowns	(3,711)	(13,666)			(64)	(184)	5,496	
Balance at June 30, 2013	$13,544	$1,030,293	$18,499	$6,554	$ 17,324	$ 75,517	$ (4,829)	$ (289)

	Level 3 Instruments Six Months Ended June 30, 2013							
(In thousands)	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at December 31, 2012	$16,551	$949,271	$16,403	$6,515	$ 15,160	$ 64,223	(5,127)	$ (124)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	21	1,612	126	1	14			

Dividends and other investment income						5,149		
Fair value and nonhedge derivative loss							(11,008)	
Equity securities gains, net						3,739		
Fixed income securities gains, net	36	2,036			44			
Net impairment losses on investment securities		(13,761)	(170)					
Other noninterest expense								(165)
Other comprehensive income	922	130,962	2,140	38	4,623			
Purchases						3,841		
Sales		(7,015)				(1,120)		
Redemptions and paydowns	(3,986)	(32,812)			(2,517)	(315)	11,306	
Balance at June 30, 2013	$13,544	$1,030,293	$18,499	$6,554	$ 17,324	$ 75,517	$(4,829)	$(289)

53

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Level 3 Instruments Three Months Ended June 30, 2012 Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at March 31, 2012	$17,109	$935,870	$16,000	$40,873	$ 40,322	$ 134,746	$ (5,218)	$ (205)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	21	2,475	61	1	80			
Dividends and other investment income						6,820		
Fair value and nonhedge derivative loss							(5,450)	
Equity securities losses, net						(10,086)		
Fixed income securities gains, net		3,224		2,246				
Net impairment losses on investment securities		(6,967)						
Other noninterest expense								84
Other comprehensive income (loss)	(595)	3,534	(1,630)	546	569			
Purchases						4,397		
Sales						(9,064)		
Redemptions and paydowns	(175)	(11,686)		(36,500)	(305)	(5,325)	5,331	
Balance at June 30, 2012	$16,360	$926,450	$14,431	$7,166	$ 40,666	$ 121,488	$ (5,337)	$ (121)

(In thousands)	Level 3 Instruments Six Months Ended June 30, 2012 Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at December 31, 2011	$17,381	$929,356	$18,645	$70,020	$ 43,546	$ 128,348	$ (5,422)	$ (86)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities	64	5,028	101	2	160			

available-for-sale								
Dividends and other investment income						8,559		
Fair value and nonhedge derivative loss							(10,900)	
Equity securities losses, net						(625)		
Fixed income securities gains, (losses), net		7,776		4,134	(5,773)			
Net impairment losses on investment securities		(17,176)						
Other noninterest expense								(35)
Other comprehensive income (loss)	(635)	33,733	(4,315)	1,335	5,883			
Purchases						7,379		
Sales						(14,718)		
Redemptions and paydowns	(450)	(32,267)		(68,325)	(3,150)	(7,455)	10,985	
Balance at June 30, 2012	$16,360	$926,450	$14,431	$7,166	$40,666	$121,488	$(5,337)	$(121)

ZIONS BANCORPORATION AND SUBSIDIARIES

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Dividends and other investment income (loss)	$(60)	$3,859	$(45)	$4,516
Fixed income securities gains (losses), net	(1,161)	5,470	2,116	6,137
Equity securities gains, net	—	10,417	—	10,359

Nonrecurring Fair Value Measurements
Included in the balance sheet amounts are the following amounts of assets that had fair value changes measured on a nonrecurring basis.

(In thousands)	Fair value at June 30, 2013				Fair value at December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
HTM securities adjusted for OTTI	$—	$—	$—	$—	$—	$—	$23,524	$23,524
Impaired loans	—	4,904	—	4,904	—	3,789	—	3,789
Private equity investments, carried at cost	—	—	5,092	5,092	—	—	13,520	13,520
Other real estate owned	—	57,502	—	57,502	—	58,954	—	58,954
	$—	$62,406	$5,092	$67,498	$—	$62,743	$37,044	$99,787

(In thousands)	Gains (losses) from fair value changes			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
ASSETS				
HTM securities adjusted for OTTI	$—	$(341)	$(403)	$(341)
Impaired loans	(832)	(640)	(1,566)	(3,041)
Private equity investments, carried at cost	(609)	(170)	(1,429)	(1,752)
Other real estate owned	(2,156)	(6,429)	(6,468)	(12,416)
	$(3,597)	$(7,580)	$(9,866)	$(17,550)

HTM securities adjusted for OTTI were fair valued according to the methodology discussed elsewhere herein. Private equity investments carried at cost were fair valued according to the methodology discussed previously under Private Equity Investments. In previous reporting periods, the disclosure of private equity investments carried at cost was included with the private equity investments under the equity method of accounting. This revised disclosure had no effect on the Company’s financial statements or results of operations in the prior year periods. The amounts of private equity investments carried at cost were $59.3 million at June 30, 2013 and $74.8 million at December 31, 2012. Additionally, the amounts of other noninterest-bearing investments carried at cost were $226.2 million at June 30, 2013 and $232.5 million at December 31, 2012, which were comprised of Federal Reserve and Federal Home Loan Bank stock.

During the three and six months ended June 30, we recognized net gains of $2.1 million and $6.3 million in 2013 and $2.9 million and $5.8 million in 2012, respectively, from the sale of OREO properties that had a carrying value at the

time of sale of approximately $38.7 million and $84.7 million during the six months ended June 30, 2013 and 2012, respectively. Previous to their sale in these periods, we recognized impairment on these properties of $0.3 million and $0.4 million in 2013 and $3.2 million and $3.9 million in 2012, respectively.

55

ZIONS BANCORPORATION AND SUBSIDIARIES

Impaired (or nonperforming) loans that are collateral-dependent are fair valued under Level 2 based on the fair value of the collateral. OREO is fair valued under Level 2 at the lower of cost or fair value based on property appraisals at the time the property is recorded in OREO and as appropriate thereafter.

Measurement of impairment for collateral-dependent loans and OREO is based on third party appraisals that utilize one or more valuation techniques (income, market and/or cost approaches). Any adjustments to calculated fair value are made based on recently completed and validated third party appraisals, third party appraisal services, automated valuation services, or our informed judgment. Evaluations are made to determine that the appraisal process meets the relevant concepts and requirements of applicable accounting guidance.

Automated valuation services may be used primarily for residential properties when values from any of the previous methods were not available within 90 days of the balance sheet date. These services use models based on market, economic, and demographic values. The use of these models has only occurred in a very few instances and the related property valuations have not been sufficiently significant to consider disclosure under Level 3 rather than Level 2.

Impaired loans not collateral-dependent are fair valued based on the present value of future cash flows discounted at the expected coupon rates over the lives of the loans. Because the loans were not discounted at market interest rates, the valuations do not represent fair value and have been excluded from the nonrecurring fair value balance in the preceding schedules.

Fair Value of Certain Financial Instruments
Following is a summary of the carrying values and estimated fair values of certain financial instruments:

(In thousands)	June 30, 2013		December 31, 2012	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
HTM investment securities	$783,371	$734,292	$756,909	$674,741
Loans and leases (including loans held for sale), net of allowance	37,538,652	37,419,383	37,020,811	37,024,198
Financial liabilities:				
Time deposits	2,810,431	2,825,093	2,962,931	2,988,714
Foreign deposits	1,514,270	1,513,920	1,804,060	1,803,625
Other short-term borrowings	—	—	5,409	5,421
Long-term debt (less fair value hedges)	2,166,932	2,405,548	2,329,323	2,636,422

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

HTM investment securities primarily consist of municipal securities and bank and insurance trust preferred CDOs. HTM municipal securities are fair valued under Level 3 using a standard form discounted cash flow model as discussed previously and the valuation inputs described under auction rate securities. HTM bank and insurance trust preferred CDOs are fair valued using the internal model previously described.

ZIONS BANCORPORATION AND SUBSIDIARIES

The fair value of loans is estimated according to their status as nonimpaired or impaired. For nonimpaired loans, the fair value is estimated by discounting future cash flows using the LIBOR yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. These future cash flows are then reduced by the estimated "life-of-the-loan" aggregate credit losses in the loan portfolio. These adjustments for lifetime future credit losses incorporate many of the inputs used to estimate the ALLL for our loan portfolio and are adjusted quarterly as necessary to reflect the most recent loss experience. Impaired loans are already considered to be held at fair value, except those whose fair value is determined by discounting cash flows, as discussed previously. See Impaired Loans in Note 5 for details on the impairment measurement method for impaired loans. Loans, other than those held for sale, are not normally purchased and sold by the Company, and there are no active trading markets for most of this portfolio. Accordingly, our estimates of fair value for loans are categorized as Level 3.

The fair values of time and foreign deposits, other short-term borrowings, and long-term debt are estimated under Level 2. Time and foreign deposits, and other short-term borrowings, are fair valued by discounting future cash flows using the LIBOR yield curve to the given maturity dates. Long-term debt is fair valued based on actual market trades (i.e., an asset value) when available, or discounting cash flows to maturity using the LIBOR yield curve adjusted for credit spreads.

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

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

10. COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Commitments and Guarantees

Contractual amounts of off-balance sheet financial instruments used to meet the financing needs of our customers are as follows:

(In thousands)	June 30, 2013	December 31, 2012
Unfunded commitments to extend credit	$15,003,402	$14,277,347
Standby letters of credit:		
Financial	818,076	774,427
Performance	212,369	190,029
Commercial letters of credit	93,954	91,978

The Company's 2012 Annual Report on Form 10-K contains further information about these commitments and guarantees including their terms and collateral requirements. At June 30, 2013, the Company had recorded approximately $10.8 million as a liability for the guarantees associated with the standby letters of credit, which consisted of $6.7 million attributable to the RULC and $4.1 million of deferred commitment fees.

At June 30, 2013, the Parent has guaranteed $15 million of debt of affiliated trusts issuing trust preferred securities. In connection with the redemption on May 3, 2013 of all of the $285 million of Zions Capital Trust B trust preferred securities, as discussed in Note 7, the Parent canceled its guarantee for these securities.

At June 30, 2013, we had unfunded commitments for private equity and other noninterest-bearing investments of $30.9 million. These obligations have no stated maturity.

ZIONS BANCORPORATION AND SUBSIDIARIES

Legal Matters

We are subject to litigation in court and arbitral proceedings, as well as proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies. At any given time, litigation may relate to lending, deposit and other customer relationships, vendor and contractual issues, employee matters, intellectual property matters, personal injuries and torts, regulatory and legal compliance, and other matters. While most matters relate to individual claims, we are also subject to putative class action claims and similar broader claims. Current putative class actions and similar claims include the following:

- a complaint relating to allegedly wrongful acts in our processing of overdraft fees on debit card transactions in which the plaintiffs seek monetary awards on the basis of various common law claims, Barlow, et. al. v. Zions First National Bank and Zions Bancorporation, pending in the United States District Court for the District of Utah;
- a complaint relating to our banking relationships with customers that allegedly engaged in wrongful telemarketing practices in which the plaintiff seeks a trebled monetary award under the federal RICO Act, Reyes v. Zions First National Bank, et. al., pending in the United States District Court for the Eastern District of Pennsylvania; and
- a complaint arising from our banking relationships with Frederick Berg and a number of investment funds controlled by him using the “Meridian” brand name, in which the liquidating trustee for the funds seeks an award from us, on the basis of aiding and abetting liability, for monetary damages suffered by victims of a fraud allegedly perpetrated by Berg, In re Consolidated Meridian Funds a/k/a Meridian Investors Trust, Mark Calvert as Liquidating Trustee, et. al. vs. Zions Bancorporation and The Commerce Bank of Washington, N.A., pending in the United States Bankruptcy Court for the Western District of Washington.

In the second quarter of 2013, the parties to the Barlow case reached an agreement in principle to settle, which covers all of our affiliates alleged to have engaged in wrongful processing. The amount of the settlement is reflected in our accruals for legal losses as of June 30, 2013. The settlement is subject to definitive documentation and court approval. Another overdraft case, Sadlier, et. al. v. National Bank of Arizona, brought in the Superior Court for the State of Arizona, County of Maricopa, was dismissed with prejudice in the second quarter of 2013.

Discovery has been completed in the Reyes case, but has not commenced in the Meridian Funds case. Motions for and against class certification have been made in the Reyes case, but the court has not yet ruled on the issue.

At any given time, proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies may relate to our banking, investment advisory, trust, securities, and other products and services; our customers’ involvement in money-laundering, fraud, securities violations and other illicit activities or our policies and practices relating to such customer activities; and our compliance with the broad range of banking, securities and other laws and regulations applicable to us. At any given time, we may be in the process of responding to subpoenas, requests for documents, data and testimony relating to such matters and engaging in discussions to resolve the matters. Significant investigations and similar inquiries to which we are currently subject relate to:

- possible money laundering activities of a customer of one of our banking subsidiaries and the anti-money laundering practices of that bank (conducted by the United States Attorneys Office for the Southern District of New York); and
- the practices of our subsidiary, Zions Bank; our former subsidiary, NetDeposit, LLC; and possibly other of our affiliates relating primarily to payment processing for allegedly fraudulent telemarketers connected with the Reyes case noted previously (conducted by the United States Attorney’s Office for the Eastern District of Pennsylvania).

ZIONS BANCORPORATION AND SUBSIDIARIES

In the second quarter of 2013, the SEC advised us that they had determined not to take action against us as a result of its investigation into the practices of our subsidiary, Contango Capital Advisors, Inc., relative to certain investment products acquired by Contango clients from sponsors and issuers unaffiliated with us.

At least quarterly, we review outstanding and new legal matters, utilizing then available information. In accordance with applicable accounting guidance, if we determine that a loss from a matter is probable and the amount of the loss can be reasonably estimated, we establish an accrual for the loss. In the absence of such a determination, no accrual is made. Once established, accruals are adjusted to reflect developments relating to the matters.

In our review, we also assess whether we can determine the range of reasonably possible losses for significant matters in which we are unable to determine that the likelihood of a loss is remote. Because of the difficulty of predicting the outcome of legal matters, discussed subsequently, we are able to estimate such a range only for a limited number of matters. We currently estimate the aggregate range of reasonably possible losses for those matters to be from $0 million to not more than $50 million in excess of amounts accrued. This estimated range of reasonably possible losses is based on information currently available as of June 30, 2013. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate. Those matters for which an estimate is not possible are not included within this estimated range and, therefore, this estimated range does not represent our maximum loss exposure.

Based on our current knowledge, we believe that our current estimated liability for litigation and other legal actions and claims, reflected in our accruals and determined in accordance with applicable accounting guidance, is adequate and that liabilities in excess of the amounts currently accrued, if any, arising from litigation and other legal actions and claims for which an estimate as previously described is possible, will not have a material impact on our financial condition, results of operations, or cash flows. However, in light of the significant uncertainties involved in these matters, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to our financial condition, results of operations, or cash flows for any given reporting period.

Any estimate or determination relating to the future resolution of litigation, arbitration, governmental or self-regulatory examinations, investigations or actions or similar matters is inherently uncertain and involves significant judgment. This is particularly true in the early stages of a legal matter, when legal issues and facts have not been well articulated, reviewed, analyzed, and vetted through discovery, preparation for trial or hearings, substantive and productive mediation or settlement discussions, or other actions. It is also particularly true with respect to class action and similar claims involving multiple defendants, matters with complex procedural requirements or substantive issues or novel legal theories, and examinations, investigations and other actions conducted or brought by governmental and self-regulatory agencies, in which the normal adjudicative process is not applicable. Accordingly, we usually are unable to determine whether a favorable or unfavorable outcome is remote, reasonably likely, or probable, or to estimate the amount or range of a probable or reasonably likely loss, until relatively late in the course of a legal matter, sometimes not until a number of years have elapsed. Accordingly, our judgments and estimates relating to claims will change from time to time in light of developments and actual outcomes will differ from our estimates. These differences may be material.

ZIONS BANCORPORATION AND SUBSIDIARIES

11. RETIREMENT PLANS

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

(In thousands)	Pension benefits		Supplemental retirement benefits		Postretirement benefits		Pension benefits		Supplemental retirement benefits		Postretirement benefits	
	Three Months Ended June 30,						Six Months Ended June 30,					
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Service cost	$—	$13	$—	$—	$8	$9	$—	$25	$—	$—	$16	$18
Interest cost	1,739	1,892	101	115	10	12	3,478	3,783	202	230	20	23
Expected return on plan assets	(3,027)	(2,827)					(6,055)	(5,654)				
Amortization of prior service cost (credit)			31	31	(37)	(61)			62	62	(75)	(122)
Amortization of net actuarial (gain) loss	2,157	2,345	17	(28)	(19)	(22)	4,315	4,691	35	(57)	(38)	(43)
Net periodic benefit cost (credit)	$869	$1,423	$149	$118	$(38)	$(62)	$1,738	$2,845	$299	$235	$(77)	$(124)

As disclosed in the Company's 2012 Annual Report on Form 10-K, the Company has frozen its participation and benefit accruals for the pension plan and its contributions for individual benefit payments in the postretirement benefit plan.

12. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of June 30, 2013, we operate eight community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. Zions Bank operates 101 branches in Utah and 26 branches in Idaho. CB&T operates 101 branches in California. Amegy operates 84 branches in Texas. NBAZ operates 72 branches in Arizona. NSB operates 51 branches in Nevada. Vectra operates 38 branches in Colorado and one branch in New Mexico. TCBW operates one branch in the state of Washington. TCBO operates one branch in Oregon.

The operating segment identified as "Other" includes the Parent, Zions Management Services Company ("ZMSC"), certain nonbank financial service subsidiaries, TCBO, and eliminations of transactions between segments. The Parent's operations are significant to the Other segment. Net interest income is substantially affected by the Parent's interest on long-term debt. Net impairment losses on investment securities relate to the Parent. ZMSC provides internal technology and operational services to affiliated operating businesses of the Company. ZMSC charges most of its costs to the affiliates on an approximate break-even basis.

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

ZIONS BANCORPORATION AND SUBSIDIARIES

The following table presents selected operating segment information for the three months ended June 30, 2013 and 2012:

(In millions)	Zions Bank		CB&T		Amegy		NBAZ		NSB	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
CONDENSED INCOME STATEMENT										
Net interest income	$150.8	$166.1	$122.6	$117.2	$94.0	$91.4	$41.4	$41.4	$28.6	$31.0
Provision for loan losses	(10.7)	20.4	(3.0)	(3.8)	5.7	(8.9)	(4.7)	2.5	(8.7)	(1.6)
Net interest income after provision for loan losses	161.5	145.7	125.6	121.0	88.3	100.3	46.1	38.9	37.3	32.6
Net impairment losses on investment securities	—	(0.2)	—	—	—	—	—	—	—	—
Loss on sale of investment securities to Parent	—	—	—	—	—	—	—	—	—	—
Other noninterest income	54.2	51.1	19.7	19.1	35.5	44.3	8.8	7.9	9.7	8.6
Noninterest expense	128.0	125.5	94.5	84.4	91.9	86.8	35.4	38.1	34.2	34.4
Income (loss) before income taxes	87.7	71.1	50.8	55.7	31.9	57.8	19.5	8.7	12.8	6.8
Income tax expense (benefit)	32.1	25.2	19.9	22.2	10.6	18.8	7.4	3.4	4.4	2.4
Net income (loss)	$55.6	$45.9	$30.9	$33.5	$21.3	$39.0	$12.1	$5.3	$8.4	$4.4
AVERAGE BALANCE SHEET DATA										
Total assets	$17,522	$17,330	$10,823	$10,880	$13,215	$12,081	$4,620	$4,457	$4,064	$4,171
Cash and due from banks	352	377	165	174	273	259	71	70	82	89
Money market investments	2,949	2,538	1,237	1,148	2,676	2,395	433	610	956	996
Total securities	1,311	1,369	334	345	313	338	300	280	780	784
Total loans	12,363	12,402	8,287	8,350	8,790	7,997	3,612	3,280	2,124	2,169
Total deposits	15,234	14,814	9,231	9,219	10,798	9,595	3,918	3,721	3,625	3,626
Shareholder’s equity:										

Preferred equity	280	480	162	248	251	410	180	275	113	242
Common equity	1,533	1,430	1,319	1,291	1,776	1,661	407	358	304	279
Noncontrolling interests	—	—	—	—	—	—	—	—	—	—
Total shareholder's equity	1,813	1,910	1,481	1,539	2,027	2,071	587	633	417	521

	Vectra		TCBW		Other		Consolidated Company	
	2013	2012	2013	2012	2013	2012	2013	2012
CONDENSED INCOME STATEMENT								
Net interest income	$25.1	$28.5	$6.8	$6.9	$(38.6)	$(56.2)	$430.7	$426.3
Provision for loan losses	(0.8)	1.4	0.1	0.8	0.1	—	(22.0)	10.8
Net interest income after provision for loan losses	25.9	27.1	6.7	6.1	(38.7)	(56.2)	452.7	415.5
Net impairment losses on investment securities	—	—	—	—	(4.2)	(7.1)	(4.2)	(7.3)
Loss on sale of investment securities to Parent	—	—	—	—	—	—	—	—
Other noninterest income	6.1	5.7	1.0	0.9	(5.7)	(1.6)	129.3	136.0
Noninterest expense	25.5	24.7	3.9	4.3	38.3	3.5	451.7	401.7
Income (loss) before income taxes	6.5	8.1	3.8	2.7	(86.9)	(68.4)	126.1	142.5
Income tax expense (benefit)	2.1	2.7	1.3	0.9	(34.7)	(24.6)	43.1	51.0
Net income (loss)	$4.4	$5.4	$2.5	$1.8	$(52.2)	$(43.8)	$83.0	$91.5
AVERAGE BALANCE SHEET DATA								
Total assets	$2,529	$2,380	$836	$871	$1,055	$720	$54,664	$52,890
Cash and due from banks	50	51	19	20	(12)	(14)	1,000	1,026
Money market investments	78	34	103	161	220	(96)	8,652	7,786
Total securities	184	220	107	120	539	445	3,868	3,901
Total loans	2,138	1,993	595	557	62	69	37,971	36,817
Total deposits	2,165	2,029	703	721	(689)	(783)	44,985	42,942

Shareholder’s equity:								
Preferred equity	70	70	3	13	460	93	1,519	1,831
Common equity	237	208	84	78	(558)	(592)	5,102	4,713
Noncontrolling interests	—	—	—	—	(3)	(2)	(3)	(2)
Total shareholder’s equity	307	278	87	91	(101)	(501)	6,618	6,542

ZIONS BANCORPORATION AND SUBSIDIARIES

The following table presents selected operating segment information for the six months ended June 30, 2013 and 2012:

(In millions)	Zions Bank		CB&T		Amegy		NBAZ		NSB	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
CONDENSED INCOME STATEMENT										
Net interest income	$302.3	$333.7	$237.2	$234.4	$189.4	$186.9	$81.9	$83.4	$56.0	$62.2
Provision for loan losses	(8.9)	60.9	(9.8)	(6.7)	(8.1)	(32.2)	(4.7)	9.0	(8.9)	(8.3)
Net interest income after provision for loan losses	311.2	272.8	247.0	241.1	197.5	219.1	86.6	74.4	64.9	70.5
Net impairment losses on investment securities	—	(0.2)	—	—	—	—	—	—	—	—
Loss on sale of investment securities to Parent	—	—	—	(9.2)	—	—	—	—	—	—
Other noninterest income	104.5	111.4	41.3	38.2	73.9	76.7	17.0	15.6	18.6	16.5
Noninterest expense	243.0	247.5	184.8	165.6						